Subsidiary Strategy and the Role of the Subsidiary Manager : Integrating the Middle Manager Perspective

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(Intermediate/Advanced)

Commenced Research : September 2008

Proposed Completion : March 2012

Nature of Registration : Full Time

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ABSTRACT

Subsidiary strategy is a concept which has emerged in international business literature but research has so far failed to explain how subsidiary managers develop strategy under the constraints of the paradoxical pressures they face in today's Multinational Enterprises (MNE). On the one hand current trends suggest that (MNE) are developing into more global business structures which are reducing the power and influence of subsidiary managers (Buckley, 2009, Buckley & Ghauri, 2004, Mudambi, 2008). The result of these trends, are that the market orientated aspects of subsidiary strategy are becoming constrained and to some degree taken out of the hands of the subsidiary managers. This is an important development on its own, but what makes it truly remarkable is that simultaneously there is a broad empowerment trend in management practice, through which subsidiary managers are being encouraged to act more entrepreneurially and to contribute knowledge and innovation to the entire MNE (Birkinshaw & Pedersen, 2009, Ghoshal & Bartlett, 1997, Verbeke, Chrisman, & Yuan, 2007). This creates a tension for subsidiary managers who are finding their choice of customers and markets increasingly constrained by MNE structural developments, while at the same time being pressurised by headquarters to produce initiatives (Birkinshaw, 1997, Williams, 2009) and develop subsidiary specific advantages (Rugman & Verbeke, 2001). Research needs to address how subsidiary management develop strategy while coping with these conflicting demands.

The subsidiary is a unique context to study management processes relating to strategy but, so far, there has not been a coherent approach identifiable in the literature. It is recognised that subsidiaries evolve over time and through their own actions and initiatives have the potential to modify the power structures of the MNE and influence strategy from below (Andersson, Forsgren, & Holm, 2007) but little is known about the role of the subsidiary manager in this process. In reviewing the empirical and theoretical research on subsidiary management this article highlights how the tensions between the headquarters perspective and the subsidiary perspective have resulted in inappropriate frameworks being applied to the study of subsidiary managers. It has been recognised that subsidiary management are important drivers of subsidiary development, but their strategic approach to this process has not been studied in any great detail. To find out why this is the case, this article looks at the way in which literature on subsidiary management has evolved. Four over arching streams are discussed which leads into a more detailed analysis of the most recent literature. Special attention is also paid to the theoretical approaches, applied to subsidiary management literature. Finally, the paper highlights the main limitations which have stifled subsidiary management research, and proposes a promising avenue for future research, the middle manager perspective.

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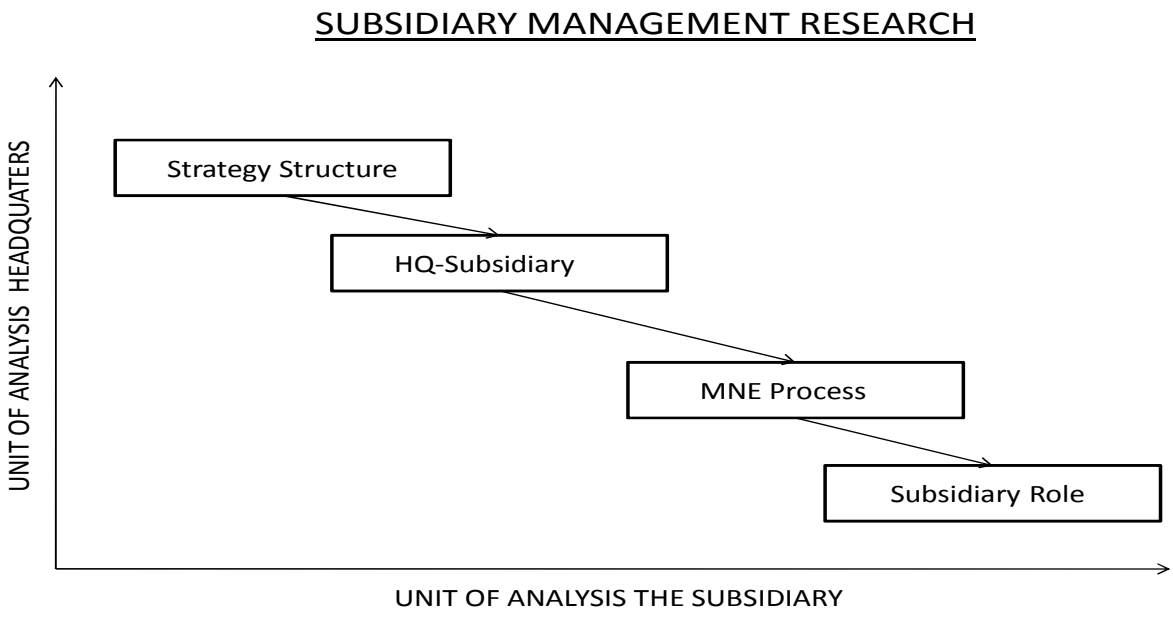
INTRODUCTION

