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Subsidiary strategic influence: the role of subsidiary attention-building activities

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Abstract

Purpose – By the view of attention-building activities as "tools of power," the authors investigate the impact of subsidiary involvement in attention-building activities on the strategic influence of subsidiaries within multinational corporations (MNCs).

Design/methodology/approach – The study is based on survey data from 110 international subsidiaries located in Sweden. Five hypotheses were tested using structural equation modeling with linear structural relations.

Findings – The study shows that organizational commitment and external scouting activities, as two attention-building activities, do not directly affect the ability of subsidiaries to gain a strategic influence in MNCs. Rather, the results provide support for the importance of headquarters' positive attention as a mediator between such activities and subsidiary strategic influence. This implies that subsidiaries do not receive any strategic influence through these activities unless they receive explicit positive attention from the corporate headquarters.

Originality/value – This study contributes to the micro-political view of the MNC by offering insights into the impact of attention-building activities of subsidiaries as a potential source of strategic influence for MNC subsidiaries.

Keywords Headquarters–subsidiary relations, Subsidiary initiatives, Subsidiary influence, Headquarters' attention, Micro-political view

Paper type Research paper

Introduction

The increased attention paid to the dispersed networks of multinational corporations (MNCs) has contributed to an awareness of decentralized power structures within these organizations. Studies show that subsidiaries are continuously engaged in enhancing their strategic influence within the MNC (Dörrenbächer and Gammelgaard, 2016; Cavanagh *et al.*, 2021). The question of how subsidiaries gain influence has been approached most commonly by the application of resource-dependency theory (Pfeffer and Salnacik, 2003) with the main argument that the sources and consequences of influence are based on the dependence of

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resources. Subsidiaries that control critical resources are thus able to influence the actions and strategies of the MNC (Mudambi *et al.*, 2014; Rugman and Verbeke, 2001). Similarly, research adopting knowledge-based (Mudambi and Navarra, 2004) or network-based (Andersson *et al.*, 2007) views on subsidiary power and influence stress that subsidiaries possessing strategic resources can gain a strategic influence. An alternative stream of research founded in the behavioral theory of the firm (Cyert and March, 1963) zooms in on a more specific aspect of subsidiary strategic influence, namely that of subsidiary attention behaviors (e.g. Bouquet and Birkinshaw, 2008; Conroy and Collings, 2016; Dörrenbächer and Gammelgaard, 2016). This view suggests that by winning the battle for organizational attention from headquarters, subsidiaries can gain a high level of strategic freedom and status in the organization and thus improve performance.

This paper explores the relationship between a subsidiary manager's engagement in attention-building activities and the strategic influence of the subsidiary in the MNC. By this, we are addressing the call for more insights on how subsidiaries can use attention-building activities as "tools of power" (cf. Laamanen, 2019) and "political maneuvering" (cf. Dörrenbächer and Gammelgaard, 2016). Specifically, we analyze two different attention-building activities; "*organizational commitment*" in the sense of upholding a commitment to the goals and directives of the MNC and a dedication to headquarters' intentions (Bouquet and Birkinshaw, 2008; Conroy and Collings, 2016), as well as subsidiary *"external scouting activities"* to denote the external search for market opportunities of importance for the MNC as a vital selling activity (cf. Ambos *et al.*, 2010; Birkinshaw, 1997).

We use an original dataset based on 110 foreign-owned subsidiaries in Sweden, a country characterized as an open, globalized economy that houses some of the most prominent international companies in diverse industries and is the tenth-largest recipient of foreign direct investment (World Bank, 2020). The paper adds to recent research suggesting that subsidiary managers' attention-building behavior should be seen as an essential micro-political tool for subsidiaries and thus a source of subsidiary strategic influence (Dörrenbächer and Gammelgaard, 2016). However, the results show that a subsidiary's engagement in attention-based activities does not automatically function as a legitimate source of strategic influence unless the subsidiary attracts explicit positive attention from headquarters. Thereby, we move beyond the discussion of subsidiary influence in terms of resource control and mandates as a source of influence, towards emphasizing the importance of specific subsidiary attention-building activities as a source of strategic influence for subsidiaries, as suggested in recent research (Cavanagh *et al.*, 2021).

The following section presents the literature on subsidiary strategic influence and the relation to subsidiary attention-building activities. Next, we develop five hypotheses. Subsequently, we outline the data collection process and measures used, followed by the data analysis and presentation of results. The paper concludes with a discussion of the implications to practice and avenues for future research.

Subsidiary strategic influence

Subsidiary influence is about the ability to exercise power in terms of the "subsidiaries' ability to influence their parent companies in their strategic and operational decision-making activities" (Dörrenbächer and Gammelgard, 2011, p. 32). Mudambi *et al.* (2014) go even further and argue that there is a need to distinguish between functional influence and strategic influence of a subsidiary unit, where the former refers to an influence over decisions within a specific function whereas the latter "relates to a wider span of influence" of the subsidiary managers, such as the ability to exert an impact over corporate investments and other corporate-level strategic issues. Accordingly, subsidiary strategic influence is defined as a subsidiary's ability to influence corporate strategic decisions, such as investments in research

and development (R&D) and/or new products. Research shows that the sources of subsidiary influence stem from, for example, the control of certain resources or capabilities (Bouquet and Birkinshaw, 2008; Najafi-Tavani *et al.*, 2014), the development of subsidiary mandates and charters (Birkinshaw, 1996), the control of and positions in specific networks and relationships (Andersson *et al.*, 2007; Forsgren *et al.*, 2005) and internal political strategizing (Conroy *et al.*, 2019).

