



Headquarters–subsidiary relationships in MNCs: Fifty years of evolving research



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ABSTRACT

We review the contributions to research on headquarters–subsidiary (HQS) relationships published in the *Journal of World Business* (known as the *Columbia Journal of World Business* until 1997) from the late 1960s to the present day. Based on 81 articles on the topic, we identify trends and dominant approaches in the journal's contributions to this area and link them to trends in the broader field of international management (IM) research and practice. We underline the journal's pioneering role in identifying and bringing to the forefront novel research questions and ideas that would later become central to the IM field. We conclude by assessing the importance and relevance of the journal's contributions to the literature on HQS relationships and by suggesting several directions for future research in this area, which could build on past work and leverage new phenomena.

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1. Introduction

The study of headquarters–subsidiary (HQS) relationships, or how multinational corporations (MNCs) coordinate and control their geographically dispersed value-adding subunits, is central to the field of international management (IM). The literature on this topic is vast and has evolved significantly in its focus and underlying assumptions since its inception. In this paper we present a review of the contributions to this literature published in the *Journal of World Business* (JWB) known as the *Columbia Journal of World Business* (CJWB) until 1997. Our review covers the last fifty years – from the late 1960s to the present day. Overall, the journal's contributions to the conversation in this area have followed the evolution of the understanding of control and coordination in MNCs in the broader IM field. In addition, however, the journal has pioneered some research questions and ideas that would later become central to the IM field. Our review highlights the most notable contributions of the journal to this literature in the context of these broader trends.

The overall picture of the study of HQS relationships from the pages of CJWB/JWB is an evolution of mechanisms from the more bureaucratic and formal to the more networked and informal. In

the face of a growing and increasingly globalized international marketplace, MNCs have taken advantage of improvements in information and communication technology, lowering barriers to trade and investment, increasing organizational experience with international operations, and ever more educated and experienced managers and employees to loosen formal internal controls in the name of greater organizational efficiency, motivation, and innovation. We track the evolution of this literature particularly in CJWB/JWB in order to understand how these trends played out in the organizational research on HQS relationships and to demonstrate the importance of the journal's contributions to this effort.

The next section presents our analysis of the progression in the study of MNCs and their subsidiaries, and in CJWB/JWB publications specifically. This is followed by a more in-depth review of the central themes in the journal's 50 years of research on HQS relationships, looking in parallel at the ties between subordinate organizations within the MNC and at the changing roles of expatriate and local managers in these organizations. We close with our thoughts about the future of HQS relationships over the next decades as technological, political, and organizational contexts continue to evolve, and with some ideas for future research in this area.

2. Main themes in studying HQS relationships

Our analysis of the journal's contributions in the area of HQS relationships in MNCs is based on a review of 81 articles on this

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topic published between 1968 and 2015. We identified the set of relevant articles by manually screening all the available issues of the journal. Overall, our review showed that (a) *CJWB/JWB* have always maintained an interest in studying HQS relationships in MNCs, and (b) have examined HQS relationships from various angles based on different conceptual approaches. Some scholars have focused on the control and power aspects that reflect the hierarchical nature of such relationships. Accordingly, they have studied various control and coordination mechanisms, ranging from formal organizational design and power distribution between headquarters and subsidiaries, to the use of expatriate managers and global human resource management (HRM) practices. Others have emphasized the integrative and value creation nature of HQS interactions by examining, for example, the development and flow of knowledge between these units for the purposes of creativity, innovation, global leveraging of intellectual and human capital, and effective management of MNCs' global networks of operations.

We found notable variation of approaches and themes over time. In the early years, during the 1960s and 1970s, *CJWB* emphasized issues of organizational design, formal systems of control and coordination of foreign subsidiaries, and the role of strategic staffing of global operations. During this period, research was primarily HQs-focused whereby host countries (and subsidiaries) were viewed less as providing strategic opportunities for the organization, and more as causing management challenges due to the differences between home and host country contexts. In this period, *CJWB* pioneered several topics that later became mainstays of research on HQS relationships. First was the work on the strategic role of expatriates for the successful management of multinational organizations (e.g., Heenan, 1970). Second, Perlmutter's work (1969) on top management's global strategic mindset and its impact on the firm's value chain introduced the notions of ethnocentric, polycentric and geocentric strategic orientation, which are still essential in both practice and research. Third, the journal promoted work on the contextual differences between home and host countries of MNEs and the implications for firm's ability to successfully transfer people and practices across the organization (e.g., Richman & Copen, 1973).

These general themes continued to permeate the journal's agenda over time although with a shifting emphasis, evolving content, and emergence of some new foci of interest. For example, the 1980s were very impactful for understanding the strategic role of expatriate managers in MNCs, as exemplified by the pioneering work by Rosalie Tung in her 1981 and 1986 papers. In the 1990s, much attention was given to the topic of the global mindset of international managers, which was also recognized as a key success factor in foreign assignments and the globalization of companies (e.g., Kedia & Mukherji, 1999; Stroh & Caligiuri, 1998; Tung, 1998). During the 1980s, while continuing to privilege an HQ perspective, the journal also started to pay more attention to the unique characteristics of the host countries where foreign subsidiaries were located and the impact of host country characteristics on firm performance (Das, 1981). With the recognition of the importance of host country context, scholars began studying the various approaches, tools, and capabilities deployed by HQs to learn and adapt to the idiosyncratic challenges faced by their foreign subsidiaries (Poynter, 1986). Eventually, in the 1990s, the HQ-centered research agenda slowly gave way to a much stronger focus on subsidiaries and their importance for MNC performance.

