

Subsidiary Entrepreneurial Orientation, Trust in Headquarters and Performance: The Mediating Role of Autonomy

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Abstract : Though there exists an increasing number of research studies on the headquarters-subsidary relationship, and within this context, there is a focus on subsidiaries' contributory role to multinational corporations (MNC), subsidiary autonomy, and the conditions under which autonomy exerts an effect on subsidiary performance still constitute a subject of debate in the literature. The objective of this research is to study the MNC subsidiary autonomy and performance relationship and the effect of subsidiary entrepreneurial orientation and trust on subsidiary autonomy in the China environment, a phenomenon that has not yet been studied. The research addresses the following three questions: (i) Is subsidiary autonomy associated with MNC subsidiary performance in the China environment? (ii) How do subsidiary entrepreneurship and its trust in headquarters affect the level of subsidiary autonomy and its relationship with subsidiary performance? (iii) Does subsidiary autonomy have a mediating effect on subsidiary performance with subsidiary's entrepreneurship and trust in headquarters? In the present study, we have reviewed literature and conducted semi-structured interviews with multinational corporation (MNC) subsidiary senior executives in China. Building on our insights from the interviews and taking perspectives from four theories, namely the resource-based view (RBV), resource dependency theory, integration-responsiveness framework, and social exchange theory, as well as the extant articles on subsidiary autonomy, entrepreneurial orientation, trust, and subsidiary performance, we have developed a model and have explored the direct and mediating effects of subsidiary autonomy on subsidiary performance within the framework of the MNC. To test the model, we collected and analyzed data based on cross-industry two waves of an online survey from 102 subsidiaries of MNCs in China. We used structural equation modeling to test measurement, direct effect model, and conceptual framework with hypotheses. Our findings confirm that (a) subsidiary autonomy is positively related to subsidiary performance; (b) subsidiary entrepreneurial orientation is positively related to subsidiary autonomy; (c) subsidiary's trust in headquarters has a positive effect on subsidiary autonomy; (d) subsidiary autonomy mediates the relationship between entrepreneurial orientation and subsidiary performance; (e) subsidiary autonomy mediates the relationship between trust and subsidiary performance. Our study highlights the important role of subsidiary autonomy in leveraging the resource of subsidiary entrepreneurial orientation and its trust relationship with headquarters to achieve high performance. We discuss the theoretical and managerial implications of the findings and propose directions for future research.

Keywords : subsidiary entrepreneurial orientation, trust, subsidiary autonomy, subsidiary performance

Conference Title : ICMOMT 2021 : International Conference on Modern Organization and Management Theories

Conference Location : Beijing, China

Conference Dates : October 04-05, 2021