

HITOTSUBASHI UNIVERSITY

HEADQUARTERS-SUBSIDIARY PERCEPTION GAPS REGARDING
SUBSIDIARY ROLES: THE IMPACT ON SUBSIDIARY PERFORMANCE AND
EXPATRIATES' MODERATION ROLE

A DISSERTATION SUBMITTED TO
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ABSTRACT

This research aims to examine, theoretically and empirically, the organisational factors of multinational corporations (MNCs) which influence foreign subsidiary performance. In this regard, I focus on the headquarters-subsidiary perception gaps regarding subsidiary role. I apply a mixed-method research approach, using qualitative case interviews which lead to a quantitative study, which concentrates on one company. This company is in the service sector and is also engaged in manufacturing. Its matrix business unit structure provides an opportunity for multiple case studies.

This study makes three theoretical contributions. First, it clarifies the direct relationship between headquarters-subsidiary perception gaps and subsidiary performance. I confirm that: 1) headquarters overestimation of subsidiary capability positively influences both the present and new business performance of a subsidiary; 2) subsidiary overestimation of subsidiary capability negatively influences the present business performance of a subsidiary; 3) subsidiary overestimation of the strategic importance of the local environment positively influences the new business performance of a subsidiary; and 4) there exists a positive moderation effect of expatriate coordination via host country national (HCN) managers on the relationship between

headquarters overestimation of subsidiary capability and subsidiary performance in present business. Second, this study develops a general framework which links headquarters-subsidiary perception gaps to subsidiary performance. The model integrates several theoretical perspectives from the pertinent literature: perception gap directionality, subsidiary role, and existing/new business categorisation. Third, this study clarifies the importance of focusing on HCN managers when examining the perception gaps between headquarters and subsidiaries. In addition, this study has practical implications regarding the way in which MNC managers should prioritise the management of headquarters-subsidiary perception gaps.