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## A Typology of Middle Manager Strategic Activity: An Exploration in an International Business Context

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*Technological University Dublin*

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**A Typology of Middle Manager Strategic Activity:  
An Exploration in an International Business Context**

**Dónal O'Brien**

**Dublin Institute of Technology**

**PhD**

**2014**

# **A Typology of Middle Manager Strategic Activity: An Exploration in an International Business Context**

**Dónal O'Brien**



A thesis submitted in fulfilment of the requirements for the

Award of Doctor of Philosophy

College of Business

Dublin Institute of Technology

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**Supervisors:**

Dr. Pamela Sharkey Scott, Dublin Institute of Technology

Prof. Pat Gibbons, University College Dublin

## **Abstract**

There is a growing body of literature which recognises the strategic importance of middle managers (Westney, 1990, Kanter, 1982, Balogun, 2003, Balogun et al., 2011, Tippmann et al., 2013). Through enactment of strategic activities, middle managers influence how strategy develops in organisations (Aherne et al., 2014). Floyd and Wooldridge (1992) developed a model of upward and downward strategic activity which has been the basis for much of the research on middle managers. However, recent developments have highlighted the limitations in only researching upward and downward strategic activities (Rouleau and Balogun, 2011). Middle managers are engaged with interfaces above and below them, and also at the horizontal level both inside and outside the organisation. This research addresses this gap and platforming from the Floyd and Wooldridge (1992) model, develops a new typology incorporating the upward, downward and horizontal strategic activities of middle managers.

The chosen context of this study is the subsidiary general manager level in multinational corporations (MNCs). The complex nature of the structures of the MNC is an exemplar case to examine strategic activities at the middle management level. Despite the growth in research on multinational subsidiaries, there is a lack of understanding of how strategy develops at the subsidiary manager level (Dörrenbächer and Geppert, 2006, Birkinshaw and Pedersen, 2009). This study addresses this issue by conceptualising the subsidiary general manager as an MNC middle manager.

The new framework of middle manager strategic activity is applied to the subsidiary general manager of the MNC. Semi structured interviews with senior subsidiary managers refined the theoretical model and informed the survey instrument, which is the primary research tool in this study. The general managers of more than 1,200 Irish subsidiaries of foreign MNCs were surveyed, with a response rate of 16%. Exploratory factor analysis and multiple regression analysis are used to test the antecedents and outcomes of the middle manager's strategic activity. Confirmation of the typology, and of the significance of individual manager's skills and competences to subsidiary level outcomes, including learning, strategy creativity and initiatives, make important contributions to three streams of literature: the middle management strategy literature, the international business literature and the literature on the importance of individuals within the organisation.

### **Declaration**

I certify that this thesis which I now submit for examination for the award of Doctor of Philosophy, is entirely my own work and has not been taken from the work of others and to the extent that such work has been cited and acknowledged within the text of my work.

This thesis has been prepared according to the regulations for postgraduate study by research of the Dublin Institute and has not been submitted in whole or in part for an award in any other Institute or University.

The work reported in this thesis conforms to the principles and requirements of the Institute's guidelines for ethics in research.

Signature\_\_\_\_\_

Date\_\_\_\_\_

*Bronnaim an tráchtas seo i ndíl chuimhne ar m'athair  
Pat O'Brien*

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Halfway through my PhD journey I became a full time lecturer in the College of Marketing, which was and is, a wonderful opportunity but also brought its challenges. I could never have juggled the two without the support of Paul, Kate, Roger, Katrina, Teresa, Phil, Colin, Gerry, Eddie, Tom, Stacy and many others who understood the journey and went way out of their way to help me. I also walked into an office at that point with Kevina and Paudie who provided a support group in office 2061, I am so grateful to you both. A special thanks must also go to Dr. Joe Coughlan, who was not only a fantastic lecturer of mine but also took the time to review my work at crucial stages throughout the process, I am hugely grateful. I would also like to thank all of my students who were also a great source of support and encouragement.

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At one of the first conferences I travelled to, I attended a presentation at a doctoral colloquium where the subject was “The Student Supervisor Dynamic”. At this presentation a wide variety of people discussed how a poor relationship with a supervisor can make the completion of a PhD extremely difficult. I can only say that I had the complete opposite experience. I will always consider meeting Dr. Pamela Sharkey Scott to be one of the most fortunate meetings in my life. Her depth of knowledge, work ethic and commitment to her students are an example to all. But most importantly, she is just an extremely nice person who had the judgement to know when at times to exercise patience with me, but also to know when to say “Donal will you just do it, and stop talking about it”. I look forward to what I hope will continue to be a brilliant working relationship and friendship.

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## Academic Recognition

### Publication

O'Brien, D. P. Sharkey Scott, & P. Gibbons. (2013). Developing Strategy from the Middle: Subsidiary Strategy and the Role of the Subsidiary General Manager. *Irish Journal of Management*, 32(2): 109-28.

### Book Chapters

O'Brien, Donal Pamela Scott, & P. Gibbons. (2011). From Federation to Global Factories: Assessing the Contribution of the Subsidiary Middle Manager in Today's MNE. In Hutson, Elaine, Rudolf R Sinkovics, & Jenny Berrill, editors, *Firm-Level Internationalisation, Regionalism and Globalization*. Houndmills, Basingstoke, U.K: Palgrave MacMillan.

O'Brien, D. & P. Sharkey Scott. (2012). Correlation and Regression, *Approaches to Quantitative Research – A Guide for Dissertation Students*: Oak Tree Press.

### Conference Papers and Awards

O'Brien, D. P. Sharkey Scott, & P. Gibbons. (2014). Strategy in Multinational Subsidiaries: An Empirical Investigation into the Strategic Roles of MNC Middle Managers. *34th Strategic Management Society Conference*, Madrid, Spain.

O'Brien, D. P. Sharkey Scott, & P. Gibbons. (2014). Understanding the Strategic Activities of Subsidiary General Managers as MNC Middle Managers: Extending the Middle Manager Typology *Academy of International Business (UK and Ireland Chapter) Conference*, York University, UK, **(Awarded the Stephen Hood and Neil Young Award for Most Original Work)**

O'Brien, D., P. Sharkey Scott, & P. Gibbons. (2014). Strategic Entrepreneurship in Multinational Subsidiaries *ICSB World Conference on Entrepreneurship*, Dublin, Ireland.

O'Brien, D., P. Sharkey Scott, & P. Gibbons. (2013). Strategy from the Middle; Subsidiary General Managers as MNC Middle Managers. *33rd Strategic Management Society Conference*, Atlanta, Georgia. **(Nominated for Best Practice Implications)**

O'Brien, D., P. Sharkey Scott, & P. Gibbons. (2012). Strategic Activity in the Today's Multinational Subsidiaries *Irish Academy of Management Conference*, NUI Maynooth. **(Awarded Best Paper in Strategic Management Track)**

O'Brien, D., P. Sharkey Scott, & P. Gibbons. (2012). Developing Strategy from the Middle: Subsidiary Strategy and the Role of the Subsidiary General Manager. *32nd Strategic Management Society Conference*, Prague, Czech Republic.

O'Brien, D. (2011). Developing Strategy from the Middle; Subsidiary Strategy and the Role of the Subsidiary General Manager. *Irish Academy of Management Conference*, National College of Ireland, Dublin. **(Awarded Best Overall Postgraduate Paper and Best in Strategic Management Track)**



O'Brien, D., P. Sharkey Scott, & P. Gibbons. (2011). Subsidiary Strategy and the Role of the Subsidiary Manager: Integrating the Middle Manager Perspective. *Academy of International Business (UK and Ireland Chapter) Conference*, University of Edinburgh Business School

O'Brien, D., P. Sharkey Scott, & P. Gibbons. (2010). From Federations to Global Factories; Assessing the contribution of the subsidiary middle manager in today's MNE. *Academy of International Business (UK and Ireland Chapter) Conference*, Trinity College, Dublin, Ireland **(Selected Best Paper for Publication as Book Chapter)**

O'Brien, Donal, P. Sharkey Scott, & P. Gibbons. (2010). Assessing the contribution of the subsidiary middle manager in today's MNE. *Irish Academy of Management Conference*, Cork Institute of Technology.

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## Summary of Thesis Structure

### Chapter One: Introduction



### Chapter Two: Strategy From the Middle

- Review of Middle Management Literature
- Review of Subsidiary Management Literature
- The MNC Middle Manager



### Chapter Three: New Typology of Middle Management Strategic Activity

- Selecting the Framework
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## **Chapter One: Introduction**

The discipline of strategic management is predominantly focused on how the top management team (TMT), through their strategic decisions, influence firm performance (Papadakis et al., 1998). However, there is a growing recognition of the contribution of the middle management level to strategy in organisations (Westney, 1990, Hornsby et al., 2002, Dutton et al., 1997, Kanter, 1982, Mintzberg, 1996), prompting Floyd and Wooldridge's (1992) development of a seminal typology of middle manager strategic activity. This typology established that middle managers influence strategy upwards to TMTs through synthesising information about company activities and championing new potential alternatives. Secondly, middle managers influence how strategy develops below them through the process of implementing the company's deliberate strategy and in facilitating adaptive approaches. The combination of these activities can impact significantly on strategic outcomes (Floyd and Wooldridge, 1997).

Middle management research to date confirms the strategic importance of middle managers (Wooldridge et al., 2008). However, there is theoretical support and anecdotal evidence that the Floyd and Wooldridge (1992) typology fails to capture some of the more intricate middle manager activities. There is an increasing body of literature which suggests that middle managers make a richer contribution to strategy than previously considered (Balogun and Johnson, 2004, Rouleau and Balogun, 2011, Balogun, 2003, Balogun et al., 2011, Mantere, 2008, Tippmann et al., 2013). While effective strategic management in organisations is reliant upon middle managers connecting the top and the bottom of the organisation, this overlooks crucial strategic activities taking place in the middle of the organisation. Middle managers are responsible for connecting managers at their own level within the organisation, and with managers at similar levels in external organisations. These horizontal activities have

been largely overlooked to date (Rouleau and Balogun, 2011). This research addresses this gap by developing a new typology of horizontal and vertical middle manager strategic activity, platformed on the original work of Floyd and Wooldridge (1992).

An extensive literature review supports this new encompassing typology which more fully encapsulates the strategic activity of middle managers. In their position in the centre of the organisation, middle managers are engaged with interfaces above them, below them, and at their own level. The new typology proposed by this study develops eight strategic activities which capture these different interfaces. The four activities established by Floyd and Wooldridge (1992) are maintained, and four new horizontal activities are established. The study develops arguments to demonstrate, that within their own organisation, middle managers carry out activities related to internal coordinating and deepening internal networks. In addition, outside of the organisation middle managers are engaged in activities related to external business trading and expanding external links. Combined with the original typology of Floyd and Wooldridge (1992), these four new horizontal roles more truly capture the strategic activities of middle managers.

The chosen exemplar context in which to explore the appropriateness of the new framework is the subsidiary of the multinational corporation (MNCs), taking the subsidiary general manager as an MNC middle manager. The MNC is now the most dominant form of economic activity in the world, and represents a unique context in which to explore the complexities of middle management's strategic activities. To date, despite the intuitive appeal of this rich and varied context, few studies have attempted to explore the strategic activities of middle managers in this complex setting. In fact, despite the growth of subsidiary research in international business literature, research hasn't done enough to uncover crucial practices

relating to strategy at subsidiary management level (Dörrenbächer and Gammelgaard, 2006, Patterson and Brock, 2002, Birkinshaw and Pedersen, 2009).

In particular, the relationship between the skills and competence of the individual middle manager and the contribution of the subsidiary needs further investigation (Balogun et al., 2011). In response, a major survey of the population of subsidiary managers in Ireland is undertaken. The MNC subsidiary sector in Ireland represents a dynamic environment in which to carry out a study of this nature. While cognisant of the limitations of this geographical and organisational setting, the findings will have major insights for middle managers operating in all large organisations.

The following chapter establishes the theoretical importance of middle management research in the context of the MNC. Chapter three then builds the theoretical foundation for the new typology of middle management strategic activity. This is followed by an outline of the hypothesis development for the proposed model in chapter four. Chapter five sets out the research methodology for a large scale survey of MNC middle managers. The findings from the statistical analysis are reported in chapter six. Chapter seven identifies the key contributions of the research for three streams of literature: middle management strategy literature, international business literature and the literature on the importance of individuals to strategy.

## **Chapter Two: Strategy from the Middle**

### **2.1 Introduction**

Recently strategy research has expanded beyond the top management perspective, to recognising mid-level professionals, whose activities and behaviours have important consequences for strategy formation within organisations (Wooldridge et al., 2008). Middle management includes managers who give and receive direction (Stoker, 2006). These managers are closer than senior managers to day to day operations, customers and frontline employees, but are still removed enough from frontline work to “see the bigger picture” (Huy, 2001, pp. 73). Middle managers have knowledge about the operations of the firm but also have access to senior management who rely on their contribution (Kanter, 1982, Wooldridge and Floyd, 1990, Balogun et al., 2011). Thus middle managers are increasingly important to the strategy process in organisations (Aherne et al., 2014, Osterman, 2009).

Research on middle managers has added much to our understanding of strategy and change in organisations and offers great promise for future insight. The roles and influence of middle managers have been examined from different perspectives; corporate entrepreneurship (Bower, 1970, Burgelman, 1983c, Hornsby et al., 2002), innovation and organisational learning (Kanter, 1982, Nonaka, 1994, Nonaka and Takeuchi, 1995, Tippmann et al., 2012), strategy implementation (Balogun and Johnson, 2004, Guth and MacMillan, 1986, Huy, 2002, Aherne et al., 2014, , 2011), strategy making process (Currie and Procter, 2005, Dutton and Ashford, 1993, Floyd and Lane, 2000, Pappas and Wooldridge, 2007, Wooldridge and Floyd, 1990), organisational change (Stoker, 2006, Balogun, 2003, Balogun and Johnson, 2005, Balogun, 2006) and organisational performance (Mair, 2005, Floyd and Wooldridge, 1997). Although the research questions addressed have varied widely, this emerging “middle manager perspective” shares the premise that middle managers are central to explaining key organisational outcomes (Wooldridge et al., 2008). However, from a strategy perspective



research has not always been able to identify this link. Although the roles and influence of middle managers have been studied in detail, there is still much work to be done to fully determine how middle managers, who lack the formal authority of senior management, act strategically and impact on organisational outcomes (Rouleau and Balogun, 2011).

## **2.2 The Middle Manager Perspective**

A number of motivations are outlined as the basis for a middle management perspective. Due to their intermediate position in the organisation, middle managers serve as important interfaces between otherwise disconnected actors and domains (Floyd and Wooldridge, 1999, Nonaka, 1991). Whereas early research focused on managers as sources of resistance (e.g. Guth and MacMillan, 1986), later accounts highlighted their potential as agents of change (e.g. Huy, 2002). Research also suggests that middle managers are more likely than top managers to penetrate the causal ambiguities surrounding relationships between an organisation's capabilities and its economic performance (King and Zeithaml, 2001). Therefore middle managers are an important point of observation to study the organisational process associated with building and renewing capabilities.

Middle management research also posits an alternative model of strategic choice in organisations and questions the position of senior management elites (Hambrick and Mason, 1984), as the main source of influence on organisational outcomes. This view acknowledges that complex, geographically dispersed organisations cannot be managed by single actors or even small groups but require distributed and interactive leadership throughout the organisation where middle managers act as important mediators between levels and units

(e.g. Balogun and Johnson, 2004). Despite these acknowledgements there is a lack of coherent research on the impact of middle managers in large internationalised firms.

The reasons behind this lack of clarity are explained by some of the underlying difficulties in studying the activities of middle managers. Unlike top level managers in organisations, identifying the most strategically influential and relevant mid-level professionals is problematic, and understanding why some middle managers are involved in, and influence the process more than others is a difficult issue (Pappas and Wooldridge, 2007). Also in contrast to strategy research on top managers which focuses specifically on strategic decisions, middle management research views strategy as a social learning process (Mintzberg, 1978). Therefore rather than keeping the underlying process hidden, exploring the strategy-making process to understand how managers are involved in and influence strategy is key to middle management research (Rouleau and Balogun, 2011, Balogun et al., 2014, Mantere, 2008). This heightened focus on process can make it more difficult to study definitive outcomes (Wooldridge et al., 2008). Top management team research focuses exclusively on such effects, whereas middle management research is also concerned with intermediate outcomes such as subunit performance and initiative development (Hornsby et al., 2002, Dutton and Ashford, 1993, Dutton et al., 1997). As a result of this complexity, strategy research from a middle management perspective has addressed a wide variety of issues and used a variety of methodological approaches resulting in a fragmented stream of research whose cumulative impact is often difficult to discern.

### **2.3 Defining the Middle Manager**

In their seminal work on middle management Floyd and Wooldridge (1992, pp.157) employed an operational definition of middle managers outlined by Pugh (1968);

Middle managers are organization members who link the activities of vertically related groups and who are responsible for at least sub functional work flow, but not the work flow of the organization as a whole.

This definition has been the basis for much of the middle management research which has developed since. Growing understanding of the breadth and depth of the strategic activities of middle managers suggests that this definition has limited the scope of research. The particular difficulty is the focus on vertical activities which has led to middle managers being conceptualised as linking pins between vertical strategy processes (Likert, 1961, Floyd and Wooldridge, 1997). As a result research has predominantly focused on the upward and downward strategic activities of middle managers. There is recent evidence to suggest that middle managers are not only engaged in these vertical strategic activities, but are also engaged in horizontal strategic activities, both inside and outside the firm (Rouleau and Balogun, 2011, Balogun and Johnson, 2005). Middle management research needs to study a wider range of middle management activities to include both the vertical and horizontal strategic activities (Wooldridge et al., 2008). An exemplar context to carry this out is the complex organisational setting of the multinational corporation (MNC).

In the modern economies of the world the multinational corporation (MNC) has emerged as the most dominant form of economic activity and strategic management research within these firms is a major source of enquiry (Rugman and Verbeke, 2003, Rugman et al., 2011b, Mudambi, 2011, Dunning, 1995, Newburry, 2011). However, research has not yet provided clear insights into how middle managers operate within these multifaceted, multi-structured

organisations. The competitive advantage of the MNC is built upon the contribution of its network of subsidiaries. As a result the most senior manager in a multinational subsidiary is one of the most crucial middle managers operating in organisations today, yet middle management research has not realised the potential of focusing on this specific middle management level. This study addresses this issue and identifies the most senior subsidiary manager, not as a subsidiary general manager, but as the MNC middle manager.

#### **2.4 The MNC Middle Manager**

By viewing strategy as a social learning process (Mintzberg, 1978), the middle management perspective has considerable potential to unlock strategic processes within large organisations. However, the potential of taking the subsidiary general manager as an MNC middle manager has been largely overlooked in research, with some notable exceptions (e.g. Dutton and Ashford, 1993, Dutton et al., 1997, Dutton et al., 2001, Delany, 2000, Boyett and Currie, 2004, Balogun et al., 2011). The subsidiary management level in MNCs fits all of the assumptions of the middle management perspective as set out by Floyd and Wooldridge (2000), in their influential book. The middle management perspective assumes that it is the mid-level of organisations where knowledge about directions, operations and context is most likely to come together to form a complete strategic picture. Motivation on the part of midlevel actors is assumed and individuals are expected to be motivated to act strategically (Balogun, 2003, Hornsby et al., 2002). Finally, in order for the actions of middle managers to result in strategic renewal, a significant degree of midlevel autonomy is assumed (Floyd and Wooldridge, 1992, Aherne et al., 2014). Renewal requires actors to engage in activities and take chances that go beyond top management intentions. The body of literature on subsidiary

management meets all of these assumptions but surprisingly the middle manager perspective has not been applied in any great detail to the subsidiary general manager.

## **2.5 Subsidiary Operations**

In a study of subsidiary management it is firstly important to define what is meant by multinational subsidiaries. The focus in this study is on the management of wholly owned subsidiary operations, where the subsidiary is defined as a value adding activity outside of the MNC's home country (Birkinshaw and Pedersen, 2009, Patterson and Brock, 2002, Birkinshaw, 2001). The multinational subsidiary is commonly conceptualised as an integral part of MNC strategy and a strategic decision maker in specific local contexts (Andersson et al., 2002, Garcia-Pont et al., 2009, Meyer et al., 2011, Birkinshaw et al., 2005). A unit's strategic responsibility is to combine the resources of the MNC with local resources in the host economy to create products or services that it can then supply to external markets or within the internal market of the MNC (Rugman and Verbeke, 2001, Birkinshaw, 1996, Birkinshaw, 1997, Birkinshaw and Hood, 1998, Birkinshaw et al., 2005, Taggart, 1998a, Ambos et al., 2010). Subsidiary managers contribute to the MNC's global strategy by assuming a strategy that creates and exploits opportunities in their specific context (Meyer and Estrin, 2014, Ambos et al., 2010).

From the MNC perspective, it is commonly assumed that subsidiaries will execute a headquarters determined strategy for their unit uniformly and consistently (Prahalad and Doz, 1987, Bartlett and Ghoshal, 1989, Devinney et al., 2000, Dunning, 2001). In practice however subsidiaries vary considerably in what they do and how they engage in strategic activities. This variation of subsidiary strategic activity within an MNC depends on both the

MNC's global strategy and the availability and character of resources (Anand and Delios, 2002, Hennart, 2009, Anand, 2011). Subsidiary strategy emerges from the interaction of firm specific and country specific advantages (Rugman and Verbeke, 2001). The strategic actions of subsidiary management are crucial to this process. Therefore it is notable that up to now, research has been very slow, to attempt to understand how subsidiary managers carry out their roles (Dörrenbächer and Geppert, 2006, Dörrenbächer and Gammelgaard, 2006, Rugman and Verbeke, 2003). The reasons behind this oversight may be explained in the slow rise to prominence of the subsidiary manager in international business research.

## **2.6 Subsidiary Strategy**

The concept of 'subsidiary strategy' permeates international business literature (Taggart, 1998a, Taggart, 1998b, Birkinshaw and Hood, 1998, Dorrenbacher and Gammelgaard, 2010, Meyer and Estrin, 2014, Garcia-Pont et al., 2009, Delany, 2000) but despite its prominence, what actually constitutes subsidiary strategy has not been adequately explained. This may be partially due to the use of the terms 'subsidiary strategy' and 'subsidiary role' somewhat interchangeably in the literature (Birkinshaw, 1997). The important difference is that 'subsidiary role' (Birkinshaw, 1996, Dörrenbächer and Gammelgaard, 2006) suggests a mandate bestowed by MNC headquarters (Birkinshaw, 1996) whereas 'subsidiary strategy' (Garcia-Pont et al., 2009, Meyer and Estrin, 2014) implies a level of strategic 'choice' by subsidiary level management (Birkinshaw and Hood, 1998).

Like managers of independent firms, subsidiary managers pursue strategies to achieve economic objectives, but as middle managers in MNCs, they do so interdependently with their parent MNC. The parent provides subsidiaries with access to resources, but also insists

on sharing their resources, and places constraints on the initiatives that subsidiary managers can pursue (Birkinshaw and Hood, 1998, Birkinshaw and Morrison, 1995, Ciabuschi et al., 2011). With increased globalisation the complex pressures placed on subsidiary managers have been amplified in recent years. Subsidiary activities have become more 'fine sliced' within global value chains and the economies of host countries have become more sophisticated (Kedia and Mukherjee, 2009, Doh, 2005, Ghauri and Yamin, 2009, Buckley, 2009a). Advances in technology and communications have also meant that the issues of management control in MNCs are changing dramatically (Yamin and Sinkovics, 2007, Sinkovics et al., 2011, Andersson and Pedersen, 2010).

As a result of these developments subsidiaries are now being asked to meet a number of different strategic objectives simultaneously. Frequently they are specialising in more narrowly defined activities as part of highly integrated MNC structures. As such they trade their products and services with subsidiaries at other locations as part of the MNC's global strategy (Buckley, 2009a, Koza et al., 2011, Rugman et al., 2011a). They are also asked to contribute to the global operations of the MNC by combining local resources with the MNC's global competences. Furthermore, the role of the subsidiary may evolve over time which requires management to evolve with it (Birkinshaw and Morrison, 1995, Birkinshaw and Hood, 1998, Santangelo and Meyer, 2011).

## **2.7 Developments in Subsidiary Management Research**

The emergence of the MNC post World War II stimulated research interest in the management of dispersed units or subsidiaries. Historically, headquarters was considered the only source of competitive advantage for an MNC to be leveraged overseas by the transfer of

knowledge to foreign subsidiaries (Dunning, 1981, Vernon, 1966). Initial studies generally adopted the MNC, or the MNC-subsidiary relationship, as the primary unit of analysis. From the 1970s on MNC structures underwent a profound process of change in terms of the functions performed by subsidiaries and the nature of their relationships with their head offices, other operating units within their parent firms and the local environments in which subsidiaries are located (Birkinshaw and Hood, 1998, Birkinshaw and Hood, 1998b, Patterson and Brock, 2002). It was not until the 1980s, with the publication of Otterbeck's (1981) seminal paper on the management of headquarters / subsidiary relationships, that the management of multinational subsidiaries was recognised as a distinct field of research from within the fields of international and strategic management. This field then developed in four discernable streams setting the foundation for a progression towards taking the subsidiary itself as the unit of analysis (Birkinshaw and Pedersen, 2009, Patterson and Brock, 2002). The four themes are; Strategy / Structure, Headquarters Subsidiary Relationship, MNC Process Research, Subsidiary Role.

### **2.7.1 Foundations of Subsidiary Research**

*Strategy / Structure*; The alignment between strategy and structure in large corporations emerged out of early work on organisation theory. Initially, literature focused on the strategies and structures of MNCs from a classical perspective, attempting in the main to understand why certain structures were adopted (Stopford, 1972, Egelhoff, 1982, Daniels et al., 1984). Bartlett and Ghoshal (1989) proposed the "transnational solution" as the preferred design for the multinational corporation and this approach emerged as a dominant paradigm. The transnational corporation spreads its operations across many regions and maintains high levels of local responsiveness. Structure is seen as something which changes to fit strategy, at least in the short term. This stream assumes that strategy itself was developed at corporate

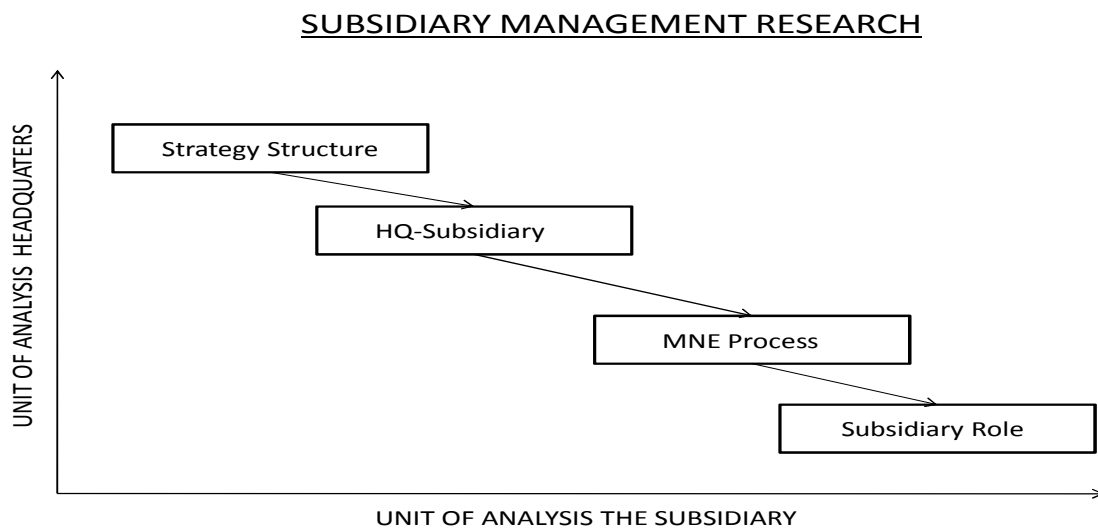


headquarters and little consideration is given to the role of the subsidiary in strategy development.

*The Headquarters-Subsidiary Relationship;* This literature stream is the first to give real attention to MNC subsidiaries and their potential for independent thinking, but rather than focusing on those possibilities, it is predominantly concerned with how headquarters control subsidiaries. The main focus was on centralisation and formalisation of decision making (Gates and Egelhoff, 1986, Hedlund, 1981), as well as how to integrate a portfolio of subsidiaries to maximise the usefulness to headquarters (Picard, 1980). This research is the first to acknowledge that subsidiaries can attain a certain level of autonomy and influence (Patterson and Brock, 2002). The notion that subsidiaries could potentially engage in strategy development at a local level had emerged.

*MNC Process Research;* Originating from the strategy process literature, this stream emphasises strategic decision making and organisational change in MNCs. Moving from the more formal headquarters-subsidiary relationship structure and their focus on traditional hierarchical relationships, this body of research highlights a more complex, dynamic reality (Birkinshaw and Pedersen, 2009). Subsidiaries often have unique access to key resources, operate with far more degrees of freedom than is officially condoned, and formal structure is often less important than management systems or culture as a way of controlling subsidiary managers (Doz, 1976, Prahalad, 1976, Bartlett, 1979, Prahalad and Doz, 1981, Hedlund, 1986). However, similar to the strategy-structure stream, the primary unit of analysis remains the entire MNC rather than the subsidiary, and the potential for subsidiary strategy development was overlooked.

*Subsidiary Role* ; The shift in emphasis, initiated by the process stream, towards adopting the multinational subsidiary as a unit of analysis and, to some extent, taking the headquarters as an external factor, allowed researchers to take a detailed look at the various strategic roles of those subsidiaries (Patterson and Brock, 2002). This development prompted the emergence of the subsidiary role stream. Following Ghoshal’s (1986) study of innovation processes identifying the role of the subsidiary in generating innovations for diffusion across the organisation, researchers began investigating the different roles that subsidiaries play within the MNC (White and Poynter, 1984, Crookell, 1987, Birkinshaw, 1996, Birkinshaw and Hood, 1998). What emerged from this research was a recognition that subsidiaries were assigned different roles based on their unique resources and capabilities, and that some subsidiaries enjoyed considerable autonomy over the development of their own role (Bartlett and Ghoshal, 1986).



Adapted from Paterson and Brock (2002) & Birkinshaw and Pedersen (2009)

**Figure 1: Subsidiary Management Research**

The shift in emphasis highlighted in figure 1, towards setting the multinational subsidiary as a unit of analysis and, to some extent, taking the headquarters as an external factor, allowed researchers to take a detailed look at the various strategic roles of those subsidiaries (Patterson and Brock, 2002). It was this change in emphasis which became the foundation of the most recent research themes focusing on the drivers of subsidiary development.

## **2.8 Subsidiary Development**

The role played by subsidiaries and their competitive position within their respective MNCs are perceived as being subject to change over time (Achcaoucaou et al., 2014). This development process can largely be seen as a response to the pressures and opportunities arising from changes in the nature of markets and the increasing pace of technological change (Mudambi, 2008, Ghauri and Yamin, 2009, Rugman and Verbeke, 2003). Increased globalisation processes, the shortening of product life cycles and the overall need for greater flexibility in all areas of corporate activity have had a major impact on the development of the multinational subsidiary (Dunning, 1995, Pearce, 1999, Mudambi, 2008, Buckley, 2009a, Rugman et al., 2011b).

Past MNC research on the parent company subsidiary relationship tended to focus on the different strategic roles of the subsidiary in relation to the parent company and/or sister subsidiaries (Bartlett and Ghoshal, 1986, Ghoshal and Bartlett, 1988, Gupta and Govindarajan, 1991, Jarillo and Martinez, 1990). A long running assumption underlying early research was that subsidiary capabilities were an inferior sub-set of capabilities transferred from the parent company (Kurakawa et al., 2007). In addition to that subsidiaries were seen as having stable and limited degrees of freedom, in terms of autonomy versus control from their parent, to shape the development of their own capabilities (Asakawa, 2001). More

recent research on subsidiary development has questioned these assumptions (Collinson and Wang, 2012).

An important development was the stream of literature which investigated how subsidiary roles evolve over time. The recognition that subsidiary evolution could be driven by a number of sources was a major step forward for subsidiary research (Balogun et al., 2011). Birkinshaw and Hood (1998) provided a particularly influential model, emphasising three drivers of evolution: the parent company, choice on the part of the subsidiary and the host country environment. Although the authors acknowledge that the three mechanisms interact to determine the subsidiary's role, the point is not specifically developed (Van Egeraat and Breathnach, 2012). Patterson and Brock (2002) present a more elaborate model that highlights the interactions between the three drivers. Tavares (2002) again built on the framework of Birkinshaw and Hood (1998) and propose an extensive multilevel systems perspective on subsidiary evolution built around the same set of three drivers: the subsidiary itself, the internal environment of the MNC and the external environment. The identification of these three interrelated pillars as crucial to subsidiary development has been vital to the research on MNC subsidiaries. Of particular importance was the concept that subsidiary management themselves, were a crucial driving force of subsidiary development (Balogun et al., 2011, , 2006, Dörrenbächer and Geppert, 2006, Dorrenbacher and Gammelgaard, 2011, Van Egeraat and Breathnach, 2012). However, despite the recognition of the importance of subsidiary management, from a strategy perspective, research has not properly addressed the issue of how subsidiary managers actually engage in strategy. This oversight may be due to some of the difficulties in grasping what strategy actually means for multinational subsidiaries.

## **2.9 Changing MNC Structures**

Historically MNCs face challenges of renewal as they have to adapt to an ever evolving global environment (Bartlett and Ghoshal, 1993). Currently many MNCs are going through major structural changes, which in turn requires a change to the MNC subsidiary relationship, and a shift in the role of the subsidiary manager (Balogun et al., 2011). MNCs are moving away from traditional hierarchical hub and spoke forms of organising, often based on the exploitation of local differences in autonomous country based operating units, to more differentiated network forms that enable specialisation where needed, but also greater integration where possible (Bartlett and Ghoshal, 1993, Nohria and Ghoshal, 1997)

### **2.9.1 The Federative MNC**

Conceptualising the MNC as a federative rather than a unitary organisation was first proposed by Bartlett and Ghoshal (1990). They contended that in the case of MNCs “fiat” is particularly limited not only because some of the subsidiaries are very distant and resource rich but more so because they control critical linkages with key actors in their local environments. Such forms of organising suggest that MNCs have more pluralist and dispersed power structures than had previously been acknowledged (Bouquet and Birkinshaw, 2008b, Dörrenbächer and Geppert, 2006, Ferner and Edwards, 1995). This led to the conceptualisation of the MNC as a federation of dispersed power units (Andersson et al., 2007, Andersson et al., 2002).

Within the federal structure two central characteristics confirm the potential for subsidiary management as major contributors (Reilly and Sharkey Scott, 2014). Firstly, subsidiaries share access to the MNC’s internal network of resources which they can leverage to develop competitive capabilities in their local markets (Ghoshal and Bartlett, 1988, , 1990, Bartlett and Ghoshal, 1989). This is illustrated by the literatures on both subsidiary embeddedness

(Anderson and Forsgren, 1996, Andersson et al., 2001, Andersson et al., 2002, Figueiredo, 2011, Meyer et al., 2011) and subsidiary entrepreneurship (Birkinshaw, 1997, Birkinshaw, 1999, Birkinshaw et al., 2005, Birkinshaw and Hood, 1998, Williams, 2009, Scott et al., 2010). Secondly, subsidiaries can also engage in collaborative efforts to build combinative capabilities with other subsidiaries within the internal network of the MNC (Kogut and Zander, 1992, Andersson, 2003). The subsidiary is essentially an insider in two systems and can thus collaborate with both internal and external networks and build influence within the federative MNC (Collinson and Wang, 2012).

Subsidiary embeddedness in both internal and external networks has serious implications for the ability of headquarters to retain exclusive control over strategy (Yamin and Sinkovics, 2007). Firstly embeddedness generates knowledge based resources through subsidiary linkages within networks (Andersson et al., 2002, Forsgren et al., 1999). Such resources are typically outside the control of MNC headquarters and increase a subsidiary's power and hence its scope for independent action and initiatives (Andersson et al., 2002, Birkinshaw and Ridderstråle, 1999, Mudambi and Navarra, 2004). Secondly and perhaps even more importantly, the networks in which the subsidiary is located, are often invisible to corporate headquarters (Holm et al., 1995, Yamin and Sinkovics, 2007). As a consequence knowledge deficit is created, and related bounded rationality problems arise for headquarters in terms of the subsidiary's operating environment and resource base (Cantwell and Mudambi, 2005). Andersson et al (2007) contend that the vital element in the federative model is that it highlights how the subsidiary's own actions can influence the strategy of the MNC 'from below'. Therefore the federative model proposes a landscape where subsidiaries have a number of strategic options to influence their own future and that of the overall MNC.

However, the emergence of the more global factory structures may threaten the range of strategic options available to MNC middle managers.

### **2.9.2 The Global Factory**

The overall consideration determining the extent of multinationality remains the retention of control over corporate strategy by headquarters (Hymer, 1970). The root of the control problem in the federative structure is the invisibility of subsidiary networks and the resultant knowledge deficit for the headquarters. However, although MNC headquarters may experience a limit to their power in controlling distant subsidiaries, they retain the power to structure the corporation in suitable ways to reduce its federative character (Yamin and Forsgren, 2006). There is evidence of this power in two important structural developments, which may herald the 'demise of the federative MNC' (Yamin and Sinkovics 2007 p.326).

Firstly, subsidiary value chain scope is being dramatically reduced, driven by MNC top management's increased control over their network of subsidiaries. In the federative MNC, national subsidiaries play an important role in the organisation. But the national subsidiary is becoming an 'endangered species' (Birkinshaw, 2001). In the place of a national subsidiary, there is a series of discreet value added activities each of which reports through its own business unit or functional line. Buckley and Ghauri (2004) contend that MNC strategies now revolve around the disintegration of the value chain. The managers of MNCs are increasingly able to segment their activities and to seek the optimal location for increasingly specialised slivers of activity. Mudambi (2008) outlines how this process of 'fine slicing' enables firms to amplify their focus on narrower activities within the value chain associated with the highest value added. The second structural development comprises increased offshoring and outsourcing of core activities. Through outsourcing, the MNC centre shifts from invisible

networks around subsidiaries to visible networks controlled by the centre itself. As a result externalisation actually helps shift the balance of power in favour of control and planning by the MNC centre (Nolan et al., 2002, Strange and Newton, 2006).

The motivation for the establishment of subsidiaries has changed and therefore there is a need to adopt a new approach to the study of the subsidiary manager (O'Brien et al., 2011, O'Brien et al., 2013). Traditionally international business scholars assumed that the key strategic issue for the MNC was the handling of the tension between the imperative of global integration on the one hand and the need for national responsiveness on the other (Bartlett and Ghoshal, 1987). The need for responsiveness, in part, reflected an environment in which national governments had significantly more bargaining power in their dealings with MNCs than they generally do today. Globalisation has reduced the need for national responsiveness. Overall MNC strategies are moving towards greater global, or at least regional, integration and their investment decisions are increasingly motivated by efficiency and strategic asset seeking (Rugman and Verbeke, 2004, Rugman and Verbeke, 2005). The growing liberalisation of markets and greater mobility of firm specific assets have become key influences on MNC strategies (Dunning, 2000, Dunning, 2002, Dunning and Narula, 2004). The pattern of FDI flow is increasingly influenced by the reality that host countries fit into the strategic calculation of MNCs as sites for key resources or capabilities rather than markets. The more precise use of locational and ownership strategies by MNCs is the very essence of increasing globalisation. Rather than federations, MNCs are now developing into what Buckley has labelled the 'global factory' (Buckley, 2009a).

The notion of MNCs as a global factory requires a rethink of the role of the subsidiary within the MNC. Instead of enjoying responsibility for many of the value chain elements associated



with particular products of services subsidiary units may now find their responsibility narrowed to just limited aspects of much wider activities. Essentially this structural shift, driven largely by a desire for cost saving, divides once holistic value chains into packages of potentially unrelated activities spanning across multiple and dispersed value chains (Scott and Gibbons, 2011). In turn within these competitive environments location based advantages are likely to erode as global value chains become even more disjointed, leading subsidiary roles to become even more narrow and specialised having major implications for subsidiary management. It is imperative that research begins to understand what the impact of these structural changes on the strategic role of the subsidiary manager in today's MNCs. Research however has struggled to properly apply strategy theory to the level of the subsidiary manager. These difficulties are due to the problems with adopting the subsidiary itself as the unit of analysis.

### **2.10 Applying Strategy Theory to the MNC Subsidiary**

Considering the depth of subsidiary management research it is strange that from a strategy perspective there are few clear insights to guide either researchers or subsidiary managers (Dörrenbächer and Geppert, 2009, Scott et al., 2010). Birkinshaw and Pedersen (2009) contend that within the field of multinational subsidiary research there is considerable scope for more careful application of theory. A great deal of the research which has been carried out to date has been well structured but lacking in strong theoretical underpinnings. However, the task of applying theory to multinational subsidiary research is challenging for a number of reasons. To begin with, the required level of analysis for the majority of theory is the MNC as a whole, rather than the subsidiary. Thus, problems arise when attempting to apply firm level theory to the subsidiary unit.

The underlying premise of subsidiary strategy is that despite the constraints placed on subsidiary management by headquarters and the marketplace, they still make decisions of their own volition, not simply on behalf of HQ (Birkinshaw and Pedersen, 2009). Analysis of subsidiary studies confirms that subsidiaries are engaging in strategy development, at least at a local level, with a view to building or at least maintaining current resources (Garcia-Pont et al., 2009, Birkinshaw, 1997, Birkinshaw and Hood, 1998, Birkinshaw et al., 2005, Delany, 2000, Meyer and Estrin, 2014). Theorising this behaviour represents a major consideration when selecting an appropriate research foundation.

The orthodox view of strategy development is based on the view that developing strategy successfully leads to competitive advantage yet this view is not appropriate when researching strategy at the subsidiary level of analysis. The subsidiary unit is only one part of the corporation, and given that competitive advantage is commonly argued to arise as a result of the unique configuration and coordination of a corporation's activities, then competitive advantage is not a basis to study subsidiary strategy (Porter, 1996, Hashai and Buckley, 2014). Instead it is important to identify the important elements that are the focus of strategic activity at the subsidiary level. Birkinshaw and Pedersen (2009) identify the market positioning component and the resource development component as the most important elements, but recent developments suggest that this may not be accurate. In the current environment it is important to ask the question; how much does the modern subsidiary manager identify with both of these components of strategy?

### Market Positioning

Subsidiary management's freedom to shape their market position has become increasingly constrained in recent times. The emergence of global customers for products has reduced the

requirement to develop products for the specific needs of a particular market (Mudambi, 2008). Outsourcing and offshoring of activities has also led to subsidiaries playing narrower roles within global supply chains (Buckley, 2009b, Buckley, 2011). Mudambi (2008) describes how corporate headquarters may decide on the particular location for value creation within their value chain, consigning the remaining subsidiary units to fulfil their specific role with little opportunity for any additional input. Increased access to information has also reduced knowledge deficit in MNCs, giving headquarters unprecedented access to the activities of their subsidiaries, and reducing the potential autonomy of the subsidiary (Sinkovics et al., 2011, Yamin and Sinkovics, 2007, Andersson and Pedersen, 2010). In fact most subsidiaries actually have far less control over their market positioning than the traditional approach would suggest and this current trend looks set to continue.

### Resource Development

Resources are defined as the stock of available factors owned or controlled by the firm, and capabilities are a firm's capacity to deploy resources, usually in combination, using organisational processes to effect desired end (Amit and Shoemaker, 1993). If a subsidiary is to be taken as a unit of analysis in its own right is it possible to split up resources and capabilities between the subsidiary and the MNC? Taking resources first, Birkinshaw and Pedersen (2009) argue that most tangible resources are held at the subsidiary level, while most intangible resources are held at the firm level. There are obvious exceptions to this analysis but the crucial point is that it is possible to identify the location or ownership of resources. To make such a split with capabilities is a much more difficult task. Some capabilities are definitely held at the firm level and are distributed across the network of subsidiaries. Others emerge at the subsidiary level and are particular to individual

subsidiaries. The majority, however, are located somewhere between the firm level and the subsidiary level making them very difficult to separate.

## **2. 11 Subsidiary Strategy from the Middle**

These arguments highlight the distinctive challenges in studying strategy development at the subsidiary management level, and the need for a new approach to subsidiary management research. Subsidiary management research has evolved to take the subsidiary itself as the unit of analysis, now research must incorporate factors associated with the unique context in which the subsidiary operates. Multinational subsidiaries exist within a context heavily dictated by their relationship with their parent company (Campbell et al., 1995, Goold et al., 1998). Recent developments in international business theory suggest that this relationship is increasingly based on control by the parent (Buckley, 2009b, , 2009a, , 2011). Complexity is further exacerbated by the drive towards subsidiary embeddedness, both internally and externally, so that as a result subsidiary management are pulled in a number of different directions (Garcia-Pont et al., 2009, Anderson and Forsgren, 1996). Despite these developments there is growing acceptance that subsidiary managers should retain the ability to make strategic decisions related to their own unit (Meyer and Estrin, 2014). However, if one considers the position of the subsidiary within the overall organisational structure of the MNE, the applicability of traditional strategic management approaches becomes more questionable.

At its origins, strategic management assumed that strategy research is about helping top managers determine appropriate organisational strategy and install necessary implementation mechanisms (Andrews, 1971, Ansoff, 1965, Chandler, 1962). Even after the field turned towards strategy process research the “top management” perspective remained the genesis for

virtually every hypothesis in empirical work, and most theoretical work has since moved under the same assumptions (Hambrick and Finkelstein, 1988, Hambrick and Mason, 1984).

