Subsidiary staffing and initiative-taking in multinational corporations: A socio-political perspective

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Abstract

Purpose - This paper explores the personal motives of subsidiary CEOs in taking initiatives in multinational corporations. In essence, the paper proposes that subsidiary initiative-taking is strongly driven by the socio-political positioning of subsidiary CEOs, which consists of specific ‘social aspects’ that account for the basic orientation that subsidiary CEOs maintain in initiative-taking, as well as ‘political aspects’ that affect the ability of subsidiary CEOs to strategize and the ways they do it in the highly politicized processes of initiative-taking.

Design/methodology/approach - The paper is based on four exploratory case studies undertaken in German subsidiaries in France. Applying a matched pair approach we compare two subsidiaries run by parent country nationals (PCNs) with two subsidiaries run by host country nationals (HCNs).

Findings - The paper demonstrates that the nationality of the subsidiary CEO alone does not explain subsidiary CEOs initiative-taking behaviour. Other factors that make up the socio-political positioning of subsidiary CEOs, such as career aspiration, career orientation, access to resources and specific skills to form internal and local coalitions, as well as ‘external’ coalitions with the headquarters, need to be considered as well.

Research limitations/implications - Given the qualitative research design and exploratory nature of our study there are limits to how far the findings can be generalized and applied elsewhere. More in-depth research is needed to further develop the socio-political perspective put forward here, especially to more closely analyze the interplay of actors' (CEOs') socio-political positioning approaches within different contexts of subsidiary initiative-taking.

Originality/value - The socio-political perspective proposed here goes beyond and extends existing IRHM approaches, which narrowly focus on the overarching impact of nationality as a predictor of differences in the behaviour of subsidiary CEOs.

Keywords Subsidiary initiative, Staffing policy, Subsidiary CEOs, Socio-political positioning, Careers in MNCs

Paper type Research paper

Introduction

Based on the conceptualization of multinational corporations (MNCs) as intra-organizational networks (Hedlund, 1986), subsidiary related research has attracted growing academic interest, especially since the 1990s. One focus of this research is on how subsidiaries develop over time, which is traditionally linked to headquarters taking strategic action. The more recent literature on the subject, however, has put a strong emphasis on indigenous subsidiary initiatives. Subsidiary initiatives, defined as “entrepreneurial activities carried out by foreign subsidiaries of multinational corporations” (Birkinshaw and Ridderstrale, 1999, p. 14)

are seen as an important prerequisite for subsidiaries to develop over time, or in the terms of Egelhoff *et al.* (1998, p. 215) for “...the roles or mandates a subsidiary earns or captures”.

Subsidiary initiatives typically start with the identification of opportunities and usually involve negotiations with the headquarters on the commitment of resources to these opportunities. A closer look into the relevant literature, however, reveals that both aspects of subsidiary initiatives are studied to a limited extent only. While some work has been done on contextual determinants of subsidiary initiatives and related initiative processes, the questions of what drives subsidiary management to take initiatives and the political dimension of the initiative process are widely neglected. This is somewhat surprising, since early studies called for more research on the personal motivations of subsidiary CEOs to engage in such initiatives, (Birkinshaw, 1997) and constant calls have been made over the last two decades for greater understanding of MNCs as political systems in which actors or groups of actors try to secure options, realize interests and achieve success (e.g. Forsgren, 1990, Bélanger and Edwards, 2006).

Addressing these gaps, the present paper focuses on the interests, rationalities and political strategies of one of the most prominent actors in subsidiary initiative-taking, i.e. the subsidiary CEO. The paper will look in more detail at the personal motivation of subsidiary CEOs in taking initiatives. Drawing on an established dichotomy in the International Human Resource Management (IHRM) literature, the paper attempts to uncover how parent country nationals (PCN) and host country nationals (HCNs) behave with regard to subsidiary initiative-taking. Moreover, the paper will also look at what other biographical, organizational and environmental characteristics play a role and how these diverse impacts can be conceptually framed by the socio-political positioning of subsidiary CEOs. Having elucidated the personal motivation of subsidiary CEOs in taking initiatives, the paper also explores what sorts of tactics and strategies different types of subsidiary

CEOs apply in developing and pursuing initiatives. In line with Kiessling and Harvey's (2005) proposal that IHRM questions involving a complex interaction of culture, institutions and societal norms need a stronger qualitative research design, the empirical part of the paper consists of four matched case studies investigating the initiative-taking behaviour of different types of subsidiary CEOs (parent and host country nationals) in German subsidiaries in France.

Our paper unfolds as follows. First, extant literature on subsidiary initiatives is investigated in order to find some initial insights into what interests, rationalities and behaviours subsidiary CEOs might show with regard to subsidiary initiatives. Then the literature on staffing foreign subsidiaries is discussed and a model is developed to explain subsidiary CEOs' behaviour in initiative-taking. The next section introduces research design and methodology. This is followed by a presentation of the cases and the comparative discussion of the case studies, focusing on political strategizing in initiative-taking processes and the links that can be made to the socio-political positioning of the involved CEOs. The paper closes with some concluding remarks.

Literature review and conceptual ideas

Subsidiary Initiatives

Recent empirical studies on corporate venturing or entrepreneurship in MNCs have stressed the manifold benefits initiative-taking offers to subsidiaries. Through taking initiatives subsidiaries may enhance their technological and managerial capabilities (Sargent and Matthews, 2006), deepen their relationships with the headquarters (Gupta and Govindarajan, 2000), develop their charter (Galunic and Eisenhardt, 1996) and improve their position within the MNC (Phelps and Fuller, 2001). While these benefits provide ample incentives to engage in initiative-taking, there is considerable variance in actual subsidiary initiative-taking (Dörrenbächer, 2007).

