VOICES THAT COUNT:
HOW FOREIGN SUBSIDIARIES GAIN POSITIVE ATTENTION
FROM CORPORATE HEADQUARTERS

Cyril Bouquet
Schulich School of Business
York University
Toronto, ON Canada M3J 1P3
Tel: (416) 736-2100, x. 44591
Fax: (416) 736-5762
e-mail: cbouquet@schulich.yorku.ca

and

Julian Birkinshaw
London Business School
London, United Kingdom
Tel: (44) 20 7000 8718
e-mail: JBirkinshaw@london.edu

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ABSTRACT

This paper investigates how foreign subsidiaries gain positive attention from corporate headquarters (HQ.). Using detailed questionnaire and archival data on 283 subsidiaries in multinational enterprises, our analysis revealed three significant findings. First, attention decisions are partially based on the structural positions that subsidiary units occupy within the corporate system – their “weight.” Second, subsidiaries also have a “voice” of their own which they can use to attract attention. Third, the relationship between subsidiary voice and HQ attention is moderated by specific aspects of the subsidiary’s historical situation, which we identify in this paper.
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The attention of executives at corporate headquarters (HQ) is recognized to be a scarce and critical resource (Cyert & March, 1963; Simon, 1947). The choices senior executives make about which organizational units or issues to focus on therefore have profound implications for the strategic direction of the organization, and for its ability to respond effectively to emerging opportunities (March & Olsen, 1976; Ocasio & Joseph, 2005). Researchers have begun to study the role that formal structures play in directing investments of managerial attention towards the most attractive opportunities (Ocasio, 1997). There is also research on how individual players within the organization can access or get around these structures to more effectively capture the attention of executives at the top (Dutton, 1997; Dutton & Ashford, 1993; Hansen & Haas, 2001).

In this study, we utilize and build on the latter stream of research by theorizing on the strategies that organizational units deploy to attract HQ attention. Existing literature has primarily focused on the packaging and selling of specific issues or projects (Dutton & Ashford, 1993; Morrison & Phelps, 1999). Fewer studies, however, have considered the organizational unit itself as a meaningful entity that may capture (or fail to capture) attention from HQ executives (Morrison & Milliken, 2000: 707). One notable exception is the research conducted by Galunic and Eisenhardt (1996, 2001), who found that, unlike specific issues which are typically short-lived and associated with the initiatives of key individuals, organizational units have more long-lived and path-dependent relationships with executives at HQ. In fact, their qualitative studies of divisional charter gains and losses suggest that the factors shaping organizational unit attention may be somewhat different to those observed in the issue-selling literature – and perhaps involving a combination of individual initiative and aspects of the unit’s historical situation.
Although such findings are informative, the Multinational Enterprise (MNE) provides a fascinating context for exploring this issue further. The distinctive features of the MNE are high levels of geographical and cultural diversity coupled with a complex portfolio of businesses, functions and markets. This diversity and complexity makes it impossible for executives at corporate HQ to give full attention to all subsidiary units around the world. Rather, their attention is typically divided among subsidiaries in ways that do not give an equal hearing to all parties (Prahalad and Doz, 1987). So for the individuals managing a specific subsidiary, a key question becomes how they can gain the necessary levels of HQ attention to deliver on their potential and contribute to the MNE’s long-term success (Birkinshaw, Hood, & Jonsson, 1998).

MNE researchers have observed for many years that it is important both for corporate HQs to be alert to their promising subsidiaries (Bartlett & Ghoshal, 1986; Doz, Santos, & Williamson, 2004), and for subsidiaries to be vocal in support of their own achievements (Birkinshaw, 2000; Dutton, 1997). However, there are still plenty of examples of subsidiaries that struggle to gain even the smallest amounts of interest or investment from HQs, often resulting in missed opportunities for the parent company. For example, one of our interviewees, the chief executive of Dun & Bradstreet Australia, took the highly unusual step of using private equity backing to buy the subsidiary out from its American parent company after realizing that its low ranking in the corporate world was preventing additional investment. The business subsequently doubled in three years, and the profits grew tenfold.

Our objective in this paper is to uncover the factors that affect the level of attention given by HQ executives (“HQ attention”) to a subsidiary unit. We address two specific questions. The first question is: how should the construct of HQ attention be operationalized to have both practical and theoretical value? The existing literature on attention suggests several disparate points of view (Moray, 1969; Ocasio, 1997). In the context of the MNE, for example, attention can evoke images
of corporate staff seeking to coerce the subsidiary into complying with global policies, or it can also suggest a more developmental relationship in which the HQ is seeking to identify and build on new ideas (Chandler, 1991; Rugman & Verbeke, 2001). We adopt the latter point of view on attention and conceptualize it as a largely “positive” form of parental intervention, and more specifically, as a meta-construct that consists of three inter-related and reinforcing dimensions (Law, Wong, & Mobley, 1998). We then validate this operational approach in our empirical study.

The second research question is: what are the key factors that shape HQ attention for the subsidiary unit? We argue there are two sets of factors at work. As theories of intra-organizational power would suggest, HQ attention is influenced by the structural configuration of the MNE network (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997), or in our terms the subsidiary’s “weight” in the system. HQ attention is also shaped by a relational process in which the subsidiary’s “voice” (Hirschman, 1970; Morrison & Phelps, 1999) is used to emphasize the unit’s existing or potential contribution to the MNE as a whole (Birkinshaw, 2000). We extend this argument by identifying aspects of the subsidiary’s historical situation that moderate the relative effectiveness of a subsidiary voice.

We believe this study has theoretical implications for several important domains of international business and organization theory. In terms of international business, while there have been many studies examining the potential value of subsidiary-level initiatives in the MNE (eg. Birkinshaw, 2000; Ling, Floyd, & Baldridge, 2005; O'Donnell, 2000), none of them demonstrates how that potential is realized. This study represents the missing link in the chain, in that it shows the conditions under which entrepreneurial efforts by subsidiary managers can influence HQ attention, which in turn may result in significant changes to the roles of particular subsidiaries and a rethinking of the broader priorities of the MNE (Birkinshaw and Hood, 1998). And in terms of organization theory, our research contributes to a deeper understanding of how the allocation of
attention can influence a broader realignment of priorities and investments within the multi-unit organization. That is, we see the shifting level of attention given to a particular organization unit as an important *mechanism* through which its role or charter evolves to reflect changes in the organization’s operating environment (Galunic & Eisenhardt, 2001). In sum, this paper develops and tests new theoretical ideas about the allocation of attention in large multi-unit organizations, and to our knowledge it is also the first to empirically examine this issue in the specific context of MNEs. The next section expands on our conceptualization of attention and leads to the development of a set of testable hypotheses. We then describe our empirical study in which we gathered detailed data from questionnaire and archival sources on 283 foreign subsidiaries. Finally, we present the empirical findings of our study and discuss their implications for theory and practice.

**THE CONCEPT OF POSITIVE HQ ATTENTION**

Attention constitutes a broad field of research that spans several disciplines (Jones, 2005; Thornton, 2004) and fields of enquiry\(^1\). For most organizational scholars, attention refers to the set of elements (events, trends, ideas and in our case, foreign subsidiaries) that occupies the consciousness of managers (Dutton, Walton, & Abrahamson, 1989; Fiske & Taylor, 1984). The emerging attention-based view of the firm (Ocasio, 1997; Ocasio & Joseph, 2005) portrays attention as a meta-construct describing the noticing, encoding, and interpreting of available stimuli, and their accompanying focusing of time and effort. In order to develop an appropriate conceptualization of attention for this research, we supplemented our review of the organizational and international management literature with an exploratory round of research interviews with 24 subsidiary executives. This approach is described in detail in Appendix A. This research highlighted the

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\(^1\) In psychology, for example, William James wrote at the turn of the century, “Every-one knows what attention is. It is the taking possession by the mind in clear and vivid form of one out of what seem several simultaneous objects or trains of thought.” Yet, Moray (1969) later proposed seven distinct uses of the term, which included the concentration of mental resources as a way to improve task performance, the act of vigilance, in which a person monitors the environment in the hope of detecting something, selective filtering, oriented search, activation, and set, where the attending actor demonstrates a readiness to respond in a certain way.
multi-faceted nature of attention in the MNE, and the need to define the term in a very precise way to avoid confusing it with related notions of control and compliance.

We focused on a positive form of HQ attention that is value-enhancing and forward-looking in nature (Chandler, 1991). Specifically, we introduce the concept of “positive HQ attention” and define it as the extent to which the parent company recognizes and gives credit to the subsidiary for its contribution to the MNE as a whole. The definition has three important elements: it portrays attention as a largely positive thing that can facilitate a subsidiary’s future development (rather than as a form of corporate interference or control); it puts the granting of attention into the hands of the parent company as a whole (rather than the CEO or a particular subset of executives); and it is achieved on the basis of the subsidiary’s contribution to the MNE as a whole (rather than its contribution to a local market). Moreover, our interviews suggested that positive HQ attention can be broken down into three sub-constructs as follows:

**Relative attention.** This is the perceived level of recognition and credit given to the focal subsidiary in comparison to other subsidiaries in the MNE. Many of the subsidiary managers we interviewed saw attention as a competitive process resembling the zero-sum games described in agenda-setting research (Dutton, 1997; Jones & Baumgartner, 2005). For example, one individual we spoke to had responsibility for the entire Asian region in his company. He described attention as a scarce commodity that needs to be allocated across a portfolio of countries. In his opinion, the headquarters were “overinvested” in Mainland China, “radically underweight in Japan”, and uncertain about India, which he felt was “a real wild card.” He also acknowledged that the smaller countries (the “poor cousins”) were typically not getting much interest from parent executives.

