A MIXED METHOD STUDY OF WHAT INFLUENCES SUBSIDIARY MANAGERS’ COMPLIANCE WITH HEADQUARTERS INSTRUCTIONS

by

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Submitted in partial fulfillment of the requirements for the degree of

Doctor of Philosophy

Weatherhead School of Management
Designing Sustainable Systems

CASE WESTERN RESERVE UNIVERSITY

May, 2018
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Acknowledgments

Undertaking a doctoral degree is an enormous task. To succeed one needs a supportive team, to build relationships, to trust the advice of those who previously trod those paths and be humble among other elements. I can attest to the value those forementioned elements played in me achieving this milestone.

My pursuit of the ultimate academic qualification was driven by the thought of fulfilling my academic potential, being a worthy example for my children to emulate and the nudges from friends who knew of the generous educational reimbursement scheme of my then employers (Wartsila). When I was ready to select a university, Case Western stood out because it satisfied my needs of studying at a U.S. university and the number of face-to-face residencies. I am sure the receipt of the acceptance offer from Case Western on my birthday was no accident, but it did the trick!!

My experience at Case was enjoyable. My cohort is great!! We worked, played and vacationed as a team. There was always a member of my cohort to offer help when needed; I can safely say, they constitute my second family. The administrative staff of Sue, Marilyn and Shelley are absolutely amazing. You made me feel at home. You had the answers to all my questions and provided the relevant guidance when necessary. All of the professors and teaching assistants/coaches made learning fun, were invested in my success, and forced me to think in unconventional ways. I vividly remember the first feedback I got from Zeke; he was brutally honest and pointed but I quickly realized it was constructive. I wished I had used the knowledge of Karen Oye more. She knows everything! To all at Case, your contribution to my success is invaluable and words
cannot express my gratitude to you. I look forward to opportunities to be of service to students at Case.

My academic journey highlights how enthusiastic seasoned scholars are to provide guidance and coaching. Dick Boland was quick to respond positively to my request to be my first supervisor despite me sending the email at 6:32 am. Zeke, who was my assigned coach for the first research study, stuck to deadlines and was supportive. Kalle stretched me at the seams and forced me to think unconventionally. He asked tough questions, and with each encounter, I learned something new. Florian is testimony to benevolence. Despite us not meeting or knowing each other, he willingly accepted to be part of my committee. To members of my dissertation committee, I will be forever grateful for your wise counsel.

I will forever be indebted to my previous employer—Wartsila—for the financial support I received for all of my tertiary educational pursuits. The generosity of their educational reimbursement scheme made the improbable, very possible. It is my sincere wish that many more multinationals would follow their fine example and afford citizens of lesser developed countries the opportunity to fulfill their academic potential.

Finally, I am grateful for the support of my family during the program. They demonstrated tolerance I never knew they possessed. Thankfully, life is not normal again.

*To aim is not enough; you must hit.*
A Mixed-Method Study of What Influences Subsidiary Managers’ Compliance with Headquarters Instructions

Abstract

by

ARRON MARK FRASER

Traditionally, clandestine non-compliance with headquarters instructions (as included in strategic plans, procedures, policies, ways of working and delegation of authority) by subsidiary managers has been viewed as undesirable and destructively deviant. It was frowned upon as being inspired by motives such as self-interest, dissatisfaction and low commitment among others; however, this is not always true.

This dissertation demonstrates that subsidiary managers sometimes have honorable intentions when they covertly engage in non-compliance with headquarters instructions. It thus contributes to the embryonic research stream of constructive or positive deviance at the individual unit of analysis level by elucidating the factors influencing such initiatives. Being able to identify which factors influence constructive deviant behaviors helps us predict its manifestation and possibly nurture the potential benefits of such actions.

This study adopts a sequential exploratory mixed methods approach and focuses on the feedback of subsidiary managers to investigate the phenomenon. Initially, the qualitative study examined how and why subsidiary managers responded to headquarters’ instructions. Employing semi-structured opened-ended interviews, I asked subsidiary
managers in Guyana to share their experiences with these instructions—instances of compliance and non-compliance. Forty-six percent (46%) of the experiences shared by subsidiary managers were non-compliant in nature but had honorable intentions and were influence by relaxed headquarters control, information asymmetry and a feeling of being constrained. Using the findings of this research, I developed a model which I sought to validate using a cross-sectional quantitative method. This research was extended to subsidiary managers of English-speaking countries which were part of the British Empire. I found that independent subsidiary initiatives (an example of constructive deviance) were positively and directly impacted by information asymmetry while autonomy mediated its positive relationship with past business performance. After reviewing the results of this research, I reconfigured the model to include a cognitive factor. This reconfigured model formed the basis of the third study. I found this cognitive construct had both a significant direct and indirect effect on independent subsidiary initiatives. Surprisingly, intrinsic motivation did not have a significant effect on the dependent variable which is contrary to the literature. My findings contribute to understanding of the underlying mechanism impacting constructive deviance. On a practical level, it alerts headquarters management that all deviant behavior is not destructive, and that deviant behavior may be an indication that instructions may have outlived their usefulness and warrants change management.

Three meta-inferences can be discerned from my research program: (a) the value of information, which explains why subsidiary managers in possession of superior context specific information will act constructively deviant; (b) the effects of success, which on one hand increases subsidiary managers mastery and self-confidence and on the
other reduces headquarters surveillance thus increasing the likelihood of honorable non-compliance; and (c) the effects of control, which demonstrates high level of control can ensure compliance on one hand but also instigate non-compliance on the other because of a feeling of restraint.

**Keywords:** constructive deviance; honorable mavericks; entrepreneurial self-efficacy; autonomy; information asymmetry; subsidiary managers; independent subsidiary initiatives.
INTRODUCTION

Alignment has been a long-term and age-old goal in the management of subsidiaries. This calls for use of various control mechanisms and related analyses of compliance (Davidson & Harrigan, 1977; Terpstra, 1977). At the same time, there have been calls for subsidiary managers to be more proactive in their management of subsidiaries by demonstrating autonomy and self-initiative (Crant, 2000). At first sight, these appear to be opposite goals and create a tension. However, a closer examination reveals a paradox—the overall underlying intention is the same while the views and methods for achieving the intention are polarized. This paradox leads to my overarching research question: What individual and structural level factors contribute to subsidiary managers’ honorable maverick behaviors in their interaction with headquarters instructions?

Headquarters expect subsidiary managers’ compliance with their instructions. This is akin to the classic concept of rule following expected in bureaucracies (Tyler & Blader, 2005). Headquarters expect to be timely apprised of developments in subsidiaries which allow their additional control, input, and approval. They prefer a process of consultations, discussions, negotiations, and approvals before local initiatives are undertaken by subsidiary managers. Despite widespread knowledge of headquarters’ broad desires of alignment or at least being informed of subsidiary managers’ intentions subsidiary managers often engage in clandestine activities which can be defined as acts of

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1 Instructions are defined as statements issued by headquarters to subsidiary managers which provides directions—prescriptive or descriptive—can be strategic, tactical or operational in nature. Instructions are contained in strategic plans, ways of working, procedures and policies, delegation of authority, internal memorandums among other communications.
unannounced non-compliance with good faith intention (Birkinshaw, 1998; Fraser, 2015), see vignettes as per Appendix D for examples. Some clandestine activities subsidiary managers engage are plainly bad faith or criminal acts; fraud and misappropriation of funds. Others can be termed positively deviant and good faith (Spreitzer & Sonenshein, 2004): actions which can potentially improve the subsidiary’s performance by adding value (Galunic & Eisenhardt, 1996). My research zeros in on the latter category of non-compliance. As multinationals continue to expand into overseas territories, the likelihood of such clandestine initiatives increases. This is more likely if headquarters continue to manage by numbers, and their control mechanisms are otherwise relaxed whereby subsidiary managers possess greater autonomy (Fraser, 2015).

I am captivated by the instances of subsidiary managers’ non-compliance with headquarters’ instructions in my world of practice. I once headed a subsidiary of a multinational and witnessed firsthand many of my peers engaging in honorable maverick behavior. It is important to better understand this phenomenon because on one hand, it can lead to a loss of company value due to sub-optimal decisions, scandals, tarnished public image, waste of scarce resources, tense working relationships and unapproved risk-taking while, on the other hand such acts can drive innovation and technical change and therefore generate economic growth (Schumpeter, 1934). It is also noteworthy that 50% of new initiatives fail within five years of creation (Aldrich, 1999) and this calls for attention from headquarters.
My research examines unannounced good faith non-compliance by subsidiary managers.² We define subsidiary managers as managers who are in charge of subsidiaries and where the headquarters is located in another country. Particularly, I am interested in unearthing individual and structural level factors which contribute to such honorable maverick behaviors. Such unannounced non-compliance surfaces in many forms. Among the activities classified as unannounced non-compliance is independent subsidiary initiatives. My research focuses on this aspect of unannounced non-compliance. Such independent subsidiary initiatives³ are similar to what Birkinshaw (1998) calls maverick initiatives. Generally, we define independent subsidiary initiative as the commitment of a subsidiary’s economic resources to value adding seeking business activities without headquarters’ prior approval or knowledge. Key to this pledge of the subsidiary’s economic resources is underlying honorable and non-personal intentions of the subsidiary managers.

RESEARCH QUESTIONS

Though the phenomenon of honorable maverick behaviors has been known for a while, it is only in recent years that significant steps are being taken to consolidate the research stream hence the phenomenon remains poorly understood (Vadera, Pratt, & Mishra, 2013)—especially at the level of individual managers (Schmid, Dzedek, & Lehrer, 2014). Previously, scholar researched related phenomenon such as prosocial behaviors (O’Reilly & Chatman, 1986), principled organizational dissent (Graham, 1986),

² For this study subsidiary managers are the ultimate head of the subsidiary with job titles such CEO, GM or MD.

³ Independent subsidiary initiatives, maverick initiatives, clandestine and covert activities are synonymous and are used interchangeably.
and functional or creative disobedience (Brief, Buttram, & Dukerich, 2001) without consolidating the findings to determine the underlying mechanism. Therefore, to address part of this research gap, I decided to undertake a sequential exploratory mixed-methods study to address the general goal of understanding individual-level factors that contribute to the manifestation of the phenomenon. My general research question was: What individual level and structural factors contribute to subsidiary managers’ honorable maverick behaviors in their interaction with headquarters instructions? Because of the lack of systematic research on the topic, I address this research question by examining three separate, but interrelated research questions:

1) What has been the experience⁴ of overseas subsidiary managers when faced with instructions issued by headquarters of a multinational corporation and what leads them to comply or not comply with them?

2) What are the mediating effects of autonomy and motivation at work on the pursuit of independent subsidiary initiatives (an example of honorable maverick behavior)?

3) What is the impact of entrepreneurial self-efficacy on the likelihood of engaging in an independent subsidiary initiative (an example of honorable maverick behavior)?

The research stream lacks the cohesion because of its infancy as such it important that my first research effort is guided by a neutral question which should better enable the unearthing of various nuances of the phenomenon. The second research question seeks to confirm the impact of the factors which emerged in the first study, particularly, the autonomy and motivation at work constructs which were salient. Additionally, the research question seeks to provide answers regarding information asymmetry’s impact on

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⁴ Experience is defined as the recall of the myriad of considerations and actions taken with regards to following or not following instructions.
constructive deviance. The third research question focuses on the cognitive construct of entrepreneurial self-efficacy, an important factor which lacks empirical validation which makes it centrality important. Combined, the three research questions, focus on different aspects of the phenomenon and thus contribute to the answering of the overarching research question.

I focus on the likelihood of engaging in these activities given the constant pressures on overseas subsidiary managers to deliver financial results and to be proactive (Crant, 2000). Further, while working for a multinational, I saw many instances of honorable independent subsidiary initiatives. These independent subsidiary initiatives are different from other company initiatives which generally focus on internal efficiency. For example, cost cutting and process improvement e.g., the implementation of ISO quality standards. Independent subsidiary initiatives are worthy of research because given the clandestine nature of the activity the ultimate results difficult to ascertain and be the dependent variable of a study.

My focus is on subsidiary managers’ compliance and their outcome—whether they are honorable mavericks—but under the influence of specific individual-level (e.g., entrepreneurial self-efficacy) and structural (e.g., information asymmetry) conditions. In summary, I posit that subsidiary managers will engage in honorable maverick behaviors when they possess the self-confidence and are motivated to do so but when they perceived autonomy and information asymmetry favors them.

This dissertation addresses these research questions as follows: first, I share our research motivations and goals. Next, I present our literature review of our research. This is followed by the presentation of the theoretical framework of my research. The research
design is next presented. An overview of the results is then presented, and I wrap-up with my conclusions which encapsulate the discussion, limitation of the study and avenues for future research.

**RESEARCH MOTIVATION AND GOALS**

In their quest to maintain or attain growth, multinationals continue to expand into overseas markets. Some have implemented organizational structures using expatriates’ managers from headquarters to set-up and manage the subsidiaries while others have used local managers in their bid to maximize local expertise and knowledge of the local network and market conditions. This research focuses on the latter approach which has posed some challenges with regards to subsidiary managers’ compliance with headquarters instructions and whether it is value reducing or adding. My research is on factors influencing honorable maverick activities as defined above and does not look at the volume or outcomes of such actions. I summarize subsidiary managers’ interaction with headquarters’ instructions in Figure 1.

**Figure 1. Research Framework Depicting Subsidiary Managers' Interaction with Headquarters Instructions**

<table>
<thead>
<tr>
<th>Announced</th>
<th>Compliance</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Quad 1. Announced compliance</td>
<td>Quad 2. Announced non-compliance</td>
</tr>
<tr>
<td>No</td>
<td>Quad 3. Unannounced compliance</td>
<td>Quad 4. Unannounced non-compliance</td>
</tr>
</tbody>
</table>
There is a dearth of research with the subsidiary manager as the unit of analysis regarding the phenomenon of subsidiary initiatives (Dörrenbächer & Geppert, 2009; Schmid et al., 2014). It is important to understand how their interests inspire their actions more so since they are the chief enforcer of headquarters instruction adherence. We believe some expediency is needed to address this paucity given its importance to academia and the world of practice. Particularly, to the world of practice, headquarters’ personnel would be better geared to manage overseas subsidiary managers if they understood factors that lead to specific subsidiary manager behaviors and outcomes. My research is enthused by the following.

I seek to unravel the mystery behind subsidiary managers engaging in honorable clandestine initiatives given the personal risk. I am hoping to unravel this by conducting rigorous academic research. To this end, I commissioned a sequential exploratory mixed method research study. Additionally, a recent review by Schmid et al. (2014) highlighted the presence and importance of the research gap—lack of research on the individual responsible for the non-compliance with headquarters instructions—that I am addressing. Coincidentally, my research commenced almost simultaneously with this plea; thus, endorsing the potential value of elucidating the phenomenon that I had observed in my world of practice.

Secondly, since this phenomenon is not necessarily confined to the headquarters–subsidiary manager relationship and has always manifested in other relationships involving top-level–middle-level manager relationships. I am driven by the need for assurance that as a head of a subsidiary, I can manage subsidiary initiatives both upwards and downwards. My research focuses specifically on the control / information as captured
by the mediating constructs of autonomy and motivation at work in second research
effort and cognitive factors shaping subsidiary managers’ non-compliance as captured by
the mediating construct of entrepreneurial self-efficacy in the third research paper. I make
one qualification, however, by emphatically stating that the obvious negative items of
fraud and corporate misdemeanor will not be researched in this study because though
they are clandestine in nature, they are not constructively deviant; they add no value to
the subsidiary or corporation as a whole.

The purpose of the research is to expand (Creswell & Plano Clark, 2011) the
literature in this space which has placed little focus on understanding what drives
subsidiary manager’s behaviors. Yet, these people are individually the originators of
independent subsidiary initiatives. I hope to spark an intellectual conversation on the
topic that will energize the field and ultimately shape the world of practice by providing
detailed knowledge beneficial to managing overseas subsidiaries, related human
resources, and to their change management. Specifically, the goals of my research are:

- To identify and understand the variables which influence subsidiary managers
  interactions with headquarters instructions;
- To advise practitioners on how to harness the potential benefits of non-
  compliance with headquarters instructions;
- To advise practitioners on how change management can be handled when it
  originates from the subsidiary.

**Philosophical Premise**

I approach this research as a pragmatist since it is a well-developed philosophy
for integrating different approaches and perspectives (Johnson, Onwuegbuzie, & Turner,
2007). It frees one from definitively embracing a forced choice of paradigm
(constructivist vs. positivist) since it acknowledges there are singular and multiple
realities which are open to various forms of inquiry (Creswell & Plano Clark, 2007). Pragmatism provides the epistemological validation (through pragmatic epistemic values and standards) and logic (by the use of a combination of methods and ideas which best frame, address, and provide falsifiable answers to my research questions) for mixing methods, in my case, qualitative and quantitative (Johnson et al., 2007). My pragmatic stance is in the middle of the continuum since it is more useful to mixed methods study and is in line with the ideas of Charles Peirce, Williams James, and John Dewey. To address possible commensurability issues, I will ensure my meta-inferences have elements of both epistemological underpinnings.

**LITERATURE REVIEW**

It is widely acknowledged that subsidiary managers’ compliance is key because they are the chief catalyst driving the implementation of multinational strategic decisions (Kim & Mauborgne, 1993b). Their obedience to work-related rules and policies is also recognized as a precursor to successful coordination between headquarters and the subsidiary (Tyler & Blader, 2005). Yet, subsidiary managers do not always follow provided instructions. To this end, we need to review the notion of constructive deviance and its applicability to my phenomenon of interest.

**Constructive Deviance**

Traditionally, deviance by subsidiary managers has been associated with ill will, negativity and possible harm to the subsidiary and the corporation (Kim & Mauborgne, 1993b; Puffer, 1987). Normatively, it is defined as departure from norms (Dodge, 1985). Norms, in our context, are ingrained in headquarters’ instructions regarding the management of subsidiaries. In contrast, there is a growing research stream focusing on
positive organization studies—the inherent virtuosity found in organizations.

Specifically, I focus on one of its research strands—constructive or positive deviance. Constructive deviance is defined as honorable deliberate actions taken by subsidiary managers in contradiction of known corporate instructions (Spreitzer & Sonenshein, 2004). Vadera et al. (2013) describe constructive deviance as “behavior that deviates from the norms of the reference group such that they benefit the reference group and conform to hypernorms.” In essence, it is rule breaking in pursuit of superior outcomes. Critically, the rule-breaking behavior must be laudable and done with worthy intentions irrespective of the final outcome (Spreitzer & Sonenshein, 2004). Constructive deviant behaviors include actions which are unauthorized by headquarters but help the subsidiary meet or surpass their financial or non-financial goals. These honorable maverick behaviors may comprise innovative behaviors and non-compliance with dysfunctional instructions (Van Dyne & LePine, 1998) and independent subsidiary initiatives (Birkinshaw, 1997); in our context, we focus on behaviors which are executed covertly and unannounced.

Constructive deviance is an all-encompassing label which includes prosocial rule breaking defined as “intentional violation of a formal organization policy, regulation, or prohibition with the primary intention of promoting the welfare of the organization or one of its stakeholders” (Morrison, 2006), counter-role behaviors defined as behaviors which do not confine to one’s job description or what is expected of the ideal employee (Staw & Boettger, 1990), and independent subsidiary initiatives which are defined as an honorable unapproved clandestine entrepreneurial overtures undertaken by subsidiary managers.
(Fraser, 2016). Constructive deviance manifests through three mechanisms: intrinsic motivation, felt obligation, and psychological empowerment (Vadera et al., 2013).

**Psychological empowerment.** Subsidiary managers who are psychologically empowered in their subsidiary operating business environment are likely to engage in constructively deviant behavior (Spreitzer & Sonenshein, 2004). Spreitzer and Sonenshein (2004) posit that constructive deviance is an explorative mindset which enables subsidiary managers to participate in decision making and defy the status quo by pursuing new initiatives. Psychological empowerment is positively impacted by subsidiary managers’ ideas of self-worth (and related concepts such as self-efficacy), proactivity, risk propensity, extraversion and headquarters’ characteristics such as transformational leadership and culture. Psychological empowerment constitutes a cadre of social constructs which reinforce and solidify subsidiary managers’ resolve to engage in honorable maverick behavior. Spreitzer (1995) postulates that psychological empowerment manifests in four cognitions: meaning, impact, competence or personal mastery, and freedom or autonomy. Thus, subsidiary managers who demonstrate competence gained through repeated successful business performance and enjoy autonomy are more likely to engage in constructive deviance. I discuss aspects of psychological empowerment applicable to my study, namely, self-efficacy and autonomy.

Self-efficacy is one’s self-belief that they can undertake an initiative and be successful at it (Bandura, 1986). Because subsidiary managers are more confident, they tend to challenge the status quo by demonstrating more initiative and conform less to headquarters’ instructions. Self-efficacious subsidiary managers set themselves more challenging goals and exert more effort in trying to meet them. It follows that they are
more likely to engage in constructively deviant behaviors in an effort to attain those goals. Employees with a high level of self-efficacy also became creative—an example of constructive deviance (Liao, Liu, & Loi, 2010). Subsidiary managers who enjoy repeated success tend to build their mastery, a key component of self-efficacy and thus were more likely to engage in constructive deviance.

Autonomy is the independence to act with a sense of volition and being able to make choices (Gagné et al., 2010). It is also the reflection of the amount of discretion inherent in the subsidiary manager’s job (Hackman & Oldham, 1976). Subsidiary managers who were endowed with lots of autonomy felt more responsible, enjoyed more liberties and were more self-determined (Hackman & Oldham, 1976; Spreitzer, 1995). These feelings gave subsidiary managers a sense of control over the manner they executed their job. Subsidiary managers who possess these feelings were more unlikely to comply with headquarters instructions when they felt vindicated. Further, innovation research postulates that autonomy enables constructive deviance (Kanter, 1988).

**Felt obligation.** Beyond the psychological empowerment postulations, prior research indicates felt obligation is a main mechanism facilitating constructive deviance. Felt obligation is the urge to go beyond headquarters prescribed instructions so as to better enable the achievement of superior business results (Morrison & Phelps, 1999). Extra-role behavior and positive job attitudes are manifestations of felt obligation. It is posited that felt obligation surfaces in situations where the subsidiary manager enjoys a great relationship with headquarters. Felt obligation fosters behaviors that are beneficial to the corporation as a whole and the subsidiary even if it means deviating from
headquarters’ instructions. Hence, subsidiary managers enjoying these relationships are expected to be more constructively deviant.

Job satisfaction positively impacts extra-role behaviors (Bowling, 2010). This finding was corroborated by other scholars who found that having the positive job attitude of job satisfaction promotes the pursuit of constructive deviance (Tierney, Bauer, & Potter, 2002). Subsidiary managers’ job satisfaction may be influenced by variables such as a supportive headquarters (supervisor) or noncontrolling headquarters (supervisor).

In situations where headquarters is supportive of subsidiary managers by being open to their suggestions and creativity (Detert & Burris, 2007), there is an increased likelihood of engagement in constructive deviance. Similarly, in scenarios where headquarters is noncontrolling, thus subsidiary managers have autonomy, there is a positive relationship with constructive deviance (Oldham & Cummings, 1996). The reverse was also true for a controlling headquarters (Deci, Connell, & Ryan, 1989) and hence creativity was suppressed (George & Zhou, 2001).

THEORETICAL FRAMING

To examine what influences subsidiary managers’ non-compliance with headquarters, I formulated a tentative theoretical framework, as presented in Figure 2, which captures key dimensions of my research topic. This framework is rooted in what is known and what is not known about deviant and positive behaviors in managerial settings.
What We Know

Subsidiary managers are expected to be the chief protagonists for the implementation of headquarters’ instructions, and hence, their compliance is important (Kim & Mauborgne, 1993b). However, they do not always comply with instructions. It is acknowledged that honorable maverick behavior by subsidiary managers which manifest in the form of clandestine subsidiary initiatives can bring economic benefits to the subsidiary and the corporation as a whole. Nonetheless, Ambos, Andersson, and Birkinshaw (2010) call this “troublesome and little understood concept” (p. 1100). Table 1 indicates the applicable critical factors previously highlighted regarding my research.

Birkinshaw (1997) describes subsidiary initiatives as a negotiated process whereby the subsidiary identifies an opportunity and presents its case to headquarters after which discussions are held and approval is granted or not. Subsidiary managers will engage in these activities to increase and extend the importance of their subsidiary (Delany, 2000), gain promotion to headquarters positions (Becker-Ritterspach & Dörrenbächer, 2011), and demonstrate independence (Ambos et al., 2010).

Table 1. Knowns about Subsidiary Managers’ Interaction with Headquarters Instructions

<table>
<thead>
<tr>
<th>Known Factor</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process</td>
<td>Subsidiary initiatives are traditionally a negotiated process</td>
<td>Birkinshaw (1997)</td>
</tr>
</tbody>
</table>
What We Do Not Know

Despite the reported studies, there is little research regarding the cognitive processes among subsidiary managers when they decide to undertake honorable maverick activities. Particularly, research has not examined the impact of factors, both structural and personal, which influence subsidiary managers to become and think like honorable mavericks. Research has not delved deep into the impact of demographic factors, and the little that exists has churned out inconsistent results which merit additional empirical research. The literature has failed to address in a meaningful manner, deterrents, consequences and how job characteristics impact constructive deviant behaviors (Vadera et al., 2013).