Exploring this variance is one of the main concerns of extant literature on subsidiary initiative-taking. Following an instructive literature overview by Verbeke *et al.* (2007) there are various determinants from the corporate (MNC), the subsidiary as well as from the local environmental context that strongly influence subsidiary initiative-taking (see table 1) .

Table 1: Contexts of subsidiary initiatives

<i>Corporate (MNC) context</i>	<i>Subsidiary context</i>	<i>Local environment context</i>
Decentralization of decision making	Availability of specialized resources	Level of industry globalization
Level of HQ assessment of subs. management credibility	Strong leadership	Dynamism of the local business environment
Level of HQ-subsidiary communication	Entrepreneurial culture	Government support
HQ management style geocentric vs. ethnocentric	Good relations with HQ	Strategic importance of the host country to the HQ
Level of intra-firm competition		Relative costs of factor inputs

Source: Own exhibition based on Verbeke et al. 2007

Taking this research together, subsidiary initiative-taking is influenced by the way headquarters govern their subsidiaries, by the different resources subsidiaries can draw on, and by some location and industry specific contingencies.

While some of the determinants mentioned in Table 1 strongly suggest that the subsidiary CEO might play a rather important role when it comes to subsidiary initiative (strong subsidiary leadership, subsidiary management credibility etc.), little attempt has been made so far to systematically elucidate the interests, rationalities and behaviours of subsidiary CEOs with regard to such initiatives. As an exception, Delany (2000) elaborates on the overall motivation of subsidiary CEOs in taking initiatives. Reasons given here

include subsidiary CEOs' fear of charter losses and a general desire to develop the subsidiary to safeguard his/her current career position. However, these are universal behavioural assumptions that hardly cover the fact that subsidiary CEOs might differ strongly both with regard to their socio-political as well as their individual characteristics. A somewhat more differentiated, albeit not very systematic picture is provided by two other studies. Bélanger *et al.* (2003) stress that corporate managers traveling from the headquarters to the subsidiaries on short term or commuter assignments try to disseminate corporate strategies as much as possible, whereas local managers who as 'natives' belong to and identify with their local organization might be sceptical about such corporate strategies. Similarly, Morgan and Kristensen (2006) distinguish between 'global' and 'local' subsidiary managers. 'Global subsidiary managers' are seen as having career interests beyond their subsidiary and showing little initiative beyond executing headquarters demands ('boys-scouts') whereas 'local subsidiary managers' are considered to be deeply embedded in local networks and constantly searching for mandate extension ('subversive strategists').

In summary, existing research suggests that subsidiary CEOs play an important role with regard to subsidiary initiative-taking, with a few studies also trying to uncover differences among particular types of managers. However an explicit and systematic exploration of what types of subsidiary CEOs can be distinguished and the influences that their particular interests, rationales and behaviours have on initiative-taking is missing. It is these issues that we address in this paper.

Staffing foreign subsidiaries and subsidiary initiative-taking

In order to systematically uncover different types of subsidiary CEOs and their behaviour with regard to subsidiary initiative-taking, a look at the IHRM literature is instructive. Drawing on the seminal work of Perlmutter (1969) almost all IHRM textbooks distinguish between an ethnocentric, a polycentric and a

geocentric approach to staffing foreign subsidiaries (e.g. Simmonds and Robock, 1983; Daniels *et al.*, 2007). Following Banai and Reisel (1999) “...the ethnocentric staffing policy endorses the assignment of parent country nationals (PCNs) to key positions in the subsidiaries and affiliates. The polycentric staffing policy proposes that all key managers in the subsidiaries should be host country nationals (HCNs). The geocentric staffing policy seeks the best people for key jobs throughout the organization regardless of their nationality” (ibid., p. 478). Thereby, the existing literature on subsidiary staffing ascribes PCNs, HCNs and third country nationals (TCNs) different orientations according to their nationality (Gong, 1993; Dowling *et al.*, 1999; Tarique *et al.*, 2006). PCNs are seen as strongly following a headquarters orientation due to their familiarity with the MNC’s overall goals, policies and practices. Very often they are seen as most efficient in exercising headquarters control and disseminating corporate strategies in the subsidiary. HCNs on the other hand are seen as basically having a local (subsidiary) orientation, due to their socialization in the host country and their familiarity with the social, political and economic environment of the host country (Harvey *et al.*, 1999). Following Reade (2001), HCNs show a higher level of initiative and effort for their local subsidiary compared to the initiative and effort they take for the MNC as a whole. TCNs are often ascribed a generically more balanced orientation between the local subsidiary and the headquarters, although their number is very small compared to PCNs and HCNs (Harzing, 1999).

Despite the fact that this taxonomy of different types of subsidiary CEOs with different orientations still dominates textbooks, empirical research has challenged the basic assumption of this typology, namely that nationality alone explains the real-life variance in the orientation and behaviour of foreign subsidiary CEOs. A study by Banai and Reisel (1993) found that PCNs and HCNs do not differ with regard to their loyalty to the MNC, which provides a strong case against the assumption that HCNs give subsidiary concerns priority over headquarters’ concerns. Similarly, an in-depth study by Moore (2006) shows that PCNs do not primarily

fulfill their role as control organs of the headquarters, but that they strategically use their position between the local and the headquarters management to follow their own personal aims and motivations. Additionally, Black and Gregersen (1992) as well as Loveridge (2006) demonstrated that a headquarters orientation is only with those PCNs that do not go native (e.g. by marrying a host country national, converting to the locally dominant religion, or taking up permanent local residence), whereas Petersen *et al.* (2000) found that a strong orientation towards the local subsidiary is only with those HCNs that do not have international career options.