This trend was further developed in the 2000s when the journal fully embraced the subsidiary perspective in studying HQS relationships, publishing a number of articles that examined the drivers and consequences of foreign subsidiaries' increasing autonomy and initiative in MNCs (e.g., Lee & Williams, 2007). Consistent with this were several important publications on global

management teams as key coordination mechanisms in MNCs (Schweiger, Atamer, & Calori, 2003), the role of regional HQs as increasingly important power centers in these organization (Asakawa & Lehrer, 2003), lateral and bottom-up processes of knowledge creation and transfer (Ambos & Schlegelmilch, 2004; Lagerström & Andersson, 2003), and the network conceptualization of MNCs' internal and external activities (Joshi, Lbianca, & Caligiuri, 2002). In a way, these developments can be viewed as the evolution of the very early work on organizational design and control systems, which pretty much died out in the last couple of decades. Most recently (2010–2015), this line of inquiry was further enriched by some new topics including e-HRM systems (Heikkilä & Smale, 2011), the strategic role of language in the management of MNCs (Harzing, Köster, & Magner, 2011), drivers of foreign subsidiaries' power and success (Mudambi, Pedersen, & Andersson, 2014), and a deepened interest in studying host country environments and their impact on firm performance, particularly in emerging markets (Tian & Slocum, 2014).

Fig. 1 below provides a graphical summary of the main themes and trends in the research on HQS relationships published in *CJWB/JWB* over time that emerged from our review. It shows five dominant themes: (1) organizational design and control systems; (2) home and host country context; (3) subsidiary roles and regional structures; (4) knowledge creation and transfer; and (5) expatriate management and global human resource management (HRM).

Overall, the journal has been consistently dedicated to studying HQS relationships through contingencies related to context (home and host country context), the role of knowledge (creation, sharing, and utilization), and the role of people (especially expatriates and global HRM). The most notable trend is the shift from a focus on formal structures and design in the 1960s and 1970s to an expanded and more diverse (theoretically and methodologically) set of individual- and organizational-level factors examined in tandem with contextual contingencies in which HQS relationships take place during the subsequent decades. This has resulted in more sophisticated and relevant work on HQS relationships.

The evolution in the literature on HQS relationships published in *CJWB/JWB* is reflective of two broader dynamics – the changes in the global business environment of MNCs and the related changes in the general field of IM research. With regard to the former, we can see the corollary between the published research and several trends, including: (1) the growing globalization of Western MNCs in the 1980s and the related extensive use of expatriates with little international experience; (2) the increasing complexity of global operations, especially related to the multi-polar world emerging at the end of the 1990s and the beginning of this century, which led to a transformation in subsidiary roles and responsibilities and impacted the nature of their relationships with HQs; and (3) the rise of emerging markets and the associated importance of studying institutional and cultural contexts given their differences from traditional Western markets and the unique challenges and opportunities they present. This translated into greater awareness of the need for autonomy and more important strategic roles for subsidiaries operating in these markets.

With regard to the changes in the field of IM research (which also developed as a response to the changing external environment), the time period covered by this review witnessed a movement away from the early focus on formal organizational structures and designs toward greater emphasis on the role of people (e.g., expatriates, boundary spanners) and informal factors (e.g., social networks, language, information systems). During the 50 years under consideration, the IM field went from a conceptualization of HQS relationships that built on the insights of Chandler's (1962) "strategy-structure" paradigm and a focus on formal systems of control and coordination of foreign subsidiaries

