

HEADQUARTERS-SUBSIDIARY PERCEPTION GAPS ON SUBSIDIARY ROLE: IMPACT ON SUBSIDIARY PERFORMANCE AND EXPATRIATES' MODERATING ROLE

Evaluation report on the thesis for the degree of Doctor of Business Administration
Jusuke Ikegami

Abstract

Ikegami posed the following research questions: 'How do perception gaps between headquarters and subsidiaries and subsidiaries' roles affect the performance of multinationals' subsidiaries?' 'What are the effects of expatriate coordination on the relationship between the headquarters perception gap and subsidiary performance?' These research questions are key subjects in international business research in the context of multinational corporations (MNCs) and headquarter-subsidiary relationships. MNC theory has shifted from a hierarchically structured model to MNC theory as a network model that considers subsidiaries as nodes in a larger network. Mr. Ikegami has applied the MNC as a network model and shed new light on this area by clarifying the direct relationship between a perception gap and subsidiary performance and the moderating roles of expatriates' coordination via host country national (HCN) managers. The author used a unique sequential mixed method approach, which examined the issues qualitatively and quantitatively. In this way, the research contributes to the existing studies by providing novel insights for international business academics and benefitting the executives and managers of MNCs.

Chapter 1 clarified the research questions of the current paper and the background motivation for the study. Mr. Ikegami confirmed that the headquarters-subsidiary perception gap is a significant theme among headquarters-subsidiary relationship studies based on the literature and his direct experience interacting with MNC executives. Mr. Ikegami suggested that, while most literatures emphasise the negative aspects of perception headquarter-subsidiary perception gaps, executives and managers mention the negative aspects but also highlight the natural or positive influences of perception gaps.

In Chapter 2, the author critically reviewed existing literatures related to the key constructs for the research questions from multiple perspectives. MNC theories and subsidiary roles are initially reviewed followed by a study of the perception gap in the MNC context. First, the chapter explained the shift in perspectives of MNCs from hierarchically structured entities to a model in which headquarters are positioned at the

top of a network of a geographically dispersed set of value-adding activities. The author showed how various subsidiary role typologies increase the confusion under the MNC network model. Literatures on the headquarters-subsidiary perception gap are examined with respect to various factors such as definition, influence, perception gap directionality, and consequences. Mr. Ikegami clarified that existing literature addresses intermediate outcomes between perception gaps and subsidiary performance only, such as conflict, headquarters control, and motivation, but do not examine subsidiary performance. Through the application of a perception gap directionality model, the author noted that few literatures quantitatively examine the differences in consequences depending on perception gap directionality.

Chapter 3 explained the overall research method. Because of the explorative nature of the study, Mr. Ikegami applied a sequential qualitative → quantitative mixed design. The first part of the study was exploratory in nature using semi-structured interviews to examine several questions with case study companies. Then, based on the qualitative analysis, a series of quantitative hypotheses were developed and tested using questionnaires.

Chapter 4 explained the Phase I research and methodology for the qualitative study followed by a descriptive case study of the research site. The author applied four selection criteria to the target company. This type of large scale direct interview survey involving managers in various positions is typically quite difficult, but Mr. Ikegami executed these interviews by acquiring strong support from top management.

Case interviews were examined in Chapter 5 as a foundation to the theory development, and the theory and hypotheses were developed in Chapter 6. Mr. Ikegami conducted 134 interviews with headquarters executives/managers, expatriates, and HCN managers in seven countries including China, Europe, Indonesia, Japan, Singapore, Thailand, and the US. These comprehensive interviews provided rich insight. Most of the existing literatures do not distinguish between expatriates and HCN managers in a subsidiary. The author identified that the consequences of perception gaps may differ according to the type of subsidiary role at the point at which the perception gap occurs and the perception gap directionality. Mr. Ikegami developed a general model to analyse the headquarters-subsidiary perception gap through these findings. An additional contribution is the identification of the differences in subsidiary performance dynamism between existing and new business. Past literatures do not integrate perception gap studies and business types, although they mention the different nature of existing and new business. The author clarified the coordination role of expatriates' functions and suggested that differences in coordination impact may be substantial with respect to

expatriate coordination via HCN managers. The author's extensive and comprehensive interviews clarified the internal perspectives of the foreign subsidiaries.