While these studies made apparent that additional factors beyond nationality seem to play an important role in the orientation and behaviour of subsidiary managers in general and in initiative-taking in particular, only a few studies so far identify such additional factors and little attempt is made to integrate them into a model for empirical research.

Subsidiary initiative-taking and the socio-political positioning of subsidiary CEOs

Following the above line of reasoning, but in a more systematic way, this paper proposes to understand subsidiary initiative-taking as strongly influenced by the specific socio-political positioning of the subsidiary CEO as well as by the interaction of this positioning with wider organizational and environmental pressures. As outlined above, the socio-political positioning of the subsidiary CEO is made up of specific ‘social aspects’, that account for the basic orientation that subsidiary CEOs maintain in initiative-taking as well as by ‘political aspects’ that characterize the ability of subsidiary CEOs to strategize and the ways they do it in the highly politicized processes of initiative-taking (see figure 1).

The *social aspect* of the subsidiary CEO’s positioning consists of the nationality, the individual career aspirations and the career orientation of the CEO. It is these characteristics that account for the basic

orientation of subsidiary CEOs, in either following a headquarters or a subsidiary orientation with regard to their initiative-taking. Unlike the existing IHRM literature, we do not expect that the nationality of the subsidiary CEO alone (being either a PCN or a HCN) accounts for his/her orientation. Two other factors might come into play.

[take in figure 1 about here]

First, the *individual career aspirations* of a subsidiary CEO might influence his/her positioning between a local subsidiary and a headquarters orientation, with career aspirations having the potential to sustain, weaken or break an orientation initially informed by nationality. Following Mayrhofer et al. (2005) career aspirations are defined as the intentions of an individual to be active in a particular career field. As such, career aspirations represent a type of mental self selection reflecting an individual's needs, motives and values. Career fields are defined as social arenas in which careers take place. These can be quite diverse and overlapping, encompassing e.g. different vocations (e.g. engineer, metalworker, photographer, etc.; cf. Holland 1985) and/or different types of organizations (company world, universities, NGOs etc.; cf. Ielleatchitch et al. 2003). Having chosen a managerial career in the company world, individual career aspirations among subsidiary CEOs might nevertheless still vary according to the (sub-) organizational field in which they think their future career should take place. This might be their current subsidiary, the headquarters, or an outside firm (be it a local or a foreign firm, a subsidiary or a headquarters). For example, career aspirations might break an orientation initially informed by nationality when a PCN subsidiary CEO sees his/her future career in their current subsidiary, or when a HCN subsidiary CEO has career aspirations in the headquarters.

Next to career aspirations, different *career orientations* might also have an impact on the subsidiary CEO's behaviour with regard to initiative-taking. In line with Moss Kanter (1989) we distinguish here between a bureaucratic, a professional and an entrepreneurial career orientation, with the bureaucratic orientation being defined by the logic of advancement in a given organization, the professional orientation based on the logic of increasing knowledge and reputation, and the entrepreneurial orientation based on the logic of increasing autonomy and innovation.

The 'political *aspect*' of the subsidiary CEO's positioning is related to the ability of subsidiary CEOs to strategize and the ways they do it in the organizational politics of initiative-taking. This, first of all, requires that subsidiary CEOs are able to stimulate and generate subsidiary initiatives. Here we assume, in line with Cobb (1986), that the CEO's *discretion over resources* as well as his/her skills in deploying resources are of central importance. Resources on which subsidiary CEOs might draw are typically located in their subsidiary and might encompass production facilities, specialized technologies, human resources etc. (Rugman and Verbeke, 2001). In line with the conceptualization of the business firm as a political coalition (March, 1962), *skills in resource deployment* refers to the skills of the subsidiary CEO to form 'internal coalitions' (Mintzberg, 1983) in the subsidiary to support the generation of initiatives. These internal coalitions might also extend to actors in the local environment, as revealed in a comparative study by Kristensen and Zeitlin (2005) on subsidiary level strategizing in a UK headquartered MNC. Following this study, subsidiary CEOs contribute most to the collaborative entrepreneurial activities of a subsidiary when they succeed over time in facilitating a social balance among diverse power holders within the subsidiary and the local environment. This can entail relatively diverse activities, ranging from a co-determined development of change programs, to support for local R&D activities, to decisions about compensation payments.

In addition to the skills needed to forge and to look after coalitions in and around the subsidiary, subsidiary CEOs also need political skills to deal with their headquarters. This is due to the fact that subsidiary initiatives usually require headquarters resources or consent for their up-scaling and/or application. Moreover, subsidiary initiatives hold a strong potential to unleash conflict in the MNC since they often stimulate competition among subsidiaries over headquarters resources or subsidiary mandates. In dealing with headquarters, the *credibility of the subsidiary management* at the headquarters as well as the availability of specific *issue selling skills* (such as skills in framing issues or in interest based lobbying at the headquarters) appear to be of great importance (Dutton and Ashford, 1993).

