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International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Assigned versus assumed: Towards a contemporary, detailed understanding of subsidiary autonomy

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ARTICLE INFO

Keywords:

Subsidiary autonomy
Literature review
Agency theory
Bundling model
Decision process perspective
Network model

ABSTRACT

This paper critically documents the rise of autonomy in subsidiary management literature, and develops an agenda for future research in this key area. Integrating and updating the seminal works of Paterson and Brock (2002) and Young and Tavares (2004), the paper begins with a critical review of subsidiary autonomy within the streams of subsidiary management literature. This leads to an assessment of the key contemporary issues requiring further investigation. These issues center around two key types of autonomy: assigned and assumed. We argue these types represent a more accurate, in-depth conceptualization of subsidiary autonomy, and also have significant implications for key related topics, including subsidiary development. This is depicted in an integrative model that draws upon agency theory, the network model of the MNE, the decision process perspective and the bundling model in presenting a revised view of subsidiary autonomy, and offers a basis for further research within the field.

1. Introduction

Despite featuring prominently in much of the subsidiary management literature (Chiao & Ying, 2013; de Jong, van Dut, Jindra, & Marek, 2015; Miozzo & Yamin, 2012; Wang, Luo, Lu, Sun, & Maksimov, 2014), the notion of ‘autonomy’ has not yet been fully understood in its entirety (Ndubisi, Capel, & Ndubisi, 2015; Tong, Wong, & Kwok, 2012; Young & Tavares, 2004). We argue that this is largely due to the changing way in which subsidiary autonomy has been perceived over the course of the different streams of subsidiary management literature. While earlier streams such as the Strategy-Structure stream adopted a headquarter focus with little consideration for subsidiary independence (e.g. Dichter, 1962; Fayerweather, 1969), studies within the more recent streams such as the Subsidiary Development stream have highlighted the importance of subsidiary autonomy in driving the expansion of the subsidiary’s contributory role (Balogun, Karzabkowski, & Vaara, 2011; Birkinshaw & Hood, 1998; Delany, 2000; Sargent & Matthews, 2006), amongst other things. This has resulted in a number of conflicting findings surrounding the notion of subsidiary autonomy.

One such group of findings relates to the existence of different types of subsidiary autonomy. To this point, the majority of studies throughout each of the existing subsidiary management streams have employed a

broad, imprecise conceptualization of subsidiary autonomy, exploring the overall concept’s influence on such things as subsidiary performance (Gammelgaard, McDonald, Stephan, Tuselmann, & Dorrenbacher, 2012) and reverse knowledge transfers within the MNE (Rabbiosi, 2011). However, Ndubisi et al. (2015), Tong et al. (2012) and Young and Tavares (2004) reiterate a point made in previous work by Brooke (1984) that a consideration of ‘subsidiary autonomy’ as a broad concept is insufficient. These authors argue that to reflect its complex and multi-dimensional nature, any study focusing on subsidiary autonomy must consider its distinct and varying types. This claim is strengthened by the findings of Miozzo and Yamin (2012), Balogun et al. (2011), Gammelgaard, McDonald, Tuselmann, Dorrenbacher, and Stephan (2011), Sandvik (2010), Sargent and Matthews (2006) and Delany (2000). These studies reveal that in contrast to the traditional view that autonomy is only assigned by the headquarters, autonomy may be developed beyond the formally assigned levels by the subsidiary itself. Yet none of these studies (nor any others) have explicitly differentiated between different types of autonomy.

This need for a revised conceptualization of subsidiary autonomy based on its different types is further reinforced by a range of theoretical limitations within this key research area. For example, agency theory (Jensen & Meckling, 1976; Saam, 2007) has been sug-

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gested by Dorrenbacher and Geppert (2009) as the key theoretical underpinning of this type of autonomy that is assumed by subsidiary managers (as explored in greater detail in Section 4.1). Yet agency theory is currently limited in its ability to explain other potential motives for ‘assumed’ autonomy, including documented instances where subsidiary managers are *forced* to assume autonomy (Sargent & Matthews, 2006) or are deliberately afforded significant freedoms by headquarters but believe themselves to be assuming autonomy independently (Sandvik, 2010). At the same time, the decision process perspective (Bower, 1970; Burgelman, 1983a) offers key insights into how ‘autonomous’ strategic behaviors relate to ‘induced’ strategic behaviors (Ambos, Andersson, & Birkinshaw, 2010; Birkinshaw & Hood, 1998). Yet this theory has rarely been applied within a subsidiary autonomy context, while its supposition that no relationship exists between corporate strategy and displays of ‘assumed’ autonomy is refuted by the empirical evidence of Sandvik (2010).

