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POINT OF VIEW

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The tyranny of the head office? Revisiting corporate headquarters' (CHQs) role in MNE subsidiary initiatives

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Abstract

What roles should corporate headquarters (CHQs) of multinational enterprises (MNEs) play in foreign subsidiary initiatives? Rather than viewing the MNE's CHQ as a single, internally homogenous unit, we call for examining the diversity of individual decision-makers who can be driven by a variety of motivations and have different abilities. Motivations and abilities together determine whether or not corporate executives will choose to intervene in subsidiary initiatives and the effectiveness of such intervention. If dysfunctional, the "tyranny of the head office" materializes. We apply the Coleman-boat concept to show how contextual analyses at the MNE level and the proposed analyses of individual decision-makers need to be combined when exploring the underlying micro-foundational mechanisms of decisions.

Keywords: Subsidiary initiative, Multinational enterprise, Corporate headquarters, Tyranny of the head office, Micro-foundations

Introduction

The corporate headquarters (CHQs) in many multinational enterprises (MNEs) recognize that strategic resources can be embedded in foreign subsidiaries. MNEs increasingly rely on these subsidiaries to identify and pursue product or market opportunities (Andersson et al. 2002). The bottom-up, autonomous activities by subsidiaries to exploit opportunities are often referred to as subsidiary initiatives.¹ These initiatives are typically intended to expand a subsidiary's scope of responsibility beyond the traditional mandates assigned by the CHQ. The question thereby arises *what roles CHQ should play in managing subsidiary initiatives?*

In this paper, we revisit CHQ involvement in subsidiary initiatives. Such involvement can be dysfunctional and lead to what we characterize as the "tyranny of the head office." Our unit of analysis is the individual CHQ manager who can affect the unfolding of initiatives. CHQ managers are the ultimate decision-makers, e.g., in the realm of funding and scaling-up initiatives, or winding these down. Insight into these individuals' behaviors should contribute to an improved understanding of the "aggregate," CHQ-level decisions. In order to explain the behavior of individual decision-makers at CHQ, we draw on insight from the interaction logic developed in the motivation and ability framework (Mitchell and Daniels 2003). We adapt this logic to the MNE-initiatives context and examine how individuals at CHQ might respond to subsidiary

initiatives. CHQ decision-makers must build upon appropriate motivations and sufficient ability as the foundation of their interventions, and weak scoring on either parameter will likely lead to dysfunction.

The MNE's CHQ, as the central organizational unit, should control and coordinate subsidiary activities to ensure both strategic alignment with corporate-level goals and overall efficiency. However, when it comes to subsidiary initiatives, it is unclear whether CHQ in large MNEs possesses the requisite knowledge to perform a meaningful role in this process (Ciabuschi et al. 2011). Subsidiary initiatives are non-routine and discrete endeavors, meaning the absence of readily available managerial practices and institutionalized behaviors, and therefore reliance upon the discretion and judgment of individual decision-makers at CHQ (Birkinshaw 2000). These individuals are likely to differ in experience, knowledge, and leadership style (Athanassiou and Nigh 2002; Tihanyi et al. 2000). Such heterogeneity may result in significant variations in decision-makers' judgment about the quality of the same initiative and about the contours of requisite CHQ involvement. Importantly, some studies have attributed the success of foreign subsidiaries to the unique contribution of individual managers (Kostova et al. 2016), but analysis of CHQ involvement in subsidiary initiatives has typically been limited to the aggregate level, with little attention devoted to individual decision-makers.

Our perspective echoes the recent call that international business (IB) scholars should recognize intra-MNE heterogeneity (e.g., power and interests): they should redirect their attention to understanding the behaviors of home-country-based managers and internationally operating ones, given the contextual constraints within which they operate (Poulis and Poulis 2018). The proposed focus on individual decision-makers at CHQ contrasts sharply with the mainstream IB perspective, which generally views CHQ as a single, homogeneous entity, and examines how dyadic relationships between CHQ and subsidiaries matter. For example, the large body of literature on headquarter-subsidiary relationships (HQ-sub) focuses on the functions of headquarters and subsidiaries (Hoenen and Kostova 2015), largely ignoring their internal heterogeneity.