Research has emphasized the notion that subsidiaries are not powerless, rather they have an ability to challenge and shape strategies, policies and practices of the MNC (Kranias, 2000; Meyer *et al.*, 2020; Ambos *et al.*, 2020; Gorgijevski, 2021). One reason for the subsidiaries' potential to gain impact is their control of critical resources. Studies have shown that subsidiary influence is highly dependent on the ownership and control of critical resources on which others depend, as the headquarters and peer subsidiaries (Cuervo-Cazurra *et al.*, 2019; Mudambi *et al.*, 2014). With reference to resource dependencies, subsidiary influence is also explained by the attempt and success of subsidiary mandates and/or charter development (Birkinshaw, 1996).

With roots in the resource-dependency perspective (Pfeffer and Salancik, 2003), the network view of the MNC emphasizes a subsidiary's involvement in networking activities and its embeddedness in strategic business networks and relationships both internal (Birkinshaw and Hood, 1998) and external to the corporation (Andersson *et al.*, 2007) as key sources of influence for subsidiaries. Within this network view (Forsgren *et al.*, 2005), influence is seen as reciprocal; the subsidiary's behavior is co-influenced by other actors in the MNC network. There is also strong evidence from the literature that a subsidiary's influence in the MNC is closely tied with its involvement in knowledge-based activities (Ambos *et al.*, 2010; Mudambi and Navarra, 2004; Najafi-Tavani *et al.*, 2014), including the creation of new knowledge (Andersson *et al.*, 2007; Mudambi and Navarra, 2004). It has been argued that traditional economic theories and perspectives with a foundation in the resource-dependency theory neglect the different interests and identities of actors who engage micro-politically (Dörrenbächer and Gammelgaard, 2006; Geppert and Dörrenbächer, 2014; Gorgijevski, 2021). According to Conroy *et al.* (2019, p. 505), "a major criticism of current research on subsidiary influence is that it fails to consider how the microlevel interactions that produce interconnected relationships between key actors create more nuanced and informal forms of subsidiary influence." Consequently, there have been calls for research on micro-politics within MNCs (Clegg *et al.*, 2018; Meyer *et al.*, 2020), with a particular focus on attention-building activities among subsidiaries (cf. Gorgijevski *et al.*, 2019).

Attention-building activities and subsidiary strategic influence

With roots in the behavioral theory of the firm (Cyert and March, 1963) and early work on attention allocation in organizational decision-making (March and Simon, 1958), Ocasio (1997) reintroduced notions on organizational attention to management research. Attention is defined as the "noticing, encoding, interpreting and focusing of time and effort by organizational decision-makers" on issues and the available solutions in the environment (Ocasio, 1997, p. 189). Thus, an organization's behavior depends on the allocation of top management's attention to issues of strategic relevance, such as setting organizational goals, strategy formation and expectations among managers (Cyert and March, 1963). Organizations have numerous goals, and the attention given to initiatives is dependent on managers' perceptions of their value (Cyert and March, 1963; Joseph and Wilson, 2018). In an MNC setting, subsidiaries compete with one another for critical resources and headquarters' attention to gain strategic influence (Cavanagh *et al.*, 2021).

The attention-based view (ABV) has become an important theoretical lens in strategy research and management research (Occasio, 2011). Within this view, attentional processing and building within organizations include the use of various organizational practices, tools and tactics that aim at shaping organizational attention (Laamanen, 2019). This behavior is

determined by, for instance, the actual environment of decisions and actions, the cognitive and cultural repertoire of decision-makers, the formal and informal procedural and communication channels available (cf. Laamanen, 2019), and what Ocasio (1997) refers to as explicit and implicit organizational moves (e.g. plans, decisions and actions). In this paper, we focus on these organizational moves by emphasizing that subsidiary managers involve themselves in lobbying for their cause and actions (Dörrenbächer and Gammelgaard, 2016) by engaging in different attention-building activities (Dutton and Ashford, 1993; Dutton *et al.*, 2001). These activities can be viewed as "deliberately emergent" strategies (Mintzberg and Waters, 1985), whereby subsidiary managers partake in such attentional engagement (Ocasio, 1997) by reaffirming headquarters' strategies (Wooldridge and Floyd, 1990) to increase their level of understanding and commitment to the overall organization. Due to headquarters' limited amount of information processing capacity, and thus a limited share of attention to allocate to each subsidiary, subsidiaries are put in a situation characterized by competition for attention (Birkinshaw *et al.*, 2007; Hansen and Haas, 2001). Hence, attention-building efforts may be used to gain influence in decision-making by the very nature of being a "micro-political maneuvering ability" (Becker-Ritterspach and Dörrenbächer, 2011) that the subsidiaries possess. Thus, viewing attention-building activities in terms of micro-political behavior allows for an increased understanding of how subsidiaries can use such activities to enhance their influence in the corporation (cf. Conroy *et al.*, 2019). ABV has almost exclusively been used within an MNC context to provide an understanding of headquarters–subsidiary relationships (e.g. Ambos and Birkinshaw, 2010; Bouquet and Birkinshaw, 2008, 2011; Nell *et al.*, 2017). With one notable exception (Ambos *et al.*, 2010), our understanding of the link between subsidiary attention behavior and subsidiaries' influence on corporate decision-making is limited.