Chapter 6 developed eight hypotheses. Six of the hypotheses concerned perception gaps between the headquarters and subsidiary HCN managers and the influence on subsidiary business unit performance. Subsidiary business unit performance is examined separately comparing existing business performance and new business performance. The remaining hypotheses addressed the moderation effect on expatriate coordination via HCN managers on the relationship mentioned above. Mr. Ikegami separated expatriate managers and HCN managers in a foreign subsidiary and examined the perception gap focusing on HCN managers and the interaction effects of expatriate managers. This separation of expatriate and HCN managers in examining subsidiary performance is highly relevant to practical requirements.

Mr. Ikegami executed quantitative analysis in Chapter 8 after explaining the methodology of the quantitative analysis in Chapter 7. The author conducted a triad-sourced web-based questionnaire survey by targeting headquarters managers, HCN managers, and expatriate managers in the same business unit. This is a highly complex research design not previously attempted by researchers in this field. Five of the eight hypotheses were supported by the survey, and this unique survey brought several new insights.

This quantitative analysis clarified the relationship between the headquarters-subsidiary perception gap and subsidiary performance, which in part contradicts the direction suggested by existing literatures. Most literatures suggest that a perception gap implies negative consequences. Some key findings were 1) headquarters overestimation in subsidiary capability positively influences current and new business performance of subsidiary business units, 2) subsidiary overestimation of subsidiary capability negatively influences current business performance of subsidiary business units, 3) subsidiary overestimation of the strategic importance of the local environment positively influences new business performance of subsidiary business units, and 4) there is moderating effect of expatriate coordination via HCN managers on the relationship between headquarters-subsidiary perception gaps and subsidiary performance.

Chapter 9 concluded the paper by explaining the contributions and limitations, clarifying the findings concerning the headquarters-subsidiary perception gap and the subsidiary role with respect to subsidiary performance, and outlining the contributions to academic literatures and the benefits of the findings to real-world practitioners.

Overall Evaluation

One key objective of this thesis for the degree of Doctor of Business Administration was to bridge academics and business in the real world. This required elucidating real issues for practitioners through theories and rigorous empirical analysis. This dissertation satisfied the objectives. Mr. Ikegami executed comprehensive and large size qualitative and quantitative analysis of a key issue concerning headquarters-subsidary relationships and exhibited sufficient knowledge and understanding of this field. Mr. Ikegami fully understands the objectives and implications of his research. The study provided new and deep insights into the subsidiary role and the international perception gap research. The current study contributes to academics and real-world practice by developing an integrated analysis framework for the international perception gap concerning the subsidiary role and confirming the impact of perception gaps on subsidiary performance.

All degree papers have limitations, and this study acknowledges several. First, this study focused only on the activity of one company. Although the company has an extensive business portfolio with broad international coverage, the results could be moderated by specific national and organisational culture proneness. Second, the number of samples was not sufficient to show a robust result. A total of 258 managers answered the web questionnaire survey; however, because the quantitative analysis was conducted using dyad and triad datasets, headquarters-HCN managers and headquarters-HCN manager-expatriates in the same strategic business units, there were only 49 dyad data. Third, the quantitative data were cross-sectional and could not include longitudinal data. Fourth, although two important aspects of subsidiary roles were examined – the strategic importance of the local environments and subsidiary capability – that are critical to subsidiary performance, the framework of this research is not considered comprehensive. Knowledge flow, a key subsidiary role factor, is not included. Finally, this research design did not test causality in detail. However, these subjects, particularly extending the research to panned data and examining causality are suggested avenues for future research.

However, the contribution of this paper was to bridge the gap between headquarters-subsidary perception and subsidiary performance, which is a concern for both academics and MNC managers but has not been investigated by existing literatures.

This dissertation committee evaluated this paper at the defence session held on 16 April 2015. The committee confirmed that Mr. Ikegami satisfies the standards in the graduate school faculty of International Corporate Strategy and is to receive the degree of Doctor of Business Administration.