The development of Multinational Enterprises (MNE) towards more global business structures is resulting in a variety of constraints being placed on subsidiary managers (Buckley, 2009, Buckley & Ghauri, 2004, Mudambi, 2008). To begin with they are embedded in differentiated networks that include all the other units of the MNE to which they belong, alongside customers, suppliers and other institutions (Nohria & Ghoshal, 1994). Along with that, subsidiaries typically have a pre set business domain that limits their options for market positioning (Birkinshaw & Hood, 1998). Subsidiaries also face corporate and resource constraints to establish lateral relations with other units of the MNE (Birkinshaw & Morrison, 1995). Paradoxically despite these constraints, there is an expectation on subsidiary management to create knowledge and innovation and develop their mandate. In order to do this there is an acknowledgement that a number of decisions remain under their control. They retain the ability to reconfigure resources and develop capabilities which drive development (Birkinshaw & Hood, 1998), improve performance (Subramaniam & Watson, 2006) and influence the MNE as a whole (Andersson, Bjorkman, & Forsgren, 2005, Williams, 2009). Despite this recognition subsidiary management research has not yet uncovered how subsidiary managers develop strategies which reflect the strategic options available to them.

ANALYSIS OF SUBSIDIARY LITERATURE

The origins of MNE subsidiary literature can be traced back to the 1960s. However, the majority of initial writing centred on the MNE, or the MNE-subsidiary relationship, as the primary unit of analysis. It was not until the 1980s that the management of multinational

subsidiaries gradually emerged as a distinct field of research from within the fields of International and Strategic Management. Lars Otterbeck (1981) was one of the earliest authors to try to define the field with the publication of "The Management of Headquarters-Subsidiary Relationships in Multinational Corporations". Etemand and Dulude (1986) contributed with a subsequent collection which brought attention to Canada's policies of encouraging subsidiaries to gain World Product Mandates. Birkinshaw and Hood (1998) attempted to not only define the field, but also to outline three sub streams. The most comprehensive reviews have been carried out by Birkinshaw (2001), Paterson and Brook (2002), Young and Tavares (2004) and most recently Birkinshaw and Perdersen (2009). This current review builds on the previous work, bringing the literature up to date and suggesting a new approach to take the field forward.



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

1. The Strategy Structure Stream

The alignment between strategy and structure in large corporations emerged out of early work on organisation theory. In the beginning this literature focused on the strategies and structures of MNEs from a classical perspective, attempting in the main to understand why certain structures were adopted (Daniels, Pitts, & Tretter, 1984, Egelhoff, 1982, Stopford, 1972). The search for more flexible structures, as opposed to the traditional hierarchy, was a later development. Bartlett and Ghoshal (1989) proposed the "transnational solution" as the preferred design for the multinational corporation and this concept became one of the dominant ideas of the stream. The assumption which underlies this proposal is that structure was something which would change to fit strategy, at least in the short term. Strategy itself was developed at corporate headquarters and little consideration was given to the role of the subsidiary in strategy development.