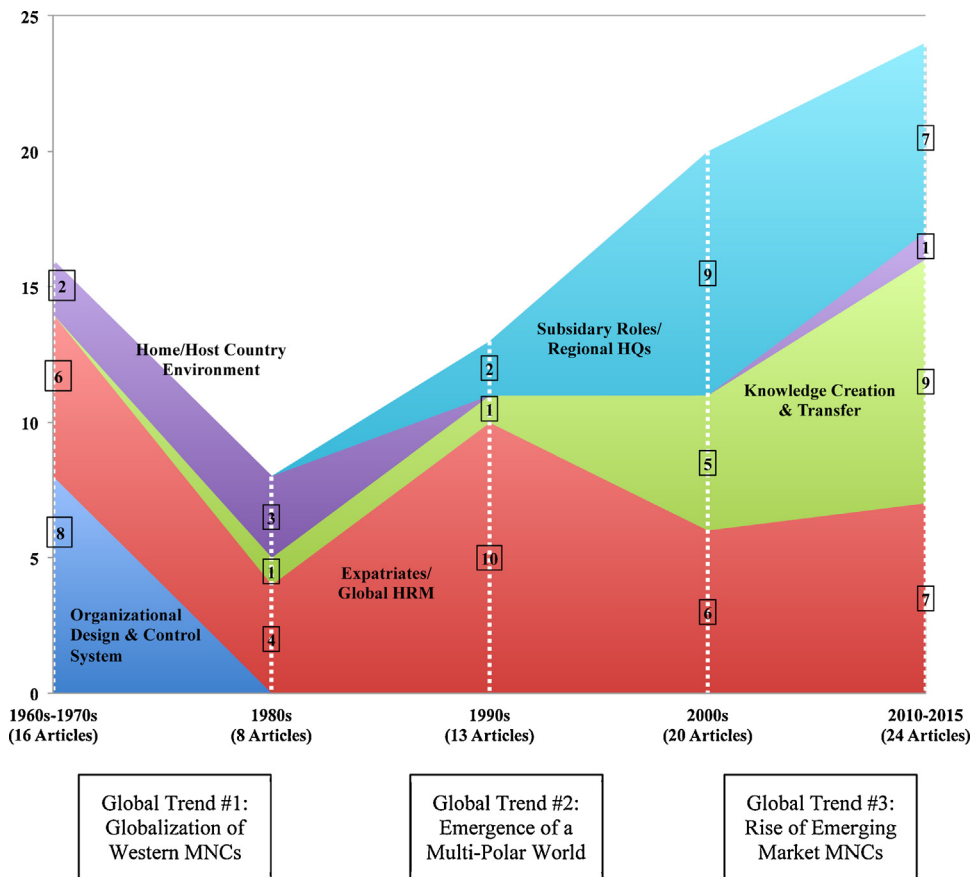


Fig. 1. Main topics in HQS research published in *CJWB/JWB* (actual number of papers in text boxes).

to a greater interest and appreciation of the complexities associated with managing MNCs' internal and external environments that emerged in the later works of scholars such as C.K. Prahalad, Yves Doz, Christopher Bartlett, Sumantra Ghoshal and Gunnar Hedlund. Over time, growing awareness of this complexity was accompanied by less reliance on traditional hierarchical conceptualizations of HQS relationships and a greater emphasis on more collaborative models of management. The metanational (Doz, Santos, & Williamson, 2001), transnational (Bartlett & Ghoshal, 1989), and heterarchical (Hedlund, 1986) models all built on the idea that subsidiaries have a very important strategic role to play in the MNC. Because of subsidiaries' access to unique resources, they are able to operate with more freedom than often officially recognized, making decentralized and informal mechanisms of coordination increasingly important for the success of the organization as a whole (Birkinshaw & Pedersen, 2009). These trends continued to strengthen during and after the 1980s as greater emphasis was placed on the specialized roles of foreign subsidiaries and their unique contributions to the firm's overall success (Birkinshaw & Hood, 1998). Reflective of these developments, the views on HQS relationships evolved from a focus on administrative control and top-down directives to more encompassing consideration of other dimensions, such as normative (e.g., cultures, values), strategic (e.g., local strategies, subsidiary roles and mandates, reverse innovation), and intellectual (e.g., not just top-down, but also bottom-up and lateral knowledge flows).

We would note that our analysis is consistent with that of Paterson and Brock (2002) who too emphasize the shift from worldwide strategy and structure to HQS relationships, changing subsidiary roles, and internal organizational development in subsidiaries. Beyond their focus on organizational roles, however,

we highlight issues related to organizational knowledge and learning as perhaps the most critical mechanism explaining the growing role of subsidiaries in the last couple of decades. We also highlight contributions that address the changing role of expatriate management and global HRM over time. Understanding the role of key managers is essential for making sense of the relationships comprising the global network of the MNC and we review *CJWB/JWB* significant contributions to this area of research.

Finally, from a methodological standpoint, *CJWB/JWB*'s contributions to this literature employed a variety of approaches, ranging from conceptual theoretical models to qualitative and quantitative studies. About 25% of the 81 papers we reviewed relied on interview data; another 25% relied on survey data; 13% on secondary data; and 15% on case studies. About 24% of the examined articles were conceptual papers. We noticed a trend toward larger primary and secondary datasets. For example, half of the studies relying on large secondary datasets were published between 2010 and 2015, and the vast majority (i.e., 89%) of those relying on large survey efforts were published between 2000 and 2015. In terms of the geographic spread of the analyzed samples, 40% of the reviewed studies examined U.S. MNCs; another 41% relied on samples of European MNCs; 20% examined Japanese MNCs; and about 17% examined MNCs headquartered in emerging markets (e.g., Hong Kong, India, Russia, Singapore, South Africa, South Korea, and Taiwan).

The remainder of the section will present our detailed review of the contributions of specific articles, which we organize by theme: (1) organizational design and control systems; (2) host and home country context; (3) subsidiary roles and regional structures; (4) knowledge creation and transfer; and (5) expatriate management and global HRM.

