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The legitimacy of subsidiary issue selling: Balancing positive & negative attention from corporate headquarters

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ABSTRACT

We consider how in issue selling, subsidiaries draw on different forms of legitimacy to attract corporate headquarters' (CHQ) positive attention and minimise negative CHQ attention. Through case study evidence, we find that directing CHQ attention to subsidiary issues needs to be executed as a balancing act through forms of subsidiary legitimacy, namely; the personal legitimacy of key individuals at the subsidiary; consequential legitimacy vis-à-vis peer subsidiaries; and linkage legitimacy in the local environment. We develop a typology of subsidiary issue-selling roles and illustrate how negative CHQ attention results from a failure to legitimise issue selling.

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1. Introduction

The multinational enterprise (MNE) is increasingly portrayed as an internal market system where intense intra-firm competition between subsidiaries is inevitable (Birkinshaw & Lingblad, 2005; Chen, Chen, & Ku, 2011; Luo, 2005). The structure of the corporate headquarters (CHQ)-subsidiary relationship has evolved from a focus on formal bureaucratic control to an informal differentiated network (Kostova, Marano, & Tallman, 2016; Kunisch, Markus, & Ambos, 2014). Subsidiaries are often encouraged to compete for resources from their CHQ, but arguably the most valuable and limited of these resources is the way the CHQ's 'attention' is devolved across the MNE (Ambos, Andersson, & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008a; Bouquet, Birkinshaw, & Barsoux, 2016). The fight for CHQ attention has been well documented in recent studies. These studies have largely focused on how subsidiaries attract 'positive' attention in the form of material resources from CHQ and how this subsequently contributes to the performance of the subsidiary's role over time (Ambos & Birkinshaw, 2010; Bouquet, Barsoux, & Orly, 2015). Positive attention is generally regarded as a forward looking and value enhancing corporate resource for subsidiaries, and research has shown that it can be a prerequisite to developing subsidiary

bargaining power and autonomy within the MNE (Bouquet & Birkinshaw, 2009).

Attention in the MNE can be conceptualised as the expression of a zero-sum relationship between the CHQ and the subsidiary in that attention to one subsidiary subsequently means less attention to others (Ambos & Birkinshaw, 2010; Birkinshaw, Bouquet, & Ambos, 2007). Within this 'attention market' subsidiaries ultimately attempt to redirect or buffer CHQ's attention to emerging trends or developments in their local environments (Bouquet & Birkinshaw, 2008a, 2009; Ocasio, 2011). We draw on issue-selling arguments as a lens to investigate how subsidiaries direct CHQ attention to key issues at the subsidiary level. Directing attention to critical issues can be a risky endeavour for subsidiaries as it is fundamentally an entrepreneurial process where subsidiaries promote unique and unfamiliar ideas (Dutton & Ashford, 1993; Dutton & Jackson, 1987). Competition for positive CHQ attention may cause the subsidiary to take risks in promoting issues that are misaligned with the mandate initially set out by CHQ. The subsidiary's behaviour may be misconstrued by CHQ as self-serving or disingenuous, largely due to CHQ's limited knowledge of these issues *a-priori* (Bouquet & Birkinshaw, 2008a). Attention biases such as bounded rationality and ethnocentrism can also generate suspicion and even hostility from CHQ, particularly if issues have come from unfamiliar sources (Barner-Rasmussen, Piekkari, Scott-Kennel, & Welch, 2010; Birkinshaw & Ridderstrale, 1999; Bouquet et al., 2016). Over time issue selling may result in what we term 'negative' CHQ attention, which we define as direct or indirect interventions from CHQ that destroy value at the

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subsidiary level. Negative attention may be difficult to differentiate from CHQ control or monitoring (Bouquet & Birkinshaw, 2008a) but it is essentially an undesirable outcome for subsidiaries. However, to date, the literature on theories of attention within the MNE focuses almost exclusively on positive CHQ attention (Ambos & Birkinshaw, 2010; Birkinshaw et al., 2007; Ocasio, 2011), largely ignoring the 'darker side' of negative CHQ attention. Directing positive CHQ attention can be a double-edged sword, as it risks attracting negative CHQ attention, which can lead to the destruction of the subsidiary's role. This clearly represents a key risk for subsidiary managers and heretofore the academic literature has largely been silent in terms of helping them understand the dynamic. Considering how subsidiaries balance this process is a key problem that our study aims to explore.

The current paper argues that successful issue selling is predicated on a set of legitimating forms specific to the subsidiary. Research generally focused on organisational legitimacy has shown that it can be used for both attracting valuable resources (Zimmerman & Zeitz, 2002; Zott & Huy, 2007) and combating an unfavourable image (Suchman, 1995). To date, research has largely neglected the role of legitimacy at the subsidiary level as a means to understand the subsidiary relationship with CHQ. We argue that subsidiaries have to work hard to legitimise key issues, which portrays them as committed corporate citizens playing by the rules of the corporate game. Further, it is essential that these issues are sold in a way that ensures their alignment with the corporate agenda. Our paper addresses this problem by investigating how subsidiaries use different forms of legitimacy to direct positive CHQ attention to key issues while simultaneously limiting or minimising negative CHQ attention.