2. The Headquarters-Subsidiary Relationship Stream

This literature was the first to give real attention to MNE subsidiaries, but rather than focusing on their potential, it was predominantly concerned with how headquarters control subsidiaries. The main focus was on centralisation and formalisation of decision making (Gates & Egelhoff, 1986, Hedlund, 1981), as well as how to integrate a portfolio of subsidiaries to maximise the usefulness to headquarters (Picard, 1980). A significant development within this stream was the first acknowledgment that subsidiaries can attain a certain level of autonomy and influence (Patterson & Brock, 2002). Therefore, to a degree headquarters must rely upon the quality of relations with subsidiaries to institute programs (Hulbert, Brandt, & Richers, 1980) and may require the involvement of management at the subsidiary level in decision making (Hedlund, 1994). Bartlett and Ghoshal (1986) contended that many firms still suffered from the 'United Nations Syndrome' which resulted in their

treating all subsidiaries alike but a discernable trend began to emerge where the 'us versus them' mentality between headquarters and subsidiaries was giving way to a more co-operative stance (Roth & Morrison, 1992).

3. MNE Process Stream

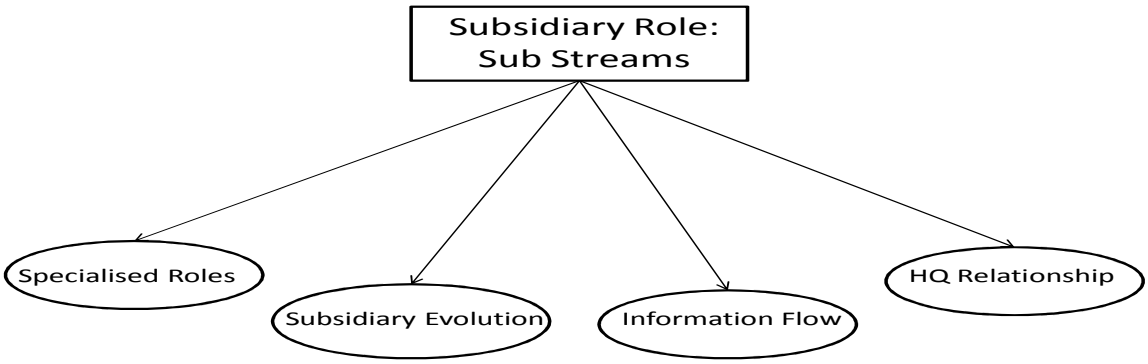
This stream has its origins in the strategy process literature, and it focused on such issues as strategic decision making and organisational change in MNEs. Unlike the two previous streams of literature, which had assumed a traditional hierarchical relationship between the parent company and its subsidiaries, this body of research highlighted that the real situation was far more complex (Birkinshaw & Pedersen, 2009). In reality subsidiaries often had unique access to key resources, they often operated with far more degrees of freedom than was officially condoned, and formal structure was often less important than management systems or culture as a way of controlling subsidiary managers (Bartlett, 1979, Doz, 1976, Hedlund, 1986, Prahalad & Doz, 1981, Prahalad, 1976). However, similar to the strategy-structure stream, the primary unit of analysis was the entire MNE rather than the subsidiary.

4. The Subsidiary Role Stream

The subsidiary role stream built explicitly on the MNE process stream by making the move to take the subsidiary as the unit of analysis. Following Ghoshal's (1986) study of innovation processes, researchers began investigating the different roles that subsidiaries play within the MNE. From this perspective it emerged that subsidiaries had unique resources and the considerable autonomy with which they acted implied that it might be necessary to allocate them different roles (Bartlett & Ghoshal, 1986).

A number of tools have been put forward by researchers to help classify and sort the various roles that subsidiaries may take on with the MNE. The earliest work focused on grouping subsidiary roles into those with low globalisation pressures and those where globalisation pressures were high (D'Cruz, 1986, White & Poynter, 1984). Two options were proposed where globalisation pressures were high; global rationalisation and forming a global subsidiary mandate. Birkinshaw and Morrison (1995) supported this three-type classification but, in general, later work has preferred the intuitiveness of a two by two matrix (Patterson & Brock, 2002). The most recognised of these is the integration-responsiveness (IR) framework proposed by Prahalad and Doz (1987) that has some similarities to Bartlett and Ghoshal (1986) and Porter's (1986) multinational strategies. The IR model was the basis of the work on subsidiary strategy carried out by Jarillo and Martinez (1990) and Taggart (1997b, 1998d).

The shift in emphasis towards setting the multinational subsidiary as a unit of analysis and, to some extent, taking the headquarters as an external factor, allowed authors to take a detailed look at the various strategic roles of those subsidiaries (Patterson & Brock, 2002). It was this change in emphasis which triggered the most recent research streams. Although it is true to say that there is an acknowledged lack of coherent analysis of how the field has evolved in recent years, following the lead of Birkinshaw and Pedersen (2009), it is possible to divide the streams into four sub headings of the subsidiary role stream.