2.1. Organizational design and control systems

Early articles on HQS relationships took a clear corporate/central HQs perspective and stressed organizational structure and formal control mechanisms for organizing and coordinating MNCs' foreign activities (Martinez & Jarillo, 1989). During the second half of the sixties and the first half of the seventies, the bulk of the work in this area was carried out through the Harvard Multinational Enterprise Project, which aimed at testing Chandler's (1962) "structure follows strategy" approach in the international context. Examples of these foundational contributions include works by Fouraker and Stopford (1968) and Stopford and Wells (1972), among others. These studies produced conceptualizations and models that are still at the core of the IM field, including the idea of "strategy-structure" fit and the identification of four types of structures used in different stages of internationalization – international divisions, regional or area divisions, global product divisions, and the global matrix.

Another very influential model of MNC management is the "integration–responsiveness" (I–R) framework, originally developed by Prahalad (1976) and further refined by, among others, Prahalad and Doz (1987) and Bartlett and Ghoshal (1989). While building on Lawrence and Lorsch's insights (1967), this model brought the environment into consideration by evaluating factors beyond formal structure to include strategy, structure and management (Kostova, 2013). The core insight was that MNCs need to confront two types of pressures – for local responsiveness and for global integration. Although introduced very early on – in the 1970s, the I–R framework is still considered by many as "the model" in the field of international management and has had an enormous impact on subsequent research, practice, and education.

CJWB's early contributions reflected central ideas in the broader literature. The journal advanced existing understandings of HQS relationships by exploring the organizational challenges faced by MNCs across their global operations and the role of expatriate managers for the overall success of these organizations. Many of these works took an explicit corporate perspective in drawing on the "strategy-structure" model and the importance of the firm's environment. For example, articles by Hutchinson (1976), Davis (1976) and Kilmann and Ghymn (1976) examined (then) current trends in MNCs' organizational design, the notion of fit between organizational structure and strategy and the need for strategy and structure to accommodate the complexities stemming from the firm's external environment. Other works explored the consequences of different types of organizational structures and the varying degrees of HQ control over local subsidiaries' operations (e.g., Davidson & Harrigan, 1977; Picard, 1977; Terpstra, 1977). We would note that the journal abandoning its sole focus on HQ-driven design and control systems in the early 1980s was also consistent with the shift in the broader field from hierarchical conceptualizations of the MNC toward an increasing recognition of the important role of local/regional subsidiaries in the global MNC network.

2.2. Host and home country context

The 1980s marked a new topic of interest for the journal – characteristics of host country environments of MNCs' foreign operations and their impact on organizational strategy and performance. For example, Hill and Still (1980) examined the cultural and socio-economic implications of developed country MNCs' transfer of technology to subsidiaries in less developed countries. Das (1981) discussed host country environments as a constraining factor for MNCs. In the same line of inquiry, Poynter (1986) studied how host country governments often discriminate against foreign firms and the strategies that MNCs can deploy to reduce their subsidiaries' exposure to host country government

intervention. Also, Kriger and Rich (1987) proposed that in order to strengthen local subsidiaries' relationship with local stakeholders, they should include prominent locals in their boards of directors.

Reflecting the broader developments in international business and the IM field, CJWB/JWB's attention to host country characteristics and their impact on HQS relationships picked up in a major way in the late 1990s. This was particularly motivated by the rise of emerging markets and specifically China. The journal addressed these important changes through a number of articles on challenges and opportunities in managing subsidiaries in China (e.g., Björkman & Lu, 1999; Selmer, 1999; Wong & Law, 1999). More recently, this research advanced by further unpacking the contextual characteristics of emerging markets and explaining even more thoroughly how such contexts affect HQS relationships in both emerging market and developed country MNCs. For example, Lee and Gaur (2013) examined the efficacy of organizational mechanisms of control in diversified firms and found that Korean chaebols leveraged socio-cultural mechanisms better than large U.S. firms, which differentiated their abilities at diversifying and controlling foreign operations. Demirbag, Apaydin, and Tatoglu (2011) examined the challenges of Japanese foreign equity ventures in the Middle East and North Africa. In a study of Japanese subsidiaries in China, Tang and Rowe (2012) found that business relatedness, or the extent to which a subsidiary is related to its parent's core business, affected subsidiary performance. Also, Tian and Slocum (2014) studied foreign subsidiaries in China and argued that HQs should grant more autonomy to Chinese subsidiaries to craft strategies that would better respond to idiosyncratic local requirements.

2.3. Subsidiary roles and regional structures

As the broader field moved toward a view of the MNC as a complex coordinated federation of differentiated and semi-autonomous units, research attention shifted to foreign subsidiaries' unique characteristics and their impact on HQS relationships and the overall success of the organization. Prominent works that contributed to this evolution in the conceptualization of the MNC include that of Doz and Prahalad (1984) who examined the complexities associated with managing HQS relationships in light of the competing forces of global integration and local responsiveness. They concluded that the firm's efforts at structuring "decision premises, processes and outcomes" (p. 59) was more important than its formal organization to manage subsidiary relations. In 1986, Hedlund extended this line of inquiry by introducing the notion of "heterarchy," which described the multinational of the future. He saw the MNC as "actively seeking advantages originating in the global spread of the firm" (p. 20), and characterized it by centers with varying attributes, loose coupling between units, and normative control systems. This trend culminated in Ghoshal and Bartlett's (1990) conceptualization of the MNC as an internally differentiated network, which later informed their research on the organizational and strategic challenges faced by MNCs. In sum, these works changed the traditional view of subsidiaries as merely geographically dispersed agents of the MNC to subsidiaries as internally differentiated and goal-disparate units with their own external stakeholder networks.