Hypotheses development

Subsidiary organizational commitment

The term organizational commitment has been defined as the will of social actors to provide energy and devotion to established social systems (Kanter, 1968), an affective attachment to an organization (Buchanan, 1974) or the degree of involvement and identification with the organization (O'Reilly and Chatman, 1986). In other words, organization commitment is associated with "the relative strength of an individual's identification with and involvement in a particular organization" (Mowday *et al.*, 1982, p. 27) and is fostered when employees perceive themselves as being valued for their contributions and when the organization can be trusted (Guest and Conway, 2002). In line with Allen and Meyer (1990), we approach the idea of organizational commitment as an emotional attachment to an organization which leads to an identification with, a feeling belonging to and engagement in that organization. Accordingly, this concept includes aspects such as the level of reliability toward the organization, the willingness to work on behalf of and for the overall organization, and a belief in the organizational goals, including an aspiration to preserve organizational membership (Chandni and Rahman, 2020; Meyer and Allen, 1991; Simo *et al.*, 2014). In a subsidiary context, it has been argued that subsidiary managers put effort in trying to uphold a commitment to headquarters (Mahlendorf *et al.*, 2012). When this happens, the subsidiaries are often rewarded for behaving in accordance with "good citizenship" (Simo *et al.*, 2014). Adopting a sense of membership and affiliation toward an organization reduces conflicts and goal incongruences (Bouquet and Birkinshaw, 2008), and a strong commitment enables the operations of the units to be more aligned with the corporate objectives (Roth and O'Donnell, 1996), which enhances the possibility to become involved in MNC strategic decision-making. Hence, if a proactive subsidiary commitment to an MNC acts as a

strategy for the alignment of ideas into the corporation, we would expect this commitment to have a positive effect on the ability of a subsidiary to gain strategic influence in the MNC:

H1a. Subsidiary managers' organizational commitment is positively related to the subsidiary's strategic influence within the MNC.

Pursuing a strong organizational commitment to the MNC can be a way for the subsidiaries to strengthen their organizational legitimacy (Conroy and Collings, 2016). Such legitimacy-enhancing activities can be used to attract attention from headquarters. When subsidiary managers put effort into legitimizing their unit as a committed corporate citizen by, for example, adhering to and committing to the objectives and principles of the organization as a whole (Conroy and Collings, 2016), as well as devoting time and effort to building an affiliation with the organization, they are more likely to gain headquarters' attention. By headquarters identifying and signaling what parts of the organization are of importance to a subsidiary, opportunistic behavior among the subsidiary managers can be prevented and the subsidiary's image, credibility and reputation in the MNC can be enhanced (Bouquet and Birkinshaw, 2008). Organizational commitment can act as a subtle upward influence tactics for a subsidiary to "voice" its organizational devotion (cf. Conroy and Collings, 2016) to attract and capture positive attention from the headquarters. Studies show that the provision of organizational attention is a viable mechanism for enhancing positive work attitudes and employee commitment (Driscoll and Randall, 1999). Hence, we can expect that a proactive organizational commitment by subsidiary managers will affect the degree of attention the subsidiary receives from the headquarters:

H1b. An organizational commitment by subsidiary managers is positively related to positive attention from headquarters.

Subsidiary external scouting

With roots in corporate entrepreneurship and grounded in work by Birkinshaw (1997), we argue that initiatives driven by subsidiaries can be viewed as proactive undertakings with which the MNC can find new ways of using and expanding its resources. Hence, such subsidiary initiatives represent not only a means by which a subsidiary can legitimize itself in the organization but also a means for creating economic value by contributing to, for example, the development of new products and services (Verbeke and Yuan, 2005). Current research thus suggests that it is not sufficient to engage in "selling" activities (Dutton *et al.*, 2001). Rather, the subsidiary managers need to put effort into various "scouting" activities before any internal selling activities can be pursued (Monteiro, 2015). This reasoning is in line with research on attentional processing activities (LaBerge, 1995) that suggests that engaging in scouting activities is an effective way to gain upward influence. By engaging in external scouting, a subsidiary is able not only to improve its knowledge and understanding of important external conditions specifically linked to an initiative as such, but also to increase its insights and understanding of the overall prospects for future strategies and possible challenges (cf. Monteiro, 2015), some of which might even be unknown to the rest of the organization, which is in line with research on attentional processing activities (LaBerge, 1995) and managerial cognition (Ocasio, 2011) suggesting that decision-makers tend to avoid to digging more deeply into any information that runs counter to their own beliefs (Nickerson, 1998). Since gaining an information advantage is viewed as a source of influence on behalf of the beholder (cf. Pettigrew, 1972), we posit that a proactive engagement in external scouting will enhance the subsidiary's ability to gain strategic influence in the MNC:

H2a. The engagement in external scouting by subsidiary managers is positively related to the subsidiary's strategic influence within the MNC.