The aforementioned socio-political factors influencing key subsidiary CEOs' behaviour with regard to initiative-taking should be seen in relation to *wider organizational as well as environmental parameters*. It is within the parameters discussed below that the socio-political positioning of subsidiary CEOs exerts an impact on initiative-taking. A first important parameter is the level of intra-firm competition, i.e. the extent to which subsidiaries overlap and compete with each other. The level of intra-firm competition is of a particular importance for the overall need and willingness of subsidiary CEOs to take initiatives (Luo, 2005). Thus in deeply integrated MNCs exhibiting a high level of intra-firm competition it seem to be more pressing for CEOs to take initiatives than in less integrated MNCs that are either diversified into rather unrelated businesses or follow a multinational strategy in which local subsidiaries are first and foremost oriented towards their local markets. However, it should be noted that less integrated MNCs harbour particular chances for subsidiaries to influence headquarters policies (Kristensen and Zeitlin, 2005); in such a setting subsidiary CEOs might feel particularly stimulated to engage in initiative-taking. A second important parameter is the resources on which subsidiary CEOs can draw. These can be both resources owned by their subsidiary, by and large defined by the subsidiary role, as well as resources a subsidiary can make available in its local

environment, by and large defined by the specific factor endowments of the business location (Forsgren et al., 2005). Overall, the resources on which a subsidiary CEO can draw have a strong impact on the substance of the initiative. Moreover, they also influence the strength of the initiative, assuming that the quality of the resources available (e.g. being valuable, rare, inimitable and non-substitutable; cf. Barney, 1991) also has an impact on the quality of the initiative. A last important structural parameter framing the socio-political initiative-taking behaviour of subsidiary CEOs is the degree and type of headquarters control (for an overview of the different control types cf. Harzing, 1999). The degree of headquarters control is expected to be high if a subsidiary is of great strategic importance to the headquarters. Moreover, personalized control, which is fairly typical in small and medium sized family owned firms (Brand *et al.*, 2004), might lead to different ways (different political strategies) of promoting initiatives at the headquarters than the bureaucratic control mode typically associated with large stock market listed MNCs.

In summary, we are proposing an analytical framework in which subsidiary initiative-taking is understood as strongly shaped by the socio-political positioning of the subsidiary CEO, framed by some important organizational and environmental parameters.

Methodology

Given the rather scarce knowledge about the differentiating impact of international staffing policy on subsidiary initiative-taking and the impact of various contextual characteristics, a multiple case study approach was used to first explore the strategies different types of subsidiary CEOs apply when they engage in entrepreneurial activities and then to explain them. By comparing four cases, two run by a HCN and two by a PCN, we developed a position that enabled us, first, to distinguish which aspects of IHRM theories hold true or not, and, second, to suggest and theorize some emerging ideas about the impact of the socio-political actor

positioning in MNCs (Eisenhardt, 1989; Bryman and Bell, 2003). To safeguard comparability and to control for the impact of structural parameters, we chose relatively similar cases from an overall sample of 10 cases, all of which dealt with processes of subsidiary initiative-taking in German subsidiaries in France. All selected cases are relatively similar with regard to the level of intra-firm competition, which is rather low (for partial exceptions see table 2). They are also similar with regard to the availability of resources; all subsidiaries are located in the same type of environment (i.e. industrialized regions of France) and all but one subsidiary mainly own production related resources. Moreover, headquarters control is rather modest in all subsidiaries as none is of an overarching strategic importance to the headquarters (i.e. none of the headquarters faces a resource dependency situation). However, the control type varies, with two subsidiaries governed by a personalised control style and two controlled by bureaucratic means.

Table 2: Structural characteristics of the cases selected

	<i>AGROTOOL-1</i>	<i>AGROTOOL-2</i>	<i>CAR PARTS-1</i>	<i>CAR PARTS-2</i>
<i>Level of intra-firm competition</i>	Low due to functional specialization in the MNC (except for components production)	Low due to regional specialization in the MNC	Low due to physical co-location requirements (but rather high for access to headquarters resources, due to HQs strict shareholder value orientation)	Low due to physical co-location requirements
<i>Subsidiary resources</i>	Production related resources	Marketing related resources	Production related resources	Production related resources
<i>Environmental resources</i>	Resources available in industrialized regions of France	Resources available in industrialized regions of France	Resources available in industrialized regions of France	Resources available in industrialized regions of France
<i>HQ control -Level</i>	Rather low (no resource dependency)	Rather low (no resource dependency)	Rather low (no resource dependency)	Rather low (no resource dependency)
<i>-Type</i>	Personalized	Personalized	Bureaucratic	Bureaucratic

All cases extend over a significant period of time (between 2 and 18 years) allowing comparisons both within each case as well as across the cases (Eisenhardt, 1989; Yin, 2003). Case study data were gathered in nine

open-ended, in-depth interviews (Altogether six interviews were made with subsidiary CEOs. In two cases the CEOs were interviewed twice. In three subsidiaries, a second member of the subsidiary management team could be interviewed). To encourage candid answers from our interview partners (Welch *et al.*, 2002), access was not gained via headquarters but through direct contact with the subsidiary CEOs in France. This turned out to be a time-consuming process, which was however rewarded with a great openness on the part of our interview partners. Each interview lasted approximately two hours. In each interview data were collected on biographical characteristics of the interviewees (age, marital status, career path, organizational identification, career orientation), on the overall organizational settings (local institutional and environmental setting, situational context, nature of the headquarters-subsidiary relationships) and on actor behaviour in situations of initiative-taking. In the interviews, biographical and context related questions were checked for plausibility, whereas questions regarding the initiative-taking behaviour of the CEOs were internally validated by approaching the topic from different angles using a variety of back-up questions. All interviews were prepared and triangulated using extensive ‘company profiles’ that were drafted for both the subsidiary as well as the MNC in question, and by analyzing multiple secondary sources (e.g. internal company documents, annual reports, press clippings, company handbooks). Moreover, each author of this paper independently drafted a first version of all four cases, each of which was subsequently triangulated and integrated with the others (Houman-Andersen and Skaates, 2004).