A number of subsequent contributions built on these foundational insights to examine the implications of different subsidiary roles, including subsidiary-driven entrepreneurship (Birkinshaw & Morrison, 1995; Birkinshaw, 1997), subsidiary contributions to MNC performance (Andersson, Forsgren, & Holm, 2007), subsidiary R&D behavior (Cantwell & Mudambi, 2005), power differentials among subsidiaries (Mudambi & Navarra, 2004), subsidiary technological evolution (Kappen, 2011), and the development of

innovation-related competencies by subsidiaries (Ciabuschi, Dellestrand, & Martin, 2011). Later, an interest in regional HQs was added to the subsidiary research agenda (e.g., Lasserre, 1996). This research was informed by Alan Rugman's work (e.g., Rugman, 2005), which built a foundation for the regional level of analysis. Indeed, with greater autonomy being granted to local subsidiaries, many MNCs had begun developing regional centers of coordination and control to better seize regional opportunities, and leverage local resources and knowledge throughout the entire organization.

CJWB/JWB mirrored these broader trends in the field and published several papers on foreign subsidiaries and their unique characteristics, distinctive and differentiated roles, and impact on MNC performance. For example, a number of articles examined how the success of foreign subunits depends on the contributions of individual managers and employees working in those subunits, and how this in turn impacts the performance of the whole organization. Consequently, this stream of research helped develop the insight that HQs should work closely with their subsidiaries to develop appropriate systems of coordination, evaluation, and knowledge sharing between HQs and subunits and among the subunits themselves (e.g., Harvey, 1993, 1996; Reynolds, 1997).

In recent years, *JWB* increased its coverage of the network-based and heterarchical configurations of MNCs and of the subsidiary as the central point of examination (Michailova & Mustaffa, 2012; Mudambi et al., 2014). By this time, subsidiaries were increasingly depicted as partially autonomous entities with power to shape strategy in the MNC network (Mudambi et al., 2014). Additionally, they were being described as capable of driving proactive, autonomous, and risk-taking initiatives for local and global applications (Schmid, Dzedek, & Lehrer, 2014). Along the same lines, some new research began to emerge on regional HQs as increasingly important strategic power centers (e.g., Asakawa & Lehrer, 2003; Nell, Ambos, & Schlegelmilch, 2011) that disseminate knowledge and impact the performance of other subsidiaries and the organization as a whole (e.g., Cui, Griffith, Cavusgil, & Dabic, 2006; Ferner, Quintanilla, & Varul, 2001; Gómez, 2004; Kaufmann & Roessing, 2005; Saka-Helmhout, 2010; Wang, Tong, & Koh, 2004). Additionally, the network concept became a common tool to describe both the intra-firm and inter-firm space where MNCs operate (e.g., Griffith & Harvey, 2004; Hansen, Pedersen, & Petersen, 2009; Jindra, Giroud, & Scott-Kennel, 2009; Lee & Williams, 2007; Luo, 2005; Williams & Lee, 2009).

2.4. Knowledge creation and transfer

The study of knowledge diffusion- (and, later on, creation-) related processes in MNCs is another important area of the journal's contributions to the literature on HQS relationships. Consistent with its early focus on HQs and issues of organizational design, earlier work explored HQs' efforts to transfer knowledge to subsidiaries (e.g., Richman & Copen, 1973). However, as more complex subsidiary-centered models of MNC management emerged, *CJWB* published articles focused on subsidiary capabilities, their knowledge creation potential, and the growing importance of local/regional innovation centers within the broader organization. For example, instead of knowledge transfer per se, a number of articles examined knowledge coordination efforts across multiple host countries (e.g., Williams & Lee, 2011). Others studied reverse knowledge transfer, that is, transfer from foreign subsidiaries back to parent companies (e.g., Edwards & Tempel, 2010), which has been a topic of growing interest in the general IM literature (e.g., Govindarajan & Ramamurti, 2011; Immelt, Govindarajan, & Trimble, 2010). Reverse diffusion was identified as a mechanism by which foreign operating units can enhance

their status and claim on resources, as well as help the organization as a whole to strengthen its competitive position (Edwards & Tempel, 2010). The relevance of these models was further increased by the addition of certain contingencies. For example, Rabbiosi and Santangelo (2013) examined the moderating role of subsidiary age on the benefits that accrue to HQs from reverse knowledge transfer and argued that knowledge from older subsidiaries is usually viewed as more beneficial by the parent company than knowledge from younger subsidiaries.