The body of research on the “top management team” view of strategy represents some of the most coherent and cumulative research in the organisational sciences (Wooldridge et al., 2008). However, the particular context of the subsidiary highlights the limitations of its underlying assumptions and as a result, our understanding of how strategy develops at the subsidiary management level. The assumptions of the top management perspective on strategy development do not apply to the unique context in which subsidiary managers operate. By departing from previous positions and perceiving the subsidiary manager as a middle manager, it is possible to reframe the subsidiary management literature and contribute to the understanding of subsidiary manager’s role.

Strategy in organisations has moved from being seen as something that organisation have, to something that organisations do (Balogun et al., 2014, Johnson et al., 2003, Jarzabkowski et al., 2008, Whittington, 2006). Henry Mintzberg (1978) was one of the most influential contributors to this paradigm shift. The core concept in Mintzberg’s theory is the definition of strategy itself as ‘a pattern in a stream of actions’ (Mintzberg and Waters, 1985, p. 257). Defining strategy in this way means that strategic actions occur in many different parts of the organisation. The significance of this definition is that it broadens our view of strategy to encompass more than top management decision making. The definition suggests that strategy results, over time, from the activities of multiple actors (Floyd et al., 2011, Jarzabkowski and Paul Spee, 2009, Sminia, 2009). Therefore researchers interested in studying strategy no longer limited themselves to studying the thoughts and decisions of senior managers (Bower, 1970, Kanter, 1983, Schilit and Locke, 1982). There is a major contribution to be made in

combining the strengths of the middle manager perspective and the body of research of subsidiary management to develop a framework to study strategy at the MNC middle manager level.

## **Chapter 3: New Middle Manager Typology of Strategic Activities**

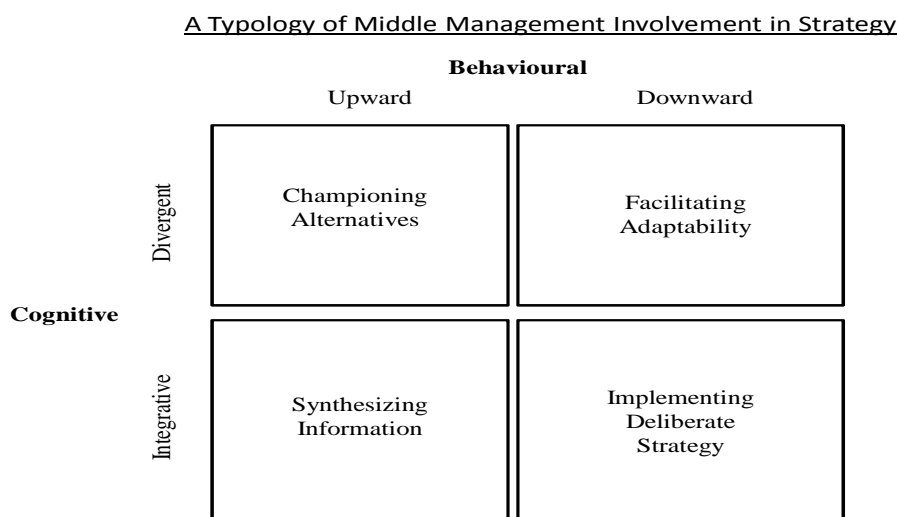
### **3.1 Selecting the Framework**

A number of authors discussed the role of middle management in strategy but Floyd and Wooldridge (1990) were the first to explicitly examine a relationship between middle management involvement in strategy and organisational performance. Building on important insights from earlier literature (Burgelman, 1983a, , 1983c, Mintzberg, 1978, Mintzberg and Waters, 1985, Hart, 1992, Hart and Banbury, 1994), Floyd and Wooldridge developed a model of four strategic activities of middle managers. They outlined two dominant theoretical arguments. Firstly that middle management involvement in strategy improves performance by improving the quality of strategic decisions. Cumulatively these decisions result in a superior organisational strategy. The arguments supporting this are that as environments become more complex and dynamic, leaders are less able to fully articulate comprehensive strategy. Instead strategy is made in the adaptive mode, and is the product of a stream of decisions made by many individuals over time (Mintzberg, 1978). In these situations where strategy should be 'deliberately emergent' (Mintzberg and Waters, 1985), the contributions of middle managers are vital because they are often earliest to recognise strategic problems and opportunities (Pascale, 1984).

Secondly, middle management involvement in strategy improves performance by increasing the level of consensus about strategy among middle level managers. Middle managers are responsible for implementing strategy, and involvement enhances implementation by providing opportunities for attaining consensus, defined as shared understanding and commitment (Dess, 1987). In a deliberate mode, first hand exposure to the plans of top management improves understanding by providing opportunities for communication and clarification. In an adaptive mode, involvement increases the likelihood that middle management initiative will be in line with top management's view of corporate strategy

(Burgelman, 1983a). Floyd and Wooldridge were keen to point out that this separation of strategy into stages was more conceptual than real (Bower, 1970) but this original study was the foundation for their typology of middle manager strategy roles which came later. The four roles described in the typology are a synthesis of action and cognition unique to the position of middle managers.

The basis of Floyd and Wooldridge’s typology can be found in Likert’s (1961) description of middle manager’s as the linking pin. In this view, as participants in vertically related groups, ‘linking pins’ coordinate top and operating level activities. As linking pins managers take actions that have both upward and downward influences on strategy formation. Upward influence impacts on top managers view of organisational situations (Bower, 1970, Nonaka, 1988, Dutton et al., 1997) and alternative strategies under consideration (Burgelman, 1983b, Wooldridge and Floyd, 1990). Downward influence affects the alignment of organisational arrangements with the strategic context (Nutt, 1987, Schendel and Hofer, 1979).



Floyd and Wooldridge (1992, 1997)

**Figure 2: Floyd and Wooldridge’s (1992, 1997) Middle Manager Typology**



The vertical roles outlined within the original typology were extremely powerful but there is ample evidence to suggest that this approach is only giving half of the picture as Floyd and Wooldridge were only focused on the vertical direction of strategy. Recent contributions have highlighted the importance of horizontal strategic activity by middle managers (Bartlett and Ghoshal, 1993, Nonaka, 1994, Rouleau and Balogun, 2011, Mom et al., 2007). To ensure managers are in a position to understand emerging organisational events that might be the source of new ideas, middle managers must cultivate numerous contacts above and below them, but also at the horizontal level both inside and outside the organisation. For middle managers both vertical and horizontal communications are extremely important. There are even some cases where hierarchical barriers can actually make horizontal communication the more significant mechanism (Balogun, 2003). As middle managers try to engage in strategic activity, key interpretations will be generated through these horizontal processes (Balogun and Johnson, 2004).

Pappas and Wooldridge (2007) found that managers could build relationships and even cultivate these linkages in order to channel information to internal and external actors outside of their prevailing communication network (Granovetter, 1985). In essence, they found that linkages at the middle management level serve as a conduit for divergent thinking. While it is common for top management teams to utilise a variety of mechanisms to foster better implementation, lateral connectivity that fosters divergent activity must also be developed at the middle management level. This would include, of course, fostering ties internally as well as externally (Pappas and Wooldridge, 2007). Currie and Procter (2005) found that lateral interaction between middle managers enabled learning to be shared, as well as establishing a shared view of the internal market arrangements and general management approach.

Although the importance of horizontal interactions have been highlighted and a number of studies have contributed to process studies, as of yet they have not been tested empirically (Subramaniam and Youndt, 2005). There is a major theoretical contribution to be made in building on the original Floyd and Wooldridge typology to develop a new broader perspective of middle manager involvement in strategy. By combining the strategic management literature on middle management and the international business literature on subsidiary management there is a major opportunity to develop a typology of middle management strategic activity based on both vertical and horizontal strategic activity. The following section develops the basis for this extended typology of the MNC middle manager strategic activity.

### **3.2 MNC Middle Management Strategy**

The diffusion of specific strategies along lateral and vertical flows between geographically distant subsidiaries is what distinguishes the MNC from local competition (Mudambi, 2002, Phene and Almeida, 2008, Schleimer and Pedersen, 2013). Strategic management in multinational subsidiaries is inherently complex and involves linkages between various pieces of the MNC network, including both hierarchical relationships between headquarters and subsidiaries, as well as lateral inter-subsidiary relationships. Research on subsidiaries shows that communication in MNCs can occur in all directions, up and down between headquarters and subsidiaries, sideways among subsidiaries, and in and out with other organisations in a firm's operating environment (Newburry, 2011). Strategic involvement for MNC middle managers involves understanding complex dynamics occurring between components both inside and outside the MNC. Even within the same firm communication patterns and related strategic management practices can vary considerably, making strategic management particularly complex.

The MNC middle manager acts as a bridge for strategy flows between the host country environment and the international corporate network, including headquarters and peer subsidiaries (Forsgren et al., 2005, Giroud and Scott-Kennel, 2009). This means that subsidiaries are embedded, at one and the same time, in their own internal network, which includes headquarters and all the other MNC units, and in their external local network (Meyer et al., 2011). This network includes actors besides customers, suppliers and service companies. It also includes universities, science centers, regulators and various policy makers (Achcaoucauo et al., 2014). This dual embedding in internal and external networks allows subsidiaries to access knowledge from different sources and then to influence strategy by reversing these knowledge flows with their internal and external counterparts (Tallman and Chacar, 2011). Subsidiary managers strengthen their competitive position within the MNC by using their strategic influence to accumulate competencies over time which may become unique and valuable within the MNC (Figueiredo, 2011). Through this process a subsidiary can occupy a central position within the MNC network (Bouquet and Birkinshaw, 2008a) and upgrade its power situation with the parent company (Forsgren et al., 2005).

Forces outside of the subsidiary set the range of opportunities available to subsidiary managers, but they have a certain degree of choice in how they respond to those opportunities (Birkinshaw, 1997). The research on subsidiary roles and charter change reveals how managers seek to influence the development path of their subsidiary and the MNC overall, yet we know little about how they actually do this (Balogun et al., 2011, Birkinshaw and Hood, 1998, Birkinshaw and Pedersen, 2009, Birkinshaw et al., 2005, Bouquet and Birkinshaw, 2008b, Taplin, 2006). It is important to move beyond a view of control and resistance to see the more subtle and nuanced strategic activities through which subsidiary

managers subjectively reconstruct their independent-interdependent relationships both inside and outside the organisation.

### **3.3 MNC Middle Management Strategic Activity**

MNC middle managers engage in strategy influence activity in vertical and horizontal directions both inside and outside the organisation. In a downward vertical direction they can influence strategy through their activities within their own unit (Ambos et al., 2010, Birkinshaw, 1997, Birkinshaw, 1999, Delany, 2000). In a vertical upward direction they influence strategy through their relationship with corporate headquarters (Bouquet and Birkinshaw, 2008a, Bouquet and Birkinshaw, 2008b, Dutton et al., 1997, Dutton et al., 2001, Ambos and Birkinshaw, 2010). In addition to this MNC middle managers influence strategy in a horizontal direction within the firm through their links within the internal network (Garcia-Pont et al., 2009, Yamin and Andersson, 2011). Finally MNC middle managers influence strategy through their horizontal external activity outside of the firm (Andersson et al., 2002, Andersson et al., 2007, Hakanson and Nobel, 2001, Nell and Andersson, 2012).

The following section sets out a new middle manager typology, building on the original typology proposed by Floyd and Wooldridge (1992, , 1997). This new typology of MNC middle manager roles captures both vertical and horizontal flows of middle managers. Eight roles are developed within the four different spheres of influence; Downward, Upward, Horizontal Internal, Horizontal External.

### 3.4 Proposed Typology of MNC Middle Management Roles

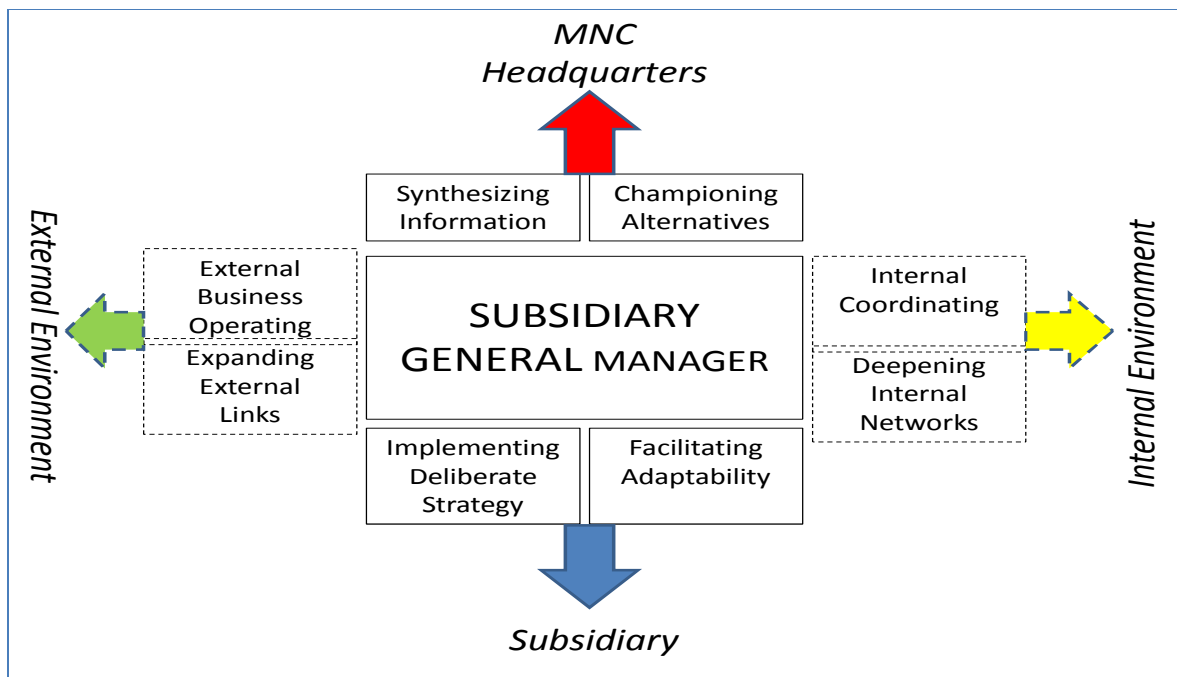


Figure 3: Proposed Typology of MNC Middle Management Roles

### 3.5 MNC Middle Manager DOWNWARD Strategic Influence

The importance of strategy for subsidiary managers begins inside their own unit. A subsidiary will not be successful unless it can harness the resources and capabilities under its own control. Originally research viewed the subsidiary as having an assigned “role” within the MNC which brought with it a view that subsidiaries were merely implementers of headquarters’ strategies. As the subsidiary itself became the unit of analysis research began to uncover a far greater degree of choice on the part of subsidiary management (White and Poynter, 1984, Birkinshaw and Hood, 1998, Delany, 2000). The subsidiary is therefore constrained, but not defined by its structural context, and therefore subsidiary management have considerable latitude in how they shape strategy (Birkinshaw, 1997). The initial focus for subsidiary management is on shaping the internal subsidiary environment.

The competitive nature of MNCs dictates that unless a subsidiary achieves the required performance levels set by headquarters, it will be vulnerable to downsizing or relocation (Nguyen, 2011). Therefore the initial focus for subsidiary management is on strategic execution. However through this process successful subsidiaries have shown an ability to build capabilities and create new opportunities (Birkinshaw and Hood, 1998). In addition to this there is considerable evidence to suggest that subsidiary managers are capable of entrepreneurial strategic activity. The body of research on subsidiary initiatives highlights that through their own proactive internal strategic activity, subsidiary management have the ability to advance new ways for the corporation to use or expand its resources (Birkinshaw, 1997). This process can in turn lead to the development of subsidiary specific advantages (Rugman and Verbeke, 2001). However there are many difficulties in engaging in strategic activity within the subsidiary. Subsidiaries will always be constrained in some ways by their context and developing strategy within this constrained framework requires a wide range of management skills.

The recognition that subsidiary units are semi-autonomous, and are able to set their own strategic agenda to a certain extent, implies that head-quarters subsidiary relationships become mixed motive dyads (Ghoshal and Nohria, 1989). The headquarters' overall objective is to secure the long term effectiveness of the MNC, which means on the one hand ensuring that the subsidiary follows its instructions, and on the other hand accepting that some level of initiative, on the part of the subsidiary, is likely to be beneficial (Ambos et al., 2010). This distinction is the basis for the two downward influencing MNC middle management roles. Consistent with Floyd and Wooldridge's (1992, , 1997) original middle management typology two MNC middle manager downward facing strategic management roles are proposed;; *Implementing Deliberate Strategy & Facilitating Adaptability*.

### **3.5.1 Implementing Deliberate Strategy**

Once a firm's strategy is determined the focus of management across the organisation shifts to implementation (Olson et al., 2005, Slater et al., 2010, Guth and MacMillan, 1986, Huy, 2011). Implementation of top management's strategy is often considered the key strategic role of middle managers (Nutt, 1987, Schendel and Hofer, 1979). The value of the middle management level is in the implementation of business goals set out by senior managers (Yang et al., 2010, Reid, 1989). Through implementation middle managers control performance in line with the desired ends of top management (Hrebiniak and Snow, 1982). Although MNC middle managers may influence this control arrangement (Bouquet and Birkinshaw, 2008b), their primary role is to align the subsidiary with the overall objectives and goals of the parent (Buckley, 2010).

For the MNC middle managers strategic implementation is of crucial importance (Roth et al., 1991). The majority of MNC subsidiaries have narrowly defined implementer roles, and a few progress through a track record of success to more expansionary of creative roles over time (Asmussen et al., 2008, Bartlett and Ghoshal, 1989, Benito et al., 2003). The foundation of subsidiary development is for subsidiary management to carry out their basic mandate at increasing levels of performance. Over time, through successful implementation, other opportunities may emerge for the subsidiary but the starting point is strategic implementation (Delany, 2000). Despite the deliberate nature of implementation it is also recognised that as a key management role implementation often involves a series of interventions concerning organisational structures, key personnel actions and control systems (Hrebiniak and Joyce, 1984). While these actions may lead to organisational change the function is an integrative role as it links organisational activities to top management intention (Floyd and Wooldridge, 1992).

### **3.5.2 Facilitating Adaptability**

There is a crucial role for middle management in developing organisations that are more adaptable, and have the ability to cope with change (Bower, 1970, Burgelman, 1983a, Kanter, 1983, Balogun, 2003). To do this managers often deviate from official policies and stimulate behaviour that diverges from expectations. Through processes such as informal information sharing managers can facilitate learning and encourage organisational members to sense changing conditions, and experiment with new approaches, and adapt appropriately (Balogun and Johnson, 2005, Balogun, 2006).

Subsidiary literature has accounted for this process and highlights that the adaptive behaviour of subsidiary managers is a crucial source of competitive advantage for the entire MNC (Rugman and Verbeke, 2001). Much of the subsidiary management research has envisioned a strategic role based on the strategic choice of the subsidiary managers. Academic thinking has moved towards subsidiary managers utilising their strategic discretion rather than simply responding to parental decree (Crookell, 1986, D'Cruz, 1986, Poynter and Rugman, 1982, White and Poynter, 1984, White, 1990, Birkinshaw, 1997, Birkinshaw and Hood, 1998, Birkinshaw et al., 2005, Ambos et al., 2010). Through the careful development of local capabilities the subsidiary manager can contribute to the evolution of the parent company's strategy. This is consistent with the dispersed approach to corporate entrepreneurship in middle management research (Hornsby et al., 2002). It is suggested by Birkinshaw (1997), that creativity and innovation should be endemic to the subsidiary as a driver of its strategy and although subsidiary management have ongoing managerial responsibilities they also have the responsibility to respond to entrepreneurial opportunities as they arise (Birkinshaw, 1997). Divergent management activity which promotes new ideas and reinvigorates organisations is a vital management process for MNC middle managers. The MNC middle manager will typically comply with the directives of headquarters but their behaviour will



sometimes diverge from what is expected. This may be towards value adding opportunities that headquarters has not seen, and sometimes towards “empire building” behaviour that enhances the position of the subsidiary (Taggart, 1997a).

### **3.6 MNC Middle Manager UPWARD Strategic Influence**

The assignment of strategy by corporate headquarters has been identified as one of the main drivers of evolution at the subsidiary level (Birkinshaw and Hood, 1998). This is a reality for subsidiary managers yet how they manage the relationship with their parent company can have a significant impact on subsidiary development. Subsidiaries address their own future by balancing their own initiatives against requests from headquarters (Garcia-Pont et al., 2009). Corporate headquarters have recognised legitimacy to organise the activity of the MNC by delegating business areas and strategic responsibilities to its dispersed subsidiaries overseas (Dorrenbacher and Gammelgaard, 2010). This formal authority can be exerted through the use of different planning and control mechanisms, including the distribution of decision making rights and the allocation of resources (Ghoshal and Bartlett, 1988), which constitutes major instruments in the hands of headquarters for changing subsidiary roles (Birkinshaw and Hood, 1998b). However MNCs have increasing interest in the exploration of local knowledge and in accessing expertise complementary to the firm (Ivarsson and Jonsson, 2003). In such situations the strategic discretion for subsidiary management increases (Achcaoucauo et al., 2014).

Headquarters’ and subsidiary managers’ interests are aligned in creating profits and working against external threats but can be opposed when bargaining with each other over the allocation of intrafirm resources. This is underlined by the fact that most flows of resources into the firm, through downstream sales revenue and upstream knowledge, occur at the

subsidiary level. Thus subsidiary managers are 'both profit seeking and rent seeking, as their actions take place with two different objectives in mind' (Mudambi and Navarra, 2004, pp. 386). Therefore headquarters' and subsidiary managers' interests are not always totally aligned (Mudambi, 2011). This has major implications for strategy development in MNCs but little is known between the interactions between senior management in subsidiaries and their parent company (Balogun et al., 2011)

Managing the strategy process between the subsidiary and its parent is a crucial strategic role for subsidiary management. Research has shown that those managers who can influence this strategic process have a major impact on the context in which the subsidiary operates (Bouquet and Birkinshaw, 2008a). Managers must engage in lobbying for new charters (Birkinshaw and Hood, 1998b), highlighting important issues (Dutton and Ashford, 1993), selling successes (Birkinshaw, 1999) and building political influence (Dorrenbacher and Gammelgaard, 2011). Subsidiaries are engaged in a perpetual strategic interaction with their parent company. Consistent with Floyd and Wooldridge's (1992, , 1997) original middle management typology two MNC middle manager upward facing strategic management roles are proposed; *Championing Alternatives & Synthesizing Information*.

### **3.6.1 Championing Alternatives**

For many years there have been rich descriptions of the process through which middle managers become champions of strategic alternatives. Bower (1970) highlighted how middle managers select certain projects, nurture them with resources and when they proves successful, advocate them as new business opportunities. Burgelman (1983b, , 1983c) also showed that middle managers frequently become organisational champions for initiatives developed at the operating level. Selling crucial issues from the middle management in

organisations has been identified as a major driver of change in organisations (Dutton et al., 1997).

By uncovering the reality that managers within organisations are very often the central component in new projects development, research began to focus these internal development processes. These studies laid the foundation for much of the literature which developed on subsidiary initiatives (Birkinshaw, 1997, Birkinshaw, 1999, Birkinshaw et al., 2005, Ambos et al., 2010). The subsidiary initiative process relies on mid-level managers who can hold back resources and give projects time to develop. Once they have reached a certain level the onus is then on the middle managers to sell the initiative at a higher management level to gain further support. This crucial entrepreneurial management process is a major contributor to corporate entrepreneurship in large organisations (Burgelman, 1983b, Balogun, 2003). In resource dependency terms there is an ongoing headquarters subsidiary bargaining process that arises whenever a subsidiary has pursued initiatives, whether they ultimately provide benefit to the MNC or not (Ambos et al., 2010). How middle managers engage with senior levels of management and champion new ideas and divergent thinking can have a major impact on the nature of strategy in an organisation.

### **3.6.2 Synthesizing Information**

Strategic decision making at the executive level in organisations is far more reliant on the middle management level of the organisation than many executives would care to admit (Porter et al., 2004). So much of the responsibility for decision making resides at the executive level but the information on which they make those decisions is shaped by the people with the knowledge in the specific area. Middle management are the people with responsibility to supply information to top management concerning internal and external

events (Thompson, 1967, Westley, 1990). As organisational linking pins, middle managers are positioned uniquely to combine strategic knowledge with hands on information (Nonaka, 1988). They infuse information with meaning through evaluation, advice, and subjective interpretation (Ranson et al., 1980). By applying frameworks to analyse information middle managers set the basis for how information is interpreted (Dutton and Jackson, 1987). Headquarters needs information on what the subsidiary is doing in order to ensure that the activities of the subsidiary are aligned with the corporate strategy, and to demonstrate to other stakeholders that headquarters policies are being enforced (Gates and Egelhoff, 1986, Harzing, 1999, Roth et al., 1991). Middle managers also use this process to promote their own agenda and shape the nature of the debate. Through this process top management perceptions are altered and the formation of strategy is influenced from below. The function is integrative as middle managers combine ambiguous diverse data and interpret it with a given strategic context (Floyd and Wooldridge, 1992).

### **3.7 MNC Middle Manager HORIZONTAL INTERNAL Strategic Influence**

Subsidiary managers engage with sister subsidiaries through the internal structures of the MNC. Early economic theories contended that MNCs internalised overseas operations to capitalise on the relative efficiencies that develop through the internal coordination when facing market uncertainties (Hymer, 1976, Teece, 1976). It therefore follows that subsidiary units can not exist completely as autonomous units and have to work in conjunction with other sub units. The reliance of each subsidiary unit of the MNC on the other sub units comes to be seen as an inevitable consequence of the existence of MNCs. Interdependence across sub units enables leveraging of various market imperfections intrinsic to global industries,

such as economies of scale and scope (Porter, 1986, Yip, 1995), operational flexibility (Kogut, 1985), or cross border subsidisation (Hamel and Prahalad, 1985).

The constituent features of the internal MNC network are both a challenge and an opportunity for subsidiary managers (Mudambi, 1999). On the one hand developments in MNC organisational structure have resulted in subsidiaries becoming more interdependent and therefore more reliant on their sister subsidiaries. Aligned to these developments is the reality that the internal network of the MNC is a very competitive place where subsidiaries compete with sister subsidiaries for resource allocations and charters extensions.

The subsidiary's internal environment consists of internal customers for the subsidiary's products or services, internal suppliers of various components or services, internal labour markets and very importantly internal competitors (Mudambi, 1999). Subsidiary managers must engage in strategic activity to deal with the various facets of this internal environment (Birkinshaw et al., 2005). In addition to this, within the modern MNC there are pressures on subsidiaries to build internal embeddedness with their sister subsidiaries to improve the overall functioning of the organisation. The process of building this internal embeddedness is a major focus of strategic activity for many subsidiary managers (Garcia-Pont et al., 2009). It is through this process that subsidiaries can develop a level of distinctiveness which can improve their long term prospects. There is evidence to suggest that sometimes this internal embeddedness is driven by the parent but other times it is on the initiative of the subsidiary management themselves (Watson O'Donnell, 2000). Two new horizontal internal MNC middle management strategic activities, unique to this study, are proposed: *Inter-Unit Coordinating & Deepening Networks*.

### **3.7.1 Internal Coordinating**

Participating in lateral integrating mechanisms between units is a key strategic role for many subsidiary managers within the organisational structure of the MNC. As foreign subsidiaries become more interdependent, they increasingly rely on other subunits as providers and users of their resources. Inter-Unit Coordinating refers to activities that facilitate contact among managers of different foreign subsidiaries (Watson O'Donnell, 2000). The purpose of this role is an integrative process to develop in subsidiary managers an understanding of the role of their particular subsidiary and the role of other subsidiaries, in meeting overall corporate goals. As a result of this coordination there is increased contact among managers from different foreign locations within the firm, which leads to a system of lateral networking (Bartlett and Ghoshal, 1993, Ghoshal and Bartlett, 1994). Through the sharing of information, the goals of various sub-units of the MNC and how they contribute to overall corporate goals can be better understood by managers throughout the organisation and ensures that subsidiaries are closely aligned with overall company strategy.

The interdependent structures of MNCs dictate that subsidiary managers must engage with other subsidiary units through the formal decision making structures of the MNC. How they carry out this process is a crucial strategic role and can have a major bearing on the development of the subsidiary and the overall competitiveness of the MNC. In addition to structural coordination mechanisms, such as the decentralisation of decision making, organisations are coordinated through communication mechanisms (Martinez and Jarillo, 1989). Coordination through communication mechanisms usually involves socialisation forms, and includes mechanisms such as the participation of subsidiary managers in international task forces and teamwork, the transfer of personnel, the establishment of committees and meetings (Ambos and Schlegelmilch, 2007, Gupta and Govindarajan, 1991, Harzing and Noorderhaven, 2006, Noble and Birkinshaw, 1998).

The joint decision making process and the nature of the subsidiary managers involvement has major implications for subsidiaries. Subsidiary managers influence strategy through their engagement within these interdependence structures of the MNC which leads to levels of internal embeddedness. These task focused interactions allow middle managers to coordinate activities to align with the goals of the firm, or around a strategic agenda envisioned by the middle manager. This is an integrative role for subsidiary management and through their involvement in internal subsidiary networks they have the potential to gain access to crucial resources and build linking economies which increase the influence of their unit (Garcia-Pont et al., 2009).

### **3.7.2 Deepening Internal Networks**

The internal network relationship of MNCs includes both formal and informal relationships. (Ghoshal and Bartlett, 1990, Nohria and Ghoshal, 1997). Outside of the formal integrative processes of the MNC subsidiary managers engage in more informal activities to build the importance of their unit. The competitive nature of the internal MNC requires that subsidiary managers must constantly be looking for opportunities to align themselves with partners who could increase their level of importance. Research has demonstrated that a sub-unit's power within an organization is greater when the sub-unit is highly interdependent with other sub-units (Astley and Zajac, 1990). Subsidiary managers attempt to deepen their informal networks to build subsidiary distinctiveness (Garcia-Pont et al., 2009), increase innovation (Ciabuschi et al., 2011) and to establish levels of influence within the MNC (Bouquet and Birkinshaw, 2008a, Bouquet and Birkinshaw, 2008b).

Advances in communication capabilities through electronic communication technologies have created new, electronic means of coordination (Fulk and DeSanctis, 1995, Yates and

Orlikowski, 1992). Therefore human based coordination can be reduced in some parts of the organisational hierarchy, and parent-subsidiary coordination needs can be met by taking advantage of both personal and electronic based coordination mechanisms (Rabbiosi, 2011). These advances in the means of coordination increase the importance of subsidiary managers developing relationships outside of structured coordination routes. Studies of internal embeddedness have mostly on the structural dimensions of interdependence (Ambos and Schlegelmilch, 2007, Williams and Nones, 2009) but there is also an element which goes beyond structure and leads to relational embeddedness (Granovetter, 1985). The relational aspect of embeddedness brings with it a focus on the closeness of the relationships (Ciabuschi et al., 2011). The relational aspect means that subsidiaries can become closer and adapt their activities to each other in conjunction with, or in addition to, the structural aspects of the organisation.

Subsidiary managers have the potential to build embeddedness and develop networks which can be considered a strategic resource (Dacin et al., 1999, Garcia-Pont et al., 2009). Building these relationships at the horizontal level can a more informal approach as has been identified in middle manager studies (Balogun, 2006, Rouleau and Balogun, 2011). Subsidiary managers influence strategy at the horizontal level through their informal contacts with subsidiary manager. These informal contacts which build trust and influence the level of relational embeddedness (Moran, 2005) which is positively related to the subsidiary's importance and is likely to attract attention from headquarters manager (Ambos and Birkinshaw, 2010, Bouquet and Birkinshaw, 2008a).



### **3.8 MNC Middle Manager HORIZONTAL EXTERNAL Strategic Influence**

The subsidiary's external environment consists of customers for products and services, suppliers of components and services, external competitors, local government agencies, educational institutions, research facilities, and labour markets. Subsidiary management must engage in strategic activity to deal with the various facets of this external environment (Birkinshaw et al., 2005). Subsidiary management have the responsibility to develop strategies to deal with the features of the competitive environment in which they are located. In doing so they must also balance the need to develop a level of embeddedness with the local context.

A special feature of the MNC is the notion that the subsidiaries are embedded in different local networks (Andersson et al., 2002, Ghoshal and Bartlett, 1990, Ghoshal and Nohria, 1997, Forsgren et al., 2000). Each subsidiary maintains unique and idiosyncratic patterns of knowledge and network linkages and consequently is differently exposed to new knowledge, ideas and opportunities (McEvily and Zaheer, 1999). These external links have been shown to provide major opportunities for the subsidiary in knowledge and capability development. Corporate management have recognised that there are major advantages in enabling subsidiary managers to build these linkages with the external environment (Anderson and Forsgren, 1996). Subsidiary management can in turn influence strategy through this process.

Subsidiaries' external network relationships are conducive to the subsidiary's learning of new knowledge, gaining information, resources, markets, or technology to reach its own goals (Gulati et al., 2000) and to reduce business speculation among others (Williamson, 1991a). Changes in subsidiary mandates depend not only on the endowment of the external environment but also on its potential to embed itself in the host country environment and to

make local resources available to other MNC units (Anderson and Forsgren, 2000, Dorrenbacher and Gammelgaard, 2010).

MNC subsidiaries differ in relation to the interdependent relationships with their business partners comprised of customers and suppliers (Anderson and Forsgren, 1996). Numerous studies have shown that such relational embeddedness can be a driving factor of subsidiary knowledge creation (Almeida and Phene, 2004, Hakanson and Nobel, 2001, Mu et al., 2007), increased legitimacy (Luo et al., 2002), enhanced subsidiary learning (Mu et al., 2007) and performance (Andersson et al., 2002), enabling embedded subsidiaries to contribute to the competitive advantage of the MNC (Nell et al., 2010). This external embeddedness has also been found to lead to a greater likelihood that the subsidiary will serve as a source for its sister units' capability development (Andersson et al., 2002). Thus, MNCs looking to profit from subsidiary learning establish complex organisations in which subsidiaries are externally embedded and know-how is transferred from individual subsidiaries to their sister units (Nell and Ambos, 2013, Asmussen et al., 2008). Despite the importance of subsidiary relational embeddedness within the external business environment (Andersson et al., 2005, Hakanson and Nobel, 2001, Jindra et al., 2009, Luo, 2001, Giroud and Scott-Kennel, 2009, Holm et al., 2005) we still know very little about its antecedents (Nell and Andersson, 2012), particularly at the subsidiary management level.

Through development of these external links subsidiary managers develop unique and idiosyncratic patterns of network linkages and consequently expose the subsidiary to new knowledge, ideas and opportunities (McEvily and Zaheer, 1999). This differential exposure increases the breath and variety of network resources and offers major strategic opportunities to subsidiary managers which have led in some cases to subsidiaries playing a major role in

the basic competitive advantages of the MNC (Malnight, 1996). However this is far from a straight forward task for subsidiary management. Regularly they are expected to engage in the external environment while also being highly constrained by their internal MNC context. They must also balance the expectations for headquarters while engaging in external relationships beyond the view of their parent company. Once again the ability to carry out this process successfully requires a diverse skill set on the part of the subsidiary management. Two new horizontal internal MNC middle management strategic activities, unique to this study, are proposed: *External Business Operating & Expanding External Links*.

### **3.8.1 External Business Operating**

Research has shown that the set of social relations of a firm in its business network can have significant implications for its performance and influence in the MNC (Gulati et al., 2000, Rowley et al., 2000, Uzzi, 1996b). It has been established that a subsidiary's embeddedness in networks external to the MNC is a good predictor of the role a subsidiary may play within the overall MNC network (Anderson and Forsgren, 1996, Andersson et al., 2002). Trading within the external environment has a positive impact on the development of products and processes in the MNC and where the subsidiary is embedded has also been shown to be a source of power within the MNC (Andersson et al., 2002, Birkinshaw and Hood, 1998, Geppert et al., 2003, Morgan and Whitley, 2003). Subsidiaries engaging within a network of external business actors has been highlighted as a major reason why some subsidiaries perform higher both in terms of their market performance and their role in competence development throughout the MNC (Andersson et al., 2001). Driving this process of external trade is a crucial role for subsidiary managers.

Firms are interconnected to the external business environment through a wide range of social and economic relationships. For MNCs it is the mid-level managers within the organisation whose responsibility it is to instigate many of these external connections and develop them over time. It has been argued that for studies relating to strategy the buyer-seller relationships should be at the centre of investigation (Webster, 1979, Cunningham and Homse, 1986, Johansson and Mattsson, 1988, Andersson et al., 2002, Williamson, 1979). Business network relationships describe the exchange relationships between two firms doing business with each other i.e. between buyers and sellers (Blackenburg Holm et al., 1999). They are of considerable importance, since they are often long lasting (Hakansson, 1982) and very influential on the strategies of the exchange partners (Blackenburg Holm et al., 1999). The existence of a subsidiary's relationships with customers and suppliers implies that the subsidiary is linked to external actors through sales and the purchase of goods and services. At one extreme the relationships can be of a purely arm's length nature. The transactions between the subsidiary and its customers are then based on economic considerations. At the other extreme, transactions are based on very long lasting relationships between the subsidiary and its customers/suppliers. In such arrangements subsidiary management have a major role to play in developing relationships which go beyond straight forward business transaction (Andersson et al., 2002, Andersson et al., 2007, Anderson and Forsgren, 1996).

For relationships to have become embedded they must move beyond arm's length to close, interdependent relationships characterised by mutual adaption and trust (Dyer and Singh, 1998, Hakansson, 1982, McEvily and Marcus, 2005). The embeddedness develops from a social interaction (Granovetter, 1985) and the role of the MNC middle manager is crucial in this process (Balogun et al., 2011). Through this interaction with external business actors subsidiaries can build resource linkages which can be very beneficial for the MNC. These

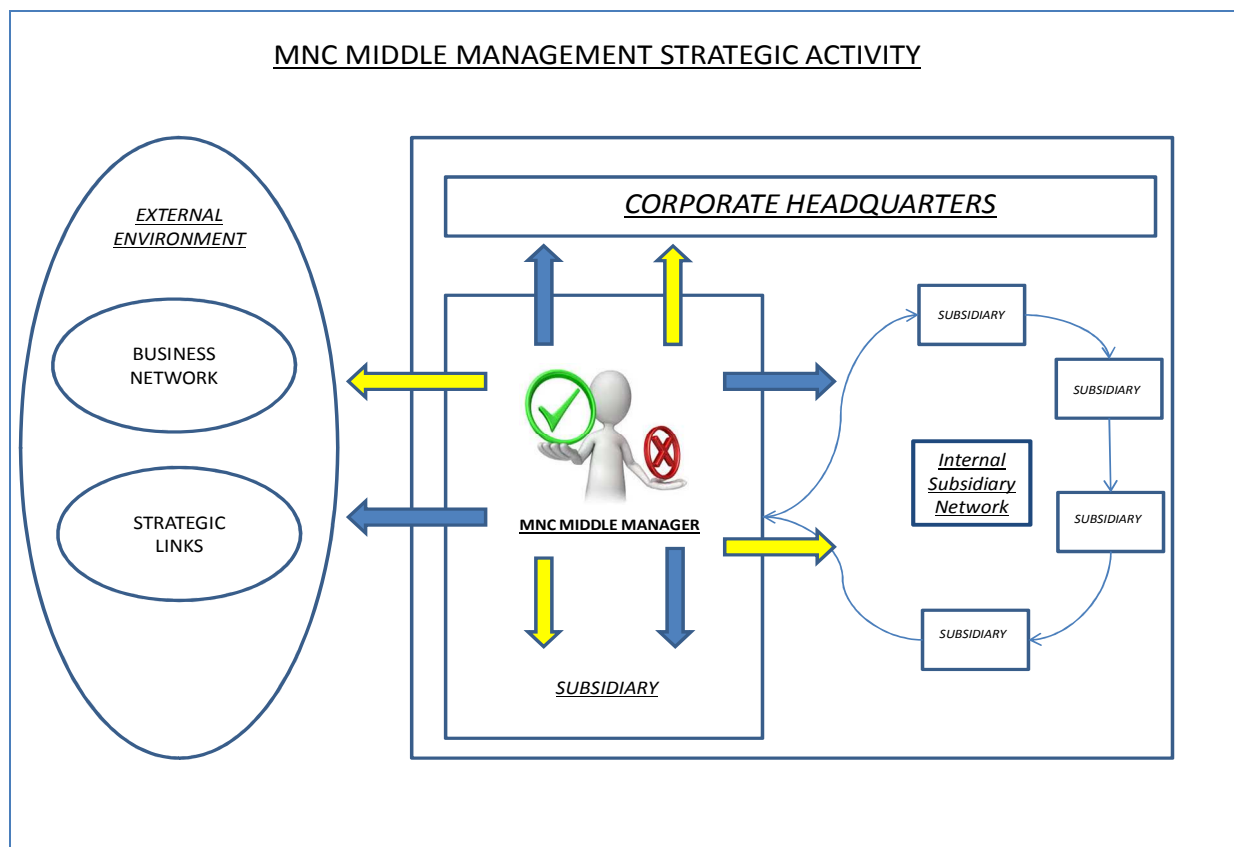
linkages can become strategically important for the organisation and drive the development trajectory of the subsidiary.

### **3.8.2 Expanding External Links**

For subsidiary managers it is not only linkages with the local business actors which hold the potential benefits. Research on the competitive advantage of multinationals has highlighted the importance of the ability of subsidiaries to build linkages and assimilate knowledge from different elements within the external environment. Forsgren et al.(2005) outline that subsidiaries may be embedded in many different environments which can be the source of competitive advantage. For MNC subsidiaries there are huge potential opportunities in building alliances with those actors that support the local business environment. Local actors such as government development agencies and local universities have potential complementary and supportive competencies which could provide real benefit for subsidiaries (Criscuolo and Narula, 2008, Costa and Filippova, 2008, Monaghan, 2012, Monaghan et al., 2014). Leveraging the opportunities available in the support structure of their local context can significantly impact on a subsidiaries ability to strengthen its competitive position (Figueiredo, 2011, Cantwell and Mudambi, 2005).

There are many actors in the external environment which firms may look to engage with. These relationships are often outside of the usual business interface and may include competitors, trade associations and government agencies. A firm's competitive performance can be facilitated by the social attachments they create with several actors in their social environment (Granovetter, 1985, Uzzi, 1996a). Such relationships are based on the logical and trustful cooperative behaviour that can potentially create a basis for knowledge transfer and learning across the boundaries of the firm. Particularly firms can acquire strategic assets

through inter-firm linkages embedded in social relations and networks in order to achieve competitive advantage (Figueiredo, 2011). It is the role of the middle manager to build these relationships but by their very nature, they are often informal and the manager must use their own judgement in engaging in this process. For MNCs, while globalisation brings with it the reality that some factors of production are increasingly mobile, many institutions tend to be internationally immobile (Mudambi and Navarra, 2002). Formal and informal institutions affect the interactions between firms and therefore affect the relative transactions and coordination costs of production and innovation (Rodrik et al., 2004). Subsidiary managers engage with a wide variety of actors and institutions within their local context. Much of this is carried out through informal activities and the nature of the relationships developed depends a great deal on the activities of the subsidiary manager.



**Figure 4: MNC Middle Management Strategic Activity**

### **3.9 Antecedents and Outcomes**

As important as the need to develop the new typology of middle manager strategic activity, is the development of theory that incorporates both the conditions leading to, and outcomes flowing from, the enactment of strategic activity by middle managers. Although researchers have identified a large number of antecedents of middle management strategic behaviour, a synthesis is needed (Wooldridge et al., 2008). One way to work towards this goal is to classify antecedents into those that emanate from the individual, group and organisational. Such classifications of antecedents would recognise the potential for multi level interactions. For MNC middle managers there are a wide range of antecedent factors which may be related to their engagement in strategic activity. Recent developments in MNC structures highlight the paradoxical pressures placed on MNC middle manager as their role becomes increasingly constrained while the performance expectations placed upon them are increasing. MNC middle managers are likely to be influenced by intraorganisational antecedents at individual, group and organisational levels of analysis. Research needs to study the impact of these multiple levels of antecedent factors on the strategic influence of MNC middle managers.

Existing theory asserts associations between middle manager strategic activity and organisational strategy but fails to address the question of how such alignment develops and how it influences organisational performance. However, there are relatively few studies establishing links between specific activities and broader organisational outcomes (Aherne et al., 2014). One of the problems has been that research has attempted to study organisational performance which may be beyond the scope of the middle managers authority. Middle management research has profited more from examinations of intermediate outcome variables which correspond more closely to the strategic activities of middle managers (Rodan and Galunic, 2004, McGrath, 2001, Burgelman, 1994, Tippmann et al., 2013). By focusing more on the relationship between middle management strategic activity and

intermediate level outcomes middle management research has the potential to establish crucial building blocks of capability and performance in organisations (Wooldridge et al., 2008).

### **3.10 Conclusion**

Strategy in multinational subsidiaries is an extremely complex area and the theoretical difficulties in studying the phenomenon have made it difficult for research to uncover the practices relating to strategy at the subsidiary management level. By combining the strengths of the middle manager perspective with the body of work on subsidiary management it is possible to build a new typology of MNC middle manager roles. The basis of this typology framework is both the vertical and horizontal flows of strategy both inside and outside the organisation. Building the typology on this two dimensional view of strategy represents a major contribution to middle management research. This leads to a four directional outline of the roles of the MNC middle manager. Eight distinctive strategic activities are developed which incorporate the original four roles developed by Floyd and Wooldridge and four additional horizontal roles unique to this study. The new typology is a basis on which to drive real insights about the strategic activity of subsidiary managers at the middle management level of the modern MNC. Based on the antecedents and outcomes of middle manager strategic influence, hypotheses are developed to test the new typology. The following chapter sets out this approach.