Our motivation for the study is therefore to extend beyond both the extant streams of subsidiary development literature and the existing theoretical underpinnings by developing a more detailed, specific and contemporary understanding of subsidiary autonomy that is reflective of two key, contrasting types: assigned and assumed autonomy. Drawing on key elements of agency theory (Jensen & Meckling, 1976; Saam, 2007), the decision process perspective (Bower, 1970; Burgelman, 1983a), the network model of the MNE (Andersson & Forsgren, 1996; Ghoshal & Bartlett, 1990) and the bundling model (Hennart, 2009, 2012), we argue that these proposed types of autonomy represent a more accurate, complete and representative conceptualization of subsidiary autonomy today. Just as importantly, we also argue that the distinction between assigned and assumed autonomy will have significant implications in relation to important associated issues, such as the causes of autonomy, its influence on key processes such as subsidiary development and how it varies across value chain activities. By focusing on subsidiary autonomy itself and distinguishing between its key types, our conceptualization of subsidiary autonomy offers a more detailed, in-depth understanding that builds on that of seminal autonomy-related papers such as Young and Tavares (2004) and Gammelgaard et al. (2012).

With this in mind, our paper is structured as follows: we initially outline the methodology employed in this paper, and subsequently provide a critique of the extant research on subsidiary autonomy throughout the different streams of subsidiary management literature. This comprehensive review builds on the seminal works of Paterson and Brock (2002) and Young and Tavares (2004), who had previously reviewed the broader subsidiary management streams and subsidiary autonomy literature respectively. Our extended review is crucial in developing a greater understanding of the multifaceted notion of subsidiary autonomy, and also in highlighting those areas with conflicting interpretations or contrasting findings through the various streams of literature. We then highlight the need for greater understanding of the key types of subsidiary autonomy that have been underexplored throughout the subsidiary management streams. Through an analysis centering on the theoretical underpinnings of this and related issues (including the causes and outcomes of these key types), we identify a series of key research questions, offering a future research agenda. This leads to the development of an integrative model that presents a contemporary, detailed view of subsidiary autonomy based on the key types of assigned and assumed. Our model integrates the key theoretical lenses of agency theory, the decision process perspective, the network model of the MNE and the bundling model to better understand and explain our proposed conceptualization of autonomy. By integrating key aspects of these previously distinct theoretical perspectives to explain our two key proposed types of autonomy, as well as their causes, their influence on the subsidiary development process and how they may differ across a subsidiary’s value chain activities, we extend the explanatory power of each perspective. Finally, we present the implications of our study for managerial practice as part of a broader conclusion.

Table 1
Featured articles classified by journal.

Journal Title	Author(s)/Year
IBR (13 citations)	de Jong et al. (2015) Hennart et al. (2015) Kawai and Strange (2014) Chiao and Ying (2013) Cavanagh and Freeman (2012) Gammelgaard et al. (2012) Young and Tavares (2004) Paterson and Brock (2002) Birkinshaw and Ridderstrale (1999) Forsgren et al. (1999) Mudambi (1999) Vachani (1999) Andersson and Forsgren (1996)
JIBS (12 citations)	Wang et al. (2014) Balogun et al. (2011) Hennart (2009) Fenton-O’Creevy, Gooderham, and Nordhaug (2008) Andersson, Forsgren, and Holm (2007) Johnston and Menguc (2007) Edwards, Ahmad, and Moss (2002) Feinberg (2000) Birkinshaw and Morrison (1995) Roth and Morrison (1992) Gates and Egelhoff (1986) Podsakoff et al. (2005)
SMJ (8 citations)	Rugman and Verbeke (2001) Frost et al. (2003) O’Donnell (2000) Taggart (1998) Birkinshaw (1997) Jarillo and Martinez (1990) Kobrin (1991)
AMR (5 citations)	Birkinshaw and Hood (1998) Gupta and Govindarajan (1991) Ghoshal and Bartlett (1990) Eisenhardt (1989) Burgelman (1983a, 1983b) Bartlett and Ghoshal (1986)
HBR (5 citations)	Levitt (1983) Lee (1965) Pryor (1965) Dichter (1962)
MIR (3 citations)	Enright and Subramanian (2007) Andersson and Forsgren (2000) Taggart (1997)
ASQ (2 citations)	Sengul and Gimeno (2013) Burgelman (1983a, 1983b)
IJHRM (2 citations)	Kynighou (2014)
JIMar (2 citations)	Homburg and Prigge (2014) Solberg (2000)
JMS (2 citations)	Rugman et al. (2011) Forsgren et al. (1995)
AME	Moore and Birkinshaw (1998)
AMJ	Takeuchi, Shay, and Li (2008)
BH	Sandvik (2010)
BQ	White and Poynter (1984)
CJWB	Picard (1980)
EJIR	Belizon, Gunnigle, Morley, and Lavelle (2013)
EMJ	Dorrenbacher and Geppert (2010)
GSJ	Hennart (2009)
HRMJ	Belizon et al. (2013)
IJMR	Strutzenberger and Ambos (2014)
ISM	Lyle and Zawacki (1997)
JAAB	Couto, Vieira, and Borges-Tiago (2005)
JBE	Bohren (1998)
JEWB	Pisoni et al. (2010)
JFE	Jensen and Meckling (1976)
JIMan	Rabbiosi (2011)
JMR	Tong et al. (2012)
JOM	Hulbert et al. (1980)
JSE	Saam (2007)
JSM	Ndubisi et al. (2015)
JTM	Manopoulos (2008)
JWB	Sargent and Matthews (2006)

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