Subsidiary initiative-taking: The case studies

AGROTOOLⁱ

AGROTOOL is a family owned company, based in Germany, active in the agricultural equipment industry. It has a long history and a strong innovation orientation. Today, it has more than 1,000 employees, mainly in Germany but also in several other European countries. France, as a nearby market with a strong agricultural

sector has been the most important export market for AGROTOOL since the 1950s. Given the important role of the French market and growing protectionist tendencies, AGROTOOL decided in 1972 to establish a subsidiary in France to produce components for agricultural equipment (AGROTOOL-1). Due to the components produced there, AGROTOOL's exports of agricultural equipment to France remained quite strong during the 1970s and 1980s. Exports were handled by an independent, Paris based importer. When this importer ran into financial trouble in second half of the 1980s, AGROTOOL decided to take over its business, which became AGROTOOL second subsidiary in France (AGROTOOL-2).

AGROTOOL 1 (run by a PCN)

Originally, AGROTOOL-1 produced rather simple components for agricultural equipment that were shipped to and assembled in the German plants of AGROTOOL. Since the 1980s, the management of AGROTOOL-1 looked for opportunities to 'develop' the domain of their subsidiary. The most important initiative here related to the diversification of the subsidiary business into the supply of public gardening equipment. Following the success of a first new public gardening product, the subsidiary CEO (a German manager expatriated to the subsidiary) took the initiative to 'develop' a set of new public gardening products involving a whole range of new technologies. Around the same time, however, the incumbent component production at AGROTOOL-1 was threatened by low wage competition from newly emerging Central and Eastern European locations. As a consequence, the subsidiary CEO vigorously developed a dual strategy of a) 'defending' the component production as long as possible and b) 'developing' new mandates in the public gardening equipment sector.

To further the development of the emerging gardening equipment business, the subsidiary CEO put a lot of effort into setting up an internal R&D unit. Making discrete use of AGROTOOL-1's budget and putting in a lot of personal effort, the subsidiary CEO managed to 'develop' promising new prototypes of public

gardening equipment. This was accompanied by another internally related aspect of strategizing that focused on training workers to efficiently handle the more sophisticated production of new gardening products. It also included a strong attempt by the subsidiary CEO to keep social peace in this transition period. Lobbying at the headquarters, a more external aspect of strategizing, took place at a rather late stage of initiative-taking and was of minor importance. For quite some time the initiative to develop new products in the public gardening equipment segment was almost entirely in the hands of the subsidiary CEO, with the headquarters only loosely informed. Only when a larger investment in production facilities was needed, were contacts with the headquarters intensified. From that moment on, any query by the headquarters on the subsidiary initiative in the public gardening segment was taken very seriously to avoid endangering the leeway emanating from the trust based culture of the family owned MNC.

AGROTOOL-2 (run by a HCN)

When AGROTOOL-2 was taken over in the second half of the 1980s, the basic mandate assigned to it was to sell AGROTOOL's products in the French market. The newly appointed CEO of AGROTOOL-2, a French manager hired from the importer, first concentrated on modernizing internal organization processes. Over the next 20 years he took occasional initiatives to gradually 'develop' the subsidiary's domain. For example, he acquired the French marketing and service function from another German MNC that produced a complementary range of agricultural equipment. He also lobbied for the MNC to place a stronger emphasis on the French market. Finally, he updated the corporate-wide marketing communications strategy by offering an all-encompassing product catalogue to replace individualized product information leaflets.

As in the case of AGROTOOL-1, the AGROTOOL-2 CEO also took a number of initiatives to improve internal resources and processes, including the reorganization of business processes, the hiring of new specialized employees (German-speaking product managers), and the physical relocation of the whole

subsidiary out of Paris to create more space for business expansion. In contrast to the case of AGROTOOL-1, external lobbying for headquarters' consent played a critical role from the outset in each initiative taken. This was mainly due to his status as an HCN, reinforced by a rather paternalistic understanding of his position, i.e. to be the one who has the say in the subsidiary ('le patron') but at the same time also being a subordinate, obliged to pro-actively search for a good understanding with the headquarters. However, headquarters' consent was not always easily gained. For instance, headquarters was initially very critical about the CEO's market communication initiative. However, the high-trust corporate culture of the family-owned MNC and the subsidiary CEO's ability to communicate the usefulness of his ideas in headquarters allowed him to realize this initiative. In the end, the catalogue for the French market turned out to be such a great success that headquarters decided to adopt the idea for the German market.

CAR PARTS

Unlike the two AGROTOOL subsidiaries, the two subsidiaries producing car parts studied in this paper (CARPARTS-1 and CARPARTS-2) were not owned by the same MNC but by two different German MNCs. These two German MNCs were both first-tier car parts suppliers with a global reach. In 1998, both MNCs set up a subsidiary to serve a newly built car plant in France. Due to the physical integration of all suppliers in this car plant, as well as the innovativeness of the cars produced (literally the first micro-car worldwide), the outlay and management of CAR PARTS-1 and CAR PARTS-2 were strongly influenced by the end producer of the micro-car, mitigating ownership differences.