It is important that we plug this gap in the research of this phenomenon because its enables headquarters personnel to better manage subsidiary managers by providing them with the necessary latitude to be independent and value-adding to the subsidiary or corporation as a whole and it enables headquarters to employ the necessary surveillance systems so that they may avoid surprises and worse still value depleting initiatives.

Table 2. Unknowns about Subsidiary Managers’ Interaction with Headquarters Instructions

<table>
<thead>
<tr>
<th>Known Factor</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics</td>
<td>Tenure, age, education, gender</td>
<td>Vadera et al. (2013)</td>
</tr>
<tr>
<td>Process</td>
<td>What are the deterrents of honorable maverick behavior? What are consequences of honorable maverick behavior? Effect of job characteristics on honorable maverick behavior. Was the decision process to comply or not in a developing country context similar or dissimilar to known research? Do the factors identified in a developing economy scenario generalize to a wider sample of subsidiary managers? What role cognition plays in the decision-making process of whether to comply or not?</td>
<td>Vadera et al. (2013)</td>
</tr>
</tbody>
</table>
In their review of the subsidiary initiative literature from 1995 to 2010—52 articles in all—Schmid et al. (2014) highlighted the paucity of research at the individual level unit of analysis—subsidiary manager; I am thus, guided by a relatively broad theoretical framework. The framework posits that subsidiary managers’ pursuit of independent subsidiary initiatives is shaped by cognitive, affective, volitional, and structural factors. Cognitively, Entrepreneurial Self-Efficacy; affectively, Motivation at Work; and volitionally, by Autonomy. Further structural factors, namely, Headquarters Control and Difference in Assessment. Headquarters’ Control is the mechanisms employed by headquarters so that subsidiary managers’ actions can be pre-determined while Difference in Assessment is the dissimilarity of opinions possessed by headquarters and the subsidiary managers regarding a situation. Difference in Assessment is driven by Information Asymmetry which increases the likelihood of subsidiary managers being honorably non-compliant because of the superior knowledge they possess. The level of headquarters control will also have an impact on honorable non-compliant behavior.

**Figure 2. Theoretical Framework of Honorable Unannounced Non-Compliance**
Self-efficacy is the belief one possesses that they can be successful at an undertaking (Bandura, 1977). Self-efficacy is developed as a result of the interaction among personal, behavioral and environmental factors. In our context, mastery as developed by past business success enjoyed by subsidiary managers contributed to the enhancement their entrepreneurial self-efficacy (Boyd & Vozikis, 1994; McGee, Peterson, Mueller, & Sequeira, 2009). McGee et al. (2009), argue for a context-specific efficacy construct since they contend a general efficacy construct is applicable to a variety of situations.

It is expected that subsidiary managers will engage in activities which bring them pleasure and is interesting (Deci & Ryan, 1985a) even if it contradicts headquarters instructions. This likelihood of deviant behavior increases as basic performance targets are met (Ambos et al., 2010). Their self-determined behavior seeks to continually satisfy their need for autonomy, relatedness, and competence which contributes to their personal growth and wellbeing. Extrinsic and intrinsic motivation are crucial to self-determined actions by subsidiary managers. Particularly, intrinsic motivation is more associated with constructive deviant behavior, because of the positive feelings it gives the subsidiary managers in their quest for superior business results.

The subsidiary manager and headquarters relationship inherently has principal-agent properties (Jensen & Meckling, 1976). The principal-agent problems in our context are prevalent because of one main factor—monitoring challenges—because of the geographical distance and information asymmetry. This challenge has led to rule-breaking in pursuit of value creation (Burgelman, 1983) and what Birkinshaw (1998) describes as corporate entrepreneurship which drives internal efficiency. In my research,
the principal-agent problem manifests in the agency aspect of the theory and not the misalignment of outcomes since both headquarters and the subsidiary manager want the best for the company.

Elements of these theories emerged from the qualitative research and from getting acquainted with the literature about the phenomenon. Self-determination theory surfaced in the form of autonomy seeking, the ability to make independent decisions and the success of subsidiary managers which resulted in reduced headquarters monitoring. It was clear that agency theory emerged when subsidiary managers used prior success to drive their independent subsidiary initiatives because of reduced oversight and information asymmetry with regards to difference in assessing local business conditions and skill capacity. Entrepreneurial self-efficacy emerged as a result of subsidiary managers past business success which enhanced their mastery and built their self-belief to achieve business initiatives they pursued. Figure 3 shows the mapping of the constructs to the theories used in the various studies.

**Figure 3. Mapping of Constructs to Theories**
RESEARCH METHODOLOGY

I designed a sequential exploratory mixed methods research project as depicted in
Figure 4, with fixed and emergent properties. I define mixed methods research as
“…research in which the investigator collects and analyzes data, integrates the findings,
and draws inferences using both qualitative and quantitative approaches and methods in a
single study or program of inquiry” (Tashakkori & Creswell, 2007). In sequential
exploratory mixed methods research, the qualitative strand kickstarts the program of
inquiry followed by a quantitative strand. These strands were predetermined in the sense
that the impetus for subsequent research efforts arose from the findings of the preceding
research and thus the research process has an emergent aspect. I adopted this approach
because of three reasons:

- **Expansion** (Greene, Caracelli, & Graham, 1989), where the use of different
  methods affords me a better understanding of the nuances of honorable
  unannounced non-compliance and generalization of same. In the qualitative
  study, I asked open-ended questions which enabled the subsidiary managers’
  unrestricted responses so that I can have a wide perspective of the
  phenomenon. In the quantitative studies, I endeavored to validate a model,
  developed from the factors identified in the qualitative study, with a larger
  population of subsidiary managers. The latter approach enabled me to identify
  the salient factors of the phenomenon in my context.

- **Triangulation** (Greene et al., 1989), where I compared the results of the
  different methods looking for convergence and corroboration so as to enhance
  the validity of the inferences regarding honorable unannounced non-
  compliance. For practical purposes, I looked at the results of the qualitative
  study and compared it with the results of the quantitative studies to ascertain
  consistency. The existence of the consistency indicates triangulation.

- **Complementarity** (Greene et al., 1989), where overlapping results of the two
  methods are used to measure different aspects of honorable unannounced non-
  compliance thus providing an enhanced understanding. The qualitative study
  addressed the factors subsidiary managers took into consideration before
  being constructive deviants and how they went about it. The quantitative
  studies surmised why they engaged in such activities.
I used the inferences from each research to inform subsequent research efforts. The inferences of the qualitative inquiry were used to develop and test hypothesized models in the two subsequent quantitative studies. The first quantitative study mainly examined how the structural factors influenced the phenomenon because they were the predominant factors which surfaced in the prior qualitative study. The second quantitative research examines the mediation effects of an individual-level cognitive factor—specifically, entrepreneurial self-efficacy on honorable maverick activities—because I believed it was an important factor despite it not being salient in the prior qualitative study.

**Figure 4. Sequential Exploratory Mixed-Methods Study**

In Figure 5, I show how the structural and individual level factors are organized and integrated into first and second quantitative research studies.
Adopted Paradigms

Given the sequentially exploratory mixed-methods used, I employed a constructivist approach to the initial qualitative study. The key characteristics of this approach are, (i) inductive logic, (ii) reality is co-constructed with the research participant, (iii) it’s a value bound inquiry, (iv) there may be multiple, constructed realities, (v) distinguishing causes from effects is arduous, and (vi) generalization of findings is difficult (Teddle & Tashakkori, 2009).

For the subsequent quantitative studies, I employed a postpositivist approach which is characterized as follows: (i) hypothetico-deductive logic, (ii) modified dualism, (iii) researchers’ values are present but can be controlled, (iv) critical realism, (v) causes are identifiable in a probabilistic sense that changes over time, and (vi) external validity is important (Teddle & Tashakkori, 2009).

Purpose

I adopted a mixed methods approach to better understand our phenomenon because of its complexity and the benefits of using both qualitative and quantitative
strands of research method. The purpose of the research is to expand (Creswell & Plano Clark, 2011) the literature in this space which has placed little focus on the subsidiary manager—the key protagonist of maverick initiatives. In my first research effort, I used the qualitative strand to delve deep into the phenomenon and develop a hypothesized model to be tested in the second research effort—the initial quantitative strand. This initial quantitative research focuses on a mediation model of independent subsidiary initiatives—a subset of unannounced non-compliance, with the mediators being motivation at work and autonomy. The second quantitative research effort focuses on the mediation effect of entrepreneurial self-efficacy on subsidiary managers’ motivation, difference in assessment and past business performance on independent subsidiary initiatives.

Additionally, our selected method of inquiry affords us the opportunity to triangulate the results of the different strands using different methods of research thus bolstering the validity of our results. The validity of our results, using multiple perspectives of inquiry, manifests in their consistency. However, inconsistencies because they provide additional nuisances of the phenomenon provide meaningful insights.

**Priority**

My fixed mixed methods design carries equal priority since I believe that an under-researched aspect of any phenomenon is equally served by an exploratory approach complemented by a confirmatory approach.

**Sequence**

The research was carried out using a sequential exploratory design method (Creswell & Plano Clark, 2011). I chose this approach because there is a generally poor
understanding of the phenomenon. The qualitative aspect of the research was used to conceptualize relationships among the factors influencing maverick behaviors and develop hypothesized models to be tested in the subsequent quantitative studies.

**Integration**

I integrated the strands of research at two points. The first integration occurs when I use the results of the qualitative strand to articulate and focus the quantitative research model and to identify related constructs. The second integration will occur when we use the results of both strands to make meta-inferences in the discussion section of the mixed methods research study. A meta-inference is defined as “…conclusion generated through integration of the inferences that have been obtained from the results of the qualitative and quantitative strands of a mixed methods study” (Teddlie & Tashakkori, 2009: 152).

Summarizing, I employed a sequential explanatory mixed method research design (Creswell & Plano Clark, 2011). In my quest to gain insightful information about the phenomenon I used a purposive sampling strategy (Teddlie & Tashakkori, 2009) to achieve our objective, where the qualitative study delves into how maverick subsidiary initiatives emerges or is suppressed and the quantitative studies seek to confirm the emerging factors and maximize variation in responses regarding the phenomenon.

**Research Phases and Method of Inquiry**

My initial research effort sought to understand how subsidiary managers interact with headquarters’ instructions and what considerations preceded their manifested behavior. This endeavor was appropriately matched by a qualitative method of inquiry. My second research exertion sought to confirm the causal model developed from the results of the initial, qualitative study hence the appropriateness of the quantitative
method of inquiry. My third research endeavor sought to confirm another causal model which emanated for the initial research study but with a different focus on the phenomenon, it could also be considered a reconfiguration of the model from the first quantitative research, but it is also a gap from the second research. My mixed method approach can be notated as QUAL→Quan→Quan (Creswell & Plano Clark, 2011). Figure 4 depicts the schematics of this sequential exploratory research design.

My first research effort was guided by the research question: What has been the experience of overseas subsidiary managers when faced with instructions issued by headquarters of a multinational corporation? There is generally too little research on this phenomenon especially with a focus on the subsidiary managers. My initial study in the Guyana context may be a representative sample of subsidiary managers given the diversity of industries the sample can be drawn from. I, therefore, employed a qualitative method of inquiry which should better enable us to tease out the various nuances of the phenomenon. My research thus examines subsidiary managers’ interaction with headquarters instructions. Specifically, I focused on the situations which led to compliance or non-compliance with these instructions and sought to unearth the factors which influenced their decision.

To gain an understanding of the interaction, I employed a qualitative, grounded theory study which utilizes semi-structured interviews consisting of open-ended questions. This research effort culminated with the first research paper, “When disobedience delivers Success: Factors Influencing Subsidiary Top Managers’ Compliance with Multinational Head Office’s Instructions.” In the next section, I summarize this paper and it is attached in its entirety as per Appendix A.
The second research study is informed by the research question: What are the mediating effects of autonomy and motivation at work on the pursuit of independent subsidiary initiatives? By using a quantitative method, this study sought to generalize an aspect of the prior qualitative research paper—specifically, independent subsidiary initiative which is a subset of unannounced non-compliance. We expanded the study group to include subsidiary managers from other geographical locations but who shared many similar characteristics e.g., “spoke English” and “was part of the former British Empire,” to test our causal model developed from the salient factors which emerged from the first study. This investigation seeks to understand the interplay between motivation at work and autonomy as mediators, past business performance, headquarters control and difference in assessment as independent variables and their impact on independent subsidiary initiatives, the dependent variable. I utilized a cross-sectional survey method to ascertain the significance of these relationships. The end product of this effort was my second research paper titled, “Entrepreneurial Subsidiary Top Managers: Determinants of Independent Subsidiary Initiatives.” A summary of the paper is presented next, and the full paper is attached as Appendix B.

The third research study was shaped by research question: What is the impact of subsidiary managers’ entrepreneurial self-efficacy on independent subsidiary initiatives? I used a quantitative method to ascertain the mediating effects of entrepreneurial self-efficacy on independent subsidiary initiatives. Further, we examined the interaction effects of entrepreneurial self-efficacy and motivation at work on independent subsidiary initiatives since prior established this link theoretically but no known empirical research. I utilized a survey instrument to gather data from subsidiary managers, the end product
was my third research paper titled: “Independent Subsidiary Initiatives and The Mediating Effect of Entrepreneurial Self-Efficacy.” A summary of the paper is presented next, and the full paper is attached as Appendix C.

**Method – First Research Paper**

I used a qualitative method of inquiry to answer my initial research question. The study was guided by an abductive grounded theory approach (Charmaz, 2006), and not the traditional (Glaser & Strauss, 1967) where no prior literature review is done. This research approach is applicable to the study of our phenomenon because of the dearth of research in our domain and a systematic and detailed analysis of date is a method of bringing the domain into due form (Myers, 2013).

I engaged twenty-four (24) subsidiary managers in semi-formal open-ended face-to-face interviews asking them to share stories of when they complied and did not comply with headquarters instructions. These subsidiary managers all managed overseas subsidiaries with headquarters in another country. I analyzed the data using the modified approach to developing grounded theory (Strauss & Corbin, 1990). First, I used open coding (Charmaz, 2006); second, axial coding; and finally, thematic coding (Corbin & Strauss, 1990). I used the thematic codes to develop a conceptual model of independent subsidiary initiatives. The constructs of the model were used to form hypotheses which were tested in the second research paper utilizing structural equation modeling.

**Method – Second Research Paper**

This research effort tackled my second research question. I sought to validate the relationships and their significance of my model and hence the developed hypotheses. I used Qualtrics survey software to distribute and manage the developed survey instrument
which was based on the operationalization of the constructs in my model. This survey was administered to 34,949 subsidiary managers of selected English-speaking countries which were part of the former British Empire. I received 204 responses at a 0.6% response rate and after data cleaning ended with 176 usable responses.

My mediated hypothesized model consisted of six constructs, operationalized with previously developed and validated reflective scales. Using structural equation modeling (SEM), I simultaneously tested for mediation effects of motivation at work and autonomy on independent subsidiary initiatives (dependent variable) and the direct effects of the other constructs on the mediators and the dependent variable. SEM was appropriate for this research because it allows the simultaneous examination of the interrelated dependence relationships among the latent constructs impacting independent subsidiary initiatives (Hair, Black, Babin, & Anderson, 2010). When looking at possible future research options, I realized that there was scope for research focusing on social cognition as a mediator and its interaction effects. This gap informed the next research effort.

**Method – Third Research Paper**

This research effort examined my third research question. I sought to validate my model and the related hypotheses, using SEM technique. The use of SEM was the same as previously established in the second research paper.

My hypothesized model consisted of five constructs and an interaction construct. The emphasis of this research was on the mediation effect of self-efficacy on independent subsidiary initiatives. I subsequently added an interaction construct of motivation at work and entrepreneurial self-efficacy given the richness of literature supporting its validity.
All the constructs used were reflective and were previously developed and validated. I used the data previously collected during the second study. The usable sample remained 176 and the response rate was 0.6%. I next review the results of my three studies.

**OVERVIEW OF RESULTS**

In the next section, I present a brief overview of the results of the three research papers. These research papers were done under the supervision of experienced scholars and hence reflect joint penmanship. Figure 6 represents the schematics of the research study.
First Research Paper: When Disobedience Delivers Success

At the conclusion of the initial study, we found seven significant findings. The findings could be grouped into two broader categories—shared meaning and lack of shared meaning. Further, shared meaning led to compliance and lack of shared meaning led to
non-compliance. Shared meaning and hence compliance occurred when there was meaningful consultation, positive personal relationship, and trust between subsidiary managers and headquarters personnel. Lack of shared meaning and hence non-compliance by subsidiary managers, was pervasive when there was less oversight driven by prior success, difference in assessment of local conditions, difference in assessment of local skill capacity and lack of desired level of autonomy. A synopsis of the findings next follows.

First, meaningful consultation occurred when headquarters personnel and subsidiary managers engaged in dialogue before, during and after the implementation of instructions. Importantly, when subsidiary managers saw their input incorporated into the final instruction they more compliant with same.

Second, when headquarters personnel and subsidiary managers bonded outside of work it led to positive personal relationships. Benefits of positive personal relationship is epitomized by things such as direct access to key headquarters personnel among others. Having positive personal relationship led to compliance.

Third, when the subsidiary manager or their unit lacked a particular expertise, they trusted headquarters and almost blindly followed the related instructions. This trust was based on the positive expectation of headquarters’ personnel intentions. We now turn to the situations which led to non-compliance.

Fourth, whenever headquarters personnel and subsidiary managers differed in their opinion about conditions in the subsidiary domain, subsidiary managers tended to non-comply with related instructions. Subsidiary managers’ non-compliance was engineered by the greater situational awareness of the subsidiary conditions.
Fifth, subsidiary managers who enjoyed business success tended to be less compliant with headquarters instructions. This non-compliance was driven by, on one hand, subsidiary managers becoming more trusting in their judgment because of prior success and on the other hand, subsidiary managers who experienced success enjoyed less headquarters oversight.

Sixth, difference in the assessment of local skill capacity led to non-compliance with headquarters instructions because subsidiary managers felt they were in a better position to judge employees’ contribution and worth.

Seventh, subsidiary managers who were not given the desired level of autonomy by headquarters often rebelled by not following instructions. This rebellion was their way of indicating they need more independence.

**Second Research Paper: Entrepreneurial Subsidiary Top Managers**

This study had five significant findings. Headquarters Control and Difference in Assessment had direct negative and positive effect respectively on Independent Subsidiary Initiatives. Autonomy mediated the positive relationship between Past Business Performance and Independent Subsidiary Initiatives while it mediated the negative relationship between Headquarters Control and Independent Subsidiary Initiatives. Surprisingly, Motivation at Work had no mediating effect on Independent Subsidiary Initiatives. Table 3 presents the results of the hypotheses testing and the fit statistics of the measurement and structural models.
Table 3. Results of Hypotheses Testing Second Research Paper

<table>
<thead>
<tr>
<th>Fit Statistics</th>
<th>χ²</th>
<th>Df</th>
<th>χ²/Df</th>
<th>P-value</th>
<th>CFI</th>
<th>RMSEA</th>
<th>Pclose</th>
<th>R²</th>
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</thead>
<tbody>
<tr>
<td>CFA</td>
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<td>170</td>
<td>1.300</td>
<td>.005</td>
<td>.970</td>
<td>.040</td>
<td>.820</td>
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<tr>
<td>SEM</td>
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<td>14</td>
<td>1.424</td>
<td>.132</td>
<td>.981</td>
<td>.049</td>
<td>.465</td>
<td>.22</td>
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</table>

Results of Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Direct effects</th>
<th>Indirect effects</th>
<th>Total effects</th>
<th>P-value of Tot. effects</th>
<th>Supported or not?</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Past business performance (PBP) positively impacts independent subsidiary initiative (ISI)</td>
<td>.027</td>
<td>-.027</td>
<td>.754</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>H2 Headquarters control (HQC) negatively impacts ISI</td>
<td>-.278</td>
<td>-.278</td>
<td>&lt;.001</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>H3 Difference in assessment (DIA) positively impacts ISI</td>
<td>.242</td>
<td>.242</td>
<td>.002</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>H4a Motivation at work (MAW) fully mediates the positive relationship between PBP and ISI</td>
<td>.027</td>
<td>-.086</td>
<td>.59</td>
<td>ns</td>
<td></td>
</tr>
<tr>
<td>H4b MAW fully mediates the negative relationship between HQC and ISI</td>
<td>-.278</td>
<td>.015</td>
<td>-.263</td>
<td>ns</td>
<td></td>
</tr>
<tr>
<td>H4c MAW fully mediates the positive relationship between DIA and ISI</td>
<td>.242</td>
<td>.024</td>
<td>.266</td>
<td>ns</td>
<td></td>
</tr>
<tr>
<td>H5a Autonomy (AUT) fully mediates the positive relationship between PBP and ISI</td>
<td>.027</td>
<td>.079</td>
<td>.349</td>
<td>* Yes</td>
<td></td>
</tr>
<tr>
<td>H5b AUT partially mediates the negative relationship between HQC and ISI</td>
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<td>-.095</td>
<td>-.373</td>
<td>* Yes</td>
<td></td>
</tr>
<tr>
<td>H5c AUT partially mediates the positive relationship between DIA and ISI</td>
<td>.242</td>
<td>-.074</td>
<td>.168</td>
<td>* No</td>
<td></td>
</tr>
</tbody>
</table>

* p-value <.05 ns=not significant

Third Research Paper: Mediating Effect of Entrepreneurial Self-Efficacy

In this study, we made six significant findings. We found Past Business Performance positively impacted Entrepreneurial Self-efficacy and Entrepreneurial Self-efficacy positively impacted Independent Subsidiary Initiatives. Further, we found Entrepreneurial Self-efficacy fully mediated the positive relationships between Past Business Performance and Difference in Assessment and Entrepreneurial Self-efficacy.
Surprisingly, Entrepreneurial Self-efficacy did not mediate the relationship between Motivation at Work and Independent Subsidiary Initiatives neither was the interaction effects of Motivation at Work and Entrepreneurial Self-efficacy on Independent Subsidiary Initiative significant. Table 4 presents the results of the hypotheses testing and the fit statistics of the measurement and structural models.

**Table 4. Results of Hypotheses Testing of Third Research Paper**

<table>
<thead>
<tr>
<th>Fit Statistics</th>
<th>( \chi^2 )</th>
<th>Df</th>
<th>( \chi^2/Df )</th>
<th>P-value</th>
<th>CFI</th>
<th>RMSEA</th>
<th>Pclose</th>
<th>( R^2 )</th>
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<td>SEM</td>
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<td>.658</td>
<td>.12</td>
</tr>
</tbody>
</table>

**Results of Hypotheses Testing**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Direct effects</th>
<th>Indirect effects</th>
<th>Total effects</th>
<th>P-value of Tot. effects</th>
<th>Supported or not?</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>-.120</td>
<td>-.120</td>
<td>.131</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>H2</td>
<td>.610</td>
<td>.610</td>
<td>&lt;.001</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>H3</td>
<td>.150</td>
<td>.150</td>
<td>.049</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>H4a</td>
<td>-.124(.194)</td>
<td>-.123</td>
<td>.215</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>H4b</td>
<td>.091(.047)</td>
<td>.091</td>
<td>.047</td>
<td></td>
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</tr>
<tr>
<td>H4c</td>
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<td>Yes</td>
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<td>H5</td>
<td>-.010</td>
<td>.881</td>
<td></td>
<td></td>
<td>No</td>
</tr>
</tbody>
</table>

p-values are in brackets for direct and indirect effects

**CONCLUSIONS**

**Discussion**

This research addresses the main research question: What individual level and structural factors contribute to subsidiary managers’ honorable maverick behavior in their interaction with headquarters instructions? within the study context where the headquarters and subsidiary are located in different countries. Most previous studies have
focused on situations where the headquarters and subsidiary are located in the same
country, otherwise called multi-domestic. To answer this main research question, I
divided this research program into three phases—each with a separate research question.
In chronological order, they were: (a) What has been the experience\(^5\) of overseas
subsidiary managers when faced with instructions issued by headquarters of a
multinational corporation and what leads them to comply or not comply with them? (b)
What are the mediating effects of Autonomy and Motivation at Work on the pursuit of
Independent Subsidiary Initiatives (an example of honorable maverick behavior)? and (c)
What is the impact of Entrepreneurial Self-efficacy on the likelihood of engaging in an
Independent Subsidiary Initiative (an example of honorable maverick behavior)?

*Meta-inferences.* The answers to our overall research question are provided by
the three meta-inferences from my sequential exploratory mixed methods research. The
meta-inferences are formed by combining the results of three research papers to arrive at
a more complete understanding of subsidiary managers’ constructive deviant behavior.
The meta-inferences drawn are: (a) the value of information, (b) the effects of success,
and (c) the effects of control.