In this point of view, we identify the motivations and abilities of individual decision-makers at CHQ as key determinants of CHQ involvement in subsidiary initiatives. We describe 10 scenarios of CHQ decision-makers' involvement, including scenarios that suggest a "tyranny of the head office." We conclude the paper by linking our proposed individual-level analysis with the extant literature that has largely focused on subsidiary-level analysis.

Individuals and micro-foundational analysis of CHQ in MNEs

IB research has paid only scant attention to the involvement of CHQ in subsidiary initiatives (Ciabuschi et al. 2011). When CHQs are considered, the focus has been on the characteristics of the HQ-sub relationship, with researchers typically invoking concepts, such as trust, social capital, and integration, as important determinants of the dyadic linkage (Strutzenberger and Ambos 2014). With the dyadic HQ-sub relationship functioning as the unit of analysis, this stream of research implicitly assumes homogeneity of decision-makers at CHQs.

However, recent research has challenged the traditional view of CHQ as an identifiable single unit, operating out of one specific location, given *prima facie* evidence of spatially distributed CHQ (Kunisch et al. 2019; Nell et al. 2017; Steinberg and Kunisch

2016). For example, using survey data from four European countries between 1997 and 1999, Kunisch et al. (2019) demonstrated that about 50% of the sampled companies either had a dual CHQ or a CHQ dispersed across two or more locations. Aligned with this type of evidence, Nell et al. (2017) proposed HQ activities as reflecting a dynamic system, with smaller and separate activities distributed across several locations.

CHQ in MNEs not only vary in how their activities are spatially distributed, but they also exhibit significant heterogeneity as to their internal functioning (Kim and Wu 2019; Steinberg and Kunisch 2016). This internal heterogeneity exists both in the formal organizational structure, such as working with regional and divisional HQ, and in the experience, knowledge, skills, and networks of corporate staff members (Kleinbaum and Stuart 2014; Kunisch and Galli 2014). The internal complexity of CHQ (Kleinbaum and Stuart 2014) suggests that its involvement in subsidiary initiatives can include senior executives and specific units across both the formal CHQ and regional HQ. Such complexity raises questions about the validity of assuming CHQs as the unit of analysis when examining subsidiary initiatives.

When it comes to subsidiary initiatives, the discrete nature of the initiatives and the heterogeneity of CHQs suggest that the effectiveness of CHQ in managing subsidiary initiatives will depend on individual decision-makers at CHQ. First, subsidiary initiatives, as the pursuit of entrepreneurial opportunities by subsidiary managers, are based on individual skills and knowledge. These initiatives are uncommon events: available routines and existing processes guiding the interactions between CHQ and subsidiaries generally do not provide good templates for decision-making in this realm. Subsidiary initiatives call for individual-level discretion by CHQ staff members. Second, the heterogeneity of corporate staff members in knowledge and skills also implies that these members may assess subsidiary initiatives in distinct ways, with substantial subjectivity involved (Kor et al. 2007) and building upon the knowledge and skill sets of the individuals involved. Similar to analysis of the role of individual actors driving initiatives at the subsidiary level (Strutzenberger and Ambos 2014), we propose that individual decision-makers at CHQ need to be considered as key actors when examining CHQ involvement in subsidiary initiatives. This attention to individual decision-makers echoes Buckley et al.'s (2016) recent proposal to understanding macro-level phenomena through clarifying processes at the micro/individual level.

Below, we draw on the classic motivation and ability theoretical framework (e.g., Mitchell and Daniels 2003) to underscore the importance of the simultaneous presence of ability and appropriate motivation of individual decision-makers at CHQ. If either of these two drivers of purposive action is lacking or does not reach minimum thresholds, the other element will likely be insufficient to lead to effective outcomes. We propose that the above two factors jointly determine the effectiveness of CHQ involvement in subsidiary initiatives and that the presence of both attributes is required above minimum threshold levels. Below we discuss these two elements in greater detail.