**Supportive attention.** This is the provision by the corporate parent of discretionary resources as a way to facilitate the subsidiary’s development (Luo, 2003; Rugman & Verbeke, 2001). MNE theorists (Bartlett & Ghoshal, 1989; Doz, Santos, & Williamson, 2001), and scholars interested in
the function of corporate headquarters (Chandler, 1991; Goold, Alexander, & Campbell, 1994) view attention as a kind of “emotional energy” (Collins, 1998) that underpins the value-added interventions of parent executives. Our interviewees adopted a similar point of view, often viewing attention as a catalyst that facilitates access to best practices, technologies, talented people and career opportunities, as available in the corporate world, many of which are in limited supply.

**Visible attention.** This describes the explicit recognition from the corporate parent of the subsidiary’s existence and achievements, expressed in media that are transmitted to a broad body of stakeholders. In particular, and building on the assumption that language and thoughts are closely related (Huff, 1990), numerous studies have suggested that annual reports depict the major topics that the parent company attends to (Cho & Hambrick, 2006; D'Aveni & MacMillan, 1990; Levy, 2005), partly because such reports reflect the perception and input of many individuals at the top. Our interviewees echoed this viewpoint, often alluding to the symbolic value of annual reports, which they believed send strong signals as to who the winners and losers are in the firm’s system.

These three dimensions are conceptualized as forming an overall representation of how much “positive attention” a subsidiary receives from its parent company. However, it makes little sense to argue that there exists a higher-order latent construct called “positive attention” that can be manifested solely for example in terms of visibility. Instead, we view attention as an aggregate multidimensional construct (Law et al., 1998) that is formed as the composite of three sub-constructs, which may or may not co vary. In other words, changes in the visible dimension of our core construct will not necessarily lead to changes in the supportive or relative dimensions. Rather, lack of any single dimension will decrease but not totally eliminate the amount of “positive attention” that a subsidiary receives from the corporate parent.

Before proceeding, we also need to clarify the relationship between positive HQ attention and subsidiary role. There is a long tradition of research examining the causes and consequences of a
subsidiary’s strategic role in the MNE (e.g. Bartlett and Ghoshal, 1986; Jarillo and Martinez, 1990; White and Poynter, 1984). Strategic role is defined as the activities the subsidiary performs and has responsibility for within the MNE (Birkinshaw and Hood, 1998: 782); it is typically established over a number of years, it is widely communicated and understood across the organization, and it changes relatively rarely (Galunic & Eisenhardt, 1996). The concept of positive attention, as we have defined it, is an indicator of the current level of recognition and/or credit accorded to the subsidiary by HQ executives, and as such it is likely to be relatively more subjective and relatively less stable than a subsidiary’s role. Of course we would expect a subsidiary’s strategic role to correlate with the attention it receives from HQ, but we would also expect there to be occasions when a subsidiary receives more or less attention than would be predicted by its formal role within the MNE – perhaps because of recent changes in the subsidiary’s marketplace, or because of the specific initiatives a subsidiary is pursuing. By focusing on attention, rather than strategic role, this paper opens up several new avenues for research into the dynamics of HQ-subsidiary relationships.

THEORY DEVELOPMENT

There are two theoretical perspectives that inform our model of corporate attention allocation in MNEs (see Figure 1). The structural perspective, which can be seen as representing the baseline perspective for this study, embraces ideas from theories of intraorganizational power (Benson, 1975; Hickson, Hinings, Lee, Schneck, & Pennings, 1971; Lawrence & Lorsch, 1967). It suggests that HQ attention is fundamentally determined by the internationally differentiated positions that foreign subsidiaries occupy in the corporate system (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997). This perspective views the MNE as an efficiency-seeking, value maximizing entity that functions according to criteria of proven strategic significance. The positive attention a subsidiary receives is therefore based on its weight in the global ordering of power. Prior studies suggest that key components of subsidiary weight are the strategic importance of the local environment (H1a)
and the strength of a subsidiary within the MNE network (H1b)\(^2\) (Bartlett & Ghoshal, 1986; Jarillo & Martinez, 1990). While this line of thinking is by far the most established in MNE literature, it has its limitations. Often, indicators of weight indicate how successful a subsidiary has been in the past, or they may convey something about the received view of the subsidiary’s marketplace (usually from external sources). But decision-making heuristics tend to be relatively biased and simple-minded (Cyert and March, 1963), so without any evidence to the contrary, arguments centered on the notion of weight suggest that parent company executives will continue to allocate attention to subsidiaries in the way they have always done.

The relational perspective, to which this study seeks to contribute, is grounded upon the issue-selling literature (Dutton, 1997; Dutton & Ashford, 1993; Dutton, Ashford, O'Neill, & Lawrence, 2001) to highlight the possibility that HQ executives do not see the world simply in this hierarchical manner. We combined the issue-selling literature with related research in organizational behavior (Hirschman, 1970; Morrison & Phelps, 1999) and unit-level studies of divisional charter gains and losses (Galunic & Eisenhardt, 1996, 2001) to suggest that **HQ attention can also be viewed as the outcome of a bottom-up process** (Birkinshaw & Hood, 1998; Birkinshaw et al., 1998; Ling et al., 2005). That is, foreign subsidiary units have a “voice” of their own which they can use in their relationships with HQ to more effectively position their achievements within the corporate system, irrespective of current weight considerations.

Our model builds on this relational perspective to develop theoretically-grounded, unit-level predictions regarding the components of a subsidiary voice. In this regard, we view MNEs as

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\(^2\) These two dimensions can be interpreted as constituting the subsidiary’s *strategic role* in the MNE, though as noted earlier we prefer not to use the term strategic role as it is sometimes confused with attention. There are also other variables that are sometimes used to define subsidiary roles, such as level of autonomy and size, and these are controlled for in the analysis.
complex organizational systems characterized by a dual (and sometimes contradictory) logic of action (Luo, 2005). On one hand, the MNE is an economically integrated economic institution that encourages members to continuously justify their existence within the emerging global hierarchy, so taking the initiative is important (H2a) because it may lead to the acquisition of specialized resources that can be seen as the source of future competitive advantages. On the other hand, the MNE is also a socially constructed community of subsidiary members that can only advance their cause with corporate HQs if they are believed to adhere to a common set of strategic goals, norms and values (Bartlett & Ghoshal, 1994; Galunic & Eisenhardt, 1996). So while taking the initiative is important, so are the concrete actions undertaken by host-country managers to build the subsidiary’s profile with HQ executives (H2b) and reinforce their perception that it is a reliable citizen of the MNE family.

We further expand the relational perspective by also exploring whether there are conditions that may moderate the strength of our voice arguments. Two variables —geographic distance and a downstream competence —have often been described as factors that may contribute to the strategic isolation of a subsidiary (Ghemawat, 2001), although these links have not always been supported empirically (Monteiro, Arvidsson, & Birkinshaw, 2006). In the third part of our model, we examine the extent to which geographic distance (H3a, H3b) and a downstream competence (H4a, H4b) act as moderator variables for the hypothesized effects of initiative-taking and profile-building on the positive attention that subsidiary units receive from corporate HQs. We now develop each of these hypotheses in detail.

Structural determinants of attention: The “weight” of a subsidiary

*The strategic importance of the local environment.* This reflects the perception that the particular market in which the subsidiary operates can strengthen the competitiveness of the MNE. In this regard, the presence of other foreign multinationals in the local industry may trigger positive
HQ attention, partly because it signals the presence of critical location-specific advantages (Dunning, 1998), and partly because it indicates the likelihood of agglomeration effects from which the MNE can derive benefits. These effects are most clearly described by Porter (2000) in his work on the clustering of related activities and specialized support services. There is a suggestion too, that rational managers flock towards those subsidiary markets that provide the greatest sales opportunities, relative to those available elsewhere in the corporation (Christensen, 1997).

_Hypothesis 1a: The strategic importance of the local environment is positively related to the positive attention that the subsidiary receives from corporate headquarters._

**The strength of a subsidiary within the MNE network.** This reflects the extent to which the subsidiary undertakes activities upon which sister subsidiaries are dependent. Subsidiaries that have established such pivotal linkages with the rest of the organization are likely to be viewed as more connected and “central” actors that merit positive attention from HQs (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997). This argument is directly related to ideas developed by theories of intraorganizational power (Benson, 1975; Hickson et al., 1971; Lawrence & Lorsch, 1967).

_Hypothesis 1b: The strength of a subsidiary within the MNE network will be positively related to the positive attention that the subsidiary receives from corporate headquarters._

**Relational determinants of attention: The “voice” of a subsidiary**

**Initiative-taking.** This refers to the conscious and deliberate actions of subsidiary managers in their marketplace (Birkinshaw & Hood, 1998; Birkinshaw et al., 1998). Initiative-taking is similar to other forms of “taking-charge” behavior (Morrison & Milliken, 2003; Morrison & Phelps, 1999) in that it is voluntary (not formally required by HQ) and change-oriented (that is, aimed at improving a subsidiary status and perceived significance in the corporate system.) Subsidiary initiatives are typically directed towards new products or services, or new market opportunities. And they usually represent an extension to or departure from the subsidiary’s established mandate.
While evidence from a variety of sources highlights the potential value of subsidiary initiatives for the firm as a whole (Rugman & Verbeke, 2001), their outcomes are uncertain and to some degree embedded in the local market context, so their effectiveness as attention-capturing tools is ambiguous (Schulz, 2001). In fact, Birkinshaw (2000) argued that many MNEs are intolerant of ideas and proposals that have not been directly solicited from the top, and that as a result, subsidiary managers are sometimes reluctant to fully exert their entrepreneurial influence.