*Value of information.* In each of the research papers, information asymmetry in
the subsidiary managers’ favor played a pivot role in their pursuit of honorable maverick
behaviors. This asymmetry of information stems from subsidiary managers possessing
superior knowledge of local business conditions and intimate knowledge of the
capabilities of personnel under their management and headquarters lacking the necessary

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\(^5\) Experience is defined as the recall of the myriad of considerations and actions taken with regards to
following or not following instructions.
monitoring systems to monitor that knowledge. These findings concur with prior research which suggested that rule breaking is imminent whenever there are inadequate organizational controls and monitoring to warrant compliance (Eisenhardt, 1989).

In the first and second research papers, the impact on constructive deviant behaviors was direct and significant. Having established this relationship we tested and confirmed that subsidiary managers’ cognition was also a mediator between the relationship of information asymmetry and constructive deviance, in our case independent subsidiary initiatives.

This meta-inference confirms the mechanism of felt obligation which galvanizes constructive deviance (Vadera et al., 2013). Subsidiary managers in possession of information which they felt was superior to headquarters analysis of the local business condition felt it their duty to pursue potentially more rewarding initiative even when in contravention of established headquarters instructions.

**The effects of success.** Subsidiary managers who enjoyed repeated success developed mastery of managing their subsidiary (Bandura, 1998). They became more self-confident and trusting in their judgment and analysis of their subsidiary conditions. This led to the development of their self-efficacy, specifically, their entrepreneurial self-efficacy (Boyd & Vozikis, 1994). Additionally, subsidiary managers who enjoyed repeated success were more likely to enjoy less scrutiny from headquarters. With the aforesaid, subsidiary managers were more likely to engage in constructive deviant behavior.

Research papers two and three built on research paper one by establishing additional conditions where past business success leads to constructive deviance from
headquarters instructions. Specifically, research papers two and three demonstrate that despite enjoying past business success, subsidiary managers required autonomy, a situation where they can make independent decisions, and entrepreneurial self-efficacy, where they have strong self-belief that their actions will manifest into their desired outcomes.

Past business success and the resultant enhancement of entrepreneurial self-efficacy had positive effects on the subsidiary managers’ competence and self-determination, both important cognitions of psychological empowerment (Spreitzer, 1995). My results are in line with the framework developed by Vadera et al. (2013) and the work of Appelbaum, Iaconi, and Matousek (2007).

**The effects of control.** The first and second research papers demonstrated reactions to headquarters level of control. In the first research paper subsidiary managers who were restricted by headquarters instructions in situations where they felt they can deliver superior business results, became creative and subversive. When they felt the instructions were counterproductive or too rigid, they engaged in constructive deviance. Non-compliance with the instructions was motivated by a desire to do their job better (Morrison, 2006). This is in line with the theory of psychological reactance (Brehm, 1966). The second research paper demonstrates that tight headquarters’ controls restrict but does not eliminate positive deviance. Both research papers thus illustrate that despite tight controls, once subsidiary managers view their efforts as honorable and with good intentions they will pursue honorable maverick initiatives—constructive deviance. However, their constructive deviance may be curtailed by constraints (Johns, 1991) which are impediments to activities and environmental limitation on behavior (Rosse &
Miller, 1984). In an overseas subsidiary—headquarters relationship—likely constraints are audits and surveillance. Additionally, the risk of sanctions and their severity may prevent constructive deviance by subsidiary managers (Hollinger & Clark, 1982).

The inferences of these research papers, when combined, support the mechanism of felt obligation (Vadera et al., 2013) through which constructive deviance manifests. In essence, despite not having the autonomy, subsidiary managers were still likely to engage in constructive deviance if they felt their actions were with noble intent.

Summarizing, my meta-inferences are grounded in the mechanisms of felt obligation and psychological empowerment. These are important conduits which foster constructive deviance. In addition to the meta-inferences made, I also observed one inconsistency of findings among the studies and a fair amount of the hypotheses were not supported.

*Inconsistent findings.* In the qualitative study, I found Past Business Performance positively fostered constructive deviant behavior; however, the first quantitative study it’s direct impact was not significant. It required Autonomy as a mediator before it impacted the dependent variable. It, therefore, means that subsidiary manager must have the independence before they became constructively deviant despite enjoying prior business success.

Intrinsic motivation did not positively impact constructive deviance in any of the quantitative studies—neither directly nor as a mediator. Other studies have had contrary findings (Shane, Locke, & Collins, 2003). Instead, we found in both quantitative studies that intrinsic motivation had a significant negative relationship with Independent
Subsidiary Initiatives implying that subsidiary managers were motivated to be compliant with headquarters instructions.

Surprisingly, I found no support for the Entrepreneurial Self-efficacy and intrinsic motivation as an interaction variable significantly impacting Independent Subsidiary Initiative or Entrepreneurial Self-efficacy as a mediator between intrinsic motivation and Independent Subsidiary Initiatives. The results were different from what was posited by other researchers (Baum & Locke, 2004; Locke, 2000). Given my sample size and the use of SEM, I was unable to use sub-samples of the data for further investigation. Another statistical approach for example partial least square may afford this further investigation.

Revisiting the supplementary research questions, I provide answers to them. The first research was premised on the research question: What has been the experience of overseas subsidiary managers when faced with instructions issued by headquarters of a multinational corporation and what leads them to comply or not comply with them? I found that subsidiary managers’ honorable maverick behavior was driven by: (i) their success which made headquarters less attentive—this allowed them the independence to be self-directing, (ii) their pursuit for the desired level of autonomy—this was an attempt to be unrestrained and (iii) information asymmetry—of local business conditions and skill capacity. On the other hand, subsidiary managers complied with headquarters instructions when the following were evident: (i) meaningful consultation with headquarters where it is held during every phase of the instruction development; (ii) there was a positive personal relationship with headquarters personnel—besides work, informal and off-the-job relationship contributed to strong belief of the instructions emanating
from headquarters; and (iii) trust—where subsidiary managers lack the resource the
blindly relied on the expertise of headquarters.

The second research effort addressed the question: What are the mediating effects
of Autonomy and Motivation at Work on the pursuit of Independent Subsidiary
Initiatives (an example of honorable maverick behavior)? I found Headquarters Control
and Information Asymmetry directly impacted Independent Subsidiary Initiatives. When
Headquarters Control was lax and Information Asymmetry favor the subsidiary manager,
Independent Subsidiary Initiatives manifested. Further, I found Autonomy was a salient
mediating variable in bringing Independent Subsidiary Initiatives to fruition. Once
subsidiary managers were given the independence their behavior was sometimes
honorably maverick. Surprisingly, the Motivation at Work did not mediate any of the
relationships in our research model and its relationship with the dependent variable was
negative and significant indicating that the subsidiary managers motivation was to be
compliant with headquarters instructions.

The final supplementary research question examined: What is the impact of
Entrepreneurial Self-efficacy on the likelihood of engaging in an Independent Subsidiary
Initiative (an example of honorable maverick behavior)? I found that Entrepreneurial
Self-efficacy was a viable mediating variable in subsidiary managers’ pursuit of
Independent Subsidiary Initiatives. This was so because, despite subsidiary managers
having the structural factors in place, they required the self-belief that they possess the
competencies to achieve their ambitions. Further, subsidiary managers’ Entrepreneurial
Self-efficacy was bolstered by Information Asymmetry and Past Business Performance.
Limitations

The limitations of our study can be categorized into two broad groups—inherent method challenges and chosen boundary conditions of the phenomenon. I will delve into each category of limitation and say how I addressed it.

Research Quality

I applied rigorously acceptable standards of research practice for both strands because of their impact on the quality of meta-inferences. I am cognizant of what Teddlie and Tashakkori (2009) stated with regards to meta-inferences, “…you might make very credible inferences on the basis of your qualitative and quantitative results but fail to integrate them well at the end of the study” (p. 291).

Qualitative. There is also a prerequisite that qualitative inferences need to be built on a rigorous process. I am guided by the benchmarks set by Lincoln and Guba (1985) with regards to good inferences. Teddlie and Tashakkori (2009) described good inferences as being able to capture the meaning of the phenomenon under consideration. I paid particular focus on four characteristics of good qualitative inferences as highlighted by Lincoln and Guba (1985): credibility, transferability, dependability, and confirmability.

Credibility is epitomized when reconstructions of the researcher reflect the experiences shared by the research participants. It is an accurate interpretation and representation of the research participants’ stories. To minimize credibility changes, I deepened my familiarity with the study context and review our interviews, finding and conclusions under the guidance of my academic supervisor—an experienced researcher.
To achieve transferability, I provided thick description (Geertz, 1973). Providing thick description entails providing the smallest of details of a contextual setting. This enables the inferences derived to be transferred to other contexts.

I strived for dependability, which is defined as replicability of results by another researcher using the same dataset. To offset this challenge, I recruited the service of a research supervisor—an experienced researcher, to access my data, interpretation, findings, and conclusions.

Finally, to achieve confirmability, which is the extent to which my results emanate from my data and whether there is evidence of researcher’s bias and inference being logical and internally coherent. I used a research supervisor to help me achieve this characteristic of good inference.

I applied a grounded theory method which is a derivative of the Glaser and Strauss (1967) approach. While Glaser and Strauss (1967) promoted the emergence of theory from data, I believe that we must engage in ongoing interpretation of data as the research unfolds so that theory is constructed (Charmaz, 2006).

**Quantitative.** In order to ensure I generate quality inferences from this study, I implemented rigorous research practices. Particularly, attention was paid to sampling adequacy, measurement validity and structural validity and reliability (Hair et al., 2010). I performed an Exploratory Factor Analysis (EFA) to ascertain that observed variables loaded on their respective factors, are sufficiently correlated and meet the criteria for validity and reliability.

Adequacy was assessed using Kaiser-Meyer-Olkin (KMO) measure for sampling adequacy and Bartlett’s Test of Sphericity for significance testing. For validity, I looked
at convergent and discriminant validity while for reliability I calculated Cronbach’s alphas for each construct.

The measurement model which was built from the results of the EFA was subjected to a Confirmatory Factor Analysis (CFA). I examined model fit, convergent and discriminant validity and tested for common method bias.

The hypothesized model developed from the result of the CFA was subjected to Structural Equation Modeling (SEM). The SEM tested for model fit and hypotheses. The foregoing will ensure rigorous research methods are applied to the quantitative strand of the research.

The hypothesized models were developed from a prior qualitative research (Fraser, 2015) which looked at subsidiary managers’ interaction with instructions which highlighted the prevalence of constructive deviance in the form of independent subsidiary initiatives. The model of the second research paper examined the mediating effects of motivation at work and autonomy on independent subsidiary initiatives. The third research paper examined the mediating role of entrepreneurial self-efficacy on constructive deviant behavior.

Notwithstanding my efforts, the research had limitation specific to sampling, causality of analysis and the quantitative monomethod used. With regards to sampling, it would have been more meaningful if I had parse out a particular industry and achieved a higher response rate. The sample as is may not be representative of the population; however, value must be attached to the insights gained given the difficulty of getting subsidiary managers to participate. The cross-sectional research gathered self-reports by subsidiary managers which is susceptible to common method variance (Podsakoff,
MacKenzie, Lee, & Podsakoff, 2003). I, however, applied statistical techniques and I am confident the associations and relationships with the dependent variable are unlikely to be biased. Further, since I was captivated by subsidiary managers views of the factors influencing independent subsidiary initiatives, self-reports are considered appropriate. Additionally, for the quantitative studies, a monomethod of data analysis for the dependent variable was used—SEM; the rigor of the research would have been enhanced if I had used another method, for example, experiment or quasi-experiment. Particularly, the use of one method can introduce mono-method bias which threatens the construct validity. This is my research given the dependent variable in both studies remained the same and generally, the constructs were used in a different configuration.

**Mixed methods.** I was guided by Teddlie and Tashakkori (2009) integrated framework when formulating meta-inferences from the two strands of data. Teddlie and Tashakkori (2009) suggested two broad categories under which evaluations of inferences fall, namely, design quality and interpretive rigor. I took a closer look at some key criterion applicable to the aspects of quality when accessing meta-inferences of mixed methods research. For design quality I paid attention to design suitability (“does the design match the research question?”), design fidelity (looks at the adequacy of the procedures or design components with regards to sampling, data collection, analysis implement with necessary quality and rigor to capture meaning, effects and relationship) and within design consistency (are the strands linked or follow one another is a seamless and logical manner). For interpretive rigor, I kept in mind, interpretive consistency which is whether scholars reviewing the same data will come to similar conclusion, interpretive distinctiveness speaks to the superiority of meta-inferences made to other possible
inferences from the same data. Finally, I looked at a criterion specific to mixed methods research, integrative efficacy which asks, “does the meta-inferences adequately incorporate the inferences that are made in each strand of the study?” and secondly, “if there are credible inconsistencies between the inferences made within and across strands, are the theoretical explanations for these inconsistencies explored, and possible explanations offered?”

**Chosen boundary conditions.** My research reflects the subsidiary managers’ perceptions of the phenomenon. Glaringly absent are the views of headquarters personnel. My research falls short by failing to corroborate the views of the two key players in the scenario. Nonetheless, I am confident that given the rigorous approach to my research, there are benefits to academia and practice.

Secondly, my research does not address the culture of compliance within the corporation as a whole. Specifically, I did not address whether there was a top-down compliance environment prevalent in the corporation or if headquarters personnel advocated for rule-breaking within certain broad guidelines—proactivity. The claims of the research will certainly gain credibility if the culture of compliance is known within the corporation as a whole.

Thirdly, my research could have been improved by incorporating variables such as types and frequency of audits done by headquarters in their control and monitoring of subsidiary activities, the types of control systems employed in the subsidiary by headquarters, the level of financial controls employed by headquarters and the reward and incentive systems in effect.
Implications for Theory

My research was premised on three principal theories; agency theory, self-determination theory and entrepreneurial self-efficacy theory. My empirical work confirms and or extends the theories in some cases. Specifically, my research demonstrates that despite agency theory being premised on the notion that the agent and principal have divergent objectives, this may not always be the case. My research shows that the divergence was centered around the way of working, the procedures and policies since the clandestine initiatives of the subsidiary managers were motivated by a perceived opportunity to improve the economic fortunes of the subsidiary—an underlying wish of headquarters personnel. My research confirms that information asymmetry and headquarters control are key variables in agency theory. Particularly, the more pronounced information asymmetry is the more likely there will be agency actions manifested as independent subsidiary initiatives and the more headquarters control exercised the less agency will be exercised.

My research confirms that autonomy is a significant variable in self-determination theory. Autonomy directly and positively impacts self-determined actions. It has a significant relationship with independent subsidiary initiatives. I expected past business performance to have a significant and positive impact on self-determined initiatives because I supposed it would build the subsidiary managers’ competence—another key variable of self-determination theory. In my collected data, its impact was small and insignificant thus demonstrating little support for my assertions. It can be concluded from my collected data that past business performance does not improve subsidiary managers’ competence.
Entrepreneurial self-efficacy was the other significant theory on which my research was premised. My research emphatically demonstrates that subsidiary managers’ past business performance improves their mastery—a key variable of entrepreneurial self-efficacy. My research also shows that information asymmetry when it favors the subsidiary manager positively contributed to their entrepreneurial self-efficacy. Surprisingly, motivation at work had a minimal and insignificant relationship with entrepreneurial self-efficacy. This suggests that subsidiary managers’ motivation does not contribute to their entrepreneurial self-efficacy.

Implications for Practitioners

My research agenda was kickstarted by my quest to ascertain why subsidiary managers engaged in honorable clandestine maverick behavior despite the risks they face—both personally (e.g., disciplinary actions taken against them) and in business (e.g., failed initiatives). The answer to this question best serves the interest of headquarters personnel as it points to keys variables which should be managed so as to attain the desired headquarters outcome.

While hardly novel, the level of headquarters control via the autonomy given to subsidiary managers dictates the likelihood of constructive deviant behavior. However, headquarters personnel must be mindful of subsidiary managers who are reactive to being contained by instructions. Headquarters personnel must be aware that the autonomy given to subsidiary managers will influence the level of constructive deviance. Constant non-compliance with instructions may be an indication that it is too constraining or that it needs updating because it doesn’t reflect the realities faced by subsidiary managers in
their business situation. It may be viewed as an agitation for change management where the input from the subsidiary manager should be solicited.

Headquarters personnel should be aware that cognition plays an integral role in constructive deviant behavior. One of the ways subsidiary managers’ cognition is bolstered is by their mastery of their working environment as measured by subsidiary results. Those who experience repeated above average results develop a sense of self-belief and are more likely to engage in constructive deviant behavior. Headquarters personnel should also be aware that repeated success should not translate to decreased surveillance of the subsidiary manager because, that too, may lead to constructive deviant behaviors.

Finally, headquarters personnel should be cognizant of the positive effects of deviant behavior and not all deviant should be viewed as injurious to the corporation and or the subsidiary. In formulating instructions, enough latitude should be given to subsidiary managers to be honorably deviant. Matter of fact, positive deviant behavior should be encouraged when an underlying value set which advocates goodwill and good intentions as precursors are ingrained in subsidiary managers initiatives.

**Future Research**

Research of constructive deviance will certainly benefit from a research design which incorporates the views of headquarters personnel to corroborate that of the subsidiary managers. This design has the potential to fully substantiate whether deviant behavior by the subsidiary manager is indeed constructive and positive.

The true test of whether deviant behavior is constructive or not lies in the verification of positive returns to the subsidiary but more so to the corporation as a
whole. The research stream will benefit immensely if the dependent variable of the research is actual business results, e.g., revenue growth, profits, or market share.
Appendix A

When Disobedience Delivers Success: Factors Influencing Subsidiary Top Managers’ Compliance with Multinationals Head Office Instructions

ABSTRACT

This study examines the factors influencing subsidiary top managers’ compliance with their head office’s instructions. Our grounded theory qualitative study is based on twenty-four (24) interviews with subsidiary top managers from various industries. Shared meaning or lack of shared meaning explained incidences of compliance and non-compliance respectively. Surprisingly the lack of shared meaning in many instances resulted in better business outcomes for the subsidiary. Shared meaning resulted when there was meaningful consultation, a positive personal relationship, and trust between subsidiary top managers and head office personnel. On the other hand, a lack of shared meaning existed when there was little oversight or monitoring by head office personnel of subsidiary top managers’ actions especially during times of subsidiary success, a difference in understanding local conditions, a difference in assessment of subsidiary’s skill capacity, and a lack of the desired level of autonomy for the subsidiary top manager. We present a model and a theory that counter-intuitively illustrates the power of subsidiary top managers’ non-compliance, delivering business success together with a few factors which gained subsidiary top managers’ compliance. It is imperative that head office personnel of multinationals are cognizant of these discoveries in order to better their chances of business success. Our findings contribute to the understanding of factors influencing compliance with head office’s instructions and also to the desirable business effects non-compliance with the same can have. These findings can potentially be applied to other aspects of social sciences.

Keywords: compliance; subsidiary top managers; head office; shared meaning; consultation; autonomy; assessment of skill capacity; assessment of local conditions
INTRODUCTION

Overseas subsidiary managers are key to multinational corporations’ success because they are the executioners of corporate strategies (Kim & Mauborgne, 1991). The potential for success is hindered when they fail to comply with strategic decisions (Kim & Mauborgne, 1993b). Strategic decisions take into account the company’s operating environment, its resources and internal capabilities in pursuit of its mission and vision. The types of information conveyed from corporate head offices to subsidiary top managers cover the spectrum, from simple routine operational to more company defining interactions, we call them “instructions.” Instructions are defined as statements which provide directions—prescriptive or descriptive—and can be strategic or tactical. Examples of instructions are procedures, ways of working, delegation of authority and directives. Strategic decisions are seen as a subset of instructions which occur infrequently, require a greater amount of resource commitment, and have a long-term influence on mission and vision of a company.

Non-compliance is defined as the failure to act on instructions handed down by head office. Non-compliance with the instructions may lead to several outcomes such as the possibility of company value being lost due to sub-optimal decisions. Non-compliance can be both announced and unannounced, and it is the latter which presents the more significant challenge for corporate head office and for which this study will be the focus. The unannounced non-compliance with instructions also robs the decision-makers at head office of that vital feedback at the embryonic stages of implementation, which could then force them to take additional precious time and effort to revise those instructions in an effort to achieve the intended objective.
Kim and Mauborgne (1991) postulated that if there is an absence of a sense of community, there is a likelihood of subsidiaries pursuing their individual gains. A sense of community is similar to social identity. Vora and Kostova (2007) stated, “subsidiary managers may directly affect organizational outcomes at the subsidiary and the multinational enterprises levels, more than the actions of other employees” (p. 329). From experience, we have observed that subsidiary top managers do not always comply with instructions—strategic or otherwise—as directed and or handed down by head office.

We have observed South American subsidiary top managers of a European multinational being instructed to offer to customers remote monitoring of power plants as a service offered by head office. Instead, they developed their own locally-based solutions and offered to customers at a cheaper price, thus robbing the company of much-needed revenue. In another example, a European multinational issued a directive to its subsidiaries top managers that spot bonuses must have final approval at the area level before they are paid. Instead, some subsidiary managers of English speaking Caribbean countries were only approving up to the country level and paying to employees, thus opening the doors of moral hazard. Subsidiary top managers of a European multinational were instructed to only use original equipment manufacturers’ spare parts in the maintenance of the equipment. Instead, to save cost and better meet financial targets, some subsidiary managers were procuring and using after-market spare parts and thus increasing the risk of equipment failure. What are the factors influencing this phenomenon?
It is clear from our experience in one region within Latin America that instructions handed down by corporate head offices located in Europe or other continents are implemented inconsistently across Latin American subsidiaries. It is important to understand the factors subsidiary top managers consider when faced with complying or not complying with head office’s instructions because of the effect it may have on both subsidiary and multinational performance.

**RESEARCH QUESTION**

To dig deeper into the stated problem of practice, we are guided by the overall research question: What has been the experience of overseas subsidiaries’ top managers when faced with instructions issued by the head office of a multinational corporation? Specifically, we are interested in this question when the top subsidiary manager is non-U.S. born and raised and working in a foreign country that is different from the country where the multinational corporation has its head office.

**LITERATURE REVIEW**

Kim and Mauborgne (1993b) said, “subsidiary top managers’ compliance is important because they are the chief catalysts for the implementation of a multinational’s strategic decision” (p. 502). Many scholars have explored how a single factor influences subsidiary top managers’ compliance with head office instructions: learning (Szulanski, 1996; Zellmer-Bruhn & Gibson, 2006), absorptive capacity (Cohen & Levinthal, 1990) commitment (Taylor, Levy, Boyacigiller, & Beechler, 2008), shared managerial philosophy (Roth, Schweiger, & Morrison, 1991), communication (Daft, Lengel, & Trevino, 1987) and culture (Geletkanycz, 1997). Other factors that have been considered
are procedural justice (Kim & Mauborgne, 1993b), and incentives (Roth & Sharon, 1996). We will now look in depth at the above-mentioned studies among others.

Learning and Knowledge Transfer

A multinational success can hinge upon, among other things, the successful internal transfer of best practices (Szulanski, 1996). The study by Szulanski (1996) consisted of a data set of two hundred and seventy-one observations of one hundred and twenty-two best-practice transferred in eight companies. They found three strong impediments to learning of new knowledge: lack of absorptive capacity, causal ambiguity, and arduous relationship, and two other lesser impediments, lack of motivation and lack or retentive capacity. Zellmer-Bruhn and Gibson (2006) looked at implications for team learning and performance by using a multi-method study of one hundred and fifteen teams in twenty subsidiaries of multinationals. The research revealed that learning is affected at the micro level by empowerment, coaching, managerial support and feedback availability. On a macro level, the interpersonal relationships between the subsidiary and corporate head offices played a role in increasing learning and compliance. Their results also demonstrated a direct link between a team’s learning and their performance.

Absorptive Capacity

Cohen and Levinthal (1990) noted that “an organization’s absorptive capacity will depend on the absorptive capacities of its individual member” (p. 131). Kostova and Roth (2002) examined the adoption of organizational practices in subsidiaries of multinational through the lenses of institutional duality. What they discovered was the internationalization of policies and practices increases retentive capacity and increases
the likelihood of adoption. The research further concluded that having social knowledge, defined as the value set and beliefs consistent with the practice, helps managers interpret the practice correctly and thus increases the probability of compliance. Minbaeva, Pedersen, Björkman, Fey, and Hyeon Jeong (2003) conducted a study of one hundred and sixty-nine subsidiaries of multinationals in the United States of America, Russia and Finland investigating the relationship among multinationals’ subsidiary human resources management practices, absorptive capacity and knowledge transfer. They noted the most salient discovery of the study was the need for the interaction of the employees’ ability and motivation as key to an organization’s absorptive capacity to ensure optimal knowledge transfer between parts of the multinational corporation. Their research also highlighted that greater investment in employees’ ability contributed to more transfer of knowledge within a multinational.