Motivations of individual decision-makers at CHQ

It is often assumed that individuals at CHQ will perform their duties effectively, though their motivation to perform these tasks well is *de facto* uncertain. For example, Ciabusch et al. (2012a: 133) briefly describe the duties of CHQ management in terms of “normative expectations associated with its managerial role, past socialization into this

role, and the context of social activity within which the expectations and past socialization are activated.” Williamson (1996) focuses on the intent of CHQ managers’ decisions. In his discussion of selective intervention, he proposes that a firm’s top management will exercise its authority to serve either a “good cause” or a “bad cause.” The former refers to the intent of pursuing company goals, while the latter is supportive of (private) goals of senior managers themselves.

We propose four types of individual motivations at the CHQ for intervening in subsidiary initiatives, based on the concepts of autonomous and controlled motivations from self-determination theory (Deci and Ryan 1985, 2000). Autonomous motivations represent individual decision-makers’ own interests (which may coincide with company interests, in which case they act as stewards prioritizing company goals), and controlled motivations refer to those driven by external pressures. The first three types that we propose are autonomous motivations, with a distinction made between two static types and a dynamic one. The fourth type is the controlled motivation, which in our case leads to mimetic behavior. First, individual decision-makers at CHQ may be performing their tasks for orthodox “benevolent” reasons, i.e., with a view to serve the firm. This is the foundation of the traditional argument for the parenting advantage of CHQ management, which then supposedly focuses on curbing potential opportunistic behaviors of subsidiaries and creating value through shared services, strategic direction, and other behaviors conducive to synergy (Goold and Campbell 1987, 2002; Nell and Ambos 2013). This is similar to Williamson’s “good cause” rationale (1996).

Second, the CHQ staff may get involved in subsidiary activities to serve private interests that diverge from company goals and may itself be prone to opportunism (Ciabuschi et al. 2017). Here, both subsidiary managers and corporate staff members might act opportunistically (Ciabuschi et al. 2012b). As one example, decision-makers at CHQ might benefit from postponing investment in somewhat risky projects at the subsidiary level or might choose to over-invest in such projects, if helpful to their own career advancement or instrumental to other private benefits. The risks and costs associated with their behavior will be borne by the MNE, whereas gains will accrue privately, for example in the realm of stock options or bonuses for high-visibility projects. As a second example, managers at CHQ may “wish to teach ‘better behavior’ to certain subsidiaries” (Ciabuschi et al. 2012b: 218), whereby efficiency-related or value creating properties of subsidiary initiatives take a backseat as compared to asserting authority, even if the latter purpose *de facto* serves neither efficiency or value creation. This is similar to Williamson’s (1996) “bad cause” rationale, with individuals at CHQ getting involved in subsidiary activities to serve private, rather than firm-level goals.

Third, CHQ executives may intervene in subsidiary initiatives, not because of sound motivations or opportunism *per se*, but because of “benevolent preference reversal” or “identity-based discordance” (Kano and Verbeke 2015; Verbeke and Greidanus 2009). When managers at CHQ experience benevolent preference reversal, this suggests that *ex ante* commitments from these individuals were made with benevolent intent, but also that the importance of this good faith intent diminished over time as preferences changed. As a result, CHQ managers postpone, cancel, or scale back on their *ex ante* commitments (e.g., an earlier commitment to fund a new, innovative project may subsequently receive a lower priority *vis-à-vis* an alternative project, closer to CHQ staff members’ comfort zone, because of the latter project’s proximity to past investments).

They might also deviate from an *ex ante* commitment if such commitment leads to conflict with their colleagues or superiors (such as the chief executive officer) at CHQ. In the case of identity-based discordance, what corporate staff members promise and what they value based on their identity becomes incongruent over time, leading to conflicts between the promised course of action and the realized, identity-driven action pattern. In these types of cases, interventions by CHQ managers reflect deviations from *ex ante* commitments to subsidiary activities, i.e., broken promises that ultimately negatively affect subsidiary initiative completion processes, often with detrimental motivational effects at the subsidiary level (Verbeke and Greidanus 2009).

