

The Role of Leapfrogging: Cross-Level Interactions and MNE Decision-Making in Conflict-Settings

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Abstract : This paper seeks to examine the transboundary nature of foreign subsidiary exit vs. stay decisions when threatened by conflict in a host country. Using the concepts of nested vulnerability and teleconnections, we show that the threat of conflict can transcend bounded territories and have non-linear outcomes for actors, institutions and systems at broader scales of analysis. To the best of our knowledge, this has not been done before. By introducing the concepts of 'leapfrogging upwards' and 'cascading downwards', we develop a two-stage model which characterises the impacts of conflict as transboundary phenomena. We apply our model to a dataset of 266 foreign subsidiaries in six conflict-afflicted host countries over 2011-2015. Our results indicate that information is transmitted upwards and subsequent pressure flows cascade downwards, which, in turn, influence exit decisions.

Keywords : subsidiary exit, conflict, information transmission, pressure flows, transboundary

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