Commitment

Taylor et al. (2008) tested whether organizational culture and human resources management affected employees’ commitment directly as well as indirectly through top management team orientations in ten multinationals. Their study demonstrated organizational cultures with high adaptability, and human resources system with high-performance work practices, had a significant and direct positive impact on employee commitment. They explained, perception of a culture of adaptability strongly and directly fostered commitment. Their study also found that human resources management system measured in terms of high-performance work practices directly affected commitment. Significantly, the study also revealed, top management team orientation had a vital
impact on employee commitment. By this, it means the perception of a sense of mission indirectly affected commitment via the effect of a global disposition of top managers.

Mayer and Schoorman (1998) conducted a field test to verify the organizational commitment framework formulated by March and Simon (1958). March and Simon (1958) categorized commitment as continuance and value. The sample of 1,958 was taken from a large organization and consisted of 288 respondents to the questionnaire. The research revealed organizational tenure, retirement benefits, education, and age were more highly correlated with continuance commitment while felt participation, perceived prestige, job involvement and role ambiguity were highly correlated to value commitment.

**Shared Managerial Philosophy**

Roth et al. (1991) studied the impact of international strategy on organizational design and the influence of organizational design on business unit’s effectiveness. A by-product of that research revealed that successful implementation is dependent on among other factors, a shared managerial philosophy, which includes a *common* worldview, organization pivots, and organizational philosophy. Colakoglu (2012) investigated the impact of three control mechanisms use by multinationals, namely formal (headquarters-imposed rules and decisions), personal (the presence of expatriates) and social (interaction among sister subsidiaries) on building a shared vision in subsidiaries and the resulting domino effect on subsidiary learning. The dataset consisted of ninety-nine subsidiaries located in the United States of America and headquartered in Europe or Japan. The investigation revealed that personal and social control mechanisms are effective in building shared vision while formal control mechanisms have no impact. The
results also demonstrated a significant correlation between shared vision and subsidiary learning.

**Communication**

Daft et al. (1987) explored message equivocality, media selection and the performance of middle and upper managers in a field study. Their study revealed that subjects preferred oral media when messages were high in equivocality, and for messages unambiguous, they were comfortable with text-based media—like memos. The study also concluded that the use of the appropriate medium was positively correlated with managers’ performances. That is, the managers’ selection of the appropriate media for handling the level of equivocality, such as using dialogue when message content was equivocal, indicated a better performing manager than the manager who did not use text-based media for equivocal message content. In his study of control and coordination in multinational corporations, Cray (1984) speculated that the greater the administrative distance between head office and the subsidiary manager, the more it negatively affects integration, and greater increases the probability of distorted messages. Administrative distance is the number of hierarchical levels between C-Suite of the multinational corporation and the subsidiary manager in this scenario.

**Culture**

In a study of top managers in twenty countries, Geletkanycz (1997) focused on the influence of cultural values on the executive’s openness to change. The sample included top managers from Fortune 500 companies of which multinationals represent the majority. What she found was, cultural values have an important effect on executives’ mindset to change as demonstrated by executives of differing cultural backgrounds not
being equally open-minded to change. Hofstede (1983) described culture as having four dimensions, namely, individualism/collectivism, large and small power distance, strong and weak uncertainty avoidance and masculinity versus femininity. Cultures open-minded to change are characterized by high collectivism (values interpersonal relationships and group affiliation), low uncertainty avoidance (comfortable with instability), lower (smaller) power distance (more egalitarian in nature and members of society are viewed as equals) and long-term orientation (emphasize the future). Cultures not open-minded to change are characterized by high individualism (where personal achievement is given preference over collective effort), high uncertainty avoidance (preference for clear rules, greater structure and standard operating procedures), high (large) power distance (hierarchical structures and centralized decision-making) and a short-term orientation (emphasis on personal steadiness and respect for traditional practices). The results of Gelethkanycz’s (1997) study suggested that individualism, low uncertainty avoidance, low power distance and short-term orientation were positively correlated to the reluctance of altering the status quo.

**Procedural Justice**

In an organizational setting, procedural justice can be described “… as the extent to which the dynamics of the multinational’s strategy-making process for its subsidiary units are judged to be fair by subsidiary top management” (Kim & Mauborgne, 1993a: 422). Kim and Mauborgne (1991) looked at the role of procedural justice in the implementation of global strategies in nineteen multinationals in several industries from which the surveyed ten employees from each organization. Their research revealed that procedural justice activated high-order attitudes of commitment to organization, trust and
social harmony between head office personnel and subsidiary top managers, all important since multinationals must have the support of subsidiary top management in carrying out global strategies. “More complete compliance with the resulting global strategies is commonly to be expected when procedural justice dominates” (Kim & Mauborgne, 1991: 139). They also found that procedural justice directed contributed to outcome satisfaction.

In a follow-up study of subsidiary top managers compliance with strategy implementation, Kim and Mauborgne (1993b) looked at procedural justice through the lenses of subsidiary top managers of a multinational operating in global industries or a multi-domestic industry type. What they found was the more a subsidiary was operating in what can be considered a global industry as against a multi-domestic the “… more powerful was procedural justice in generating subsidiary top management compliance” (Kim & Mauborgne, 1993b: 521). Global industries are ones that meet needs homogenously across countries, and in which marketing efforts are transferable across countries. They have global customers and distribution channels. On the other hand, multi-domestic industries have customers and distribution channels confined to one country and utilize marketing efforts specifically designed for that country.

**Incentives**

It is postulated that both principals and managers are utility maximizers and hence they will manifest goal incongruence (Roth & Sharon, 1996). Managers will thus pursue their own interest in their quest to maximize utility. Roth and Sharon (1996) executed a study of the design of compensation strategy and its effect on subsidiary effectiveness in one hundred subsidiaries in five countries. The study revealed a positive relationship
between an incentive-structure aimed at mitigating goal incongruence and subsidiary effectiveness, in other words, rewarding managers reduced the negative effects of utility maximization. Subsidiary effectiveness is defined as outcomes and objectives designated by headquarters. Tangthong’s (2014) study of the usefulness of having compensation, benefits and rewards management in multinational corporations with subsidiaries in Thailand revealed that it can be used as a tool to attract, retain and motivate employees and thus facilitate organizational effectiveness (similar to subsidiary effectiveness).

Summarizing, in our quest to understand our stated problem of practice, it is critical to note that multinational corporations have used incentives such as stock options and performance related (financial, social, personnel among others) bonus payments so to align the interest of subsidiary top managers with that of the company. That willingness to comply is influenced by intrinsic and extrinsic incentives. It is critical to use the appropriate communication medium for messages based on its characteristics. This challenge is increased by the organizational structure, meaning the more management layers between sender and receiver of the message, it increases the likelihood of the message being distorted. Commitment to an organization plays a major role in managers’ adherence to instructions because of the personal investments made, the level of identity with the company and the effective selling of a shared vision. Learning and knowledge transfer plays an important role in top managers being able to comply with instructions since it is affected by the ability to correctly grasp instructions and execute it, the ambiguity with which instructions are sent and the personal relationship which exists between sender and receiver. The joint development of ways of working and strategic plans among others between head office personnel and local subsidiary managers will
greatly increase the probability of compliance by subsidiary managers. These joint efforts also allow for the development of a common way of thinking on particular issues which also fosters compliance. It is also critical to note that another major impediment to compliance is culture, since some which focus heavily on personal achievement, social status, short-term thinking, and stability are less likely to comply if the given instructions result in these dimensions being threatened, and the converse is also expected.

**METHODOLOGY**

We used a qualitative method in order to answer our research question, what has been the experience of overseas subsidiary top managers when faced with instructions issued by the head office of a multinational corporation? The study was based on an abductive grounded theory approach (Charmaz, 2006), and not the traditional Glaser and Strauss (1967) where no prior literature review is conducted. Semi-formal interviews consisting of open-ended questions were conducted with the research participants (Glaser & Strauss, 1967). Semi-formal interviews were employed because of its suitability for a data-driven and emergent approach. We expect this research to add to scholarship since there is little, if any, research in this context—the compliance of Non-US born, raised and working subsidiary top managers with instructions from head office located on another continent.

**Sample**

We used our professional network to identify twenty-four subsidiary top managers in South America who were not US born and worked in Guyana, for interviews. Their position titles included Chief Executive Officer, Managing Director, General Manager and Country Manager indicating a wide use of titles. Their functions
were similar, which could be labeled as the “head manager” of the subsidiary. Of the twenty-four subsidiary top managers interviewed, nine—or 38%—were women.

Thirty-three percent of the research participants possessed a master’s degree while eight percent had a high school education and the rest had a bachelor’s degree. The industries in which they worked were wide and varied from financial services to consumer goods. For all but three of the research participants, this was their first subsidiary top manager job. Their tenure stretched from two months to seventeen years.

Data Collection

The 24 interviews were conducted vis-a-vis. On average, interviews lasted fifty minutes. All but three of the research participants were audio recorded; these three declined to have the interview audio recorded because it was the first time they were part of research hence reluctance. After two of those interviews, the research participant expressed repentance at not allowing us to record the interview because of the extensive writing that was done to capture their experiences.

Data Analysis

Prior to analyzing the data collected, we personally checked all interview transcripts for quality to validate audio recordings. This was absolutely necessary because a U.S.-based transcription company was used and the interviewees all had accents not typically heard in the US. The transcripts were then de-identified of any data that could have pointed to a particular participant so as to ensure anonymity. Extra caution was taken with interviews which had no close comparative participants—same industry or business type. The data was analyzed using Strauss and Corbin’s (1990) approach to developing grounded theory. Open coding (Charmaz, 2006) was conducted for all
interview transcripts. Five-hundred-and-thirty-nine (539) initial codes were created. A second level of analysis resulted in the reduction of codes to thirty-eight (38). A third level of analysis produced seven (7) codes: meaningful consultation, positive personal relationships, trust, differences in understanding local conditions, local subsidiary success fostering less head office oversight, difference in assessing local skill capacity, and lack of desired level of autonomy. These seven codes were further reduced to two categories; lack of shared meaning and shared meaning.

**FINDINGS**

In our interviews of twenty-four subsidiary top managers, seventy-six stories of compliance or non-compliance were shared. Of those stories, thirty-five were from situations where the manager did not follow instructions, and forty-one when they followed instructions.

Shared meaning and lack of shared meaning explain incidences of compliance and non-compliance, respectively. However, to our surprise, the most significant emergence from our data was that the lack of shared meaning can actually produce better business outcomes for the subsidiary and the company as a whole than shared meaning in situations where local subsidiary top managers possessed a superior understanding of the business dynamics affecting the local subsidiary.

From our data, compliance occurred whenever the head office personnel and the subsidiary top managers possessed shared meaning of an instruction. The concept of shared meaning refers to “…how dyads…create and utilize interpersonal understanding” (Thompson & Fine, 1999: 280). Specifically, we mean the type of interaction that takes place between dyads when an agreement is sought after. This type of shared meaning
includes the “…the acceptance of the definition of a situation, and adjusting behaviors to agree with others and establishing a working consensus…” (Thompson & Fine, 1999: 280). Specific to our research, high levels of shared meaning emerged when there was meaningful consultation, positive personal relationships, and trust between head office personnel and subsidiary top managers and this resulted in compliance with instructions.

On the other hand, non-compliance occurred when subsidiary top managers and head office personnel lacked shared meaning of an instruction. One research participant said, regarding the lack of shared meaning: “…sometimes their priorities are not yours.”

From our research, the genesis of the lack of shared meaning was principally when there was; differences in the understanding of local conditions, local subsidiary success fostering less head office oversight, differences in assessing local skill capacity and lack of desired autonomy experienced by subsidiary top managers. The larger the differences the greater the lack of shared meaning.

**Finding 1: Meaningful Consultation**

Subsidiary top managers tended to comply with head offices’ instructions when there was meaningful consultation between subsidiary top managers and head office personnel before, during and after the implementation of instructions, and the subsidiary manager saw his or her input incorporated into the instructions.

Meaningful consultation is defined as the process whereby both head office personnel and the subsidiary top managers have a dialogue regarding an instruction before, during and after implementation and specifically the subsidiary managers feel that their input is valued, by its manifestation in the derived instruction. In the research, consultation ranged from administrative matters to those technical in nature, and from a
dual to multi internal stakeholders’ scenario. Dual stakeholder scenario refers to the dyadic relationship between the subsidiary top manager and head office personnel while the multi internal stakeholders’ scenario encompasses functional head office personnel plus the previously mentioned dyad.

One research participant who was very compliant described a typical consultative effort as:

“It is based on participatory consensus, because the issues and, let's say, certain critical points, are being tabled, and it is joint sessions with both operations, C (geographic region) and LA (geographic region 2), sit together and come [up] with possible solutions for the issues.”

Another research participant, with regards to seeing his/her input being incorporated, added: “It makes us feel heard, it makes us feel valued.”

**Finding 2: Positive Personal Relationships**

Subsidiary top managers tended to comply with instructions when there was a positive personal relationship with head office personnel. Positive personal relationships in this given context are defined as the constructive way head office personnel and subsidiary top managers interact with each other (Heider, 1958). Subsidiary managers who valued personal relationships were very compliant.

One research participant, regarding positive personal relationships, shared:

“..., from ’94 to ’99, nothing less than US$10 million pass through my hands. (Owner’s name) developed that relationship with me. He told me, I have lost a lot of people. A lot of people who saw the money in abundance and believed they could do something. You took my money and everything you did, you said you would do, that you did. There was a confidence between him and me…That these guys have faith in me. Having faith is putting it a bit strong...They see me a friend who became a good employee who set them up [in business].”

And another research participant, regarding positive personal relationships added:
“I have direct access to any of the Directors. Things can be discussed very openly, and very, very quickly. There is absolutely no hurdles in this regard.”

Finding 3: Trust

Subsidiary top managers tended to comply with head offices’ instructions when the subsidiary personnel did not possess a particular expertise. They exhibited a trust in head office expertise. In this given context, trust is defined as an agent-principal relationship (Shapiro, 1987) which is based on a “generalized expectancy held by an individual that the word, promise, oral or written of another individual or a group can be relied upon” (Rotter, 1980: 1). Additionally, trust in our context can be defined as, “…willingness to be vulnerable…” (Mayer, Davis, & Schoorman, 1995) based on the positive expectation of another’s intentions (Rousseau, Sitkin, Burt, & Camerer, 1998).

One research participant, with regards to trusting head office expertise, confessed: “…sometimes we are not experienced and all we have to do is follow instructions.” And another research participant added: “Then you allow those functions to work because again, yeah, maybe out of your grey area or in your grey area, let’s say.”

Finding 4: Differences in Understanding Local Conditions

Shifting to subsidiary top managers who tended to not follow instructions from head office when there were differences in the understanding of local conditions—situational awareness. Differences in the understanding the local conditions—differences in situational awareness—are defined as the conscious state of being cognizant of the presence of, cost of and associated risks with pursuing, the potential losses of not pursuing and the potential gains from pursuing an opportunity that is particular to a given context.
One research participant says, with regards to differences in the understanding of local conditions:

“There was research done, but more on a peripheral basis, meaning a company in (a North American country) coming in taking a look at the (a South American country) environment assuming that (a South American nationality) was more accepting of this technology, but after we were on the ground and we started experiencing it ourselves, I had to recommend a change in that strategy.”

Another research participant added:

“What we have is that we would sit down and we would agree on policy approaches and so on but in some instances, you would find that because I am on the ground here, I might have to make decisions which might not always be in keeping with the policy or exercise flexibility in some instances if we want to get things going, because sometimes it's not easy to go back for a decision and then wait for the decision to come back. By that time, you might lose business. The customer might go to our competitor.”

Finding 5: Local Subsidiary Success Fostering Less Head Office Oversight

Subsidiary top managers who were enjoying local success based on key performance indicators established by head office experienced less oversight and thus tended to be less compliant in carrying out instructions from head office. This was the biggest surprise of our study. Local subsidiary success means actual results surpassing expected results. Examples of these results manifest in terms of financial, market share, product or service innovation among other key performance indicators set by head office. Oversight is defined as the systems in place to ensure and validate that policies and procedures are followed as recommended.

One subsidiary manager who was enjoying financial success said with regards to local success fostering less oversight from head office:

“Well HR matters is such a big issue for them because I like to think that if we’re the ones on the ground and we have the authority to make decisions
that financially could ruin you, why can’t we make a simple decision as who to hire, when to hire, whether or not they qualify to get the job done.”

Another research participant says with regards to local success fostering less head office oversight:

“Once the budget allows I would issue the increases. My decision is further based on [local] market research and economic conditions. I will call around my peers at other companies to find out their salary rates and the percentage increases they had given. Local management is in the best position to appraisal local staff performance and so I feel should be the ones issuing the approval.”

**Finding 6: Difference in the Assessment of Local Skill Capacity**

Subsidiary top managers tend to not follow head offices’ instructions in situations where there is a difference in the assessment of local skill capacity. Skill capacity is defined as the talent to execute a task, the level of competence or skill possesses by an individual.

One research participant says, with regards to difference is assessing local skill capacity:

“To send home my (function) manager, which I refused. The head office was very angry and I write and I explain why. I wasn’t sending him home, because I already had the word that the expat was leaving. They were not aware that the man [expat] was leaving... We would have been closed down because we couldn’t meet the shipment. It was a shipment that was detrimental to the company. The bank was holding us. That shipment needed to go; that’s a million US dollars”

Another research participant added, with regards to difference in accessing skill capacity:

“They state like for example, this year, nobody throughout the whole territories can get more than 4 percent increase, those kind of things. You know that there's certain people you've got to keep, there's certain people you've got to do, so you manipulate the whole scenario so that you're able to pay some people more and some people less, and so I just manipulate. Without telling them.”
Finding 7: Desired Level of Autonomy

Subsidiary top managers who were not given the desired level of autonomy by head office tended to rebel and not follow instructions as issued by head office.

Autonomy is “… regarded as a decision-based process that evolves through bargaining between center [head office] and periphery [subsidiary] in organization” (Taggart, 1998: 55).

One research participant says, with regards to lack of desire level of autonomy:

“It's when, to me, they get micromanaged and not give you enough ability to be able to manage properly. That's where it gets dicey and I might play around a little bit, but I don't think it could ever be in anything that was in an unethical way. That's against me. To not comply by hiding X amount of money somewhere or the other, or paying some supplier, or paying somebody, it just won't happen. It just won't happen, so those parts are easy to comply with. It's the ones where they give you less ability to use your common sense and your brain, and so especially when it gets to people.”

Another research participant added, with regards to lack of the desired level of autonomy:

“Sorry to say the accountants took over the business and the accountants like to micromanage every little thing. Sometimes you are telling them something you are seeing and they don't listen because somehow it doesn't make something in the book.”

DISCUSSION

From time in immemorial, leaders have employed the classic command and control way of working to ensure compliance and hence the achievement of desired outcomes. Command is defined as the aptitude to direct, force or compel while control means the authority to restrain, verify and or regulate (Boyd, 1987). This way of working, which has achieved much success in military settings, has experienced different outcomes in more recent times when applied to a subsidiary top manager and head office relationships. Our study highlights some of the pitfalls of the command and control
approach to managing subsidiaries. Our research contributes to subsidiary top managers and head office personnel interactions, specifically with instructions, both conceptually and empirically.

**Subsidiary Success Fostering Less Oversight**

Trust seems to be the hallmark of the relationship between subsidiary top managers and head office personnel especially when the subsidiary is successful based on the established key performance indicators—most often related to profitability. This trust emanates from head office because of the difficulty of effectively monitoring subsidiaries. Our research reveals that when subsidiaries enjoy financial success, the head office does not exercise stringent oversight of the subsidiary top manager’s activities in terms of following up on compliance with instruction requirements or the performance of internal audits. Less oversight resulted in less shared meaning.

The head office’s focus is on sales and profits of the subsidiary. It is during times of financial success that subsidiary top managers, because of recent success and the hands-off management style of the head office, are more non-compliant in carrying out instructions because they become more confident in their own way of thinking and actions taken to bring financial success to the subsidiary. This pattern reinforces non-compliance with head office’s instructions yet increases financial success of the subsidiary; this contradicts Kim and Mauborgne (1993b) who posited that satisfaction outcomes will positively impact subsidiary top managers’ compliance.

We believe that this discovery of subsidiary success fostering less head office oversight and subsidiary top managers capitalizing on the lack of monitoring to be non-compliant with instructions is novel.
Desired Level of Autonomy

(Johnston & Menguc, 2007) Johnston and Menguc (2007) noted: “…subsidiary requires and desires a degree of autonomy of action that the HQ [head office] is not always disposed to concede” (p. 788). Subsidiary top managers who described their relationship with head office as one where they had not been given enough freedom to get their work done, got irritated, grew silent and became non-compliant with instructions issued by head office. This rebellious act draws a parallel with reactance theory of Brehm (1966) which states that the controlled party, in this case, the subsidiary top manager, will be motivated to recapture that lost freedom. The desire to regain this lost freedom he argued would result is negative feelings which leads to dysfunctional behaviors such as disobeying head office’s instructions.

Our research reveals an ever-present disconnect between the subsidiary top manager and head office personnel whenever accountants took over running the business because of the stringent controls they put in place and their habitual unwillingness to make decisions that are more intuitive.

As a result, the stringent controls and the lack of freedom negatively affected the subsidiary top managers and head office personnel relationship. It demotivated the subsidiary top manager to the extent that he would non-comply with instructions.

Our finding of not having the desired level of autonomy resulting in non-compliant behavior is consistent with previous research; however, it adds another context and hence increases its universality. The greater the difference between the desired and conceded level autonomy the greater the lack of shared meaning and hence non-compliance.
Difference in the Understanding of Local Conditions

Subsidiary top managers will act in the best interest of their subsidiary when the likelihood of their success is dramatically hindered by head office’s instructions which clearly show a lack of understanding or adaptation to the context of the subsidiary’s local conditions. This position taken by the subsidiary top manager highlights a pitfall of the command and control school of thought where subordinates are expected to carry out instructions without deviation.

Our research reveals that subsidiary managers’ knowledge of local conditions results in them taking the opportunity to pursue a superior economic outcome, to adequately address matters of safety and security, and ensure retention of on-scene skill capacity. The head office’s personnel are unaware of how or why subsidiary top managers place so much importance on local conditions because of the lack of meaningful consultation which aids in the development of shared mental models. The research further highlights the larger the difference in the assessment of local condition between head office personnel and the subsidiary manager, the greater the lack of shared meaning and hence non-compliance results.

Our research shows that the subsidiary top manager’s knowledge of local conditions coupled with the slow speed of decision making by head office personnel will foster non-compliance. Subsidiary top managers seek to capitalize on opportunities of the subsidiary’s economic benefit, employees’ welfare or mitigate risk.

The management of stakeholders by subsidiary top managers sometimes were at odds with the head office’s instructions. Many subsidiary top managers sought to enhance the company’s reputation by extending facilities that were not approved by head
office but which, in their view, the benefits outweighed the risks. The shadow of the future (Alexrod, 1984) also played a critical role in these decisions by the subsidiary top managers and hence they unanimously exercised flexibility in applying or disobeying head office’s instructions.

Subsidiary top managers acting in the best interest of their subsidiary because of their knowledge of local conditions is expected of utility maximizers (Edwards, 1954; Simon, 1959) hence our research extends earlier studies by adding our Latin American context of subsidiary top managers and non-Latin American head office interactions.

**Difference in Assessing Local Skill Capacity**

Subsidiary top managers are in the better position than their head office personnel to identify employees who possess an exceptional or valuable skill to the subsidiary. Subsidiary top managers in some cases refused to carry out head office’s instructions because of the special skill possessed by an employee. They were willing to lose their job because of the importance placed on that employee’s capability. The greater the difference between head office and the subsidiary top manager’s assessment of local skill capacity, the greater the lack of shared meaning which resulted in non-compliance with instructions.

Head office from time to time will issue instructions that would affect all subsidiary employees. Subsidiary top managers have however disobeyed those instructions in an effort to ensure that employees, they view as critical or valuable to them and the subsidiary’s success are given preferential treatment. They became creative in the way they treated those highly valued employees. This creativity went undetected, especially in times when the subsidiary was enjoying success based on head office’s
established performance indicators. The unannounced non-compliance in these instances could potentially provide head office with misleading information which they may use for future planning. This may result in inappropriate future instructions.

In other cases, subsidiary top managers who felt rather strongly about some employees’ value to the company willingly engaged as many as possible stakeholders to ensure that their views are known, and a concerted collective action taken to retain or treat these employees preferentially. The non-compliance in these instances was announced—head office was given feedback, and an alternative was presented.

**Meaningful Consultation**

Thibaut, Friedland, and Walker (1974) found that compliance was positively correlated with individuals’ participation in rule-making. This participation enabled the development of high levels of shared meaning (Thompson & Fine, 1999) and hence compliance. In our research, consultation ranged from administrative to technical matters and from a dual to multi internal stakeholders’ scenario. Dual stakeholder scenario refers to the dyadic relationship between the subsidiary top manager and head office personnel while the multi internal stakeholder’s scenario encompasses other functional head office personnel plus the previously mentioned dyad.