In an effort to further unpack the drivers and facilitators of knowledge creation and coordination in MNCs, other scholars studied the microfoundations of these processes, by building in particular on prior work on the role of international managers as boundary-spanners between the center and the periphery of the organization (e.g., Johnson & Duxbury, 2010; Klitmøller & Luring, 2013; Tippmann, Scott, & Mangematin, 2014; Zander, Mockaitis, & Butler, 2012). Other papers explored the consequences of knowledge transfer for foreign subsidiaries (e.g., Chen, Chen, & Ku, 2012; Ciabuschi, Dellestrand, & Kappen, 2012; Fang, Wade, Delios, & Beamish, 2013; Najafi-Tavani, Giroud, & Andersson, 2014). More recently, scholars have begun to explore language and its role in knowledge transfer efforts in MNCs – a topic of growing importance in the broader IM field as well (Harzing & Pudelko, 2013). This novel approach to the study of micro-level processes in organizations has shed new light on the challenges to knowledge creation and diffusion in MNCs (Harzing et al., 2011; Heikkilä & Smale, 2011; Yamao & Sekiguchi, 2015). For example, Barner-Rasmussen and Aarnio (2011) found that MNCs are indeed multilingual, but that language fluency varies significantly across functions and organizational levels. This finding has important implications for communication, knowledge sharing, and viability of formal language strategies in MNCs.

2.5. Expatriate management and global HRM

CJWB was a pioneer in research on expatriates and their role in managing HQS relationships. Already in the late 1960s and 1970s the journal published a series of influential articles in this area. The early work followed an HQ-driven approach borne out of the dominant managerial models of the time, particularly by focusing on home country managers being transferred to foreign subsidiaries as a key strategic tool for control, integration, and knowledge transfer to the foreign operations (e.g., Galbraith & Edstrom, 1976). There was also an emphasis on HQ's initiatives to support and retain expatriates, the challenges faced by these managers in their overseas assignments due to home/host country cultural differences, and their contributions to HQ's ability to control and coordinate globally dispersed activities (e.g., Beer & Davis, 1976; Gabriel, 1969; Heenan, 1970; Whitsett, 1976; Wiechmann, 1974). In a related line of research, scholars explored formal HQ-driven HR practices that can reduce expatriates' failure on foreign assignments, including clear job descriptions, careful personnel screening, extensive cross-cultural training for the international assignees and their spouses, and adequate compensation packages (Vivian, 1968). This work also underscored the importance of pre-departure and post-departure training (Zeira, 1975), and expatriate selection based not only on technical expertise and know-how, but also on cultural adaptability and flexibility (Richman & Copen, 1973). Similarly, Perlmutter's (1969) influential research on HQ managerial attitudes and culture helped move research on HQS relationship away from formal structures and toward human, behavioral, and attitudinal considerations (e.g., Johnson, 1977; Zeira, 1975). It showed that different HQ's orientations toward their foreign subunits – ethnocentric, polycentric, or geocentric, had an impact on subsidiary performance and the quality of HQS relationships.

Consistent with the shift in the IM field toward less hierarchical models of the MNC, the journal's publications in this area underscored the impact of expatriate managers on the overall success of the organization (e.g., Harvey, 1985; Marsick & Cederholm, 1988). Notable articles in this area also include Tung's pioneering works (1981, 1986) on the sources of success and failure of expatriates, as well as Stroh and Caligiuri's (1998), Kedia and Mukherji's (1999) and Tung's (1998) studies on the global managerial mindset. In addition, a number of articles extended the insight that foreign subsidiaries are critical for helping the organization respond to specific local needs by examining the importance of expatriates' cross-cultural literacy (e.g., Hempel, 1998; Sergeant & Frenkel, 1998). For example, Harvey and Buckley (1997) examined inpatriation, i.e., the reverse relocation of managers from foreign operations to HQ positions, and suggested that inpatriating highly qualified host and third country nationals provides an opportunity for the company to become more multicultural and thus competitive in the global arena.

Consistent with the shift toward less structural and formal solutions for control and coordination in MNCs, a number of articles proposed that expatriates and global teams can serve as effective informal coordination mechanisms due to their impact on socialization processes, building communication networks, and coordination of knowledge throughout the organization. For example, Harzing (2001) examined the role of international managers' transfer as an informal control and coordination tool for HQs, and also discussed more formal ways in which expatriates can control subsidiaries. Au and Fukuda (2002) studied the boundary-spanning role of expatriates, which they found to be more important for MNCs with greater interdependence between foreign subunits. They concluded that expatriates created value for HQs through their boundary spanning activities of relaying local information and identifying opportunities for the company. Also, Paik and Sohn (2004) found that the effectiveness of expatriates in facilitating HQ control of subsidiaries was contingent on their cultural competencies and knowledge; those without cultural knowledge were ineffective. The journal also published several articles on global teams, which too were conceptualized as effective tools for coordination, control, and management of foreign subsidiaries (Mendez, 2003; Schweiger et al., 2003). For example, Joshi et al. (2002) explored conflicts within global teams, and argued that they are accentuated by the geographic dispersion of such groups; Lagerström and Andersson (2003) examined how global teams contribute to the creation and sharing of knowledge in MNCs; and, Ambos and Schlegelmilch (2004) studied teams in the context of international R&D networks.