## **Chapter 4: Model and Hypotheses**

### **4.1 Introduction**

This chapter combines the selected dimensions of MNC middle manager strategic influence, antecedents and outcomes within a framework for hypothesis testing. The proposed model illustrates the holistic approach adopted as it studies the specific strategic activities of subsidiary managers in four different directions, both inside and outside the firm. There are two major contributions in this research. The first is in confirming the appropriateness of the framework of eight MNC middle management roles. The second contribution of the research is in testing the antecedent and outcome relationships with the eight strategic activities.

As previous studies have not examined subsidiary managers in this way the approach undertaken gives a more complete picture of the potential for middle managers to engage in strategic activities. This constitutes an extension of the middle manager literature and the strategy literature on subsidiary management. The framework outlines the expected influence of the multi level antecedents subsidiary manager strategic activities. The relationship between the enactment of these strategic activities and subsidiary contribution is then outlined.

### **4.2 Model Dimensions**

#### **4.2.1 Antecedents**

The initial hypotheses apply to relationships between the subsidiary manager's strategic activity and the antecedent factors impacting on this activity. It is contended that subsidiary manager's engagement in strategic activity will be influenced by antecedent factors at multiple levels.

The strategic activity of MNC middle managers is influenced by the strategic context in which they operate. The subsidiary strategic context has been defined as 'how the subsidiary

relates to its parent, its corporate network and its local environment (Birkinshaw et al., 1998 p. 223). A constraining strategic context will have different effects compared to a strategic context characterised by more flexible components. For example if a subsidiary manager of a European subsidiary of an American MNC has the freedom to make decisions relating to the European market they will engage in strategy in a different way to managers who do not have that level of decision making autonomy. Similarly in subsidiaries that have highly developed capabilities it would be expected that managers would engage in strategic activities differently than those subsidiary managers operating in subsidiaries with more operational capabilities.

The following elements of context were selected to measure these effects; decision making autonomy, strategy formation mode and the level of subsidiary capabilities. These variables were selected from both the strategy and subsidiary management literature as representing the primary elements of a subsidiary's context which influence subsidiary manager's strategic activity.

An additional antecedent variable at the individual level was also included. The role of the individual manager has increasingly been seen as important but not all managers of the same level are necessarily equal. Assessing the impact of individuals has proved elusive in strategy research, as research has tended to focus on the role of the organisation and its related processes and structure. Right back to Weber (1946) there is a traditional view that the ideal of the rational bureaucracy incorporates individuals into a world of routines and structure. The inference is that rather than individual differences, it is organisational, industrial and environmental factors that are responsible for variations in firm performance. Assessing the impact of individual managers on firm performance has proven elusive. There is evidence to

suggest that performance derived from the individual effects of middle managers can be even greater than top level managers and those effects attributed to organisational effects (Bertrand and Shoar, 2003).

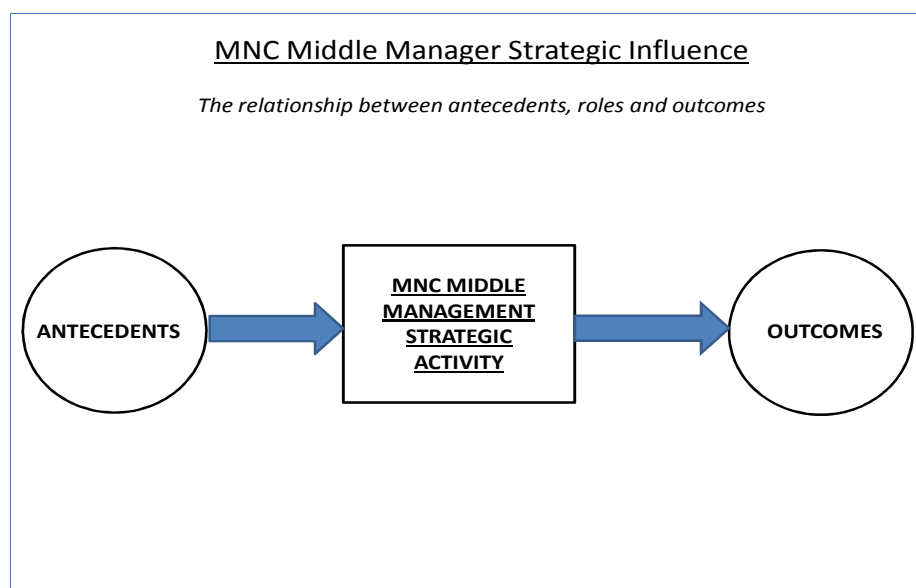
Given the research tradition on the importance of organisational factors to facilitate the success of middle managers (Westley, 1990, Wooldridge and Floyd, 1990), the possibility that individual managers account for more variation in performance than firm level factors suggests the need for further research into the mechanisms by which middle managers influence firm performance. The original Floyd and Wooldridge typology did not account for the individual ability of the middle manager themselves but recent research has shown that the individual is a crucial factor in explaining the differences in manager performance (Mollick, 2012). Floyd and Wooldridge (1992, , 1997) measured middle manager's engaging in strategic activity, but this research also assesses the individual manager's ability to engage in that activity by investigating the impact of their personal strategic management style. Managers may be helped or hindered by their relative levels of competence in different areas. A manager who espouses the ability to manage people in diverse organisations will engage in strategy in a different way to those managers who prioritise a more entrepreneurial approach. Therefore the individual competence of the subsidiary manager was included as an antecedent variable.

#### **4.2.2 Subsidiary Outcomes**

One of the challenges in middle manager research has been in studying the relationship between strategic activity at the middle manager level and key organisational outcomes. This study addresses the recommendation by Wooldridge et al (2008) to focus on intermediate level outcomes where the influence of the middle manager can be measured. The process of

selecting the dimensions of subsidiary outcomes struck a balance between completeness and parsimony (Barringer and Bluedorn, 1999). In designing the study, it was sought to include enough dimensions of strategic outcomes to reflect the overall essence of the subsidiary outcomes while keeping the number of dimensions manageable and theoretically relevant. Accordingly the dimensions selected through a literature review are focused on the subsidiary outcomes most relevant to the scope of authority of MNC middle managers. Thus the approach taken in the study was to examine the relationship between each of the MNC middle manager roles and strategic outcomes at the subsidiary level.

Based on the analysis of middle management and subsidiary management literatures the following subsidiary level outcomes variables were chosen; strategic learning, initiative generation, strategy creativity, strategic posture and subsidiary performance. By selecting a broad range of subsidiary level outcome variables it is possible to measure the relative effects of the subsidiary manager's strategic activity on these crucial measures of subsidiary contribution.



**Figure 5: MNC Middle Management Strategic Activity, Antecedents and Outcomes**

## **4.3 Antecedents**

### **4.3.1 Subsidiary Autonomy**

Autonomy 'is related to the division of the decision-making authority between a local unit and an outside organisation that controls it' (Garnier, 1982: 893 - 894). Thus subsidiary autonomy is defined as the 'degree to which the foreign subsidiary of the MNC has strategic and operational decision making authority' (Watson O'Donnell, 2000 p. 527). Ghoshal et al (1994) contend that subsidiary autonomy is a key structural attribute of MNCs, and allows the subsidiary manager to exercise greater discretion in dealing with the demands of the local market and the task environment. A foreign subsidiary may be given more autonomy because it is in a better position than headquarters to evaluate the needs and demands of the market it serves. Additionally the use of subsidiary resources, including physical, technological intellectual, financial and human resources is better determined by subsidiary management, as they are more able to identify the particular resources that are needed to evaluate their ability to deploy them appropriately. The devolution of authority to subsidiaries is suggested by Hedlund's (1986) theory of heterarchy, which proposes that global responsibilities are increasingly devolving from headquarters to selected subsidiaries. This results in greater subsidiary management discretion (Gupta et al., 1999) and ability to influence strategy from the subsidiary level (Etemand and Dulude, 1986), implying greater autonomy in decision making and mobilising resources (Rugman and Verbeke, 2003).

Information asymmetry between headquarters and subsidiary management regarding the subsidiary's resources indicates that local management should be the most effective in determining how to maximise the benefit from utilising these assets. However, recent research suggests that in highly interdependent MNC structures autonomy may not be the goal of subsidiary management (Garcia-Pont et al., 2009). In these global factory type structures, there is an emphasis on subsidiary managers to build linkages between units and

become strategically important to the MNC through complementary capabilities between units, rather than single unit initiatives which require high levels of autonomy (Ambos et al., 2011). In fact there are those that contend that high levels of subsidiary autonomy can leave a subsidiary in an isolated and vulnerable position. Balancing these conflicting perspectives leads to the following hypothesis.

*Hypothesis 1: There is a positive relationship between autonomy and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

#### **4.3.2 Strategy Formation Mode**

The mode of strategy in the organisation will have an impact on the strategic activities of the middle manager (Floyd and Wooldridge, 1992). Formal strategic planning is more suited to stable environments which implicitly assume predictability and prioritise strategy implementation (Hart and Banbury, 1994, Miller and Friesen, 1983). A more emergent approach to strategy is more appropriate for dynamic and discontinuous environments (Fredrickson and Iaquinto, 1989, Mintzberg, 1973). The emergent approach to strategy development is more flexible than formal planning, focusing less on aspects of strategy implementation (Barney, 1996, Grant, 2003, Menon et al., 1999, Nutt, 1986) and recognising that strategic goals and objectives of the organisation are not likely to be precise but general in nature (Bailey et al., 2000).

For a study of middle managers it is crucial to analyse the different impact of formal planning or more emergent approaches on the activities of middle managers. Middle managers

operating within a formal strategic management structure will prioritise more integrative roles whereas an incremental style of strategy development facilitates experimentation and divergent thinking on the part of middle managers. Based on these alternative approaches to strategy the following hypothesis is put forward.

*Hypothesis 2: There is a positive relationship between strategy formation mode and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

### **4.3.3 Subsidiary Capabilities**

Subsidiary capabilities can be interpreted as a reflection of the existing stock of knowledge within a subsidiary (Foss and Pedersen, 2004) and are underlying the specialised resource development within subsidiaries. In the modern MNC capabilities are dispersed throughout the global firm and corporate strategies are focused on maximising this integrated network. For subsidiary managers the relative level of capabilities under their control will dictate much of their own strategic actions. Research highlights that the capabilities under a subsidiary's control are a major predictor of that subsidiary's level of importance within the global firm (Birkinshaw and Hood, 1998b). Certain subsidiary capabilities are necessary for a subsidiary to be given particular mandates (Roth and Morrison, 1992, Cantwell and Mudambi, 2005). Therefore subsidiary capabilities greatly influence the strategic activity of subsidiary managers (Bartlett and Ghoshal, 1986).

The received wisdom today is that subsidiaries start out with certain responsibilities, but as the parent company grows, and as subsidiaries develop resources and capabilities of their own, they take on additional responsibilities, tapping into new ideas and opportunities, interacting with other actors and building unique capabilities on which the rest of the MNC can draw (Bartlett and Ghoshal, 1989, Birkinshaw et al., 1998, Hedlund, 1986, Prahalad and Doz, 1981). Birkinshaw and Hood (1998) describe this evolutionary process as the accumulation or depletion of resources / capabilities in the subsidiary over time. If the subsidiary is small in size, focused primarily on the local market, and wholly dependent on the parent company, the inner workings of the subsidiary are not of great consequence to the MNC as a whole. However, subsidiary growth brings with it an increase in resources and a corresponding reduction in parent control (Prahalad and Doz, 1981), which leads to at least some degree of strategic choice on the part of subsidiary management. The development of specialised subsidiary capabilities are promoted by the visions and actions of subsidiary leadership. These specialised resources provide the opportunity for initiative by subsidiary managers which can lead to the development of greater responsibilities. This process outlined by Birkinshaw (1997) echoes the work of Ghoshal and Bartlett (1994) in that initiative, resource growth, and visibility form a virtuous circle of development that is invigorated by the actions of top management.

This is a crucial time for capturing relationships between capabilities and strategy as evidence suggests that many subsidiaries are having their capabilities downgraded. As MNCs move towards more global factory structures subsidiaries are being forced to engage in more fine sliced activities (Buckley, 2011, Buckley and Casson, 2009). Therefore the overall capabilities of the subsidiary are potentially being downgraded. This has major implications for the strategic activities of the subsidiary manager. The following hypothesis is put forward.



*Hypothesis 3: There is a positive relationship between autonomy and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

#### **4.3.4 Individual Competence**

The effect of individuals on firm performance has proved elusive in strategy research, as research has tended to focus on the role of the organisation and its related processes and structure. There is an established view that the ideals of the organisation must incorporate the variance of the individual into both routines and structure (Weber, 1946). Yet the intuition is that rather than individual differences it is organisational, industrial and environmental factors that are responsible for variations in firm performance (Porter, 1985, Barney, 1991, Teece et al., 1997, Rumelt et al., 1991).

Recent research on top management teams has shown that CEOs, chief financial officers (CFOs), and other top-level executives can have an effect on large firms, although the extent of their impact is limited (Bertrand and Shoar, 2003). The impact of middle managers is much less clear (Wooldridge and Floyd, 1990). Middle managers with particular personality traits and positions inside the organisation play a role in facilitating innovation (Moss, 1982), communication (Allen, 1971), and selecting projects to pursue (Burgelman, 1991), but the success of managers is heavily dependent on the structure of the organisations in which they are placed (Katz and Allen, 2004). According to this perspective, the impact of middle managers on performance is determined by firm structure and culture rather than individual differences (King and Zeithaml, 2001, Westley, 1990). However, there is evidence to suggest that the performance derived from the individual effects of middle managers can be even

greater than top level managers and those effects attributed to organisational effects (Bertrand and Shoar, 2003). Given the research tradition on the importance of organisational factors to facilitate the success of middle managers (Westley, 1990, Wooldridge and Floyd, 1990), the possibility that individual managers account for more variation in performance than firm level factors suggests the need for further research into the mechanisms by which middle managers influence firm performance (Mollick, 2012). The following hypothesis is put forward.

*Hypothesis 4: There is a positive relationship between individual competence and MNC middle manager strategic activities.*

## **4.4 Outcomes**

### **4.4.1 Strategic Learning**

The ability of firms to learn strategically falls under the rubric of organisational learning which is defined by Levitt and March (1988) as the acquisition of knowledge that precedes changes to key elements of the organisational system. A firms strategic learning capability can be defined as their proficiency at deriving knowledge from past actions and subsequently leveraging that knowledge to adjust firm strategy (Pietersen, 2002, Thomas et al., 2001). The concept of strategic learning capability has garnered increased attention in the strategic management literature but there is little evidence of it being applied to MNC subsidiaries.

For a subsidiary to be successful at strategic learning it must be proficient at generating strategic knowledge and it must act on that knowledge through strategic changes aimed at

improving the position of their unit. From a theoretical perspective the generation of strategic knowledge does not in itself lead to strategic change. Indeed, strategic knowledge may be equally likely to result in strategic persistence. Nonetheless the most common conceptualisations of strategic learning capability stress the strategic change component of the construct (Anderson et al., 2009). Voronov and Yorks (2005, p. 14) state that strategic learning involves ‘a process of continuously crafting and reforming strategies. Similarly Ambrosini and Bowman (2005, p. 493) contend that strategic learning ‘relates to the key management question of how organisations change their strategy’. What distinguishes strategic learning capability from other manifestations of learning are the dual knowledge and change components of the construct.

For subsidiaries the dual processes of the creation of new strategically relevant knowledge and the enactment of strategic change as a consequence are crucial processes which drive subsidiary development. The ability of subsidiary management to develop this capability could be crucial to the success of the subsidiary. Through their engagement in strategic activities internally and externally subsidiary managers are accessing strategic knowledge and driving the processes which impact on related actions. This leads to the following hypothesis

*Hypothesis 5: There is a positive relationship between subsidiary manager strategic activities and the strategic learning capability of the subsidiary.*

#### **4.4.2 Strategic Initiative**

The ability of large MNCs to leverage the innovative and entrepreneurial potential of its dispersed assets is a fundamental strategic imperative (Bartlett and Ghoshal, 1989). There is an excellent stream of literature which highlights the importance of initiatives at the subsidiary level which are a major source of corporate entrepreneurship across the organisation (Birkinshaw, 1997, Birkinshaw, 1999, Delany, 2000, Ambos et al., 2010). Whereas innovations in single business firms are likely to be reflected in firm growth / enhanced financial position, in the case of subsidiaries it also involves actions which improve the subsidiary's standing or role within the MNC. These initiatives have been shown to be a crucial driver of subsidiary development (Birkinshaw and Hood, 1998).

Studies of subsidiary initiative have tended to focus on the elements of subsidiary context as the important drivers. The leadership at the subsidiary level has been included as a factor but the dimensions of that management role have not been uncovered. Subsidiary managers engage in strategic activity in a constant process of interactions within the internal and external competitive environments in which they operate. There is no one strategic role which relates to innovation, instead it is a build-up of strategic activity which culminates in innovation. The model proposed in this study examines the relationship between the eight subsidiary management roles and the rate of initiative generation by the subsidiary. The following hypothesis is outlined.

*Hypothesis 6: There is a positive relationship between subsidiary manager strategic activities and subsidiary initiative.*

### **4.4.3 Strategy Creativity**

To date, subsidiary contribution to MNCs has been considered largely in terms of business performance, initiative generation, and knowledge access and transfer within the MNC (Birkinshaw, 1997, , 1999, Ambos et al., 2010, Williams, 2009). However, prior research has neglected the potentially vital contribution of creative strategies developed by individual subsidiaries, despite recent exploration of individual level creativity within organisations (Gong et al., 2009, Hirst et al., 2009). Organisations are encouraged to be creative in their strategies, but there is limited guidance on how this is to be achieved. Despite the interest in creativity from practitioners and its apparent relevance to many areas of organisational study, the topic remains relatively underdeveloped in management research (Scott et al., 2010). One of the primary inhibitors of strategy creativity originates from strategic embeddedness, whereby organisations tend to approach new problems by using their existing routines. As a result the same frameworks are used to analyse the information gathered and whether justified or not a link between strategy, routines and success become established (March, 1991, Nelson and Winter, 1982).

The embeddedness of behaviour implies that subsidiaries will formulate strategy consistent with their normal behaviours even if management recognise the need to change and are willing to change (Karagozoglu and Brown, 1988) as managers act consistently with their psychological set (Smart and Ventinsky, 1984). As bemoaned by Mintzberg there are no guidelines or formulae for increasing creativity and developing novel strategies (Mintzberg, 1994). However, if managers are more proactive and engaged in their roles it can be argued that they are less entrenched in their modes of behaviour and may be less constrained in generating strategic options and exhibit greater creativity (Miller, 1993a). This leads to the following hypothesis.

*Hypothesis 7: There is a positive relationship between subsidiary manager strategic activities and the strategic creativity of the subsidiary.*

#### **4.4.4 Strategy Implementation**

Strategy scholars have argued that strategies that redefine businesses and reshape markets are built on the principles of developing a unique position that maintains alignment with the changing demands of the firm's environment and is effectively implemented (Barney, 1991, Teece et al., 1997). Successful strategy implementation is crucial in attaining alignment with the environment (Markides, 1996). For MNC middle managers the ability to uncover new opportunities and still maintain alignment with the demands of the internal and external competitive environment is vital. In fact, most subsidiary managers are measured on their ability to maintain alignment far more than on their ability to diverge from corporate plans and engage in initiative development. However, there is a dearth of research on strategy implementation at the middle management level in organisations (Aherne et al., 2014). To achieve successful strategy implementation managers must engage in multiple strategic activities to align the strategy with the expectations of their relative stakeholders. This leads to the following hypothesis.

*Hypothesis 8: There is a positive relationship between subsidiary manager strategic activities and the strategic implementation success of the subsidiary.*

#### **4.4.5 Strategic Posture**

Subsidiary strategic posture examines the concept of entrepreneurial orientation as developed by the entrepreneurship literature. The strategic posture of a subsidiary includes the organisations underlying philosophy, which tends to flavour the overall decision making of management (Miles and Arnold, 1991). It encompasses the processes, structures and / or behaviours that can be described as aggressive, innovation, proactive and risk taking (Lyon et al., 2000). The theoretical literature supports the relationship between a strategic posture and the contribution of management (Covin and Slevin, 1989, Kanter, 1985, Kuratko et al., 1990, Lumpkin and Dess, 1996, Zahra, 1991, Zahra and Covin, 1995). Subsidiaries with a more entrepreneurial posture will be reflected in the approach taken by the top manager (Scott et al., 2010). Subsidiary general managers who operate in a more entrepreneurial environment will engage in strategic activity in a very different way to those who operate in a more conservative environment. The following hypothesis is put forward.

*Hypothesis 9: There is a positive relationship between subsidiary manager strategic activities and an entrepreneurial subsidiary strategic posture.*

#### **4.4.6 Performance**

There are inherent difficulties in measuring the impact of middle manager strategic activity and organisation performance. In their original work Floyd and Wooldridge (1992, , 1997) had difficulties in measuring the relationship between the two but it is one of the goals of middle manager research to try to measure the impact of middle manager activity on performance.

Some of these difficulties are also apparent in subsidiary research where the difficulty emerges from trying to get appropriate information on what subsidiary performance is.

Depending on the role of the subsidiary, performance could be measured on profitability or on efficiency of operations, or more informal measures such as network positioning (Nguyen, 2011). Despite these difficulties it is vital in a study such as this to attempt to measure the impact of the strategic activity of subsidiary managers on the performance of the subsidiary unit. The following hypothesis is put forward.

*Hypothesis 10: There will be a positive relationship between subsidiary manager strategic activities and subsidiary performance.*

#### 4.5 Summary of Hypothesised Relationships

	Downward		Upward		Horizontal Internal		Horizontal External	
	<i>Implementing Deliberate Strategy</i>	<i>Facilitating Adaptability</i>	<i>Championing Alternatives</i>	<i>Synthesizing Information</i>	<i>Inter-Unit Coordinating</i>	<i>Deepening Networks</i>	<i>Encouraging Business Trading</i>	<i>Expanding Links</i>
<b>Correlations</b>								
<b>Antecedents</b>	-							
Autonomy	-	+	+	+	+	+	+	+
Strategy Formation Mode	-	+	+	+	+	+	+	+
Capabilities	-	+	+	+	+	+	+	+
Managerial Competence	+	+	+	+	+	+	+	+
Entrepreneurial Competence	+	+	+	+	+	+	+	+
<b>Outcomes</b>	-							
Learning	+	+	+	+	+	+	+	+
Creativity	+	+	+	+	+	+	+	+
Initiative	+	+	+	+	+	+	+	+
Implementation	+	+	+	+	+	+	+	+
Posture	+	+	+	+	+	+	+	+
Financial Performance	+	+	+	+	+	+	+	+
Operational Performance	+	+	+	+	+	+	+	+

**Table 4.1: Summary of Hypothesised Relationships**



## 4.6 Proposed Model

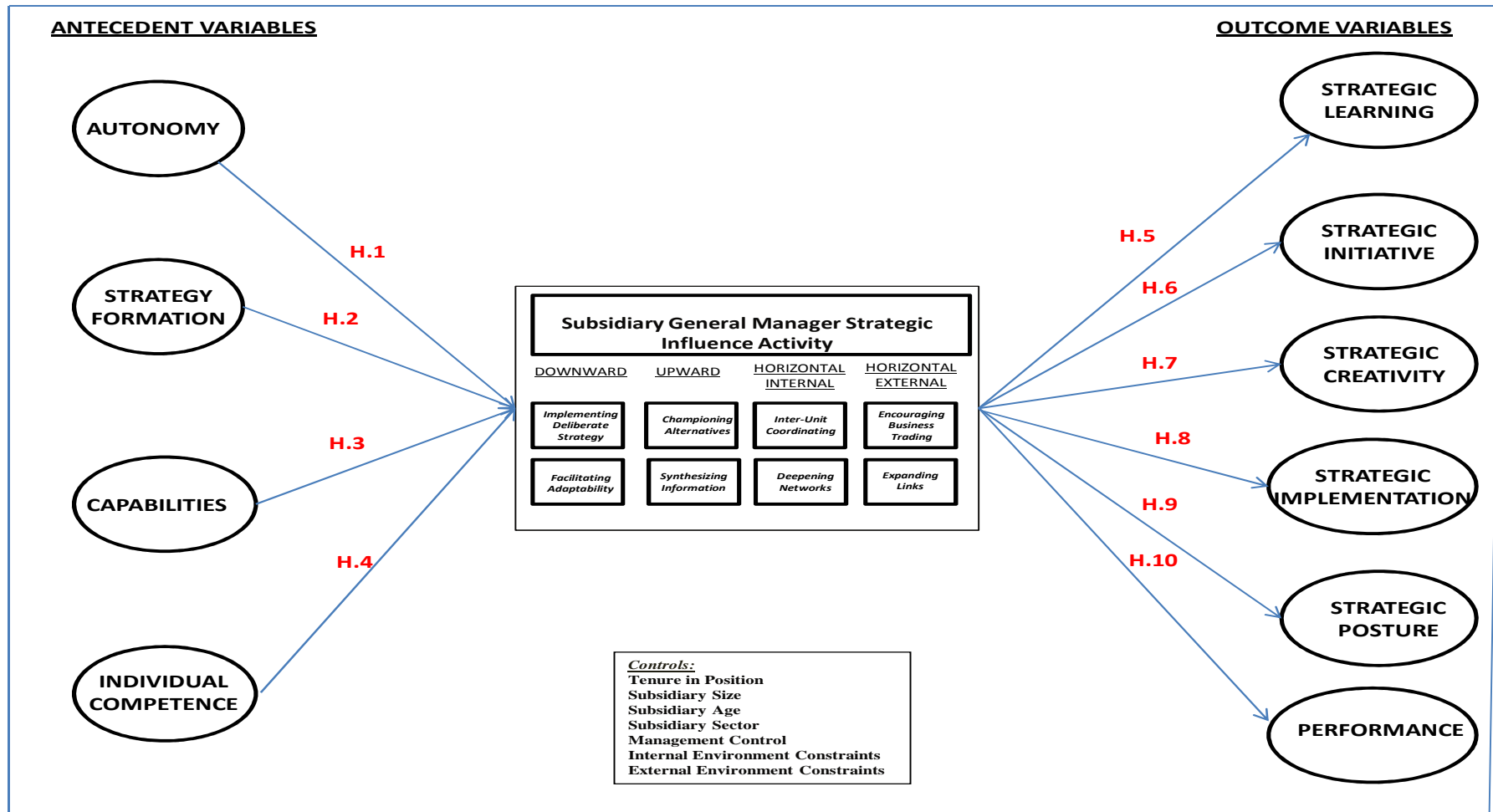


Figure 6: Proposed Research Model

## **Chapter 5: Research Design and Methodology**

### **5.1 Introduction**

The research methodology for this large scale quantitative investigation takes a multi stage approach adopting qualitative and quantitative data collection methods. The initial investigation addresses calls for research to explore and identify the nature of strategic management activities of subsidiary general managers in MNCs (Dorrenbacher and Gammelgaard, 2011, Dörrenbächer and Geppert, 2006, Newburry, 2011). In their position as MNC middle managers these subsidiary general managers engage in strategies in multiple directions, with a variety of actors both inside and outside the organisation. As much of the excellent research on middle managers has highlighted, to study the activities of these managers it is important to get inside organisations (Balogun, 2006, Balogun et al., 2011).

This chapter first discusses the exploratory research methods that were employed to investigate the research phenomenon within MNC subsidiaries. Secondly the main focus of the research, the large scale survey, is then discussed in detail.

The initial exploratory phase had three research objectives;

1. To investigate the appropriateness of the new typology of MNC middle manager strategic activities.
2. To identify the key antecedent factors which impact upon the strategic activity of MNC middle managers.
3. To establish subsidiary level outcomes which MNC middle managers can influence through their engagement in strategic role activity.

The literature review in the previous chapters raised several questions that need to be explored before moving onto the primary data collection model i.e. survey research. The development of

the model of MNC middle manager strategic activity requires confirmation of existing frameworks along with the establishment of extensions. It is considered important to allow the subsidiary managers speak for themselves to explore issues that are relevant to their current circumstances and aid the preparation of the quantitative component of the investigation (Floyd and Wooldridge, 1992, Floyd and Wooldridge, 1997, Creswell, 2003). Adopting a multi-stage approach in the qualitative phase of the investigation facilitated a deeper understanding of the real life research context. It also allowed this study to explore and uncover key issues surrounding the research phenomenon from different actors perspective (Bryman, 2001). Figure 7 illustrates the multi stage approach used in this study to explore the research questions and gather the data. The diagram depicts how stage one of the qualitative data collection phase provided new insights for the study. These important insights resulted in a clearer direction for the study into the current investigation. Stage two of the exploratory phase focused on the research gap identified previously and helped formulate the research question, and objectives under investigation.

### **5.1.1 Research Setting**

Given its highly developed and globalised economy, the Republic of Ireland represents a particularly interesting context to study subsidiary managers. Historically the industrial and economic policy in Ireland has operated as a catalyst in the attraction of FDI. This is premised on an open market economy, low corporate tax regime, liberal trade policies, membership of the European Union, a strong education system and the activity of a highly reputable national inward investment agency, on both the national and international stage, which is renowned as central to the attraction and retention of foreign investment. (Brennan and Verma, 2010, Brennan and Verma, 2012, Gunnigle and McGuire, 2001, Rios-Morales and Brennan, 2009). As a result, Ireland is now considered one of the most FDI intensive economies (Barry, 2004, Barry, 2007, Monaghan et al., 2014, Monaghan, 2012).

### **5.1.2 Triangulation**

Integrating qualitative and quantitative methods is becoming increasingly popular in strategy research and international business research generally (Birkinshaw, 1997, Ciabuschi et al., 2011, Floyd and Wooldridge, 1992, Aherne et al., 2014). The benefits of adopting a multi-method approach allows for context to be illuminated. The most prevalent attempts to use triangulation are reflected in efforts to integrate fieldwork and survey methods (Jick, 1979, Bryman, 2006).

The recognition that individual methods results in compromises led to the use of multi-methods or triangulation in social science research (Denzin, 2008, Jick, 1979, Smith, 1975, Webb et al., 1966) and in particular to these methodologies being utilised in strategic management research (e.g., Mollick, 2012, Short et al., 2002). The combination of methods in the triangulated approach to research design at least partially addresses the inherent flaws in any one research method (McGrath, 1982b, Scandura and Williams, 2000).

Triangulation proposes utilising multiple sources of data, gathering multiple perspectives and applying different collection strategies where possible (Jick, 1979, McGrath, 1982b, Webb et al., 1966). As outlined by Campbell and Fiske (1959) different data collection methods can be employed to examine the discriminant and convergent validity of measure. This cross validation (Denzin, 2008, Smith, 1975, Webb et al., 1966) allows for greater insight and understanding of the relationship between the variable to be achieved. As proposed by Scandura and Williams (2000, pp. 1250), 'the use of a variety of methods to examine a topic might result in a more robust and generalisable set of findings ...[and] recommendations for managers could be made with greater clarity and confidence'. Because it can both expose problems in findings and confirm the validity of findings, it has traditionally been promoted as an ideal methodological stance (Lyon et al., 2000 pp. 1066)

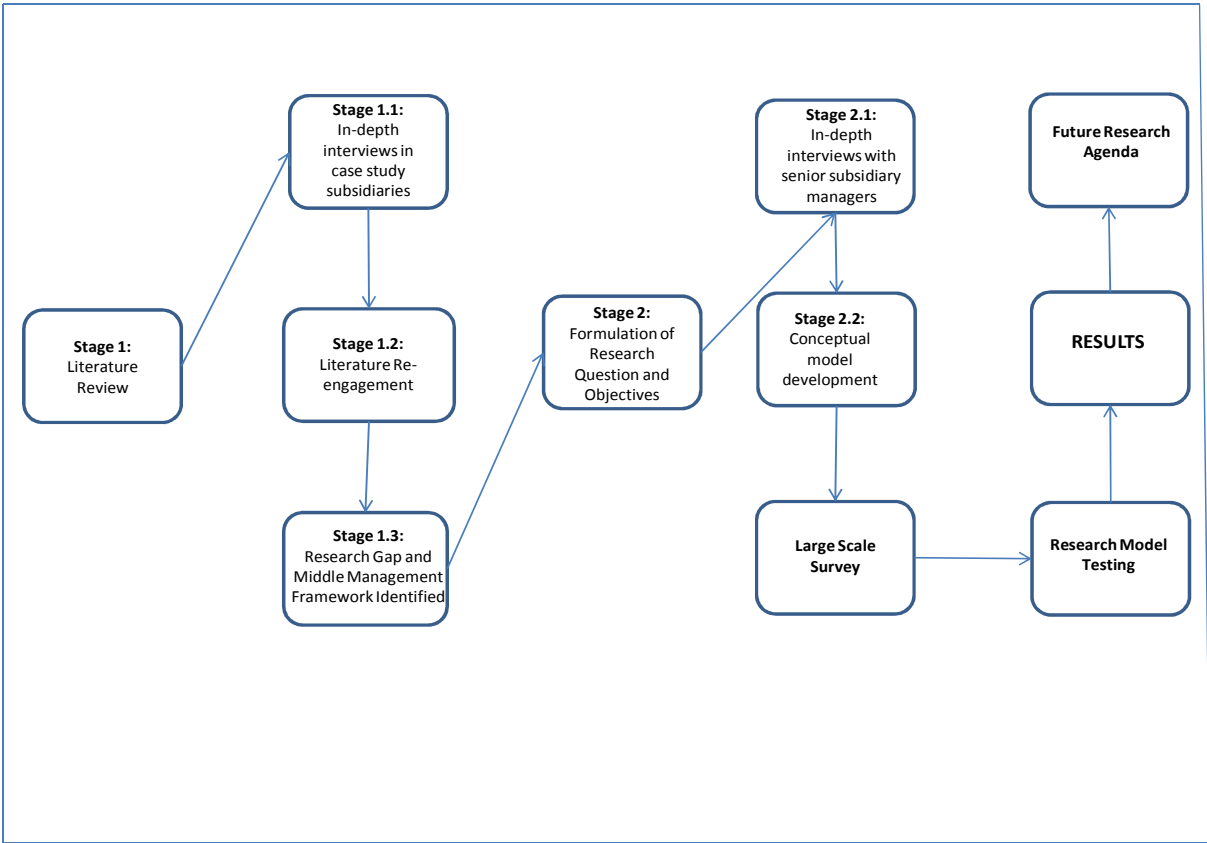
### **5.1.3 Adoption of Hybrid Approach**

Although there are numerous advantages, research utilising full triangulation is rare (Martin, 1982) due to increased time, skills and costs of applying different types of procedures (Jick, 1979). Difficulties can also arise when the outcomes from the different data collection methods conflict. This may result from true underlying differences or different approaches reaching different findings or considerable levels of method variance (Martin, 1982). In an attempt to balance the ideal of triangulation with the practical realities of accessing secondary information on multinational subsidiaries operating in Ireland, it was decided to adopt a hybrid approach as recommended by Harrigan (1983). Although it is not full triangulation, the hybrid approach incorporates both coarse and fine grained methodology, providing corroboration of findings through inbuilt 'cross checks on data accuracy and enrichment of the conclusions researchers might present' (Harrigan, 1983).

The research strategy adopted was in line with studies on middle managers (Wooldridge et al., 2008). Different measurement problems in strategy research require different approaches (Sminia, 2009), and the issue in this study is in operationalising a typology that classifies phenomena described in previous studies of middle managers (Floyd and Wooldridge, 1992, Floyd and Wooldridge, 1997, Balogun, 2006, Rouleau and Balogun, 2011, Mantere, 2005). It is assumed that subsidiary general managers are sufficiently well informed MNC middle managers to answer questions in relation to their own strategic activity and their subsidiary unit. It was decided to gather managerial perceptions by supporting a large postal survey (allowing for generalisability of findings and replicability) with a series of interviews of the top management team on a range of sample subsidiary sites (to capture nuances and more subtle influences). While it is acknowledged that potential measurement problems such as the influence of social desirability exist with both methods, there is comfort in the observation that 'if the two approaches produce corroborating evidence', confidence in the findings is enhanced (Scandura and Williams, 2000). As stated by Jicks (1979 pp. 608), 'where there is convergence

confidence in the results grows considerably. Findings are no longer attributable to a method artefact'. Even where divergence in the results arises, utilising multiple methods has the benefit of potentially uncovering 'unseen contextual factors' (Jick, 1979 pp. 608)

By using a hybrid approach in the overall design of the study is enhanced by the qualitative phases which provided in-depth insights into the key dimensions being investigated. Thus it helped to ensure that the conceptual framework was addressing the relevant aspects of the research. Moreover, the richness of insight of the qualitative phase enabled the development of the current research model, which was followed by a comprehensive research instrument that was piloted and refined, leading to a more robust large scale quantitative investigation.



**Figure 7: Summary of Research Method Adopted**

**5.2 Qualitative Research**

The following section discusses the different procedures used in **stage 1.1** and **stage 2.1** of qualitative data collection.

### **5.2.1 Data Collection Stage One: Multiple –Case Study and Content Analysis**

The initial phase of the research consists of semi structured interviews in four case study subsidiaries of a MNC operating in Ireland. The aim of this stage of the research was not to test or modify existing theories, but to explore current issues relating to the research topic. The main objective was to get access to managers operating in multinational subsidiaries and explore issues relating to strategy at the subsidiary level. Qualitative research enables the researcher to evaluate situations where little is known about the topic, to examine complexities that are beyond the reach of more controlled methods. These methods can be used as an important prerequisite to identifying the variables that might later be tested quantitatively. The data provided by qualitative research are characterised by their richness and fullness based on the opportunity to explore a subject in as real a manner as possible (Tippmann et al., 2012, Ryan and Dundon, 2008). The methodology employs a multiple case study approach as it provides a valuable source of primary data exposing important issues surrounding the research objectives. Case study research using semi-structured interviews are deemed an excellent method of data collection (Eisenhardt, 1989a). The details of the case study participants are listed in the table 4.2 below.

**Table 4.2: Qualitative Research Stage 1: Interview Details**

**Phase 1**

Interview Details

<b>4 Irish Subsidiaries of one MNC</b>	<b>Number of Informants</b>	<b>Industry Sector</b>	<b>Respondent Title</b>
Eta 1	3	Pharmaceuticals	Operations Manager Production Manager Engineering Manager
Eta 2	3	Pharmaceuticals	HR Manager Production Manager Engineering Manager
Eta 3	3	Medical Devices	IT Manager Production Manager Financial Manager
Eta 4	3	Medical Devices	Laboratory Manager Production Manager Engineering Manager

Key Case Study Findings

There were two major findings in relation to strategy which emerged from this initial research stage. The first finding was that managers identified that they could contribute to strategy at the subsidiary level but they predominantly spoke about the implementation of strategy and had little awareness of their impact on strategy beyond functional approaches. This finding led to the second and most important contribution from this research stage. The managers which partook in the interviews were at the level below the most senior managers in the subsidiary. What emerged was that although their insights were informative, they didn't have the formal authority nor the knowledge about strategic processes of the wider organisation to answer questions relating to strategy. Therefore, these managers did not meet the assumptions of the middle manager perspective as set out by Floyd and Wooldridge. In order to influence strategy in organisation middle managers must have a certain level of authority and knowledge about the organisation's activities. The evidence from this initial phase clearly outlined that to research strategy at the subsidiary level it was vital to access the most senior managers. This



was a crucial stage in the research and led to a refocus on strategy literature in large organisations. The findings from the initial research stage clarifies that researching management practices relating to strategy in MNC subsidiaries is a crucial research area. However it also clarifies the difficulties in studying strategy at the subsidiary level within much larger organisations.

### **5.2.2 Data Collection Phase Two: Interviews with Senior Subsidiary Managers**

The initial phase of case study analysis was an excellent foundation on which to further develop the research question and objectives. This led to the identification of the subsidiary general manager as a middle manager of major importance. Through extensive research of the middle management and subsidiary management literature a typology of MNC middle manager strategic activities was developed. However, before a quantitative survey instrument could be developed insights were sought from the highest level of management in MNC subsidiaries.

The approach taken was to support the questionnaire with interviews of top management teams, including the most senior manager, in a sample of Irish multinational subsidiaries. Given the time and resource constraints it was decided that this was the best approach and followed the advice of Harrigan that ‘representative sampling can reduce the need to interview entire universities’ (Harrigan, 1983)

### **5.2.3 Respondent Selection**

Personal interviews were carried out with sixteen senior executives in five Irish subsidiaries. In each case the subsidiary managing director and at least one other member of the senior management team was interviewed. There were difficulties initially in gaining access to managers at such a senior level in Irish subsidiaries. After a number of months of failed attempts to contact subsidiary senior managers it was decided to approach the Irish

Development Agency (IDA), the government agency tasked with attracting and developing foreign direct investment to Ireland. A presentation was given to management at IDA headquarters and they were particularly interested in the research. With the particular help of Catherine Slowey at the IDA they agreed to contact a sample of Irish subsidiary managers which would be reflective of the range of sectors across the subsidiary sector in Ireland. As a result of the strong relations between the IDA and these companies a sample of companies agreed to participate.

It is important to point out that although the sample was chosen by the IDA to reflect the population in Ireland it is still a convenience sample and a relatively high level of response bias exists. A further limitation relates to the variation in the number of informants at the different sites as detailed below. These limitations impose constraints on the interpretation of the results (Dougherty and Hardy, 1996). The details of the case study participants are listed in the table 4.3 below.

**Table 4.3: Qualitative Research Stage 2: Interview Details**

**Phase 2**

**Interview Details**

<b>Irish Subsidiary of:</b>	<b>Number of Informants</b>	<b>Industry Sector</b>	<b>Respondent Title</b>
Alpha	3	Electronics	Managing Director Head of Sales and Marketing Head of Compliance
Beta	4	Engineering	Managing Director Finance Director Operations Director HR Director
Gamma	3	ICT	Managing Director Plant Director Operations Director
Delta	4	Healthcare	Managing Director Human Capital Director IT Director Quality Manager
Epsilon	2	Engineering	Managing Director Finance Director
Zeta	1	Consumer Goods	Managing Director

**5.2.4 Interview Guide**

Interviews were conducted during site visits on one pre-arranged day. To maximise the interviewees’ freedom to describe his / her situation, confidentiality and anonymity were guaranteed. Interviews in five of the sites were recorded with the prior agreement of the interviewees. In one of the sites prior consent was not given and notes were taken rather than tape recordings. The interviews typically lasted 45 minutes, although a few went on for more

than an hour. Notes of the interviews were made on the day they were carried out and the full interview were transcribed within a few days of the interview taking place (Eisenhardt, 1989a).

The primary interview direction was provided by the open ended questions of the interview schedule. The schedule was completed following the in-depth literature review and, as the objective of the interviews was to elicit views which would provide insight and depth to the analysis, questions loosely mirror the survey. In addition, the questions were designed to prompt the respondents to comment on a wide range of aspects influencing their own role and their subsidiary's activities.

The completed interview guide, as detailed in Appendix 2, was emailed in advance to ensure that the interviewee was at ease with the questions. This approach also permitted the respondents to request changes to avoid commercially sensitive issues, although this was not an issue that arose. Provision of the schedule in advance ensured that the interviewee was aware of the research purpose and objectives and based on the level and depth of information provided, it is concluded that this increased the participant's willingness and confidence in responding.

#### **5.2.5 Interview Structure**

The structure of the interview was in three parts, reflecting the objectives of the research. Firstly the interview began with a general request for information on the background of the respondent, his / her role within the organisation and the position of the subsidiary's activities within the overall organisation. Questions then focused on the manager's strategic activities within the subsidiary, in their role with headquarters and with actors in the local environment. The next section obtained an insight into the process employed by the subsidiary in developing strategy, the formal and informal routines followed and the role of the subsidiary chief executive in directing strategy development. Crucial to this was outlining the level of decision

making autonomy enjoyed by the subsidiary, and the areas of decision making reserved for headquarters. The influence of the subsidiary's culture on the process and its outcomes was the next topic of discussion, followed by questions on the subsidiary's business environment and its plans to respond to key challenges. The executive's opinion of the most important determinants of subsidiary performance was the final area of discussion. In addition, following the methods of inductive research (Eisenhardt, 1989b) supplemental questions were asked as appropriate to clarify or expand on related issues. Once interviews had been completed with senior managers in six organisations it was deemed that further interviews would not provide significantly new or divergent information and at that point the interview process concluded (Glaser and Strauss, 1967).

#### **5.2.6 Interview Data Analysis**

The interviews were analysed to identify patterns and consistencies, or what Mintzberg (1979) has referred to as 'detective work'. The objective was to identify common themes or experiences in respect of the variables included in the model. The analysis process commenced with combining subsidiary manager's responses on the same question together to form a single response per subsidiary to facilitate the analysis of recurring themes (Brown and Eisenhardt, 1997). Traits mentioned by more than one subsidiary executive within each organisation were highlighted to stress their importance, and for comparison with the interview data from the other organisations. Following assessment of the qualitative data, findings were cross checked against the literature to confirm consistency. In addition, the iterative process promoted a depth of understanding and enabled valuable insights to emerge before the questionnaire was released. These emergent themes and a summary are discussed in Chapter six.

## **5.3 Survey Research**

### **5.3.1 Introduction**

While the exploratory phase of this study combined an extensive literature review followed by a multi-stage qualitative research investigation, the quantitative phase uses survey research as the method for gathering data from the relevant population. It was recognised that any research design chosen would result in a compromise, in that each distinct approach is inherently flawed (McGrath, 1982a pp. 66, Miller et al., 1998). There is always a compromise between generalisability or external validity, exactness in measurement and control of the behavioural variables impacting internal and construct validity (Sackett and Larson, 1990, Scandura and Williams, 2000) and realism of context (McGrath, 1982b). For example, as noted Scandura and Williams (2000 pp. 1250), ‘surveys maximize population generalisability but are low on realism of context and precision of measurement’. In contrast, field studies such as interviews are high on realism of context but are lower on precision of measurement of behavioural variables, and on generalisability.