Fourth, staff at CHQ may intervene in subsidiary initiatives without being driven by any particular, individual-level motivation. Various stakeholders, such as the capital market and sub-units in the MNE, typically expect CHQ to perform certain roles. As a result, staff members at CHQ in one firm may simply mimic the CHQ behavior prevailing in other MNEs, when addressing similar activities, or they may simply follow traditional and historical patterns of behavior in their firm. Given these “normative” expectations, CHQ executives intervene and manage foreign subsidiaries, because “the boss should boss” (Forsgren 2015: 104). CHQ executives, identifying with normative views on what the role of CHQ should be, drive their active engagement in subsidiary initiatives.

In sum, various types of motivations to intervene in subsidiary initiatives can be present at the individual level. Although it is often the case that CHQs, as organizational units, have a strong motivation to intervene, individual decision-makers at CHQ may not all share such strong motivation, and the intent of the intervention can vary substantially, depending upon the CHQ manager involved. The last three motivations discussed above reflect dysfunction that could be qualified as the “tyranny of the head office.”

Abilities of individual decision-makers at CHQ

Abilities of individual decision-makers at CHQ refer to the knowledge, skills, and experience required to perform an effective role in managing subsidiary initiatives. Researchers often espouse the strong view that CHQ must *de facto* command the ability to create value, so as to justify their active involvement in subsidiary activities (e.g., Goold et al. 1998). However, when contemplating CHQ at the aggregate level, some scholars have raised doubts about the ability of these CHQ to understand subsidiary initiatives: they have argued that CHQ may not even know what knowledge would be required to make rational and informed choices on the potential to scale-up subsidiary projects or on the need to abort them (Ciabuschi et al. 2011; Vahlne et al. 2012).

Below we first discuss how *individual decision-makers at CHQ* gain knowledge about subsidiary initiatives and then consider the importance of skills and experience.

First, subsidiary initiatives represent new knowledge combinations generated by individuals working in the subsidiary at hand, interacting with the local context (Ciabuschi et al. 2011). The knowledge base underlying initiatives is subjective, created and shared by people through social interactions and actual managerial practice in specific contexts (Nonaka et al. 2008). Extant studies on knowledge transfer highlight uncertainty and ambiguity about knowledge components, and the hindering impact thereof on such transfers (Van Wijk et al. 2008); the characteristics of the knowledge associated with

initiatives may impede effective communication between promoters of subsidiary initiatives and corporate staff.

Second, understanding the specific knowledge associated with subsidiary initiatives requires interactions between both promoters of subsidiary initiatives and corporate staff members similar to the interactions between source actors and recipients discussed in the knowledge transfer literature (Van Wijk et al. 2008). Subsidiary managers need to articulate the rationale of the initiatives, which may be deeply rooted in a specific cultural, technological, or market context (Birkinshaw 2000). In some cases, subsidiary managers themselves may not fully grasp—at least not in a codified or codifiable way—where relevant information is embedded, nor how it can be assembled formally, in full. As to corporate staff members, being knowledge recipients, in order to be effective, they need to understand the subsidiaries' embedded networks and local contexts and also to commit to dedicated interactions with these subsidiaries. This can be achieved through formal initiative development processes to increase their knowledge (Vahlne et al. 2012). These tasks require both subsidiary managers and individual decision-makers at CHQ to devote substantial time and effort to collecting and processing information.

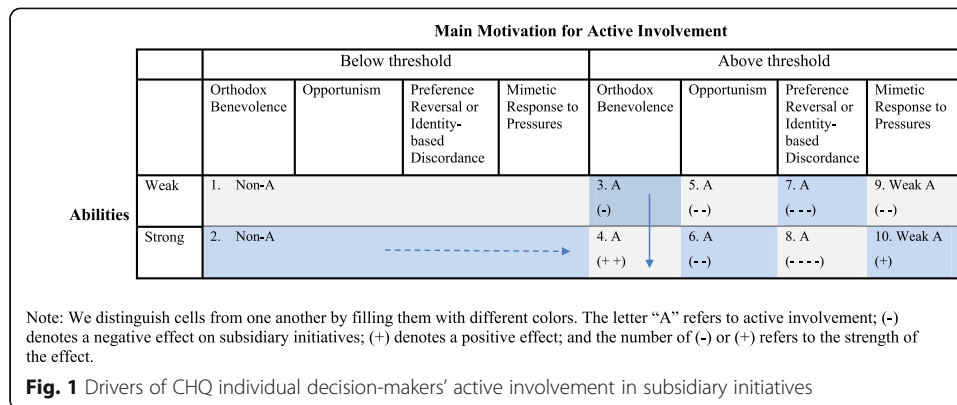
Third, abilities of individual decision-makers at CHQ also depend on their experience and skills. Head office executives generally benefit from broad business-line experience (Kunisch and Galli 2014), but prior experience may be problematic when they need to address subsidiary initiatives. Experience from previous tasks and projects often becomes less applicable or even irrelevant when initiatives are novel, radical, or are rooted in an unfamiliar context (Ciabuschi et al. 2011). When experience is deeply embedded in current operations, this may result in corporate staff members' resistance to initiatives that challenge prevailing routines and behaviors (Birkinshaw 2000). In addition, experience in one business area often creates blind spots and prevents head office executives from unlearning prior knowledge (Kunisch and Galli 2014).