In situations where subsidiary top managers are given the opportunity to participate in the instruction, formulation and or the finalization process, they are more likely to comply. When participation occurs, the head office personnel and subsidiary top manager have a dialogue on the applicability and wording of a potential instruction so as to find the best fit for both parties. The fact that they participate in a discussion allows the subsidiary manager to feel as if their input is being considered into the final instruction,
and therefore they feel valued by the head office. The subsidiary top manager is invested in the process of collectively making decisions, which because of the strong relationship with the others involved in the consultation, motivates him or her to comply. Horwitz (1954) also found the greater the involvement of key personnel the lower the likelihood of non-compliant behavior.

Our research supports the findings of previous research studies regarding the greater meaningful consultation there is in instructions formulation, the higher the likelihood of compliance. However, it extends the scholarship to our specific context of subsidiary top managers and head office personnel interactions (Horwitz, 1954).

**Positive Personal Relationships**

Our research shows that intense meaningful consultation fosters good positive personal relationships because of the networking opportunities presented, both formally and informally. Formally, this networking took the method of task forces which were comprised of head office personnel and the subsidiary top manager, set up to tackle specific issues. Galbraith (1973) refers to informal personal relationships as lateral relations and stressed their importance in establishing a good personal relationship between managers. The subsidiary top manager and head office personnel fostered positive personal relationships which resulted in high levels of shared meaning and hence compliance.

These relationships appear to result in unfettered access to key decision-makers at head office and resulted in instructions being quickly adapted or revised to account for the changes or expected changes in the market preempted by the subsidiary top manager.
Given this condition of ready access to decision-makers and quick decision turnaround time, subsidiary top managers were more inclined to share their differing view to the instruction currently in place and wait on head office’s approval for change than to go ahead and initiate their own changes.

These positive personal relationships engineered an openness in the sharing of views and hence the reconciliation of reasoning between head office personnel and subsidiary top managers. This resulted in compliance with head office’s instructions.

Trust

The findings of our research suggested that a by-product of a positive personal relationship between the subsidiary top manager and head office personnel was the development of trust, more particularly by the subsidiary top manager. This trust surfaced principally in cases where there was a lack of a particular skill capacity in the subsidiary. The subsidiary top managers trusted the head office personnel’s knowledge of the particular skill capacity and complied with head office’s instructions almost blindly. This trust increased as instances of complying with these instructions translated to successes.

This lack of particular skilled capacity as the antecedent of trust in the subsidiary top manager and head office personnel relationship is a very novel trust in organizational studies. Mayer et al. (1995) in their seminal paper identified other antecedents of trust, namely; ability, benevolence, and integrity.

High levels of trust resulted in high levels of shared meaning and hence compliance with head office’s instructions.
Theorizing

From our findings, we present a model of achieving business success or compliance in Figure A1. Further, we assume that when a subsidiary top manager interacts with head office’s instructions, he or she will, all things being equal, strive for an outcome that’s beneficial to his or her subsidiary, in this case, business success. Business success could be financial or non-financial. Examples of non-financial success measures include head count management and emission control targets. We then theorize that the subsidiary top manager’s action is determined by whether or not he or she has a shared meaning of the instruction. Shared meaning occurs when there is meaningful consultation, which facilitates a positive personal relationship with trust being a by-product. A lack of shared meaning occurs when there is subsidiary business success which results in less head office oversight, hence subsidiary top managers do things their way; a difference in the understanding of local conditions, a difference in the assessment of local skill capacity and the absence of the desired level of autonomy. Our theory suggests that non-compliance leads to successful business outcomes.
Additional research on the effect of leadership styles of head office personnel on subsidiary top manager’s compliance needs to be carried out since it is expected to provide a different dimension of the problem of practice. Equally interesting would be additional research on the subsidiary top manager’s propensity to comply—their default mode of viewing instructions.

Another possible avenue of future research is the research of non-compliance from the head office personnel’s point of view. This is likely to verify whether or not
subsidiary top manager’s non-compliance with head office’s instructions results in sub-optimal outcomes.

LIMITATIONS

The research has many limitations. First, in asking our research participants to recall experiences we left the time span open to their discretion. This ran the risk of them inaccurately recalling events long passed or selectively sharing aspects of events. With us not being there to observe those events, we are at the mercy of the research participants’ interpretation of those events.

Second, our research is confined to the Guyana scenario and may not hold for other contexts because of the implicit cultural grounding of research participants.

CONCLUSION

The importance of this research resides in the notion that subsidiaries’ business success can be achieved both from being compliant and non-compliant with head office’s instructions and that in most cases subsidiary top managers will take appropriate actions to ensure successful outcomes based on their local knowledge. The usefulness of the theory is especially valuable to multinationals venturing into previously unserved markets and hoping to employ local personnel as subsidiary heads.
Appendix B
Entrepreneurial Subsidiary Top Managers: Determinants of Independent Subsidiary Initiatives

ABSTRACT

This empirical study examines the hugely neglected aspect of subsidiary initiatives—the subsidiary top managers—and the factors which foster their pursuit of independent subsidiary initiatives in situations where their headquarters are located in a different country than their local subsidiary. We obtained 176 usable responses to our survey from subsidiary top managers in the English-Speaking Caribbean, Canada, The USA and the UK. We found that headquarters’ control has the most profound direct effect on independent subsidiary initiatives while difference in assessment also had a significant direct effect. Subsidiary top managers’ autonomy was a significant mediating factor in the pursuit of independent subsidiary initiatives. Surprisingly, subsidiary top managers’ motivation at work did not have a significant influence on independent subsidiary initiatives. Our findings contribute to the understanding of factors driving subsidiary top managers’ pursuit of independent subsidiary initiatives. On a practical level, it provides headquarters management with guidance on the aspects of the headquarters–subsidiary top managers’ relationship which can be managed to achieve the desired balance of control and proactivity.

Keywords: subsidiary initiatives; subsidiary top managers; autonomy; difference in assessment; entrepreneurial; headquarters control; past business performance
INTRODUCTION

Subsidiary top managers are primarily charged with carrying out the strategic mandate and the tasks set by headquarters. Consequently, subsidiary top managers must deal with the specific governance processes which make multinational corporations and related operations feasible (Bower, 2007). Subsidiary top managers do not, however, always comply with the governance policies and decisions issued by their headquarters clashing with the “head office knows best syndrome” (Delany, 2000: 221). Such initiatives are here defined as independent subsidiary activities initiated by the subsidiary’s top manager who commits local resources to the venture without prior approval and knowledge from headquarters (Birkinshaw, 1998). These include activities classified as domain developing, domain consolidating or domain defending (Delany, 2000).

Yet, thus far, little empirical research has been conducted to understand key outcomes and determinants of independent subsidiary initiatives (Schmid et al., 2014). In contrast, conventional management literature suggests that the non-compliance forms primarily a risk as it leads to sub-optimal decision making, wanton waste of scarce resources, and less favorable financial outcomes. Consequently, the literature favors strong subsidiary and headquarters alignment because of the inability to determine ex-ante which local actions might bring success or failure (Ambos et al., 2010). International management research has therefore focused on several approaches to achieve such an alignment. These include, for example, use of organizational structuring and control mechanism (Martinez & Jarillo, 1989), integration-responsiveness frameworks (Prahalad & Doz, 1987), or enactment of procedural justice (Kim & Mauborgne, 1991). These
efforts seek to primarily discourage subsidiary manager’s empire building, resultant lack of strategic focus and internal unemployment (Birkinshaw, 1998) which all lead to less favorable financial returns.

More recently, a qualitative research conducted by Fraser (2015) elucidated positive outcomes of such independent initiatives including protecting the company’s internal capacities such as human capital or brand. He also identifies several factors which influence the level of independent subsidiary initiative engagement by subsidiary top managers, including subsidiary’s past success which triggered reduced headquarter’ monitoring, differences between views of headquarters’ personnel, and subsidiary managers’ better understanding of local business conditions combined with the lack of autonomy granted to subsidiary top managers. Prior research highlights subsidiary initiative as a negotiation process between headquarters personnel and the subsidiary top manager—the focus of this research is on subsidiary initiative undertaken without any negotiations with headquarters’ personnel. It also reveals some of the challenges subsidiary top managers encounter, due to corporate ‘immune’ system (Birkinshaw & Ridderstråle, 1999).

The goal of the research is to add empirical understanding of factors that influence the level of engagement in independent subsidiary initiative by individual subsidiary top managers. In this regard, our research seeks to add to better understanding of factors that promote such subsidiary initiatives and the impact of such initiatives (Fraser, 2015). We are specifically guided by the research question: what drives subsidiary top managers to pursue independent subsidiary initiatives? We believe it is critical to conduct research regarding this unit of analysis—the subsidiary top manager—
since they are the primary originators of subsidiary initiatives. We aspire to achieve these objectives by conducting a cross-sectional survey into this phenomenon.

The rest of the paper is organized as follows: we will examine the theoretical foundations which deal with subsidiary—headquarters relationships at the individual level, namely agency theory and self-determination theory. Then we will formulate a research model of factors that influence the level of engagement in independent subsidiary initiatives and advance argument supporting our hypothesis. Thereafter, we will discuss the study methods including scales used, survey instrument development, sampling, data collection and statistical analysis procedures. In conclusion, we present results which are followed by the discussion, limitations of the study, and suggestions for future research and conclusion.

THEORY AND HYPOTHESES

Theoretical foundation

Subsidiary initiatives have been studied at the level of external networks, organizational, team and individual level. Strutzenberger and Ambos (2014) highlight the lack of research on subsidiary initiatives at the individual level. A few notable contributions to this area are available, including Dörrrenbächer and Geppert (2009) who found personal interests and the motivation driving those interests, which were linked to their socio-political and biographic background having a significant impact on subsidiary initiatives. Williams and Lee (2009) found that the resolution of the political arena dictated the way subsidiary initiatives manifested to individuals.

The phenomenon has been studied through the lens of multiple theories, for example, network theory (Birkinshaw, 1997, 1998, 2000), resource dependence theory
Ambos et al., 2010; Verbeke & Yuan, 2005) and organizational politics / micropolitics perspective (Becker-Ritterspach & Dörrenbächer, 2009; Dörrenbächer & Geppert, 2009; Williams & Lee, 2011). In this study, we draw on self-determination theory which is widely used to explain why individuals have a tendency to exhibit certain behaviors such as initiating independent actions in the presence of contrary constraints (Deci & Ryan, 1985b). This theory focuses specifically on the individual level behavioral patterns which match our unit of analysis—subsidiary top managers. We also draw upon agency theory (Jensen & Meckling, 1976), because the relationships between subsidiary managers and headquarters involve inherent information asymmetry where headquarters’ control does not always match with subsidiary top managers’ desires. We believe the phenomenon is better understood by comparing competing plausible theories: in this case, they are actually complementary.

**Agency Theory**

The relationship between headquarters and subsidiary top managers is inherently constituted by principal-agent relationship (Jensen & Meckling, 1976). In our context, the multinational (principal) hires a subsidiary top manager (agent) to carry out the mandate of the subsidiary. However, given that the headquarters and subsidiary are located in different countries, there is an inherent monitoring problem. From an earlier qualitative study, we saw subsidiary managers using this monitoring challenge as a means to pursue independent subsidiary initiatives. Peterson (1993) highlights five key aspects of principal-agent relationship: (1) agent issues (e.g., Trustworthiness), (2) agent actions impact principal desired outcomes, (3) random combined with agent’s action also has an impact on outcomes, (4) presence of asymmetrical information, and (5) the optimum
outcome is not always achieved. Fraser (2015) revealed that despite not always complying with headquarters’ instructions, subsidiary managers pursued independent subsidiary initiatives which they thought would bring both financial and non-financial benefits to the company (principal). Burgelman (1983) refers to this situation as rule-breaking leading to value creation while (Birkinshaw, 1998) describes it as corporate entrepreneurship which drives internal market efficiency. Specific to our study, the principal-agent mismatch surrounds misalignment of subsidiary actions and headquarters’ desires – we consider covert subsidiary actions as an end result, a goal.

To effectively manage covert actions of subsidiary top managers, headquarters has two monitoring options which focus on the behavioral outcomes. To effectively monitor the behavior of subsidiary top managers, headquarters will have to invest in surveillance and governance mechanisms, when outcomes are compared, it is much easier by focusing on specific criteria such as market governance and commissioned salaries or stock options. However, we recognize, even adequate investment in either or both methods of monitoring will not eliminate covert actions of subsidiary top managers. Hence, we supplement our theoretical views with a perspective which cannot be explained by agency theory, i.e., self-determination theory.

**Self-Determination Theory**

Independent subsidiary initiative (Fraser, 2016) is essentially a decision-making process (Edwards, 1954) because individuals often pursue activities, which they find interesting and deliver immediate satisfaction (Deci & Ryan, 1985b; Gagné & Deci, 2005). In our context, this means that they do so even when it contradicts headquarters’ instructions. The theory posits that there are three basic needs which individuals seek to
satisfy continually, namely, autonomy, competence, and relatedness in order to experience personal growth and wellbeing. The subsidiary top managers’ self-determination is directly related to his or her personal satisfaction.

It is well recognized that subsidiary top managers’ interests will not always align with those of headquarters (Nohria & Ghoshal, 1994) and he or she may engage in “empire building.” Ambos et al. (2010) purport that once subsidiary top managers achieved their primary performance targets set by headquarters, they are likely to seek out initiatives which satisfy their personal needs. These initiatives will manifest in their sphere of control – subsidiary level. According to Deci (1980) and Deci and Ryan (1985b) central to self-determination theory is people’s motivation to act with autonomy which implies acting with a sense of volition and being able to make choices (Gagné & Deci, 2005).

The theory looks at the extent to which a person’s behavior is self-determined or self-motivated. Motivation is examined intrinsically and extrinsically. Intrinsic motivation is experienced when people have positive feelings from just doing a task which augurs well for one’s well-being. Extrinsic motivation points to an action that is carried out to receive some reward or avoid punishment (Deci & Ryan, 2008). There are four types of extrinsic motivation namely, integrated regulation, identified regulation, introjected regulation, and external regulation.

Specific to our context, subsidiary top managers who enjoy business success can use that as a catalyst to act autonomously in their pursuit of independent subsidiary initiatives (Fraser, 2015). They are motivated to act in this manner because they are confident their covert action would bring self-satisfaction in the form of superior business
results. These two theoretical frameworks are which our hypothesized model and the proposed hypotheses are anchored. We present our hypothesized model in Figure B1.

**Figure B1. Hypothesized Model**

![Hypothesized Model Diagram]

**Hypotheses**

**Independent subsidiary initiatives.** Independent Subsidiary Initiatives (Fraser, 2015), is similar to maverick subsidiary initiatives (Birkinshaw, 1998) and subsidiary autonomous activities (Rugman & Verbeke, 2001, 2003) These two constructs as described by Fraser (2016) and Birkinshaw (1998) differ in one major way. The former refers particularly to initiatives which seek to capture external markets while the latter describes initiatives which drive internal efficiencies, for example, one subsidiary capturing the market of a sister subsidiary.

**Past business performance.** Though business performance is a result of subsidiary initiatives, this present paper treats it as an impetus for more subsidiary initiatives. Past successful business performance led to more self-determined actions by
subsidiary top managers as predicted by self-determination theory. Fraser (2015) found evidence that when subsidiary managers have successful business performances they are more confident at predicting future business outcomes. They use their past success as a catalyst and vindication of their clandestine initiatives. They become more trusting in their judgment and are willing to pursue independent subsidiary initiatives since they believe the end result is more important that the means by which it was achieved. Hence, we hypothesize that:

_Hypothesis 1. The higher the level of subsidiary past business performance, the higher level of independent subsidiary initiatives._

_Headquarters’ control._ Headquarters Control is defined as the behavior monitoring of subsidiary personnel and provision of feedback to ensure irregularities are corrected and desired behaviors are practiced in tandem with agency theory (Jensen & Meckling, 1976). Generally, headquarters personnel make every effort to ensure they are in control of the activities and the associated risk of their subsidiaries to ensure the goal of alignment is attained. Headquarters needs to ensure that subsidiary behavior is aligned with corporate strategy and to demonstrate to other stakeholders that compliance is in effect (Gates & Egelhoff, 1986; Roth et al., 1991). Fraser (2015) found that when Headquarters Control was relaxed there were greater incidences of covert actions and the reverse was also true. It is therefore hypothesized that:

_Hypothesis 2. The lower the level of headquarters’ control, the higher the level of independent subsidiary initiatives._

_Difference in assessment of local business conditions._ Difference in Assessment of local business conditions is defined as the dissimilarity of views possessed by headquarters personnel and subsidiary top managers regarding a specified situation. This
dissimilarity arises because many local business conditions are too complex to be effectively monitored by headquarters personnel. Moreover, it may be too expensive to comprehensively monitor subsidiary top managers’ actions. This is a manifestation of the principal-agent problem, particularly, information asymmetry. The subsidiary top managers are more knowledgeable of local business conditions than headquarters personnel and as a result, use this to their advantage to advance covert actions. There is information asymmetry which favors the subsidiary top manager (Fraser, 2015). Once there was an opportunity to achieve a superior business outcome despite there being an irreconcilable difference in assessment of local business conditions, subsidiary top managers pursued independent subsidiary initiatives. In conclusion, we hypothesize that:

Hypothesis 3. The greater the difference between subsidiary top managers’ and headquarters’ personnel assessment of local business conditions, the greater the level of independent subsidiary initiative.

Motivation

Dörrenbächer and Geppert (2009) demonstrate that the personal interests of subsidiary top managers, akin to the motivational aspect of self-determination theory, significantly impact what opportunities are turned into subsidiary initiatives and the way they are pursued. Subsidiary top managers’ motivation is also tied to their socio-political and biographic backgrounds. Particularly, the subsidiary top managers’ career orientation has a strong influence on general motivation to pursue subsidiary initiatives and what opportunities they convert to initiatives. The way in which these subsidiary initiatives are pursued is indicative of subsidiary top managers’ former career paths, professional biographies and current career interests, for example, subsidiary development or promotion to a Head Office position.
Dörrenbächer and Geppert (2009) established that subsidiary top managers’ nationalities are not the only determinants to subsidiary initiative-taking behavior. They were able to identify other socio-political factors which influence subsidiary top managers’ subsidiary initiative-taking behavior namely, career aspirations, career orientation, access to resources and specific skills vital to the formation of internal and local coalitions as well as external coalitions. Delany (2000) found that subsidiary top managers’ desire to pursue subsidiary initiatives was motivated by a high need for achievement and power and a high internal locus of control. The study also found that there was no wish for promotion to head office and thus their fulfillment was tied to the development of their subsidiary. Despite excellent past business results, the level of headquarters’ control or difference in assessment of a given situation, there must be motivating factors before independent subsidiary initiative is pursued. The motivating factors are the desires of the subsidiary top managers, for example, promotion or meeting set performance objectives. These motivating factors which are a part of self-determination theory, will increase the likelihood of independent subsidiary initiatives.

We hypothesize that:

Hypothesis 4a. Subsidiary top managers’ motivation (MAW) fully mediates the positive effect of past successful business performance (PBP) on independent subsidiary initiatives (ISI).

Hypothesis 4b. Subsidiary top managers’ motivation (MAW) fully mediates the negative effect between headquarters’ control (HQC) and independent subsidiary initiative (ISI).

Hypothesis 4c. Subsidiary top managers’ motivation (MAW) fully mediates the positive effect between difference in assessment and independent subsidiary initiative (ISI).
Autonomy

Williams and Lee (2009) looked at dispersed entrepreneurship, which is similar to subsidiary initiative, but is viewed through the lenses of the political arena. They argued that subsidiary employees’ entrepreneurial behavior is simulated once there is a proper understanding of the internal political arena within the multinational context which then empowers them to feel autonomous to the extent they pursue independent subsidiary initiatives—self-determined actions. Among the identified antecedents to the political arena were the corporate immune system and inappropriate head office control—both challenges to subsidiary top managers’ autonomy. The Autonomy enjoyed by a subsidiary top manager will be inversely related to headquarters’ control. Loose headquarters’ control will result in more autonomy which will increase the likelihood of independent subsidiary initiatives while the opposite is also factual.

Delany (2000) looked at subsidiary initiatives in the Irish context. One of his significant findings was the view that subsidiary top managers thought it easier to seek clemency, rather than permission, with regards to subsidiary initiatives and are indicative of the difficulty subsidiary top managers face in trying to disrupt the corporate immune system (Williams & Lee, 2009). This is indicative of features of self-determination theory where subsidiary top managers are willing to take self-determined steps to enjoy the desired level of autonomy. This is consistent with the findings of a qualitative study by Fraser (2015) who found that subsidiary top managers were willing to be non-compliant with headquarters’ instructions in pursuit of independent subsidiary initiatives.

Johnston and Menguc (2007), posited that subsidiary top managers desire a level of autonomy that headquarters is not willing to concede. This mismatch of desired and
conceded autonomy in some cases results in the subsidiary top manager reacting insubordinately in an effort to attain the level of autonomy (Brehm, 1966) particularly when they are convinced that their view can result in better business outcomes. Further, this negativity presents an opportunity to become creative to the betterment of the subsidiary and by extension the multinational as a whole (Barkema, 1995). Williamson (1972) postulated that a lack of desired level of autonomy promoted opportunism because of its reactance effects (Brehm, 1966). We hypothesize that:

\[Hypothesis \ 5a. \ \text{Autonomy (AUT) fully mediates the positive relationship between past successful business performance (PBP) and independent subsidiary initiatives (ISI).}\]

\[Hypothesis \ 5b. \ \text{Autonomy (AUT) partially mediates the negative relationship between headquarters’ control (HQC) and independent subsidiary initiatives (ISI).}\]

\[Hypothesis \ 5c. \ \text{Autonomy (AUT) partially mediates the positive relationship between the difference in assessment (DIA) of local business conditions and independent subsidiary initiatives (ISI).}\]

**METHODS**

**Measures**

Respondents were asked about independent subsidiary initiatives, autonomy, motivation at work, past business performance and difference in assessing local business conditions using the scales below. The questions or statements associated with each scale are in Appendix A. The psychometrics for the scales were all strong in prior empirical research.

Independent Subsidiary Initiative. To capture independent subsidiary initiative, we adapted from Birkinshaw, Hood, and Jonsson (1998). We asked subsidiary top managers six questions on a seven-point Likert scale (1=Never to 7=Every time). The
questions considered first products and second services which were developed in the subsidiary and commercialized without headquarters’ prior approval and thirdly, the investment in research and development or manufacturing without headquarters’ prior approval. The internal consistency (similar to Cronbach’s alpha) of the construct was 0.92.

**Autonomy.** The Autonomy scale was selected because it explains the amount of freedom headquarters was willing to give to the subsidiary top managers. Subsidiary top managers’ autonomy was measured by a scale adapted from Johnston and Menguc (2007). The respondents assessed the level of influence in nine situations using a seven-point Likert scale (1=being subsidiary decision to 7=being headquarters’ decision). The situations referred to extension of credit to a major customer, production to your local market, training programs in your company, choice of advertising agency, setting aggregate production schedule, hiring operational personnel, setting sales targets, return on investment criteria and quality control norms. The scale had a Cronbach’s alpha of 0.81.

**Motivation at work.** The Motivation at Work scale was selected because we believe despite the presence of certain conditions there must be an underlying motive before an initiative can be pursued. We adopted the Motivation at Work scale from Gagné et al. (2010). This scale uses twelve items on a seven-point Likert scale (1=not at all to 7=exactly). The scale asks questions relating to intrinsic and extrinsic motivation in the work sphere. The Cronbach’s alpha of previous studies utilizing this scale ranged from 0.69 to 0.93 but mostly around 0.85.
Past subsidiary performance. The Past Subsidiary Performance scale was used because it was clear from a qualitative research that it was a factor influencing subsidiary initiatives. The operationalizing of this construct was adapted from Gibson and Birkinshaw (2004). The scale consisted of four items which referred to a variety of measures of past subsidiary performances. The first considered the subsidiary achieving full potential, the second was headquarters’ satisfaction with subsidiary performance, the penultimate concerned customer satisfaction and the last one looks at the opportunity provided to the subsidiary top manager to do the best possible job. The internal reliability of the construct was 0.8.

Difference in assessment. The Difference in Assessment scale is selected because it was evident in the qualitative research of Fraser (2015) headquarters possessed a global view while the subsidiary possessed a local view which did not always coincide. To capture this difference, we adapted from Wakefield, Leidner, and Garrison (2008). This scale consisted of four items and it referred to cognitive matters. The scale foremost considers differences in ideas, scope of work, work to be performed by the subsidiary top managers and differences of opinions. Respondents had to assess these differences on a seven-point Likert scale (from 1= not ever to 7=always). The scale has a Cronbach’s alpha of 0.91.

Headquarters’ control. The Headquarters’ Control scale was selected because inherently, the relationship with subsidiaries centers on control. To assess the extent of headquarters’ control we adapted the scale from Williams and van Triest (2009). This scale is made up of four items and examines investment decisions, human resources policy and budget controls instituted by headquarters. Respondents were asked to reply
on a seven-point Likert scale (from 1=strongly disagree to 7=strongly agree). The scale has a Cronbach’s alpha of 0.79.