CAR PARTS-1 (run by a PCN)

The original mandate of CAR PARTS-1 was narrowly confined to the manufacturing of car parts and some administrative tasks (e.g. HRM). All other functions, most notably R&D as well as sales and distribution were

centralized at the headquarters. However, it quickly became apparent that CAR PARTS-1 was missing important functions and resources to fulfil the mandate assigned by the headquarters. Therefore the CEO of CAR PARTS-1 (a PCN expatriated to France) tried to lobby the headquarters for additional resources, most notably to set up a small R&D unit. Despite the fact that the requested resources were denied by the headquarters, CAR PARTS-1 succeeded in overcoming initial production problems and developed, based on its own limited resources, promising technological expertise. Encouraged by this success, the CEO again approached the headquarters with an initiative to use this expertise on a larger scale. But again the headquarters refused.

Compared to the two previous cases (AGROTOOL-1 and -2), the initiatives of the subsidiary CEO of CARPARTS-1 to ‘consolidate’ and subsequently ‘develop’ the domain of the subsidiary were not at all supported by the headquarters. In addition, formal procedures to gain external resources at the headquarters were rather complicated. Thus, subsidiary management was expected to develop detailed investment and business plans, which were discussed with several headquarters units and finally accepted or rejected. However, despite a lack of support from the headquarters, the CEO did not abandon his initiative-taking approach but instead shifted his strategy to building local resources for his projects. The subsidiary CEO mobilized significant internal resources by developing a stable and low-conflict atmosphere within the firm, paying financial incentives for innovation, building a stable core team of 250 employees, and establishing a consensus-oriented management style. Resources which could not be found in the subsidiary or in its local environment, such as specialized R&D personnel, were made accessible through the professional reputation of the subsidiary CEO, built up in the 30 years of his professional career.

CAR-PARTS 2 (run by a HCN)

CAR-PARTS-2 was founded at the same time as CAR PARTS-1 and is physically integrated in the same car plant. It was established by an independent German automotive company that was later taken over by another German MNC. The original mandate of CAR PARTS-2 encompassed pre-assembling car interiors using components supplied by approximately 60 suppliers from within and outside the MNC. After a few years the subsidiary took the initiative to extend its mandate slightly, by acquiring additional functions around pre-assembly. This included price negotiations with the main customer, i.e. the car producer, as well as some minor R&D tasks, e.g. implementing smaller product adaptations requested by the car producer.

Unlike in all three previous cases, there was little initiative by the subsidiary CEO (a HCN) to 'develop' new or extended mandates. The CEO of CAR PARTS-2 was mainly concerned with introducing standards of the headquarters, e.g. in production, HRM and finance. Although the subsidiary had some unique achievements in quality, no initiatives were taken to use these achievements on a larger scale, e.g. by lobbying externally with headquarters or with other plants of the MNC around the world. External lobbying at the headquarters only took place to a limited extent when problems occasionally occurred at the subsidiary, such as when they enlisted headquarters' assistance in addressing employee motivation problems and high absenteeism rates. What is more, this small headquarters lobbying action was not actively initiated by the CEO of CAR PARTS-2 but, on the contrary, was triggered by a headquarters program to further decentralize decision-making.

Comparative discussion of cases

In the following section we *first* compare subsidiary initiative-taking processes as strategizing processes. Across all four cases we found two generic approaches. One approach, lobbying, was directed towards the headquarters and other parts of the MNC and thus towards gaining resources externally. The other approach

was focused on building resources locally, e.g. through forging internal coalitions at the subsidiary level and with external local stakeholders, such as e.g. customers, suppliers or trade unions. *Second*, we refer to the key questions of this paper and discuss to what extent and how the ‘socio-political positioning of subsidiary CEOs’ has influenced their initiative-taking.

Strategizing in the process of subsidiary initiative-taking

None of our subsidiaries just passively responded to headquarters demands or macro-environmental (economic and technological) pressure; but actively enacted their internal and external environments. Across the cases, we found two different forms of political strategizing by subsidiary CEOs in situations of initiative-taking. *First*, in almost all cases we found evidence for a strategy of external *lobbying at headquarters* and with other stakeholders within the MNC. These externally oriented resource-building activities were often directed towards setting up or enlarging of R&D facilities. However, the way external lobbying happened differed strongly according to the type of headquarters control. In the case of AGROTOOL, a medium sized family owned MNC, lobbying was strongly personalized and informal, often taking the form of conversations between equals. In the case of the large, stock market owned MNCs owning CARPARTS-1 and CARPARTS-2, subsidiary lobbying followed bureaucratic rules, unfolding more like an ‘application-grant procedure’ in which headquarters’ dominance was more visible. These findings demonstrate the importance of organizational context.

Table 3: Subsidiary initiative-taking compared

	<i>AGROTOOL-1</i>	<i>AGROTOOL-2</i>	<i>CAR PARTS-1</i>	<i>CAR PARTS-2</i>
<i>Original mandate</i>	Component production	Distribution and maintenance	Component production	Pre-assembly of parts
<i>Types (combinations) of initiatives taken</i>	Consolidating of existing domain and developing of a new domain	Developing of the existing domain and developing of a new domain	Consolidating and developing of the existing domain	Defending and slight expansion of an existing domain
<i>Political strategizing by the subsidiary CEO</i>	Strong	Medium	Strong	Weak
<i>Focus of subs. CEOs strategizing</i>	Internal resource building and coalition building with the workforce	External lobbying at HQ	Internal resource building and coalition building with the workforce	External lobbying at HQ (weak)

Second, we found *resource-building-activities* which were more *internally focused* on the subsidiary. These aimed at improving the organizational capabilities of the subsidiary by creating a favourable social climate in which the skills of local employees could be developed and utilized. This often implied a social partnership policy towards ‘labour’, as the cases of AGROTOOL-1 and CARPARTS-1 demonstrate. The development of newly-generated R&D capabilities again played an important role here, serving as a basis for subsequent initiative-taking.