Although subsidiary initiatives are, initially, pursued without formal approval by the headquarters, managers would over time need to beat the "corporate immune system" and get headquarters' full attention before the initiative can be accepted and implemented (Schweizer and Lagerström, 2019; Gorgijevski and Andrews, 2021). Whereas some scholars suggest that to get headquarters' managers to attend to opportunities that are novel and somewhat dissonant to them, engaging in "above-average" external scouting activities is of importance (Birkinshaw and Fry, 1998). Ambos *et al.* (2010) reveals that there is no link between engaging in subsidiary initiatives *per se* and the relative influence of subsidiaries on their peer subsidiaries. Hence, based on the idea that headquarters' managers suffer from "cognitive dissonance," individuals prefer supportive information over opposing (e.g. dissonant) information. Monteiro (2015) argues that scouting activities are perhaps even more important that the actual selling efforts. Following, we argue that engaging in external scouting activities shows managers at headquarters that the initiative is based on adequate research and that proper preparation has been carried out (Bishop *et al.*, 2011). We expect that, before subsidiary managers even can introduce and 'sell in' an opportunity, they need to engage in external scouting activities (Monteiro, 2015) to develop knowledge about requirements and priorities of the corporation, including efforts put into investigating, for example, customer needs and outlining market segments. Efforts put into external scouting increase the credibility and legitimacy of the subsidiary, thus enhancing the possibility to receive positive headquarters support (Conroy and Collings, 2016):

H2b. The engagement in external scouting by subsidiary managers is positively related to positive headquarters' attention.

Early work on attention allocation in organizational decision-making explains that attention behaviors influence the flow of communications (March and Simon, 1958). Hence, the subsidiary can use a range of influence tactics to get attention and to create a desired image to emphasize its strategic importance more effectively (Dutton *et al.*, 2001). Through positive headquarters' attention, a legitimization process of the subsidiary's actions takes place which enhances the overall network position within the MNC. Consequently, attention constitutes an expression of the credit extended by headquarters to the subsidiary that increases the subsidiary's power in terms of strategic influence in the MNC (Ambos *et al.*, 2010). According to the ABV, the series of actions for directing attention and strategic decision-making is both a top-down and bottom-up process (Joseph and Wilson, 2018). This notion is grounded in behavioral origins, which contend that organizations are, at their core, unable to follow specific, unified objectives, but decisions and actions are continuously influenced by past and current activities by its members; that is, decisions are path-dependent (Cyert and March, 1963). Hence, we posit that:

H3. The higher the level of positive headquarters' attention, the higher the level of the subsidiary's strategic influence within the MNC.

The five hypotheses are summarized in Figure 1.

Methodology

Data collection

The data and results are based on proprietary collected responses from 110 foreign-owned Swedish subsidiaries in 2016 through a web-survey. The list of subsidiaries was drawn from the ORBIS database by Bureau van Dijk, fulfilling the criteria of wholly-owned subsidiaries with at least 15 employees and operating revenues of at least one million euros (€). In the screening process, we also excluded pure marketing/sales satellites and finance subsidiaries.

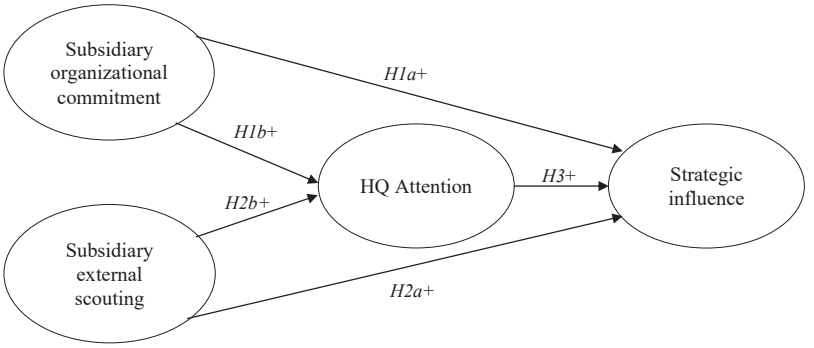

Figure 1.
Hypothesized model

While both manufacturing and service companies were included, manufacturing companies constitute most cases (73%). We identified a total of 616 subsidiaries with these criteria including up-to-date contact information.

The questionnaire was developed through adaptation of previously established constructs. We also invited fellow academic scholars in the field of international management to read and comment on the questionnaire to identify vague or ambiguous questions. In a second step, we conducted a pretest of the questionnaire with ten subsidiary managers. To avoid the risk of social desirability bias, the respondents were asked to answer the questions from the subsidiary perspective rather than a personal perspective. The respondents were contacted by e-mail, informed about the study and invited to participate. We guaranteed discretion and anonymity by signifying that responses would only be reported in aggregated form and that the answers were only to be used for academic research within the specified research project.