The research design for this study required accessing general managers from a broad range of diversified MNC subsidiaries to test the relevance and accuracy of the proposed model. A key finding from the qualitative phases of the research was how crucial it was to access the most senior managers in MNC subsidiaries. Therefore the subsidiary general manager was the key respondent. The other major issue for consideration was in isolating the influence of the subsidiary general manager and the dynamic nature of its relationship with other variables.

## **5.4 Research Question and Objectives**

The previous chapters raised certain questions that need to be answered. The aim of this study is to explore the vertical and horizontal strategic activities of middle managers, the antecedents of these roles, and their impact on subsidiary level outcomes. Given the previous discussions on the theoretical and contextual importance of investigating MNC middle managers in this

study, the overarching research question asks; is the new typology of middle manager vertical and horizontal roles applicable at the subsidiary general manager level of the MNC? What are the most influential antecedents and how significant is the relationship between middle manager strategic activities in MNCs and subsidiary level outcomes?

As previously stated, the multinational subsidiary represents an exemplar context to study management processes relating to strategy. The strategic activities at the MNC middle management level are crucial to the development of organisation wide competitive advantages but as of yet research has not uncovered the strategic activities of these middle managers. The key objectives in this study emanate from the identification of those research deficiencies.

#### **5.4.1 Research Objective One: New Typology of Middle Management Strategic Activity**

The first objective aims to identify and assess the dimensions and structure of the extended typology of middle manager roles.. As detailed earlier in the thesis, the typology of middle manager strategic activities set out by Floyd and Wooldrige (1992, , 1997) was the foundation of this study. This original typology was based on the vertical direction of strategy and outlined four strategic activities for middle managers in an upward and downward direction. This typology has been the basis for much of the research on middle managers and it remains an excellent theoretical underpinning for research on middle managers (Wooldridge et al., 2008, Hornsby et al., 2002, Mantere, 2008, Mair, 2005, Stoker, 2006, Aherne et al., 2014).

However, upon an extensive review of the literature it is apparent that this typology is only focused on half of the story. Middle managers are also engaged in strategic influence activities in a horizontal direction (Rouleau and Balogun, 2011, Balogun et al., 2011, Balogun and Johnson, 2005, Mantere, 2008). This additional dimension is a major discovery in strategy research but it has not be tested empirically. To address this pertinent issue, four horizontal strategic activities were developed specifically for this study. The approach taken is to capture

a more holistic view of the strategic activities of middle managers by analysing their strategic activities in both a vertical and horizontal direction. Therefore the first objective of this study is exploratory in nature, and seeks to consider the appropriateness of the extended vertical and horizontal typology of middle manager roles.

#### **5.4.2 Research Objective Two: Antecedents**

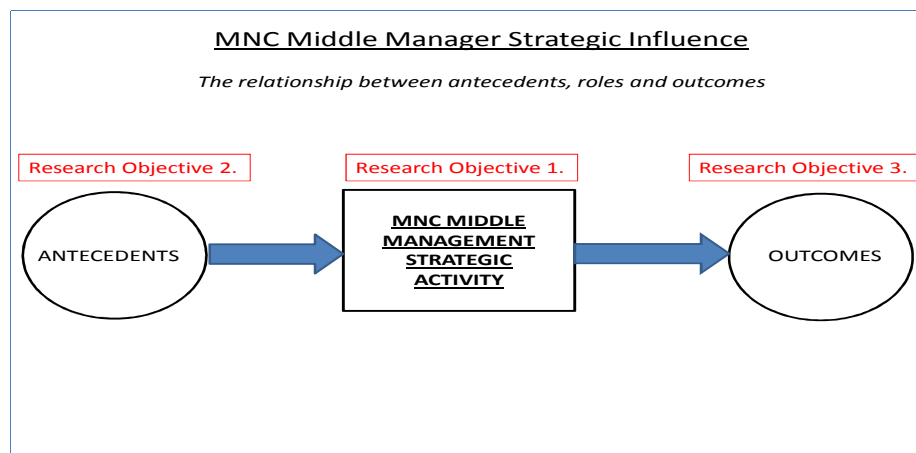
The debate regarding which factors impact upon the activities of managers at the MNC middle management level is a very topical research issue (Balogun et al., 2011, Ambos et al., 2011, Ambos et al., 2010, Mudambi, 1999, Mudambi, 2011, Mudambi et al., 2007, Ciabuschi et al., 2011, Andersson et al., 2002, Andersson et al., 2007, Nell and Ambos, 2013, Nell and Andersson, 2012). One of the key objectives of this study is to identify and assess the antecedents of MNC middle manager strategic activities. Although antecedent factors have been analysed in great detail in subsidiary research the specific relationship with the strategic activities of the MNC middle manager has not been studied. This research addresses this important research issue. A number of important antecedent variables emerged from the literature. The qualitative interviews also revealed significant factors at the organisational level which corroborated the findings from the literature. The explorative nature of the interview process also produced some unexpected findings. Particularly, the individual competence of the MNC middle manager emerged as a major antecedent variable in this initial phase and the decision was made to include it in the study. Therefore the study extended the approach of middle management research and subsidiary research by including antecedents at the organisational and individual levels.

#### **5.4.3 Research Objective Three: Outcomes**

The third objective is to investigate the relationship between MNC middle manager strategic activities and subsidiary level outcomes. Establishing the link between middle manager activity and organisational outcomes is a major source of enquiry for middle management research.



There have been difficulties in establishing the link when studies have looked at organisational level outcomes. This research follows calls to focus more on intermediate level outcomes (Wooldridge et al., 2008) when establishing the impact of middle manager strategic activity. For subsidiary research analysing the relationship between subsidiary actions and subsidiary outcomes is a major focus of research (Yamin and Andersson, 2011, Birkinshaw, 1997, Birkinshaw, 1999, Birkinshaw et al., 2005, Ambos et al., 2010, Bouquet and Birkinshaw, 2008b, Garcia-Pont et al., 2009, Colakoglu, 2012). The approach taken in this study adds significantly to this body of research by focusing specifically on the strategic activity of the most senior subsidiary manager and crucial subsidiary level outcome.



**Figure 8: Research Objectives**

### 5.5 Research Setting

The decision to focus on multinational subsidiaries was based on a number of factors including convenience, suitability, accessibility and cost factors. The unit of analysis in this study is the subsidiary general manager so the primary consideration was having access to a broad range of subsidiary general managers across a number of different sectors. In addition to being the least costly base for the research, Ireland is a very attractive location for MNC subsidiaries. From the country perspective Ireland has developed into one of the most FDI-dependent economies (Cooney, 2007). This is the product of a deliberate and consistent state policy of attracting

MNCs to Ireland through a package of incentives, the most significant of which is a comparatively low level of corporation tax (Gunnigle and McGuire, 2001, Gunnigle et al., 2005, Monaghan, 2012, Monaghan et al., 2014, Brennan and Verma, 2012, Rios-Morales and Brennan, 2009). This policy has its genesis in the late 1950s when the government at the time abandoned a pre-existing strategy of protectionism and replaced it with a policy of industrialisation by invitation based on a package of generous incentives (O'Gorman and Cooney, 2007). While the nature of these incentives has evolved over time the policy of encouraging inward investment by foreign MNCs remains broadly intact to the present day.

The approach to policy has been remarkably successful and Ireland has for some time been hailed as one of the most successful FDI models in the world with recent success on attracting investment within the knowledge intensive sectors of information technology, pharmaceuticals, biotechnology, medical devices and financial services (Rugman and O'Higgins, 2002, Giblin and Ryan, 2012). IDA Ireland, the state agency primarily charged with attracting foreign investment, identifies in excess of 1,000 foreign MNCs with Irish operations employing over 146,000 people (IDA Ireland, 2013) a figure which could be a significant under-representation given that not all companies operating in Ireland receive financial or other assistance from bodies like IDA Ireland. This success is in spite of Ireland's recent economic problems (O'Donovan and Murphy, 2013). The story of Ireland's FDI model makes it a particularly appropriate context in which to study multinational subsidiaries.

The literature also provides support for adopting a geographical approach (for example, Andersson et al., 2002, Andersson et al., 2005, Andersson et al., 2007, Birkinshaw et al., 1998, Martinez and Jarillo, 1989, Taggart, 1998a). It is hoped that by accessing a large population of subsidiaries, the findings will be meaningful not just to other peripheral countries within the developed regions, but also to more central locations. In particular, it addresses the need

highlighted by Eisenhardt and Zbaracki (1992) to broaden research on strategy development processes from concentrating on specific industry sectors to achieve greater comparability.

### **5.5.1 Accessing the Population**

It is recognised that larger samples are more representative of the total population (Kerlinger and Lee, 2000) therefore the approach in this study was the greatest possible number of subsidiaries in the Republic of Ireland should be included in the study. A population, as defined by Scheaffer, Mendenhall and Ott (1996) is a collection of items about which we attempt to make an inference. The ability to survey the total population, given the comparatively modest number of subsidiaries in Ireland relative to some of its geographic neighbours, addresses some of the criticisms that strategy research fails to adequately consider issues of external validity (Bettis, 1991, Hubbard et al., 1998, Short et al., 2002). It also eliminates potential problems in sampling design such as systematic biases (Short et al., 2002).

### **5.5.2 Environmental Threat**

One particularly interesting aspect of locating the study in Ireland is the country's perceived vulnerability to the relocation of MNC activities. This is due to a number of factors such as Ireland's cost of living, recent economic activities and EU enlargement. MNCs now have the ability to relocate to the Central and East European (CEE) regions while still enjoying the benefits of operating within the EU constitutes a significant threat for those countries currently enjoying significant MNC investment. The emerging market economies such as India and China have also added to this threat as trends suggest economic difficulties in Europe and the US will continue to drive investment towards the East. Ireland's particular vulnerability reflects its peripheral and island location, heavy reliance on MNC investment, absence of natural resources, and its high cost base. Possibly the biggest threat to relocation is the threat from other EU members to bring Ireland's corporate tax rate more in line with other members through tax harmonisation within the EU. This is a very important political issue as Ireland has

recently exited an EU/IMF bailout programme (O'Donovan and Murphy, 2013). If Ireland was forced by its European partners to raise its corporate tax rate, it would have major implications for MNC subsidiaries operating in Ireland. Due to this issue in particular subsidiary managers in Ireland were expected to be conscious of the threat of relocation at the time the survey was completed, providing an opportunity to examine the impact of environmental threat.

### **5.5.3 Investigation of Other Issues**

Accessing a wide population of subsidiaries creates other potentially interesting issues for future examination. For example, DiMaggio and Powell (1983) suggest that organisations are becoming increasingly homogenised in their efforts to reduce uncertainty. Given the relatively small geographic size of Ireland and the anecdotally strong networks enjoyed by members of multinationals, collection of population data provides a useful database for future comparative studies.

## **5.6 Unit of Analysis**

There are at least four analysis alternatives available to researchers examining subsidiary behaviour. The first option is to focus exclusively on obtaining a corporate headquarters perspective. It could also be argued that the increasing emergence of role of regional headquarters in MNC structures could give rise to the regional rather than the corporate headquarters being considered as the focus of research. The second approach is to collect data from both corporate headquarters and its subsidiaries. The third approach is to adopt the subsidiary on its own as the unit of analysis. The fourth approach, and the chosen approach in this study, is to take the most senior manager in the subsidiary as the unit of analysis.

### **5.6.1 The Subsidiary General Manager**

This study is focused on the subsidiary perspective and the unit of analysis is the subsidiary's most senior manager. The necessary research requirements in this study are twofold. Firstly to

identify managers within subsidiaries who had the required knowledge to contribute to resolving the research problems. Secondly it was vital to select managers of a similar level, in position and relevant knowledge, so that appropriate analysis could be carried out without problems of multiple management levels. Therefore to fulfil the research requirements the subsidiary's most senior manager was chosen as the unit of analysis. They are the people who hold the relevant knowledge of both the subsidiary's operations and its position within the MNC structure. But most importantly, studying the actions of the most senior manager in subsidiaries meets the requirements of the research objective. To study the strategic activities of managers at a comparative middle management level in MNCs.

### **5.6.2 Headquarters Perspective**

For comparative purposes obtaining the views of headquarters would have provided interesting and richer data for comparative purposes. However, it could have increased the response bias if subsidiary managers, knowing that headquarters were participating in the research, were inclined to paint their subsidiary in an overly positive light. In addition, for many of the variables it is the subsidiary's perception rather than the headquarters view which is most important. For example, in relation to strategy formation mode, what the subsidiary perceives as its freedom to make strategy is more likely to influence its behaviour than any headquarters standard list of company wide strategy formation mode. Headquarters' view may also be biased in that its response may reflect how an 'ideal' parent should behave rather than the actuality of the situation. As outlined by Harzing (1999) the responses of headquarters may also have a social desirability bias, as all of the management and practitioner literature relating to the development of the MNC, matrix organisations, virtual networks and trans-national may influence the respondent to portray his / her organisation as in keeping with current trends regardless of the true situation.

A further consideration was the difficulty in obtaining a sufficient response rate from corporate parents. It was felt that there would be significant difficulties in obtaining the backing from an appropriate sample and as the main unit of analysis for this study is the subsidiary general manager it was decided to focus on those individuals to fulfil the research objectives.

## **5.7 Primary Research Tool – Survey**

### **5.7.1 Key Considerations**

To be successful, the study required a high level of detailed and complex information to be obtained from a sufficient number of subsidiaries at a number of different levels. For example, to enable analysis information is required about the manager's activities, their management style, the subsidiary's age and size, geographical ownership, industry membership, contextual variables, process variables and performance related outcomes.

To achieve sufficient responses given practical considerations, including limited access to senior personnel and a lack of available corroborative published data on the subsidiaries, several research methods including use of secondary and large scale in-depth interviews had to be excluded. Following deliberation, a survey was chosen as the method with the potential to generate a sufficient level of the required data to allow for generalisability of results.

### **5.7.2 Adoption of a Survey Method**

#### **5.7.2.1 Telephone Surveys**

Having selected a survey method the various approaches were then considered. In identifying the most senior manager in the subsidiary as the unit of analysis there are a number of practical difficulties in making contact with them. The costs associated with telephone surveys would have been an issue, but the major problem would have been in gaining access to the target respondent, the Managing Director (MD), by phone. Depending on the size of the subsidiary,

potentially there would be several gatekeepers to be passed to reach the most senior person in the subsidiary, who given time pressures would probably be unable to participate without prior notice given. Even if an appropriate appointment could be arranged and the MD contacted, it was considered unlikely that a sufficient number of MDs would be prepared to give adequate time to answer the considerable number of questions over the telephone. There are also difficulties obtaining attitudinal data over the phone as researchers are unable to utilise multiple levels of agreement / disagreement (Saunders, 2007). While face to face interviews provide this flexibility and allow for clarification of respondent issues, in this instance they were unworkable due to the exacerbated access, time and cost issues involved.

#### **5.7.2.2 Postal Surveys**

Having considered all of the alternatives, a postal survey was selected as the appropriate approach. However, an online version of the survey was also made available as an extension on the mail approach. While gatekeeper issues remain, from a practical perspective the tangible existence of the survey means there is a physical effort required to dispose of it. Therefore the hard copy of the survey immediately improves the chances of a positive response. There is also evidence to suggest that given the volume of electronic mail in offices that the more traditional mail approach can receive a positive response (Dillman, 2000).

This approach meets with Harrigan's (1983 pp. 400) requirement in terms of potential for 'replicability and statistically significant findings'. The decision to adopt a survey approach is supported by several other factors. Firstly, there is a strong tradition in strategy research for adopting the postal survey approach (for example, Birkinshaw et al., 1998, Hart and Banbury, 1994) and utilisation of a similar approach should allow for greater comparability of results. Secondly, the guarantee of anonymity in a postal questionnaire should increase the respondent's confidence and willingness to answer some quite sensitive questions, and hopefully increase the likelihood of a truthful rather than socially desirable answer (Zahra and

Covin, 1995). Thirdly, using self-reporting measures is superior to the use of secondary data, even if it were available, when measuring complex organisational processes (Boyd et al., 1993). In addition, while Ireland is a relatively small country, the subsidiaries of multinationals are located in dispersed regions throughout the country and would not be readily assessed by other methods. Finally, while the number of questions can be read silently and responded to quite quickly (circa 25 minutes as indicated by pre-tests), reading the questions aloud in an interview situation would significantly increase the response time and reduce the anticipated response time.

### **5.7.2.3 *Electronic Surveys***

It is accepted that the majority of work carried out in offices is done through email and over the internet. Therefore serious consideration had to be given to electronic surveys. Three different approaches were available. Firstly the questionnaire could be attached to an email or alternatively an email to each of the MDs could have advised as a web site. Advantages of this approach include low cost, speed and reduced data entry requirements for researchers.

However, several factors reduced the feasibility of both these approaches. Firstly and perhaps most importantly from a practical perspective, a database of email addresses was unavailable and the creation of such a database would be costly and time consuming as it would be difficult to gain access to the addresses. Many companies have a 'no names' policy, and are reluctant to release names and email addresses for both security and spam concerns. Secondly, how the questionnaire appears on the recipient's screen cannot be controlled by the originator, but depends on the technological specification and / or current mode of operation of the recipient's device. This would apply whether the survey was sent as an attachment or set up as a web site, and it was decided that this would negatively reduce response rates. Thirdly, the high risk that the file would be deleted unseen as the level of junk mail received is at such a high level that many files are automatically rejected or deleted unopened by the recipient if they are not



expected or from routine sources. It was also considered unlikely that the MD of a subsidiary with considerable pressures on his / her time would be significantly motivated to open an attachment or go to a web site. Another issue was the low probability that the MDs, particularly in large subsidiaries, actually receive / respond to their emails. More than likely emails are screened by their assistant.

However, in pre-tests of the questionnaire a number of subsidiary MDs said that although they would respond positively to the posted survey landing on their desk, if there was an online version of the questionnaire listed on the posted version they may chose to fill it in there. Their reasoning was as simple as they did most of their daily work on their computer screen so they would feel comfortable filling it in there. As stated already, an email was highly unlikely to reach them. Therefore a hybrid approach was decided on. The main focus of the research was a posted survey but on that posted survey there were directions to a website should the participant want to fill the survey in online. It was felt that this approach would have the highest probability of reaching the MD and give them every opportunity to complete the survey.

### **5.7.3 Potential Weaknesses in the Methodology**

Although the survey approach was selected as the most appropriate for this study, it was recognised that using questionnaires for collecting attitudinal and opinion based data has several potential weaknesses, including common method bias and amplification of co-efficients (Lee et al., 2001). Theory suggests minimising these effects by gathering objective measures where possible to triangulate the subjective information with secondary data (Venkatraman and Ramanujam, 1986). There were no means available to provide independent substantiation for the majority of questionnaire items. MNCs are neither required nor do they have a track record of publishing more than minimal information in respect of the financial or other performance of their subsidiaries.

In any event, 'archival measures are limited in their ability to successfully measure internal organisational processes (Bailey et al., 2000, pp. 154), and one of the main focuses of this study relates to the strategy development processes within the subsidiary. The limited objective measures which were available (the chairman's report in group consolidated accounts which often refers to expectations of individual subsidiary performance and / or behaviour, newspaper reports and trade magazines) could not be utilised to provide independent substantiation of any of the constructs, and the responses were anonymous so individual subsidiaries could not be identified and information validated. With this problem in mind and the need to meet the desired standards of rigour, replicability and credibility, it was decided that the survey needed to be supported by a further data collection tool.

## **5.8 Survey Population Database**

For the purpose of this research, and in line with similar studies (for example, Birkinshaw, 1997, Birkinshaw et al., 1998) an MNC is defined as any organisation which operates in two or more countries. Unfortunately a population database of all subsidiaries of foreign MNCs operating in the Republic of Ireland was not available and therefore it had to be created from a number of sources.

Four sources were used to compile the database; 1.) The Irish Development Authority (IDA) has a list of all MNC subsidiaries that have an affiliation with them, 2.) Kompass, a subsidiary of Dun & Bradstreet, an international commercial provider of business listings and other services have a listing of business contacts in Ireland and the home origin of the parent company, 3) Experian Ireland, a business analytics and data service company operating in Ireland 4.) The list of registered companies in Ireland published by the Irish Times which has a list of the top 1,000 registered companies and their parent location.

It was necessary to cross reference all four databases to get an accurate figure of all MNCs with a presence in Ireland due to the following difficulties. The IDA listing only included those organisations with which it has links, and excludes many of the older, established subsidiaries. The Kompass listing was five years out of date as Kompass scaled back their operations in Ireland when Ireland ran into economic difficulties. The Experian listing was more up to date but it was more difficult to isolate the location of the parent company. The companies register was included as the most up to date list of companies available in the Republic of Ireland. By combining the four lists an accurate and up to date list of the actual companies was compiled but unfortunately there was a lack of personal information on the managing director. The vital element identified in the research process was the need to have personal information for the MD. Consequently, a considerable number of subsidiaries had to be contacted by telephone to obtain the required information. Not all of the subsidiaries would provide this information, as many operate a 'no names policy'.

The overall process of compiling the database took a number of months to complete but by cross referencing the four databases the final list produced was up to date and included the most accurate sources available in Ireland. It was deemed at the end of the process that the final database, compiled for this research, was the most accurate and up to date list of MNC subsidiaries operating in the Republic of Ireland.

### **5.8.1 Deliberate Exclusions from Population.**

As each of the Irish operations included in the final database is a subsidiary of a foreign registered company, all of the subsidiaries are part of an MNC as defined for this study. In an effort to capture every subsidiary of a MNC based within the Republic of Ireland. It was decided not to exclude subsidiaries due to their age. However, the issue of industry sector had to be given serious considerations. In addressing the questionnaires to both service and manufacturing organisations, differences between the two types of organisation which may for

example impact their processes and leveraging abilities may be ignored. These could potentially endanger the study's internal validity (for example, Frost et al., 2002). These risks were considered and the argument that some of the variables examined would not be as relevant to some service subsidiaries (eg. software support, to purely R&D operations or to pure distribution activities) was recognised. However, it was decided that to accurately reflect the breadth of MNC activity, both manufacturing and service companies needed to be captured. An examination was undertaken during the pre-test stage to assess any potential differences between the two types of organisation which would require the questionnaire to be adjusted.

The financial services sector provided the greatest issue. The providers of services to financial service companies, such as for example, software providers, were included. However, it was decided to exclude insurance, banking and International Financial Services (IFSC) organisations, based on the different operating, reporting and compliance conditions applying to such entities intrinsic to their nature and structure.

Exclusion of subsidiaries of organisations ranking below the top ten in their sector was considered, in an effort to ensure that the organisations surveyed were truly international and that their subsidiaries were sufficiently large to generate meaningful results. However, it was concluded that the inclusion of smaller subsidiaries might generate more interesting findings, allow for greater comparability of results, and ensure achievement of an adequate response rate.

### **5.8.2 Final Listing**

In total, the final listing comprised of 1,347 subsidiaries. However after the initial mailing this number was reduced to 1,162 due to 185 returned letters or contact from the companies to advise of a change of circumstances. This was an inevitable result of the difficulties in

compiling an accurate and up to date database. But having accounted for the returned letters the final number of 1,162 is an extremely accurate listing of MNC subsidiaries.

## **5.9 Target Respondent**

The crucial aspect in this research project was to target the most senior manager in the subsidiary. Traditionally these individuals are identified as the target respondent due to their breadth of knowledge and expected involvement in organisational processes. However in this research project is it especially important from a theoretical and practical perspective as the unit of analysis was the MNC middle manager. The selected respondent needs to be at the most senior subsidiary level to be familiar with the broad range of items used within the questionnaire to operationalise the variables. For research to be carried out on middle managers the targeted individuals must have the relevant strategic knowledge about their organisation and sufficient autonomy in their role to influence strategy (Floyd and Wooldridge, 2000). The most senior subsidiary manager in a MNC subsidiary fitted those criteria,

### **5.9.1 Single Respondent Issues**

Concerns regarding the inherent subjectivity of perceptual data collected through questionnaires (Boyd et al., 1993) may be counteracted by arguments supporting the validity of measures which can directly address the 'underlying nature of the construct' (Lyon et al., 2000). However, significant problems relate to the use of a single respondent when collecting perceptual data which are well documented in the literature (for example, Campbell and Fiske, 1959, Nutt, 1986, Philips and Bagozzi, 1986, Podsakoff and Organ, 1986). The most simplistic yet potentially critical disadvantage is the assumption, as highlighted by Bowman and Ambrosini (1997), that any single respondent, even a CEO, can accurately assess complex organisational processes even if the person is competent to do so. They are expected to pick up a questionnaire, received with minimal warning at a time which cannot be controlled, and to

immediately ‘engage in a high order cognitive process’ at a high level of abstraction in order to be able to provide the data (Podsakoff and Organ, 1986 pp. 533).

In addition, the use of a single respondent may lead to measurement error as key informant prejudices or limitations can have serious confounding effects on research and lead to erroneous conclusions (Campbell and Fiske, 1959). Bagozzi et al (1991 pp.424) warn that ‘more than the usual amount of random error is likely, because [single] informants are asked to make inferences about macro-level phenomena or perform aggregations over persons, tasks organisational subunits, or events which produces unreliable responses’. Podsakoff and Organ (1986 pp. 533) also highlight the problem of common method variance as, even where there is evidence of validity, self reports may result in correlations between variables where none exist outside that individual’s perspective, ‘because both measures come from the same source, any defect in that source contaminates both measures, presumably in the same fashion and in the same direction’.

Respondents stated views may be tainted by the consistency motif or ‘illusory correlations’ (Berman and Kenny, 1976). The key informant methodology may also lead to informant bias or systematic errors (Churchill Jr, 1979) arising due to under or over reporting of phenomena because of the respondent’s position, tenure, personality, or to the size and complexity of the organisation or the fluctuations in the internal and external environment (Bagozzi et al., 1991).

### **5.9.2 Addressing the Single Respondent Issue.**

Ideally, multiple respondents per subsidiary would have been sought and available. This was however, not a practical option given the difficulties and costs in sourcing the necessary contact information. Several checks confirmed the absence of any available database containing a listing of names of subsidiary directors and costs and time commitments restrained the researcher from sourcing this data unaided. Judging from the difficulties

encountered in obtaining the names of the subsidiary MDs, despite the often high profile and public nature of their position, it would be very time consuming and challenging to obtain the names of personnel below this level. Even if a database of subsidiary senior directors could have been created given these substantial constraints, there were considerations regarding the level of usable responses which would have been obtained if multiple respondents were approached. If two respondents from the same organisation answer different parts of the same questionnaire, issues may arise in terms of anonymity, matching of responses, and even difficulties in explaining the structure and approach of the survey in a covering letter without triggering fatigue and disinterest.

Podsakoff and Organ's (1986) suggestions that data should be requested from the respondent at different times or through using different measurement instruments (a separation of measurement) to reduce the consistency problem were considered, but it was decided that this approach was not feasible given the seniority of the selected respondent. For example, it would not be possible to do telephone interviews as well as the questionnaire for reasons outlined earlier. It was decided that these factors would negatively impact the number of usable responses which would be obtained and should be avoided. This decision is supported by the respectable but relatively modest response to the survey considering the effort and expenditure incurred.

### **5.9.3 This Study Undertook the Following Approaches**

To assess the potential common method bias, the marker variable (MV) method was applied as outlined by Lindell and Whitney (2001). This method entails using a scale theoretically unrelated to at least one of the scales in the analysis as the MV offers a priori justification for predicting a zero correlation and therefore a reliable test for common method bias. The variable chosen in this study was a two item variable *Dependence on Trademarks* outlined in Ramani and Kumar (2008). The details of this approach are outlined in a later section. In addition to the

Marker Variable a number of other remedial measures as outlined by Podsakoff and Organ (1986), including the application of Harman's One Factor Test were applied, as detailed later.

However, in the main the study attempted to overcome the potential dangers of using single respondents largely by the use of the hybrid approach adopted. The combination of methodologies adopted by this study required that in addition to the questionnaire instrument, a series of interviews with multiple members of the top management team on multiple sites also provides alternative data on the constructs under consideration. As argued by Campbell and Fiske (1959) using more than one method increases the likelihood that variances observed are due to the underlying variable and not the method utilised. If the results of both of the methods undertaken converge, it provides strong support for the validity of the results (Bouchart, 1976, Jicks, 1979).

It must also be conceded that there are some advantages in using a single respondent. Glick et al, (1990) observe that as the MD of the subsidiary (or firm) is the most knowledgeable in that unit, it is probable that he / she can provide the information, in which case the required data will be obtained. In addition, as stated by Lyon et al, (2000 pp. 1058), 'the use of a single respondent helps to increase sample size by reducing the strain on the research budget, thereby allowing the researcher to target more firms and increasing the probability that firms will participate since only one individual in the organisation is impacted'. There is also strong empirical evidence supporting the reliability and validity of self reported, single respondent data (Bourgeois and Eisenhardt, 1988, Conant et al., 1990, Dess and Robinson Jr, 1984, Powell, 1994, Eisenhardt, 1989b, Floyd and Wooldridge, 1992, Floyd and Wooldridge, 1997).



## **5.10 Questionnaire Design**

The major data collection tool, the survey questionnaire, needed to be designed to attract a sufficient number of respondents and yet effectively collect data on the large number of selected variables. To achieve these apparently contradictory but primary objectives, if the survey was to be successful, the number of questions needed to be kept to the minimum required to allow for the constructs to be adequately measured (Ambrose and Anstey, 2010).

### **5.10.1 Drafting the Questionnaire.**

The initial problem in drafting the questionnaire was balancing the need to collect various items of data with the need to keep the questionnaire as short as possible if a sufficient response rate was to be obtained. Due to a proliferation of business schools and the traditional requirement to complete a dissertation by many Irish undergraduate as well as postgraduate degrees, anecdotal evidence and falling response rates indicate that Irish subsidiary senior management have been subjected to numerous requests to complete questionnaires. The seniority of the required respondents and the consequent high level of demands on their time also meant that the questionnaire should appear short enough for completion within an acceptable timeframe, if it is to be completed at all. Thirty minutes is normally considered the maximum time a respondent will take answering a questionnaire (Bagozzi, 1994). This approach reflects the findings of Jobber and Saunders (1988) that for industrial populations, the longer the questionnaire the lower the response rate.

A number of other questionnaires produced by Irish institutions which had received acceptable response rates were physically examined to gain further guidance and insights into the factors which increased the likelihood of stimulating a response. It was decided to limit the length of the questionnaire to a cover page and six pages of questions. The back page of the questionnaire included space for additional comments from the respondent, a thank you and a

reminder of the address on the prepaid envelope. The need to develop a ‘respondent-friendly business questionnaire’ as coined by Dillman (2000) was a key priority, as otherwise an adequate response rate given the ‘questionnaire apathy’ in the business community would result in a poor response rate. With this in mind, it was decided that within the six page limit, the questionnaire should only take circa 25 minutes to complete and that it should have a particularly strong design image to impress the respondent with the seriousness and professionalism of the study.

As the questionnaire was being addressed to senior business executives and requesting that they invest a period of time in filling it out, it was critically important that it appeared sufficiently professional and serious to warrant their time and attention. Two very important logos were also to be carried on the front cover of the survey; the Dublin Institute of Technology (DIT) and University College Dublin (UCD). Given the standing of these two institutions within the business community in Ireland it was essential to develop a professionally designed cover and content layout for the questionnaire.

#### **5.10.1.1      *Questionnaire Front Cover.***

As noted by Dillman (2000), good questionnaire cover design can improve response rates. Although the argument regarding the use of colours and graphics continue, the Tailored Design Method (2000) recommends that the questionnaire should be easily distinguishable from other questionnaires which the respondent may receive, and readily available or generic graphics should be avoided if they are not directly appropriate for the situation. Dillman (2000 pp. 139) recommends ‘simple yet distinctive graphics aimed at making the questionnaire more retrievable are chosen’. The questionnaire cover was designed in different shades of blue to distinguish it from the predominantly white paper which passes over a senior executive’s desk. The graphic was designed by a professional designer specifically for the study, and comprised

a globe of the world with Ireland highlighted. A short title for the survey ‘STRATEGY: HOW IRISH SUBSIDIARIES MAKE STRATEGY’ captured the essence of the study’s objective. The use of the both the DIT and UCD crests on the cover page established the credibility of the research and given the standing of both institutions, the legitimacy of the study’s sponsor was established.

#### **5.10.1.2      *The Questionnaire Back Cover.***

As recommended by the Total Design Method (Dillman, 2000) the questionnaire back cover consisted of an invitation to comment. This encourages the respondents to feel more of an exchange has taken place. This approach proved successful and more than twenty respondents utilised the opportunity to provide meaningful comments on this page.

#### **5.10.2 Theoretical Considerations in Selecting the Construct Measures.**

The primary objective of the research instrument is to empirically test the hypotheses underlying the proposed model. The questionnaire was initially devised by careful evaluation of the middle management strategy literature and subsidiary management literature to utilise previously validated measurements. In an effort to maximise convergent and content validity, it was decided to utilize existing measures wherever possible. This follows the recommendation of Churchill (1979 pp. 67) who advised that ‘researchers should have good reasons for proposing additional new measures given the many available’. While Churchill (1979) was referring directly to marketing constructs an extensive trawl of the strategy literature and comparisons of the different items utilised by various researchers when measuring the variables, indicates that a similar situation exists in strategic management research. The use of existing items provides an initial indication that the domain of the construct has been captured, as prior studies using the same measures undertook testing to confirm that the measurement

estimated the score which would have been obtained if all of the domain items had been utilised (Nunally, 1978).

Some of the items utilised in this study are a combination or extension of items previously used. This was possible in relation to most of the measures to be operationalised. However there were four variables which were created specifically for this research. The horizontal strategic activities of middle managers have not previously been tested empirically. Four new variables were developed based on a review of relevant literature and the interview process with senior subsidiary managers. These new variables were pre-tested on senior academics and industry practitioners. These new variables represent an extension of the original Floyd and Wooldridge (1992, , 1997) typology.

#### ***5.10.2.1 Pre-test of the Questionnaire.***

As the majority of the variables are operationalised using existing measures or a combination of existing measures, adapted to reflect the subsidiary focus of the study, it was decided to combine the pre-test and the pilot mailing. In total six senior commercial executives and six academics with specialised knowledge of this area were involved in establishing face validity of the instrument and assessing its suitability for the target respondent. The decision to limit the number of pages in the questionnaire to six led to a further need to balance conflicting demands; the desire to measure the maximum number of variables and the need to compromise on the number of items to measure each construct. Initial meetings of the expert panel defined the objectives of the questionnaire, while subsequent sessions defined the core constructs. The objective was to achieve a professional, tight instrument which would appeal to the target respondents while achieving the objectives of the research study.

On meeting with the expert judges to receive the feedback from their review of the questionnaire, each of the items within the question was discussed in detail and the measure

was amended several times until considered satisfactory. There was also a determined effort to avoid questions which would require the respondent to retrieve or consult records, as these may provoke respondent disinterest, particularly given the length and complexity of the questionnaire. For this reason, particularly in relation to performance, attitudinal scales were utilised. This also avoids issues of sensitivity and the need for other details (to be able to compare relative performance) which requests for absolute amounts could evoke.

During the refining process it was decided that the need for content validity should be paramount, and as a result the number of constructs measured was reduced. The first constructs to be eliminated were those considered most susceptible to a social desirability bias. For example, the first drafts of the questionnaire attempted to outline the capabilities of the subsidiary based on knowledge flows (Harzing and Noorderhaven, 2006). However this measure was very long and detailed and distracted the attention of the respondent away from the core questions about strategy. Instead it was decided that to use a more structured measure of capabilities which kept the focus of the questionnaire on issues relating to strategy (Roth and Morrison, 1992). Following several iterations and rounds of discussions with the panel of experts the number of constructs to be examined was reduced to those variables considered most crucial to the study.

#### **5.10.2.2**      *Question Clarity.*

Great care was taken to make the instructions clear and unambiguous. Many of the measures utilised originally required the respondent to rank their response on a 7 point Likert scale from ‘strongly agree’ to ‘strongly disagree’. For reasons of clarity, simplicity and consistency given the number of questions contained in the questionnaire it was decided to utilize the two anchors of ‘not at all’ and ‘to a very large extent’ throughout. When reviewed by the expert panel this eliminated the confusion which arose in earlier iterations of the questionnaire. However, this does increase the potential for the respondent to enter a mindset and answer all of the questions

in a similar fashion (Baker, 2003). Following several reviews and reiterations, a tightly written, easily understood, professional instrument was finalised (see Appendix).

### **5.10.3 Content Validity.**

Content validity was enhanced through the use of multiple item constructs. As advised by Churchill (1979 pp. 66) this allows for items to be combined and ‘reliability tends to increase and measurement error decreases as the number of items in a combination increases’. Duplication of items included in previously used multiple item measures was excluded following pre-testing.

Podsakoff and Organ (1986) suggest that using scale reordering to arrange the questions so that the dependent variable follows rather than precedes the independent variable may not significantly reduce the hazards of same source variance. Harzing (1999) also argues that placing the independent variable items before the dependent variable measures may increase the sequencing effects of consistency, and recommends utilizing appropriate statistical techniques to remedy any problems at the empirical analysis stage. However, these considerations had to be traded off against placing questions in a relatively logical sequence from a respondent perspective and the need to place more sensitive questions nearer to the end of the questionnaire (Dillman, 2000). The main dependent variable in this study is the strategic activity of the subsidiary manager. It would not have made logical to place this question too early in the sequence. Broader questions relating to strategy were sequenced first before the respondent had to answer questions about their own activities.

There was also a danger that subsidiaries which are constrained from developing strategy would consider the study irrelevant to their needs and position. This influenced the ordering of the measurement items as the respondent may not respond in full if the questions relating to strategy development were placed at the beginning of the questionnaire. A further

consideration is that the proposed hypotheses specify association between the constructs rather than causality.

## **5.11 Questionnaire Administration**

### **5.11.1 Pre-Notice Letter.**

The design and administration of the questionnaire followed the 'tailored design method' of Dillman (2000). However, due to financial constraints the administration of the questionnaire was in two mailings. There was not sufficient funds available in the project for a pre notice letter as suggested by Dillman et al (1995). Instead there was a major emphasis placed on generating the greatest possible positive reaction from the initial mailing, and reinforcing that with a well timed and appropriately worded follow up letter.

### **5.11.2 Initial Mailing**

It was crucial to get the initial contact right. Each mailing contained a personalised cover letter (see Appendix 4) signed by the student researcher and both supervisors in contrasting ink, the questionnaire and a pre-labeled business reply service return envelope. All cover letters were produced on Dublin Institute of Technology stationery by a high quality laser printer. The items were arranged to come out together as a package, with the cover letter on top. While providing extensive detail on the study, great care was taken to limit the cover letter to one page, to ensure that the style and clarity were appropriate to the seniority of the respondent, and to avoid bulk.

The letter briefly outlines the purpose of the research and the need to achieve sufficient responses from senior personnel if it is to be successful. The letter also stated that the project was supported by DIT, UCD and very importantly the IDA. The support of the IDA was seen as being a crucial factor in gaining a positive initial impression for the respondents and

improving the response rate. The questionnaire also followed the Total Design Method (Dillman, 2000) by referring to the inducements for completion of the questionnaire. These comprised a token donation to charity, a copy of the findings and an invitation to a seminar series on the results later in the year (provided a business card or letterhead was included with the completed questionnaire).

Dillman (2000) highlights the suitability of a small donation to charity as an inducement for senior personnel where a personal financial token would be in-appropriate or unethical, and suggests that it may influence a gatekeeper to pass the questionnaire to the identified respondent rather than throwing it away. In addition, while there are mixed views on the incentive value of an offer of the final results in terms of increasing response rates (Jobber and Sanderson, 1985, Kalafatis and Tsogas, 1994), it was decided that on balance given the importance of the subject matter that subsidiary MDs would be interested in the findings of the questionnaire and that this might prove an incentive.

The cover letters were mail merged to provide a personalised greeting, as this is now a general expectation when receiving post from any professional source, so each was addressed personally to the MD or which ever title the most senior person of the subsidiary held. In Ireland, this person may be entitled CEO, managing director, general manager, vice-president, site or plant manager. Where the title implied that the addressee may not be the most appropriate target respondent (for example the title plant manager implies an operational role, so that there may be a more appropriate strategic person), the subsidiary was telephoned to confirm the situation. This happened in approximately 50 instances.

In an effort to boost response rates the covering letter highlighted the relevance and timeliness of the questionnaire to subsidiary managers in Ireland, as it is believed that people are more likely to respond if the topic is 'personally or professionally important to them at that time'



(Cycota and Harrison, 2002, pp. 154). The letter clearly confirmed the anonymous and confidential nature of the study, and how individual responses would be aggregated for statistical purposes. Given the potential sensitivity of the findings and the assurance of anonymity it was decided not to number or otherwise identify the respondents in the questionnaire.

Late November was chosen for the initial posting. On discussions with senior business people it was decided that this was an appropriate time of year to send the mailing as many businesses are entering a quiet period over Christmas and people may be more inclined to react positively to the arrival of the questionnaire. It also left the possibility that the questionnaire may sit on somebody's desk over Christmas and this made the date of the second contact vitally important.

### **5.11.3 Second Contact: The Second Questionnaire Posting**

Dillman (2000) recommends sending a follow-up letter after two weeks to all respondents after the posting of the questionnaire package, serving both as a thank you and a reminder. As the identified respondents in this study occupy very senior positions within organisations, it was deemed necessary to minimize the number of contacts to avoid giving the potential for aggravation or annoyance. In addition, even after two weeks, several completed questionnaires were received each day. It was decided that it would be appropriate in this instance to eliminate the postcard stage and send a replacement questionnaire, cover letter and return envelope in the after the Christmas period, four weeks after the initial posting.

One disadvantage of being unable to identify who had returned completed questionnaires, was that respondents from the first posting of the questionnaire could not be excluded from the second posting. However, the impact of this was minimised in that almost 50% of those

responding to the initial request included a business card, allowing for their names to be excluded from the database. The cover letter attached to the second mailing tried to minimise any annoyance to recipients who had already completed the questionnaire by highlighting the anonymous nature of the responses, stating that as a result some managing directors who had already responded were being approached again. In addition, efforts were made to have each cover letter begin very differently and to be easily distinguished from the previous contact in layout to avoid appearing as duplicates and irritating the target respondents. This cover letter emphasised our dependence on the goodwill of senior personnel such as the respondent for the success of the study.

#### **5.11.4 Response Rate**

As stated earlier the final number of questionnaires sent to accurate addresses was 1,162. Of that number 202 questionnaires were returned. 16 of those returned were deemed unusable due to inaccurate responses. Therefore the final number of returned questionnaires was 186 representing a response rate of 16%. This response rate compares favourably with similar studies (Harzing, 2000, Birkinshaw et al., 1998, Scott et al., 2010).

#### **5.11.5 Non Response Bias**

While the strong response rate reduces the probability of non response bias (Weiss and Heide, 1993), the standard tests were applied. As late respondents are expected to display similarities to non respondents, t-tests were applied to compare potential differences between late respondents and early respondents on a range of characteristics. The first 60 respondents were grouped to form a batch of early respondents and the last 60 respondents formed the late respondent group, as the last 25% of respondents are generally considered as the late respondents (Weiss and Heide, 1993). T-tests were performed to compare the two groups on a

range of variables, including number of subsidiary employees, type of organisation, age of subsidiary, and parent location.

#### **5.11.6 Representativeness of the Sample to the Population**

The quality of the data generated by the questionnaire and the generalisability of the findings generated by it is wholly contingent on how representative the respondents are to the population as a whole. The standard of the test undertaken to assess whether the observed frequency distribution is consistent with an expected frequency distribution was based on the chi square goodness of fit test. This test provides an objective assessment of the differences between two distributions. The expected frequencies for the respondent sample were calculated by referencing the values for the different categories from the population sample. The variables available for testing in terms of the goodness of fit test are limited to those for which information is available from the population database. Due to the limited information contained in the population database, an expected distribution based on population values could only be calculated on one variable, parent location. A large value of chi square relative to the degrees of freedom indicates that observed and expected matrices produced differ considerably, with the level of statistical significance indicating the probability of these arising solely due to sampling variations. Even when this probably is supported it does not mean that the model is correct, as another model could produce a 'better standard of fit (Hair et al., 1998).

#### **5.12 Remedial Measures for Common Method Variance**

Podsakoff and Organ (1986) advise that where data on both dependent and independent variables are collected from a single informant, statistical procedures are required to control for common method variance. Following their recommendation Harman's One Factor Test and a Partial Correlation Procedure were executed to 'isolate the covariance due to artificial reasons'.

### **5.12.1 Harman's One Factor Test.**

Following the procedure outlined by Greene and Organ (1973) the unrotated factor solution for all of the variables collected was examined to ensure that the bulk of the covariance in the independent and criterion variables are not contributed by a single factor. As the probability of extracting factors increases with the number of variables under consideration (Podsakoff and Organ, 1986), it was decided that the most conservative option was to group the variables examined according to their expected position on the model. While there are no guidelines available to confirm the expected level of factors which such analysis should produce (Podsakoff and Organ, 1986), as there are a high level of factors generated by the principal components analysis, and as the first factor does not account for the majority of the variance, and diagnostic support for each of the variable groupings is strong, common method variance does not appear to have significantly affected the data.

### **5.12.2 Marker Variable**

In addition to the options outlined we used the procedure that Lindell and Whitney (2001) recommend and Jayachandran et al (2005) adopt to test for common method bias. According to the procedure a marker variable or a scale that is theoretically unrelated to other scales should be included in the questionnaire so that there is a priori rationale for this scale to have zero correlations with other scales. The marker scale used in this study was dependence of trademarks (Ramani and Kumar, 2008). The correlation matrix on pg. 153 confirms that the variable does have some correlations with the variables in the study but they are not of a level which would cause concern.