3. Discussion and future directions of HQS relationships research

This paper reviewed the literature on HQS relationships in *CJWB/JWB* during the past 50 years. We identified five main themes that reflect the developments in the broader IM field and followed their evolution over time. Our review showed that this body of research has always been characterized by multiple, diverse, and continuously shifting perspectives; it has never had real equilibrium periods in which a single vision of the MNC completely dominated. As new models emerged, older ones persisted, and even as dominant designs were proposed, such as the “transnational” (Bartlett & Ghoshal, 1989), new directions of research and new frameworks for analysis quickly arose to undermine their assumptions. The history of HQS relationships research is one of constant evolution, as has been the history of the phenomenon itself.

We attribute this dynamism to several factors. First, the history of the world economy in the post-World War II era is one of

emergence – industrial states recovering from the war to challenge the dominance of the U.S., followed by the end of the Soviet Era during which many countries did not participate in the world economy, to the rise of large emerging market countries to prominence, if not yet dominance, in the global era. This continuous underlying process of economic growth and integration in the face of regional and worldwide trade and investment agreements has allowed MNCs to build skills and experience, making foreign investment and cross-border integration less uncertain and mysterious to managers. New technologies in communication and information processing, travel, and production processes have made managing widely dispersed organizational elements simpler, more reliable, and much less expensive than in the recent past, reducing the need for vast global bureaucracies to manage multinational firms through command and control from HQs. Thus, we see that devolved, network-like organizational systems have been able to improve upon the efficiency of the earlier worldwide hierarchies, while offering vastly increased potential for technological and organizational innovation, which are so essential to organizational success in the modern marketplace.

We would like to conclude with our thoughts on the future of the research in the HQS relationships area. Based on our review and analysis, we see several important developments and challenges for HQS relationships in practice and, accordingly, opportunities for research in this area. First, the continuing development of technologies that make knowledge and information flows more efficient and transparent seems likely to promote further globalization of both supply networks and markets, thus vastly complicating the already complex ties between MNCs and their subsidiaries and affiliates. Therefore, future research could build on some of the contributions published by *CJWB/JWB* in this area (e.g., about the role of technology transfers for the balance of power between HQs and subsidiaries, the challenges associated with managing such processes of knowledge transfer, and the novel opportunities created by technological advances for the management of vastly dispersed global networks of firms) to explore the impact of more recent technological advances on MNCs' HQS relationships. For example, researchers could investigate the corollaries between managerial technological innovations such as e-HRM (e.g., Heikkilä & Smale, 2011), and “the emergence of new organizational designs (e.g. Chandler, 1962; Fligstein, 1985; Foss, Foss, & Nell, 2012), the “flattening of the firm” (Rajan & Wulf, 2006), and the “decentering of the global firm” (Desai, 2009)” (Menz, Kunisch, & Collis, 2015: 665).

Second, the significant changes in MNCs' approaches to managing their global supply chains also suggest that separating the study of subsidiaries, alliances and joint ventures, and international trade, appears ever more anachronistic in many industries, particularly in global services. Future research on the HQS relationships could examine other implications of such diverse forms of international business and the resulting multiplex economic embeddedness of MNCs across the various foreign markets in which they operate. For example, do these overlapping FDI, trade and inter-firm collaborative ties affect the balance of power within the organization and the firm's ability to learn from the local context and transfer best practices back to HQs (Marano & Kostova, 2015)? Furthermore, given the dense and extensive relationships between organizations and their external business partners including alliance partners, suppliers, or trade intermediary agencies that they might use, a question could be posed with regard to the scope and boundaries of HQS research. In our view, it would be beneficial to push it beyond the formal boundaries of the organization to include inter-organizational relationships of long-term nature, which too are characterized by interdependence, need for coordination and control, and possible agency problems (Hoenen & Kostova, 2014).

Third, we see great potential for a refocusing on the role of global managerial networks. The rise of the international class of investors, managers, innovators, entrepreneurs, and inventors is likely to fuzz the boundaries separating expatriates from HQs, or at least employees from one subsidiary working in another (on a permanent or temporary basis) from members of global centers of excellence (Raab, Ambos, & Tallman, 2014) who meet virtually and personally over extended periods of time. Just as the modern MNC is becoming more and more a network organization (Ghoshal & Bartlett, 1990), so its critical employees seem to be acting as loosely defined communities or networks of individuals. The study of global managers seems likely to offer new and interesting possibilities in the near future (see also Kunisch, Menz, & Ambos, 2014) and is consistent with the journal's dominant research focus on strategic managerial issues in the context of HQS relationships.