We identify three specific forms of subsidiary legitimacy and illuminate how each of these attracts positive CHQ attention. The particular forms of subsidiary legitimacy we identify are the personal legitimacy of key individuals at the subsidiary (supportive attention), consequential legitimacy vis-à-vis peer subsidiaries (relative attention) and linkage legitimacy from the subsidiary's local environment (visible attention). Our research begins to fill the void in terms of empirical work on negative CHQ attention by illustrating how subsidiaries that do not align their issue-selling endeavours with these particular forms of legitimacy ultimately attracted negative attention from CHQ. In so doing, we also develop a typology of subsidiary issue-selling roles that explains how the level of legitimacy a subsidiary has impacts both the quality and quantity of attention it receives from CHQ. These concerns are critical, as positive CHQ attention can be central to maintaining the development of a subsidiary's influential position within the MNE. Equally, negative CHQ attention may threaten the subsidiary's relationship with key corporate decision makers and ultimately limit its opportunities in attaining future corporate investment. Indeed, negative CHQ attention may ultimately destroy value at the subsidiary level and potentially to the MNE as a whole. Hence, these concerns are relevant for both corporate executives and subsidiary managers in enhancing the efficient management and allocation of resources across the MNE network.

Drawing on and contributing to two distinct but interrelated fields of work, namely – subsidiary issue selling (Balogun, Jarabowski, & Vaara, 2011; Dutton & Ashford, 1993; Ling, Floyd, & Baldrige, 2005) and organisational legitimacy—(Bitektine, 2011; Suchman, 1995; Zimmerman & Zeitz, 2002; Zott & Huy, 2007) we contribute to the attention oriented perspective on the MNE (Ambos & Birkinshaw, 2010; Birkinshaw et al., 2009; Bouquet & Birkinshaw, 2008a; Bouquet et al., 2016; Ocasio, 2011) by exhibiting legitimacy as a key determinant for attracting and capturing positive CHQ attention, while concomitantly minimising negative CHQ attention. The paper is structured as follows; the next section positions the current study within the literature on

CHQ attention before outlining subsidiary issue selling and legitimacy in the MNE. The second section details the qualitative exploratory methodology of this study. Thirdly, we present the empirical findings and finally, we discuss the findings and their theoretical and practical implications.

2. Attention from corporate headquarters

2.1. Positive CHQ attention

Studies that examine attention in the MNE primarily consider positive CHQ attention, defined as the extent to which CHQ recognises and gives credit to the subsidiary for its contribution to the MNE (Bouquet & Birkinshaw, 2008a). Positive attention is generally regarded as a valuable resource that is challenging for subsidiaries to attain, but equally as complex for CHQ to allocate (Bouquet & Birkinshaw, 2009). Positive CHQ attention may unfold in three ways; 'supportive', through the provision of resources to support subsidiary development; 'relative' vis-à-vis peer subsidiaries, or 'visible' through the explicit recognition of the subsidiary from CHQ in the media (Bouquet & Birkinshaw, 2008a). Positive attention allows the subsidiary to stay connected with headquarters (supportive attention), raise their profile within the MNE (relative attention) and with external stakeholders (visible attention) (Ambos & Birkinshaw, 2010). Supportive attention may be demonstrated through CHQ endorsement in the form of further investment, monetary bonuses for senior executives or mandate extension for subsidiaries. Relative attention is the result of a zero-sum game in which subsidiaries compete to enhance their position internally in the MNE (Bouquet & Birkinshaw, 2008a). However, we add that the competition for attention needs to be balanced with collaborative approaches, such as best practice sharing in order for the subsidiary to avoid being perceived as self-serving. We argue that visible attention is the recognition a subsidiary gains from CHQ based on its external connections in the local environment. Locally distinctive linkages can provide visibility for the subsidiary at CHQ that might not have been achievable based solely on the subsidiary's merit.

From the CHQ perspective, international attention is considered a finite and perishable resource, where time and effort should be effectively invested in external overseas communications, internal executive discussions, or global scanning activities in order to assess opportunities and threats (Bouquet & Birkinshaw, 2009; Weick & Sutcliffe, 2006). From the subsidiary perspective, extant research has foregrounded the importance of a subsidiary's structural characteristics, such as the strategic role or mandate, in attracting positive CHQ attention (Birkinshaw & Hood, 1998; Delany, 2000; Mudambi, Pedersen, & Andersson, 2014; O'Donnell, 2000; Reilly & Sharkey Scott, 2014). The significance of the subsidiary's strategic location (Cantwell & Mudambi, 2011) or an enhanced global network (Andersson, Forsgren, & Holm, 2007) for example can add 'weight' to the subsidiary's attention attracting efforts (Birkinshaw et al., 2007; Bouquet & Birkinshaw, 2008a). Studies also consider the way subsidiaries may use subtle relational approaches to attract attention such as profile building (Barsoux & Bouquet, 2013), initiative taking (Ambos et al., 2010; Schmid, Dzedek, & Lehrer, 2014) or micro-political strategies (Geppert & Dorrenbacher, 2014), to 'vocalise' the subsidiary's achievements, depicting it as a valuable contributor the MNE (Bouquet & Birkinshaw, 2008a).

2.2. Negative CHQ attention

CHQ attention is not always a desirable outcome for subsidiaries. Current literature largely neglects exploring how subsidiaries can inadvertently attract unwanted or negative attention from

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