Our above discussion suggests that although both experience and skills are relevant to corporate executives' active involvement in subsidiary initiatives, the more important element is their knowledge about the rationale and context of the initiatives. If managers at CHQ lack the ability to understand the opportunity at hand in substantive terms, their judgment on the viability and value creating potential of a subsidiary initiative will be ill-informed and ultimately unproductive.

Motivations and abilities of individual decision-makers at CHQ

We propose that both motivations and abilities of individual decision-makers at CHQ, as discussed above, matter to their involvement in subsidiary initiatives and should therefore be jointly analyzed. Instead of the usual emphasis on the aggregate level of CHQ and the abilities of this organizational unit (Ciabuschi et al. 2011), our view is that the effectiveness of CHQ's involvement will depend on the attributes of the individuals involved and on the simultaneous presence of the two specific attributes of the key individual decision-makers.

To better understand how the combinations of abilities and motivations influence individual decision-makers' involvement in and effect on subsidiary initiatives, we develop scenarios based on the four types of motivations and weak/strong abilities of individual decision-makers at CHQ in Figure 1. Since the motivation of individual decision-



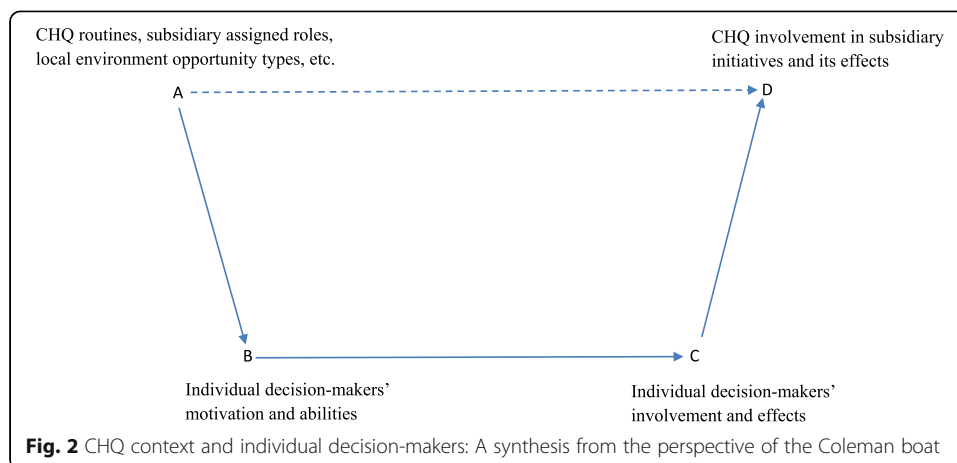
makers to act must meet minimum threshold levels, we further categorize motivations as below or above this threshold.

Cells 1 and 2 represent cases where the motivation to act is below the requisite threshold, and CHQ decision-makers tend to be dormant and lack involvement in subsidiary initiatives. Paradoxically, in such instances, CHQ-based damage inflicted on subsidiary initiatives may be more limited than what is sometimes suggested, even if prevailing motivations of CHQ managers reflect a tyranny of the head office and are related to serving private interests, to benevolent preference reversals, or to external, normative drivers. The effects of these dysfunctional motivations may remain limited, because corporate staff members will largely refrain from getting involved in—what are from their perspective—uncertain, ambiguous, and perhaps politically sensitive initiatives arising in the MNE’s dispersed foreign operations. The major difference we predict between cell 1 and cell 2 is that in the latter, strong abilities by individual decision-makers at CHQ may over time contribute to changes in their motivation, thereby moving initiative management to the right, i.e., to cells 4, 6, 8, and 10, depending on their motivation.