The survey was sent primarily to the subsidiary chief executive officer (CEO) or divisional manager, except in the case of larger subsidiaries (>150 employees) where the survey was sent to, for example, R&D managers. A total sample of 114 subsidiary responses were collected, corresponding to a response rate of 18.5%. Of these, we removed four observations that contained missing values across all variables. A non-response analysis regarding subsidiary size, age and turnover was conducted. This analysis showed no differences between the responding subsidiaries and the non-responding subsidiaries. The headquarters of the subsidiaries in the final sample (n = 110) are located in Europe (83.6%), followed by North America (8.2%), Asia (4.5%), Oceania (1.8%) and Latin America (1.8%). The typical subsidiary in our sample is an established manufacturing unit with around 100 employees that has been in business for at least 15 years and acquired by a European MNC.

Measures

All responses were measured on a seven-point Likert scale (1 = not at all, 7 = high extent *or* 1 = strongly agree, 7 = strongly disagree). The mean value and standard deviation of each item representing the constructs presented below can be found in Table 1, Table 2 offers a detailed summary of all the construct and items.

Subsidiary organizational commitment. To operationalize this construct, we adopted measures from Gregersen and Black (1992), Roth and O'Donnell (1996) and Bouquet and Birkinshaw (2008). The measure included a set of three items and referred to various aspects of a proactive commitment behavior of subsidiary managers.

Subsidiary external scouting. External scouting is defined as the promotion activities of business opportunities from the local subsidiary environment to headquarters. Based on

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
1. COM1	5.36	1.90	1.000									
2. COM2	5.02	1.44	*0.763***	1.000								
3. COM3	4.61	1.59	*0.702***	*0.785***	1.000							
4. SCO1	4.94	1.57	0.149	0.218*	0.127	1.000						
5. SCO2	4.89	1.51	0.155	0.128	0.116	*0.668***	1.000					
6. HQA1	4.28	1.65	0.239*	0.331**	0.357**	0.199*	0.271**	1.000				
7. HQA2	4.05	1.62	0.334**	0.367**	0.425**	0.199*	0.233*	*0.468***	1.000			
8. HQA3	4.05	1.65	0.301**	0.314**	0.436**	0.146	0.210*	*0.548***	*0.451***	1.000		
9. SINF1	3.39	1.96	0.200*	0.148	0.198*	0.220*	0.132	0.182	0.362**	0.310**	1.000	
10. SINF2	3.38	1.95	0.159	0.173	0.242*	0.303**	0.301**	0.208*	0.337**	0.208**	*0.679***	1.000

Note(s): $n = 110$, $^{**}p < 0.01$, $^{*}p < 0.05$ (two-tailed tests). Figures in Italics indicate inter-item correlations within the construct

Table 1.
Correlations

Constructs and items (1 = not at all; 7 = high extent)	Factor loading	*t*-value	Composite reliability (CR)	Average variance extracted (AVE)	R^2 value
Subsidiary organizational commitment			0.92	0.80	
Concerning the commitment to headquarters					
COM1: Your subsidiary's managers care about the fate of the multinational corporation	0.86	21.19			0.74
COM2: What the multinational corporation stands for (its goals and values) is important to your subsidiary's managers	0.92	15.31			0.85
COM3: Your subsidiary's managers feel a strong sense of affiliation with the multinational corporation	0.90	16.50			0.81
Subsidiary external scouting			0.85	0.75	
To what extent does your subsidiary spend time on before submitting initiatives to headquarters?					
SCO1: Mapping customer demands	0.79	8.46			0.62
SCO2: Outlining market segments	0.93	4.98			0.87
Headquarters positive attention			0.74	0.50	
To what extent has your subsidiary received attention from headquarters in terms of					
HQA1: Interest in learning about our local market and products/services	0.72	7.22			0.52
HQA2: Help to spread our best practices across the multinational corporation	0.68	5.34			0.46
HQA3: Headquarter managers interact and share ideas frequently with your subsidiary	0.70	5.92			0.49
Strategic influence			0.85	0.74	
To what extent has your subsidiary influenced the multinational corporation concerning					
SINF1: Corporate investments in R&D	0.78	10.09			0.61
SINF2: Corporate introduction of new products and services	0.94	5.93			0.88

Table 2. Measurement model

Note(s): $\chi^2 = 41.43$; d.f. = 29. Model *P*-value = 0.063; RMSEA = 0.063; CFI = 0.98; NFI = 0.94; NNFI = 0.97, SRMR = 0.061

Bishop *et al.* (2011) and Dutton *et al.* (2001), we developed a two-item measure which contained an assessment of the extent to which the subsidiary spent time on external scouting activities.

Positive headquarters' attention. Headquarters' attention refers to supportive attention from headquarters in terms of resources provided to create value for the subsidiary. We used a three-item measure based on Bouquet and Birkinshaw (2008) and Ambos and Birkinshaw (2010).