### **5.13 Operationalisation of Variables.**

The instrument measures selected represent several iterations of discussions and debate by an expert panel, based on the dual ambitions of achieving the research objectives from a measurement perspective, and generating a sufficient response rate for the study to be meaningful.

The study's dependent, independent and control variables are discussed below. As mentioned earlier, with the exception of the items used to extend the model of middle manager strategic influence, existing measures from previous studies were adapted or merged. With a few exceptions, multiple indicators were used to measure the multidimensional constructs under examination. While it was necessary to include an adequately broad range of items to represent the underlying construct, (Lyon et al., 2000) this number had to be limited to the minimum sufficient to achieve acceptable validity levels given the key objective of generating sufficient responses.

As mentioned earlier, almost all of the indicators were measured using a 7 point Likert scale, anchored at 1= 'Not at all' and 7= 'To a very large extent'. While several of the measures had originally utilised a 5 point scale, it was felt that the 7 points allowed for greater variety in answers. While there may be a tendency to hit the median point labelled 'to some extent' it was found that respondents varied their answers across the scales. For example, it was noted that in a few instances a respondent amended an initial '5' rating to say a '6' indicating that the respondents did differentiate carefully between the levels on the scale. Few open ended questions were asked, and these related to factual matters such as industry sector, number of employees, or origin of parent operation.

## 5.14 VARIABLE DETAILS

### 5.14.1 Subsidiary Manager Strategic Influence

Subsidiary manager strategic influence was measured using four dimensions. The first two dimensions were established in previous studies by Floyd and Wooldridge (1992, Floyd and Wooldridge, 1997). In their study they identified specific examples of middle management influencing behaviour in strategy from a review of Bower (1970), Burgelman (1983b) and Kanter (1983). Items developed from this review were then tested on practising managers. From this two step process, 21 Likert-type items assessing how frequently middle managers performed various strategic activities were developed. The frequency scale was intended to capture the extent to which managers perceived the roles to be part of their work activity, rather than to measure the number of times a given activity was performed. The four roles identified by Floyd and Wooldridge in their original study were also utilised in this study: in a downward direction the two roles were *Implementing Deliberate Strategy and Facilitating Adaptability* and in an Upward direction the two roles are *Championing Alternative and Synthesizing Information*. (Floyd and Wooldridge, 1997).

#### *Horizontal Strategic Activity*

The horizontal strategic activity of middle managers had not been tested empirically before so new measures were developed. The horizontal strategic internal roles were based on research on the internal management activities of subsidiary managers (Garcia-Pont et al., 2009). A distinction is made in this literature between formal internal management roles (Watson O'Donnell, 2000) and more informal horizontal roles (Balogun et al., 2011). This was the basis for the two variables; Horizontal formal *Inter-Unit Coordinating* and horizontal informal *Deepening Networks*.

The variables developed for horizontal strategic external roles were based on the subsidiary management literature which focuses on the external strategic activity of subsidiary managers. Subsidiary managers have a crucial role in developing relationships with the external environment (Andersson et al., 2002, Andersson et al., 2007). Through this process subsidiaries contribute to the competitive advantage of the MNC (Nell et al., 2010). But the subsidiaries external environment is made of different actors. There are those in the business environment that the subsidiary interacts with but there are also those external actors outside of the customer supplier network that may also provide important links (Nell and Andersson, 2012). This distinction was the basis of the two horizontal external variables; *Encouraging Business* and *Expanding Links*.

#### **5.14.2 Antecedent Variables**

Subsidiary level factors were measured using variables from the subsidiary and strategy literature. In addition to these variables, respondents were requested to detail their position and the number of years they had worked with the subsidiary to confirm that each respondent could reasonably serve as the subsidiary's key informant (Harzing, 1999).

##### **5.14.2.1 Subsidiary Autonomy.**

This is considered a subsidiary variable as it is the level of autonomy the subsidiary perceives that it enjoys rather than the level which its parent perceives it has authorized. The absence of a headquarters perspective excludes the possibility of correlating the responses, but it does allow the subsidiary level respondent to answer freely and may reduce the level of social desirability bias in relation to the other measurement items. The original 5 item scale from Watson O'Donnell (2000) and 3 item decision level options approach adopted by Birkinshaw et al, (1998) were combined. After the factor analysis it emerged that the scale fell out into two separate items; product autonomy and strategic autonomy.

#### **5.14.2.2      *Strategy Formation Mode***

This measure was based on Slevin and Covin's (1997) scale measuring strategy formation mode. Higher scores on the scale indicate an emergent strategy formation mode; lower scores indicate a planned strategy mode (Anderson et al., 2009).

#### **5.14.2.3      *Subsidiary Capabilities***

The scope and the relevant level of the subsidiary's capabilities has a major impact on its approach to strategy development. It was important to measure not only the capabilities that the subsidiary engaged in but also its relative competence in those areas. A number of options were looked at to measure this variable and it was decided to develop Roth and Morrisson's (1992) 8 item scale. A nine item scale was developed which included a split between supportive and strategic capabilities (Harzing and Noorderhaven, 2006). The supportive capabilities were HRM, IT, purchasing, marketing, finance, logistics and the strategic capabilities were R&D, managing international activities and innovation and entrepreneurship.

#### **5.14.2.4      *Individual Antecedent Factors***

##### ***Manager Competence***

In the process of the interviews with senior subsidiary managers an important aspect emerged which could not be ignored in the research. The personal competence of the subsidiary MD emerged time and again as a crucial driver in subsidiary success. It was decided that this crucial aspect of the subsidiary manager's role could not be ignored. It is recognised that middle managers in certain positions with particular personality traits play a crucial role in facilitating innovation (Moss, 1982), communication (Allen, 1971), and selecting projects to pursue (Burgelman, 1991). However the strategy literature has historically argued that a good process is the key to good performance which has resulted in a long tradition of using organisational factors rather than individual employees to explain differences in firm



performance. And yet firms ultimately consist of people whose performance can vary widely. This opens up the possibility that the people who actually make up the firm may account for much of the often widely varying differences in performance (Mollick, 2012). In the original Floyd and Wooldridge (1992, , 1997) model they did not account for the effect of the personal competence of the individual. In this study we wanted to test for the effect of this personal characteristic.

For this study we selected a of measure individual level competencies developed by Chandler and Jansen (1992). This measure was originally employed by Chandler and Jansen (1992) who used self-assessments of competence and showed those assessments to be significantly related to venture performance. Evidence was provided by Gist (1987) outlining a strong relationship between perceived and actual competencies. This is supported by performance appraisal literature that has shown self ratings of performance and competence to be valid (Henderson, 1984, Heneman, 1974, Latham and Wexley, 1981, Tsui and Ohlott, 1988)

Self ratings have been shown to be useful when the following conditions are met: 1.) there is a structured rating system, 2.) they are used as a self development tool, 3.) individuals are working in isolation or possess rare skills: and they are used in discriminating across performance/skill dimensions (Henderson, 1984, Heneman, 1974, Latham and Wexley, 1981, Tsui and Ohlott, 1988)

A measure of managerial competence and a measure of entrepreneurial competence were used based on the measures employed by Chandler and Jansen (Chandler and Jansen, 1992, Chandler and Hanks, 1994).

### **5.14.3 Outcome Variables**

One of the major challenges in middle manager research has been in measuring the relationship between middle manager activities and organisational outcomes. Wooldridge et al (2008) propose that studies should look to measure the impact of middle manager activities on intermediate level outcomes rather than organisational level outcomes as it is more feasible that middle manager influence impacts more directly on intermediate outcomes which in turn impact the wider organisation but it is difficult to measure that impact. This study attempts to follow that research position. By measuring subsidiary level outcomes they are intermediate outcomes in the full picture of the MNC. The argument is therefore that subsidiary managers do influence MNC strategy by directly influencing outcomes at the subsidiary level.

#### **5.14.3.1 *Strategic Learning Capability***

A six item, seven point scale measured strategic learning capability. Three of the items of this scale are the Covin et al (2006) strategic learning from failure scale. Andersson et al (2009) added three additional items to better capture the notion that strategic learning capability is composed both of the ability to generate strategic knowledge and to make adjustments to firm strategy based on that strategic knowledge (e.g., Barr, 1998, Thomas et al., 2001). As is the case for all multi-item scales in this research, the combined mean of the individual item scores is the scale score. Higher scores on this measure indicate higher levels of strategic learning capability.

#### **5.14.3.2 *Strategic Initiative***

The measure for the subsidiary initiative construct was adapted from Birkinshaw et al, (1998) to capture the range of initiatives which can be undertaken by the subsidiary, from competing for internal opportunities to product development. The respondent was requested to measure the items over the previous 5 years and to anticipate the level over the next five years.

#### **5.14.3.3      *Strategy Creativity***

The measure of strategy creativity is based on a measure employed by Scott et al (2010). It is a combination of Menon and Bharadwaj's (1999) creativity focused items and Karazogulu and Brown's (1988) measures of management's willingness to engage in strategic experimentation, adapted to the subsidiary unit of analysis.

#### **5.14.3.4      *Strategy Implementation***

The variable for strategy implementation was based on the measure developed by Noble and Mokwa (1999). They defined implementation success as the extent to which a strategy implementation effort is considered successful by the organisation (Noble and Mokwa, 1999). This measure was also utilised by Slater et al (2010).

#### **5.14.3.5      *Strategic Posture***

The original three dimensional entrepreneurial orientation scale was initially developed by Khandwalla (1977). Later it was refined by Miller and Friesen (1982) and Covin and Slevin (1989) and has been successfully utilised in 'numerous studies' (Lyon et al., 2000). A number of other existing scales were also examined (Scott et al., 2010, Naman and Slevin, 1993, Brown et al., 2001) to select the most appropriate measures for the current study.

Support for the use of the entrepreneurial orientation scale was derived from several considerations. Firstly, initial concerns regarding the application of any of the inherently US based scales to an area which is geographically if not culturally distant, were alleviated by Knight's (Knight, 1997) support for the entrepreneurial orientation scale in a cross cultural setting. Secondly, deliberation was also given to criticisms relating to the mix of 'current attitudes and past behaviour' (Brown et al., 2001, pp. 954) captured by the scale. Other criticisms relate to the ambiguity of some of the items (Lumpkin and Dess, 1996) for example, that one of the pro-activeness measures (relating to competitive clashes) actually measures

competitive aggressiveness. However, it was then decided that given the overall academic acceptance of the entrepreneurship scale (Knight, 1997, Miles and Snow, 1978, Miles and Arnold, 1991), the ease of adapting the measures to apply to the subsidiary level and the relative newness and lack of verification of Brown et al's alternative, that the measures derived by Covin and Slevin (1989) would be utilised.

#### **5.14.3.6 Performance**

Financial measures of performance can be the most accurate for single entity firms, but complications arise in relation to subsidiaries due to the many alternatives for recognising income within a large organisation. In addition, comparing absolute figures for subsidiaries would be misleading as these can be affected by industry related factors (Covin and Slevin, 1989, Miller, 1986, Sapienza et al., 1988). Tomaskovic-Devey et al (1995) also advise that requests to provide financial information, particularly from subsidiaries, can lead to non-response. For this reason, and as mentioned above the desire that respondents should be able to answer the survey in one sitting without having to consult records or retrieve any information, attitudinal measures were utilised.

The potential level of bias in self reported operationalisations of firm performance has been widely reported (Boyd et al., 1993, Cycota and Harrison, 2002), although others (Venkatraman and Ramanujam, 1986, Dess and Beard, 1984, Dess and Robinson Jr, 1984, Birkinshaw et al., 2005, Floyd and Wooldridge, 1997) found strong correlations between subjective and objective measures of performance. Additional considerations include inconsistencies in accounting practices and policies adopted by subsidiaries and the variations in their reporting structures (for example, some parent operations guarantee their subsidiary's obligations and then subsume its figures within the MNC consolidated report). Absolute scores on financial

performance indicators even if they were to be available at the subsidiary level are influenced by industry-related factors, reducing the value of direct comparisons given the diverse industries captured by the sample (Miles, Covin and Heeley, 2000). As subsidiaries do not enjoy separate stock exchange quotations, stock prices indices cannot be requested and there is no obligation to meet exchange regulations on information provision at the individual subsidiary level.

It is hoped that the broad range of contribution indicators utilised minimises the impact of the various issues and captures the essence of subsidiary performance. The demonstrated correlation between subjective and objective measures of performance (Dess and Robinson, 1984; Slater and Narver, 1994) and the use of subjective measures in prior studies (Gupta and Govindarajan, 1984; Naman and Slevin, 1993) provides additional support for the approach adopted. The scale utilised by Karagozoglou and Brown (1988) to measure organisational competence was adapted to provide an indicator of the overall performance of the subsidiary relative to its peers. These measures were developed to reflect performance relative to competitors when examining marketing orientation on the basis that such an orientation yields competitive advantage, and to overcome difficulties in obtaining objective relative performance measures at the business level. The factor analysis highlighted that the items fell out into two separate variables; financial performance and operational performance.

#### **5.14.4 Control Variables**

Various extraneous factors have the potential to affect the results of this study. To reduce this threat, control variables at the individual, industry, organisational and environmental level were included in the analysis.

#### **5.14.4.1 Tenure**

Firstly at the individual level, tenure in position was included in the questionnaire and introduced into the analysis as a control that could potentially affect a manager's influence on strategy (Schilit, 1987, Floyd and Wooldridge, 1997). The log of the number was employed for statistical analysis.

#### **5.14.4.2 Subsidiary Age**

Data on subsidiary age was requested to allow for potentially interesting comparisons to arise from the data. The log of the number was employed for statistical analysis. It would be expected that the subsidiaries would generally be relatively young given the age of Ireland's own economy. The arrival of multinational subsidiaries to Ireland began, or was certainly exacerbated, by Ireland's entry into the EU over forty years ago (Gunnigle and McGuire, 2001, Monaghan et al., 2014). This process of foreign direct investment has been a major driver of Ireland's progression from a primarily agricultural nation, to an economy which supports many of the biggest multinationals in the world.

#### **5.14.4.3 Subsidiary Size.**

Consistent with previous studies, employee numbers were taken as representative of the size of both the subsidiary (for example, Gupta and Govindarajan, 2000) and for its parent organisation. The log of the number was employed for statistical analysis. The decision to utilise a single variable for the operationalisation of subsidiary size was based on the belief that further information would not be provided. For example, as subsidiaries are generally not required to publish detailed financial information, requests for subsidiary revenue or income levels are likely to be ignored and could trigger respondent fatigue. There is also the danger that requesting any hard financial information, even high level information, might prompt confidentiality concerns and increase the probability of non response.

#### **5.14.4.4 Parent Location.**

The country of origin was included because several studies support the influence of the MNCs home country on subsidiary behaviour and performance (for example, Ghoshal and Nohria, 1989, Harzing, 1999, Rugman, 1983) , as the country of origin impacts subsidiary politics, culture, access to knowledge and resources, and other economic and legal factors.

#### **5.14.4.5 Industry Sector**

There are a wide range of industry sectors occupied by MNC subsidiaries in Ireland. This reflects the efforts of Ireland's Development Agency to attract ICT, pharmaceutical, medical and engineering related industries (Monaghan et al., 2014, Brennan and Verma, 2012). As there can be such a range of sectors it was variability in responses across different industry sectors.

#### **5.14.4.6 Management Control by Socialisation**

Control has been the focus of extensive research in social sciences but particularly in the context of international business. Scholars have been anxious to point out the pivotal role of headquarters' coordination and control in implementing global strategies (Doz and Prahalad, 1981, Bartlett and Ghoshal, 1989, Kogut, 1985, Anderson and Forsgren, 1996). This issue is also coming back to prominence as scholars ask the question of whether the impact of new MNC structures is creating a new power balance in MNCs (Buckley, 2011, Buckley and Ghauri, 2004, Yamin and Sinkovics, 2007). The different control mechanisms available to headquarters have been widely discussed (Martinez and Jarillo, 1989, Martinez and Jarillo, 1991, Noble and Birkinshaw, 1998, Gupta and Govindarajan, 1991). The measure used in this study was based on the measure of control by socialisation outlined by Ambos and Schegelmilch (2007).

#### **5.14.4.7      *Environmental Constraints***

The environment in which the subsidiary operates can have a major bearing on the strategic options available to management. High velocity environments impact on management in different ways to more stable highly regulated environments. It was necessary to control for these effects at both the internal MNC environment and the external environment. The measures used were based on those developed by Bailey et al, (2000) and the items referred to restrictions on a firm's strategic direction arising from barriers in both its external business environment and its internal environment. The measure was relabelled to render it more appropriate for completion by a subsidiary MD and the items were adapted to embrace the potential restrictions at subsidiary level. The measures were divided into the two dimensions of constraints experienced by subsidiaries, internal MNC and external environmental constraints.



## Chapter Six: Results

### 6.1 Introduction

The following chapter sets out the results in four sections;

6.2 Descriptive Statistics

6.3 Exploratory Factor Analysis

6.4 Correlation Matrix

6.5 Regression Analysis

## 6.2 Descriptive Statistics

### 6.2.1 Subsidiary Manager Strategic Activities

**Table 6.1:** *Implementing Deliberate Strategy*

	Mean	Std. Deviation	N
Monitor activities to support Head Office objectives	5.90	.959	185
Implement action plans designed to meet Head Office objectives	5.87	.964	185
Translate Head Office goals into action plans	5.84	.987	185
Translate Head Office goals into individual objectives	5.65	1.059	185
Sell Head Office initiatives to subsidiary employees	5.66	1.101	185

**Table 6.2:** *Facilitating Adaptability*

	Mean	Std. Deviation	N
Buy time for experimental subsidiary programs	4.64	1.497	184
Provide a safe haven for experimental subsidiary programs	4.63	1.524	184
Locate and provide resources for trial subsidiary projects	4.79	1.508	184
Develop objectives and strategies for unofficial subsidiary projects	4.37	1.751	184
Encourage informal discussion and information sharing within the subsidiary	5.88	.973	184
Relax regulations to get new subsidiary projects started	3.89	1.855	184

## UPWARD

**Table 6.3: *Championing Alternatives***

	Mean	Std. Deviation	N
Justify and define new subsidiary programs	5.22	1.272	181
Evaluate the merits of new proposals at the subsidiary level	5.33	1.145	181
Search for new opportunities for the subsidiary	5.50	1.259	181
Propose subsidiary programmes or projects to managers in Head Office	5.34	1.427	181
Justify programmes that have already been established	4.88	1.462	181
Gather information on the feasibility of new programs	5.09	1.244	181
Communicate the implications of new information regarding the subsidiary	5.40	1.163	181

**Table 6.4: *Synthesizing Information***

	Mean	Std. Deviation	N
Assess changes in the subsidiary's external environment (Outside the MNC)	5.07	1.356	180
Assess changes in the subsidiary's internal environment (Within the MNC)	5.24	1.174	180
Encourage multidisciplinary problem solving teams within the subsidiary	5.72	1.169	180

## HORIZONTAL INTERNAL

**Table 6.5: *Internal Coordinating***

	Mean	Std. Deviation	N
Participate in inter unit committees to engage in joint decision making	4.57	1.747	185
Participate in temporary task forces to facilitate international collaboration	4.76	1.612	185
Participate in temporary meetings with managers from other international locations	5.02	1.548	185
Engage in informal personal contact between other subsidiary managers	5.31	1.448	185
Seek advice from other subsidiary managers	4.58	1.643	185

**Table 6.6: *Deepening Internal Networks***

	Mean	Std. Deviation	N
Align with partners who have access to important resources	5.33	1.237	183
Building linkages with subsidiaries with complementary resources	5.04	1.313	183
Track record of enlisting the support of key people within the MNC	5.47	1.068	183

## HORIZONTAL EXTERNAL

**Table 6.7:** *External Business Operating*

	Mean	Std. Deviation	N
Communicate the activities of the subsidiary's competitors, suppliers, etc	5.01	1.377	182
Encourage new subsidiary projects in conjunction with local customers	4.00	1.695	182
Encourage new subsidiary projects in conjunction with local suppliers	4.12	1.674	182

**Table 6.8:** *Expanding External Links*

	Mean	Std. Deviation	N
Meet with government agencies to discuss new subsidiary projects	4.03	1.878	185
Invite government agencies to meet management from Head Office	3.62	1.887	185
Identify potential alliances with local Universities / Institutes of Technology	3.89	1.841	185

## 6.2.2 Antecedent Variables

**Table 6.9:** *Autonomy*

	Mean	Std. Deviation	N
Introduction of New Products	3.31	1.767	162
Selection of Suppliers	4.74	1.559	162
Entering Foreign Markets	2.78	1.744	162
Changing to a New Manufacturing Process	4.00	1.918	162
Changes in Product Design	3.54	1.808	162
Changes in Product Price	3.94	1.931	162
Building Relationships with Sister Subsidiaries	4.76	1.279	177
Changes in Subsidiary Organisational Structure	4.48	1.719	177
Undertaking Significant Capital Expenditure	3.05	1.425	177
Borrowing Short Term from Local Bankers	3.47	2.092	177

**Table 6.10:** *Strategy Formation Mode*

	Mean	Std. Deviation	N
Business strategy is a result of trial and error actions	2.23	1.218	182
Subsidiary strategy is not planned in advance but emerges	2.60	1.665	182
Competitive strategy results from informal communication	3.76	1.653	182
Strategic plans are developed by Head Office	4.53	1.607	182
Subsidiary strategy carefully planned with Head Office	4.76	1.590	182
Competitive strategy results from formal business plan	4.80	1.710	182

**Table 6.11: Capabilities**

	Mean	Std. Deviation	N
Product or Process R&D	3.99	1.751	156
Manufacturing	4.56	1.874	156
Marketing	3.75	1.548	156
HRM	4.73	1.188	156
Managing International Activities	4.68	1.553	156
Innovation & Entrepreneurship	4.72	1.273	156
I.T.	4.37	1.260	156
Finance	5.02	1.236	156
Logistics	4.94	1.216	156

**Table 6.12: Individual Competence****Managerial Competence**

	Mean	Std. Deviation	N
Supervise influence and lead people	5.86	1.068	183
Delegate effectively	5.48	1.094	183
Find resources that the subsidiary needs	5.79	.902	183
Find money and people to start new programs	5.25	1.164	183

**Entrepreneurial Competence**

	Mean	Std. Deviation	N
Find products and services which provide benefit for subsidiary customers	4.17	1.773	179
Identifying business opportunities	4.97	1.276	179
Accurately identify unmet market needs	5.02	1.382	179
Seize high quality business opportunities	4.94	1.517	179

**6.2.3 Outcomes****Table 6.13: Strategic Learning**

	Mean	Std. Deviation	N
Good at identifying strategies that haven't worked	4.89	1.110	185
Good at pinpointing why failed strategies haven't worked	4.96	1.060	185
Good at learning from its strategic / competitive mistakes	5.38	.993	185
Regularly modifies its choice of business practices and competitive tactics	5.20	1.165	185
Good at changing business strategy midstream	5.04	1.163	185
Good at recognising alternative approaches to achieving objectives	5.26	1.073	185

**Table 6.14: Initiative**

New products developed in Ireland and sold internationally	3.76	2.208	175
Successful bids were made for new corporate investments in Ireland	3.97	2.323	175
New international business activities that were first started in Ireland	3.83	2.012	175
New relationships with sister subsidiaries were established	4.30	1.687	175
New relationships outside the MNC were established	4.38	1.567	175
Proposals were made to transfer new activities to Ireland	4.30	2.110	175

**Table 6.15: Strategy Creativity**

	Mean	Std. Deviation	N
Most recent strategy was very different	4.04	1.509	177
Most recent strategy broke some rules of the game	3.56	1.712	177
Most recent strategy was innovative	4.56	1.425	177
Most recent strategy was risky	4.35	1.538	177
Subsidiary strategy experimentation is highly valued	4.51	1.454	177
Formulating strategy old beliefs are readily dissuaded in favour of new ones	4.19	1.517	177

**Table 6.16: Implementation**

	Mean	Std. Deviation	N
The most recent strategy was effectively implemented	5.02	1.234	177
Implementation was considered a success in the subsidiary	4.92	1.227	177
Implementation was considered a success as Head Office	4.98	1.283	177
Personally I think the implementation was a success	5.18	1.157	177
Strategy Implementation was disappointing (Reversed)	5.32	1.315	177

**Table 6.17: Strategic Posture**

	Mean	Std. Deviation	N
Emphasis on R&D, Technological Leadership and Innovations	4.35	1.639	180
New Lines of Products and Services in last 3 years	5.08	1.644	180
Changes in subsidiary product or service lines have been dramatic	4.41	1.640	180
Subsidiary Responds to Competitors Actions	4.70	1.345	180
First to Introduce New Products, Services, Admin Techniques etc	4.64	1.538	180
Engages in Competitive Clashes	4.78	1.363	180
Strong Proclivity for Risky Projects	4.13	1.275	180
Exploring External Environment	4.02	1.233	180
Bold Aggressive Posture	4.17	1.194	180
Very Aggressive in Taking Business from Competition	4.94	1.258	180

**Table 6.18: Performance**

	Mean	Std. Deviation	N
Average profitability is high compared to its sister subsidiaries	4.64	1.578	179
Market Share has grown relative to major competitors	4.64	1.351	179
Subsidiary net profits are strong relative to expectations	4.55	1.466	179
Subsidiary productivity is high compared with sister subsidiaries	5.13	1.245	179
Subsidiary quality levels are high compared with sister subsidiaries	5.26	1.176	179
Subsidiary has a better record of customer development than its sister subsidiaries	4.99	1.190	179
Subsidiary has a better record of technology development than its sister subsidiaries	4.22	1.581	179

**6.2.4 Control Variables****Table 6.19: Tenure**

Tenure	% of Total Responses
Less than 5 years	42.1
6 - 10 years	28.4
10 - 15 years	13.7
16 - 20 years	6.6
More than 20 years	8.2

**Table 6.20: Subsidiary Age**

Subsidiary Age	% of Total Responses
Less than 5 years	5.9
6 - 10 years	12.9
10 - 15 years	19.9
16 - 20 years	13.4
21 - 25 years	5.9
Over 25 years	38.2

**Table 6.21: Subsidiary Size**

<b><u>Subsidiary Size</u></b>	<b><u>% of Total Responses</u></b>
(No. employees)	
50 or less	33.9
51 – 100	17.7
100 – 500	14.5
500 – 1000	15.2
More than 1000	17.4

**Table 6.22: Parent Size**

<b><u>Parent Size</u></b>	<b><u>% of Total Responses</u></b>
(No. employees)	
500 or less	11.8
500 – 1000	5.4
1000 – 5000	20.4
5000 - 10,000	40.3
More than 10,000	19.9

**Table 6.23: Parent Location**

<b><u>Parent Origin</u></b>	<b><u>% of Total Responses</u></b>
United States	50.5
United Kingdom (UK)	7.5
EU Excluding UK	33.3
India	1.6
Japan	3.8
South America	1.1
Canada	.5
Russia	.5
Rest of World	1.1

**Table 6.24: Industry Sector**

<u>Subsidiary Industry Sector</u>	<u>Number</u>	<u>%</u>
ICT	32	17.2
Medical / Healthcare	31	16.7
Pharmaceuticals	22	11.8
Engineering / Manufacturing	34	18.3
Food / Agri	3	1.6
Energy	1	0.5
Automotive	6	3.2
Telecoms	4	2.2
Business Services	14	7.5
Construction	6	3.2
Consumer Goods	13	7.0
Entertainment and Media	1	0.5
Transportation / Logistics	9	4.8
Other	8	4.0
Missing	2	1.4

***Management Control by Socialisation***

Ambos and Schegelmich (2007) designed an 11 item scale under 3 headings; Centralisation, Formalisation and Socialisation. For the purposes the items were condensed to a 4 item scale focusing on the degree of control by socialisation exerted by headquarters. Centralisation and formalisation were to a large degree captured in other measures in this study so it was decided to focus on socialisation. The item was then revised to three items to improve the alpha. After removing one item “Head office send their own managers to work on this subsidiary” the alpha went from .520 to .75.

**Table 6.25: Management Control by Socialisation**

	Mean	Std. Deviation	N
High degree of shared values between subsidiary and Head Office	5.42	1.370	186
Exchange between Head Office, subsidiary and sister subsidiaries	4.98	1.416	186
Managers participate in international training and task forces	5.25	1.578	186



**Table 6.26: Internal MNC Constraints**

	Mean	Std. Deviation	N
Internal MNC Barriers to Strategy	3.59	1.433	182
Internal MNC Barriers to Growth	3.53	1.554	182
Internal MNC Barriers to Innovative Ability	3.36	1.573	182

**Table 6.27: Environmental Constraints**

	Mean	Std. Deviation	N
Limited in our ability to influence the business environment	3.36	1.724	182
Strategic Choice is restricted by our business environment	3.74	1.641	182
Strategic Choice is forced on us by those outside the organisation	3.69	1.616	182

### 6.2.5 Co-efficient Alpha

Reliability indicates the degree to which the measures used depict the observed construct. Co-efficient or Cronbach Alpha is described by Hair et al (1998, pp. 618) as a ‘commonly used measure of reliability for a set of two or more construct indicators’. Its relevance is highlighted by Churchill (1979, pp. 68) who, citing Nunally (1978), states that ‘coefficient alpha absolutely should be the first measure one calculates to assess the quality of the instrument. It is laden with meaning’ (although he warns that it will not estimate errors arising from factors outside the instrument giving the example of different testing situations). Values of 0.7 indicate that a particular construct has been captured (Hair et al., 1998, Nunally, 1978, Van de Ven and D., 1980).

### 6.2.6 Eliminated Items

<u>Construct</u>	<u>Indicator</u>
Management Control	Head office send their own managers to work in the subsidiary
Managerial Competence	Living and working in Ireland is important to me

The results, with the exception of Management Control and Managerial Competence indicate that the measures were reliable. Following consideration one item from each construct was removed. The highest alpha was achieved with these measures removed.

## 6.2.7 Summary of Key Variables

Variable	Mean	Deviation	Skewness	Kurtosis	Alpha
<b><u>MNC Middle Manager Strategic Activities</u></b>					
<b>Downward</b>					
<i>Implementing Deliberate Strategy</i>	5.78	0.83	-0.10	0.03	0.88
<i>Facilitating Adaptability</i>	4.70	1.19	-0.06	-0.03	0.86
<b>Upward</b>					
<i>Championing Alternative</i>	5.25	1.00	-0.13	0.19	0.89
<i>Synthesizing Information</i>	5.34	1.03	-0.20	0.14	0.78
<b>Horizontal Internal</b>					
<i>Inter-Unit Coordinating</i>	4.85	1.40	-0.17	0.13	0.92
<i>Deepening Networks</i>	5.28	0.97	-0.31	0.46	0.71
<b>Horizontal External</b>					
<i>Encouraging Business</i>	4.38	1.25	-0.07	-0.09	0.69
<i>Expanding Links</i>	3.85	1.64	0.03	-0.33	0.85
<b><u>Antecedents</u></b>					
Product Autonomy	3.72	1.25	0.01	-0.11	0.79
Strategic Autonomy	3.94	1.15	-0.01	0.00	0.64
Emergent Strategy Mode	5.13	1.36	-0.11	-0.15	0.66
Formal Strategy Mode	4.70	1.18	0.16	-0.09	0.78
Subsidiary Capabilities	4.17	0.85	-0.09	0.11	0.73
Managerial Competence	5.60	0.57	-0.12	0.04	0.71
Entrepreneurial Competence	4.78	1.16	-0.06	-0.04	0.64
<b><u>Outcomes</u></b>					
Strategic Learning	5.22	0.95	-0.21	0.27	0.88
Strategic Innovation	3.98	1.68	-0.01	-0.24	0.78
Strategic Creativity	4.21	1.21	-0.03	-0.05	0.85
Posture	4.52	0.93	-0.05	0.04	0.85
Financial Performance	4.60	1.22	-0.07	-0.19	0.78
Operational Performance	4.91	0.94	-0.08	0.01	0.69

**Table 6.28: Summary of Key Variables**

### **6.3 Exploratory Factor Analysis**

Factor analysis is based on the assumption that the structure of a data set can sometimes be adequately defined by a relatively small number of underlying factors or latent variables, which are derived from analysing the correlations between the variables. The objective is to define a set 'of common underlying dimensions' (Hair et al., 1998) to reduce the complexity of data analysis for the researcher or to reduce a large variable set for use in subsequent analysis. Factor analysis as defined by Pedhazur and Schmelkin (Pedhazur and Schmelkin, 1991 pp. 66) refers to 'analytic techniques designed to identify factors, or dimensions, that underlie the relations among a set of observed variables.... the observed variables are the indicators (measured items) presumed to reflect the construct (i.e., the factor)'. A good factor analysis 'makes sense', a bad one does not, as 'an important test of the analysis is its interpretability' (Tabachnick and Fidell, 2007).

Factor analysis is one of the most powerful analytic tools for addressing whether a measure is consistent with the specific construct under consideration (Pedhazur and Schmelkin, 1991), but its limitations must also be considered. Firstly, there is a general lack of consensus regarding the appropriateness and value of the various techniques (Hair et al., 1998). This is exacerbated by its association with poor research as factor analysis can provide even shoddy work with an appearance of professionalism (Tabachnick and Fidell, 2007). As a result, the suitability of the technique should be considered in relation to the particular data set and the specific research objectives. A range of diagnostic tests outlined below are required to confirm the suitability of the study data for factor analysis.

A important concern relates to the degree of subjectivity inherent in the execution of factor analysis. For example, the selection of the number of factors to extract, the number of rotations to be executed or the level of factor loading accepted as significant (Hair et al., 1998, Tabachnick and Fidell, 2007) is largely dependent on the individual researcher's preferences

as there are no definitive rules on these issues. To ensure sufficient rigour is achieved, this study adopts best practice guidelines provided by the methodology literature and previous empirical research, as detailed in the description of the analysis. A third issue for consideration is that similarly to any statistical procedure which analyses imperfect data (for example data with defects due to measurement errors or flaws in the collection process), the reliability and stability of the outcome of a single analysis is questionable (Hair et al., 1998). Ideally, the study should be repeated and further analysis undertaken, but this is restricted by time and cost constraints.

However, the most significant concern and one that cannot be eliminated by the researcher is the indeterminacy of the rotated factor solution, as 'more than one set of factor scores can be constructed that satisfy all of the necessary characteristics to be legitimate factor scores for a given pattern' (Gorush, 1983 p.p. 258). Compared to other statistical techniques it lacks an external criterion for testing the value of a solution (Tabachnick and Fidell, 2007), so the value of sets of factor scores derived from the same data set cannot be independently measured. This can only be compensated and counterbalanced by the researcher's confidence in the underlying theoretical basis and the logic of the factors resulting from the analysis, supported by compliance, as achieved by this study, with the antecedent diagnostic and process tests.

### **6.3.1 Exploratory Factor Analysis (EFA) Process.**

As the probability of extracting factors increases with the number of variables under consideration (Podsakoff and Organ, 1986), the variables are examined in groups according to their expected position on the model. There were three stages to this analysis. The first factor analysis was executed the MNC middle manager roles which is the central element of the study. Second factor analysis was executed on the antecedent variables which are expected to influence the MNC middle manager roles. Finally, the third factor analysis was executed on the

outcome variables which the MNC middle manager roles are expected to influence. The following process and diagnostic tests were executed and the outcomes considered for each stage of the proposed framework.

#### **6.3.1.1 Sample Size.**

The reliability of factor analysis is influenced by the size of the sample, with samples of 300 cases being considered ideal. The number of cases considered by this research ranged from 170 – 186 (as factor analysis was executed on the data in sections based on the variable grouping on the proposed framework). However, theory advises that levels of 150 are acceptable where loadings on components are high (Comrey and Lee, 1992, Tabachnick and Fidell, 2007, Pallant, 2013), which was the situation evidenced in this study. In addition, Guadagnoli and Velicer (Guadagnoli and Velicer, 1988) contend that a factor with four or more loadings in excess of 0.6 should be reliable regardless of sample size, and samples of 150 or more meet reliability requirements if factors have 10 or more loadings greater than 0.4. Similarly, MacCallum et al's (2001) study indicates that the size of the sample required is relative to the level of communalities, and that 100-200 cases may be acceptable when communalities are in excess of 0.5. For this study, the communalities table for each factor analysis executed indicates that the majority of items achieve a minimum communality of 0.5, with many variables achieving communalities in excess of 0.6.

#### **6.3.2 Execution of the Factor Analysis.**

Following confirmation of the adequacy of sample size, factor scores were estimated based on a regression approach, which results in the highest correlations between factors and factor scores (Tabachnick and Fidell, 2007). This approach was selected as representing the most understood and available method. The process, as described by Hair et al (Hair et al., 1998) involves the computation of a correlation matrix, followed by the extraction of some factors from the matrix and varimax rotation of the factors to maximise the correlation of each variable

with one of the factors and to reduce the original number of variables to a smaller number which are uncorrelated to each other.

### **6.3.3 Kaiser-Meyer Olin (KMO) and Bartlett's Test of Sphericity.**

Further post hoc diagnostic tests were executed to confirm that the data was suitable for factor analysis, and are summarized in Table 6.29 below. For each group of variables a Kaiser-Meyer-Olin (KMO) measure was calculated. Each group enjoys a 'good' result, as values which are close to 1 suggest that 'patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors' (Field, 2000, pp. 455). However, there is one group, outcome variables, which have a result slightly below 0.6.

The correlation matrices confirm a satisfactory number of strong relationships with many correlations in excess of 0.3, and the determinant of the correlation matrix is greater than 0.00001 for each grouping indicating that multi-collinearity is not an issue. This is supported by the communalities between the variables within each grouping, as the communality indicates the portion of the original variable which is explained by the other variables which have been extracted. Communality loadings are in excess of 0.5 for each item which is considered strong in Bartlett's test of sphericity. The results of the test indicate that the analysis will be of value as it examines whether the original correlation matrix is an identity matrix without significant correlations between the variables (Tabachnick and Fidell, 2007). For each group the chi square result rejects this hypothesis and confirms that the data is suitable for factor analysis.

**Table 6.29: Kaiser-Meyer Olin (KMO) and Bartlett’s Test of Sphericity.**

<b>Test Results by Variable Group</b>	<b>Strategic Activities</b>	<b>Antecedents</b>	<b>Outcome Posture</b>	<b>Outcomes</b>
<b>KMO Measure</b>	0.84	0.66	0.82	0.58
Acceptability of Multicollinearity Test	✓	✓	✓	✓
<b><u>Bartlett Test</u></b>				
Chi Square	4431.36	1705.73	739.32	1743.16
Degrees of Freedom	666	465.00	45	190
Significance Level	p<.001	p<.001	p<.001	p<.001

**6.3.4 Exploratory Factor Analysis (EFA) Results.**

As the diagnostic tests confirm the suitability of the data for factor analysis the process was executed and the results were examined to assess the discriminant validity of the variables. As stated earlier due to the complexity of the proposed framework, the items are grouped according to their expected position. There are 4 groups discussed: Subsidiary Manager Strategic Activities, Antecedent Variables, Posture Outcomes and Strategic Outcomes.

**6.3.4.1 EFA Results – Subsidiary Manager Strategic Activity Variables**

An examination of the rotated component matrix for the strategic activity variables displayed in table 6.30 indicates that 8 factors with eigen values greater than 1 were identified from the data, explaining 69.4% of the total variance. This is an acceptable level of explained variance for, as outlined by Hair et al (Hair et al., 1998 p.p. 378), ‘it is not uncommon for the analyst to consider a solution that accounts for 60% of the total variance (and in some instances even less) as a satisfactory solution’. As factor analysis is an exploratory tool, the number of factors to extract is dependent on the level considered appropriate by the researcher following examination of the scree plot (Cattell, 1966). While the accuracy of the scree test depends on

sample size, high communality values and strong loadings on each factor (Gorush, 1983), even under sub-optimal conditions it should plot accurately within one or two factors. While subject to interpretation the ‘elbow’ appears to be at the 8<sup>th</sup> factor.

Generally, only variables with a loading of more than 0.4 are meaningful (Pedhazur and Schmelkin, 1991) and ‘practically significant’ (Hair et al., 1998). Comrey and Lee (1992) (1992) advise that loadings in excess of 0.55 are good, in excess of 0.63 very good, and of higher than 0.71 excellent. Most of the loadings fall into the category of ‘very good’ or above. While the choice of cutoff depends on researcher preference, in this study only those items with loadings of 0.5 or more are included in further analysis as they explain at least half of the variance. For ease of presentation, the tables only show the factor score coefficients in excess of 0.3.

Factor analysis ‘blindly’ extracts co-variance on the basis of a statistical rather than a logical or theoretical relationship (Podsakoff and Organ, 1986) requiring the researcher to ‘understand the underlying dimensions that unifies the group of variables loading’ (Tabachnick and Findell, 2007 p.p. 624) onto the factor. As it is a data reduction technique it is expected that the original number of variables measured will be greater than the number of underlying components extracted from the data, as the variables form ‘coherent subsets that are relatively independent of one another’ (Tabachnick and Findell, 2007 p.p. 582).

Similarly to Floyd and Wooldridge’s original study, some of the items did not load on the variables as expected. This happened in four cases.

1. Encouraging multidisciplinary problem solving teams with the subsidiary loaded on *Synthesizing Information* rather than *Facilitating Adaptability*.



2. Gather information on the feasibility of new subsidiary programs loaded on *Championing Alternatives* rather than *Synthesizing Information*.
3. Communicate implications of new information regarding the subsidiary loaded on *Synthesizing Information* rather than *Facilitating Adaptability*.
4. Communicate the activities of subsidiary competitors, suppliers etc loaded on *Encouraging Business Trading* rather than *Synthesizing Information*.

What emerged in case 2 & 3 matched exactly with what had happened in Floyd and Wooldridge's (1992, , 1997) original study. Although these loadings were not consistent with expectations on reflection they seemed theoretically appropriate and had precedence in the original study. As a result the variables were recalculated according to the 8 factors loads. The resulting Alphas are listed in the descriptive statistics section.

The amendments to the variables suggested by the factor analysis represents an unexpected but valuable contribution Improved reliability of the amended measures was confirmed by additional Cronbach Alpha testing. To ensure that the adjustments contributed to understanding the relationships, the original correlation matrix was then compared to a correlation matrix based on the amended measures. As a more detailed perspective of the correlations was facilitated by the adjusted items, it was decided to utilize these items for examination of the relationships and for subsequent regression analysis as Floyd and Wooldridge (1992, , 1997) did in their original study. There were some minor cross loadings but these items were included due to cronbach alpha considerations.

**Table 6.30: Rotated Component Matrix Middle Manager Strategic Influence Activities**

**Rotated Component Matrix<sup>a</sup>**

	Component							
	1	2	3	4	5	6	7	8
<b><i>Implementing Deliberate Strategy</i></b>								
Translate Head Office goals into action plans				.886				
Implement action plans designed to meet Head Office objectives				.851				
Translate Head Office goals into individual objectives				.835				
Monitor activities to support Head Office objectives				.766				
Sell Head Office initiatives to subsidiary employees				.667				
<b><i>Facilitating Adaptability</i></b>								
Develop objectives and strategies for unofficial subsidiary projects			.831					
Provide a safe haven for experimental subsidiary programs			.799					
Locate and provide resources for trial subsidiary projects			.737					
Buy time for experimental subsidiary programs			.736					
Relax regulations to get new subsidiary projects started			.658					
Encourage informal discussion and information sharing within the subsidiary		.365	.406					.309
<b><i>Championing Alternatives</i></b>								
Search for new opportunities for the subsidiary		.774						
Justify and define new subsidiary programs		.755						
Evaluate the merits of new proposals at the subsidiary level		.722				.313		
Propose subsidiary programmes or projects to managers in Head Office		.719						
Gather information on the feasibility of new programs		.590	.315				.438	
Justify programmes that have already been established		.524	.434					
Communicate the implications of new information regarding the subsidiary	.305	.467				.318	.352	
<b><i>Synthesizing Information</i></b>								
Assess changes in the subsidiary's internal environment (Within the MNC)						.809		
Assess changes in the subsidiary's external environment (Outside the MNC)						.780	.342	
Encourage multidisciplinary problem solving teams within the subsidiary						.568		

**Rotated Component Matrix<sup>a</sup>**

	Component							
	1	2	3	4	5	6	7	8
<b><i>Inter-Unit Coordinating</i></b>								
Participate in temporary meetings with managers from other international locations	.895							
Participate in temporary task forces to facilitate international collaboration	.877							
Engage in informal personal contact between other subsidiary managers	.875							
Participate in inter unit committees to engage in joint decision making	.867							
Seek advice from other subsidiary managers	.731							
<b><i>Deepening Networks</i></b>								
Align with partners who have access to important resources								.844
Building linkages with subsidiaries with complementary resources								.747
Track record of enlisting the support of key people within the MNC		.383						.484
<b><i>Expanding Links</i></b>								
Meet with government agencies to discuss new subsidiary projects					.873			
Invite government agencies to meet management from Head Office					.867			
Identify potential alliances with local Universities / Institutes of Technology					.663			
<b><i>Encouraging Business</i></b>								
Encourage new subsidiary projects in conjunction with local suppliers							.726	
Encourage new subsidiary projects in conjunction with local customers					.332		.662	
Communicate the activities of the subsidiary's competitors, suppliers, etc							.553	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

### 6.3.4.2 EFA Results – Antecedent Variables

#### Autonomy

**Table 6.31: Rotated Component Matrix Autonomy**

	Component	
	1	2
Introduction of New Products	.855	
Changes in Product Design	.855	
Changes in Product Price	.731	
Changing to a New Manufacturing Process	.591	
Entering Foreign Markets	.563	
Selection of Suppliers	.491	
Changes in Subsidiary Organisational Structure		.792
Undertaking Significant Capital Expenditure		.747
Borrowing Short Term from Local Bankers		.603
Building Relationships with Sister Subsidiaries		.575

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.