We also incorporated a number of control variables: scope of subsidiary (the number of business activities undertaken by the subsidiary), education level of subsidiary top managers and tenure of subsidiary top managers (number of years). Ambos et al. (2010) proposed that the more activities performed by the subsidiary, the broader the scope and the more opportunities the subsidiary top managers will have to pursue initiatives. Educational backgrounds (Pfeffer, 1993) influence subsidiary top managers’ conduct in managing their subsidiaries. Crant (2000) suggests that subsidiary top managers who desired autonomy in the long run engaged in proactive behavior early in their tenure. Birkinshaw, Hood, and Young (2005) surmised that when subsidiaries have value-added (especially research) or market (for example purchasing or marketing) scope they fostered autonomy.

Survey Instrument Development

Our pretest showed there was no need for local adaptation. The questionnaire was carefully validated using Q-Sort, pre-test and pilot test techniques. Three rounds of Q-Sort were conducted each time with twelve participants. With each subsequent round, minor adjustments were made to the wording of the survey items. At the end of the third round, our Cohen’s Kappa for the constructs were above the benchmark 0.65 (Jarvenpaa, 1989; Vessy, 1984). For the pre-test, we engaged six respondents while for the pilot test we surveyed twelve respondents. We looked at these results to ensure there was a decent spread of answers; no further adjustments were made to the survey instrument after this review. Additional guidance was provided by two experienced and well-published
academics who reviewed the scales for content and face validity and the accuracy of the
Cohen’s Kappa scores for the Q-Sort was conducted. Subsequently, we revised and or
eliminated initial survey questions. We ended with a survey instrument of 41 questions
which we think was short enough to keep the respondents engaged and thus minimize the
possibility of consistency artifacts.

Sampling and Data Collection

Our study seeks to capture the perception of the subsidiary top manager and hence
we employed a survey to validate our hypothesized model. Overseas subsidiary top
managers located in developing countries, namely, the English-speaking Caribbean and
three developed countries viz. Canada, United States of America and England served as
the sampling group for this study. They all speak the same language and have many
similar cultural aspects, so to a large degree, they are comparable. While the developed
countries are noted for their entrepreneurial pursuits and many studies have been
conducted in these countries, the addition of developing countries in the sample renders
the study interesting because of the potential confirmation of previous result—external
validity or a way to seek for alternative explanations.

We used our professional network to get respondents from the English-speaking
Caribbean while from the developed countries we used Corporate Affiliations’ website
listing. Our respondents came from many industries including (a) banking, (b)
manufacturing, (c) security, and (d) engineering, among others. We invited 34,949
subsidiary top managers to take our survey. We ended with 204 respondents for a
response rate of 0.6%. After data cleaning, we concluded with 176 usable survey
responses. Table B1 below provides demographics of our respondents.
Table B1. Demographics of Respondents

<table>
<thead>
<tr>
<th></th>
<th>42% developing world</th>
<th>58% developed world</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Respondents</strong></td>
<td>81% Males</td>
<td>19% Females</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>55% Master or above</td>
<td>45% Bachelor’s and below</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>44% &gt;5 years</td>
<td>56% &lt;5 years</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
<td>61% &gt; 15 year old</td>
<td>39% &lt; 15 years old</td>
</tr>
<tr>
<td><strong>Age of subsidiary</strong></td>
<td>31% &gt; 20% of total company revenue</td>
<td>69% &lt; that 20% of total company revenue</td>
</tr>
<tr>
<td><strong>Size of subsidiary relative to overall company revenue</strong></td>
<td>54% large</td>
<td>46% small</td>
</tr>
</tbody>
</table>

**Measurement Model**

Exploratory Factor Analysis (EFA). An EFA was done in SPSS version 24 using Maximum Likelihood and Promax rotation. We were forced to delete some observed variables because of significant cross loading or low loadings. For cross-loadings, we used the .32 benchmark of (Tabachnick & Fidell, 2007) and loading lower than 0.45 (Hair et al., 2010) for a sample size of 150–200. In total, we dropped 15 observed items. Those dropped in autonomy could have been owing to the connectedness with headquarters’ control, while observed items dropped from the motivational construct were mostly extrinsic in nature hence indicating the pursuit of independent subsidiary initiative was intrinsically motivated. The observed variables carried forward for confirmatory factor analysis are shown in Table B9.

We ended with a final model of six factors which had a Kaiser-Meyer-Olkin Measure of 0.78 which is a good value (Hutcheson & Sofroniou, 1999) and Bartlett’s test of Sphericity revealed an approximate chi-square of 1,810.89, degrees of freedom of 231 with P-value <0.001. Collectively, these suggest the data is adequate for factor analysis. The scree-plot as per Figure B3 also indicates a six-factor solution. All loadings on factors were above the recommended minimum threshold of 0.45 for a sample size of
150–200 (Hair et al., 2010) thus demonstrating convergent validity. Discriminant validity was evident, because of the absence of any significant cross loading of 0.2 or higher on two or more factors (Hair et al., 2010). Cronbach’s alphas were all above the recommended 0.7 (Hair et al., 2010). The six-factor solution represents 58.16% of the cumulative extracted variance. Descriptive statistics including the means, standard deviation, number of retained observed variables, factor correlations and Cronbach’s alphas of latent factors are provided in Table B2.

**Table B2. Mean, Standard Deviation & Cronbach's Alpha & Factor Correlations**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev</th>
<th># of Items</th>
<th>DIA</th>
<th>MAW</th>
<th>ISI</th>
<th>AUT</th>
<th>HQC</th>
<th>PBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Difference in assessment (DIA)</td>
<td>3.19</td>
<td>1.23</td>
<td>4</td>
<td>0.86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Motivation at Work (MAW)</td>
<td>5.28</td>
<td>1.13</td>
<td>4</td>
<td>(0.28)</td>
<td>0.84</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Independent Subsidiary Initiative (ISI)</td>
<td>2.53</td>
<td>1.74</td>
<td>4</td>
<td>0.05</td>
<td>(0.04)</td>
<td>0.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Autonomy (AUT)</td>
<td>5.97</td>
<td>1.02</td>
<td>4</td>
<td>(0.37)</td>
<td>0.32</td>
<td>0.11</td>
<td>0.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Headquarters Control (HQC)</td>
<td>4.48</td>
<td>1.88</td>
<td>3</td>
<td>0.20</td>
<td>(0.21)</td>
<td>0.23</td>
<td>0.45</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>6 Past Business Performance (PBP)</td>
<td>5.00</td>
<td>1.30</td>
<td>3</td>
<td>(0.38)</td>
<td>0.55</td>
<td>(0.05)</td>
<td>0.50</td>
<td>(0.22)</td>
<td>0.73</td>
</tr>
</tbody>
</table>

*Cronbach’s alphas are bolded and on the diagonal. Negative values are in parentheses*

Confirmatory Factor Analysis (CFA). We conducted a CFA with the six factors brought forward from the EFA. The final measurement model, as per Figure B4 in the appendix, demonstrates good model fit with $\chi^2 = 221.08$ with 170 df at P-value < .005, $\chi^2$/df = 1.3, CFI = .97, SRMR = .05, RMSEA = .04 and Pclose = .82. All the model fit indices were within or very close to the accepted benchmarks (Hair et al., 2010). Table B3 summarizes the model fit results of the CFA.
Table B3. CFA Model Fit Indices

<table>
<thead>
<tr>
<th>Model Fit Indices</th>
<th>Values</th>
<th>Recommended Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFI</td>
<td>0.97</td>
<td>&gt;0.95 (Hu &amp; Bentler, 1999)</td>
</tr>
<tr>
<td>RMSEA / PCLOSE</td>
<td>0.04 / 0.82</td>
<td>&lt;0.07 (Steiger, 2007) / &gt;.05 (Kenny, 2014)</td>
</tr>
<tr>
<td>$\chi^2$/df</td>
<td>1.3</td>
<td>2-1 (Tabachnick &amp; Fidell, 2007)</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.05</td>
<td>&lt;0.08 (Hu &amp; Bentler, 1999)</td>
</tr>
</tbody>
</table>

Composite Reliability (CR) values were above 0.7 for each latent variable (Hair et al., 2010) except Past Business Performance which was .065 but close enough for us to retain it. The Average Variance Explained (AVE) for each latent variable was above 0.5 and demonstrating convergent validity (Hair et al., 2010) except for Past Business Performance which was marginally below at 0.49. Discriminant validity was also evident by Maximum Shared Variance being less that AVE and the square root of its AVE (which is bolded and is on the diagonal in Table B4) being greater than all the factor correlation coefficients. Please see Table B4

Table B4. Latent Factors Reliability & Validity

<table>
<thead>
<tr>
<th>Latent Factors Reliability and Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>HQC</td>
</tr>
<tr>
<td>DIA</td>
</tr>
<tr>
<td>MAW</td>
</tr>
<tr>
<td>ISI</td>
</tr>
<tr>
<td>AUT</td>
</tr>
<tr>
<td>PBP</td>
</tr>
</tbody>
</table>

We tested for Common Method Bias using an unmeasured Common Latent Factor, see Figure B5. Using the chi-square difference test, we compared the unrestricted model with the zero-constrained model. The results as per Table B5, demonstrate that the models are non-invariant thus indicating that common method bias was not an issue.
Further, we compared the path regression weights with and without the common latent factor and found all to be below the 0.2 threshold (Hair et al., 2010). We used these imputed factor scores as we moved forward in our analysis of the structural model.

**Table B5. Chi-Square Difference Test for Common Method Bias**

<table>
<thead>
<tr>
<th>Overall Model</th>
<th>Chi-square</th>
<th>df</th>
<th>p-val</th>
<th>Invariant?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconstrained</td>
<td>173.375</td>
<td>149</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully constrained</td>
<td>221.078</td>
<td>170</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of groups</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>47.703</td>
<td>21</td>
<td>0.001</td>
<td>NO</td>
</tr>
</tbody>
</table>

**Chi-square Thresholds**

<table>
<thead>
<tr>
<th>Confidence Level</th>
<th>Chi-square</th>
<th>df</th>
<th>p-val</th>
<th>Invariant?</th>
</tr>
</thead>
<tbody>
<tr>
<td>90% Confidence</td>
<td>176.08</td>
<td>150</td>
<td>0.100</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>2.71</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>95% Confidence</td>
<td>177.22</td>
<td>150</td>
<td>0.050</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>3.84</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>99% Confidence</td>
<td>180.01</td>
<td>150</td>
<td>0.010</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>6.63</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Structural Model**

Having tested the measurement model, we proceeded to examine the overall structural model stating direct and indirect effect of difference in accessing local business conditions, headquarters’ control and past business performance on independent subsidiary initiative with autonomy and motivation at work used as mediators. For the mediation hypotheses, we performed a bootstrap technique using 2,000 iterations and 95% bias-corrected confidence level in AMOS version 24. Our hypothesized model showed good model fit, $\chi^2 = 19.936$ with df = 14 at P-value = .132, $\chi^2$/df = 1.424 (Kline, 2005; Tabachnick & Fidell, 2007), CFI = 0.981 (Hu & Bentler, 1999), RMSEA = 0.049 (Hair et al., 2010) and Pclose = 0.465 (Kenny, 2014).

The final model explains 22% of the factors causing Independent Subsidiary Initiatives. The amount of variance explained by Headquarters Control was 16%. When
we added Difference in Assessment, the variance explained increased to 18%, thus indicating that not only Headquarters’ Control is the most significant factor but also having a difference in views fosters Independent Subsidiary Initiatives. Further adding Past Business Performance did not increase the variance explained for Independent Subsidiary Initiative, indicating Past Business Performance as a standalone does not impact Independent Subsidiary Initiatives. In addition to the three constructs, we added the mediating variable Autonomy which increased the variance explained to 20%. This indicates having the independence to take action increases the likelihood of independent subsidiary initiatives. In conclusion, we replaced autonomy with Motivation at Work and the variance explained increases to 19%, which indicates the subsidiary top managers’ motivation also contributes to the pursuit of Independent Subsidiary Initiatives. Table B6 presents impact on $R^2$ of Independent Subsidiary Initiatives.

<table>
<thead>
<tr>
<th>Predictor Variables</th>
<th>$R^2$ of ISI</th>
</tr>
</thead>
<tbody>
<tr>
<td>HQC</td>
<td>16%</td>
</tr>
<tr>
<td>HQC &amp; PBP</td>
<td>16%</td>
</tr>
<tr>
<td>HQC, PBP &amp; DIA</td>
<td>18%</td>
</tr>
<tr>
<td>HQC, PBP, DIA &amp; MAW</td>
<td>19%</td>
</tr>
<tr>
<td>HQC, PBP, DIA &amp; AUT</td>
<td>20%</td>
</tr>
<tr>
<td>HQC, PBP, DIA, MAW &amp; AUT</td>
<td>22%</td>
</tr>
</tbody>
</table>

**RESULTS**

The overall structural model provides explanation for 22% of the variance which constitutes Independent Subsidiary Initiatives. The model explains 53% variance of autonomy and 34% variance of Motivation at Work. The control variables used, namely, scope of company and tenure of the subsidiary top manager did not have a significant
relationship with dependent variable—Independent Subsidiary Initiative—which is contrary to previous research, while education levels of subsidiary top managers’ effect on Independent Subsidiary Initiative was (β=.133, p<.05). Our final structural model with standardized regression weights is presented in Figure B2.

H1 (β = 0.027, p =.754) was not supported. In contrast, the two other direct effect hypotheses were supported. Hypotheses H2 (β = -0.278, p < .001) and H3 were supported (β = 0.242, p < .005) indicating that lower levels of control will result in more Independent Subsidiary Initiatives and the more subsidiary top managers felt their assessment of local business condition were superior than headquarters’ personnel, the more likely they engaged in Independent Subsidiary Initiatives respectively. Table B7 presents a summary of the direct effects hypotheses.

Table B7. Summary of Hypothesized Direct Effects

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Standardized Regression Weight (β)</th>
<th>P-value</th>
<th>Supported?</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: PBP → ISI</td>
<td>.027</td>
<td>.754</td>
<td>No</td>
</tr>
<tr>
<td>H2: HQC → ISI</td>
<td>-.278</td>
<td>***</td>
<td>Yes</td>
</tr>
<tr>
<td>H3: DIA → ISI</td>
<td>.242</td>
<td>.002</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*** p-value <.001

Hypotheses 4a, 4b and 4c reflect the mediating effect of Motivation at Work on past successful business performance, Headquarters’ Controls and difference in assessing local business conditions and Independent Subsidiary Initiative respectively. None of these were supported. Hypothesis 4a which predicted a full positive mediation returned result of (β = -.086, p >.05) while the direct effect was significant (β = .027, p >.05). H4b which assumed full negative mediation had results of (β = .015, p >.05) with the direct effect (β = -.278, p <.01) and H4c which theorized full positive mediation had
results of ($\beta = .024, p > .05$) while the direct effect was ($\beta = .242, p < .01$). Thus, the collected data indicates **Motivation at Work** has no significant mediating effect on independent subsidiary initiatives.

**H5a** was supported. We found Autonomy fully mediated the positive relationship between past successful business performance and Independent Subsidiary Initiatives ($\beta = .079, p < .05$, 95% CI $[.015, .175]$). The partial mediation effect proposed in hypothesis **H5b** was supported ($\beta = -.095, p < .05$, 95% CI $[-.187, -.014]$). The results of **H5c** did not support the hypothesized partial mediation. The result was a negative and not the predicted positive effect ($\beta = -.074, p < .05$, 95% CI $[-.154, -.019]$). This opposite and solid result can be interpreted as the more there is a variance in the assessment, a lesser number of subsidiary managers acted independently. Table B8 presents a summary of the mediation hypotheses results.

**Table B8. Summary of Hypothesized Mediated Effects**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
<th>Supported?</th>
</tr>
</thead>
<tbody>
<tr>
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*** = $p < .001$, ** = $p < .01$, * = $p < .05$ and ns = not significant
DISCUSSION

This research addresses the question: “What drives subsidiary top managers to pursue independent subsidiary initiatives?” with a study in the context, where headquarters is located in a different country than the subsidiary. Our study’s unit of analysis contributes to the literature in a meaningful way, since it addresses an under-studied component of subsidiary initiatives, namely, the individual who initiates the process. Drawing from Agency theory we argue that because the headquarters and the subsidiary are in different countries, monitoring of the subsidiary top managers’ action becomes a challenge—very expensive and control becomes laxer. An advantage which subsidiary top managers use to pursue independent subsidiary initiatives. Additionally, we argue that information asymmetry contributes to the covert actions of the subsidiary top managers. Further, we reason one’s motivation and need for autonomy—two key variables of self-determined actions, increase the likelihood of independent subsidiary
initiatives. As an extension to self-determination theory, we posit past business success will lead to more determined actions to pursue independent subsidiary initiatives (Fraser, 2015).

We found Headquarters’ Control and Difference in Assessment to predict the pursuit or not of Independent Subsidiary Initiatives while controlling for scope of subsidiary, tenure, and education of the subsidiary manager. The negative effect of Headquarters’ Control indicates that more attention paid to and follow-up of subsidiary top managers’ action minimized covert activities in the subsidiary. Clearly, Headquarters’ Control and control mechanisms play a crucial role in ensuring there is alignment between headquarters strategy and subsidiary actions. In our study, we found relatively high levels of Headquarters’ Control which resulted in generally low levels of Independent Subsidiary Initiative consistent with prior research (Gates & Egelhoff, 1986; Harzing, 1999; Roth et al., 1991). This demonstrates enforcement of headquarters’ policies and subsidiary alignment with strategies to other stakeholders.

The positive effect of Difference in Assessment on Independent Subsidiary Initiatives shows that when subsidiary top managers felt their view was different and superior to headquarters personnel they were very likely to carry out covert subsidiary activities. Inevitably, the subsidiary top manager due to his/her being acquainted with the local business dynamics will possess a superior understanding of the situations encountered when compared to headquarters’ personnel. This is in line with the predictions of agency theory, specifically, the component of information asymmetry. The study also illustrates that past successful business performance has an insignificant effect on Independent Subsidiary Initiatives which differs to what was expected, given the
results of the qualitative study by Fraser (2015). Thus, a mediator may be required to further assess its effects on the dependent variable in this study.

Our research highlights the pivotal role subsidiary top managers’ Autonomy plays in the pursuit and manifestation of Independent Subsidiary Initiatives. As an intervening factor, autonomy, fully explains why subsidiary top managers with good business track record pursue Independent Subsidiary Initiative. It clearly demonstrates despite being prior efficacious, subsidiary top managers require independence to execute those covert actions. The particular independence they require to pursue these clandestine activities according to our study relates to the sequencing of work and ways of working. The other element of autonomy—manipulation of work assessment criteria did not surface as an influencing factor of Independent Subsidiary Initiative.

With regards to Headquarters’ Control and Difference in Assessment, Autonomy proved a further enabler in bringing Independent Subsidiary Initiatives to fruition. These findings were in line with self-determination theory since the use of Autonomy relates to the intrinsic satisfaction and the Independent Subsidiary Initiative relates to the extrinsic satisfaction elements of the theory.

The research highlights that being intrinsically motivated does not have a significant direct effect on Independent Subsidiary Initiatives. The negative impact it has on Independent Subsidiary Initiative possibly indicates that the motivation was tied to being compliant with headquarters and positively responsive to their desires.

Our results clearly show that the level of Headquarters’ Control is the most salient determinant of Independent Subsidiary Initiatives. Headquarters’ Control will either enhance or suppress Autonomy which the study shows is the significant cognitive factor
influencing Independent Subsidiary Initiative. The Difference in Assessment which equates to Information Asymmetry also positively affects Independent Subsidiary Initiative both directly and in tandem with Autonomy.

**LIMITATIONS**

We must be mindful of some limitations when interpreting the results of our study. Primarily, this cross-sectional research used self-reported measures which are susceptible to common method variance (Podsakoff et al., 2003). However, with the application of statistical techniques, we are confident that the results of the associations and relationships with our dependent variable are unlikely to be biased. As we were intrigued by subsidiary top managers’ perception of the drivers of their decision to pursue independent subsidiary initiatives, the use of self-rating was considered appropriate in this context.

Secondly, the selection of the participants from the English-speaking Caribbean was not haphazard but based on the researcher’s personal network. However, given the diversity of the industries, the varying size and scope of operations of the subsidiaries we expect the impact of this limitation to be significantly reduced. It would be beneficial to have a better-strategized approach to sampling.

Finally, the research results are correlational, not causal. The indicative relationships would be solidified if a longitudinal research approach is used. This will allow for the parceling out of our discovery of other intervening factors leading to independent subsidiary initiatives since our findings are only limited to the properties of our sample which makes generalizability challenging. Despite these limitations, the
findings provide strong support for headquarters’ control and its control mechanism being the most significant driver or inhibitor of independent subsidiary initiatives.

**FUTURE RESEARCH**

Our findings open many avenues for possible research. Firstly, the use of two different sampling populations for the research opens the possibility to conduct a multi-group study to ascertain whether or not the groups are similar or if different, the factors in which the difference resides.

Equally interesting would be to ascertain empirically the moderating effect of independent subsidiary initiatives on business performance. This would empirically validate the results of an earlier qualitative research (Fraser, 2015) which found that independent subsidiary initiatives provided equal benefits to the company as a whole when compared to headquarters sanctioned subsidiary initiatives.

Another possible avenue of future research may be to establish whether the phenomenon exists at levels below the subsidiary top managers, viz. departmental heads and junior level managers and also whether it is prevalent in not-for-profit organizations.

Finally, our predictors of Independent Subsidiary Initiatives can be categorized into cognitive and environmental factors. Given the prevalence of self-efficacy as a determinant in social sciences research, we are convinced Entrepreneurial Self-efficacy can add a meaningful dimension to this research interest.

**CONCLUSION**

In summary, our findings point to Headquarters’ Control as the most salient factor influencing the pursuit of Independent Subsidiary Initiatives with Autonomy as the standout mediator. It downplays the significance of other factors such as Past Business
Performance—direct effect, and Motivation at Work—mediating effect. With regards to the insignificance of motivation, it can be concluded that being motivated solely will not push subsidiary top managers to pursue clandestine activities. It is also clear that Independent Subsidiary Initiative is not as prevalent as previously thought in our given context; however, it would be interesting to quantify the impact these entrepreneurial activities have on the subsidiaries business performance and results.

Table B9. Final Pattern Matrix

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Figure B3. Screen Plot
Figure B4. Final Measurement Model
Figure B5. Final Measurement Model with CLF
Appendix C
Mediating Effect of Entrepreneurial Self-Efficacy on Independent Subsidiary Initiatives

ABSTRACT

This study contributes to the growing stream of research regarding subsidiary initiatives by focusing on the individual analysis. Particularly, we focus on the impact of entrepreneurial self-efficacy on the manifestation of independent subsidiary initiatives. We obtain 176 usable survey responses from subsidiary managers. We found that entrepreneurial self-efficacy directly impacted independent subsidiary initiatives and that it was also a significant mediator of same. Our findings add to the comprehension of independent subsidiary initiatives as pursued by subsidiary managers.

Keywords: independent subsidiary initiatives; subsidiary managers; entrepreneurial self-efficacy; maverick behavior
INTRODUCTION

“Subsidiary managers must be initiative-takers” (Delany, 2000); they must exploit their talents and capabilities because growth catapulting initiatives often occur in foreign subsidiaries (Birkinshaw & Hood, 2001). Yet, many subsidiary initiatives are seen as rogue which the “corporate immune system” seeks to eliminate (Birkinshaw & Ridderstråle, 1999). The elucidation of this paradox is critical to ascertain the factors which motivate subsidiary managers’ engagement in clandestine activities—particularly, independent subsidiary initiatives—because they have the potential to wreck or propel the economic fortunes of subsidiaries and multinationals. Independent subsidiary initiatives are defined as economic activities undertaken by the subsidiary manager, without the knowledge and approval of headquarters.

Proactive behavior (Crant, 2000), subsidiary autonomous activities (Rugman & Verbeke, 2001, 2003), dispersed entrepreneurship, autonomous strategic behavior (Burgelman, 1983) and subsidiary initiatives—all related concepts—have been studied at the subsidiary level unit of analysis. Few empirical studies focus on the individual level cognitive or affective factors. Therefore, we commissioned a study to enables us a clearer comprehension of the problem of practice we have observed—subsidiary managers undertaking maverick initiative without headquarters’ approval or knowledge. It has been widely accepted that individual-level factors and related behaviors are critical antecedents of such initiatives (Schmid et al., 2014). In this regard, cognition makes proactive behavior towards new initiatives possible (Jones, 1986). The goal of this empirical research is two-fold; (a) to extend the literature by addressing the paucity of studies
focused on the subsidiary manager and (b) further establish the importance of their cognition in pursuit of independent subsidiary initiatives.