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

1. <u>The Specialised Roles of Subsidiaries</u>

The first stream focuses on the increasingly specialised roles taken by subsidiaries within the MNE. The concept that subsidiary units may differ considerably based on their extent of responsibilities, the importance of the markets they serve, their position in the network and their collection of competencies and resources is now well established in the literature. In the last twenty years this research has been extended to a wider range of more specialised subsidiary roles such as the emergence of centres of excellence (COE), which are typically viewed as specific functional activities that the subsidiary is recognised for (Fratocchi & Holm, 1998, Frost, Birkinshaw, & Ensign, 2002, Holm & Pedersen, 2000, Surlemont, 1998).

The issue of autonomy has taken on an interesting role in the development of this stream of literature. In general subsidiaries seem to be autonomy seeking, while overall MNE push for more centralisation (Patterson & Brock, 2002). However, in recent studies rather than treating autonomy as something subsidiaries are striving for, there is a move to identify autonomy more as an input that drives subsidiary development (Johnston & Menguc, 2007, Taggart & Hood, 1999, Young & Tavares, 2004).

2. Subsidiary Evolution

The second stream of literature is based on the evolution of subsidiary roles over time. It has been recognised for some time in the field of international business that foreign direct investment is a sequential process, beginning with the initial investment and leading to typically higher quality investment over time (Chang, 1996, Chang, 1995, Kogut, 1983). This process of subsidiary evolution is well established but the vital element of this stream is the premise that subsidiary evolution can be driven from inside through the initiatives of subsidiary managers, or from outside through the investment of the parent company or other external forces (Young & Tavares, 2004). To a partial degree changes in subsidiary role were investigated by empirical studies such as Jarillo and Martinez (1990) and Papanastassiou and Pearce (1994). However, most of the research has been done in the form of case studies where issues could be analysed in greater depth (Birkinshaw & Hood, 1998, Chang & Rosenzweig, 1998, Delany, 1998).

What does become apparent from the research on the drivers of subsidiary evolution is that the perspective an author is coming from has had a huge impact on the factors which are emphasised in an article (Patterson & Brock, 2002). Brock (2000) identifies that researchers from larger countries are more likely to see things from the corporate point of view, while those from smaller countries appear to be more interested in subsidiaries. Those studies that are written from the corporate managerial perspective assume that parent company managers are the most important drivers (Chang, 1995, Malnight, 1996). On the other hand, those studies written from the subsidiary perspective emphasise subsidiary initiative (Birkinshaw, 1997), and those studies written from a regional development perspective (Hood & Young, 1994) emphasise the environmental effects and the effect of government on that environment.

3. Information Flow

The third stream of literature looks at the flow of information between the subsidiary and its network, where the network can be inside or outside the MNE. Taking the internal network initially, research by Gupta and Govindarajan (1991, 2000, 1994) focused on the patterns of information flow between subsidiaries and HQ. Internal 'embeddedness' of subsidiaries within the MNE network, has emerged as potentially the most important strategic option available to subsidiary managers (Garcia-Pont, Canales, & Noboa, 2009).

Research on the subsidiary's external network, has focused on the nature and strengths of the linkages between the subsidiary and its local environment. One strand of research uses patent citation analysis to show that subsidiaries draw from, and contribute to, the knowledge pool in their local environment (Almeida, 1996, Almeida, 1999, Frost, Birkinshaw, & Ensign, 2002, Kummerle, 1997, Phene & Almeida, 2003). A second strand looks at the extent to which subsidiaries are 'embedded' in their local environment and how that affects their internal network relationships and performance (Andersson, Forsgren, & Holm, 2002, Cantwell & Mudambi, 2005, Foss & Pedersen, 2002, Grabher, 1993). A third strand models the subsidiary as the interface between a leading edge industry cluster and a leading edge MNE (Enright, 2000, Solvell & Birkinshaw, 2000, Solvell & Zander, 1998).