The socio-political positioning of subsidiary CEOs and subsidiary initiative-taking

As discussed above, the existing IHRM literature expects PCNs to show a strong headquarters orientation due to their familiarity with the MNC’s overall goals, policies and practices, whereas HCNs are seen as basically having a local orientation due to their socialization in the host country and their familiarity with the social,

political and economic environment of the host country. However, our case comparison shows significant variations, which are summarized in table 3 and 4.

Table 4: The Socio-political positioning of key subsidiary managers compared

Stat us	<i>Case</i>	<i>Years in the MNC</i>	<i>Years in the subsidiary</i>	<i>Previous work experience</i>	<i>Career aspirations towards....:</i>	<i>Educational background</i>	<i>Career orientation</i>
PCN	AGRO TOOL-1	18	18	None	..Subsidiary (mid career, gone native)	Apprenticeship as a metal- worker; Study of mechanical engineering (Polytechnic)	Professional career orientation;
PCN	CAR PARTS-1	17	6	13 years in R&D at a German chemical MNC; 2 years in the headquarters of the MNC owning CAR PARTS-1; 9 years CEO of the Austrian subsidiary of the MNC owning CAR PARTS-1	..Subsidiary (career end, professional challenge)	Study of process engineering and plastics engineering (University); holds a Ph D	Professional career orientation,
HCN	AGRO TOOL-2	19	18	1 year internship at the headquarters of AGROTOOL; 5 years at the independent French importer of AGROTOOL's products in France, that was taken over later on	..Subsidiary (mid career)	Study of mechanical engineering (University)	Entre- preneurial career orientation
HCN	CAR PARTS-2	15	2	26 years head of production at a French subsidiary of a German TV-set producer; 13 years at different French plants of the MNC owning CAR PARTS-2	..Headquarters (career end)	Study of electrical engineering (Polytechnic)	Hierarchical career orientation

In the remainder of this paper, we will concentrate our analysis on the most striking variance to the existing IHRM literature, i.e. the fact that the two PCNs in our sample (running AGROTOOL-1 and CAR PARTS-1) put significantly greater emphasis on strategizing than the HCNs (AGROTOOL-2 and CAR PARTS-2) when it comes to subsidiary-initiative taking. According to our framework this is explained primarily by the socio-political positioning of the subsidiary CEOs studied.

In the case of the PCN running AGROTOOL-1, the very strong initiative to ‘defend’ incumbent component production and to get into contests for new mandates in the gardening sector can be ascribed to several overlapping factors from our framework. Following the existing IHRM literature one would expect that the initiatives taken by a PCN subsidiary CEO would be less oriented toward the subsidiary than it actually is in our case. However, the PCN in this case had belonged to the subsidiary for a long time and his family was living close by. Moreover his career aspirations were exclusively within the subsidiary that he was running. This can be linked to his basic career orientation and the specific organizational context of the MNC. He followed a professional career orientation that is expressed in statements like: “My basic ambition is not France but relates to technical things” or “I will remain an engineer and not degenerate to a politician in the MNC”. Given his key position in the subsidiary together with the strong trust and innovation orientation within the family-owned MNC, the manager of AGROTOOL-1 was able both to enact his professional career orientation and at the same time to develop initiatives to expand the subsidiary’s domain. This was very important to him: “I have a strong impact on what is done in the subsidiary. That keeps me busy, but I can always take my time and say: I am not available for the next three days, since I will do some engineering work. It is my decision where I put the focus on. And that is perfect for me”.

The strength of the initiatives taken by the CEO of AGROTOOL-1 was also due to his particular skills in forming internal coalitions. Having worked for many years in the subsidiary (in the beginning also as a non-managerial employee), he knew every employee personally and how to motivate them. Also important was his policy of actively taking part in engineering work and occasionally in production work. “If I am walking around on the shop floor and I see a welding operator running into problems, I go and help him or show him how he can solve the problem. I am able to do so since I have done an apprenticeship as a metalworker before studying. That makes people respect and follow me.” These and similar incidences were used by the

subsidiary CEO to build up a network of especially loyal employees he could rely on in his attempts to generate initiatives.

Despite the fact that the PCN had 'gone native' he was nevertheless very experienced in how the headquarters must be involved in initiative-taking, including knowing when and how the headquarters needed to be informed. The credibility of this subsidiary CEO was an indispensable resource, although requiring him to engage continuously in relationship management with the headquarters.

Compared to the PCN of AGROTOOL-1 the PCN managing CAR PARTS-1 did not 'go native'. He had recently joined the subsidiary, and his family did not move to the region. Nevertheless, he showed very strong initiative-taking behaviour, mainly because of his career aspirations which were dedicated to the subsidiary, and his professional career orientation, which made him fight vigorously for 'consolidating' and 'developing' the mandate of his subsidiary. It was the technological challenge of supplying to one of the world automotive industry's most innovative projects that attracted him to take the CEO position. Moreover it was his last job following a successful career as an engineer and manager, with which he intended to crown his work life before retiring. "This job offered me the opportunity to implement all my ideas on how to organize and run a plant". Professional ambitions and the personal ambition to turn this opportunity into reality motivated him to solve many of the initial technical problems, which had for some time blocked a more pro-active initiative-taking approach. Once initial technical problems were overcome, his ambitions made him take several initiatives to fully 'develop' the technological potential of the subsidiary, despite the rather adverse behaviour of the headquarters. "This subsidiary is now full of raw diamonds; we only have to dig them out."