Strategic influence. As with the ever-growing importance of technological advancements in a firm's competitive strategy, the strategic influence of subsidiary companies is linked to decisions about investment in technology. This construct and the two items used were adapted from Andersson *et al.* (2007).

Common method variance

To eliminate the concern of common method variance (CMV), we employed several actions and statistical tests. First, the latent variables were distributed in the questionnaire in such a way that their order would not be easily pre-determined, thus creating a psychological separation for respondents (Chang *et al.*, 2010). Second, we carried out the Harman's one-factor test (Podsakoff *et al.*, 2003). Here, all items of the constructs were entered simultaneously into a single-factor analysis. When a single factor emerges or a general factor accounts for most of the covariance, this can indicate the presence of CMV. We discovered four factors with an eigenvalue above 1, and the largest factor explained 32% of the variance. Therefore, no major concern regarding CMV could be detected. Third, we followed the recommendation by Podsakoff *et al.* (2003) and performed a confirmatory factor analysis (CFA). This analysis also assessed the convergent and discriminant validity of our model. Based on the goodness-of-fit-statistics [1] a single-factor model could clearly be rejected. Last, the correlation matrix (Table 1) also shows that there are no particularly high inter-construct correlations. We are therefore confident that CMV does not impact our results.

Results

Data analysis

To test the hypothesized model, we used structural equation modeling (SEM) with LISREL. The analysis followed a two-step approach (Anderson and Gerbing, 1988), whereby a measurement model was assessed prior to estimation of the structural model using CFA. This allowed for assessment of convergent and discriminant validity through the first step (Jöreskog and Sörbom, 1993). In the second step, the structural model was formed by specifying the casual relations in accordance with the hypotheses. To ascertain whether the constructs were internally coherent, we conducted several tests of convergent validity, as shown in Table 2. First, item reliability was assessed by examining the standardized loadings between latent constructs and individual items. All items retained in the measurement model loaded above or around 0.7, thus satisfying the 0.7 recommendation by Carmines and Zeller (1979). Second, *t*-values for all indicators were highly significant (lowest *t*-value = 5.34). Third, the *R*-squared values (linearity of relations between constructs and indicators making up these constructs) ranged from 0.46 to 0.88, indicating satisfactory predictive capability (Chin, 1998). Fourth, the standard errors in the PHI covariance matrix, combined with the PHI correlation matrix, were used to conduct a discriminant validity test suggested by Anderson and Gerbing (1988). No confidence interval between the latent variables was below −1 or above 1 (+/− 2× standard error), so the test did not include 1, and we achieved discriminant validity. Hence, the relationships between indicators and constructs in the model were strong.

Moreover, the scales demonstrated internal reliability, e.g. the share of common variance explained by the construct. This was indicated by the composite reliability (CR) measures, which were well above the 0.6 cutoff set by Bagozzi and Yi (2012). From the recommendation by Fornell and Larcker (1981), we checked the average variance extracted (AVE) to assess the error-free variance of the set of items related to the construct. In this regard, the constructs were robust, as the AVE values were above the recommended threshold of 0.5. Moreover, the square root of AVE for the constructs needs to be greater than its correlations with all other constructs to meet the requirement for discriminant validity (Fornell and Larcker, 1981). The measurement model of our study satisfied this criterion. These results provide strong support for the validity of our four latent constructs, which was also reflected in the goodness-of-fit statistics for the measurement model, entailing a total of ten items, with $\chi^2_{(42)}$ of 31 degrees of freedom (*p*-value 0.086) and a root mean square of approximation (RMSEA) of 0.063.

We tested the hypothesized causal relationships in a structural model and the overall model was significant with a $\chi^2_{(41)}$ of 29 degrees of freedom (*p*-value 0.063). The results show

that three out of five relationships were significant. The two insignificant relationships were those predicted in Hypotheses 1a and 2a, which were, respectively, the relationships between "subsidiary organizational commitment" and "strategic influence" and between "subsidiary external scouting" and "strategic influence" ($\gamma = -0.05$, $t = -0.30$, and $\gamma = 0.21$, $t = 1.78$). Neither of these relationships was significant in a second test (two-tailed) in which one and then the other was omitted; therefore, we removed these two relationships and re-ran the model with Hypotheses 1b, 2b and 3. This model was significant with $\chi^2_{(42)}$ of 31 degrees of freedom (p-value 0.086), and all three of the remaining relationships between the constructs were significant, as shown in Figure 2 and Table 3. The statistics also indicated that no additional development of the model was necessary, since the RMSEA measure (0.058) was below the 0.08 cut-off and very close to the recommendation of around 0.05 (Browne and Cudeck, 1993). Other fit indexes (see Figure 2) suggest that there is a good fit between the model and the data.