Similarly to previous studies (Birkinshaw and Hood, 1998, Watson O'Donnell, 2000, Scott et al., 2010) the autonomy variable employed a range of measures capturing subsidiary activities. The factor analysis suggests that there are two aspects to subsidiary autonomy which are distinct and relatively independent of each other, product related autonomy and strategic autonomy. For example, subsidiary autonomy for product design may be totally separate to autonomy for capital expenditure or subsidiary discretion to change the organisational structure. It was decided that the breakdown of the items into these two components should be adopted as it is theoretical and logically valid, better reflects the complexity of subsidiary operations and may add to the understanding of the contextual and posture relationships. As a result, Hypothesis 1-1 is restated to reflect the two separate constructs comprising subsidiary autonomy:

*Hypothesis 1a: Subsidiary strategic autonomy is positively related to subsidiary manager strategic activities..*

*Hypothesis 1b: Subsidiary product autonomy is positively related to subsidiary manager strategic activities.*

**Strategy Formation Mode**

**Table 6.32: Rotated Component Matrix Strategy Formation Mode**

	Component	
	1	2
Subsidiary strategy carefully planned with Head Office	.890	
Strategic plans are developed by Head Office	.823	
Competitive strategy results from formal business plan	.775	
Subsidiary strategy is not planned in advance but emerges		.866
Business strategy is a result of trial and error actions		.788
Competitive strategy results from informal communication		.663

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

The measure for strategy formation mode is based on a scale employed by Slevin and Covin (Slevin and Covin, 1997). The six item scale has three items relating to a formal strategy formation mode and three items relating to an emergent strategy formation mode. The total of the six items results in a total score for strategy formation. On reviewing the factor analysis it became apparent that the six items did not load as one factor. Instead the three items for formal strategy mode and the three items for emergent strategic approach loaded on two discrete factors. This was an expected result as the total scale is made up of items measuring subsidiary emergent strategy and formal headquarters strategy. Therefore the single items were split into two items; emergent strategy mode and formal strategy mode. This approach was deemed to be theoretically and logically valid based on the approach taken in previous studies (Slevin and Covin, 1997, Covin and Slevin, 1989). As a result, Hypothesis 2-1 is restated to reflect the two separate constructs comprising strategy formation mode:

*Hypothesis 2a: An emergent strategy mode is positively associated with MNC middle manager strategic activities.*

*Hypothesis 2b: A formal strategy mode is negatively associated with MNC middle manager activities roles.*

### Capabilities

**Table 6.33: Rotated Component Matrix Capabilities**

	Component	
	1	2
Logistics	.818	
Finance	.814	
HRM	.652	
Product or Process R&D		.811
Innovation & Entrepreneurship		.810
Marketing		.577

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.

In relation to the capability measure the initial running of the factor analysis produced some problems. Two of the items did not fit on any factor. Therefore the decision was made to drop two of the items; IT and Manufacturing. The resulting analysis resulted in a split between strategic and supportive capabilities. This approach was consistent with previous studies (Harzing and Noorderhaven, 2006). As a result, Hypothesis 3-1 is restated to reflect the two separate constructs comprising strategy formation mode:

*Hypothesis 3a: Strategic activities are positively associated with MNC middle manager strategic activities.*

*Hypothesis 3b: Supportive capabilities are positively associated with MNC middle manager strategic activities.*

### Individual Competence

**Table 6.34: Rotated Component Matrix Individual Competence**

	Component	
	1	2
Products and services which provide benefit for subsidiary customers	.814	
Identifying business opportunities	.767	
Meet unmet market needs	.556	
Realise business opportunities	.524	
Supervise influence and lead		.774
Delegate		.747
Find money and people to start new programs		.717
Find resources	.415	.555

The items of individual competence fell out into two factors as expected. This reflected the distinction between managerial and entrepreneurial competence. One item did cross load but it was decided it should remain to maintain cronbach alphas.

**6.3.4.3 EFA Results –Outcome Variables**

**Table 6.35: Rotated Component Matrix Outcomes**

	Component			
	1	2	3	4
<b>Strategic Implementation</b>				
Implementation was considered a success in the subsidiary	.879			
Personally I think the implementation was a success	.874			
Implementation was considered a success as Head Office	.863			
The most recent strategy was effectively implemented	.811			
<b>Strategic Learning</b>				
Good at changing business strategy midstream		.865		
Regularly modifies its choice of business practices / competitive tactics		.864		
Good at recognising alternative approaches to achieving objectives		.807		
Good at learning from its strategic / competitive mistakes		.757		
<b>Strategy Creativity</b>				
Most recent strategy broke some rules of the game			.832	
Most recent strategy was very different			.779	
Most recent strategy was risky			.751	
Most recent strategy was innovative			.671	
<b>Initiative</b>				
New international business activities that were first started in Ireland				.802
New products developed in Ireland and sold internationally				.792
Successful bids were made for new corporate investments in Ireland				.780
Proposals were made to transfer new activities to Ireland				.644

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

The four strategic outcome variables loaded clearly on four factors. In each case items were removed to improve the overall factor analysis.

### ***Strategic Learning***

The strategic learning item comprises one component. Two of the original items were removed due to the fact that these items did not load on any factor. Both of the items related to strategic approaches that hadn't worked in the past. It was deemed that both of these items should be removed.

Items removed: *Subsidiary is good at recognising alternative approaches*

*Good at identifying strategies that haven't worked.*

### ***Initiative***

The strategic initiatives item comprises one component. Two of the original items were removed due to the fact that these items did not load on any factor. Both of the items related to initiatives in establishing new relationships outside of the subsidiary.

Item removed: *New relationships with sister subsidiaries*

*New relationships outside the MNC*

### ***Strategic Creativity***

The strategic creativity learning item comprises one component. Two of the original items were removed as they did not load on a single factor.

Items removed: *Strategy experimentation is highly valued*

*Old beliefs are regularly discarded*

### ***Strategy Implementation***

One of the items in strategy implementation was a negatively scored item. This item did not load on the factor and was removed.

Item removed: *Strategy implementation was disappointing*



**Strategic Posture**

**Table 6.36: Rotated Component Matrix Strategic Posture**

	Component		
	1	2	3
Taking Business from Competition	.832		
Competitive Clashes	.735		
Subsidiary Responses to Competitors Actions	.725		
First to Introduce New Products, Services, Admin Techniques etc	.710		
Risky Projects		.795	
Exploring External Environment	.361	.722	
R&D, Technological Leadership and Innovations		.717	
Posture	.433	.679	
Changes in subsidiary product or service lines			.851
New Lines of Products and Services in last 3 years			.846

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

Further investigation of the factors indicates that the components broadly followed the traditional three items constituting entrepreneurial orientation in the literature, namely risk orientation, innovativeness and pro-activity. As the factor analysis findings are consistent with previous studies, it was decided that the degree of subsidiary entrepreneurial orientation should also be consistent with prior work, and be represented as an additive function of the three dimensions; innovation, pro-activeness and risk taking (Covin and Slevin, 1989, Miles and Arnold, 1991, Anderson et al., 2009).

**Performance**

**Table 6.37: Rotated Component Matrix Performance**

	Component	
	1	2
Subsidiary net profits are strong relative to expectations	.913	
Average profitability is high compared to its sister subsidiaries	.853	
Market Share has grown relative to major competitors	.671	
Subsidiary has a better record of customer development than its sister subsidiaries		.831
Subsidiary quality levels are high compared with sister subsidiaries		.704
Subsidiary has a better record of technology development than its sister subsidiaries		.668

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

The performance measures emerged as two separate factors. Having reviewed the items this was explained as three of the items related to financial performance and four of the items related to operational performance. It was decided that the breakdown of the items into these two components should be adopted as it is theoretical and logically valid. One of the items was in relation to productivity was dropped, These two distinct factors better reflect the complexity of subsidiary operations and may add to the understanding of the contextual and posture relationships. As a result, Hypothesis 10 is restated to reflect the two separate constructs comprising subsidiary autonomy.

*Hypothesis 9-a: Subsidiary manager strategic activities are positively related to financial performance.*

*Hypothesis 9-b: Subsidiary manager strategic activities are positively related to operational performance.*

In light of the factor analysis a revised model is outlined below.

### 6.3.5 Revised Model

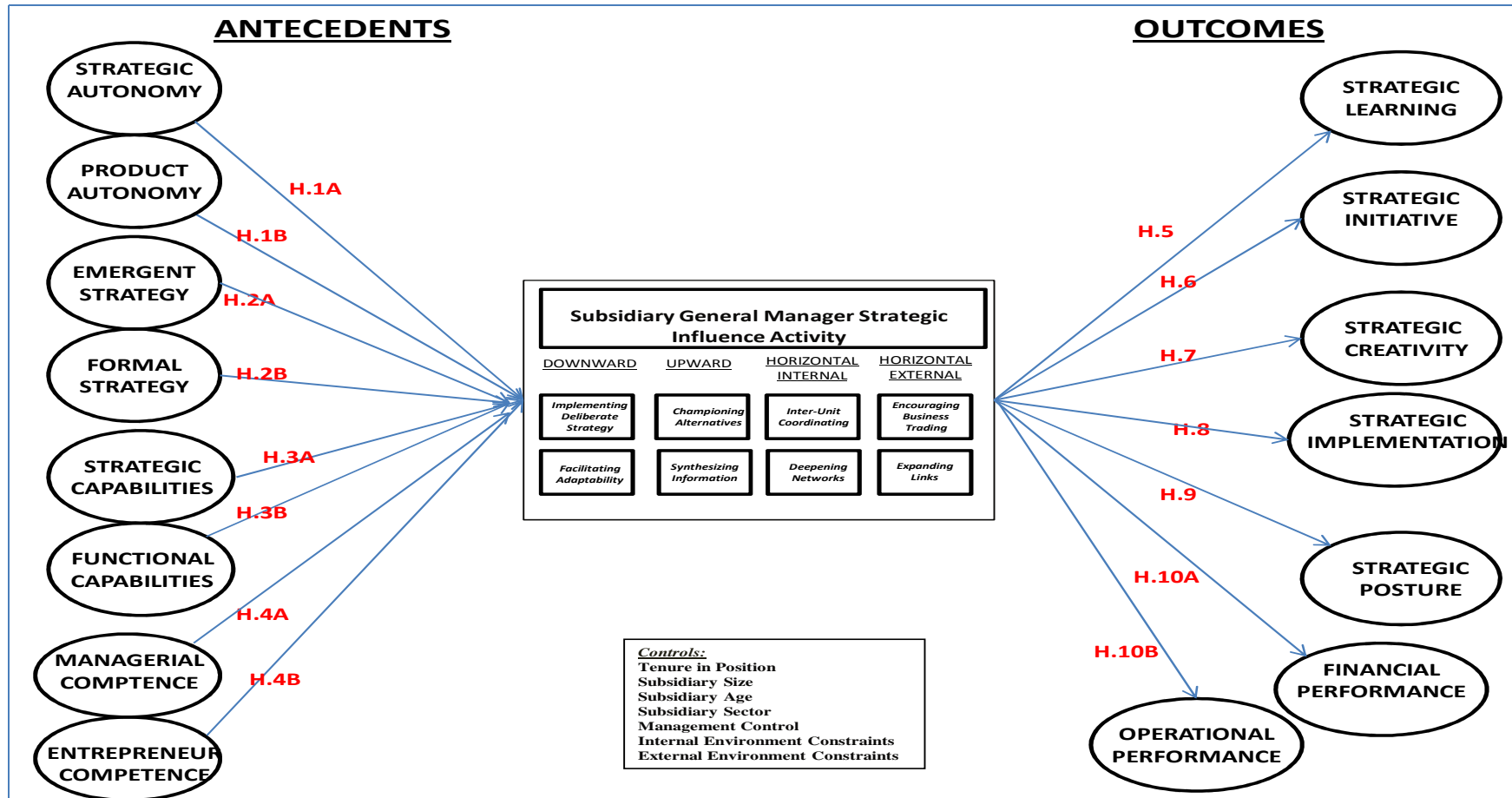


Figure 9: Revised Research Model

### **6.3.6 Summary**

This chapter outlines the research design and the methodology used to test the proposed conceptual model and supporting hypotheses. It describes the rationale for choosing a questionnaire as the primary data collection tool and the need for triangulating findings with an alternative method. It describes the theoretical and practical considerations in choosing construct measures, and the origins of the measurement items. The drafting and testing of the questionnaire, and the administration process involved in the survey are outlined. The characteristics of the respondents are described and the range of diagnostic techniques undertaken to confirm the quality and external validity of the sample are detailed. In addition, the sources of the interview data and the interview data analysis process are discussed.

## **6.4 Correlation Matrix**

### **6.4.1 Introduction**

The correlation matrix derived from the empirical data is analysed to determine the theoretical and practical relevance of the new typology of MNC middle manager activities. Specifically the simple bi-variate relationships existing between the middle manager activities, the antecedents and the outcomes are outlined. The more complex relationships are then evaluated and compared to the original hypothesis using multiple regression analysis.

#### Correlation Matrix

The correlations among all of the variables in the study are provided in table 6.38 . The correlation coefficients were initially reviewed for indications of multi-collinearity effects, but as few of the correlations reach above 0.50 the level of inter-correlations is acceptable (Papadakis et al., 1998). The significant relationships between the MNC middle manager roles and the antecedents, and outcomes, are discussed to establish the appropriateness of the new model prior to more rigorous multiple regression analysis.

## 6.4.2 Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1	Implementing Deliberate Strategy															
2	Facilitating Adaptability	.072														
3	Championing Alternatives	<b>.376**</b>	<b>.536**</b>													
4	Synthesizing Information	.163	<b>.488**</b>	<b>.578**</b>												
5	Inter-Unit Coordinating	<b>.251**</b>	<b>.295**</b>	<b>.411**</b>	.174											
6	Deepening Networks	<b>.215*</b>	<b>.376**</b>	<b>.472**</b>	<b>.372**</b>	<b>.464**</b>										
7	Encouraging Business	.059	<b>.453**</b>	<b>.539**</b>	<b>.477**</b>	<b>.296**</b>	<b>.377**</b>									
8	Expanding Links	<b>.221*</b>	<b>.466**</b>	<b>.471**</b>	<b>.308**</b>	.136	<b>.203*</b>	<b>.426**</b>								
9	Strategic Autonomy	-.150	.114	.075	.163	.045	-.146	<b>.285**</b>	.115							
10	Product Autonomy	<b>-.207*</b>	.143	<b>.218*</b>	<b>.211*</b>	-.012	.144	<b>.221*</b>	.095	<b>.341**</b>						
11	Emergent Strategy Mode	<b>-.237**</b>	.077	-.072	-.086	-.008	-.085	-.098	-.163	.175	<b>.204*</b>					
12	Formal Strategy Mode	<b>.511**</b>	-.099	.033	-.064	<b>.181*</b>	-.039	-.106	-.038	-.099	<b>-.357**</b>	-.163				
13	Strategic Capabilities	.022	<b>.449**</b>	<b>.377**</b>	<b>.251**</b>	<b>.221*</b>	<b>.220*</b>	<b>.462**</b>	<b>.297**</b>	.173	<b>.338**</b>	-.161	-.027			
14	Functional Capabilities	.100	<b>.200*</b>	.109	.119	-.031	.018	.116	<b>.214*</b>	.113	-.059	-.119	-.063	<b>.282**</b>		
15	Entrepreneurial Competence	.061	<b>.342**</b>	<b>.450**</b>	<b>.356**</b>	.107	<b>.423**</b>	<b>.379**</b>	<b>.407**</b>	.158	<b>.190*</b>	<b>-.179*</b>	.007	<b>.362**</b>	<b>.192*</b>	
16	Managerial Competence	<b>.253**</b>	<b>.401**</b>	<b>.422**</b>	<b>.432**</b>	.029	<b>.395**</b>	<b>.320**</b>	<b>.316**</b>	.081	.014	-.064	.057	.169	<b>.182*</b>	<b>.551**</b>
17	Total Strategic Learning	.169	<b>.326**</b>	<b>.482**</b>	<b>.346**</b>	<b>.320**</b>	<b>.341**</b>	<b>.419**</b>	<b>.292**</b>	.123	.003	-.126	.033	<b>.272**</b>	.105	<b>.366**</b>
18	Initiative	-.015	<b>.511**</b>	<b>.332**</b>	<b>.187*</b>	.110	.141	<b>.374**</b>	<b>.636**</b>	<b>.290**</b>	<b>.303**</b>	-.018	-.118	<b>.447**</b>	<b>.268**</b>	<b>.370**</b>
19	Strategy Creativity	.042	<b>.488**</b>	<b>.416**</b>	<b>.427**</b>	<b>.207*</b>	<b>.257**</b>	<b>.300**</b>	<b>.319**</b>	<b>.194*</b>	.117	.097	-.105	<b>.256**</b>	<b>.208*</b>	<b>.414**</b>
20	Strategy Implementation	<b>.244**</b>	<b>.360**</b>	<b>.510**</b>	<b>.401**</b>	<b>.321**</b>	<b>.418**</b>	<b>.294**</b>	<b>.313**</b>	.014	.045	-.169	.125	<b>.328**</b>	.150	<b>.413**</b>
21	Entrepreneurial Orientation	.107	<b>.269**</b>	<b>.360**</b>	<b>.290**</b>	.147	<b>.257**</b>	<b>.401**</b>	<b>.382**</b>	-.005	.024	-.174	.088	<b>.303**</b>	.138	<b>.404**</b>
22	Financial Performance	.088	<b>.390**</b>	<b>.379**</b>	<b>.240**</b>	.172	.145	<b>.287**</b>	<b>.390**</b>	<b>.315**</b>	<b>.281**</b>	.094	-.015	<b>.422**</b>	.153	<b>.218*</b>
23	Operational Performance	.058	<b>.341**</b>	<b>.328**</b>	<b>.205**</b>	<b>.264**</b>	<b>.236**</b>	<b>.229*</b>	<b>.367**</b>	<b>.218*</b>	.140	<b>-.201*</b>	-.112	<b>.412**</b>	<b>.224*</b>	<b>.312**</b>
24	Tenure Log	-.037	.051	.005	-.023	-.061	.039	-.017	.033	<b>.177*</b>	.056	-.011	.044	.139	.103	.130
25	Subsidiary Age Log	-.125	-.040	.050	-.083	-.020	-.025	-.079	.087	.084	.007	-.024	-.007	.019	.100	<b>.201*</b>
26	Subsidiary Size Log	-.059	<b>.341**</b>	<b>.275**</b>	<b>.375**</b>	-.060	.046	<b>.277**</b>	<b>.503**</b>	<b>.178*</b>	.113	-.069	-.164	<b>.222*</b>	<b>.183*</b>	<b>.257**</b>
27	Industry Sector (Subsidiary)	.024	.049	-.074	-.056	-.007	.097	.013	.128	.014	-.166	.036	-.099	-.077	.085	-.019
28	Management Control	<b>.319**</b>	-.028	.108	-.024	<b>.362**</b>	.002	-.135	.037	-.013	<b>-.313**</b>	<b>-.179*</b>	<b>.538**</b>	.059	.120	.167
29	MNC Constraints	.056	<b>-.198*</b>	<b>-.185*</b>	-.020	-.147	-.095	-.146	-.069	-.074	-.171	<b>.246**</b>	.043	<b>-.348**</b>	-.147	<b>-.214*</b>
30	External Constraints	<b>.194*</b>	-.167	-.051	.042	-.128	-.127	-.191*	-.116	-.144	<b>-.246**</b>	.155	.171	<b>-.331**</b>	-.083	-.166
31	Marker Variable	.159	.019	<b>.232**</b>	.138	.162	.009	<b>.205*</b>	.015	.170	-.160	-.062	<b>.185*</b>	.142	.072	.136

Table 6.38: Correlation Matrix

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
1	Implementing Deliberate Strategy															
2	Facilitating Adaptability															
3	Championing Alternatives															
4	Synthesizing Information															
5	Inter-Unit Coordinating															
6	Deepening Networks															
7	Encouraging Business															
8	Expanding Links															
9	Strategic Autonomy															
10	Product Autonomy															
11	Emergent Strategy Mode															
12	Formal Strategy Mode															
13	Strategic Capabilities															
14	Functional Capabilities															
15	Entrepreneurial Competence															
16	Managerial Competence															
17	Total Strategic Learning	.343**														
18	Initiative	.252**	.230*													
19	Strategy Creativity	.362**	.293**	.315**												
20	Strategy Implementation	.369**	.433**	.397**	.473**											
21	Entrepreneurial Orientation	.306**	.368**	.416**	.357**	.374**										
22	Financial Performance	.348**	.173	.440**	.276**	.268**	.311**									
23	Operational Performance	.220*	.329**	.470**	.184*	.294**	.179*	.321**								
24	Tenure Log	.109	-.160	.018	-.180*	-.079	-.072	.050	.107							
25	Subsidiary Age Log	.032	-.097	.110	-.061	.064	-.114	-.018	.160	.228*						
26	Subsidiary Size Log	.216*	.190*	.360**	.239**	.140	.396**	.226*	.104	-.039	.088					
27	Industry Sector (Subsidiary)	-.064	-.059	-.005	-.017	-.102	.140	.042	.107	.020	-.149	.045				
28	Management Control	.117	.067	.066	.112	.257**	.080	-.001	.120	-.069	.124	-.208*	-.157			
29	MNC Constraints	-.045	-.107	-.157	-.039	-.193*	-.213*	-.152	-.184*	-.121	-.121	-.130	.061	-.032		
30	External Constraints	.002	-.127	-.160	-.055	-.130	-.115	-.164	-.219*	-.125	-.066	-.073	-.023	.048	.682**	
31	Marker Variable	.091	.242**	.070	.056	.174	.139	.148	.081	-.039	.084	-.128	-.173	.337**	.033	.169

### **6.4.3 DOWNWARD INFLUENCE ACTIVITY**

#### ***6.4.3.1 Implementing Deliberate Strategy***

The basis of this strategic activity is on middle managers breaking down the formal plans of corporate headquarters and implementing them within their unit. Of the antecedent variables only formal strategy mode was significantly correlated with implementing deliberate strategy. This was an expected finding and confirms that this is an integrative strategic activity which middle managers carry out as part of the formal strategy function.

In relation to the outcome variables implementing deliberate strategy was only significantly correlated with one variable, strategic implementation. This correlation between implementation at the middle management level and subsidiary strategy implementation success is a very positive finding for middle management research. The finding also builds confidence between the relationships in the model.

Of the control variables there is one significant relationship with management control. This suggests that in organisations where headquarters prioritise a high degree of control then subsidiaries managers are heavily engaged in implementing headquarters strategy.

#### ***6.4.3.2 Facilitating Adaptability***

Facilitating adaptability is based on subsidiary manager's ability to increase the flexibility of the subsidiary's organisational context and find space and support for new subsidiary projects. This role is significantly positively correlated with all of the antecedent variables except for one. The one variable it does not have a relationship with is the subsidiary strategy formation mode. This is a slightly surprising finding as it would have been expected that an



emergent subsidiary strategy process would be positively correlated with managers facilitating adaptability.

There is a significant positive relationship with both capability types suggesting that subsidiary managers must have the required capabilities in their unit to engage in facilitating adaptability. Interestingly, one of the most significant relationships is with the subsidiaries level of capabilities. Another interesting finding is the positive relationship with both of the individual competence variables. This suggests that the competence of the individual manager also has a major input in their readiness to engage in activities which diverge from the norm and may result in new initiatives for the subsidiary. This finding establishes the importance of including multiple levels of antecedent variables in the study.

There is a positive relationship with all of the outcomes variables in the study confirming the importance of facilitating adaptability as a crucial role for middle managers. There are very significant relationships with learning, creativity, initiative and both performance variables. There is also a significant relationship with strategic posture which suggests that a major factor in a subsidiaries entrepreneurial orientation is the role of the subsidiary manager in facilitating adaptability. Two of the standout findings are the strength of the relationships with strategy creativity and particularly with subsidiary initiatives.

Of the control variables it was subsidiary size which was the most significant relationship. This suggests that subsidiary managers in larger subsidiaries are more inclined to engage in facilitating adaptability as a strategic activity.

## **6.4.4 UPWARD INFLUENCE ACTIVITY**

### ***6.4.5.1 Championing Alternatives***

This strategic activity is based on the actions of subsidiary management in promoting the activities of the subsidiary to management at corporate headquarters. This may require managers to push for new resources or to sell the successes of the subsidiary with the objective of receiving an increased mandate. Of the antecedent variables product autonomy and strategic capabilities were significant. Strikingly the most positive relationships were with both of the individual level variables. Managerial competence and entrepreneurial competence were highly significant suggesting that the proficiency of the manager themselves has a major bearing on their ability to engage with higher level management and champion the activities of the subsidiary.

This strategic role was significantly correlated with all of the outcome variables. This suggests that the readiness of subsidiary managers to pursue top level management in the cause of their subsidiary has a major impact on the success of the subsidiary within the MNC.

Of the control variables both internal MNC and external environmental constraints were significantly negatively correlated with championing alternatives. This finding implies that those subsidiary managers operating within weaker constraints have better opportunities in championing alternatives. Once again subsidiary size was significantly positively correlated, advocating that managers in charge of larger units are more inclined to engage in this activity.

#### ***6.4.5.2 Synthesizing Information***

This role is established on subsidiary manager's activities in collecting information and influencing strategy through the process of communicating that information to higher level management. How managers control the information channels with corporate headquarters will influence how the subsidiary is perceived at higher level. Similar to previous upward influence activity, synthesizing information is also significantly related to product autonomy and strategic capabilities. This suggests coherence in the overall model. Strikingly the individual competencies are also highly significant. It is the managerial competence which is the most significant relationship, stronger than the entrepreneurial competence. This is to be expected as synthesizing information is an integrative management role and requires managers to be highly involved in the day to day running of their organisations.

Synthesizing information is positively correlated with all of the outcome variables. Interestingly the most significant relationship is with strategy creativity. This suggests that managers who are very involved with the day to day running of the organisation and in communicating those activities to higher level manager have a major bearing on the ability of subsidiaries to be inventive in strategy development.

Of the control variables it is only subsidiary size which emerges as a significant relationship.

### **6.4.5 HORIZONTAL INFLUENCE ACTIVITY**

#### ***6.4.5.1 Internal Coordinating***

This role is based on the activities of subsidiary managers in building cooperation between subsidiaries within their MNC. Subsidiary managers take part in joint activities and through this process greater cohesion is built within the organisation. Of the antecedent variables it is

the strategy formation mode which emerges as the most significant relationship. Inter-unit coordinating is significantly negatively correlated with an emergent subsidiary strategy mode. This implies that managers who engage in this horizontal coordination do so in organisations where strategy is driven by a formal headquarters process. Of the other antecedent variables neither autonomy nor individual competence are significant. Only capabilities are mildly significant.

Inter-unit coordinating also has a positive relationship with some of the outcome variables; learning, creativity, implementation and performance, although there is no relationship of significance with initiative. These findings suggest that this role is an integrative role and is most prevalent in subsidiaries which are highly controlled by their parent. This is backed up by the most significant relationship which is with the control variable, management control.

#### ***6.4.5.2 Deepening Internal Networks***

The basis of this strategic activity is the actions of subsidiary managers in building horizontal networks within the MNC beyond those connections which are part of the organisation structure of the firm. Managers also engage in more informal processes which build internal networks and can result in subsidiaries accessing important information or becoming embedded in important internal networks.

When looking at the correlations with the antecedent variables the stand out finding is that it is the individual competence levels of the manager which emerge as being most significant. Both managerial and entrepreneurial competence have a significantly positive relationship with managers who engage in activities relating to Deepening Networks. Of the other

antecedent variables it is only strategic capabilities which has a relationship of any significance with Deepening Networks. This suggests that it is managers who have a certain level of strategic power who engage in this more informal horizontal strategy activity are those managers who have the drive and the management knowledge to carry out this role. As expected both of the individual competence variables are significantly correlated with the informal activity of deepening networks. Once again this validates the approach of including multiple levels of antecedent variables.

Considering this strategic role is a more informal role it is interesting to note that it is positively related to all of the outcome variables except two. The only outcome variables where there is no significant relationship are initiative and financial performance. All of the other outcome variables are significantly positively related to managers engaging in deepening networks.

Of the control variables only one, environmental constraints had a significant relationship with this role. As the relationship was a negative correlation it suggests that in organisations where managers are constrained by their strategic context they find it difficult to engage in activities relating to deepening networks.

## **6.4.6 HORIZONTAL INFLUENCE ACTIVITY**

### ***6.4.6.1 External Business Trading***

The foundation of this horizontal role is based on the activities of subsidiary managers in driving the business potential of their unit in the external business environment. In many ways this role is based on the core activity of most senior managers, driving business success in the external marketplace.

When reviewing the antecedent variables it is interesting to note that both of the autonomy variables and strategic capabilities are positively correlated with managers carrying out this external role. This suggests that managers engaging in external activity have the relevant level of decision making power granted to them by higher level management. Interestingly the individual competence of the manager is also significant, suggesting that managers need a certain level of ability to engage with the external business environment. This confirms that for managers to position their unit for success in the marketplace they need the required autonomy, capabilities and also the managerial and entrepreneurial competence.

In studying the relationship with the outcome variables it is apparent that this horizontal external role has a significantly positive relationship with all of the outcomes variables. The most significant relationship is with strategic learning. This is an interesting finding as it suggests that the process of subsidiaries acquiring strategic knowledge and incorporating this knowledge into the subsidiaries activities is accelerated by managers who drive the external business activities. This confirms much of the literature on external embeddedness which contends that knowledge acquired in the external environment can lead to competence development within the subsidiary (Andersson et al., 2002).

Of the control variables, subsidiary size has a positive relationship suggesting that managers engaging with the external environment do so in larger organisations. Also, interestingly internal and external environmental constraints and management control are negatively correlated with this role. These relationships with the control variables highlight that managers need the scale and the freedom to engage successfully with the external business environment.

#### ***6.4.6.2 Expanding External Links***

This role is founded on those managers, who undertake activities beyond their external business context, to engage the support of key external actors with the potential to assist in the future of their unit. This could include government agencies, key trade organisations or educational institutions that may have resources or networking opportunities which could be beneficial for the subsidiary unit.

Of the antecedent variables the most significant relationships to emerge are with both of capabilities, and both of the individual competence variables. This suggests that managers engaging in the process do so in subsidiaries which high levels of capabilities. They are also managers who have the required managerial skills to interact with these crucial actors in the external environment.

The relationship between this role and the outcome variables are very interesting. There is a positive relationship with all of the outcome variables suggesting that this horizontal management activity has a major bearing on the success of the subsidiary. However there is one standout result. This strategic role has a hugely significant relationship with subsidiaries producing strategic initiatives. This suggests that managers who are successful in enlisting the support of key people in the external environment have the greatest success in developing subsidiary initiatives. This is a major finding for this study.

Of the control variables there is only one, subsidiary size, which has a significant relationship. This is an important finding as it suggests that managers who engage in enlisting the support of key people in the external environment do so with the backing of scale.

#### **6.4.7 Testing for Multicollinearity**

As simple correlations represent one to one relationships between variables, reliability is increased by using multiple regressions to test the initial findings. This is the process which was undertaken in this study. Having followed this procedure the regression equations were then reviewed to eliminate any concerns regarding multi-collinearity. None of the equations exhibit a substantial  $R^2$  combined with statistically insignificant co-efficients which can indicate multi-collinearity problems (Papadakis et al., 1998). Stability tests of the regression coefficients were also undertaken by including / excluding independent variables. This did not reveal an extraordinary range in regression co-efficient. In addition, the direction of the co-efficients is largely as theoretically anticipated and reflects the underlying bi-variety correlations.

#### **6.4.8 Conclusion**

The findings from the correlation analysis confirm the appropriateness of the model developed in this study. There are significant relationships which emerge between the three stages of the model; The New Typology of Middle Management Activity, Antecedents and Outcomes. Having established the suitability of the model in the correlation analysis the more complex relationships are evaluated and compared to the original hypothesis using multiple regression analysis

### **6.5 Regression Analysis**

The following section is an evaluation of the results of the regression analysis. Each stage of the hypothesised model is presented. Firstly the hypothesised relationships between each of the middle manager strategic influence activities and the antecedent variables are discussed. Secondly the results of the hypothesised relationships between middle manager strategic



influence activities and the outcomes variables are examined. The results of each of the multiple regressions are provided in a series of tables relating to the individual hypotheses. The qualitative element of the research is also represented by tables including the main themes which emerged from the interview process.

## 6.5.1 Antecedents

### DOWNWARD

#### 6.5.1.1 Implementing Deliberate Strategy

As indicated in Table 6.39, the  $R^2$  value confirms that 40% of the variance in *Implementing Deliberate Strategy* is explained by the antecedent and control variables. This is a very positive result. Of the eight hypotheses there is support for three of the eight outlined.

**Table 6. 39: Implementing Deliberate Strategy: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.032	.680	
Subsidiary Age	<b>-0.148+</b>	.056	
Subsidiary Size	-.016	.844	
Industry Sector	.088	.255	
Management Control	.067	.491	
Internal Constraints	-.030	.776	
External Constraints	.140	.181	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	-.106	.198	<b>1a</b>
Product Autonomy	.097	.318	<b>1b</b>
Emergent Strategy Mode	<b>-0.164*</b>	.044	<b>2a</b>
Formal Strategy Mode	<b>0.449***</b>	.000	<b>2b</b>
Strategic Capabilities	-.014	.876	<b>3a</b>
Functional Capabilities	.092	.262	<b>3b</b>
Entrepreneurial Competence	-.064	.493	<b>4b</b>
Managerial Competence	<b>0.244**</b>	.007	<b>4b</b>
F Ratio	<b>5.158</b>		
R2 (adj R2)	.406	.328	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

Traditionally the most important strategic role for middle managers is implementing deliberate strategy (Nutt, 1987, Schendel and Hofer, 1979). This view would have been consistent with an organisational structure where the main role of the middle manager was in making sure that strategy was effectively implemented to match the expectations of top level

management. Many executives argue that brilliant execution is more important than brilliant strategy and middle managers are vital to this process (Olson et al 2005).

However, a major finding in this study was that not all middle managers are engaged in implementing strategy from above. In fact, it emerged that the middle managers who focused their activities on implementing deliberate strategy predominantly did so in organisations which embraced a very formalised headquarters driven approach to strategy. The opposite of this was also the case. In subsidiaries where there was a more subsidiary driven approach to strategy, middle managers were not focusing on implementing deliberate strategy. This has major implications for the perspective on how strategy is implemented by middle managers in large organisations.

Confirming this relationship between control and implementation was the emergence of management control as a significant factor in predicting middle managers engaging in implementing deliberate strategy. What is surprising is that the level of autonomy did not impact directly on managers engaging in implementing deliberate strategy. It would have been expected that low levels of autonomy would be related to managers implementing deliberate strategy but that relationship did not emerge.

Implementing deliberate strategy as a function of a formalised MNC strategy development process was a theme that also emerged from the qualitative research. In one particular subsidiary the general manager used the phrase ‘strategic execution’ to describe much of their approach to strategy. They had a very formalised approach to strategy within the MNC and as a subsidiary their main focus had to be on implementing their role within that structure. This view was not held by all of the companies interviewed. In fact, a number of the other

companies had far greater control over the strategy development mode within the subsidiary. Therefore although they did talk about the overall plan from their parent they saw their management role as far greater than merely implementation.

The perspective of the middle manager as simply an implementer is something that has received much criticism and much of the recent middle management research has shown that the role of the middle manager can be much greater. The findings of this research show that if the strategy process is highly formalised between a subsidiary and its parent then a key role for middle manager is implementing parent strategy. However if the subsidiary has a greater level of strategic choice (Birkinshaw and Hood, 1998) then the middle manager has less focus on implementing deliberate strategy. This finding does lead to a very important question: how is strategy implementation managed in large organisations where middle managers have control over the mode of strategy?

**Table 6.40: Implementing Deliberate Strategy: Qualitative Themes**

Alpha	<i>Implementing our role is very important but there is a lot more to it than that. We have some freedom in how we carry out our role and we are always looking beyond just implementing.</i>
Beta	<i>It is very important that we meet our targets but how we do it is up to us.</i>
Gamma	<i>We are very focused on implementing our role.</i>
Delta	<i>For me it's more than implementing. That is an important part of what we do but it goes beyond that.</i>
Epsilon	<i>We are quite autonomous in this subsidiary. We have very few meetings and it is quite an informal approach to management.</i>
Zeta	<i>We develop a lot of our own plans here so I wouldn't say that we just implement. It is far more than that.</i>

### 6.5.1.2 Facilitating Adaptability

As indicated in Table 6.41, the R<sup>2</sup> value confirms that 38% of the variance in *Facilitating Adaptability* is explained by the antecedent and control variables. This is a very positive result. Of the eight hypotheses there is support for three of the eight outlined.

**Table 6.41: Facilitating Adaptability: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.034	.675	
Subsidiary Age	-.108	.171	
Subsidiary Size	<b>0.208*</b>	.015	
Industry Sector	.092	.243	
Management Control	.028	.779	
Internal Constraints	-.088	.411	
External Constraints	-.026	.805	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	-.052	.535	<b>1a</b>
Product Autonomy	-.084	.400	<b>1b</b>
Emergent Strategy Mode	<b>0.192*</b>	.022	<b>2a</b>
Formal Strategy Mode	-.053	.576	<b>2b</b>
Strategic Capabilities	<b>0.326**</b>	.001	<b>3a</b>
Functional Capabilities	-.046	.582	<b>3b</b>
Entrepreneurial Competence	.088	.360	<b>4b</b>
Managerial Competence	<b>0.309**</b>	.001	<b>4b</b>
F Ratio	<b>4.511</b>		
R2 (adj R2)	.375	.292	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

By facilitating adaptability middle managers have the ability to make organisations more flexible and drive new idea generation which leads to entrepreneurial behaviour. Organisations rely on new ideas emanating from within their internal management structures. The middle manager entrepreneur has been focused on as a significant driver of corporate entrepreneurship (Fulop, 1991). Research has highlighted that a supportive organisational context is key to this management activity taking place (Burgelman, 1983b, Hornsby et al.,

2002). Middle managers who facilitate adaptability have a crucial role in developing more adaptive approaches to strategy in organisations (Floyd and Wooldridge, 1992, Aherne et al., 2014).

Previous studies prioritised organisational factors such as the middle managers position in the organisation as a crucial driver of this downward divergent role (Floyd and Wooldridge, 1992, Floyd and Wooldridge, 1997). A supportive organisational structure would also have been viewed as the key factor enabling management to focus their attention on more divergent management activities (Covin and Slevin, 1991). The findings confirm that at the organisational level it is an emergent strategy mode and strategic capabilities which are the most important factors for managers engaging in adaptive behaviour. Significantly at the individual level the managerial competence of the manager is also a crucial factor.

This was one of the major themes coming from the qualitative research. The subsidiary managers all identified that facilitating adaptability was a major part of their strategic activities. However they all had very different personal approaches to making this happen. Their activities were not driven by the structure of the organisation. In fact, in many cases they engaged in this activity in spite of the organisation.

A particular example of facilitating divergent thinking was the expressed intention by a number of the managers to develop a “can do” culture. It was the belief of the managers that in order to be successful the subsidiary has to say yes to every business opportunity that is sent their way. This included taking on business to which sister subsidiaries may have said no due to the difficult nature of the work.

A number of the managers recalled different occasions where they had allowed different units within their control the space to work on new projects until they could get to such a point that they could then sell them to top level management. In two different subsidiaries particularly, managers outlined how they held regular meetings where the focus was on what the subsidiary was doing, and how could they do something different that would add to these activities. Crucially, the managers said that these meetings were held outside the day to day running of the subsidiary and were divergent in the sense that the actions agreed were driven by the subsidiary agenda and not that of the corporate parent. The impression that this management role was a function of the drive and ability of the subsidiary manager rather than the organisational context was confirmed in the empirical findings.

Although developments in technology have reduced the information asymmetry problems in MNCs there is still much that goes on in subsidiaries that top management cannot be aware of. This gives managers the opportunity to engage in activities which may ease the development of new ideas in their subsidiary. This is a key area of contribution for middle managers operating in large organisations. Although they may not have the ability to make decisions relating to competitive positioning. They do have the ability to ease or change the elements of the business context which may be stifling business. Through this process they can have a major impact on strategic outcomes, but what are the factors that impact on managers carrying out these activities? The ability of subsidiary managers to disrupt important sources of organisational rigidities within their unit has been outlined as a crucial force of new strategic trajectories for subsidiaries (Bouquet and Birkinshaw, 2008b)

**Table 6.42: Facilitating Adaptability: Qualitative Themes**

Alpha	<i>Being able to adapt to changes before we are instructed to do so is one of the reasons we have survived.</i>
Beta	<i>In this Irish subsidiary management have a lot of freedom in how they manage their teams. We build that into the management approach.</i>
Gamma	<i>We are constantly adapting. Some changes are out of our control but what is in our control is very important.</i>
Delta	<i>Management in this organisation have shown a real appetite to build on what we have.</i>
Epsilon	<i>Our reputation is built on our ability to change quickly and deal with problems.</i>
Zeta	<i>We have relative freedom in how we deal with the issues within our own market so we have been very quick to change and react to now realities in the marketplace.</i>



## UPWARD

### 6.5.1.3 Championing Alternatives

As indicated in Table 6.43, the  $R^2$  value confirms that 36% of the variance in *Championing Alternatives* is explained by the antecedent and control variables. This is a very positive result. Of the eight hypotheses there is support for three of the eight outlined.

**Table 6.43: Championing Alternatives: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.066	.419	
Subsidiary Age	-.060	.452	
Subsidiary Size	<b>0.165+</b>	.054	
Industry Sector	.019	.809	
Management Control	.120	.232	
Internal Constraints	-.161	.137	
External Constraints	.163	.133	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	-.062	.466	<b>1a</b>
Product Autonomy	.150	.140	<b>1b</b>
Emergent Strategy Mode	.013	.873	<b>2a</b>
Formal Strategy Mode	.023	.808	<b>2b</b>
Strategic Capabilities	<b>0.181+</b>	.059	<b>3a</b>
Functional Capabilities	-.084	.324	<b>3b</b>
Entrepreneurial Competence	<b>0.204*</b>	.038	<b>4b</b>
Managerial Competence	<b>0.259*</b>	.005	<b>4b</b>
F Ratio	<b>4.284</b>		
R2 (adj R2)	.363	.278	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

It has been argued that getting the attention of top management in large organisations is even more important than knowledge as a key resource (Haas and Hansen, 2001). Subsidiaries are competing for headquarters' attention to acquire resources, to augment their market mandate, to increase bargaining power, or to try and avoid intervention (Ambos and Birkinshaw,

2010). The person responsible for managing the interaction with headquarters is the MNC middle manager. New opportunities for the subsidiary may be a product of their manager's ability to manage this process in a positive way. In large networked organisations there are a wide variety of internal actors vying for the attention of the corporate management and the ability of the middle manager to influence this process will have major implications for the subsidiary (Bouquet and Birkinshaw, 2008a, Bouquet and Birkinshaw, 2008b).

What was evidenced in the empirical findings was that once again it was the individual competence variables which were more important than the organisational factors. Managers need to exercise judgment in how they promote the strategic agenda to higher level management (Dutton et al., 1997). An exciting finding from the research was that individual managerial competence and entrepreneurial competence were vital in this process above factors such as autonomy and subsidiary competence. This echoes recent findings which focus on more individual management knowledge as a crucial antecedent for managers engaging in this crucial divergent role (Aherne et al., 2014).

These findings were also confirmed by the interview data where the different management approaches to this role were very evident. Managers had different methods of engaging corporate level management depending on their own personal style of management. One chief executive outlined how he spent over six months of the year travelling to corporate headquarters in the United States to build up personal relationships. It was his view that he had to be where the main decision makers were so that he could understand the decision making landscape. A number of the other managers had a very different approach for themselves. They didn't see a role for selling a new agenda for the subsidiary and instead let the results of the subsidiary speak

Middle managers selling alternative practices to higher level management in large organisations is a difficult process. They must have the ability to build communication channels, use their business judgment to gauge when is the right time to engage in this activity and they must also know what are the right issues to try to champion because middle managers will get limited opportunities to carry out this process. It is therefore little surprise that the individual level factors emerge as the most significant.

**Table 6.44: Championing Alternatives: Qualitative Themes**

Alpha	<i>We have to be careful in how we do it, but we are always pushing the agenda of our subsidiary.</i>
Beta	<i>I think it is crucial to be around the key decision makers. As a result I spend up to six months of the year in the United States where the main decisions are made about the organisation.</i>
Gamma	<i>We are so integrated in this organisation that I am part of the discussions which affect the subsidiary but if I do get the chance to push the subsidiary's agenda, and I believe it is the right thing to do, obviously I will push it.</i>
Delta	<i>We've never done that really where we've, you know, branded ourselves and gone around different offices looking for business. It's purely been sort of word of mouth. Take whatever opportunities you could get. You know if you get in front of somebody important then you make sure you let them know what you're at.</i>
Epsilon	<i>We are always selling our success. Always pushing. That is the reality.</i>
Zeta	<i>We try and let our performance speak for itself but when we are part of company wide meetings we aren't shy about pushing our own agenda. It's competitive, that is the reality.</i>

#### 6.5.1.4 Synthesizing Information

As indicated in Table 6.45, the  $R^2$  value confirms that 36% of the variance in *Synthesizing Information* is explained by the antecedent and control variables. This is a very positive result. Of the hypotheses there is support for two of the eight outlined.