A great deal of attention has been paid to the dual role of subsidiaries within the internal and external network. From a subsidiary perspective the possibilities of influence associated with external networks seem to be diminished as MNEs fine slice their activities and reduce subsidiary external embeddedness (Buckley & Ghauri, 2004, Mudambi, 2008, Yamin & Forsgren, 2006). The focus in the future would seem to be on the potential benefits within the internal network of the MNE (Garcia-Pont, Canales, & Noboa, 2009).

4. HQ-Subsidiary Relationship

The fourth stream of literature highlights various aspects of the headquarters' subsidiary relationship. Although this issue has received a great deal of attention in the past, some new approaches have been applied in recent years. One example is the concept of procedural justice being applied to the HQ subsidiary planning process (Kim, 1993a, 1993b, Kim & Mauborgne, 1991, Taggart, 1997a). Gupta and Govindarajan (1991) examined the related concept of feedback seeking behaviour in subsidiary managers. Additionally, a number of studies highlighted the notion of perception gaps between HQ and subsidiary managers, and the related consequences (Birkinshaw, Holm, Thilenius, & Arvidsson, 2000, Holm, Johanson, & Thilenius, 1995, Luo, 2003). In recent times some studies have highlighted the impact of micro issues, such as political negotiations between subsidiary managers and their headquarters (Dörrenbächer & Gammelgaard, 2006, 2009, Dörrenbächer & Geppert, 2006).

Having reviewed the major empirical developments in the field, it is of equal importance to discuss the theoretical perspectives which have been employed to study MNE subsidiaries.

THEORETICAL LITERATURE

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 MNE as a whole, rather than the subsidiary. Problems arise when attempting to apply firm level theory to the subsidiary unit (Birkinshaw & Pedersen, 2009). Despite the difficulties a number of theories have been applied, and it is a worthwhile exercise to review the various approaches, and potential future directions.

The most broadly used theory in MNE research is the transaction cost theory of international production. Although the original transaction cost model was not used specifically to describe the MNE, over time it would come to be an important tool in analysing the MNE. This theory seeks to explain the existence of MNEs in terms of ownership specific advantages against incumbent domestic competitors, location specific advantages that favour investment in the local economy, and the intermediate market failure that favours 'internalisation' over other forms of contractual arrangements (Buckley & Casson, 1976, Dunning, 1980, Rugman, 1981). Despite its proliferation in the literature, there are a number of international management scholars (Bartlett & Ghoshal, 1989, Birkinshaw, 2000, Doz & Prahalad, 1991, Ghoshal & Moran, 1996, Hedlund, 1994) who view this type of international business literature as largely peripheral to obtaining an in depth understanding of the actual functioning of complex organisations such as MNEs. Alternatively Rugman and Verbeke's (2003) contend that the transaction cost perspective does provide useful insights on subsidiary and corporate headquarters management, from both a descriptive and a prescriptive point of view.

In the last decade the network approach has been explicitly applied to the MNE (Forsgren, 1992, Ghoshal & Bartlett, 1990), and has become very prominent in subsidiary-level research (Andersson, Forsgren, & Holm, 2002, Birkinshaw & Hood, 1998b, Gupta & Govindarajan, 2000). The advantage of the network approach is that instead of the subsidiary being a subordinate entity with the MNE hierarchy it becomes a node in a network, with links to external and internal actors, greater degrees of freedom and influence. Its main weakness, however, is that it is frequently used in a purely descriptive way, which makes it irrefutable, and therefore detracts from its power as a theory (Birkinshaw & Pedersen, 2009).

Institutional theory emerged as a popular theory for studying the MNE during the 1990s, through the ground breaking work of Rosenzweig and Singh (1991) and Westney (1994, 1990). Institutional theory provides an avenue for understanding why it is common to find strong similarities in competing firms. It argues that through a variety of pressures firms will deliberately adopt practices and behaviours that are similar to those in their task environment (DiMaggio & Powell, 1983, Meyer & Rowan, 1977). This line of thinking was applied to a number of empirical studies (Rosenweig & Nohria, 1995, Westney, 1990), but the interest in institutional theory has dropped of in recent years baring some exceptions (e.g. Kostova & Roth, 2002).