The robustness of the theoretical model was assessed by "jack-knife testing," as the subsidiaries included in our sample belonged to MNCs in different markets. The potential impact of the location of headquarters was tested by excluding one "headquarters-country" from the original sample to obtain a sub-sample. We tested the model for each sub-sample. A difference greater than +/− one standard error indicates that the model in fact does not hold true to the population. In none of the analyses the factor loadings did not differ beyond one standard error (see Table 4). The same procedure was conducted for subsidiary size,

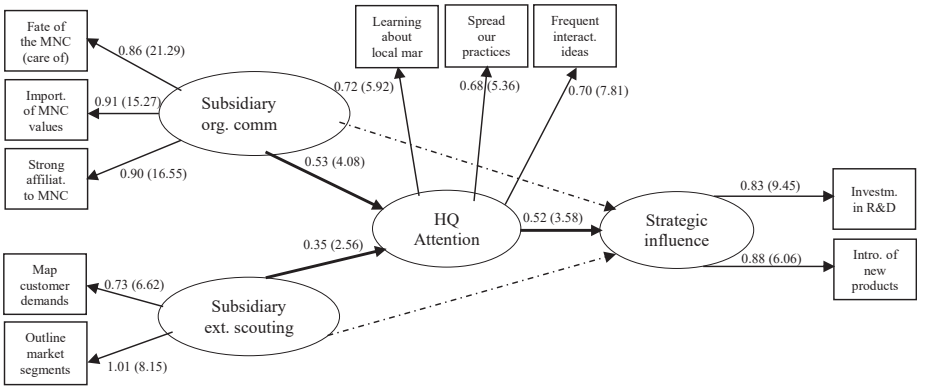

Figure 2.
Final model

Note(s): $\chi^2 = 31$; d.f. = 42.26. Standardized β-coefficients with t-values in parentheses. Model P-value = 0.0856; RMSEA = 0.058; CFI = 0.98; NFI = 0.94; NNFI = 0.9; SRMR = 0.076

	Organizational commitment	Subsidiary external scouting	HQ attention	Strategic influence
Organizational commitment	*0.89*			
Subsidiary external scouting	0.13	*0.87*		
HQ attention	0.43**	0.30**	*0.71*	
Strategic influence	0.22*	0.20*	0.38**	*0.86*

Table 3.
Discriminant validity: correlation estimates (SIC) and square root of average variance extracted (AVE)

Note(s): Italic numbers on the diagonal show the value of the square root of AVE. In order to achieve discriminant validity diagonal elements must be larger than off-diagonal

measured by large and small subsidiaries (number of employees) and subsidiary age (number of years established). In none of the tests did the factor loading change beyond one standard error. The tests conducted indicated that the model is robust; the factor scores between the constructs did not change significantly with the exclusion or inclusion of HQ country, subsidiary size or subsidiary age.

Final model factor loadings (std. errors)		UK $n = 96$	GER $n = 97$	FI $n = 97$	Large $n = 99$	Small $n = 99$	Young $n = 99$	Old $n = 99$
H1a: COM → HQA	0.53 (0.13)	0.56	0.51	0.51	0.55	0.54	0.50	0.61
H2a: SCO → HQA	0.35 (0.13)	0.31	0.36	0.39	0.31	0.29	0.36	0.28
H3: HQA → SINF	0.52 (0.14)	0.52	0.47	0.58	0.42	0.48	0.53	0.47

Table 4. Results from jack-knife tests

Discussion

In this paper, we introduce two attention-building activities; organizational commitment and external scouting activities. We base our reasoning of how such activities can be used to provide subsidiaries with a strategic influence by the view of these activities as tools of power (cf. Becker-Ritterspach and Dörrenbächer, 2011; Dörrenbächer and Geppert, 2009). The findings suggest that these two forms of attention-building activities offer a weak explanation for strategic subsidiary influence by its own. This is interesting given the number of studies that strongly emphasize the importance of subsidiaries' attention-based strategies as means for subsidiaries to create a power position within the corporation (cf. Bouquet and Birkinshaw, 2008; Conroy and Collings, 2016; Gorgijevski, 2021). Instead, our findings show that if the engagement in attention-building activities is to play a role as a source of strategic influence in the corporation, the subsidiaries need to be recognized in form of attention from the headquarters. These findings are in line with the suggestion by Molloy and Delany (1998) that, for a subsidiary, one important "political skill" involves the ability to gain specific support and attention from headquarters. Thus, on a broader level, our findings indicate a need to review the importance given in behavioral theory to attention-building activities as well as to how these arguments have been used in the subsidiary initiative stream of research to argue that activities undertaken by the subsidiary represent the means for them to impact the MNC's strategic position (Floyd and Wooldridge, 1992).

Implications for theory

By adopting an ABV of subsidiary strategic influence, we offer an alternative approach to subsidiary influence based upon a behavioral approach to strategy (Laamanen, 2019). Although the ABV has been useful for our understanding on headquarters–subsidiary relationships (cf. Bouquet and Birkinshaw, 2008; Nell *et al.*, 2017), little attention has been put on how such attention-based activities among subsidiaries affects the role of subsidiaries in strategic decision-making in MNCs. We conclude that there is only an indirect effect between the attentional engagement of subsidiaries, in terms of organizational commitment and external scouting, and the role of subsidiaries in strategic decision-making processes as powerful actors. In other words, we believe we have tapped into an interesting area of research that advances and nuances our understanding by examining the usefulness of attention-building activities as micro-level determinants of strategic influence.