In this study, we argue that initiative-taking can generate positive flows of attention from the parent company both directly and indirectly. The direct effect is likely to be experienced during routine visits to the subsidiary operation. Consider an example from our research interviews: when the CEO of ABB, the Swiss-Swedish engineering group, visited the managers of its Czech subsidiary, he discovered that they had come up with the rather ingenious idea of linking the company’s administrative computers at night (when they were not used) as a way to leverage their combined processing capacity. This meta-network, which allowed the company to more quickly run R&D algorithms that involved a particular mathematical structure, gave unprecedented recognition and support to the Czech subsidiary. The indirect effect takes two forms: either HQ executives see the early-stage results of a subsidiary initiative in the form of increased revenues or higher profitability, or the individuals behind the initiative may develop a reputation across the MNE for their actions, and subsequently come to the attention of HQ executives.

*Hypothesis 2a: Initiative-taking by subsidiary managers will be positively related to the positive attention that the subsidiary receives from corporate headquarters.*

**Profile-building.** This refers to the broad set of efforts undertaken by subsidiary managers to improve their image, credibility and reputation within the MNE. If initiative-taking is fundamentally about action taken in the local subsidiary context, profile-building is the complementary set of activities that are focused on the corporate network. The logic stems from the
argument that for the subsidiary’s current status and growth plans to influence parent-company attention, the managers running the subsidiary have to work hard to shape the corporate agenda (Dutton & Ashford, 1993), and build perceptions that their activities and operations are strategically important and supportive of established corporate goals, norms and values. In this respect, Galunic and Eisenhardt’s (1996; 2001) studies of divisional charter gains and losses emphasized the importance of being seen as a reliable citizen of the corporate community. As one manager whom these authors interviewed related: “Omni [the parent corporation] knows we deliver, and we've had a great reputation for that. I cannot remember not delivering.” (Galunic and Eisenhardt, 2001: 1238).

Our review of the MNE literature suggested that profile-building consists of three main factors. The most important factor is probably the subsidiary’s track record, that is, “the extent to which it has delivered, over the years, results at or above the expectations of the parent company” (Birkinshaw & Hood, 1998: 788). A solid track record helps to build confidence that the subsidiary is a reliable and trustworthy actor of the firm network. The subsidiary’s commitment to the parent company constitutes a second important factor. As Galunic and Eisenhardt noted (2001: 1238), HQ executives can seldom “ignore a widely felt need to reward good citizenship,” perhaps because a strong sense of affiliation serves to reduce goal conflict and the likelihood that subsidiaries will pursue actions detrimental to overall corporate objectives (Black & Gregersen, 1992; Gregersen & Black, 1992; Roth & O'Donnel, 1996). A third factor is related to impression management (Gardner & Martinko, 1988; Schlenker, 1980) efforts by which the subsidiary is able to more effectively emphasize its contributions and strategic proposals (Dutton & Ashford, 1993). This may

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3 This concept is distinct from that of subsidiary performance, which we include as a control variable.
4 For example, one subsidiary president observed: “Getting attention is about establishing credibility and it doesn’t happen within a short period of time. People need time to evaluate how you run a business. If you demonstrate predictability and results over time, you start to build a confidence that ultimately works in your favor.”
involve working with HQs to demonstrate strategic alignment, or simply maintaining exposure and connections with powerbrokers at head-office\(^5\).

Hypothesis 2b: Profile-building by subsidiary managers will be positively related to the positive attention that the subsidiary receives from corporate headquarters.

**Contingencies: Factors contributing to the strategic isolation of a subsidiary**

**Geographic distance.** Even in an era of global economic interdependence, Helliwell (2002: 21), observed that “being further from home usually means being less well connected to local networks, less able to understand local norms, and less able to be sure how much to trust what people may say.” All else being equal, HQ executives will therefore have a lower level of understanding of the subsidiaries in their corporate network that are the furthest away, which in turn means that they are more likely to fall back on simple heuristics (rather than deep personal knowledge) to make their evaluations of those subsidiaries. This suggests that more distant subsidiaries are therefore at a greater risk of capturing lower levels of attention than those closer to home. This argument is supported by findings in related areas. For example, studies of knowledge transfers in MNEs show that transfers between units drop off dramatically with increasing distance (Buckley & Carter, 2004; Hansen & Lovas, 2004; Monteiro et al., 2006), and there are parallel findings in the puzzling stories of “home bias” in the patterns of trade flows and capital investments between countries (Ricart, Enright, Ghemawat, Hart, & Khanna, 2004).

However, if the above logic is correct, there is also reason to believe that, by more fully exerting their voice (i.e., through initiative-taking and profile-building), subsidiary managers can improve the quality and quantity of information that parent company executives have at their disposal, which

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\(^5\) One manager we interviewed commented: “In terms of getting attention, there's an enormous amount of pre-selling that goes on. For example, if we have a project which we know we're going to put up the line, I will go out and pre-sell this to my boss, I'll pre-sell it to the business development people or the world-wide marketing teams, so by the time it gets to discussion at the executive team, we already have a number of support pillars in place. It's unusual at that stage that people turn around and say, 'I didn't know about this,’ or, 'I don't feel comfortable with this,' because you've already had that discussion.”
in turn will increase the likelihood that the attention afforded to the subsidiary is a fair reflection of its actual activities and capabilities. This would suggest that the relative efficacy (in terms of channeling positive levels of HQ attention) of initiative-taking and profile-building are likely to become increasingly important as geographic distance increases (cf. Agrawal, Kapur and McHale’s (2006) study of the Indian Diaspora).

Hypothesis 3a: Geographic distance will strengthen the relationship that exists between initiative-taking and positive HQ attention.

Hypothesis 3b: Geographic distance will strengthen the relationship that exists between profile-building and positive HQ attention.

Downstream competence. While subsidiary units are nodes in a network from which HQ executives potentially have much to learn (Bartlett & Ghoshal, 1986), the extent to which the particular initiative-taking and profile-building efforts of managers elicit positive attention from HQ may vary according to the kind of activity that underpins the subsidiary competence. In particular, we suggest those subsidiaries responsible for carrying out activities that are mostly confined to the downstream parts of the value-chain (product sales, service and marketing) are generally more likely to fall out of the loop compared to subsidiaries that have competences involving upstream activities such as manufacturing, research and development and strategic support services (see Mudambi & Navarra, 2004 for a recent review of this issue). This is because of the location-bound nature of some subsidiary advantages: while there are occasional examples of subsidiaries developing global “centers of excellence” in downstream functions (Frost, Birkinshaw, & Ensign, 2002), the reality is that downstream-related assets usually lead to the creation of competencies and insights that cannot be leveraged into other distant markets (Forsgren, 2000; Hu, 1995) and which are therefore viewed as less important to corporate HQs (Schulz, 2001). A downstream competence
can also exacerbate a concern at head-office that the subsidiary is engaging in opportunistic “empire building” behavior that may destroy value for the MNE (Williamson, 1975), thus diminishing the flows of attention that are largely “positive” in nature.

But again, there is reason to believe that subsidiary managers can, through their initiatives in particular, channel information to parent company executives that facilitates their understanding of how the subsidiary’s knowledge or expertise in downstream activities can contribute to the rest of the MNE (Monteiro et al., 2006). The maintenance of a good profile can also create perceptions of trust and commitment that strengthen the nature of the exchange relationships between HQs and their marketing affiliates (Hewett & Bearden, 2001; Morgan & Hunt, 1994). Thus, we expect that “voice” mechanisms will become increasingly important as vehicles for capturing attention when a subsidiary’s competencies are confined to the downstream part of the value-chain.

Hypothesis 4a: A downstream competence will strengthen the relationship that exists between initiative-taking and positive HQ attention.

Hypothesis 4b: A downstream competence will strengthen the relationship that exists between profile-building and positive HQ attention.

METHODS

Sample and Data Collection

The study involved 283 foreign subsidiaries of large MNEs in Australia, Canada and the United Kingdom (U.K.). These countries were considered appropriate domains of study in this research because they all have substantial populations of foreign-owned affiliates with similarities along two dimensions: (a) they constitute a relatively homogenous cultural group that shares a common language, thus mitigating the issue of measurement equivalence; and (b) all three have established histories of inward investment, thus offering an interesting context for the study of how subsidiaries
may succeed in attracting attention. Foreign subsidiaries, defined as those local affiliates whose parent companies owned at least 51 percent of their ownership, were identified in each country through a slightly different sampling methodology because of the nature of the available databases. In Australia, we used the membership listing of the International CEO Forum, a leading industry association (whose members are exclusively foreign-owned subsidiaries), to compile our selection of foreign subsidiaries. In Canada and the UK, a random sample was drawn up from the Directory of Corporate Affiliations. The initial set consisted of 1400 subsidiaries for which contact names of CEOs could be identified, excluding operating branches without a significant level of strategic decision-making. To reduce problems associated with common methods variance, we collected data both from primary and secondary sources. Secondary data was collected for one dimension of the dependent variable (i.e. visible attention), and for several independent, moderating, and control variables. Since the focus of our investigation was on privately held subsidiary companies, it proved impossible to get consistent public-record data on other inner aspects of the subsidiary activities.