A number of other theoretical perspectives can also be identified in subsidiary management research. Birkinshaw (1999) has attempted to portray the MNE as an internal network system in which subsidiary companies compete with one another for charters, but it is not yet clear if this approach will yield any valuable insights. Several concepts have been taken from the social psychology literature, including procedural justice (Kim & Mauborgne, 1991) and feedback seeking behaviour (Gupta, Govindarajan, & Malhotra, 1999), to model the HQ subsidiary relationship. Agency theory has also been used in this way (Chang, 1999, Kim, Prescott, & Kim, 2005) but its usefulness for studying headquarters and subsidiary relationships has been questioned (Watson O'Donnell, 2000).

Interestingly, the theory which is arguably the dominant conceptual paradigm in strategic management has received relatively little attention in the MNE literature. The resource based view of the firm has the potential to contribute greatly to the study of the MNE, but apart from notable exceptions (e.g. Birkinshaw & Hood, 1998, Rugman & Verbeke, 2001) it has been greatly underused. So why has a theory that offers so much potential been underused in

the study of the MNE? It appears to be the level of analysis which causes the primary concern. The resource based view implicitly assumes that resources and capabilities are developed in one large firm, whereas the reality in the MNE is that some may be held at the level of the parent company whereas others may be held at the subsidiary level. In order to apply the resource based view to the study of subsidiaries it may be necessary to delve deeper into the processes which underlie resource deployment and capability development at the subsidiary level. 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. In order for the field to move forward this deficiency must be rectified, and a theory like the resource based view has the potential to generate new insights and make a major contribution to this process.

DEVELOPING STRATEGY TO DRIVE SUBSIDIARY DEVELOPMENT

What emerges from the preceding review is that considering the depth of subsidiary management research it seems strange that from a strategy perspective there are no clear insights to guide both researchers and subsidiary managers (Dörrenbächer & Geppert, 2009, Scott, Gibbons, & Coughlan, 2010). One of the factors behind this has been the confusion over what constitutes subsidiary strategy and what are its main components? A distinction is commonly made in the literature between the concepts of subsidiary strategy and subsidiary role. A subsidiary's role is assigned to it by the parent company, whereas subsidiary strategy suggests some level of choice or self determination on the part of the subsidiary (Birkinshaw & Pedersen, 2009). 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.

It is not appropriate to include competitive advantage in a description of subsidiary strategy, as the subsidiary is only one part of the corporation and competitive advantage is commonly argued to arise as a result of the unique configuration and coordination of a corporation's activities (Porter, 1996). The important elements of subsidiary strategy identified by Birkinshaw and Pedersen (2009), are the market positioning component and the resource development component. Strategy is about how these two components are brought together taking into account that subsidiaries customers and competitors are very often with the MNE network in a model of coopetition (Luo, 2005). To study strategy development at the subsidiary level it is important to analyse how well subsidiary managers identify with the two components of strategy and secondly how many of the components of subsidiary strategy are actually under the control of the subsidiary manager?

Market Positioning

There are significant trends underway which look set to further limit the freedom at which subsidiaries shape their market position. The emergence of global customers for products has meant that subsidiaries are no longer required to develop products for the specific needs of a particular market (Mudambi, 2008). Outsourcing and offshoring of activities has also led to subsidiaries playing smaller roles within global supply chains (Buckley, 2009). 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 additional input. Increased access to information has also reduced knowledge deficit in MNEs, giving headquarters unprecedented access to the activities of their subsidiaries, reducing the potential autonomy of the subsidiary (Yamin & Sinkovics, 2007). In fact most subsidiaries actually have far less control over their market positioning that the traditional approach would suggest.