By acknowledging the use of such attention-based activities as micro-political means for organizational power (Dörrenbächer and Geppert, 2009), we can explore the micro-foundations of influential subsidiaries in MNCs. Limited research has clarified the extent to which attention-building activities can be deployed as a source of strategic influence for individual subsidiaries, on which we are able to elaborate in this paper. The study therefore adds to our understanding of the view of the MNC as a federation of internal bargaining processes (Andersson *et al.*, 2007), where subsidiaries may, based on the use of attention-building activities, be able to act as "strategizers" within the MNC based on their ability to gain headquarters' attention.

Theoretically, this paper also contributes to the research on the micro-political perspective of the MNC (Clegg *et al.*, 2018), where subsidiary units are supposed to be engaged in different types of micro-political tactics to "initiate, influence, resist and/or negotiate" positions within the MNC (Geppert and Dörrenbächer, 2014, p. 238). This is also in line with the call among attention-based scholars to go beyond the focus on "selling and framing" and to acknowledge how intra-organizational political dynamics affect the relationship between attentional engagement and strategic decision-making among managers in organizations (Ocasio *et al.*, 2018; Vuori and Huy, 2015). We introduced organizational commitment and external scouting as two micro-political attention-building activities. Hence, this study contributes to the literature on the usefulness of attention-based influence tactics (Conroy *et al.*, 2019; Gorgijevski *et al.*, 2019). Regarding organizational commitment, some scholars suggest that "staying connected" to the corporate headquarters (Conroy *et al.*, 2017, p. 25) is a "key micro-political strategy." Our results reveal that when subsidiary strategy is aimed at strategic influence, this strategy only holds when an attentional engagement on behalf of the headquarters is present. This reasoning is in line with Conroy and Collings (2016), arguing that attention-building activities are sometimes perceived as rather opportunistic and an expression of empire-building behavior by the corporate headquarters and are thus ignored. The non-significant effect of these two attention-building tactics on strategic subsidiary influence may thus be a result of a failure to legitimize this kind of behavior in the organization.

Managerial implications

Considering the importance of shared goals and practices for MNC strategy and performance, MNC are inclined to increase the organizational commitment of their employees. The results also indicate that a weak link between organizational commitment and subsidiary influence may imply a lack of motivation on behalf of subsidiary managers to engage in and adhere to MNC goals and values. Thus, with little corporate influence, subsidiaries may not strive to achieve the common goals of the MNC but rather work in line with their own agenda. In a similar way, the involvement in external scouting activities as a means to search for market opportunities that may lead to new ideas may not be pushed forward and upward in the corporation when there is an absence of an ability to influence the development and implementation of the subsidiary initiatives. Hence, the results of this study go against the suggestion among some scholars that the ability for subsidiaries to attract the attention of headquarters is not particularly beneficial and that the need for headquarters' attention is questionable (Ciabuschi *et al.*, 2017). From a subsidiary perspective, it is important for subsidiary managers to learn and be aware of what kind of mechanisms are available and can serve to exert strategic influence toward headquarters.

Limitations and implications for future research

The study is certainly not without limitations, which may also offer opportunities for future research. While our findings are based on single-source subsidiary-level data, forthcoming

studies can investigate how the influence mechanisms enacted by the subsidiaries can be attributed to individual managers, thus enabling researchers to adopt a micro-foundational perspective more fully. This would greatly extend our results, which have placed emphasis on subsidiary managers' activities at the aggregated subsidiary level. Moreover, future work can also investigate how to incorporate peer-subsidiary perspectives. For instance, how does the strategic influence of a subsidiary in the MNC shape the evolution of its peer units? Another interesting option would be to incorporate insights from the broader impression management literature as well as to integrate subsidiary performance (or innovation) indicators as an end-result of achieving strategic influence. Regarding the weak link between external scouting activities and subsidiary strategic influence, it would be fruitful to explore the link between internal scouting activities and subsidiary influence.

Finally, in this study, a focus was placed on the corporate headquarters and its role as a mediator to legitimize attention-building subsidiary behavior. With regard to the recent conceptualization of a spatially disaggregated headquarters (cf. Nell *et al.*, 2017) consisting of several intermediary headquarters (e.g. regional, divisional and functional), future studies would benefit from exploring the role of disaggregated headquarters in subsidiaries' struggle to develop and maintain influence. As our research methodology cannot assess with certainty the direction of causality, one can also propose that the relationship linking headquarters' attention to subsidiary strategic influence exhibits reciprocal causality. This implies that, for example, high strategic influence in the past facilitates attention behaviors from headquarters, which in turn affect the subsidiary's strategic influence in the MNC. We also believe that it would be useful to scrutinize these issues systematically on a longitudinal basis to determine whether reverse or reciprocal relations exist.

Note

1. $\chi^2_{(223)}$of 35. *P*-value 0.0000; RMSEA: 0.202; CFI 0.73; NFI 0.70; NNFI 0.66.

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