Cells 3 and 4 reflect the importance of orthodox, benevolent motivations as a necessary condition to push staff members at CHQ to utilize their abilities. In cell 4, strong abilities and benevolent motivations together not only promote CHQ decision-makers’ involvement, but also permit adding value through effective actions. In cell 3, weak abilities limit the effectiveness of CHQ managers’ actions. However, a strong benevolent motivation may over time encourage these decision-makers to engage more with focal subsidiaries, to search for information and to build up their ability to address effectively subsidiary initiatives. Thus, a position in cell 3 may over time be a platform to move to cell 4.

Cells 5, 6, 7, and 8 represent the tyranny of the head office, i.e., cases whereby individual decision-makers at CHQs choose to intervene for the wrong reasons. Even when they command the requisite knowledge to add value, their motivation to serve their own interests may result in discouraging valuable initiatives and promoting less desirable ones (at least from the overall MNE perspective). In the case of motivations associated with benevolent preference reversals or identity-based discordance (cells 7 and 8), failing to make good on commitments and renege on promises are likely to demotivate subsidiary managers even more severely than was the case with cell 6, thus further reducing the likelihood of future initiatives.

In cells 9 and 10, decision-makers at CHQ are influenced by external, normative drivers (for instance, the perception that they must play a key role in mitigating



financial risks). They view their own interventions as legitimate from a hierarchical decision-making perspective. Compared with the “autonomous” motivations (i.e., orthodox benevolent, opportunistic, and preference reversal/identity-based discordance), the “controlled” motivation because of external pressure, leading to mimetic responses, will make CHQ decision-makers tend to be less involved in subsidiary initiatives, and their negative effects (in the case of weak abilities) and positive effects (in the case of strong abilities) are likely to be weaker, as compared with cells from 3 to 8.

Our discussion above suggests that various combinations of motivation and abilities of CHQs’ decision-makers may result in their distinct involvement in subsidiary initiatives. At the individual level, decision-makers at CHQs will exhibit significant heterogeneity in their involvement in subsidiary initiatives, especially when the heterogeneity in their background, experience, and other demographic parameters is higher. For example, Birkinshaw (2000: 25–26) reported that when Honeywell Canada proposed creative subsidiary-driven projects to the US head office management, there were mixed reactions, ranging from manufacturing managers’ negative attitudes to the relevant general manager’s openness to the proposals. Here, the impact of heterogeneity of CHQ staff members will be exacerbated when engaging with the uncertainty and ambiguity of subsidiary initiatives, especially their non-linear development trajectory and unpredictability. These characteristics will make evaluating subsidiary initiatives at the early stages of development particularly difficult (Kor et al.2007).

Linking CHQs’ individual decision-makers with the MNE context

Different from the dominant perspectives on the influence of environmental context, subsidiary context, and headquarters context as predictors of subsidiary initiatives (Birkinshaw 1995), we focus on the motivation and abilities of individual decision-makers at CHQs, i.e., managerial microfoundations. The above contexts still matter, because they influence the behaviors of the individuals, in our case subsidiary managers who promote their own initiatives, and CHQ decision-makers who make judgment calls. To highlight and generalize the connections between individual-level and contextual determinants of subsidiary initiative outcomes, we use the Coleman boat (Coleman 1990) that illustrates the interactions between the two layers (see Fig. 2).

The Coleman boat, also referred as the Coleman diagram or Coleman's bathtub, is one of the best-known theoretical representations of macro-level–micro-level connections (Coleman 1990). It provides a cognitive tool to think systematically about how macro-level events and properties influence micro-level processes, and sequences of micro-level events form macro-level processes (Hedström and Ylikoski 2010). The Coleman boat consists of two layers and four nodes. At the macro-level, node A refers to macro social factors, such as MNE context, subsidiary roles, and entrepreneurial opportunities in the local environment, and node D delineates macro social outcomes, in this instance CHQ involvement in—and effects on—subsidiary initiatives. At the micro-level, node B refers to the characteristics of CHQ decision-makers, in our case their motivation and abilities, and node C refers to individual decision-makers' decisions, e.g., on resource allocation for subsidiary initiatives.