The investigation of the role subsidiary managers’ cognition plays in influencing maverick business initiatives is important due to the fact contextual factors are not enough to instigate actions. One individual level factor which has been identified as an antecedent of subsidiary initiatives is entrepreneurial self-efficacy (Boyd & Vozikis, 1994). This has emerged also as a critical factor, influencing generally the level of entrepreneurial activities (Baum, Locke, & Smith, 2001; Chen, Greene, & Crick, 1998) or shaping independent subsidiary initiatives (Fraser, 2015). The unit of analysis for this study is the overseas subsidiary manager, who is viewed as the person ultimately responsible for the subsidiary e.g., CEOs and Country managers. We are guided by the research question, what is the impact of subsidiary managers’ entrepreneurial self-efficacy on independent subsidiary initiative? It is important to address this question because subsidiary initiatives drive innovation and technical change and therefore generate economic growth (Schumpeter, 1934) and 50% of new initiatives fail within five years of launch (Aldrich, 1999) thus, it is critical to understand the mitigating factors.

The survey research method employed affords us the opportunity to establish correlational associations and relationships among the constructs of our model which emanated from an earlier qualitative research by Fraser (2015). We extended the literate, regarding subsidiary initiative by empirically demonstrating the mediating validity of entrepreneurial self-efficacy in the conception and pursuit of same. In all cases, entrepreneurial self-efficacy was an enabler of independent subsidiary initiative. One
counter-intuitive result of the study was motivated subsidiary managers conformed to headquarters’ mandate and did not engage in independent subsidiary initiatives.

The rest of the paper is structured as follows: we examine the theoretical and empirical foundations on which our paper is premised and how they contributed to independent subsidiary initiative. Then we present our theoretical model consisting of factors impacting independent subsidiary initiatives. Further, we formulated and presented our hypotheses and their supporting arguments. We then discussed our study methods, including scales used, survey instrument development, sampling, data collection and the rigorous statistical procedures employed. Finally, we presented the results, followed by discussion of same, limitation of the research, suggestions for future research and conclusions.

THEORY AND HYPOTHESES

Subsidiary initiatives and their study have gained some popularity in entrepreneurship, international management, and strategy literature. As a multi-level construct, it has been studied at various levels but minimal at the individual level of analysis. Some notable individual level of analyses have been conducted such as Dörrenbächer and Geppert (2009) who found that personal interest influenced by socio-political and biographic background promotes subsidiary initiatives. Williams and Lee (2009) found that once subsidiary managers understood how the internal politics of the organization worked, that determined the manner in which subsidiary initiative was pursued. In additional to micro-politics perspective, another study by Ambos et al. (2010) and Fraser (2017) viewed it through the lens of self-determination theory. Quintessentially, these studies demonstrate how the understanding of environmental
factors and the pursuit of extrinsic rewards fostered subsidiary initiatives, while passing reference it made of their cognition and the vital role it plays. It is well established that subsidiary managers’ cognition is engaged during the subsidiary initiative process. However, little empirical research has been carried out in this regard. We acknowledge the importance of subsidiary managers’ cognition and endeavor to provide some elucidation of its role in subsidiary initiatives, specifically, Entrepreneurial Self-efficacy.

In this study, we focus on Entrepreneurial Self-efficacy as a mediator in the manifestation of Independent Subsidiary Initiative; it explains why individuals have a tendency to exhibit maverick behaviors such as rule-breaking in a corporate context. Entrepreneurial Self-efficacy provides means through which environmental and cognitive factors are linked with Independent Subsidiary Initiatives in our context. It is the underlying variable which connects Past Business Performance, Motivation at Work and Difference in Assessment with Independent Subsidiary initiatives. This construct focuses, explicitly, on individual level behaviors which match our unit of analysis—subsidiary managers.

**Independent Subsidiary Initiative**

Independent Subsidiary Initiative is defined as the commitment of economic resources, by a subsidiary manager, to a business initiative in the local subsidiary, without prior consent of the headquarters, where consent is a prerequisite. It is analogous to subsidiary autonomous activities (Rugman & Verbeke, 2001, 2003) and maverick subsidiary initiatives (Birkinshaw, 1998). In practice, we have experienced maverick behavior ranging from strategic to tactical to operational. Headquarters face the challenge of distinguishing which initiatives at the subsidiary level will add value or not (Verbeke
& Yuan, 2005). This often results in delays in approval of initiatives, subsidiary managers running into the corporate immune system and other resistances. Subsidiary managers may opt to engage in clandestine activities, thus tacitly indicating that it is easier to ask for forgiveness later.

Despite being covert in their actions, subsidiary managers are well-intentioned (Fraser, 2015). They pursued superior business outcomes, whether it was increased sales, safeguard of key human assets or investment in fixed assets and coupled with self-confidence, proved successful. In this sense, they are aligned with headquarters’ wishes but not with the established processes. This self-confidence is complemented by an underpinning motivation at work.

**Entrepreneurial Self-Efficacy**

A significant number of plans of actions are first organized in thought (Bandura, 1991). Entrepreneurial Self-efficacy is an expedient variable, defined as one’s belief to successfully undertake an entrepreneurial venture, which provides some valuable elucidation of the dynamic process of Independent Subsidiary Initiatives. We consider Independent Subsidiary initiatives as a subset of entrepreneurial ventures.

Entrepreneurial Self-efficacy is developed as a result of the interplay between personal, behavioral and environmental influences which makes it very applicable to the theoretical framing of our current study. Specific to our research, the personal aspect is represented by subsidiary managers’ Motivation at Work and Past Business Performance while the environmental aspect is represented by their assessment of the business environment.
There is a paucity of studies addressing the cognitive aspect of Independent Subsidiary Initiatives with the subsidiary manager as the unit of analysis. This study expands the literature in this academic realm by demonstrating the validity of entrepreneurial self-efficacy (a cognitive construct) as a mediating variable. Given the maverick nature of independent subsidiary initiative and the dire consequences should they fail, Entrepreneurial Self-efficacy explains why subsidiary managers will engage in some economic activities despite knowing they are not aligned with headquarters’ rules. Specifically, Entrepreneurial Self-efficacy sheds light on subsidiary managers’ confidence; (a) to successfully identify new business opportunities, (b) to create new goods or services and (c) commercialize an idea or new development. Cognizance of how subsidiary managers score on these lower level factors can better enable headquarters’ personnel to predict maverick behavior and take the necessary preemptive actions—supportive or deterring—so that economic value of the subsidiary and or multinational is not adversely affected.

Some argue that the general self-efficacy construct provides an adequate explanation of the phenomenon; however, we contend that it captures subsidiary managers’ perception of successfully undertaking a variety of initiatives across various situations (McGee et al., 2009). In line with Bandura (1977), we believe a context-specific self-efficacy measure would be more effective in capturing the correlational relationship with the outcome variable. Additionally, while not discounting the value of autonomy—as per self-determination theory—in maverick actions, we argue that despite subsidiary managers having a sense of volition and being able to make choices (Gagné & Deci, 2005) if they lack Entrepreneurial Self-efficacy, it is unlikely they would engage in
Independent Subsidiary Initiatives. In essence, we argue Entrepreneurial Self-efficacy is a superior predictor variable of Independent Subsidiary Initiative than Autonomy in this context – thus its central focus of this study.

**Motivation at Work and Independent Subsidiary Initiative**

Subsidiary managers in their pursuit of Independent Subsidiary Initiatives are also driven by an underlying Motivation at Work. Motivation at Work is defined as a factor which entices subsidiary managers to pursue work-related tasks or goals. These factors are intrinsic (naturally satisfying to the subsidiary managers) or extrinsic (there is a reward or avoidance of punishment) in nature.

In addition to possessing Entrepreneurial Self-efficacy, subsidiary managers may be motivated to work for the company and seeking its best interest, thus undertake Independent Subsidiary Initiatives. For example, the hope of promotion, the expansion or consolidation of the subsidiary mandate or the sheer joy the success can bring are driving forces behind maverick initiatives. Intrinsically, motivation at work inspires subsidiary managers’ need for achievement (Shane et al., 2003) which establishes their identity. Subsidiary managers who are in high need for achievement are more likely than those with low need for achievement to engage in activities which are characterized by a high degree of individual responsibility for outcomes, have a moderate degree of risk and the end result is clear (Collins, Locke, & Hanges, 2000; McClelland, 1961).

Having satisfied their basic performance objectives (Deci & Ryan, 1985b), subsidiary managers whose Motivation at Work is driven by the joy, fun and moments of pleasure—all intrinsic motivators, are more likely to engage in maverick initiatives because of the self-gratifying nature of executing such activities. Similarly, subsidiary
managers will undertake maverick initiatives if they match their personal values. In this sense, despite circumventing headquarters’ rules, subsidiary managers have no conflict with their identity.

Other studies using motivational constructs operationalized differently have found the engagement in clandestine subsidiary initiative is driven by a high need for achievement, power and internal locus of control (Delany, 2000). Notable additional motivating factors are, the need for approval (identity-related), escape, personal development (Scheinberg & MacMillan, 1998) and welfare considerations, tax reduction and examples of role models (Birley & Westhead, 1994). These types of motivation are more in line with being driven to achieve set objectives within the ambit of established rules, procedures and targets. The manifestation of Independent Subsidiary Initiatives is the vehicle through which these intrinsic needs for identity are realized.

**Motivation at Work and Entrepreneurial Self-Efficacy**

In the context of Independent Subsidiary Initiative, Motivation at Work and Entrepreneurial Self-efficacy have a symbiotic relationship. Having either is insufficient for the pursuit of Independent Subsidiary Initiative, especially, in the pursuit of rogue activities which can have dire personal, subsidiary or multinational consequences, thus in addition to intrinsic Motivation at Work or need for identity, one’s self-belief/self-confidence plays a critical role towards pursuit.

Motivation at Work and Entrepreneurial Self-efficacy are related because all actions, in our case, pursuit of Independent Subsidiary Initiatives, are a manifestation of a combination or integration of motivation and cognition (Locke, 2000). Entrepreneurial
Self-efficacy is predicative but it doesn’t negate the importance of Motivation at Work in the pursuit of Independent Subsidiary Initiatives.

Motivation at Work is a significant factor which drives one to be entrepreneurial, having achieved the minimum targets set by headquarters. Yet in order to choose that path, one must believe that it will allow the realization of one’s goals (Tyszka, Cieślik, Domurat, & Macko, 2011). Passion and tenacity as measured by subsidiary managers’ likening their work as their life and their unwillingness to fail are two motivational forces which are highly related to Entrepreneurial Self-efficacy (Baum & Locke, 2004). In the case of tenacity which is akin to perseverance, subsidiary managers with higher Entrepreneurial Self-efficacy lead to higher motivation and subsequently to actions which increase Entrepreneurial Self-efficacy (Baum & Locke, 2004). Further, subsidiary managers who held firm to their goals and whose motivation fostered their perseverance and those who loved their work are more likely to acquire new skills which enhance their Entrepreneurial Self-efficacy. It is clear that motivational forces increase subsidiary managers’ Entrepreneurial Self-efficacy.

**Past Business Performance and Entrepreneurial Self-Efficacy**

Past Business Performance is the prior financial and management results of a business entity. Successful Past Business Performance fosters subsidiary managers’ mastery—a key component of self-efficacy (Bandura, 1977). Research has shown that when subsidiary managers had repeated success, they became more self-confident and trusting in their own judgment (Fraser, 2015). Subsidiary managers’ development of mastery facilitated their involvement in initiatives they felt that they can comfortably
Successful Past Business Performance bolstered subsidiary managers’ self-efficacy (Fraser, 2015).

**Difference in Assessment and Entrepreneurial Self-Efficacy**

In our context, Difference in Assessment of local business conditions is defined as the dissimilarity of views possessed by headquarters’ personnel and subsidiary managers regarding an economic opportunity (Fraser, 2017). This dissimilarity stems from increasingly dispersed knowledge and innovative capabilities (Rugman & Verbeke, 2001). This can lead to cognitive conflict. This dissimilarity is pervasive because more initiatives for new offerings are originating in overseas subsidiaries (Hakanson & Nobel, 2000), subsidiary managers are overseeing fledgling subsidiaries, building upon endogenous growth and building local networks (Verbeke & Yuan, 2005). In an earlier qualitative research, specific to our context, Difference in Assessment between headquarters personnel and local subsidiary managers was mainly influenced by information asymmetry. Information asymmetry favored the subsidiary managers because of their cohesiveness and interaction with the local business environment. They are more informed than headquarters’ personnel thus information asymmetry emerges (Bergen, Dutta, & Walker, 1992; Eisenhardt, 1989). Difference in Assessment may influence engagement in maverick actions and it is strongly mediated by Entrepreneurial Self-efficacy.

We present our hypothesized model in Figure C1.
Direct Hypotheses

Subsidiary managers’ desire to pursue subsidiary initiatives is motivated by a high need for achievement (Delany, 2000; Schilit, 1987) which aligns with identity and intrinsic needs. In some instances, there was no wish for promotion to head office and thus their fulfillment is tied to the development of their subsidiary. Nohria and Ghoshal (1994) contend that the interests of subsidiaries (in our case the subsidiary manager) and headquarters do not always coincide because they engage in “empire building” which seeks to advance the position of the subsidiary or are pursuing initiatives headquarters sees invaluable (Taggart, 1998). Subsidiary managers’ primary goal is to deliver expected performances especially when they are running start-ups or are in a turnaround business situation (Ambos et al., 2010).

Having satisfied the basic expectations of headquarters, it is argued that subsidiary managers will either seek recognition and status (Deci & Ryan, 1985b) within
their corporate setting or intrinsic needs, by pursuing initiatives that would result in increased significance of their subsidiary or self-gratification respectively. This increased significance can take the form of a new product or service or being home to an important technology or investment. These motivating forces at work, we contend are what drive subsidiary managers, who are more likely to engage in independent subsidiary initiatives. Thus, we hypothesize that:

**Hypothesis 1.** The higher the level of subsidiary managers motivation at work (MAW) the higher the level independent subsidiary initiatives (ISI) undertaken.

Past successful business performance reinforces the conviction and trust subsidiary managers place in their judgment (Fraser, 2015)—it builds their self-confidence. Subsidiary managers used their past successful business performance as justification for their covert activities. They become more trusting in their judgment and are willing to pursue Independent Subsidiary Initiatives; they believe the end result is more important than the means by which it was achieved. These past successes provide the basis on which their mastery is developed. Mastery is a key component of subsidiary managers’ self-efficacy. It is established that performance both directly and indirectly impacts Entrepreneurial Self-efficacy and that the reverse was also true (Chen et al., 1998). We thus hypothesize that:

**Hypothesis 2.** Past business performance (PBP) will positively influence entrepreneurial self-efficacy (ESE).

One’s performance of an activity is strongly influenced by two things; self-efficacy and goals or intentions (Locke, 1991). It thus follows, that subsidiary managers are driven to Independent Subsidiary Initiatives by Entrepreneurial Self-efficacy and their underlying objectives. Other researchers which support self-confidence, an element of
Entrepreneurial Self-efficacy, as an influencing factor of proactive behavior, in our case Independent Subsidiary Initiative, include Jones (1986), Parker (1998) and Speier and Frese (1997). Principally, Speier and Frese (1997) found increased self-efficacy may surge manifestation of proactive behavior, in our scenario, Independent Subsidiary Initiative. We thus hypothesize that:

**Hypothesis 3.** Entrepreneurial self-efficacy (ESE) will positively influence independent subsidiary initiative (ISI).

**Mediated Hypotheses**

Subsidiary managers are driven by intrinsic and or extrinsic factors when they decide to pursue rogue initiatives at their subsidiaries. This motivation can be personal, subsidiary, multinational level or a combination of all. That desire to achieve their goal or goals fosters initiatives; however, clandestine ones require a strong self-confidence that the end result would be favorable. This self-confidence is important because of the consequences should the initiatives go askew. Entrepreneurial Self-efficacy is a variable which captures subsidiary managers’ belief that they possess the ability to successfully undertake an entrepreneurial initiative. It is especially valuable to our study because it incorporates both personality and environmental factors (Drnovšek, Wincent, & Cardon, 2010). It is regarded as a significant predictor of entrepreneurial activities (Bird, 1988; Boyd & Vozikis, 1994). We thus hypothesize that:

**Hypothesis 4a.** Entrepreneurial self-efficacy (ESE) partially mediates the positive relationship between subsidiary managers’ motivation at work (MAW) and independent subsidiary initiative (ISI).

Subsidiary managers who are successful are more inclined to pursue Independent Subsidiary Initiatives because they felt that prior experience was a significant indication of what they can accomplish (Fraser, 2016). On the contrary, it is contended that one
reason for persons making bold and optimistic predictions of future business initiatives is because they focus on the current situation and generally ignore previous related outcomes (Kahneman & Lovallo, 1993). Repeated successful business performances add to the mastery dimension of Entrepreneurial Self-efficacy. Past Business Performance both directly and indirectly impacts Entrepreneurial Self-efficacy and that the reverse was also true Chen et al. (1998). An empirical research by Fraser (2017) found that Past Business Performance did not have a significant effect on Independent Subsidiary Initiative thus a mediator is required. We thus hypothesize that:

Hypothesis 4b. Entrepreneurial self-efficacy (ESE) fully mediates the positive relationship between past business performance (PBP) and independent subsidiary initiatives (ISI).

In our context, difference in assessment is primarily driven by information asymmetry. When information asymmetry favors the subsidiary, the subsidiary manager engages less in initiative selling to headquarters (Dörrenbächer & Gammelgaard, 2016). The more the Difference in Assessment which favors the subsidiary manager, the more likely they are to undertake Independent Subsidiary Initiatives. However, given the dire consequences should initiatives fail, and the insignificant relationship found between Difference in Assessment and Independent Subsidiary Initiative (Fraser, 2017), a mediator variable is required. We believe Entrepreneurial Self-efficacy is such a variable because it provides the subsidiary manager with the self-belief and self-confidence that they will be successful. We thus hypothesize that:

Hypothesis 4c. Entrepreneurial self-efficacy (ESE) fully mediates the positive relationship between difference in assessment and (DIA) and independent subsidiary initiative (ISI).
Moderation Hypothesis

Given the symbiotic relationship between Motivation at Work and Entrepreneurial Self-efficacy, both are needed for Independent Subsidiary Initiatives. It is important to establish the veracity of this claim given the limited empirical studies supporting such. We expect this complementary relationship to be positive because of their interdependence. Initially, subsidiary managers’ Motivation at Work has preeminence over their cognition as they seek to ascertain what would improve their chances of an extended tenure at the subsidiary (Locke, 2000). After the satisfaction of this motivation, they are not able to choose initiatives—overt or covert— at this point cognition, particularly, Entrepreneurial Self-efficacy takes superiority over Motivation at Work (Locke, 2001). Although Entrepreneurial Self-efficacy and Motivation at Work can be isolated for specialized studies, in practice they are never separate. We thus hypothesize that:

Hypothesis 5. Entrepreneurial self-efficacy (ESE) and Motivation at Work (MAW) are needed for independent subsidiary initiative (ISI).

METHODS

Measures

We sought respondents’ perception of Independent Subsidiary Initiatives, Entrepreneurial Self-efficacy, Motivation at Work, Past Business Performance and difference in assessing local business conditions using the scales below. The questions or statements associated with each scale are in Appendix A. The psychometrics for the scales were all strong in prior empirical research.

Independent subsidiary initiative. We adapted the previously validated scale used by Birkinshaw et al. (1998) to capture the Independent Subsidiary Initiative construct.
Subsidiary managers were asked six questions on a seven-point Likert scale (1=Never to 7=Every time). The questions considered the development of products and services which were commercialized without headquarters’ prior approval, the investment in research and development or manufacturing without headquarters’ prior approval. We opted to combine two sets of items because of their closeness and because our focus is on the association among the latent variables in the hypothesized model (Little, Cunningham, Shahar, & Widaman, 2002). The observed items combined were, “new product developed … without prior head office’s approval and new services developed … without prior head office’s approval” and “enhancement to product lines… and enhancement to services provided…”. The internal consistency of the construct was 0.92.

**Entrepreneurial self-efficacy.** We selected the Entrepreneurial Self-efficacy scale because we believe that subsidiary managers are driven by some cognitive factor in their pursuit of Independent Subsidiary Initiatives. We adapted the previously validated scale from Zhao, Seibert, and Hills (2005). This scale uses five items on a seven-point Likert scale (1=no confidence to 7=complete confidence). The scale asks questions related to one’s belief that they can be successful at an undertaking. The Cronbach’s alpha of previous studies using this scale ranges from 0.82 to 0.91.

**Motivation at work.** We selected the Motivation at Work scale because we believe despite the presence of certain structural and economic factors, there must be an underpinning reason for pursuing an initiative. We adopted the Motivation at Work scale from Gagné et al. (2010). This scale uses twelve items on a seven-point Likert scale (1=not at all to 7=exactly). The scale asks questions relating to intrinsic and extrinsic
motivation, identity and introjection in the workplace. The Cronbach’s alpha of previous studies utilizing this scale ranged from 0.69 to 0.93 but mostly around 0.85.

*Past subsidiary performance.* The Past Subsidiary Performance scale was used because it was clear from a qualitative research that it was a factor influencing independent subsidiary initiatives. Chen et al. (1998) cautioned that there is reciprocal causation between entrepreneurial self-efficacy and performance. The operationalizing of this construct was adapted from Gibson and Birkinshaw (2004). The scale consisted of four items which referred to; the subsidiary achieving full potential, headquarters’ satisfaction with subsidiary performance, customer satisfaction and opportunity provided to the subsidiary manager to do the best possible job. The internal reliability of the construct was 0.8.

*Difference in assessment.* The Difference in Assessment scale is selected because it surfaced in our qualitative research and builds on our research agenda. Fraser (2015) found inconsistency of views shared by headquarters personnel and the subsidiary manager. Rugman and Verbeke (2001) insinuated that increased knowledge dispersion can lead to differing views. To capture this inconsistency, we adapted from Wakefield et al. (2008). This scale consisted of four items which looked at the frequency and extent of disparity surrounding matters affecting the relationship between headquarters personnel and subsidiary managers. The scale considers differences in ideas, scope of work, work to be performed by the subsidiary manager and differences of opinions. Respondents had to assess these differences on a seven-point Likert scale (from 1= not ever to 7=always). The scale has a Cronbach’s alpha of 0.91.
We also incorporated a number of control variables in our hypothesized model: head office’s control was included because it was the most significant factor influencing independent subsidiary initiatives (Fraser, 2015), autonomy also being a contributing factor of independent subsidiary initiative (Fraser, 2015), scope of subsidiary (the number of business activities undertaken by the subsidiary), education level of subsidiary top manager and tenure of subsidiary top manager (number of years). Ambos et al. (2010) posited that the more activities performed by the subsidiary, the broader the scope and the more opportunities the subsidiary manager will have to pursue initiatives. Educational backgrounds (Pfeffer, 1993) influence subsidiary top managers’ conduct in managing their subsidiaries. Crant (2000) suggests that subsidiary top managers who desired autonomy in the long run engaged in proactive behavior early in their tenure. Birkinshaw et al. (2005) surmised that when subsidiaries have value-added (especially research) or market (for example purchasing or marketing) scope they fostered autonomy.

Survey Instrument Development

We pretested our survey instrument and the results revealed there was no need for local adaptation. The survey instrument was cautiously validated using Q-Sort, pre-test and pilot test techniques. We conducted three rounds of Q-Sort, each time with twelve participants. Each ensuing round we made minor adjustments to the wording of the survey items. After the third round, our Cohen’s Kappa for the constructs were above the benchmark 0.65 (Jarvenpaa, 1989; Vessy, 1984). For the pre-test, we engaged six respondents while for the pilot test we doubled the respondents. Our results demonstrated a decent variation of answers, we kept our survey instrument intact after this review. Additional guidance was provided by two experienced and well-published academics.
who reviewed the scales for content and face validity and the soundness of the Cohen’s Kappa scores for the Q-Sort conducted. Subsequently, we revised initial survey questions. We ended with a survey instrument of 46 questions which we think were short enough to keep the respondents engaged and thus minimize the possibility of consistency artifacts.

**Sampling and Data Collection**

Our study seeks to capture the insight of subsidiary managers. We thus employed a survey to authenticate our hypothesized model. We solicited the insights of overseas subsidiary managers located in the English-speaking Caribbean, Canada, United States of America and England. They are analogous to a large degree because they speak the same language and share many cultural aspects.