We mailed questionnaires to the managing directors of the selected subsidiaries, using local sponsors in each case. This study received the generous support of reputable local organizations, namely the International CEO Forum, the Social Sciences and Humanities Research Council of Canada, and the Advanced Institute of Management Research in the U.K. Clearly identifying these endorsements in our communications with subsidiary executives may have helped to build trust that our data-collection effort was legitimate and useful. Specific steps were also taken to maximize response rate (Dillman, 2000; Fowler, 1993): (1) requests for participation to the mail survey engaged the respondents' natural interest in the topic of “attention;” (2) we provided stamped return envelopes as well as the possibility of accessing a summary report of the study’s findings, and (3) about three weeks after the initial mailing, non-respondents were sent a second letter with a new
questionnaire. In total, 286 subsidiary CEOs responded, providing a response rate of 20 percent, which is satisfying for research of this type (Harzing, 2000). After eliminating three questionnaires with missing data, we ended up with 283 usable responses that were used in all subsequent data analysis.

We developed the questionnaire in three stages. First, we asked three academics to review the initial draft instrument to identify questions that were vague, ambiguous or sources of possible bias. Through this feedback, we eliminated or modified some of the initial survey items, and added others to the revised instrument. Second, we attempted to minimize consistency artifacts by keeping the questionnaire short (four pages), varying the scale formats, and scattering same-construct questions throughout the questionnaire. Third, we tackled the risk of social desirability bias by asking informants to answer survey questions in an indirect way from the perspective of a group of managers rather than from their own individual point of view (Fisher, 1993). We also maintained the confidentiality of informants, and used serial numbers on the mail survey to keep track of respondents and non-respondents (Sharma, 2000).

The distribution of the respondents was as follows: 101 foreign subsidiaries in Australia, 96 in Canada, and 86 in the U.K. The mean annual revenues of the sample were $412 million, with a range from $2 million through to $6 billion (s.d. = 752 million). The subsidiaries represented 246 different corporate parents, whose sales ranged from $12 million to $92 billion, with the average parent sales being $3.2 billion (s.d. = 7.5 billion). The most common parent company nationality by far was the United States (96), followed by France (31), Germany (30), Japan (25) and the U.K (21). To estimate the likelihood of a non-response bias, we examined whether respondents and non-respondents differed significantly in terms of parent nationality, but no significant difference was found. We also used a Kolmogorov-Smirnov two-sample test to examine differences of central tendency, dispersion, and skewness in the distribution of respondents and non-respondents in terms
of size, using the logarithm of total subsidiary sales, but no significant differences were found. A non-significant time trend extrapolation test (Armstrong & Overton, 1977) provided further confidence that our sample is representative.

**Measuring Attention**

*Procedures.* To construct a clear understanding of how to apply scholarly views of the attention concept (Ocasio 1997; Thorton, 2004) to the study of parent-subsidiary relationships in an MNE context⁶, we conducted a preliminary set of face-to-face interviews. This approach, which led to the identification of three unifying themes corresponding to the *relative*, *supportive*, and *visible* aspects of attention, is described in Appendix A. It should be noted that some of the interviewees described more negative forms of attention that on closer inspection in the course of analyzing this content actually referred to issues of corporate control, i.e., procedures undertaken by HQ managers intended to monitor and evaluate the activities of the subsidiary. We felt it was more appropriate to label these activities as “HQ control.” However, for the sake of completeness, we performed some additional post-hoc analysis to investigate the impact of our independent variables on HQ control.

**Multidimensional scales.** *Relative attention* was measured by asking respondents to answer three questions: (AT1) The amount of attention paid to us relative to key Asian markets (e.g., China) is much lower / about the same / much higher; (AT2) The amount of attention paid to us relative to comparatively sized markets in the region is much lower / about the same / much higher; and (AT3) the amount of attention paid to us relative to comparatively sized markets in other parts of the world is much lower / about the same / much higher. Respondents answered on a seven-point scale ranging from 1 (“much lower”), to 4 (“about the same”), and 7 (“much higher”). *Supportive*

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⁶ In the specific context of the MNE, attention was evoked in general terms as an essential type of parental intervention by which headquarters are able to recognize and support promising subsidiary developments, such as new technologies and emerging customer needs in various parts of the world (for example, see Rugman & Verbeke, 2001). The limited attention of decision-makers at headquarters typically meant that subsidiaries had to compete for this scarce resource, a challenge often described as particularly daunting for subsidiaries, particularly those located at the periphery of the world economy (Doz et al., 2001).
attention was operationalized using a three-item, seven-point scale ranging from 1 (“strongly disagree”) to 7 (“strongly agree”). Respondents were asked to assess the value-added aspects of the attention they received from corporate headquarters by indicating the extent to which they agreed with the following: (AT4) “corporate headquarters provide cash bonuses and career opportunities to our people,” (AT5) “parent companies want to learn more about our local market and products,” and (AT6) the head-office helps diffuse our best practices across the firm’s global network.

Finally, we followed D’Aveni and MacMillan’s (1990) recommended procedures to assess visible attention in terms of the content of the MNE’s annual report. We calculated three ratios using data averaged over a two-year period (2003-2004). These ratios were computed as: (AT7) the total number of times a subsidiary country location was mentioned in the annual report (excluding references to currency and accounting standards) divided by the total number of words used in the annual report; (AT8) the total number of times a subsidiary country location was mentioned divided by the total number of references made to the parent company’s nationality; and (AT9) the total number of times a subsidiary country location was mentioned divided by the total number of references made to China. The use of China as a country comparator provides a realistic and objective sense of the relative attention afforded to the focal subsidiary in the MNE corporate world. All three measures were logged to correct for their non-normal distributions.

Psychometric properties. We used confirmatory factor analysis (CFA) with AMOS version 5 and maximum likelihood estimation to evaluate whether attention could be conceptualized as a higher-order construct represented by nine items loading on three first-order dimensions. Here we followed Kline’s (2005: 134) recommendation in reporting a minimal set of fit indices that includes: (1) the model chi-square, (2) the Steiger-Lind root mean square error of approximation (RMSEA), (3) the Bentler comparative fit index, and (4) the standardized root mean square residual (SRMR). As shown in Table 1, the hypothesized CFA model provided a very good fit to the data \( \chi^2 \) [25,
All indicator variables loaded significantly on their respective factor, as expected.

For completeness, we compared this higher-order, three-factor model structure, to one- and two-factor structures, using the chi-square difference test to compare these models (Bollen, 1989; Kline, 2005). The single-factor model inadequately accounted for the observed covariances ($\chi^2 [27, n = 283] = 248.92, p < .01, \text{RMSEA} = .17$ with a 90% confidence interval of .15 - .19; CFI = .79, SRMR = 0.14). When we examined whether attention could be modeled as two correlated factors (one of which corresponded to the items representing visible attention), we found that the fit associated with this model ($\chi^2 [26, n = 283] = 97.14, p < .01, \text{RMSEA} = .10$ with a 90% confidence interval of .08 - .12; CFI = .93, SRMR = .08) was significantly decreased compared to the higher-order, three-factor structure. Indeed, the chi-square difference of 63.18 between these two models was highly significant ($\Delta \text{df} = 2, p < .001$). Taken together, these analyses suggest that attention is best captured as a meta-construct of three first-order dimensions.

Independent Variables

*The strategic significance of the local environment.* We measured this construct using two separate indicators, both computed at the North American Industry Classification Index (NAICS) three-digit industry level of analysis. The first indicator captured *the presence of multinationals in the local subsidiary market*, which as indicated earlier, may indicate the presence of local-specific advantages or agglomeration effects from which the parent-company has much to learn. It was calculated as the ratio of FDI inflows by FDI outflows over the last ten-year period, using data from the *United Nations’ 2005 World Investment Report*. The second indicator captured the *size of the*
local subsidiary market. It was calculated as the proportion of worldwide industry sales realized in the host country. We used data reported in Compustat Global Vantage to compute this second item.

**The strength of a subsidiary within the MNE network.** This construct captures the idea that a subsidiary’s activities are more or less connected within the MNE system. It was measured with a scale adapted from O’Donnell (2000) which asked respondents to indicate, on a seven-point scale ranging from 1 (“to a very little extent”) to 7 (“to a great extent”) whether: (a) “the activities of this subsidiary influence the outcomes of other subsidiaries;” (b) “work in this subsidiary is connected to the work of other subsidiaries;” (c) “the activities of other subsidiaries influence the outcomes of this subsidiary;” and (d) “this subsidiary depends on the effective functioning of other subsidiaries to keep performing its own tasks effectively.” The final measure was calculated as follows:

\[
\text{Subsidiary strength within MNE network} = \frac{1}{3} (\text{item } b + \text{item } c + \text{item } d)
\]

**Initiative-taking.** This construct was operationalised using a four-item scale from Birkinshaw et al (1998), tapping into various aspects of subsidiary initiatives. The questions were as follows: How often have any of the following activities occurred over the previous five years: “new products developed in [the host-market] and then sold internationally;” “successful bids for corporate investments in [the host market];” “new corporate investments in R&D or manufacturing attracted by host-country management;” and “Proposals to transfer manufacturing to [the host-market] from elsewhere in the corporation” (scale from 1 = never to 7 = plentifully).