The arrows represent various underlying mechanisms of decision-making. First, they describe how contextual factors constrain and shape individual CHQ decision-makers' motivation and abilities (node A to node B). Such contextual factors can include an MNE's administrative heritage and strategic orientation. For example, a multinational strategy that highly values subsidiary autonomy could moderate CHQ decision-makers' motivation to intervene (Menz et al. 2015). Second, they identify the linkages between the motivation and abilities of decision-makers at CHQ and their evaluation of subsidiary initiatives (node B to node C). Third, they specify how individual actions aggregate and morph into CHQ involvement (node C to node D). The dashed line from node A to node D represents the often assumed, simple macro-level, causal linkage between contextual factors and subsidiary initiatives. Our application of the Coleman boat makes the point that analysis of such macro-level linkages does not provide a satisfactory description and explanation of actual decision-making processes and outcomes at the micro-level, in this instance by decision-makers at the CHQ. Making sense of any observed macro-level linkages requires a deep understanding of the causal mechanisms unfolding at the individual level.

Our application of the Coleman boat both highlights the contribution of our perspective and suggests future directions for research on subsidiary initiatives. First, the mainstream literature on the influence of CHQ on subsidiary initiatives has largely focused on the macro-level causal mechanisms between nodes A and D and to a lesser extent on contextual factors affecting subsidiary managers' abilities and motivations, i.e., the linkages between A and B. But it has remained almost silent about the individual-level factors at the CHQ. Our paper thus opens up this black box of CHQ decision-making and calls for investigating the drivers of individual decision-making, which will subsequently culminate into CHQ decisions.

Second, the Coleman boat also reveals our limited understanding at present of the mechanisms underlying the linkages between nodes B and C and between nodes C and D. We have described 10 possible linkages between B and C in Fig. 2, including some that are likely to morph into a tyranny of the head office. But truly understanding the origins and functioning of such tyranny also requires insight into the aggregation processes unfolding between C and D. The non-routine nature of subsidiary initiatives may create barriers to effective communication, create conflicts among decision-makers, and require political bargaining for resolution, as in the Honeywell Canada case (Birkinshaw 2000: 25–26).

We thus call for an in-depth exploration of the three causal mechanisms, i.e., how social and contextual factors influence decision-makers at CHQ (macro to micro), how individual decision-makers make their judgment (micro to micro), and how behaviors of individual decision-makers aggregate into CHQ decisions and overall outcomes (micro to macro). Here, a specific area of research that deserves more attention is the dysfunctional treatment of initiatives driven by wrong motivations and inadequate abilities of CHQ managers.

Conclusion

What roles should the MNE's CHQ play in subsidiary initiatives? Rather than viewing CHQ as a single, homogeneous entity, our new perspective suggests a focus on the diversity of individual decision-makers at CHQ. Decision-makers at CHQs can have varying individual-level motivations (in terms of the qualities and intensity level thereof) and different abilities to address subsidiary initiatives. These motivations and abilities will—in concert—determine whether and how CHQ staff members choose to intervene in subsidiary initiatives. Our key message is that it makes little sense to consider aggregate CHQ decision-making while ignoring individual-level motivations and abilities: CHQ executives may be driven by varying motivations to intervene in the unfolding of initiatives, including dysfunctional motivations that can trigger a tyranny of the head office, and they will greatly differ in their abilities to make appropriate decisions related to these initiatives.

Endnotes

¹A classic example of a stream of subsidiary initiatives is the case of Fuji Xerox, Xerox's subsidiary in Japan, which developed inexpensive compact copiers all by itself to respond to the rising local demand, even when facing doubts and ignorance at its CHQ (Birkinshaw 1995).

Abbreviations

CHQ: Corporate headquarters; IB: International business; MNE: Multinational enterprise

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Authors' contributions

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