Resource Development

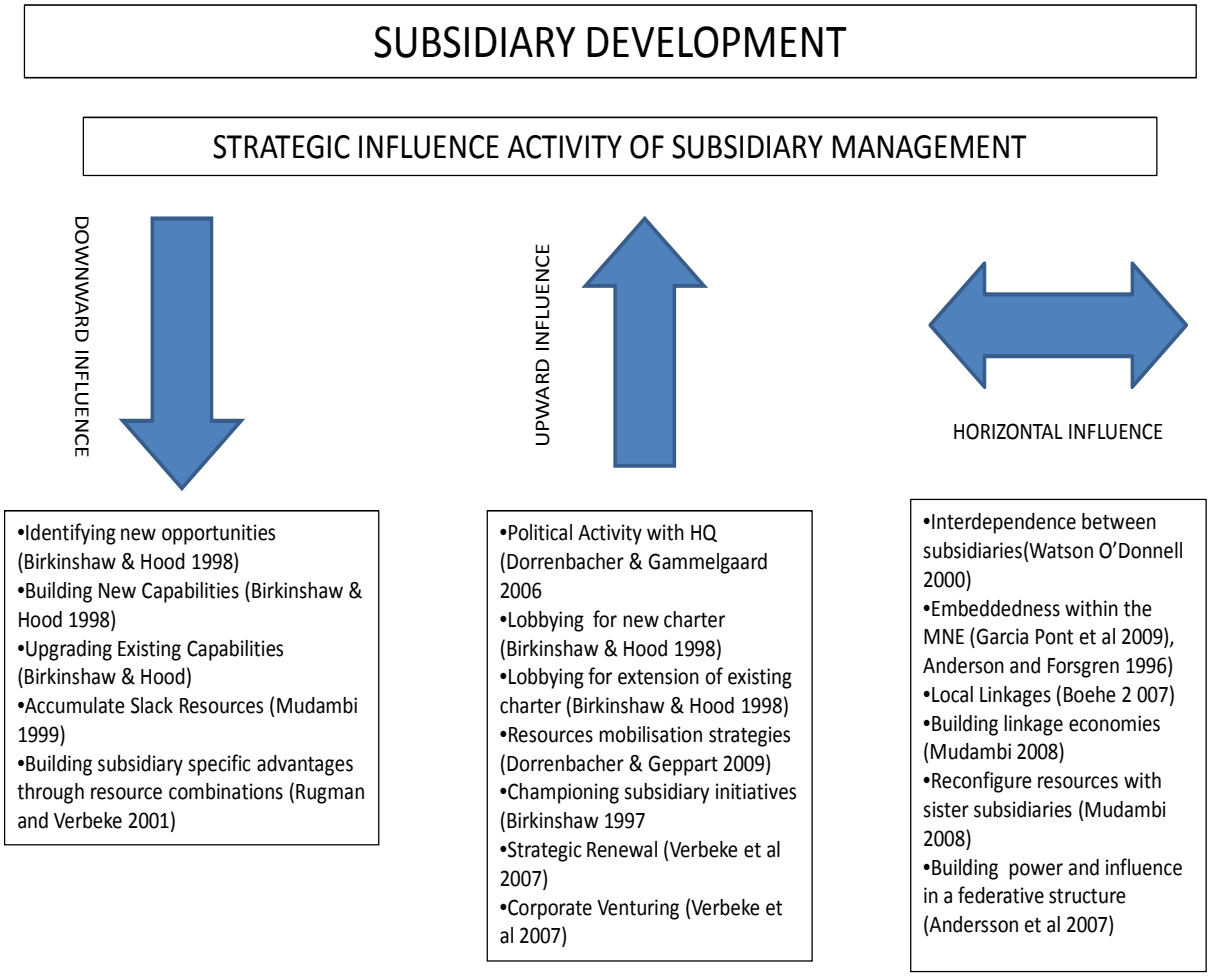
Resources are defined as the stock of available factors owned or controlled by the firm, and capabilities are a firm's capacity to deploy resources, usually in combination, using organisational processes to effect desired end (Amit & Shoemaker, 1993). If a subsidiary is to be taken as a unit of analysis in its own right is it possible to split up resources and capabilities between the subsidiary and the MNE? 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 a difference in 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. This highlights the difficulties in studying strategy development at the subsidiary management level and it is proposed here that a new approach must be adopted.

RESEARCHING STRATEGY AT THE SUBSIDIARY LEVEL

At its origins, strategic management was stamped with the notion that strategy research is about helping top managers determine appropriate strategy and install necessary implementation mechanisms. Even after the field turned towards strategy process research the "top management" perspective is the genesis for virtually every hypothesis in empirical work, and most theoretical work has moved under the same assumptions. The assumptions that dominate the field are: (i) strategy making is a choice process involving the hierarchical ordering of alternatives; (ii) top mangers encounter and process the information necessary to

make a choice; and (iii) the choice made by top management leads directly to organisational outcomes (Andrews, 1971, Ansoff, 1965, Chandler, 1962). Taking a resource based perspective Floyd and Wooldridge (2000) outline how these assumptions have limited the fields scope of inquiry and therefore our understanding of how strategy develops.