**Table 6.45: Synthesizing Information: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.087	.291	
Subsidiary Age	-.092	.256	
Subsidiary Size	<b>0.230+</b>	.008	
Industry Sector	.013	.870	
Management Control	-.001	.993	
Internal Constraints	-.003	.979	
External Constraints	.152	.165	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	.081	.351	<b>1a</b>
Product Autonomy	<b>0.175+</b>	.089	<b>1b</b>
Emergent Strategy Mode	-.096	.255	<b>2a</b>
Formal Strategy Mode	.010	.921	<b>2b</b>
Strategic Capabilities	.099	.306	<b>3a</b>
Functional Capabilities	-.004	.965	<b>3b</b>
Entrepreneurial Competence	.076	.436	<b>4b</b>
Managerial Competence	<b>0.329*</b>	.001	<b>4b</b>
F Ratio	<b>4.163</b>		
R2 (adj R2)	.360	.274	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

This role is an integrative role where middle management influence strategy through the communication of information about the subsidiary to higher level management. Subsidiaries with strong relationships with the parent company are more likely to have a central position in the intra-organisational network of the MNC and managing this relationship is a crucial

MNC middle management role (Ghoshal and Bartlett, 2005). Through this role subsidiaries also build their profile. They do this by communicating a strong track record of performance, demonstrating a commitment to the MNCs objectives, norms and values and through the communication techniques they use to control the images they actually convey to corporate management (Bouquet and Birkinshaw, 2008b). It is through this upward influence activity that they manage the communication process with headquarters.

A significant finding from the research was in relation to autonomy. After the factor analysis the autonomy variable was separated into product and strategic autonomy. Product autonomy is made up of items relating directly to the management decision making over products under the subsidiaries control. Strategic autonomy related more towards longer term financial decisions. What the results showed was that managers who have high levels of product autonomy were engaged in synthesizing information for headquarters. Therefore, although synthesizing information is an integrative activity, managers need a level of autonomy in relation to the subsidiary products to engage in the information flow with headquarters.

Another significant finding was related to the individual competence. What these findings validate was the separation between managerial competence and entrepreneurial competence. In this case entrepreneurial competence was not a significant factor unlike the managerial competence which was very significant. This confirms that managers influencing this communication requires integrative management skill rather than those management skills more associated with risk taking and opportunity seeking.

The juxtaposition between product autonomy and management competence is a very interesting proposition. It means that managers synthesize information for top level

management when they have the flexibility to make decisions about the market. In communicating with top level management the managerial competence which they employ is more significant than a more entrepreneurial approach. This finding is definitely confirmed in the qualitative research. Managers were very keen to stress that they did not see themselves as entrepreneurs. Instead they suggested while they had certain decision making autonomy it was very important that they exercised that autonomy within the integrative structure of the MNC. Within that structure they could then use their judgment to subtly push the successes of the subsidiary.

These findings are a very important contribution to the work on autonomy in MNCs (Ambos et al., 2011, Ambos and Birkinshaw, 2010, Gammelgaard et al., 2012). Recent research has highlighted that the autonomy relationship between a parent and subsidiaries is far more complex than subsidiaries seeking autonomy and headquarters attempting to control. The findings here suggest that those managers who have more market autonomy are far more engaged in the communication process with headquarters. The idea that managers gain autonomy while simultaneously seeing a major increase in the time they spend communicating their actions to headquarters, is a very thought provoking addition to the debate on subsidiary autonomy.

**Table 6.46: Synthesizing Information: Qualitative Themes**

Alpha	<i>How we manage the communication process is very important. Things are very transparent these days. It is a very virtual world so management can see how we are performing but it is important how we tell our story. Having employees who can perform in front of management from corporate headquarters is a crucial part of our success.</i>
Beta	<i>There is constant communication of information. These meetings are sometimes very aggressive and you really have to be on top of what you are doing. Corporate level management do have most of the information already as it is so transparent but when they start asking questions you better have the answers.</i>
Gamma	<i>We sit inside the overall governance model so there is constant exchange of information. It is up to us to manage that process.</i>
Delta	<i>Our organisation is so large that it is very difficult to get face to face with higher level management. So much of the information about our subsidiary is readily available to higher level management so it is difficult for us to influence it.</i>
Epsilon	<i>We are always using the communication process to push our agenda. How we manage this process is crucial.</i>
Zeta	<i>We have sometimes had an antagonistic relationship with our corporate headquarters. We prefer to be left alone and focus on our results but this isn't always possible. Our headquarters want to know what we are up to but we are selective in what we tell them.</i>

## Horizontal Internal

### 6.5.1.5 Internal Coordinating

As indicated in Table 6.47, the  $R^2$  value confirms that 22% of the variance in *Internal Coordinating* is explained by the antecedent and control variables. This is a disappointing result. Of the eight hypotheses there is support for one of the eight outlined.

**Table 6.47: Internal Coordinating: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.033	.711	
Subsidiary Age	-.085	.339	
Subsidiary Size	.043	.648	
Industry Sector	.088	.320	
Management Control	<b>0.447***</b>	.000	
Internal Constraints	-.094	.432	
External Constraints	-.003	.983	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	.023	.808	<b>1a</b>
Product Autonomy	.025	.821	<b>1b</b>
Emergent Strategy Mode	.068	.463	<b>2a</b>
Formal Strategy Mode	-.023	.830	<b>2b</b>
Strategic Capabilities	<b>0.198+</b>	.062	<b>3a</b>
Functional Capabilities	-.112	.238	<b>3b</b>
Entrepreneurial Competence	-.079	.462	<b>4b</b>
Managerial Competence	.052	.607	<b>4b</b>
F Ratio	<b>2.063</b>		
R2 (adj R2)	.215	.111	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

The findings in relation to the horizontal internal roles were very interesting. The most significant finding in relation to internal coordinating was that management control was the most significant predictor. A great deal of recent literature has contended that building internal links is a major foundation of subsidiary strategy but what emerges in this research is



that the main driver for managers engaging in this type of activity is the control of top level management.

This outcome may tie in with the global factor view of the MNC where subsidiaries are becoming links in world-wide value chains and coordination is a crucial management activity (Buckley, 2009a, Buckley, 2011). Interestingly though managers engaging in this type of integrative activity do so where top level management set the agenda.

This finding is also confirmed in the qualitative research where managers described how links with sister subsidiaries were predominantly part of the overall structure of the MNC and the majority of contact with sister subsidiaries was a set agenda by corporate management. They didn't see it as their role to instigate coordination between sister subsidiaries. It happens more as a structure of the company rather than through the subsidiary managers themselves.

**Table 6.48: Internal Coordinating: Qualitative Themes**

Alpha	Managers in this subsidiary are part of different functions all over the organisation. The sit here in Ireland but they could be part of a team with members from all over the world. This is part of the structure of out organisation.
Beta	Building alliances with other subsidiaries is a crucial role within our company. We are a stand alone unit but when we are working on different projects with other units we take the opportunity to build important alliances.
Gamma	We are very in integrated with other subsidiaries so managers here would constantly be taking part in meetings with managers from other units.
Delta	As part of different projects that we have worked on we have built up a lot of contacts. This has taken time but the more projects we are involved in across the company the more contacts we have made.
Epsilon	We are constantly building links with other units. Some of that has become more formal as we are now managing some of the new subsidiaries in India. This has improved our importance as we are the ones showing them how to do things.
Zeta	We are very much a stand alone entity. We are also in competition with other subsidiaries so we don't really have the opportunity to build a lot of links.

### 6.5.1.6 Deepening Internal Networks

As indicated in Table 6.49, the R<sup>2</sup> value confirms that 32% of the variance in *Deepening Networks* is explained by the antecedent and control variables. This is a positive result. Of the eight hypotheses there is support for two of the eight outlined.

**Table 6.49: Deepening Internal Networks: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	.004	.961	
Subsidiary Age	-.112	.177	
Subsidiary Size	-.052	.554	
Industry Sector	.122	.137	
Management Control	.011	.916	
Internal Constraints	.032	.771	
External Constraints	-.083	.459	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	<b>-0.252+</b>	.005	<b>1a</b>
Product Autonomy	.133	.205	<b>1b</b>
Emergent Strategy Mode	-.005	.958	<b>2a</b>
Formal Strategy Mode	-.035	.725	<b>2b</b>
Strategic Capabilities	.090	.359	<b>3a</b>
Functional Capabilities	-.060	.496	<b>3b</b>
Entrepreneurial Competence	<b>.289*</b>	.005	<b>4b</b>
Managerial Competence	<b>.278**</b>	.004	<b>4b</b>
F Ratio	<b>3.557</b>		
R2 (adj R2)	.321	.231	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\*  
p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

This activity is a far more informal practice than the other horizontal internal activity of internal coordinating. The difference between formal and informal internal activities within the subsidiary network is an important distinction (Soda and Zaheer, 2012). This activity is based on managers going beyond the structural links of the MNC and building deeper links with sister subsidiaries which may bring longer term benefits to the subsidiary. This informal

role requires the individual to drive it and the findings from this research confirm this. It is both the managerial and entrepreneurial competence of the middle manager which are hugely important in managers building deeper networks within the MNC.

A noteworthy finding in relation to autonomy was uncovered. What emerged was that managers who engage in developing deeper links with their MNC also have high levels of strategic autonomy. Strategic autonomy relates to those decisions about the longer term future of the subsidiary and not just in relation to the product related activities. This is a fascinating finding as it suggests that managers who have the autonomy to carry out longer term strategic decisions in relation to the subsidiary are also those managers who build informal networks within the MNC.

Managers who don't have the autonomy to make strategic decisions about the subsidiary may be less likely to spend time building deeper networks through informal contacts. This is a slightly surprising finding and again contributes to the more nuanced debate of subsidiary autonomy (Ambos et al., 2011). Subsidiary managers who have autonomy would have been viewed as managers who operate more independently (Cantwell and Mudambi, 2005). For headquarters this has been viewed as one of the dangers of giving subsidiaries too much autonomy as they may diverge too much for the overall strategy. Recently it has been highlighted that subsidiaries are not always autonomous seeking as this may result in a more isolated position in the MNC network (Ambos et al., 2010). These findings may suggest that managers who have autonomy don't want to be too isolated in the MNC and feel it necessary to build internal networks to access information and build important alliances. This is another fascinating contribution to the debate on subsidiary autonomy

**Table 6.50: Deepening Internal Networks: Qualitative Themes**

Alpha	<i>Managers from this subsidiary do have a lot of links throughout the firm and the information they gather is crucial. The process is driven by us.</i>
Beta	<i>It is crucial that we managers build alliances and how well they move in the organisation in the States because that way you get to find out what's going on and what's important. We actively encourage our managers to build these links.</i>
Gamma	<i>The Irish operation is relatively small considering the size of the organisation but the alliances that we developed have increased our importance.</i>
Delta	<i>We are very focused on building important alliances. We actively push our employees to take opportunities throughout the organisation. They may go to work somewhere else and then bring those functions back to Ireland but the process is building links for us throughout the company.</i>
Epsilon	<i>All our work is done informally. We are so focused on building links with other subsidiaries that we get them to sell our successes for us. We cultivate contacts and build our reputation and very often it is the other subsidiaries who are pushing us as a result.</i>
Zeta	<i>Although we are a stand alone unit we do have our contacts in other parts of the organisation. It is always important to know what is going on and much of the information we gather is through informal contacts.</i>

## Horizontal External

### 6.5.1.7 External Business Operating

As indicated in Table 6.51, the  $R^2$  value confirms that 41% of the variance in *External Business Operating* is explained by the antecedent and control variables. This is a very positive result. Of the eight hypotheses there is support for three of the eight outlined.

**Table 6.51: External Business Operating: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.104	.184	
Subsidiary Age	-.106	.169	
Subsidiary Size	.027	.738	
Industry Sector	-.043	.571	
Management Control	<b>-.262+</b>	.008	
Internal Constraints	.086	.411	
External Constraints	-.084	.417	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	<b>.216*</b>	.010	<b>1a</b>
Product Autonomy	-.098	.313	<b>1b</b>
Emergent Strategy Mode	-.031	.697	<b>2a</b>
Formal Strategy Mode	.003	.972	<b>2b</b>
Strategic Capabilities	<b>0.426***</b>	.000	<b>3a</b>
Functional Capabilities	-.020	.811	<b>3b</b>
Entrepreneurial Competence	<b>0.196*</b>	.038	<b>4b</b>
Managerial Competence	.138	.120	<b>4b</b>
F Ratio	<b>5.160</b>		
R2 (adj R2)	.406	.328	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

Identifying the difference between the different elements of the subsidiaries external environment is an important distinction (Nell and Andersson, 2012). Those subsidiaries engaged in market facing activities need to be able to react to changes and opportunities in the marketplace. Therefore autonomy has always been seen as a crucial factor for subsidiary

management who engage with the external market (Jarillo and Martinez, 1990). However the findings in this research would contradict the view that autonomy is an essential tool for managers making business decisions relating to customers and suppliers. Subsidiary autonomy did not emerge as an important factor for strategic management activity with the external business environment. This is another interesting finding in relation to autonomy. Instead what did emerge as important factor for managers external strategic activities was the lack of direct management control from headquarters (Ambos and Schlegelmilch, 2007). This suggests that managers operating in the external environment need reduced management control from headquarters but this does not necessarily mean that they have explicit decision making autonomy.

The other factors which emerged as being very significant were subsidiary capabilities and the individual manager. It is very interesting to note that those managers who operate in the external environment do so in subsidiaries with a high level of capabilities. Therefore it is not open to all managers to drive external business. Managers need to have certain capabilities under their control to engage in driving external business.

A very thought provoking finding emerged in relation to the importance of the individual competence of the middle manager. Managerial competence was significant in external business activities but the entrepreneurial competence of the middle manager emerged as more significant. This finding corresponds with research on managers that suggests that they utilise different skills depending on the context. The external business environment requires managers to balance entrepreneurial activities with managerial activities. To spot opportunities externally managers need to be innovative, risk seeking and proactive but to take advantage of those opportunities they must also have the managerial focus to bring

people with them and turn opportunities into a successes. This is the essence of strategic leadership which has long been considered a crucial role for senior managers in organisations (Daily et al., 2002, Finkelstein et al., 2009). The discovery that this is also a requirement of the middle management level of the organisation is a very exciting finding.

**Table 6.52: External Business Operating: Qualitative Themes**

Alpha	<i>We do have some important suppliers here in Ireland. That has also brought important business to the region.</i>
Beta	<i>It is very important to be focused on the external environment, particularly in the United States where so much of our company is based.</i>
Gamma	<i>We deal with the Irish market so it is an important part of what we do to manage that marketplace well, along with our responsibilities in the worldwide organisation.</i>
Delta	<i>The main focus for us on costs so all of the external links we make are to reduce our costs to stay competitive in the global organisation,</i>
Epsilon	<i>We do deal directly with customers so those relationships are crucial. As long as there is important business coming through the Irish subsidiary we will continue to be important.</i>
Zeta	<i>Our main focus is on the external marketplace. Our external business links are so important and in such a competitive space it is vital that we manage those relationships properly.</i>

### 6.5.1.8 Expanding External Links

As indicated in Table 6.53, the R<sup>2</sup> value confirms that 39% of the variance in *Expanding External Links* is explained by the antecedent and control variables. This is a very positive result. Of the eight hypotheses there is support for one of the eight outlined.

**Table 6.53: Expanding External Links: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	.049	.535	
Subsidiary Age	-.072	.354	
Subsidiary Size	<b>0.448***</b>	.000	
Industry Sector	.083	.288	
Management Control	.116	.238	
Internal Constraints	.174	.101	
External Constraints	-.106	.315	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
Strategic Autonomy	-.033	.689	<b>1a</b>
Product Autonomy	.045	.651	<b>1b</b>
Emergent Strategy Mode	-.063	.440	<b>2a</b>
Formal Strategy Mode	-.033	.722	<b>2b</b>
Strategic Capabilities	.120	.201	<b>3a</b>
Functional Capabilities	.107	.198	<b>3b</b>
Entrepreneurial Competence	<b>0.154*</b>	.042	<b>4b</b>
Managerial Competence	.069	.443	<b>4b</b>
F Ratio	<b>4.860</b>		
R2 (adj R2)	.392	.311	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

Subsidiaries create external links, not just in their direct business environment but also with other important actors (Giroud and Scott-Kennel, 2009). Expanding these links has been particularly crucial for Irish subsidiary managers. There is a very close relationship in Ireland between MNC subsidiaries, government agencies, academic institutions and related organisations such as chambers of commerce. Many subsidiaries have used these links to build crucial networks which are very important to their future development. How managers



approach building these links is a crucial research area but the driving forces behind subsidiary managers making these external contacts has not been studied in any great detail.

As this role is based on the activities to build important links in the external environment beyond the business environment, once again it would have been expected that autonomy would play an important role but that was not the case. Instead it was the capabilities of the subsidiary rather than the level of autonomy which was most important. Another important predictor was an emergent strategy process. Subsidiaries with a wide range of capabilities and control over their own strategy process engaged in expanding external links beyond the business environment.

Once again the split between managerial competence and entrepreneurial competence was crucial. To expand links beyond the business environment it takes managers who are prepared to take risks and see potential opportunities. This was confirmed in the research as the entrepreneurial competence of the subsidiary manager emerged as a crucial factor. Once again in relation to the external environment the ability to balance both entrepreneurial with the managerial skill sets is vital.

**Table 6.54: Expanding External Links: Qualitative Themes**

Alpha	<i>Our relationships with government agencies have been a crucial part of our success over the last 15 years. We will sit down with the Irish Development Agency (IDA) and develop plans on how we can push the agenda of the subsidiary. We also have links with third level education which has resulted in top class graduates coming to work with us.</i>
Beta	<i>The IDA has been extremely important. At crucial decision making points for us I have rung the Irish Development Agency (IDA) and they have been able to call our corporate level management and guarantee government support. That has been huge for us. They aren't involved with any day to day running of our unit, and nor would we want them to be, but at crucial stages in our development it has been great to have their support.</i>
Gamma	<i>The Irish Development Agency (IDA) has been fully behind everything we have done. If we want to push for something new in the organisation we know we can ring the IDA and they will back us. That can mean a lot sometimes and has been very important to us.</i>
Delta	<i>The Irish Development Agency (IDA) is a huge support. It was because of them that the company came here originally and they have played a major part in our development since. We also have links with in our locality like the third level colleges which has been important to us too.</i>
Epsilon	<i>We are in touch with the Irish Development Agency (IDA) a lot. We are constantly looking to see how their support can help us. You tend to think that large organisations know what is happening in Ireland but of course they don't. The IDA are excellent in helping us to sell what we are doing.</i>
Zeta	<i>We don't have any specific links although we are part of a number of trade organisations. They are helpful in gaining knowledge but we don't have any specific supports.</i>

### 6.5.2.9 Conclusion

Overall the antecedent variables selected in the study proved to be very appropriate variables.

One of the standout findings was the importance of the individual manager. This was a theme that emerged in the qualitative phase of the research. The different approach of individuals to managing the subsidiary was a vital element in how they approached strategy. It was decided that this had to be included as a variable in the empirical study and the findings confirmed this. Crucially not only was a variable included at the individual level but a distinction was made between managerial and entrepreneurial competence. How these different skill sets impacted on manager's engagement in strategic activities was a noteworthy finding.

One of the most surprising findings was the less than significant role of autonomy. It would have been expected that decision making autonomy is a crucial factor in middle managers engaging in strategic activity. In particular it would have been expected that autonomy is vital in managers engaging in external strategic activities and those activities requiring divergent thinking on the part of the middle manager. This was not the case and in fact autonomy only emerged as significant for two of the roles of strategic activity. This is a major finding in the research. The two relationships that did emerge as significant create a much clearer picture on the role of autonomy in the job of the MNC middle manager. The split of autonomy into both product and strategic autonomy was vital. Product autonomy was related directly to middle managers engaging in synthesizing information for top level management. This suggests that increased product autonomy results in a simultaneous increase in communication with headquarters.

The second relationship was between strategic autonomy and middle managers informally deepening networks with sister subsidiaries. This suggests that increased strategic autonomy may result in middle managers increasing informal internal networks to reduce the danger of isolation. Both of these findings suggest a far more detailed explanation of the autonomy and subsidiary management relationship and have major implications for future study.

Another important finding was the importance of subsidiary size. There is a definite link between the scale of the subsidiaries operations and the strategic activity of subsidiary management. This does suggest that in larger organisations MNC middle managers have more freedom to engage in a wide range of strategic activities.

## 6.5.2 Outcomes

### 6.5.2.1 Strategic Learning

As indicated in Table 6.55, the R<sup>2</sup> value confirms that 35% of the variance in the outcome variable, *Strategic Learning*, is explained by the control variables and the strategic activity of the MNC middle manager. This is a very positive result. Of the eight hypotheses there was support for two of the outlined relationships.

**Table 6.55: Strategic Learning: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.051	.476	
Subsidiary Age	-.019	.793	
Subsidiary Size	.030	.730	
Industry Sector	-.052	.479	
Management Control	.068	.419	
Internal Constraints	.073	.452	
External Constraints	-.156	.116	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
<b>Downward Influence</b>			
Implementing Deliberate Strategy	-.009	.910	5 – 1
Facilitating Adaptability	.021	.824	5 – 2
<b>Upward Influence</b>			
Championing Alternatives	<b>0.318*</b>	.003	5 – 3
Synthesizing Information	.107	.243	5 – 4
<b>Horizontal Internal Influence</b>			
Internal Coordinating	.040	.648	5 – 5
Deepening Internal Networks	.082	.346	5 – 6
<b>Horizontal External Influence</b>			
External Business Operating	<b>0.177*</b>	.049	5 – 7
Expanding External Links	-.094	.304	5 – 8
F Ratio	<b>5.099</b>		
R2 (adj R2)	.355	.285	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

The competitive advantage of MNCs may be greatly increased by subsidiaries with a strategic learning capability but this concept has not been studied in any great detail at the subsidiary level. The capability of a subsidiary to learn from past mistakes, and crucially to put that new information into action, is a fascinating concept (Ambrosini and Bowman, 2005). A major contribution from this study is that the strategic activity of the middle manager is crucial in developing this capability in subsidiaries.

Of the eight middle manager strategic activities two emerged as major drivers in creating a strategic learning capability. The horizontal external activity of *encouraging business trading*, and the upward activity of *championing alternatives*, were extremely prominent. These findings are directly linked to the structure of the strategic learning concept. To develop a strategic learning capability, organisations must firstly capture new knowledge and secondly put this new knowledge into action (Anderson et al., 2009).

It has been widely stated that the external links subsidiaries develop are crucial in accessing new knowledge (Andersson et al., 2002, Mu et al., 2007, Nell and Andersson, 2012). Middle managers build these important links through encouraging business activity with the external business environment. However for subsidiaries to turn this new knowledge into new actions MNC middle managers must gain the support of higher level management. What the findings of this study confirm is that MNC middle managers then use their upward influence to champion the new approaches to higher level management. What the findings uncover is that both horizontal and upward strategic influence activities are crucial in developing a strategic learning capability.

This is a major finding from the empirical study and further support is evident in the qualitative research. Managers identified that external business links were a major source of new knowledge but knowledge on its own was not enough. Managers espoused that it was vital to put new knowledge into action but to do this it was necessary to gain higher level support within the organisation. One chief executive expressly stated ‘that it is vital that we are aware of what developments are taking place in our market, before we are told about it by senior management. But to actually make changes and put that new knowledge into action requires the support of corporate through resources or a new mandate. I will actively seek that support if I think it is what we need to do’.

Learning is a stated objective of all organisations and a major potential source of competitive advantage (Nonaka, 1994). The role middle managers play in creating the capability to make learning a reality is a particularly exciting finding from the research. It is also confirmatory evidence of the strategic activity of middle managers directly impacting on subsidiary level outcomes.

**Table 6.56: Strategic Learning: Qualitative Themes**

<i>Alpha</i>	<i>We have survived by being quick to adapt. Things change quickly in our industry and within our organisation so if we don't react quickly to those changes we will be gone.</i>
<i>Beta</i>	<i>Our subsidiary is really in Ireland due to legacy reasons. We have only lasted this long by being able to react to changes in the external environment and the internal environment. Our managers know how important it is to build alliances outside of the subsidiary. This is how we get information and then we make changes accordingly.</i>
<i>Gamma</i>	<i>We are doing what we do here for over 10 years. In that time we have built up a lot of knowledge. I think that's its recognised that the knowledge in the Irish subsidiary is very valuable at this stage.</i>
<i>Delta</i>	<i>In the last number of years that we have been here I have seen the confidence level of our employees improve. Our employees are becoming more visible across the company as a result of how quickly we have adapted to change and shown the way for other parts of the organisation.</i>
<i>Epsilon</i>	<i>We have the skills base here that they don't have in other parts of the organisation. We are the sole developers for a number of products so all of that knowledge is here. There are cheaper parts of the world to do what we do but we have been the best at integrating new knowledge and doing it the fastest. We are always under pressure so it is vital we keep adapting and stay on top of the most up to date developments.</i>
<i>Zeta</i>	<i>As we deal with consumers we have to adapt quickly to changes in the external environment. I think we are very good at that and we understand our market far better than anyone could at higher level management.</i>

### 6.5.2.2 Strategic Initiative

As indicated in Table 6.57, the  $R^2$  value confirms that 35% of the variance in the outcome variable, *Strategic Initiatives*, is explained by the control variables and the strategic influence of the MNC middle manager. This is a very positive result. Of the eight hypotheses there was support for two of the outlined relationships.

**Table 6.57: Strategic Initiatives: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.027	.672	
Subsidiary Age	-.024	.719	
Subsidiary Size	.081	.290	
Industry Sector	-.028	.664	
Management Control	.124	.100	
Internal Constraints	-.019	.824	
External Constraints	-.046	.596	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
<b>Downward Influence</b>			
Implementing Deliberate Strategy	<b>-0.155*</b>	.034	<b>6 - 1</b>
Facilitating Adaptability	<b>0.276**</b>	.001	<b>6 - 2</b>
<b>Upward Influence</b>			
Championing Alternatives	.015	.877	<b>6 - 3</b>
Synthesizing Information	-.121	.144	<b>6 - 4</b>
<b>Horizontal Internal Influence</b>			
Internal Coordinating	-.069	.378	<b>6 - 5</b>
Deepening Internal Networks	.012	.875	<b>6 - 6</b>
<b>Horizontal External Influence</b>			
External Business Operating	.013	.868	<b>6 - 7</b>
Expanding External Links	<b>0.524***</b>	.000	<b>6 - 8</b>
F Ratio	<b>8.872</b>		
R2 (adj R2)	.493	.437	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\*  
p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses



There is extensive and wide ranging literature highlighting the important role that subsidiaries can play in developing subsidiary initiatives. The importance of subsidiary management in this process has been well documented (Birkinshaw, 1997, Birkinshaw, 1998, Birkinshaw, 1999, Birkinshaw and Fry, 1998, Birkinshaw et al., 1998, Birkinshaw et al., 2005, Ambos et al., 2010). This study differs in attempting to move beyond taking subsidiary management as a single variable. The approach taken in this study was to uncover a more in-depth picture of the relationships between subsidiary management and initiative.

As in previous studies, the data confirmed the importance of subsidiary management in developing initiatives but crucially two particular roles emerged as being most important. Firstly the downward influence of *facilitating adaptability* was a very significant factor. This is the entrepreneurial activity of middle managers and its relationship with subsidiary initiative was an important finding. This relationship between adaptive middle management behaviour and innovations is similar to findings on the entrepreneurial middle managers (Hornsby et al., 2002, Fulop, 1991, Burgelman, 1983b). It is also allied with the view of the entrepreneurial subsidiary manager (Birkinshaw, 1999, Birkinshaw, 1997).

It would also have been expected that the upward influence of MNC middle managers would also have been crucial but interestingly this was not the case. Instead it was the horizontal strategic activity, particularly *expanding external links*, which emerged as the most significant. This is a major finding for the study as it confirms a direct relationship between horizontal strategic activity and initiative. It also confirms the importance of external links beyond the business environment in developing new initiatives in MNC subsidiaries. The extent to which a subsidiary learns from its local environment critically impacts on

innovation (Mu et al., 2007) but this is confirmation that it is not enough for subsidiaries to simply build links with customers and suppliers (Giroud, 2007, Santangelo, 2009). The real value may be in building high quality links with crucial actors beyond those initial links.

This is a definite phenomenon in Ireland which was confirmed by the interview data. Managers continually discussed the importance of external actors such as government agencies, educational facilities and chambers of commerce as being crucial links in bringing new business to their subsidiary. A number of the managers outlined occasions where they had met with these actors and developed strategies to bring new business to Ireland. The links particularly with the IDA, were crucial and through this process managers had huge success in developing new initiatives in Ireland. A fascinating discovery was that, having met with the IDA, the subsidiary managers would then let the government agency travel to their headquarters and champion the new initiative on their behalf. The weight of the government body held more sway with their headquarters. This approach also had potentially less risk for the subsidiary as it was not them directly trying to champion the alternative themselves.

This is a fascinating new perspective on subsidiary initiative. Firstly the importance for initiative of managers *facilitating adaptability* is well established and it is confirmed. But to uncover that another crucial step in the initiative process is in building external support links outside of the business environment is a new finding and a major contribution to the literature on the importance of external links. Finally, possibly the biggest discovery, is that rather than trying to access top management for support for new initiatives managers may engage in leveraging important external links to gain support for new initiatives. This is a very new perspective on the subsidiary initiative debate.

**Table 6.58: Strategic Initiatives: Qualitative Themes**

Alpha	<i>We have had to be very clever in how we bring business to Ireland. In many ways we are here for legacy reasons and for corporate headquarters they could look at us and ask the question. Why are we in Ireland at all? In fact we had gone from well over a hundred employees back down to fifteen. We are now back up over a hundred. The way we did it was to sit down as a management team and identify what we were really good at. Then we slowly grew each function. Our success is based on gaining a reputation for being really good and then really pushing our agenda when we get the chance. It's small things but so far it has worked. We have brought a lot of business to Ireland.</i>
Beta	<i>For a long time we weren't a strategic part of the organisation but now we are integrated within the strategic core. A lot of the company's revenue now goes through Ireland. So much of that success has been based on the drive of the local management team here in Ireland. We got a reputation for extremely high quality and efficiency and that has allowed us to bring a lot more business to Ireland.</i>
Gamma	<i>How the overall company does business has really changed in the last few years so that has had a real impact on our business. We are such a global company and decisions are made at a global level and we have to fit into that. In recent years the company has decided to compete in different market segments which has meant that some of the Irish operation has been downsized. There wasn't much that we could do about that but it is credit to the Irish management that we are still a very important part of the organisation.</i>
Delta	<i>We have actually started innovation programmes locally. We saw opportunities years ago in the organisation in the United States and we set up our own innovation programmes to meet them. It took a while to get support but two programmes specifically have worked and have resulted in bringing more business and recognition to Ireland.</i>
Epsilon	<i>A lot of our business is moving to parts of the world where it is cheaper. We have had to accept that and instead of fighting to keep it we have helped the company to set up units in places like India. This has actually improved our position in the organisation. We are now the key communicator with the Indian subsidiaries and it has actually resulted in more business coming to Ireland. But it is so competitive, it is changing all the time.</i>
Zeta	<i>We have started a lot of new products in Ireland we have become part of the product portfolio of the overall organisation. Those successes have not only brought financial benefits but have improved our reputation within the company.</i>

### 6.5.2.3 Strategic Creativity

As indicated in Table 6.59, the R<sup>2</sup> value confirms that 35% of the variance in the outcome variable, *Strategy Creativity*, is explained by the control variables and the strategic influence of the MNC middle manager. This is a very positive result. Of the eight hypotheses there was support for three of the outlined relationships.

**Table 6.59: Strategy Creativity: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.123	.098	
Subsidiary Age	-.098	.203	
Subsidiary Size	.036	.675	
Industry Sector	-.023	.764	
Management Control	<b>0.180*</b>	.035	
Internal Constraints	.040	.680	
External Constraints	-.042	.674	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
<b>Downward Influence</b>			
Implementing Deliberate Strategy	-.205	.015	<b>7 - 1</b>
Facilitating Adaptability	<b>0.197*</b>	.037	<b>7 - 2</b>
<b>Upward Influence</b>			
Championing Alternatives	.098	.370	<b>7 - 3</b>
Synthesizing Information	<b>0.262**</b>	.006	<b>7 - 4</b>
<b>Horizontal Internal Influence</b>			
Internal Coordinating	.010	.913	<b>7 - 5</b>
Deepening Internal Networks	.037	.679	<b>7 - 6</b>
<b>Horizontal External Influence</b>			
External Business Operating	.032	.722	<b>7 - 7</b>
Expanding External Links	.073	.422	<b>7 - 8</b>
F Ratio	<b>4.899</b>		
R2 (adj R2)	.352	.281	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

A further exciting contribution relates to the significant association between MNC middle management strategic activities and strategy creativity. Creativity is crucial for all organisations as it allows them to respond to opportunities and makes it difficult to competitors to respond. (Menon et al., 1999). For MNCs, strategic creativity by its network of subsidiaries may be a crucial driver of competitive advantage (Scott et al., 2010). However, creativity is inhibited by strategic embeddedness in organisations. Therefore, there may be an argument that it is difficult to be creative at the middle management level of large organisations as managers are embedded within the structures of the organisation. The focus of this study was to see if, through enactment of various strategic activities middle managers could influence creativity despite their strategic embeddedness.

Bearing this in mind the findings in this study are extremely exciting as they show how middle managers in large organisations can influence strategic creativity. Two strategic activities emerge as extremely crucial in this process. Firstly, downward strategic activity through facilitating adaptability at the subsidiary level. Secondly, the upward activity of synthesizing information for top level management is also crucial. Both of these roles are significant factors in strategic creativity developing at the subsidiary level.

The findings in relation to the relationship between facilitating adaptability and strategy creativity are very interesting. Once again they illustrate that middle managers engaging in divergent strategic activity within their units have an impact on an important outcome like creativity. This confirms the role of the middle manager entrepreneur and the importance of new ideas emanating from the middle management level. The second finding in relation to synthesizing information proposes that in order to get support for a more creative approach they must do this through the communication process with headquarters. This is an

interesting contrast. It suggests that creativity at the middle management level emerges through a divergent process of adaptability within the subsidiary unit and integrative process of communication with corporate level management. For strategy creativity to happen at the middle management level, managers need to both create the environment for creativity in a downward direction and bring senior management along with them through upward communication.

These findings are a intriguing contrast with the previously stated findings on subsidiary initiative. This contrast has some foundation in the qualitative research. Managers sometimes contended that the subsidiary could find it difficult to create new initiatives but through the strategy process they could subtly develop creative outcomes. New ideas developed within the subsidiary could become part of the subsidiary's new mandate if they could communicate their value through the correct communication channels. Creativity developing through divergent and integrative strategic activity gives further evidence to the value of studying middle managers through the holistic framework in this study.

**Table 6.60: Strategy Creativity: Qualitative Themes**

Alpha	<i>We aren't afraid to try new things but we don't tell anyone we are doing it, until it works. A lot of that activity would relate to small changes so we can increase the importance of the subsidiary but we have to continue to be inventive or we will cease to exist.</i>
Beta	<i>It is difficult in such a large organisation to be very innovative but I would say we are very imaginative in what we can control. We must be careful not to deviate too far from company policy but one of the most valuable assets we have is our reputation for being resourceful and imaginative in how we deal with issues that are sent our way.</i>
Gamma	<i>As our organisation is so structured I wouldn't say there is too much room for us to reshape things but within our own unit we are very inventive in what we do. Many of the changes we have made have been taken as best practice to other parts of the organisation.</i>
Delta	<i>Most of what we do not is within company wide programmes. We used to have a reputation for doing inventive things as a subsidiary but as the organisation has become more integrated we now must make an impact within that framework. But I would still say we have a reputation as an innovative subsidiary. That reputation is very important to us.</i>
Epsilon	<i>We have a reputation as being quick to adapt and being very creative in how we do it. That reputation is so important to us. We are the problem solvers and we will never say no to a job. Having the reputation as the guys who can think differently about problems and get things done is hugely important to us.</i>
Zeta	<i>In the market that we are in one the key success factors is being inventive in our products, our processes and how we meet customer expectations. The fact that we have been able to do that is one of the reasons we are still so valuable to the company.</i>

#### 6.5.2.4 Strategy Implementation

As indicated in Table 6.61, the R<sup>2</sup> value confirms that 44% of the variance in the outcome variable, *Strategy Implementation*, is explained by the control variables and the strategic influence of the MNC middle manager. This is a very positive result. Of the eight hypotheses there was support for three of the outlined relationships.

**Table 6.61: Strategy Implementation: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.034	.622	
Subsidiary Age	.043	.547	
Subsidiary Size	-.004	.959	
Industry Sector	-.069	.326	
Management Control	<b>0.243**</b>	.003	
Internal Constraints	-.058	.529	
External Constraints	-.107	.259	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
<b>Downward Influence</b>			
Implementing Deliberate Strategy	-.043	.584	<b>8 - 1</b>
Facilitating Adaptability	.006	.947	<b>8 - 2</b>
<b>Upward Influence</b>			
Championing Alternatives	<b>0.307**</b>	.003	<b>8 - 3</b>
Synthesizing Information	<b>0.185*</b>	.037	<b>8 - 4</b>
<b>Horizontal Internal Influence</b>			
Internal Coordinating	-.050	.546	<b>8 - 5</b>
Deepening Internal Networks	<b>0.217*</b>	.010	<b>8 - 6</b>
<b>Horizontal External Influence</b>			
External Business Operating	-.060	.486	<b>8 - 7</b>
Expanding External Links	.060	.479	<b>8 - 8</b>
F Ratio	<b>6.890</b>		
R2 (adj R2)	.434	.371	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\*  
p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses



The actual implementation of strategies has not been studied in any great detail in subsidiaries but it is a core tenet of middle management literature. In fact the role of implementation is often signified as the most important role for middle managers. It was important therefore to assess the relationship between middle management strategic activities and strategy implementation success in subsidiaries.

The findings in relation to this were quite surprising. It would have been expected that roles relating to implementation and communication with corporate management would have been related to implementation success but instead it was the horizontal internal roles which emerged as the most significant finding. This was very surprising but a possible explanation could be found in the qualitative research.

A number of the senior managers did not identify strongly with implementation as a key role in their job. Many of them indicated that the responsibility for implementation lay at lower management levels within the subsidiary. They stated that implementation was a crucial activity for the subsidiary but that happened more at the operational levels so they didn't feel that they impacted directly upon it. What these managers would also have had in common was that they operated subsidiaries with standalone activities. However those subsidiary managers who operated in more integrated strategic environments identified more with the process of implementation. An integrated strategic environment was indicative of subsidiaries with very strong dependencies on their sister subsidiaries. Managers in these environments expressed a much stronger view of their role in implementation. As part of an integrated supply chain their main strategic contribution was in ensuring they met their set objectives.

The findings in relation to the importance of the horizontal internal strategic activities may indicate that internal embeddedness is a crucial driver of implementation success in highly integrated MNCs. MNC middle managers influence implementation success through both formal and informal internal strategic activities. The link between internal horizontal management roles and implementation success is a very interesting finding. It relates to the literature on the importance of internal embeddedness (Garcia-Pont et al., 2009). Another major finding is the different approaches to strategic implementation by MNC middle managers in subsidiaries that are not so integrated.

**Table 6.62: Strategy Implementation: Qualitative Themes**

Alpha	<i>We are measured by our ability to implement successfully</i>
Beta	<i>We have to be recognised for implementing our role and exceeding expectations</i>
Gamma	<i>We are very focused on implementing our role. Things are very integrated in our organisation and it is crucial that we implement the plans we are given. Having said that, when we are given a company plan it is put to us to devise a local strategy to implement it.</i>
Delta	<i>For me it's more than implementing. That is an important part of what we do but it goes beyond that.</i>
Epsilon	<i>We are quite autonomous in this subsidiary but we have to execute what we do and show results</i>
Zeta	<i>Actually carrying out what we say we are going to do is vital</i>

### 6.5.2.5 Strategic Posture

As indicated in Table 6.63, the R<sup>2</sup> value confirms that 32% of the variance in the outcome variable, *Strategic Posture*, is explained by the control variables and the strategic activity of the MNC middle manager. This is an acceptable result. Of the eight hypotheses there was support for two of the outlined relationships.

**Table 6.63: Strategic Posture: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.009	.904	
Subsidiary Age	<b>-0.135+</b>	.078	
Subsidiary Size	<b>0.306**</b>	.001	
Industry Sector	<b>0.166*</b>	.030	
Management Control	<b>0.223*</b>	.012	
Internal Constraints	-.134	.184	
External Constraints	.043	.677	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
<b>Downward Influence</b>			
Implementing Deliberate Strategy	-.039	.645	<b>9 - 1</b>
Facilitating Adaptability	-.068	.478	<b>9 - 2</b>
<b>Upward Influence</b>			
Championing Alternatives	.128	.250	<b>9 - 3</b>
Synthesizing Information	.002	.986	<b>9 - 4</b>
<b>Horizontal Internal Influence</b>			
Internal Coordinating	-.148	.111	<b>9 - 5</b>
Deepening Internal Networks	<b>0.182*</b>	.044	<b>9 - 6</b>
<b>Horizontal External Influence</b>			
External Business Operating	<b>0.196*</b>	.037	<b>9 - 7</b>
Expanding External Links	.023	.808	<b>9 - 8</b>
F Ratio	<b>4.227</b>		
R2 (adj R2)	.316	.242	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\*  
p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

The strategic posture of a subsidiary is an important determinant of the subsidiary's standing and performance within the MNC (Anderson et al., 2009, Covin et al., 2006). Subsidiaries with an entrepreneurial strategic posture have a positive attitude towards innovation, proactiveness and risk and therefore have a certain level of freedom within the MNC. The research objective was to assess whether MNC middle management could influence their subsidiary's entrepreneurial strategic posture through their strategic activities.

The results for the hypotheses were disappointing indicating only marginal support for the proposed relationships. Two of the strategic activities, deepening internal networks and encouraging external business were supported. The significance of both, a horizontal internal, and a horizontal external strategic activity, was an interesting finding. However the most significant finding was that factors such as size, age and reduced management control exerted a far greater influence than the strategic activity of the MNC middle manager. This was not wholly surprising as the findings from the qualitative research indicated that managers didn't really see that they could influence the strategic posture of the subsidiary. The overall theme from the interview process was that managers saw posture as a result of the mandate from headquarters rather than as a result of their own management input.

**Table 6.64: Strategic Posture: Qualitative Themes**

**Strategic Posture; Qualitative Themes**

Alpha	<i>I would never use the phrase entrepreneurial to describe what we do. In such a large organisation like this you can't afford to have subsidiaries taking risks on their own.</i>
Beta	<i>At some level we are entrepreneurial I suppose, but for a lot of people we can't really be. We're a large organisation, in a highly regulated business.</i>
Gamma	<i>So I guess if that's the culture, it's an operational culture. We are an arm of a very large organisation. We do have some flexibility but I wouldn't say we are entrepreneurial</i>
Delta	<i>We see ourselves as being entrepreneurial. We push the agenda for new projects from the subsidiary and although we have had success it has been difficult to get support at higher level management.</i>
Epsilon	<i>I wouldn't describe us as being entrepreneurial. We are very proactive and hard working but it is within the framework of a larger organisation.</i>
Zeta	<i>We aren't afraid to take chances but it has led to a difficult relationship with our headquarters. It is difficult to be entrepreneurial when you are part of a larger organisation.</i>

### 6.5.2.6 Financial Performance

As indicated in Table 6.65, the  $R^2$  value confirms that 21% of the variance in the outcome variable, *Financial Performance*, is explained by the control variables and the strategic influence of the MNC middle manager. This is a very disappointing result. Of the eight hypotheses there was support for one of the outlined relationships.

**Table 6.65: Financial Performance: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	.005	.953	
Subsidiary Age	.016	.841	
Subsidiary Size	-.032	.733	
Industry Sector	-.025	.757	
Management Control	-.106	.255	
Internal Constraints	-.056	.600	
External Constraints	-.061	.574	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
<b>Downward Influence</b>			
Implementing Deliberate Strategy	.013	.883	<b>10a - 1</b>
Facilitating Adaptability	.120	.243	<b>10a - 2</b>
<b>Upward Influence</b>			
Championing Alternatives	.101	.396	<b>10a - 3</b>
Synthesizing Information	.151	.137	<b>10a - 4</b>
<b>Horizontal Internal Influence</b>			
Internal Coordinating	.129	.188	<b>10a - 5</b>
Deepening Internal Networks	-.104	.281	<b>10a - 6</b>
<b>Horizontal External Influence</b>			
External Business Operating	.009	.925	<b>10a - 7</b>
Expanding External Links	<b>0.193+</b>	.058	<b>10a - 8</b>
F Ratio	<b>2.512</b>		
R2 (adj R2)	.214	.129	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

### 6.5.2.7 Operational Performance

As indicated in Table 6.66, the R<sup>2</sup> value confirms that 25% of the variance in the outcome variable, *Operational Performance*, is explained by the control variables and the strategic activity of the MNC middle manager. This is a disappointing result. Of the eight hypotheses there was support for one of the outlined relationships.