**Profile-building.** Our composite measure of profile-building captured the track record of a subsidiary, its commitment to the parent company, and the impression management efforts of subsidiary managers. Track record was operationalized using items based on the work of
Birkinshaw and Hood (1998). The items were: “The subsidiary has a history of delivering what it has promised to the parent company” (PF1); “the subsidiary has a history of strong, internationally-respected leaders;” (PF2) and “the credibility of subsidiary top management is high” (PF3). The notion of subsidiary commitment was assessed with a three-item scale used by Gregersen and Black (1992) and Roth and O’Donnel (1996). The items were: “subsidiary managers care about the fate of the parent company” (PF4); “what this parent company stands for is important to our subsidiary managers” (PF5); and “Subsidiary managers feel a strong sense of affiliation with the multinational corporation as a whole” (PF6). Finally, to measure impression management, we developed a three-item scale based on the work of Bartlett and Ghoshal (1989). The items were: “we work with head-office managers to focus the subsidiary’s efforts towards meeting corporate goals and values (therefore maintaining strategic alignment)” (PF7); “we involve the parent company in our business and welcome their input” (PF8); and “we spend time developing connections with people in positions of authority at corporate headquarters” (PF9).

As we did for attention, we used CFA to assess the fit of the hypothesized profile-building structure (Table 2). The initial model provided reasonable fit to the data ($\chi^2 [26, n = 283] = 65.57, p < .01$; RMSEA = .074 with a 90% confidence interval of .053 - .097; CFI = .95, SRMR = .06), but further inspection of the output helped determine that large correlation residuals existed between item PF6 and other factors. After dropping this item and re-estimating the CFA model, fit was significantly improved ($\chi^2 [19, n=283] = 29.66, p > .05$; RMSEA = .045 with a 90% confidence interval of .00 - .074; CFI = .98, SRMR = .04). This revised model provided superior fit to one-factor and two-factor models, so we retained the reduced set of items for all subsequent statistical analysis.

Insert Table 2 about here
Moderating Variables

Geographic distance. We applied the great-circle distance formula to the latitude and longitude coordinates of the city locations of both subsidiary and corporate HQs to calculate a precise measure of physical distance in kilometers. An application of this approach is found in Coval and Moskovitz (1999). All distances were computed using a calculator available at http://www.mapcrow.info/.

Downstream competence. Following established approaches (Hewett, Roth, & Roth, 2003; White & Poynter, 1984), this was assessed by asking respondents to indicate which value-added activities are performed by the subsidiary. We listed eight activities: Four corresponded to downstream parts of the value-chain (product sales and after-sales service, marketing, sale of professional services, and logistics/distribution); four activities involved the upstream part (manufacturing, provision of strategic services (regional HQs), research and development (R&D), and “back office” support.) Our measure of a downstream competence was the number of downstream activities divided by the total number of subsidiary activities.

Control variables

We controlled for several factors that had potential to confound the study’s hypotheses. (Appendix B.) At the subsidiary-level of analysis, we included a measure of subsidiary size, because larger subsidiaries often possess a form of administrative heritage that commands attention in the MNE system (Bartlett & Ghoshal, 1989). To reflect the possibility that subsidiaries may attract more attention both at earlier and later stages of their strategic development, as well as when they experience extreme levels of performance, we also controlled for the non-linear effects of subsidiary age and performance. The functional and market scope of a subsidiary activities, and the strategic autonomy of the subsidiary were also included as controls because such variables are often assumed to shape the broad role and mandate of subsidiary actors within the firm network (Jarillo &
Martinez, 1990; White & Poynter, 1984). MNE characteristics were also included as controls. In particular, we controlled for considerations of formal structure as they may affect the attention routinely allocated to country affiliates (Galbraith, 2000). We also coded the geographic scope of the parent company, which determines the number of subsidiary actors that compete for the same finite pool of attention resources (Miller & Eden, 2006). We controlled for cultural distance and the home region of the MNE when testing our hypotheses to account for the possibility of attentional differences due to broad differences of mindsets (Perlmutter, 1969).

Additional Validity Tests

We estimated a CFA model that included all of the study’s latent constructs —e.g., attention, initiative-taking, profile-building, subsidiary size, performance and autonomy—and where the factor scores obtained for the first-order dimensions of profile-building and attention were used as manifest indicators of their higher-order constructs. This model provided good fit to the data ($\chi^2_{[155, n = 283]} = 274.80$, $p < .01$; RMSEA = .05 with a 90% confidence interval of .04-.06; CFI = .95; SRMR = 0.06). In addition, all parameters loaded significantly on their respective construct ($p < .001$, critical value = 2.58, all $Z$s > 4). The average variance extracted (AVE) exceeded .5 in all cases, providing good evidence of convergent validity. The correlations between latent constructs, shown in Table 3, are not particularly high, indicating adequate discriminant validity (Anderson &

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7 We also tested for the possibility of common method bias among survey variables. This was done by estimating a CFA model where all survey items for the constructs described in this study were loaded on a common “method” factor. This model demonstrated poor fit to the data ($\chi^2_{[104, n = 283]} = 868.45$, $p < .01$; RMSEA = .16 with a 90% confidence interval of .15-.17; CFI = .45; SRMR = 0.15), indicating the absence of a single general factor. Additional exploratory factor analysis on attention, initiative-taking, and profile-building items clearly replicated the intended factor structure to be used in the tests of hypotheses that follow. Items loaded on the intended factors, all of which had eigenvalues greater than 1.0, consistent with the measurement model. Importantly, this analysis did not reveal significant cross-loadings that would suggest the presence of substantial common method variance. There are two additional reasons to believe that the findings reported in the next section are not the artifact of correlated measurement errors. First, as indicated earlier, we employed careful design procedures to mitigate the risk of mental fatigue and social desirability bias. These included keeping the questionnaire short, eliminating items that were vague and ambiguous, and preserving the anonymity of survey respondents. Second, the hypothesized interaction effects between bottom-up influences, geographic distance and downstream competence are unlikely to be explained by common methods bias as they cannot be hypothesized by survey respondents (Aiken and West, 1991; Evans, 1985.)
Gerbing, 1988; Bagozzi, 1982). The composite reliabilities ranged from .72 to .92, indicating that the measures were reliable.

RESULTS

Tests of Hypotheses

We used hierarchical ordinary least square (OLS) regression analysis to test the study’s hypotheses (see Table 4.) Component variables used for square terms or interactions were centered to reduce possible problems of multicollinearity. All variance inflation factors (VIFs) had values less than 5, suggesting that multicollinearity did not threaten parameter estimates. The control coefficients predicting attention are presented in Model 1.

Insert Table 3 and 4 about here

In Model 2, we present results of the multiple regression analysis pertaining to Hypothesis 1a. Our prediction that the significance of the local environment would be positively associated with positive HQ attention is supported. Indeed, the coefficients indicating the presence (through FDI) of MNEs in the subsidiary market, and the relative size (as a proportion of worldwide industry sales) of this market, were both positive and significant. In Model 3, a similar pattern of results emerged to support Hypothesis 1b. The coefficient measuring the strength of a subsidiary within the MNE network was positive and significant. Taken together, considerations of weight accounted for 20 percent of the explained variance in attention, compared to twelve percent for the baseline controls included in Model 1. Consistent with our predictions, initiative-taking (Model 4), and profile-building (Model 5), were both positively related to positive HQ attention, and accounted for an additional eight percent of unique variance explained. Therefore, Hypotheses 2a and 2b are supported, though it is worth noting that the effect of profile-building on attention is qualitatively much stronger than the effect of initiative-taking.
The results presented in model 6 support Hypothesis 3a and 3b. The main effect for the geographic distance variable was negative and statistically significant, and the interaction term between profile-building and geographic distance was positive and significant ($p < 0.01$), as we expected. The increase in the explained variance was also significant. While the interaction between subsidiary initiative-taking and geographic distance was only marginally significant ($p < 0.10$), it was also positive, as we expected. Following the procedures outlined by Jaccard and colleagues (1990), decomposition of these interaction terms revealed that the simple effects of the two variables representing subsidiary voice were a positive and increasing function of geographic distance, as we predicted. A graphic depiction of this moderating effect is provided in Figure 2. It can be seen that the effect of “voice” becomes stronger as geographic distance increases, as Hypotheses 3a and 3b predicted. Stated differently, while geographic distance tends to decrease the attention that a subsidiary receives from headquarters, this negative effect slowly diminishes with increasing levels of initiative-taking and profile-building. Thus, a subsidiary “voice” can be used to neutralize or defeat the effect of geographic distance.

The results presented in model 7 provide mixed support to the final hypotheses. Indeed, the main effect for the downstream competence variable was negative and statistically significant, and the interaction term between profile-building and geographic distance was positive and significant ($p < 0.05$), as we expected. However, the interaction between initiative-taking and a downstream competence was negative and significant ($p < 0.05$). Therefore, while H4b is supported, H4a is not. A graphic depiction of the contrasting moderating effects associated with this pattern of results is provided in Figure 3. In contrast to profile-building, initiative-taking, does not seem to constitute a particularly effective mechanism for capturing positive HQ attention when the subsidiary’s
competence (and its perceived competences and contributions to the MNE network) is confined to the downstream part of the value-chain. As Figure 3 indicates, initiative-taking is perhaps better suited to those subsidiary units that have “evolved” towards competences that extend to such activities as manufacturing, R&D and the provision of strategic support activities.