We used our professional network to get respondents from the English-speaking Caribbean and for the other countries, we used Corporate Affiliations’ website listing. Our respondents came from many industries including (a) banking, (b) manufacturing, (c) security, and (d) engineering. We invited 34,949 subsidiary top managers to take our survey. We ended with 204 respondents for a response rate of 0.6%. After data cleaning, we concluded with 176 usable survey responses. Table C1 provides demographics of our respondents.
Table C1. Demographics of Respondents

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Category</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>145</td>
<td>82%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>31</td>
<td>18%</td>
</tr>
<tr>
<td>Education</td>
<td>High school</td>
<td>20</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>Bachelor’s degree</td>
<td>60</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td>Master’s degree</td>
<td>96</td>
<td>55%</td>
</tr>
<tr>
<td>Tenure</td>
<td>&lt; 1 year</td>
<td>19</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>&gt;1 year &lt; 5 years</td>
<td>79</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>&gt; 5 years</td>
<td>78</td>
<td>44%</td>
</tr>
<tr>
<td>Scope of Subsidiary</td>
<td>Small</td>
<td>23</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>61</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td>Large</td>
<td>92</td>
<td>53%</td>
</tr>
<tr>
<td>Size of Subsidiary</td>
<td>Small</td>
<td>88</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>58</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>Large</td>
<td>30</td>
<td>17%</td>
</tr>
<tr>
<td>Age of Subsidiary</td>
<td>&lt; 15 years</td>
<td>69</td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>&gt; 15 years but &lt; 25 years</td>
<td>41</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>&gt; 25 years</td>
<td>66</td>
<td>38%</td>
</tr>
</tbody>
</table>

Measurement Model

**Exploratory Factor Analysis (EFA).** We conducted an EFA in SPSS version 25 using Maximum Likelihood and Promax rotation. We deleted 8 observed variables because either they had cross-loading higher than the 0.32 benchmark (Tabachnick & Fidell, 2001) or loading lower than 0.45 (Hair et al., 2010) for a sample size of 150–200. Of the eight observed variables dropped, six were from the motivation at work construct and extrinsic in nature, thus indicating the pursuit of independent subsidiary initiative was intrinsically motivated and or tied to subsidiary managers identify needs. The
observed variables carried forward to confirmatory factor analysis are shown in Appendix E.

Our final model consists of five factors with a Kaiser-Meyer-Olkin Measure of 0.787 which is a good value (Hutcheson & Sofroniou, 1999) and Bartlett’s test of Sphericity reveals an approximate chi-square of 1,653.89 with degrees of freedom of 210 with P-value <0.001. Together, these suggest the data is adequate for factor analysis. The scree-plot as per Appendix F also indicates a five-factor solution. All loadings on factors were above the recommended minimum threshold of 0.45 for a sample size of 150–200 (Hair et al., 2010) thus demonstrating convergent validity. Discriminant validity was evident, because of the absence of any significant cross loading of 0.32 or higher on two or more factors (Tabachnick & Fidell, 2001). All five factors have Cronbach’s alphas above the recommended 0.7 (Hair et al., 2010). The five-factor solution represents 55.49% of the cumulative extracted variance. Descriptive statistics including the mean, standard deviation, number of retained observed variables, factor correlations and Cronbach’s alphas of latent factors are provided in Table C2.

**Table C2. Mean, Standard Deviation, Cronbach's & Factor Correlations**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Std. Dev</th>
<th># of Items</th>
<th>MAW</th>
<th>ESE</th>
<th>DIA</th>
<th>ISI</th>
<th>PBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Motivation at Work (MAW)</td>
<td>5.28</td>
<td>1.20</td>
<td>5</td>
<td>0.786</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Entrepreneurial self-efficacy (ESE)</td>
<td>5.27</td>
<td>1.15</td>
<td>5</td>
<td>0.289</td>
<td>0.826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Difference in Assessment (DIA)</td>
<td>3.19</td>
<td>1.23</td>
<td>4</td>
<td>(0.299)</td>
<td>(0.010)</td>
<td>0.856</td>
<td></td>
</tr>
<tr>
<td>4 Independent Subsidiary Initiative (ISI)</td>
<td>2.53</td>
<td>1.74</td>
<td>4</td>
<td>(0.037)</td>
<td>0.131</td>
<td>0.047</td>
<td>0.845</td>
</tr>
<tr>
<td>5 Past Business Performance (PBP)</td>
<td>4.46</td>
<td>1.37</td>
<td>3</td>
<td>0.542</td>
<td>0.405</td>
<td>(0.368)</td>
<td>0.014</td>
</tr>
</tbody>
</table>

*Cronbach's alphas are bolded and on the diagonal. Negative values are in parentheses*
**Confirmatory Factor Analysis (CFA).** We conducted a CFA with the five factors brought forward from the EFA. The final measurement model, as per Appendix G, demonstrates good model fit with $\chi^2 = 247.705$ with 178 df at P-value < .001, $\chi^2$/df = 1.392, CFI = .954, SRMR = .054, RMSEA = .047 and Pclose = .613. All the model fit indices were within or very close to the accepted benchmarks (Hair et al., 2010). Table C3 summarizes the model fit results of the CFA.

<table>
<thead>
<tr>
<th>Model fit indices</th>
<th>Values</th>
<th>Recommended Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFI</td>
<td>0.954</td>
<td>&gt;0.95 (Hu &amp; Bentler, 1999)</td>
</tr>
<tr>
<td>RMSEA / PCLOSE</td>
<td>0.047 / 0.613</td>
<td>&lt;0.07 (Steiger, 2007) / &gt;.05 (Kenny, 2014)</td>
</tr>
<tr>
<td>$\chi^2$/df</td>
<td>1.392</td>
<td>2-1 (Tabachnick &amp; Fidell, 2007)</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.054</td>
<td>&lt;0.08 (Hu &amp; Bentler, 1999)</td>
</tr>
</tbody>
</table>

Composite Reliability (CR) values were above 0.7 for each latent variable (Hair et al., 2010). The Average Variance Explained (AVE) for each latent variable except for motivation and past business perform were above 0.5 and thus demonstrates convergent validity (Hair et al., 2010). Because of the constructs of the AVE closeness, the benchmark 0.5, we elected not to trim any more paths. Discriminant validity was also evident by Maximum Shared Variance being less that AVE and the square root of its AVE (which is bolded and is on the diagonal in Table C4) being greater than all the factor correlation coefficients. Please see Table C4.

<table>
<thead>
<tr>
<th>CR</th>
<th>AVE</th>
<th>MSV</th>
<th>Motivation</th>
<th>Efficacy</th>
<th>Difference</th>
<th>Initiative</th>
<th>Perform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>0.835</td>
<td>0.516</td>
<td>0.379</td>
<td><strong>0.718</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficacy</td>
<td>0.831</td>
<td><strong>0.496</strong></td>
<td>0.184</td>
<td>0.298</td>
<td><strong>0.705</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>0.839</td>
<td>0.568</td>
<td>0.194</td>
<td>(0.295)</td>
<td>(0.001)</td>
<td><strong>0.754</strong></td>
<td></td>
</tr>
<tr>
<td>Initiative</td>
<td>0.848</td>
<td>0.585</td>
<td>0.018</td>
<td>(0.037)</td>
<td>0.133</td>
<td>0.079</td>
<td><strong>0.765</strong></td>
</tr>
<tr>
<td>Perform</td>
<td>0.731</td>
<td><strong>0.485</strong></td>
<td>0.379</td>
<td>0.615</td>
<td>0.429</td>
<td>(0.441)</td>
<td>(0.018)</td>
</tr>
</tbody>
</table>
We tested for Common Method Bias using an unmeasured Common Latent Factor, see Appendix H. Using the chi-square difference test, we compared the unrestricted model with the zero-constrained model. The results as per Table C5, demonstrate that the models are non-invariant, thus indicating that common method bias was not an issue. Further, we compared the path regression weights with and without the common latent factor and found all to be below the 0.2 threshold (Hair et al., 2010). We imputed factor scores which were used as we moved forward in our analysis of the structural model.

Table C5. Chi-Square Difference Test for Common Method Bias

<table>
<thead>
<tr>
<th>Overall Model</th>
<th>Chi-square</th>
<th>df</th>
<th>p-val</th>
<th>Invariant?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconstrained</td>
<td>224.873</td>
<td>158</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully constrained</td>
<td>272.148</td>
<td>179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of groups</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>47.275</td>
<td>21</td>
<td>0.001</td>
<td>NO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chi-square Thresholds</th>
<th>Chi-square</th>
<th>df</th>
<th>p-val</th>
<th>Invariant?</th>
</tr>
</thead>
<tbody>
<tr>
<td>90% Confidence</td>
<td>227.58</td>
<td>159</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>2.71</td>
<td>1</td>
<td>0.100</td>
<td></td>
</tr>
<tr>
<td>95% Confidence</td>
<td>228.71</td>
<td>159</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>3.84</td>
<td>1</td>
<td>0.050</td>
<td></td>
</tr>
<tr>
<td>99% Confidence</td>
<td>231.51</td>
<td>159</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>6.63</td>
<td>1</td>
<td>0.010</td>
<td></td>
</tr>
</tbody>
</table>

Structural Model

Having obtained a good fitting measurement model, we proceeded to examine the overall structural model. The structural model examined the hypothesized relationships—direct and indirect. For the indirect relationships for which Entrepreneurial Self-efficacy was the mediator, we performed a bootstrap technique using 2,000 iterations and 95% bias-corrected confidence level in AMOS version 25. Our hypothesized model showed
good model fit, $\chi^2 = 8.658$ with df = 8 at P-value =.372, $\chi^2$/df = 1.082 (Kline, 2005; Tabachnick & Fidell, 2007), CFI = 0.998 (Hu & Bentler, 1999), RMSEA = 0.022 (Hair et al., 2010) and Pclos = 0.658 (Kenny, 2014).

The final model explains 12.4% of the factors affecting Independent Subsidiary Initiatives. Entrepreneurial Self-efficacy accounts for 10.9% of the variance. When Past Business Performance was added, variance explained increased to 11.2%, thus indicating that self-belief has the most significant impact on independent subsidiary initiative. The other constructs have a minor impact on independent subsidiary initiative. Table C6 presents impact on R² of Independent Subsidiary Initiatives.

### Table C6. R-Square Comparisons

<table>
<thead>
<tr>
<th>Predictor Variables</th>
<th>R² of ISI</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESE</td>
<td>10.9%</td>
</tr>
<tr>
<td>ESE &amp; PBP</td>
<td>11.2%</td>
</tr>
<tr>
<td>ESE, PBP &amp; DIA</td>
<td>11.3%</td>
</tr>
<tr>
<td>ESE, PBP, DIA &amp; MAW</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

**RESULTS**

The overall structural model provides an explanation for 12.4% of the variance which constitutes Independent Subsidiary Initiatives. The model explains 30.0% variance of Entrepreneurial Self-efficacy. Of the control variables used, education ($\beta=.213$, $p=.029$) and headquarters control ($\beta=-.125$, $p=.026$) significantly influenced Independent Subsidiary Initiatives while the others did not have a significant relationship. This is contrary to previous research. Our final structural model with standardized regression weights is presented below, as per Figure C2.
**H1** ($\beta = -.120, p=.131$) was not supported. We expected a positive relationship between subsidiary managers’ Motivation at Work and Independent Subsidiary Initiatives. This can be interpreted as the subsidiary managers’ motivation made them conform to headquarters’ rules and procedures. **H2** ($\beta=.610, p= <.001$) and **H3** ($\beta=.15, p=.049$) were supported. The support for **H2** indicates that past business success significantly contributes to mastery—a component of Entrepreneurial Self-efficacy. Support for **H3** indicates one’s self-belief bolsters their conviction to pursue unapproved initiatives. Table C7 is a summary of the direct effects hypotheses.

**Table C7. Summary of Hypothesized Direct Effects**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Standardized Regression Weight ($\beta$)</th>
<th>P-value</th>
<th>Supported?</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: MAW → ISI</td>
<td>-0.120</td>
<td>0.131</td>
<td>No</td>
</tr>
<tr>
<td>H2: PBP → ESE</td>
<td>0.610</td>
<td>&lt;0.001</td>
<td>Yes</td>
</tr>
<tr>
<td>H3: ESE → ISI</td>
<td>0.150</td>
<td>0.049</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Hypotheses 4a, 4b and 4c reflect the *mediating effect* of subsidiary managers’ Entrepreneurial Self-efficacy on their Motivation at Work, past successful business performance and difference in assessing local business conditions and Independent Subsidiary Initiative respectively. Only **H4b** and **H4c** were supported. **H4b** has results of ($\beta=.091, p=.047, 95\%\ CI [.002, .199]$) we did not hypothesize the *direct effect*, given its insignificant effect in previous studies. **H4c** which predicted full positive mediation had results of ($\beta=.037, p=.038, 95\%\ CI [.002, .093]$) we did not hypothesize a direct effect, given its insignificance in previous studies. Hypotheses 2a predicted partial positive mediation returned result of ($\beta = .001, p=.782, 95\%\ CI [-.024, .038]$) while the *direct effect was significant* ($\beta = -.124, p=.194$). Thus, the collected data indicates Entrepreneurial Self-efficacy has both a *significant direct and mediating effect* on
independent subsidiary initiatives. Table C8 presents a summary of the mediation hypotheses results. H5 was not supported. This contradicts the claim of Locke (2000) and is surprising.

Table C8. Summary of Hypothesized Mediated and Interaction Effects

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
<th>Supported?</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4a: MAW → ESE → ISI</td>
<td>-.124(.194)</td>
<td>.001(.782)</td>
<td>-.123(.215)</td>
<td>No</td>
</tr>
<tr>
<td>H4b: PBP → ESE → ISI</td>
<td>NH</td>
<td>.091(.047)</td>
<td>.091(.047)</td>
<td>Yes</td>
</tr>
<tr>
<td>H4c: DIA → ESE → ISI</td>
<td>NH</td>
<td>.037(.038)</td>
<td>.037(.038)</td>
<td>Yes</td>
</tr>
<tr>
<td>H5: MAWxESE → ISI</td>
<td>NH</td>
<td>NH</td>
<td>.010(.881)</td>
<td>No</td>
</tr>
</tbody>
</table>

P-values are in brackets, NH = Not Hypothesized

DISCUSSION

This research focuses on the cognitive construct of Entrepreneurial Self-efficacy as a mediating variable in the elucidation of the phenomenon—Independent Subsidiary Initiative. The research question we investigated is: “What is the impact of subsidiary

Figure C2. Final Structural Model
managers’ entrepreneurial self-efficacy on independent subsidiary initiative?”

Headquarters and the subsidiary are located in different countries. Our study contributes to the subsidiary management, international business management, and strategic management literature by empirically testing the effects of Entrepreneurial Self-efficacy on Independent Subsidiary Initiative at the individual level of analysis—both the level of analysis and the construct are short of empirical research. We posit that the presence of structural or economic factors is not enough to foster Independent Subsidiary Initiatives and that a cognitive factor either weakens or strengthens the likelihood of the initiative materialization. Specifically, we argue that despite being motivated, having past business success or believing one’s assessment was superior, there is still a requirement to have the self-belief that one possesses the support environment or competence to successfully undertake an initiative.

We found subsidiary managers’ Motivation at Work was inversely related to Independent Subsidiary Initiative. This indicates that motivated subsidiary managers were more compliant with headquarters’ instructions, or minimally, kept the necessary personnel informed of the initiatives they planned to undertake. A closer examination of the observed items retained to form the variable taken forward to the final analysis reveals they were intrinsic in nature and reflects the subsidiary managers’ longing for an identity. The intrinsic motivating factors reflected that they were having fun and enjoyed their jobs. It could be concluded that their unwillingness to engage in clandestine activities was to safeguard their positive work environment and relationship with headquarters personnel. With regards to the identity items of motivation, they reflected that subsidiary managers felt their job was in line with their values and satisfied their
career and life goals. Their disinclination to engage in clandestine activities can be interpreted as an unwillingness to disturb the balanced life which the job facilitates. This finding is in contrast to Dörrenbächer and Geppert (2009) who found that subsidiary managers at the end of their tenure were motivated to undertake covert subsidiary initiatives because of intrinsic motivation and putting the development of the subsidiary above things such as career advancement. Delany (2000) also pointed out that subsidiary managers were likely to be motivated to embark on subsidiary initiatives in a quest to safeguard the subsidiary charter and to develop the subsidiary to protect their current career positions.

Our study highlights the essential role subsidiary managers’ Entrepreneurial Self-efficacy plays in the manifestation of Independent Subsidiary Initiative. This is in line with our theorizing which postulates that a cognitive factor must be part of subsidiary managers’ mental model before they undertake Independent Subsidiary Initiatives.

We found successful Past Business Performance significantly impacted Entrepreneurial Self-efficacy. This confirms that successful Past Business Performance builds subsidiary managers’ mastery—a significant antecedent of Entrepreneurial Self-efficacy (Boyd & Vozikis, 1994). The statistical weight of the relationship was 0.61 and the significance level was <.001. In our context, the embeddedness of mastery in Entrepreneurial Self-efficacy is uncontentious.

In line with other studies (Krueger, Reilly, & Carsrud, 2000; Markman, Balkin, & Baron, 2002; Rauch & Frese, 2007; Shane et al., 2003) we found Entrepreneurial Self-efficacy positively impacted Independent Subsidiary Initiatives. It illustrates that
subsidiary managers’ cognition was a critical factor directly impacting Independent Subsidiary Initiatives.

Our results indicate that Entrepreneurial Self-efficacy partially mediates the positive effect of Past Business Performance on Independent Subsidiary Initiative. This is consistent with our supposition more so because Past Business Performance adds to the mastery element of Entrepreneurial Self-efficacy. This complementary relationship is in line with the findings of Chen et al. (1998) who also highlighted the possibility of a reciprocal relationship between the two variables. Headquarters should be mindful that repeated success of the subsidiary manager may lead to independent actions and thus there is a need for vigilance. Their alertness should be aimed at harnessing the potential upside of subsidiary autonomous activities and mitigating against potential downsides.

Our study reveals that Entrepreneurial Self-efficacy mediated the relationships between Difference in Assessment and Independent Subsidiary Initiatives. This extends the finding of Dörrenbächer and Geppert (2009), who found that when subsidiary managers possessed superior knowledge of local business conditions they went ahead and undertook initiative without selling same to headquarters. Altogether, in our context, these results indicate centrality of cognition in the manifestation of independent subsidiary initiatives.

Our results vindicate our postulation that subsidiary managers’ cognition is a critical factor in the pursuit of Independent Subsidiary Initiatives, specifically, Entrepreneurial Self-efficacy. In all hypothesized scenarios, Entrepreneurial Self-efficacy amplified the impact the other factors had on Independent Subsidiary Initiatives. We
believe that our findings add critical empirical evidence to the value of Entrepreneurial Self-efficacy in the subsidiary initiative process.

LIMITATIONS

While study respondents were drawn from multiple countries and industries, we cannot rule out that subsidiary managers in other geographic locations and industries may yield different results. The 12.4% explanation of the variance of Independent Subsidiary Initiatives adds to the variance explained by others studies analogous to ours. We encourage replication of our model with the inclusion of variables such as subsidiary managers’ career orientation, political climate of the subsidiary, competitive environment of the subsidiary—both internal and external, level of communication between headquarters and subsidiary, decision-making culture in the organization, host country economic incentives among others.

This cross-sectional research used self-reported measures which are vulnerable to common method variance (Podsakoff et al., 2003). To mitigate this risk, we applied rigorous statistical techniques. We are confident that the results of the associations and relationships with our dependent variable are likely unbiased. As we were captivated by subsidiary managers’ perception of the drivers of their decision to pursue Independent Subsidiary Initiatives, the use of self-rating was considered appropriate in this context.

Finally, because Independent Subsidiary Initiatives manifest over a reasonable time, it would be better to adopt a longitudinal research approach. This research method will allow us to eliminate or discover other factors leading to Independent Subsidiary Initiatives. This would enhance the generalizability of the findings. In spite of these
restrictions, our findings provide strong support for Entrepreneurial Self-efficacy as a mediating factor of independent subsidiary initiatives.

**FUTURE RESEARCH**

Our research is one of the few empirical studies which examine the relationship between entrepreneurial self-efficacy and subsidiary initiatives. The findings are a possible catalyst for many future research efforts. Firstly, the value of independent subsidiary initiative can be determined by ascertaining the impact it has on a subsidiary and the whole corporation’s performance. This will better enable us to determine whether or not it’s a desirable activity to condone in subsidiaries.

Another possible avenue of future research may be to establish the multi-level nature of the phenomenon. We assume in this study that the subsidiary is the driver of independent subsidiary initiative. In fact, it may be a particular manager reporting to him/her, a particular team or department in his subsidiary.

We identify the possibility of adding to the meaning of subsidiary initiative as defined by Birkinshaw (1997). Our conception seeks to add subsidiary driven economic activities, for example the safeguarding of critical skills and competencies and the implementation of efficient activities. This requires scale development and validation.

**CONCLUSION**

In summary, our study documents the empirical validity of Entrepreneurial Self-efficacy as an amplifier of environmental, economic and other cognitive factors which impact Independent Subsidiary Initiatives. Together, Entrepreneurial Self-efficacy, Motivation at Work, Past Business Performance and Difference in Assessment contribution to the realization of Independent Subsidiary Initiatives. Our research adds
explanatory power to the factors influencing autonomous activities in subsidiaries. By examining these factors at the individual level of analysis we elucidate an aspect of the phenomenon which can inform the headquarters personnel management repertoire.
Appendix D
Vignettes of honorable non-compliance

The case for a cash holding facility

A major customer with presence throughout the Caribbean had requested that the subsidiary build a cash processing facility. The subsidiary manager informed head office of the request. Head office replied saying that construction should only begin after there is a signed contract with the customer. The customer insisted that the facility be built first and then a contract will be signed.

The subsidiary manager secured financing and started the construction. The Chairman found out. The subsidiary manager was told by his immediate boss at headquarters to cease the construction. Instead the subsidiary manager accelerated the work because she saw the customer was passing every day to check on the progress. The subsidiary manager said they (headquarters personnel) had to come physically and stop the construction because he was convinced he was doing the right thing. Today the company has a signed contract with the customer and every other bank on the island is using the facility.

Honorable non-compliance in this example was because the subsidiary manager was convinced that he was taking action that was in the best economic interest of the company.

Tapping into emerging markets

The subsidiary manager approached headquarters to purchased new vehicles for his subsidiary. He was told not to because the company could not afford the acquisition.

The subsidiary manager instead went ahead got financing and acquired 5 vehicles. He was convinced that the subsidiary needed new vehicles with updated technology to better serve the customers, tap into an emerging market of private security and because of the high maintenance cost of the old vehicles. When headquarters found out “it was 3
days of brimstone and fire.” They tried returning the vehicles but could not. The subsidiary manager was recalled to head office and assigned other duties.

*Honorable non-compliance, in this case, was due to the subsidiary manager’s belief that the company needed to move with the market, tap in new revenue generating streams and that it was cheaper to acquire new vehicles than to upkeep the old ones.*

**Non-adherence to Policy**

Headquarters has a process called Return on Investment (ROI) which has to be followed once an investment is above a certain dollar amount. The subsidiary manager has to build a case and utilize the ROI toolkit which is an IT software. After clarifications are provided to headquarters the investment is approved or disapproved based on a benchmark percentage return.

The subsidiary manager did not follow the process because he knew he would not have gotten approval because expected profits did not meet the benchmark return percentage. He, however, thought it better to generate some profits than none at all. This was motivated by his drive to be creative in a market that was slowing down – business was bad. Headquarters found out when he presented the subsidiary’s business results at the quarterly meeting. They were livid. The subsidiary manager was reprimanded for not following the process. He was instructed to do a post ROI and it turned out the investment did better than he had expected and passed the benchmark set by headquarters. That eased his worries. He took the opportunity to recommend a review of the ROI process be carried out. The review was carried out and now investments could be approved once it maintains profitability it doesn’t have to improve profitability as was previously the case.

*Honorable non-compliance, in this case, was driven by creativity is a slow business environment and a repressive company policy. This action was taken to improve the subsidiary’s economic performance by capitalizing on a business opportunity.*
Appendix E
Final Pattern Matrix with Communalities

<table>
<thead>
<tr>
<th>Factors</th>
<th>Communalities</th>
<th>Factors</th>
<th>Communalities</th>
</tr>
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<td>ISI_3</td>
<td>0.610 0.424</td>
<td>ISI_4</td>
<td>0.752 0.515</td>
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<tr>
<td>ISI_7</td>
<td>0.841 0.621</td>
<td>ISI_8</td>
<td>0.810 0.590</td>
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<tr>
<td>MAW_1</td>
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<td>MAW_2</td>
<td>0.763 0.601</td>
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<tr>
<td>MAW_4</td>
<td>0.561 0.431</td>
<td>MAW_5</td>
<td>0.548 0.521</td>
</tr>
<tr>
<td>MAW_6</td>
<td>0.674 0.494</td>
<td>MAW_7</td>
<td></td>
</tr>
<tr>
<td>PBP_1</td>
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<td>DIA_3</td>
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<td>DIA_4</td>
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<td>ESE_2</td>
<td>0.737 0.533</td>
<td>ESE_3</td>
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</tr>
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</table>

Extraction Method: Maximum Likelihood.
Rotation Method: Promax with Kaiser Normalization.
a Rotation converged in 6 iterations.
Appendix F
Screen Plot

Scree Plot

Eigenvalue vs Factor Number
Appendix G
Final Measurement Model
Appendix H
Final Measurement Model with CLF
REFERENCES


Vessy, I. 1984. *An investigation of the psychological processes underlying the debugging of computer programs*. The University of Queensland, Queensland