**Table 6.66: Operational Performance: Regression Analysis**

<b>Control Variables</b>	<b>Beta</b>	<b>Sig.</b>	
Tenure in Position	-.014	.858	
Subsidiary Age	.102	.200	
Subsidiary Size	-.066	.477	
Industry Sector	-.027	.733	
Management Control	.074	.412	
Internal Constraints	-.023	.822	
External Constraints	-.157	.142	
<b>Antecedent Variables</b>	<b>Beta</b>	<b>Sig.</b>	<b>Hypotheses</b>
<b>Downward Influence</b>			
Implementing Deliberate Strategy	-.022	.801	<b>10b - 1</b>
Facilitating Adaptability	.043	.666	<b>10b - 2</b>
<b>Upward Influence</b>			
Championing Alternatives	.077	.503	<b>10b - 3</b>
Synthesizing Information	.078	.426	<b>10b - 4</b>
<b>Horizontal Internal Influence</b>			
Internal Coordinating	.116	.223	<b>10b - 5</b>
Deepening Internal Networks	.056	.550	<b>10b - 6</b>
<b>Horizontal External Influence</b>			
External Business Operating	.017	.860	<b>10b - 7</b>
Expanding External Links	<b>0.254*</b>	.011	<b>10b - 8</b>
F Ratio	<b>3.124</b>		
R2 (adj R2)	.254	.172	

+p<0.10, \* p<0.05, \*\*p<0.01, \*\*\* p<0.001

Regression co-efficient are standardised. S.E Beta in parentheses

In this study performance was assessed through relative performance in relation to sister subsidiaries. Performance was also split into both operational and financial performance. The findings for a relationship between MNC strategic activity and operational performance confirmed that one role, expanding external links, was significant. In the case of financial performance two roles emerged. Synthesizing information was significant and similarly to financial performance, once again expanding external links was also significant.

There are numerous difficulties in trying to assess performance of MNC subsidiaries (Nguyen, 2011). There are also major difficulties in assessing a direct relationship between middle management strategic activity and performance (Floyd and Wooldridge, 1997). Therefore, it is with caution that insights are taken from measures of relative performance used in this study. It is important however to state that there is enough evidence to suggest that MNC middle management does influence performance and the findings in relation building external links confirm the value of this horizontal role.

**Table 6.67: Performance: Qualitative Themes**

Alpha	<i>We have a lot of different functions here within the subsidiary and they are all measured in different ways. But the world is a very virtual place now so it is very transparent how the subsidiary is performing.</i>
Beta	<i>Well we'd have a revenue target every year, we'd have a gross margin target, an operating income target and then there are subsidiary metrics as well.</i>
Gamma	<i>We have targets in terms of operating and in terms of accounting. It is very clear and we know what we need to achieve.</i>
Delta	<i>Performance is down to metrics on the quality of the work we do. Above all we have to meet the targets set for us.</i>
Epsilon	<i>Our reputation is based on performance. We produce a very high level of profit relative to the number of staff we have. It is very transparent and we know what we need to achieve.</i>
Zeta	<i>Our performance is very much based on profit. We are judged on the level of profit we produce so sales and operational efficiency are crucial to what we do.</i>



#### **6.5.2.8 Conclusion**

Overall, across the broad range of subsidiary outcomes selected in this study there is overwhelming evidence that MNC management influence strategic outcomes at the subsidiary level. On its own this is a major finding for middle management and subsidiary management research. What the range of contribution variables highlights is how each of the management roles relate in different ways to strategic outcomes.

## 6.6 Summary of Expected and Actual Hypotheses

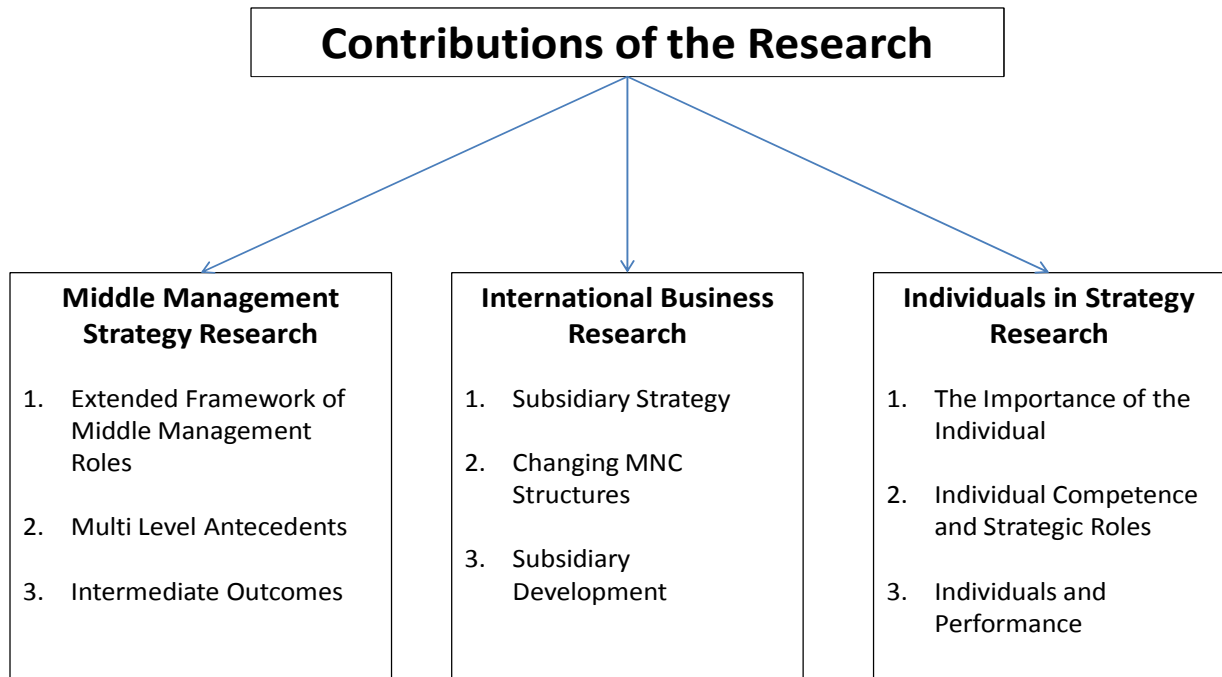
<b>Hypotheses</b>	<b>Downward</b>				<b>Upward</b>				<b>Horizontal Internal</b>				<b>Horizontal External</b>			
	<i>Implementing Deliberate Strategy</i>		<i>Facilitating Adaptability</i>		<i>Championing Alternatives</i>		<i>Synthesizing Information</i>		<i>Inter-Unit Coordinating</i>		<i>Deepening Networks</i>		<i>Encouraging Business Trading</i>		<i>Expanding Links</i>	
	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual
<b><u>Antecedents</u></b>	-															
Product Autonomy	-	n/s	+	n/s	+	n/s	+	+	-	n/s	+	+	+	n/s	+	n/s
Strategic Autonomy	-	n/s	+	n/s	+	n/s	+	n/s	-	n/s	+	n/s	+	+	+	n/s
Emergent Strategy	-	-	+	+	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s
Formal Strategy	+	+	-	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s
Strategic Capabilities	-	n/s	+	+	+	+	+	n/s	+	+	+	n/s	+	+	+	n/s
Functional Capabilities	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s
Managerial Competence	+	+	+	n/s	+	+	+	n/s	+	n/s	+	+	+	n/s	+	n/s
Entrepreneurial Competence	+	n/s	+	+	+	+	+	+	+	n/s	+	+	+	+	+	+
<b><u>Outcomes</u></b>	-															
Learning	+	+	+	n/s	+	+	+	n/s	+	n/s	+	n/s	+	+	+	n/s
Initiative	+	-	+	+	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	+
Creativity	+	n/s	+	+	+	n/s	+	+	+	n/s	+	n/s	+	n/s	+	n/s
Implementation	+	n/s	+	n/s	+	+	+	+	+	n/s	+	n/s	+	n/s		n/s
Posture	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	+	+	+	+	n/s
Financial Performance	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	+
Operational Performance	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	n/s	+	+

**Table 6.68: Summary Expected and Actual Hypotheses**

## **Chapter Seven: Discussion**

### **7.1 Introduction**

The results of this study suggest contributions to three streams of research. The first contribution is to the middle manager strategy literature. Through development and testing of an extended framework of middle manager activities a much wider view of the role of the middle manager is uncovered. The unearthing of new horizontal strategic activities, in addition to the vertical strategic activities, is a major step forward for middle management research. Secondly a significant contribution is made to international business research. In taking the subsidiary manager as the unit of analysis a much clearer perspective of subsidiary strategy emerges. Finally, the value of the individual has been an overlooked aspect of strategy development in organisations. A major contribution is made to research on the importance of the individual in strategy. The major contributions are broken down into three specific areas within each of the research streams:



**Figure 10: Contributions of the Research**

## **7.2 Contributions to Middle Manager Strategy Research**

### **7.2.1 Extended Framework of Middle Management Strategic Activities**

The need for a more holistic investigation of middle management strategic activities is identified as the highest priority research issue facing middle management research (Wooldridge et al., 2008, Aherne et al., 2014). Although there is excellent research on the strategic activities of middle managers there is a lack of coherence in the field. Authors use different approaches to describe strategic activities, which reduces the transparency of linkages across studies. This study contributes by developing an extended typology of the vertical and horizontal strategic activities of middle managers through a process of careful theory development.

Crucially by building on the existing theoretical foundation of Floyd and Wooldridge's (1992, , 1997) original framework, this research brings consistency to a field which has often lacked a level of uniformity. However, existing typologies of middle managers draw exclusively from top management and deliberate strategy. Although this is a useful reference point it has leads to a focus on strategy as a vertical continuum from top to bottom in organisations. A consequence of this approach is the lack of research on the horizontal flows of strategy. While existing research identifies middle managers as important mediators across organizational boundaries (Bartlett and Ghoshal, 1993, Balogun and Johnson, 2004, Floyd and Wooldridge, 1997, Aherne et al., 2014) there are still too few studies (Rouleau, 2005, Rouleau and Balogun, 2011, Balogun et al., 2011) that investigate how middle managers actually manage the horizontal flows of strategy and renew intraorganisational and external relationships. The findings in this research confirm the existence of both vertical and horizontal strategic activities for middle managers. As a result, a view of the middle manager emerges as much more than just 'linking pins' in organisations (Likert, 1961, Floyd and Wooldridge, 1992).

### **7.2.2 Multi Level Antecedents**

Researching strategic activities and their antecedents is one of the core tenants of middle management research. The approach undertaken here broadens previous research in a number of important ways. Firstly this study broke from previous approaches by including different classifications of antecedents. Specifically this study includes antecedents at the individual level (managerial and entrepreneurial competence), the subsidiary level (capabilities), the organisational level (autonomy and strategy formation) and the external environment level (external constraints). Such a classification recognises the potential for interactions at multiple levels. This is consistent with the need for different theories to explain the

circumstances favouring middle management activity (Wooldridge et al., 2008). Crucially by developing an extended framework of middle manager strategic activities it is possible to assess this multi level of antecedents on a wider grouping of relationships. Finally, previous research predominantly grouped the influence of roles together. As a result the antecedent relationships are studied against total values of middle manager strategic influence (Floyd and Wooldridge, 1997). This approach leads to some of the more fine-grained relationships being overlooked. In this research each activity is studied individually as a dependent variable which allows a more detailed explanation of the antecedent relationships. Some of the more important findings of this approach are outlined in the figures below.

## Antecedents of Downward Strategic Activities

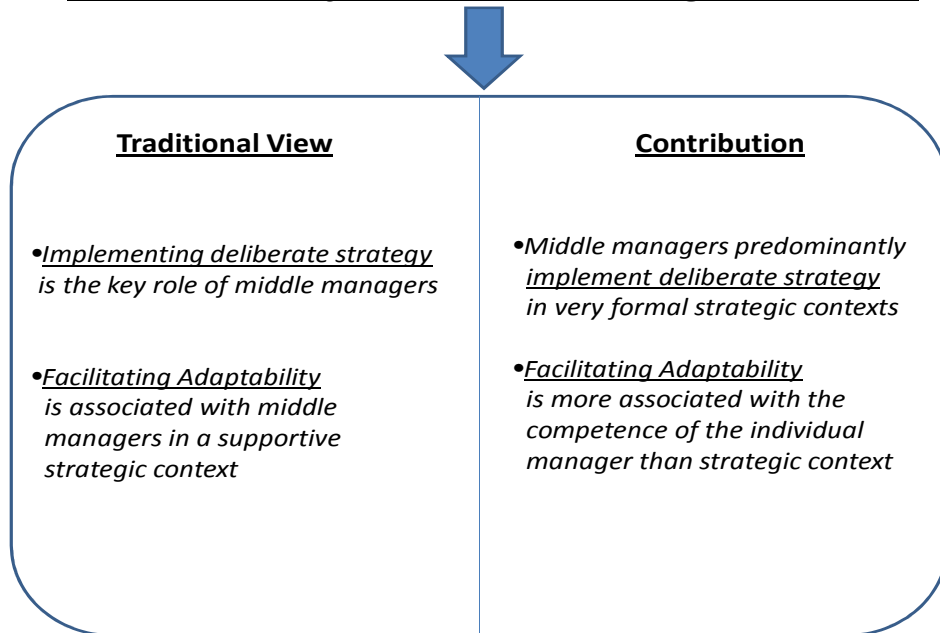


Figure 11: Antecedents of Downward Strategic Activities

## Antecedents of Upward Strategic Activities

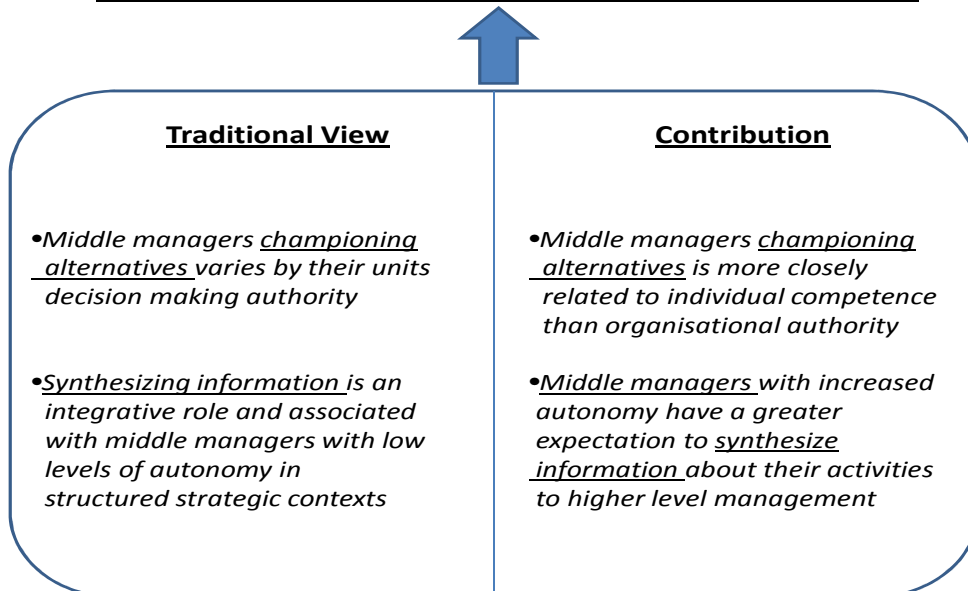


Figure 12: Antecedents of Upward Strategic Activities

## Antecedents of New Horizontal Internal Strategic Activities



### Contribution

#### **Internal Coordinating**

- *Internal coordinating is an important strategic role for middle managers in integrated organisations.*
- *Middle managers engage in internal coordinating where the agenda is set by the structure of the organisation*
- *In large integrated organisations structural embeddedness is managed by the internal coordination activity of middle managers.*

## Antecedents of New Horizontal Internal Strategic Activities



### Contribution

#### **Deepening Networks**

- *Managers engage in deepening networks outside of the formal structures of the organisation.*
- *The competence of the individual middle manager is vital in engaging in deepening network activity*
- *In large integrated organisations relational embeddedness is managed by the deepening network activity of middle managers.*

**Figure 13: Antecedents of New Horizontal Internal Strategic Activities**



**Antecedents of New External Horizontal Strategic Activities**



**Contribution**

***External Business Operating***

- *Capabilities and scale of the operation are a more important determinant than autonomy in managers external business operating activity.*
- *The entrepreneurial competence of the individual middle manager is vital in engaging in external business operating.*
- *The process of external embeddedness in the business context is management by middle managers engaging in external business operating*

**Antecedents of New External Horizontal Strategic Activities**



**Contribution**

***Expanding External Links***

- *There is a crucial strategic role for middle managers in building links beyond the business environment*
- *The entrepreneurial competence of the individual middle manager is vital in engaging in expanding external links.*
- *The process of external embeddedness in the wider business context is managed by middle managers engaging in expanding external links*

**Figure 14: Antecedents of New External Horizontal Strategic Activities**

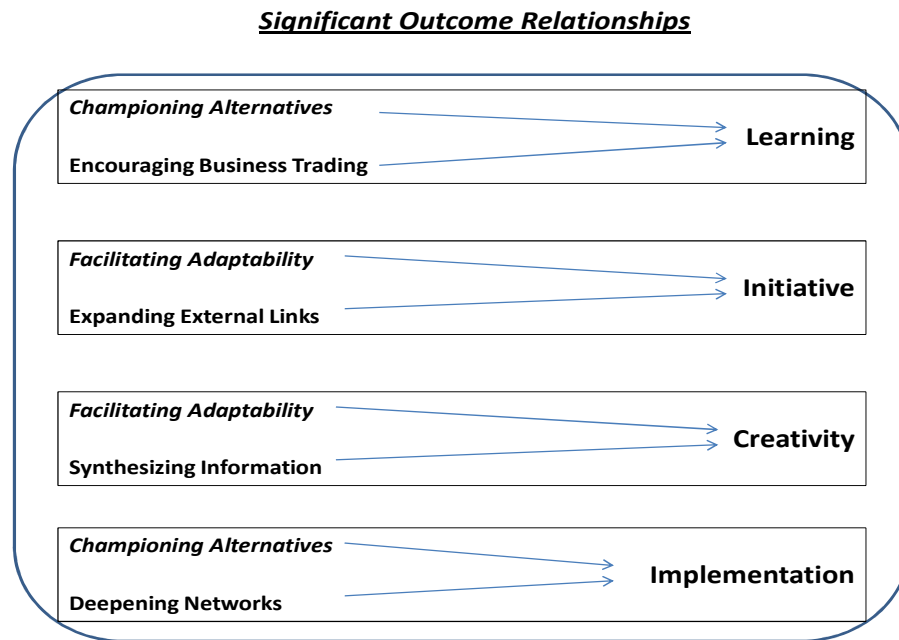
### **7.2.3 Intermediate Level Outcomes**

Developing theory about organisational performance is a characteristic of strategy research (Rumelt et al., 1991). Consistent with this approach, strategy research from a middle management perspective investigates relationships with organisation wide outcomes (Wooldridge and Floyd, 1990, Floyd and Wooldridge, 1997, Mair, 2005, Burgelman, 1994, Boyett and Currie, 2004, Guth and MacMillan, 1986, Meyer, 2006, Sillince and Mueller, 2007). Although there is some evidence of an association between middle management's involvement in strategy and organisational outcomes, a much greater emphasis is needed. Some of the difficulties in middle management research stem from trying to establish a relationship between middle manager activity and the broad outcomes of the entire organisation. A different approach is taken in this research which yielded significant results.

This new approach has two important elements. Firstly, rather than focusing on organisational outcomes which may be beyond the middle manager's scope of authority, the focus in this study is on intermediate level outcomes which are closer to the role of the middle manager. Secondly, rather than focusing on a single outcome, by including a range of outcomes it is possible to reveal the complex relationships between middle manager strategic influence and outcomes. These outcomes include learning, initiative, creativity and implementation.

The findings in relation to middle manager strategic activities and intermediate level outcomes are a major step forward for middle management research which often struggled to establish these relationships (Aherne et al., 2014). Significant relationships emerge but it is the intricate nature of these relationships which is most notable. The combined analysis of an extended middle manager framework and a wide range of intermediate outcomes produce

different combinations of activities and their associations with outcomes as the table below highlights.



**Figure 15: Significant Outcome Relationships**

These findings confirm that middle managers carry out different strategic activities with the goal of achieving different outcomes simultaneously. These intermediate outcomes are the building blocks of capability development and performance and the relationships uncovered in this study are a major contribution to knowledge in these areas.

### **7.3 Contributions to International Business Theory**

#### **7.3.1 Subsidiary Strategy**

There is great confusion in subsidiary literature as to what actually constitutes subsidiary strategy (Dörrenbächer and Gammelgaard, 2006, Birkinshaw, 1997). Subsidiary research has come a long way since the time that subsidiaries were conceptualised as mere implementers

(Vernon, 1966) and in that time research has uncovered the crucial role that subsidiaries play within MNCs (Birkinshaw, 1997, Cantwell and Mudambi, 2005, Rugman and Verbeke, 2001). However, from a strategy perspective, research hasn't addressed how strategy develops at the subsidiary management level (Dörrenbacher and Gammelgaard, 2006, Dorrenbacher and Gammelgaard, 2011, Balogun et al., 2011). The assumptions of the top management perspective on strategy development do not apply to the unique context of the subsidiary (Birkinshaw and Pedersen, 2009). Therefore, traditional theoretical models of strategy cannot be applied to the study of the subsidiary.

This research changes the focus by moving the unit of analysis from the subsidiary itself to the subsidiary general manager and conceptualising them as an MNC middle manager. By departing from previous positions we reframe the subsidiary management literature and contribute to our understanding of strategic management in MNC subsidiaries. Crucially, by applying an extended middle manager framework to the unit of analysis of the subsidiary general manager it is possible to study management practices relating to strategy in MNC subsidiaries. What emerges is a complex picture of vertical and horizontal strategy flows both inside and outside the organisations. Subsidiary managers engage in strategy in numerous ways. They are constrained and encouraged by the organisational context in which they operate, and they seek to influence strategy within their own unit and across the MNC. The evidence for outlining subsidiary strategy as MNC middle management strategy is a theoretical base which allows research to uncover how subsidiary managers actually develop strategy.

### **7.3.2 The Impact of Changing MNC Structures**

There is evidence to suggest that MNCs are changing the way they are structured as they move from federative (Andersson et al., 2002) to more global factory structures (Buckley, 2011, Buckley, 2009b, Yamin and Forsgren, 2006). An important objective in this research is to uncover how those changes are impacting upon the role of the subsidiary general manager. The findings from the research contribute significantly to the recent debate on the changing structures of MNCs. A particularly important element of the recent debate centres around the complex role of autonomy (Ambos et al., 2011). What emerges in this research is that autonomy was not a significant driver of subsidiary managers engaging in strategy. This finding may confirm the view that in the modern MNC managers achieving autonomy, is no longer the priority of the subsidiary manager (Taggart, 1997a), as it possibly results in the subsidiary becoming more isolated .

Another major theme in current literature is that as MNCs become globally integrated, and MNCs choose to outsource or offshore many of their activities, the role of the subsidiary becomes more fine sliced (Ghauri and Yamin, 2009, Yamin and Sinkovics, 2007, Mudambi, 2008). As a result the role of the subsidiary manager may become less influential as their stock of resources becomes depleted (Buckley, 2011, Buckley and Ghauri, 2004). The findings in this study confirm that the scale of a subsidiary's operations is an important predictor of subsidiary managers engaging in strategic activity. In addition the more strategic the capabilities the subsidiary manager has under their control the more likely they are to engage in strategic activity. These findings suggest that as subsidiary operations become smaller slivers of wider operations the potential for subsidiary managers to contribute to strategy may also be reduced.

However, there is one important counter argument which emerges in the study in relation to the subsidiary manager themselves. As this research includes multi level antecedents the importance of the competence of the individual manager as a significant predictor of their engagement in strategic activities becomes clear. This finding highlights that although changing MNC structures may be constraining the subsidiary middle manager the ability of the individual manager to engage in strategic activity to influence strategy cannot be discounted.

### **7.3.3 Subsidiary Development**

Previous subsidiary research highlights how different elements of the subsidiaries context combine to enhance subsidiary development. Research on the evolution of subsidiaries has uncovered how the composition of the subsidiary, the MNC and the external environment impact upon the trajectory of the subsidiary (Birkinshaw and Hood, 1998, Patterson and Brock, 2002, Tavares, 2002).

Research shows how managers contribute to the development of their role (Birkinshaw et al., 1998, Birkinshaw, 1997, Birkinshaw, 1999, Ambos et al., 2010, Delany, 2000, Dörrenbächer and Gammelgaard, 2006). The role of management in gaining headquarters attention from a low power base is also outlined (Ambos and Birkinshaw, 2010, Bouquet and Birkinshaw, 2008a). However, in these previous studies the unit of analysis is predominantly the subsidiary and management is seen as an element of the subsidiary (Birkinshaw et al., 1998). In this study the unit of analysis is the subsidiary general manager. This approach gives a clearer picture of the importance of strategic activity at the subsidiary level.

Research has progressed from taking the headquarters subsidiary relationship as the unit of analysis to the subsidiary itself as the unit of analysis (Birkinshaw and Pedersen, 2009). This research represents the next step to taking the subsidiary general manager as the unit of analysis. By analysing the relationship between the eight strategic activities of the MNC middle manager and subsidiary contribution, a more detailed perspective of development processes in subsidiaries emerges. Research uncovers that management is an important driver of subsidiary development (Birkinshaw, 1997, Birkinshaw, 1999, Birkinshaw et al., 2005, Taggart, 1998a). This research goes further by showing how the strategic activities of MNC middle managers are related to subsidiary development.

## **7.4 Contributions to Individuals in Strategy Research**

### **7.4.1 The Importance of the Individual**

The importance of the individual is underplayed in strategy research. Historically strategy literature has argued that a good process is the key to good performance. This has resulted in a long tradition of using organisational factors rather than differences among individual employees to explain differences in firm performance. Instead of individual level factors research has focuses on organisational factors such as routines (Nelson and Winter, 1982), capabilities (Teece et al., 1997) and resources (Barney, 1991). Yet organisations are made up of individuals and the input of those people can vary widely. Therefore, the link between strategy and performance, which is so important to strategy research (Rumelt et al., 1991), must account for the individual. However this individual variance has not been properly addressed.

Crucially, it is not only management at the senior levels where individual differences are important. As recently highlighted by Mollick (2012), individual level factors at the middle management level can also have a major impact on organisational outcomes. The findings in this research confirm the importance of studying differences associated with individual variances in strategy.

#### **7.4.2 Individual Competence and Strategic Activity**

A major insight in this study is the inclusion of measures to capture the individual competence of the subsidiary manager. Strategy research focuses on elements of formulation or process but rarely questions the capacity of managers to operate a strategic task. In this research, two individual level characteristics are included as antecedent factors; managerial competence and entrepreneurial competence. The findings in relation to these two attributes are a major discovery. What emerges is that for managers to engage in a specific strategic activity they first must have the relevant level of competence. For example, when managers engage in building horizontal links externally, it is those managers who have high levels of entrepreneurial competence. Similarly for those managers who engaged in synthesizing information about the subsidiaries activities to top management it is those managers who have high levels of managerial competence. Notably, in the case of managers championing alternatives to higher level management middle managers need both entrepreneurial and managerial competence to engage in this activity. These findings are a major contribution to the importance of individual variance in strategy research.



### **7.4.3 Individuals and Performance**

Recent research on the role of individuals has demonstrated that individual managers have more impact on firm performance than previously thought (Mollick, 2012). Organisations may have high potential for efficiency and innovation within their units but for high performance to be realised it is the role of the individual manager to integrate and coordinate the work of others (Hargadon and Douglal, 2001, Taylor and Greve, 2006). The basis of this phenomenon can be found in the work of Bower (Bower, 1970) and Burgelman (1983c, , 1991) on the often complex internal ecologies of firms. In this evolutionary model middle managers have the responsibility to allocate resources and make selection decisions which have a major impact on strategic outcomes.

In common with much research on middle managers, the findings in this study in relation to performance are less than straight forward. This is due, in part, to operationalising a measure of relative performance which creates difficulties for middle management research (Aherne et al., 2014). However, the focus on mid level outcomes produces a clear picture of the relationship between the strategic activity of the individual manager and crucial mid level outcomes. These outcomes are the building blocks of capability development and organisational performance in large organisations. The outcomes included in this study confirm the impact of individuals on learning, initiative, creativity and implementation. These findings are a major contribution to the field of research on the impact of individuals on firm performance.

## **7.5 Practitioner Relevance**

### **7.5.1 Middle Managers**

From the middle manager's viewpoint strategy development can prove a difficult subject. In making strategic decisions middle managers are faced with meeting the demands of corporate headquarters and managing the day to day reality of their own unit. This can lead to middle managers' unease at the idea that they are developing a "strategy". Corporate headquarters may be uncomfortable with the idea that their middle management levels are attempting to develop strategies which could distract them from their mandated role. Middle management themselves are very keen to avoid the suggestion that there are strategy development processes which are unique to the subsidiary and could endanger the reputation of the subsidiary within the MNC. This very understandable fear leads to many middle managers avoiding the topic of strategy development.

By applying a framework of vertical and horizontal strategic activities a clear model of middle management strategy is put forward which highlights how middle managers can meet the needs of headquarters and those of their own unit. From the perspective of the MNC middle manager, an awareness of the different dimensions of the role should enable them to better understand how to engage in strategic activity within the MNC. By outlining their spheres of strategic influence they will be better able to engage in strategic activity in the MNC.

### **7.5.2 Middle Management as an Organisational Resource**

Recent developments in the structure of MNCs shows that although corporate headquarters might recognise the potential of their network or subsidiaries, in many cases they still emphasise control over flexibility in their interactions with middle management. Insights

gained from this study highlight the potential of the middle management level as an organisational resource.

Corporate management must accept that middle managers play a major role in achieving firm specific advantages (Osterman, 2009). If organisations only recognise the importance of strategy implementation, they are limiting the potential contribution of their subsidiaries. An enhanced awareness of the relationship between strategic activity at the subsidiary level and a range of subsidiary level outcomes, including implementation and performance but also elements such as innovation and creativity, will greatly inform the strategy development process in large organisations. As a result, this may encourage headquarters management to be more responsive to strategic activity at the subsidiary level and less likely to assume that the activity is driven by self interest and opportunism as agency theory implies (Jensen and Meckling, 1976).

### **7.5.3 Policy Makers**

Countries around the world rely on foreign direct investment as a major driver of economic development. Governments traditionally spend considerable resources on developing the appropriate context to attract MNCs to invest in their economy. Over time governments have begun to realise that in order to gain long term benefit from foreign direct investment the initial investment is not enough. The real benefit comes from subsidiaries becoming embedded in the local economy and subsidiary evolution. Both of these developments can increase the importance of the subsidiary to the local environment but, crucially, they also result in the increased importance of the subsidiary within the MNC. This increases the

likelihood that the subsidiary will remain located in the local economy and provide long term economic benefit.

For government agencies tasked with creating the context to support subsidiary managers a greater understanding of the strategic role of the subsidiary manager, could have a major impact on how they develop policy. As corporate level management often have difficulty in fully understanding the strategic activity of the subsidiary due to knowledge deficit, this proves even greater for those outside of the boundaries of the organisation. A greater appreciation of the dimensions of this strategic role will be a major insight at policy level. Although many economic areas are very reliant on the activities of the subsidiary managers who operate in their region, they know little about the position in which they operate and the constraints under which they are placed.

Understanding the relationship between those activities and the range of contextual factors, some of which may be under the influence of policy makers, will have major implications for government agencies. These agencies are often set the task of creating a context which will enable subsidiary managers to increase the contribution of their subsidiary and provide long term economic benefit. This study provides a far richer understanding of the relationship between strategic activity, subsidiary and subsidiary contribution. This comprehensive understanding of the subsidiary strategy process will have major implications for policy makers at national and regional levels.

## **7.6 Limitations**

There are several limitations of this study to be considered as, similar to other research, it operated within significant time and cost constraints.

### **7.6.1 Cross Sectional Questionnaire**

Firstly, the adoption of a questionnaire as a research instrument, while supported by an extensive series of interviews, falls short of a sophisticated temporal study. It would have been preferable to have a time series long enough to show how firm, sector and economic levels of context interact (Pettigrew et al., 2001). It could be argued that the study of strategic activities relating to change is more suited to longitudinal analysis (Burgelman, 1983b, Garcia-Pont et al., 2009). However, it is hoped that the shortcomings of the questionnaire approach are partially offset by the insights provided by the interview process.

### **7.6.2 Single Respondent**

Secondly, while the questionnaire was supported with a series of interviews, and there are no indications of common method variance during testing, a danger of single informant bias remains. Reliance on a single informant to evaluate all of the independent and dependent variable can cause concern for common method variance. In this study, reliance on the respondents to evaluate their own engagement in strategic activities causes a particular concern. The danger is that this variance creates a false internal consistency, that is, an apparent correlation among variables generated by a common source. There are those authors who have a very negative assessment of the dangers of common method variance (Campbell, 1982), but alternatively there are those who argue that the dangers may be overstated (Lindell and Whitney, 2001, Crampton and Wagner, 1994), and even an “urban legend” (Spector, 1987). A recent exhaustive review of research on common method variance reaches a more balanced conclusion: “common method variance is often a problem and researchers need to

do whatever they can to control for it” (Podsakoff et al., 2003, pp. 900). The approach taken in this study is to follow the procedure set out by Chang et al (2010) in giving the specific details of the research methodology which are clearly relevant in determining the likelihood and degree of common method bias.

In addition to the tests, which are carried out in relation to common method variance. Similarly to Papadakis et al (1998) the willingness and sincerity exhibited by the respondents, is evidenced by the number of business cards received requesting invitations to the presentations of the findings and / or summary copies of the results. The number of additional comments appended to the questionnaire also increases confidence in the face validity of the responses.

### **7.6.3 Unit of Analysis**

There are also arguments that alternatives to the subsidiary unit of analysis, such as smaller units (Birkinshaw, 1999) or regional areas (Rugman and Verbeke, 2001), should be the focus of attention. The selection of subsidiaries from within a single country for the research may also limit the study’s external validity, although this approach has been used extensively in subsidiary research (e.g., Crookell, 1987, Birkinshaw, 1997, Taggart, 1998a, Delany, 2000, Garcia-Pont et al., 2009). Geographical bias could be reduced by sampling subsidiaries from several countries simultaneously as until research tests the robustness of the proposed model its application may only be valid for the single country where the selected subsidiaries are located.

#### **7.6.4 Content Validity**

Finally, this study adopts existing measures where possible which offer a solid base in terms of validity. The most important area where the approach varies from this strategy is in developing the new horizontal strategic activities of middle managers. These variables are developed for the study through a process of investigation of the literature and qualitative research with industry experts. The tests carried out in the methodology section confirm the content validity of these measures.

### **7.7 Other Areas for Future Research**

The findings from this research represent an exciting and valuable contribution to our knowledge of middle management strategic activities at the subsidiary general manager level of the MNC. However as an exploratory investigation it highlights opportunities for future research. As outlined in the recommendations, the study would benefit from a wider range of geographical areas. In addition, examination of the extended framework would benefit from longitudinal analysis. Further areas for research are outlined under the four directions of middle manager influence.

#### **7.7.1 Downward Strategic Influence**

##### **The Entrepreneur**

Subsidiary managers are identified as important sources of entrepreneurship in MNCs (Birkinshaw, 1997, Birkinshaw, 1999, Delany, 2000). However, the findings in this study in relation to entrepreneurship at the subsidiary management level are unclear. In fact, managers do not identify very strongly with the idea that they are entrepreneurs. Instead managers identify more clearly with more subtle activities of strategic influence rather than divergent forms of entrepreneurship. Future research needs to delve more deeply into the entrepreneurial management practices of subsidiary managers within their own unit. A better

understanding of the links between downward strategic activities at the middle management level and entrepreneurship would greatly increase the understanding of corporate entrepreneurship (Hornsby et al., 2002).

### **7.7.2 Upward Strategic Influence**

#### **The Subsidiary Headquarters Relationship**

Research highlights the importance of headquarter attention for subsidiaries in MNCs (Ambos and Birkinshaw, 2010, Bouquet and Birkinshaw, 2008a, Bouquet and Birkinshaw, 2008b, Bouquet and Birkinshaw, 2011). This research focuses on two specific strategic activities which subsidiary managers engage in to develop their relationship with headquarters. Research shows that there are further dimensions such as political aspects which also influence this relationship (Dorrenbacher and Gammelgaard, 2011). For subsidiary managers, their relationship with headquarters may be the most important resource they have (Ambos and Birkinshaw, 2010). Future research needs to continue to uncover the specific links between upward strategic activity and the relationship between a subsidiary and its headquarters.

### **7.7.3 Internal Horizontal Influence**

#### **Internal Embeddedness**

Research has only begun to uncover the importance of internal embeddedness for MNC subsidiaries (Yamin and Andersson, 2011, Ciabuschi et al., 2011, Garcia-Pont et al., 2009). This study uncovers the internal horizontal strategic activities of the MNC middle manager. The links between these internal horizontal strategic activities and internal embeddedness needs to be looked at more in depth. Future research needs to focus on the link between these two activities. Subsidiaries can become internally embedded within the operation, the capability and the strategic level of the organisation (Garcia-Pont et al., 2009). Research



needs to uncover how different subsidiary management horizontal strategic activities are related to the development of different levels of internal embeddedness.

#### **7.7.4 External Horizontal Influence External Embeddedness**

The importance of subsidiary external embeddedness for MNC is well established in the literature (Andersson et al., 2002, Andersson et al., 2007, Forsgren et al., 2005). However, the antecedents of external embeddedness at the subsidiary level are not that well known (Nell and Ambos, 2013). This study takes an important step forward in uncovering horizontal external strategic activities for subsidiary managers. Future research needs to go a step further and study the links between subsidiary managers engaging in horizontal external activities and the development of different levels of external embeddedness.

### **7.8 Other Themes**

#### **7.8.1 Strategic Problem Solvers**

A stand out theme in this research is the importance managers placed on getting a reputation as problem solvers. Managers state that it wasn't enough to just get a reputation for being good. Subsidiaries need to have a track record of solving problems. Therefore you don't say no to business. This often entails Irish subsidiaries taking on difficult business cases which other subsidiaries do not want but over time their proactive stance on solving problems increases the level of positive attention the subsidiary got. Of course this creates a high pressure environment for the management working in the subsidiary but it is a common theme across all of the companies. Managers state that their "Can Do" reputation has saved them when the cost of doing business in Ireland had made their units very prone to relocation.

### **7.8.2 Subsidiary Strategy in Your Spare Time!**

One of the most notable themes is how senior subsidiary management describe, when they develop strategy for their own unit. Numerous managers outline that their day to day role in the subsidiary is all about the MNC. When it comes to developing strategy for the future of the subsidiary they do this on top of their day job. Managers consistently state that to be successful you need to be committed enough to give up your spare time to the future of the unit. This also reflects the view that the manager has to prioritise their role in the MNC. If that isn't done correctly there is no starting point. But once that is done, managers regularly meet late into the night to discuss areas where they can push the agenda of their subsidiary.

### **7.8.3 Strategic HR**

An interesting theme which emerges is how subsidiaries grow their operations through a process of strategic HR recruitment. Within large MNCs there is potential to apply for jobs within the internal recruitment process of the company. The HR function in the subsidiary actively identifies important roles and appropriate staff within their unit. They then groom their staff through various training processes before putting them forward for the specific roles. This strategy has two potential goals. Firstly, they identify that if employees from the Irish subsidiary go to work around the world within the company this opens up ready-made internal management links which could become crucial avenues for the company. A more long term goal is that if the employee is successful enough they will establish themselves as key strategic players in the organisation. Then on some occasions the Irish manager can become so important that will bring an entire function with them back to the Irish subsidiary. This process of growth through HR is a fascinating growth strategy which a number of subsidiaries are actively engaged in.

## **7.9 Concluding Comments**

The compelling theme to emerge from this study is that investigating the strategic activities of the subsidiary general manager contributes to our understanding of how strategy develops in large organisations. This is demonstrated by the findings in relation to the three research objectives in this study. Firstly, it is confirmed that middle managers influence the vertical and horizontal strategy flows in organisations. Secondly, it is established that antecedent factors at multiple levels influence their ability to engage in strategic influence. Thirdly, relationships are determined between strategic influences at the middle management level and outcomes at the intermediate level which are important contributors to overall performance. These insights represent a particularly important contribution to our understanding of the strategic activities of middle managers and the impact of these activities on the organisation. This is a critical insight, as deemed by one subsidiary general manager, 'We are more important than many people know. We sit at a critical point in the organisation and we have access to information that senior management just don't have. The activities we engage in are a critical force inside the organisation'.

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## **APPENDIX 1: Summary of Hypotheses**

### **ANTECEDENTS**

#### **Autonomy**

*Hypothesis 1a: There is a positive relationship between strategic autonomy and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

*Hypothesis 1b: There is a positive relationship between product autonomy and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

#### **Strategy Formation Mode**

*Hypothesis 2a: There is a positive relationship between emergent strategy formation mode and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

*Hypothesis 2b: There is a negative relationship between formal strategy formation mode and MNC middle manager strategic activities, except for implementing deliberate strategy which is a positive relationship.*

## **Capabilities**

*Hypothesis 3a: There is a positive relationship between strategic capabilities and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

*Hypothesis 3b: There is a positive relationship between strategic capabilities and MNC middle manager strategic activities, except for implementing deliberate strategy which is a negative relationship.*

## **Individual Competence**

*Hypothesis 4a: There is a positive relationship between individual managerial competence and MNC middle manager strategic activities.*

*Hypothesis 4b: There is a positive relationship between individual entrepreneurial managerial competence and MNC middle manager strategic activities.*

## **OUTCOMES**

*Hypothesis 5: There is a positive relationship between subsidiary manager strategic activities and the strategic learning capability of the subsidiary.*

*Hypothesis 6: There is a positive relationship between subsidiary manager strategic activities and subsidiary initiative.*

*Hypothesis 7: There is a positive relationship between subsidiary manager strategic activities and the strategic creativity of the subsidiary.*

*Hypothesis 8: There is a positive relationship between subsidiary manager strategic activities and the strategic implementation success of the subsidiary.*

*Hypothesis 9: There is a positive relationship between subsidiary manager strategic activities and an entrepreneurial subsidiary strategic posture.*

*Hypothesis 10a: There will be a positive relationship between subsidiary manager strategic activities and subsidiary financial performance.*

*Hypothesis 10b: There will be a positive relationship between subsidiary manager strategic activities and subsidiary operational performance.*

## APPENDIX 2: Interview Schedule



1. How would you describe your role within the subsidiary?
2. Describe how your subsidiary fits within the overall organisation?
3. How do subsidiary managers interlink with headquarters and sister subsidiaries?
4. How does your subsidiary approach strategy development?
5. What is the role of the top management team in the strategy development process?
6. How would you describe your subsidiary's culture?
7. What type of resources/capabilities are most important for your subsidiary?
8. In general, what are the most important elements in your subsidiary's business environment?
9. How does your subsidiary respond to key challenges in the business environment?
10. What do you believe are the main contributors to subsidiary performance?

## APPENDIX 3: Initial Cover Letter

14<sup>th</sup> November 2011

Dear

We are undertaking a major review of senior management practices within Irish subsidiaries of Multi-National Corporations (MNCs). We believe that by examining relationships between subsidiary management processes and subsidiary position within the organisation, we will be able to provide practitioners and policy makers with some key insights.

The project is a major undertaking led jointly by the **Dublin Institute of Technology** and **University College Dublin**, with the support of the **IDA**. Success depends entirely on achieving sufficient responses from senior management of subsidiaries, regardless of subsidiary size or nature of operations. Your position as a senior executive of an international organisation operating within the Irish community places you in an ideal position to contribute by completing the attached questionnaire (which pre-tests indicate will take circa 20 minutes) or the online survey at [www.subsidiarystrategy.com](http://www.subsidiarystrategy.com). All responses are *strictly anonymous and confidential* and only aggregate statistical data will be included in the final report.

We realise that your time and experience are valuable and we greatly appreciate your participation. In appreciation we will hold a series of seminars on the results later next year, and would be delighted to invite you or to provide you with a copy of our final report – just enclose a business card or compliment slip with your response. As an added incentive, we will make a donation to **Our Lady's Children's Hospital, Crumlin** for every returned questionnaire. We would like to give as much as possible to this deserving cause.

Should you have any queries or require further information, please contact the project manager, Dónal O'Brien at (01) 4027193 or email [donal.obrien@dit.ie](mailto:donal.obrien@dit.ie).

Many thanks for your time and consideration.

Yours sincerely

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Dr. Pat Gibbons  
O'Brien  
Prof. Corporate Planning, UCD  
Researcher, DIT

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Dr. Pamela Sharkey Scott  
Research Fellow, DIT

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-----  
Dónal  
PhD

## APPENDIX 4: Questionnaire Follow up, 2<sup>nd</sup> Letter

14<sup>th</sup> December 2011

Dear

We recently sent you a questionnaire as part of our major review of senior management practices within Irish Subsidiaries of Multi-National Corporations (MNCs). As you may recall participation in the survey is anonymous, so we cannot track responses. For this reason if you have already returned your completed questionnaire, please accept our grateful thanks.

If you have not yet participated in this significant study and you would be willing to do so, we enclose a fresh copy of the questionnaire and a FREEPOST reply envelope. The survey is also available online at [www.subsidiarystategy.com](http://www.subsidiarystategy.com). As mentioned before the project is a major undertaking led jointly by the **Dublin Institute of Technology** and **University College Dublin**, with the support of the **IDA**. We believe the study will provide useful insights into subsidiary management practices for both practitioners and policy makers. All responses are *strictly anonymous and confidential* and only aggregate statistical data will be included in the final report.

As a token of our thanks, we will make a donation to **Our Lady's Children's Hospital, Crumlin** for every returned questionnaire and also invite participants to a series of seminars on the results and / or provide a written report of our findings (just enclose a business card or letterhead in the return envelope).

Should you have any queries or require further information, please contact the project manager, Dónal O'Brien at (01) 4027193 or email [donal.obrien@dit.ie](mailto:donal.obrien@dit.ie).

Many thanks for your time and consideration.

Yours sincerely

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Dr. Pat Gibbons  
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Prof. Corporate Planning, UCD  
Researcher, DIT

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## **APPENDIX 5: Questionnaire**