While these interaction effects were contributing about six percent of additional variance in total, they were significant even after controlling for many important characteristics operating at multiple levels of analysis. In particular, it would appear that the geographic scope of the MNE, the way it is structurally organized (its geographic area orientation), and specific attributes of the local context (the age and size of a subsidiary) all have a significant bearing on a subsidiary’s capacity to effectively capture positive attention from HQs. We also conducted additional analyses to determine if joint interactions existed between structural and relational determinants, but these supplemental analyses yielded no significant results.

Post-Hoc Analyses

To further verify our findings and gain additional insight on the fine-grained aspects of our statistical analysis, we estimated two additional regression models. First, we used a general linear model (GLM) multivariate procedure to predict the relative, supportive, and visible aspects of attention as a joint set of three related dimensions. The significant multivariate effect was consistent with those reported in earlier OLS regressions where attention was treated as a composite variable. With respect to structural determinants, the measures indicating the presence of multinationals within the local subsidiary market, and a subsidiary strength within the MNE network offered by far the best indicators of “weight.” Both variables were significantly related to all three attention sub-constructs. In this model, we also found that if initiative-taking represented a useful “voice” strategy for earning attention, this effect was primarily gained through the relative
Profile-building, on the other hand, was found to exert a much more robust influence on attention. It had a direct and significant relationship with both relative attention and supportive attention, as well as a link to visible attention through a significant and positive interaction term with geographic distance.

**HQ Control.** Because attention may not always correspond to a desirable state, we estimated an additional statistical model, where the dependent variable was *HQ Control* measured as the average of a six-item scale ($\alpha = .74$) assessing the frequency (from less than once a year to monthly to weekly to daily) with which subsidiary actions and decisions (e.g. operating expenditures, quality control assessments, budgeting process, resource allocation, capital equipment purchases, and strategic business plans) are reviewed by corporate headquarters (O’Donnell, 2000). Of our predictor variables, subsidiary initiatives was positively related to HQ control ($p < .005$), while distance was negatively related to HQ control ($p < .001$). Also, a downstream competence was positively related to HQ control ($p < .005$), bringing some support to the empire-building arguments evoked in H4b. The interaction term between initiative-taking and a downstream competence was positive and significant. This represents a particularly interesting finding, in terms of the key arguments in this paper, as it would appear that *initiative-taking only attracts positive HQ attention when the subsidiary’s competence extends to the upstream part of the value-chain.* When the subsidiary’s competence involves more location-bound assets, initiative-taking is likely to result in greater control from HQ. Subsidiaries in this position may benefit from a strong track-record, as additional analysis reveals that this particular dimension of profile-building is negatively related to HQ control. In terms of the control variables, the geographic scope of the MNE ($p < .005$), subsidiary autonomy ($p < .001$), and the square-term for subsidiary age ($p < .005$) were negatively related to HQ control, while subsidiary size was positively related to HQ control ($p < .005$).

**DISCUSSION**
In this study we adopted a multi-method approach to understanding how foreign subsidiary units gain positive attention from HQs while also generating new insights into the mechanisms and processes at work in the sample MNEs. We found strong evidence that the attention given to the foreign subsidiary is not simply influenced by structural considerations of weight; the “voice” of a subsidiary matters as well. In addition, our study also identifies a relevant set of contingencies that contribute to improving our understanding of when being vocal is most likely to generate positive outcomes for the subsidiary. This study raises important issues for both theory and practice.

Implications for Theory
The study offers implications for theory in three important areas. First, this research confirms the existence of two complementary processes through which attention is gained. There is a top-down structural process whereby attention is allocated according to the subsidiary’s weight in the MNE, and there is a bottom-up relational process whereby attention is earned according to the subsidiary’s voice in the MNE. There is an obvious parallel here to Burgelman’s (1983) induced and autonomous strategic processes, but it should be underlined that by focusing on the attention paid by HQ executives to the subsidiary we are adding a useful layer of precision to Burgelman’s theory. Attention, as we show in this paper, is a multi-faceted and complex construct, but it can be measured and it can be manipulated. For example, we show that two specific components of a subsidiary’s voice influence the strategic interests of HQs. Initiative-taking can be a valuable way of responding to local-market opportunities, but our research suggests it has a significant impact on HQ attention only for those subsidiaries with a presence in upstream elements of the value chain (such as R&D and manufacturing). Profile-building activities, on the other hand, has a broader positive influence on HQ attention (Galunic & Eisenhardt, 1996, 2001). This finding underlines the importance for the subsidiary in building the perception that it is a reliable, credible and trustworthy...
actor in the MNE. Such behavior helps to generate the social capital (Burt, 2000) that can serve as an enduring source of advantage in the MNE.

Second, our findings hint at some important issues in the dynamics of change in multi-unit organizations such as MNEs. The concept of attention potentially represents a “missing link” between studies of unit-level entrepreneurship (e.g., Birkinshaw, 2000) and resource-based notions of competitive advantage. While multi-unit organizations such as MNEs may generate advantages through the heterogeneous bundle of assets and capabilities that exist across their network of subsidiaries, there has been very little research concerned with how subsidiary-specific advantages get transformed into firm-specific assets (Rugman and Verbeke, 2001). Our focus on attention highlights one important mechanism by which this transformation process is achieved. Specifically, we suggest that subsidiary voice is an internally-generated stimulus for changing HQ attention (there could also be externally-generated stimuli, such as media interest in a particular market), which in turn influences the strategic context for decision making in the MNE (Burgelman, 1983) and therefore the choices about which markets to invest in and focus on. These choices can, over time, result in significant changes to the weight of the subsidiary, or its strategic role, within the MNE portfolio. So while the level of HQ attention will not always be directly aligned with the strategic role of the subsidiary, it plays an important part in influencing any long-term changes to that role.

Finally, this study provided a careful operationalization of attention in an MNE context. Despite the considerable amount of research on attention management in recent years, there have been few serious attempts to operationalize the core construct. We therefore adopted a grounded approach to this research by interviewing 24 executives and then pulling together their responses and reconciling them with concepts in the literature before ending up with our multi-dimensional construct. As a result of our research, we can state that the positive attention of HQ has three
elements: a supportive element, in terms of the ways HQ executives interact with and help subsidiary managers achieve their goals; a visible element, in terms of the public statements HQ executives make about how the subsidiary is doing; and a relative element, in terms of the subsidiary’s perceived status vis-à-vis other subsidiaries in the corporate network. Conceptualized in this broadly positive way, attention is seen as distinct from HQ control and compliance, which have negative connotations. Parenthetically, it is also interesting to observe that a subsidiary may receive too much attention. As we discovered during our research interviews, many managers of Chinese subsidiaries have found themselves in this position in recent years; the result is high and often unreasonable expectation of subsidiary performance, and a constant drain on time from visiting corporate executives.

Implications for Practice

The practical implications of this research should be immediately apparent. For managers of foreign subsidiaries, attention is a vital commodity. With a few notable exceptions, such as China and India at the moment, most subsidiary managers would argue they don’t get the level of attention they need or deserve. What emerges from this research is clear evidence that HQ priorities can be influenced from the bottom-up. To be clear, this is not an entirely surprising finding, because many researchers over the years have argued that subsidiaries need to be vocal in support of their own achievements. But it is important nonetheless, because it provides clear evidence that initiative-taking and profile-building efforts can be viewed positively by the parent company (rather than being viewed as an unnecessary or annoying form of lobbying) while simultaneously highlighting a relevant set of contingency factors.

The results suggest three specific things subsidiary managers can do. First, the foreign subsidiary can develop a position of strength within the MNE network (e.g. undertake activities
upon which sister subsidiaries are dependent; most likely in the upstream part of the value-chain); and for country managers a key part of their job is to take initiatives that contribute to nurturing and augmenting this position of strength. Second, the foreign subsidiary can view itself as a nexus of relationships: significant value can be generated from the social capital that builds up over time in the course of maintaining a good profile. Third, attention is a key mechanism for influencing the priorities of HQ executives and thus—as we just explained—the future role of the subsidiary company. These are, in essence, the kind of things the subsidiary has to manage well if it is to become a more salient entity within the corporate system.

For HQ executives, the research highlights the need to be open to stimuli from multiple sources when assessing the capabilities and future potential of subsidiary companies. Most MNEs are highly effective at using their standard reporting tools to monitor past and current performance, and they implicitly allocate attention according to those measures. This research highlights, in addition, the importance of careful market intelligence, often gained through external sources, and internal representations from the individuals running subsidiaries around the world, as inputs into the strategic priorities of the MNE. There is no simple way of weighing up the relative importance of these different sources of information, but at the very least it is important that multiple “attention channels” exist for important new insights to emerge.