The positioning view of strategy focuses on the allocation of resources, not their accumulation, and such allocations typically require top management approval. Floyd and Wooldridge (2000) contend that positioning leads in a direct way to a view that process puts top management at the centre. Theorists have been focused on how resources are allocated in support of a competitive positioning strategy, and this has led to an emphasis on top managers as the locus of strategy making. This approach is not applicable to studying subsidiary managers as it does not reflect the position they occupy within the MNE or the tensions they must cope with in evaluating their strategic options. For subsidiary management their main strategic goals are to fulfil their existing mandate and to extent their mandate into the future. Subsidiary management literature has focused on different elements of subsidiary development, but as yet there is no holistic view highlighting how management undertake this process and the relative tensions which result. The table below illustrates a number of examples, from the subsidiary literature, of subsidiary development and exemplifies the case for a new approach to the study of the subsidiary manager.



Adapted from Floyd and Wooldridge 1992, 1997

SUBSIDIARY MANAGERS; MNE MIDDLE MANAGERS

The assumptions of the top management perspective on strategy development do not apply to the unique context of the subsidiary. The figure above illustrates the variety of strategic options which subsidiaries undertake to drive their development. What it also illustrates is the resource based nature of the strategic options and the different directions in which strategic activity take place within this unique context.

Up until now, studies purporting to be analysing subsidiary strategy have ignored the position of the subsidiary manager within the overall MNE. It is proposed that major insights could be

gained by changing the unit of analysis to view the subsidiary manager as a middle manager in the context of the MNE. If it is accepted that subsidiary strategy will always be to some extent nested within the overall MNE strategy the position of the subsidiary top manager as a middle manager in the structure of the MNE becomes apparent. This approach has been taken before in researching issue selling within MNEs (Dutton & Ashford, 1993, Dutton, Ashford, O'Neill, Hayes, & Wierba, 1997, Dutton, Ashford, O'Neill, & Lawrence, 2001).

The resource based approach to middle management research has shown that through their strategic activities middle managers are key to explaining key organisational wide outcomes (Wooldridge, Floyd, & Schmid, 2008). From an MNE perspective, subsidiary development is an outcome which subsidiaries are expected to deliver but there is a lack of explicit knowledge detailing how subsidiary management drive this process. The middle level perspective views strategy as a social learning process (Mintzberg, 1978), and rather than keeping the process in a black box, exploring the strategy making process to understand how managers are involved in and influence strategy is a key part of middle management research. Studying subsidiary managers from a middle management perspective would allow researchers to focus on the intermediate outcome of subsidiary development before identifying how it relates to the overall MNE strategy.

Floyd and Wooldridge propose three important antecedents in their model of strategy making at the middle of the organisation (Floyd & Wooldridge, 2000). First, a central argument in favour of a middle level perspective is that strategic knowledge is greatest in the middle of the organisation. The middle level is where knowledge about directions, operations and context is most likely to come together to form a complete strategic picture. Secondly, the mid level perspective assumes motivation on the part of midlevel actors. Championing, facilitating, and

otherwise promoting new strategic initiatives requires leadership on the part of midlevel actors, and there is an assumption that individuals are motivated to act strategically. Finally, in order for the actions of middle managers to result in strategic renewal, a significant degree of midlevel autonomy is assumed. Renewal requires actors to engage in activities and take chances that go beyond top management intentions. The literature on subsidiary evolution and subsidiary initiative validates the assertion that subsidiary top managers fit the attributes for the middle manager model of strategy making (Birkinshaw & Fry, 1998, Birkinshaw & Hood, 1998, Williams, 2009).

CONCLUSION

By applying the resource based model of middle manager strategy making to the subsidiary manager there is the potential to make important contributions to two streams of literature. From an international business perspective, considering the volume of subsidiary management research, it is surprising that up until now the underlying contributors and processes which drive subsidiary strategy have remained an unknown quantity. The middle manager framework could unlock valuable insights, which have so far eluded researchers. For the strategy field, there is an opportunity to apply the middle manager framework of strategy development to a specific and underexplored setting. These research opportunities represent the motivation behind this review, to highlight the potential of applying an existing framework to the emerging topic of subsidiary strategy.

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