Fourth, *CJWB/JWB* has been a pioneer in research on MNC's complex embeddedness across multiple institutional environments and its impact on the ability to transfer practices to foreign subsidiaries and their performance (e.g., Heenan, 1970; Richman & Copen, 1973). We see some additional research opportunities in this area that could add to our understanding of HQS relationships. For example, scholars could draw on institutional theorists' questioning of traditional conformity-driven explanations of the MNC and its functioning (e.g., Kostova, Roth, & Dacin, 2008) to examine how the multiple and heterogeneous institutional forces facing MNCs across complex institutional environments jointly affect the way they transfer practices, recruit personnel that fits organizational needs, or make decisions to delegate responsibilities to foreign affiliates (Marano & Kostova, 2015). What is the role of agency in this process and who are the most important "agents" driving search, adoption, and diffusion of knowledge and best practices – HQ or foreign subsidiary?

Fifth, we see an opportunity for novel contributions by expanding the theoretical base of HQS relationships research. One particular perspective, which we believe has been underutilized in HQS research, is agency theory. While scholars have conceptualized the HQS relationship as a principal–agent relationship, this has been usually done in a rather straightforward and conventional way based on the assumptions and ideas of the classical agency model suggesting that moral hazard and information asymmetry will result in goal incongruence between HQs (principal) and subsidiaries (agent) and opportunistic dysfunctional behavior of subsidiaries. We concur with some recent work on agency theory, which suggests that the HQS context in MNC research offers opportunities for novel theorizing in this area, breaking away from the classical model and suggesting instead alternative roots and manifestations of agency problems in these dyads (Hoenen & Kostova, 2014). Applying and further developing these ideas could provide a deeper and more realistic understanding of the reasons for conflict and misunderstanding and a more realistic set of remedies for resolving such tensions.

Finally, we see a big opportunity to develop HQS research by focusing on non-traditional types of markets and new types of MNCs that might not conform to existing models and theories. The most notable dynamic in international business in the last few years is the rise of emerging markets and emerging market multinational firms (EM-MNCs) (McKinsey Global Institute, 2013). Studying EM-MNCs is not only practically important but also has the potential to significantly contribute to management theories. These organizations are at the same time like and unlike MNCs from the industrialized world. They should provide novel conceptual insights as well as levels of variation within an expanded population to inspire real advances in the study of HQS relationships. While research on these firms is flourishing, we still know relatively little about their strategies and ways of organizing (Young, Tsai, Wang, Liu, & Ahlstrom, 2014). To start with, future

research could examine in a more systematic way the dominant organizational designs of EM-MNCs. Do these organizations tend to privilege formal or informal control mechanisms to manage their foreign operations? As we know, due to the underdevelopment of formal institutions, many emerging markets use extensively informal structures and mechanisms to coordinate their transactions externally and control units and employees internally (Khanna & Palepu, 1997, 2010). It would be interesting to see whether such informality extends to their international operations and if so, whether it is still effective as in the home country. Also, in terms of the evolutionary patterns of EM-MNCs' organizational designs, it would be interesting to examine whether they have been similar to those of their developed country counterparts, going from more formal to more informal, and from more hierarchical to more horizontal network types of organizational designs.

Another issue highlighted by the case of EM-MNCs is the possible effects of corporate governance on firm organization including HQS relationships. Many EM-MNCs have different governance structures compared to those of typical Western firms, characterized for example by substantial state ownership, government control, family ownership and involvement, and business group affiliation. How does governance affect the relationships between the HQ embedded in those environments and foreign subsidiaries, especially those in developed markets, operating under very different governance logics? How do these firms handle the internal tension and inconsistency, which are likely to occur in such scenarios? While existing international strategy research has studied the effects of culture, relatively little has been done on the institutional aspects of home–host country embeddedness.

In the tradition of *CJWB/JWB*, a closer look is also warranted into the issues of EM-MNCs' international HRM practices. It would be important to develop a better understanding of whether these firms adopt Western approaches to expatriate management or whether they rely on emerging market-specific or country-based idiosyncratic practices. What are the unique challenges they face in integrating foreign operations? Is the developing/hiring of international managers with global/cosmopolitan mindsets equally important in EM-MNCs? Furthermore, building on other contributions published by *CJWB/JWB* in this area, future research could also examine whether EM-MNCs differ with regard to their dominant organizational models (e.g., global vs. multinational), and the role of their subsidiaries. Also, looking at subsidiaries' differentiated roles, future research in this area could examine other important questions: how much R&D do foreign subsidiaries of EM-MNCs carry out? Is there evidence of reverse knowledge transfers happening in EM-MNCs? Do EM-MNCs rely on regional HQs? How do the varying contextual contingencies of upstream and downstream FDI contribute to shape the performance of EM-MNCs' local subsidiaries? Addressing such research questions would help us develop a better understanding of EM-MNCs from a practical view, and will also contribute to theory by testing, expanding, and modifying existing models of HQS relationships.

As in the last fifty years, future HQS relationships are likely to be characterized by evolving forms and practices reflecting the evolution of global business and MNCs. Research in this area should follow a similar dynamism. Rapid change in the context and substance of HQS ties in the world of global business must be matched by innovative concepts and techniques of scholarship if researchers and journals such as *Journal of World Business* are to stay relevant and keep up with the big questions of the new times.

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