**Limitations and Extensions**

There are several limitations to this study that we should acknowledge. First, although the sample extends the scope of research to subsidiary units based in Australia, Canada and the UK, the results could be moderated by these countries’ noted propensities to innovate as a way to more rapidly increase their influence in the corporate world (Birkinshaw, 2000). Future research could provide insight into the applicability of this study’s results for samples drawn from other host-
country settings. Second, we conducted our study with measures derived from archival sources (e.g., the visible aspects of attention in the firms’ annual reports) and survey measures compiled at the subsidiary level. A useful extension would be to capture the point of view of HQ respondents. While the possibility of common method bias is a concern (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), the careful design procedures adopted in the construction and administration of our survey questionnaire, and the statistical CFA tests reported earlier, provide reinsurance that the observed findings are not the result of common methods artifacts. Two key findings in this study are interaction effects, which are unlikely to be the spurious result of correlated measurement errors (Aiken & West, 1991: 155; Evans, 1985). Further evidence is found in the results of our post-hoc analyses. Common method bias would have produced consistent effects of the profile-building and initiative-taking variables on the three types of attention dependent variables. Yet, slightly different effects were observed. Ordinary forms of common method bias are not consistent with this pattern.

Third, although we examined two important set of factors, weight and voice, critical to attention decisions in the MNE, we do not intend for our framework to be comprehensive. In fact, our statistical analysis reveals that the way the MNE is organized (e.g. its formal structure and geographic scope) creates strict constraints on the allocation of HQ attention, which certainly transcend “weight” and “voice” considerations. The interviews we conducted also reveal that companies are managing HQ attention through different types of organizational design approaches. Some are trying to improve the ease of attention flows by promoting communal types of bonds across the worldwide organization. Others are adding regional headquarters to their organizational charts, but only to find out this additional layer of complexity can in fact cause a lot of grief. A grand theory of attention decisions in the MNE would include organizational design factors in

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8 One individual we interviewed observes: “Australia is a really pretty small fry, a spoke in a big wheel, but it is amazing how much attention we get. You could walk into any office around the world and know you’re in a [company X] office. You talk the same language. There is very much a family culture right throughout the world, and no matter how big or small the operation is, you get attention.”
addition to the ones included in our study. Moreover, we also limited our conceptualization of “voice” to an examination of initiative-taking and profile-building activities. Yet, research in organizational behavior suggests that effective voice strategies may sometimes include certain shades of “silence” (Milliken & Morrison, 2003). Reflecting this point of view, our interviews revealed instances where keeping a low profile led to clear practical advantages. Presumably, HQ executives do not need to know about all subsidiary developments because the sheer volume of inputs would be quite overwhelming. Future studies can examine the functionality of subsidiary silence in the MNE, rather than simply assume that silence always lead to reduced influence.

One could also argue that attention does not always correspond to a desirable state from a subsidiary viewpoint. One company that we surveyed for this study, 3M, recently reacted to the disappointing results of its Canadian subsidiary by replacing almost completely the local management structure. Four out of five VPs were let go; the Canadian CEO that completed our survey was moved to a lesser position in the U.S.; and a substantial number of middle-level managers ended up being replaced. The conditions leading to such drastic interventions on the part of HQ managers are yet to be fully understood. Studies attempting to operationalize the concept of “negative HQ attention” would make a useful extension to the present study.

Finally, our research design did not, of course, allow us to test for causality. Our expectation is that most of the observed relationships exhibit reciprocal causality, so that, for example, initiative-taking and profile-building lead to more positive attention, while at the same time higher levels of positive attention are likely to increase a subsidiary’s level of initiative-taking and profile building (a form of Hawthorne effect). But the reciprocal nature of the relationship is unlikely to be entirely symmetrical. Recall that our conceptualization of attention suggests a high level of inertia in how

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9 The following interview segment illustrates this line of thinking: “You are naive if you don’t keep some things up your sleeve. You have to manage expectations, which involves not telling the whole story until you are ready. So I act as a buffer.”
attention is allocated among subsidiaries. Absent major changes at a geopolitical level (such as the opening up of China to foreign investment), the attention allocated to a subsidiary from above will only ever change very slowly, so is unlikely to be the stimulus for dramatic changes in initiative-taking or profile-building by subsidiary managers. Rather, the evidence collected in this and earlier work is that initiative-taking and profile-building are the internal stimuli for change. They typically lead to increases in attention from the parent company, which in turn reinforce the efforts of subsidiary managers in taking initiative and promoting their efforts. Of course it would be useful for research to examine these issues on a longitudinal basis to establish clearly the causal nature of the relationships we observed, but for the moment this logical inference is as far as we can go.

In conclusion, the purpose of this paper was to use the concept of attention to shed new light on the dynamics of the HQ-subsidiary relationship in the MNE. This fresh approach allowed us to develop rich insights into the mechanisms by which subsidiaries actively gain or lose the “positive” attention of the parent company, in contrast to previous studies, such as those rooted in agency theory or control theory, that have assumed that such choices are driven exclusively from above. The research therefore helps to explain how a subsidiary company can take charge of its own destiny, and how corporate HQ managers can more effectively allocate their attention and efforts across their portfolio of international operations.
### TABLE 1
CFA MODEL FOR ATTENTION

<table>
<thead>
<tr>
<th>Construct/Indicator</th>
<th>Standardized Loading</th>
<th>Z Statistic</th>
<th>Composite Reliability (AVE)</th>
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</thead>
<tbody>
<tr>
<td>Relative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AT1</td>
<td>.68</td>
<td>6.77***</td>
<td>.80 (.57)</td>
</tr>
<tr>
<td>AT2</td>
<td>.62</td>
<td>5.38***</td>
<td></td>
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<tr>
<td>AT3</td>
<td>.53</td>
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<tr>
<td>Supportive</td>
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a Z-scores (Critical Ratios) were set to 1.00 to establish scale.
b Hypothesized second-order model with residual variances constrained to be equal
c *p < .05; ** p < .01; *** p < .001

### TABLE 2
CFA MODEL FOR PROFILE-BUILDING

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<thead>
<tr>
<th>Construct/Indicator</th>
<th>Standardized Loading</th>
<th>Z Statistic</th>
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<td>PF2</td>
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a Z-scores (Critical Ratios) were set to 1.00 to establish scale.
b This item was dropped from the measurement model because of high cross-loadings on other constructs
c Hypothesized second-order model with residual variances constrained to be equal

*p < .05; ** p < .01; *** p < .001
### TABLE 3
Means, Standard Deviations, and Correlations

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<th>Variables</th>
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</table>

* n = 283; correlations above .15 are significant at the 0.01 level, and those above .12 are significant at the 0.05 level (2-tailed)

**Subsidiary size** is the factor score of three items assessing total subsidiary sales, number of employees and officers in the subsidiary’s top management team.

**Geographic area structure, Matrix structure, Asia-Pacific Parentage and North-American parentage** are dichotomous variables.

**Geographic distance** is computed in kilometers using latitudes and longitude coordinates of headquarters and subsidiary city locations.
<table>
<thead>
<tr>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
<th>Model 7</th>
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</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.367** (.19)</td>
<td>-0.517** (.19)</td>
<td>-0.464** (.19)</td>
<td>-0.406* (.19)</td>
<td>-0.324* (.18)</td>
<td>-0.363* (.18)</td>
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<td>Subsidiary size</td>
<td>0.194** (.07)</td>
<td>0.169** (.07)</td>
<td>0.153** (.06)</td>
<td>0.118* (.07)</td>
<td>0.094† (.06)</td>
<td>0.123* (.06)</td>
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<td>Subsidiary age centered</td>
<td>-0.006* (.00)</td>
<td>-0.008* (.00)</td>
<td>-0.005* (.00)</td>
<td>-0.004† (.00)</td>
<td>-0.003 (.00)</td>
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<tr>
<td>Subsidiary age - squared term</td>
<td>0.000* (.00)</td>
<td>0.000* (.00)</td>
<td>0.000* (.00)</td>
<td>0.000* (.00)</td>
<td>0.000* (.00)</td>
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<tr>
<td>Subsidiary autonomy</td>
<td>0.070† (.06)</td>
<td>0.066 (.06)</td>
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<td>Subsidiary performance</td>
<td>0.103* (.06)</td>
<td>0.106* (.06)</td>
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<td>-0.019 (.04)</td>
<td>-0.024 (.04)</td>
<td>-0.023 (.04)</td>
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<td>Subsidiary functional scope</td>
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<td>-0.090† (.06)</td>
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<td>-0.145** (.06)</td>
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<tr>
<td>MNE structure (geographic area division)</td>
<td>0.491** (.20)</td>
<td>0.398* (.20)</td>
<td>0.363* (.19)</td>
<td>0.360* (.19)</td>
<td>0.240† (.19)</td>
<td>0.297* (.18)</td>
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<td>MNE structure (matrix type of organization)</td>
<td>0.218† (.16)</td>
<td>0.191 (.16)</td>
<td>0.164 (.15)</td>
<td>0.147 (.15)</td>
<td>0.066 (.15)</td>
<td>0.076 (.14)</td>
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<tr>
<td>HQ Asia Pacific parentage</td>
<td>-0.065 (.08)</td>
<td>-0.081 (.08)</td>
<td>-0.095 (.07)</td>
<td>-0.085 (.07)</td>
<td>-0.111 (.07)</td>
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<td>HQ North American parentage</td>
<td>0.066 (.16)</td>
<td>0.043 (.15)</td>
<td>0.010 (.15)</td>
<td>0.005 (.15)</td>
<td>0.025 (.14)</td>
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<td>HQ-subsidiary cultural distance</td>
<td>0.075 (.09)</td>
<td>0.083 (.09)</td>
<td>0.086 (.09)</td>
<td>0.086 (.09)</td>
<td>0.110† (.08)</td>
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<tr>
<td>H1a: Presence of MNEs in local market. (FDI)</td>
<td>0.085* (.03)</td>
<td>0.077** (.03)</td>
<td>0.069** (.03)</td>
<td>0.070** (.03)</td>
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<td>H1a: Size of local market (sales)</td>
<td>0.037* (.02)</td>
<td>0.038* (.02)</td>
<td>0.037* (.02)</td>
<td>0.036* (.02)</td>
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<tr>
<td>H2a: Subsidiary initiative-taking</td>
<td>0.495*** (.13)</td>
<td>0.489*** (.13)</td>
<td>0.456*** (.12)</td>
<td>0.428*** (.12)</td>
<td>0.428*** (.12)</td>
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<tr>
<td>H2b: Subsidiary profile-building</td>
<td>0.117* (.05)</td>
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<td>-0.015* (.01)</td>
<td>-0.017* (.01)</td>
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<td>H3a: Initiative-taking*geographic distance</td>
<td>0.021** (.01)</td>
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<td>H3b: Profile-building*geographic distance</td>
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<td>-0.108* (.05)</td>
<td>-0.108* (.05)</td>
<td>-0.108* (.05)</td>
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<td>H4a: Initiative-taking*downstream competence</td>
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<td>0.269*** (.06)</td>
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<td>H4b: Profile-building*downstream competence</td>
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</table>