Similar to the previous case, it was the direct engagement of the CEO in problem solving on the shop floor that turned out to be a core skill in motivating the workforce to engage fully in initiative-taking. And similar to the previous case this was only possible due to highly specific experience gained in his education and former jobs. Moreover, his consensus-oriented management style and his social partnership attitude, which put him in conflict with his headquarters' strict shareholder value orientation, turned out to be of key importance to the formation of subsidiary internal coalitions for initiative-taking.

The subsidiary CEO also possessed the necessary skills to appropriately frame and promote the initiative in the headquarters' relatively bureaucratic resource allocating procedure. However, initiatives to upscale some of the technological achievements ('digging out raw diamonds') failed to get headquarters consent due to the strict shareholder value orientation, which only permitted initiatives expected to produce short-term profit: "Headquarters is not interested in projects that bring cash in three years but in projects that bring cash in one and a half years".

Compared to the strong initiative-taking behaviour of the two PCNs just explained, the two HCNs in our sample only showed medium (AGROTOOL-2) or weak (CAR PARTS-2) initiatives to 'develop' their subsidiaries. The weak initiative-taking behaviour of the CEO of CAR PARTS-2 in particular requires an explanation, since it contradicts the behaviour of HCNs expected in the existing IHRM literature. Here again two overlapping factors from our framework seem to apply. First, following a hierarchical career orientation, the main concern of the subsidiary CEO of CAR PARTS-2 is not the technical progress and innovation of the subsidiary but the implementation of measures developed within the headquarters. "My task here is to introduce the culture of the MNC". This is also underpinned by a rather short tenure in the subsidiary (2 years) and a history of working in many different subsidiaries of the same MNC over the last 13 years.

Second, headquarters (as the main organizational context), followed a dedicated policy of decentralization, which automatically made the development of subsidiary initiatives relatively dispensable.

Concluding remarks

This paper presents an in-depth exploration of the initiative-taking behaviour of different types of subsidiary CEOs. The case studies demonstrate, *first*, that initiative-taking is a vital practice in subsidiaries and hence of great importance to subsidiary CEOs. *Second*, the cases also reveal that subsidiary CEOs can follow two generic approaches to gain the resources needed for their initiatives. Either they can lobby for resources externally at the headquarters according to established procedures, or they can build the needed resources locally within their subsidiaries or in the local environment by forging coalitions in and around the subsidiary. Following the existing IHRM literature (Gong, 1993; Dowling *et al.*, 1999; Tarique *et al.*, 2006), one would expect that HCNs due to their socialization in the host country and their familiarity with the local subsidiary environment would focus on local resource building strategies, whereas PCNs due to their former tenure and socialization in the headquarters would focus on lobbying for resources at the headquarters. However, our cases show a more differentiated picture. The two PCNs in our sample not only lobbied for resources in their headquarters but also tried hard to build internal coalitions in their subsidiaries to generate and promote initiatives. A similarly counterintuitive pattern could be observed with the HCNs in our sample. While only the HCN at AGROTOOL-2 was engaged in internal resource building processes, both HCN subsidiary CEOs devoted many efforts to link up with headquarters.

This puzzle reveals a *first contribution* of our study by demonstrating that the nationality of a subsidiary CEO alone is not sufficient to explain his or her behaviour with regard to initiative-taking or with regard to his or her behaviour in general, as the existing IHRM literature assumes. Unraveling this puzzle by introducing a

broader framework is a *second contribution* of our study. We go beyond existing studies (including Delany, 2000, Bélanger *et al.*, 2003, Morgan and Kristensen, 2006), which fall short by not systematically explaining what makes up the behaviour of subsidiary CEOs. Here our proposition is to understand the initiative-taking behaviour of subsidiary CEOs as strongly influenced by his or her socio-political positioning. While ‘social aspects’ (such as the subsidiary CEOs nationality, career aspirations and orientation) account for the basic orientation of the initiatives taken, the ‘political aspects’ (such as access to resources and specific skills to form subsidiary-internal and -external coalitions) characterize the ability of subsidiary CEOs to strategize and the ways they do it in political processes accompanying initiative-taking. Of course, these initiatives only exerted influence within the frame of wider organizational and environmental parameters such as the level of intra-firm competition, the resources available to or accessible through the subsidiary as well as the extent and type of headquarters control.

While our framework clearly reinforces an early claim of Birkinshaw that “... more research thrust should be directed towards the personal motivation of employees to pursue initiatives” (Birkinshaw, 1997, p. 227) and while our framework holds true with regard to the cases studied here, additional effort is clearly needed to further generalize its applicability. At the same time, however, further efforts should also be devoted to studying in more detail the interaction of the different factors within our framework to better understand how subsidiary initiatives are socially constructed. Despite these limitations, we believe that our study already has some important managerial implications. In addition to looking at functional competencies and nationality, headquarters staffing policies should to a greater extent consider the individual career aspirations and orientations of subsidiary CEOs, as well as their skills in motivating local workforces, if companies want to “... unleash innovation in foreign subsidiaries through a high a number of promising subsidiary initiatives” (Birkinshaw and Hood, 2001, p. 131).

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Endnotes

ⁱ Due to confidentiality obligations all names of companies and actors are made anonymous.