* Unstandardized coefficients are reported; the figures in parentheses are standard errors; n = 283 for all models.
† p < 0.10; ‡ p < 0.05; § p < 0.01; *** p < 0.001.
One-tailed tests
FIGURE 1
CONCEPTUAL FRAMEWORK

Structural determinants: the "weight" of a subsidiary
H1a: The strategic significance of local environment
H1b: The strength of a subsidiary within MNE network

Relational determinants: the "voice" of a subsidiary
H2a: Initiative-taking
H2b: Profile-building

Contingencies: Factors contributing to the "strategic isolation" of a subsidiary
H3a and H3b: Geographic distance
H4a and H4b: Downstream competence

Positive HQ Attention

Control variables
Subsidiary level: Size, age, performance, functional and market scope, autonomy
MNE characteristics: formal structure, geographic scope, economic and cultural distance, home-region

Control variables
Subsidiary level: Size, age, performance, functional and market scope, autonomy
MNE characteristics: formal structure, geographic scope, economic and cultural distance, home-region
FIGURE 2
THE MODERATING EFFECT OF GEOGRAPHIC DISTANCE

FIGURE 3
THE MODERATING EFFECT OF A DOWNSTREAM COMPETENCE
References


APPENDIX A
Preliminary Field Research

We focused our preliminary interviews on one group of subsidiaries, namely the Australian affiliates of major MNEs. This particular country focus was selected on the basis that is was well suited for the generation of a rich set of ideas and insights: there is a large population of established subsidiary units from which to solicit interviews, many of which seem to operate in a position of strength within their firm system; at the same time there are also good publicized examples of “isolated” subsidiaries that continuously struggle to attract the interest of strategic HQs. To improve access, we solicited and secured the help of the International CEO Forum, the Australian partner of the UK-based Economist Group, which provides comprehensive business briefing and networking services for about 200 country managers, CFOs and other senior executives of subsidiary companies operating in Australia. The Forum regularly holds high-level roundtables among its members to discuss particular sets of competitiveness issues. In the summer of 2004, we utilized the Group’s contacts to organize two roundtables around the topic of “managing HQ attention.” Table 3 lists all participating senior executives.

Table 3: Interview participants

<table>
<thead>
<tr>
<th>Roundtable #1</th>
<th>Roundtable #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director and Chief Executive Officer, 3M Australia</td>
<td>Chairman and Chief Executive Officer ATOFINA Australia</td>
</tr>
<tr>
<td>President and Chief Executive Officer, ABB Australia</td>
<td>Managing Director Henkel</td>
</tr>
<tr>
<td>Chief Executive Officer, Alcatel Australia</td>
<td>ITW Construction Products –Asia Pacific</td>
</tr>
<tr>
<td>Country President and Managing Director, Alstom Australia</td>
<td>Chief Executive Officer Cargill Australia</td>
</tr>
<tr>
<td>Managing Director –Australia &amp; New Zealand, Dupont</td>
<td>Managing Director, PZ Cussons Australia</td>
</tr>
<tr>
<td>Chief Executive Officer, HSBC Bank Australia</td>
<td>Chairman and Managing Director, Robert Bosch Australia</td>
</tr>
<tr>
<td>Managing Director –Australia &amp; New Zealand Manpower Services</td>
<td>Managing Director, Sara Lee Household and Body Care</td>
</tr>
<tr>
<td>Chief Financial Officer ABN Amro Australia</td>
<td>Managing Director, STIHL</td>
</tr>
</tbody>
</table>

We found it necessary to organize eight additional interviews with The Regional President (Australia, Middle East & Africa) of ABOTT Laboratories; the Chief Executive Officer of Yum! Restaurants International (YRI) Australia; the Chief Executive Officer of Dun and Bradstreet Australia; the Chief Executive Officer of Mercer Australia; the Chief Executive Officer of Siemens Australia; the Managing Director of Oracle Australia, the President and Chief Executive Officer of Unilever Canada, and the VP Corporate Development of ABB. These provided further insights that helped to refine our conceptualization of attention, and the emerging framework for the present study.

A semi-structured format (Butterfield, Trevino, & Ball, 1996; Glaser & Strauss, 1967) was followed for all interviews. After briefly introducing the research project, we asked interviewees to describe their views and company experiences on the relevant set of issues. We found it frequently necessary to probe additional comments, illustrations and insights along the following question lines:

1. How would you describe the main changes under way in the global organization?
2. How do they affect your subsidiary unit? Are you seeing a reduction in the power base that you have?
3. What does the term “attention” mean to you? Are you getting all the attention you need from HQs?
4. What are you doing about it? Are you accepting of your condition?
5. Are there things that you can do to improve your status within the firm system?

All interviews were about an hour and a half in length, and were audiotaped and transcribed. The information obtained through these interviews generated several recording units (relevant and coherent interview segments for which a single meaning structure could be generated) on the forms that HQ attention could take. These insights were then organized into three unifying themes, corresponding to the relative, supportive, and visible aspects of attention. One of the authors for this study returned to Australia to debrief the study’s findings with a broader audience of subsidiary executives at one of the International CEO forums. This additional step allowed us to build further face validity into our conceptual framework and ensure the insights we present are useful both for theory and practice.
APPENDIX B
Operationalization of Control Variables

Subsidiary-level factors

For subsidiary size, we considered the total sales, employees and size of the top team, and found high correlations among these variables (greater than 0.50). All three variables loaded on one factor with high eigenvalue, explained variance (72 percent), and inter-item reliability (alpha = .86). Thus, we used the corresponding factor score as our measure of subsidiary size. Subsidiary age was measured in years using data from the Directory of Corporate Affiliations. For subsidiary performance, respondents were asked to rate, on a seven point Likert scale, the subsidiary’s performance relative to the corporation as a whole over the past five years. We used four items: market share, return on investment, profit, and cash flow from operations. All three variables loaded on one factor with high eigenvalue and explained variance (70 percent); inter-item reliability was good (alpha = .85). Thus, we used the corresponding factor score to measure subsidiary performance.

Subsidiary autonomy was measured with five items: Discontinuing a major existing product or product line; investing in major plant or equipment to expand manufacturing capacity; formulating and approving your subsidiary’s annual budgets, increasing (beyond budget) expenditures for research and development, and subcontracting out large portions of the manufacturing (instead of expanding the subsidiary’s own facilities). These were measured on a five-point scale as follows: 1= The subsidiary’s opinion is not asked; decision is explained to subsidiary by corporate headquarters; 2 = Proposal by corporate headquarters, but the subsidiary’s opinion carries little weight; 3 = Proposal by corporate headquarters, and the subsidiary’s opinion carries a lot of weight; 4 = Proposal by the subsidiary, decision made jointly by you and corporate headquarters; 5 = Decision made by the subsidiary without much consultation with headquarters.

For the functional scope of a subsidiary’s activities, respondents were asked to indicate how many of the following eight activities were performed by the subsidiary company: Product sales and after-sales service, Manufacturing, Marketing, Sale of professional services, Provision of strategic services (regional HQs), Logistics/distribution, research and development (R&D), and “back office” support. Greater functional scope may indicate the possibility of a “miniature replica” that makes few strategic contributions to the MNE (White & Poynter, 1984); conversely, a narrow set of value-added activities sometimes corresponds to a more specialized type of subsidiary mandate that warrants positive attention from the top. The market scope of a subsidiary’s activities was measured as the percentage of subsidiary sales realized in foreign markets.

MNE characteristics

To assess formal MNE structure, we used the company hierarchy provided by the Directory of Corporate Affiliations, and determined whether subsidiaries belonged to an MNE that was configured into geographic divisions, worldwide business units, or a matrix. We treated a product orientation as the base case, and created dummy variables for other types of structures. The geographic scope of the parent company was measured as the number of countries in which the MNE has foreign subsidiaries (Delios & Beamish, 1999).

A Euclidian index of cultural distance was calculated using Hofstede's (1991) indices of power distance, uncertainty avoidance, individualism, and masculinity.

Home region. All MNEs in the sample were headquartered in North American or European countries, or the broad Asia-Pacific region. European parentage was treated as the base case, and dummy variables were created for the two other regions.