

# Exploring Subsidiary Desire for Autonomy: A Conceptual Framework and Empirical Findings

Christian Homburg and Jana-Kristin Prigge

## ABSTRACT

*In the mixed-motive dyad of the headquarters–subsidiary relationship, subsidiaries often request more autonomy than headquarters concede. To shed light on subsidiaries’ desire for autonomy, the authors investigate its consequences and determinants by drawing on reactance theory to develop an integrative framework focusing on marketing decision making in subsidiaries. The authors empirically test this framework with 133 international headquarters–subsidiary dyads from 29 countries. The findings show that a subsidiary’s desire for autonomy can significantly impair the headquarters–subsidiary relationship. While the centralization and importance of marketing decision making can amplify this harmful desire for autonomy, the headquarters’ competence in marketing decision making can reduce this desire. Thus, to minimize subsidiaries’ desire for autonomy, headquarters should credibly display high competence while allowing subsidiaries to participate in decision making whenever possible.*

**Keywords:** international subsidiaries, autonomy, headquarters–subsidiary relationship, marketing decision making, structural equation modeling

In today’s globalized world, multinational corporations (MNCs) increasingly conduct their marketing activities through foreign subsidiaries (Morgan, Katsikeas, and Vorhies 2012; Steenkamp and Geyskens 2012). However, successful management of these activities requires a cooperative relationship between headquarters and subsidiary (Grewal et al. 2013; Hewett and Bearden 2001; Lee et al. 2008) because these entities’ interests do not always align (Ghoshal and Nohria 1989). Researchers have often described the headquarters–subsidiary relationship as a mixed-motive dyad (e.g.,

Ambos and Schlegelmilch 2007; Balogun, Jarzabkowski, and Vaara 2011). In particular, Birkinshaw et al. (2000, p. 321) state that “[w]here the subsidiary desires autonomy, headquarters prefers control,... and where the subsidiary is acting primarily in the interests of the local business, headquarters is far more concerned about the MNC’s worldwide profitability.” In a similar vein, Johnston and Menguc (2007, p. 788) note that “ambivalence in the relationship between HQ [headquarters] and subsidiary frequently arises because the subsidiary requires or desires a degree of autonomy of action that the HQ is not always disposed to concede.”

International business research has frequently stressed that subsidiaries often desire more autonomy than they actually experience (Ambos, Andersson, and Birkinshaw 2010; Chini, Ambos, and Wehle 2005; Ghoshal and Nohria 1989; Zhang, Hu, and Gu 2008). This

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desire is particularly evident for subsidiaries with strong marketing activities, which are characterized by an explicit focus on local market demands and a strong belief that they are the most capable of addressing such these demands (Garnier et al. 1979; Hewett and Bearden 2001). Despite the acknowledged relevance of a subsidiary's desire for autonomy, its nature is unclear. This ambiguity is particularly important because, though studies have investigated the role of subsidiaries' de facto autonomy (Ambos and Birkinshaw 2010; Anderson, Forsgren, and Holm 2007; Birkinshaw and Hood 1998; Colombo and Delmastro 2004), they have often neglected to examine the subsidiary's *desire* for autonomy, with a few notable exceptions discussing subsidiaries' resistance to headquarters control (Balogun, Jarzabkowski, and Vaara 2011; Roth and Nigh 1992). Thus, a systematic approach to identifying and estimating major drivers and outcomes of this important construct is lacking. Such an approach could help MNC managers better comprehend and manage their subsidiaries' desire for more autonomy, thereby eventually reducing conflicts and maintaining a smoothly functioning headquarters–subsidiary relationship.

This study is an attempt to provide guidance on these open issues by proposing an integrative framework to systematically investigate a subsidiary's desire for autonomy in marketing decision making within a headquarters–subsidiary control relationship. The framework rests on reactance theory (Brehm 1966), which researchers have frequently used to explain conflicting relationships between subordinates and supervisors in organizational research contexts (e.g., Ashforth 1989). Building on this theory, we examine the potential determinants—that is, the centralization of marketing decision making at the headquarters, the importance of marketing decision making to the subsidiary, and the competence in marketing decision making of the headquarters—and analyze how these determinants are interrelated.

We empirically test our hypotheses using a large dyadic data set with 133 dyads of MNC headquarters and their foreign marketing subsidiaries from 29 countries. The results indicate that a subsidiary's desire for autonomy can have deleterious effects on the headquarters–subsidiary relationship. The results also show that this desire is strengthened by the centralization of marketing decision making at the headquarters and the importance of marketing decision making to the subsidiary but weakened by the competence in marketing decision making of the headquarters. We further find that the impact of the centralization of marketing decision making on a sub-

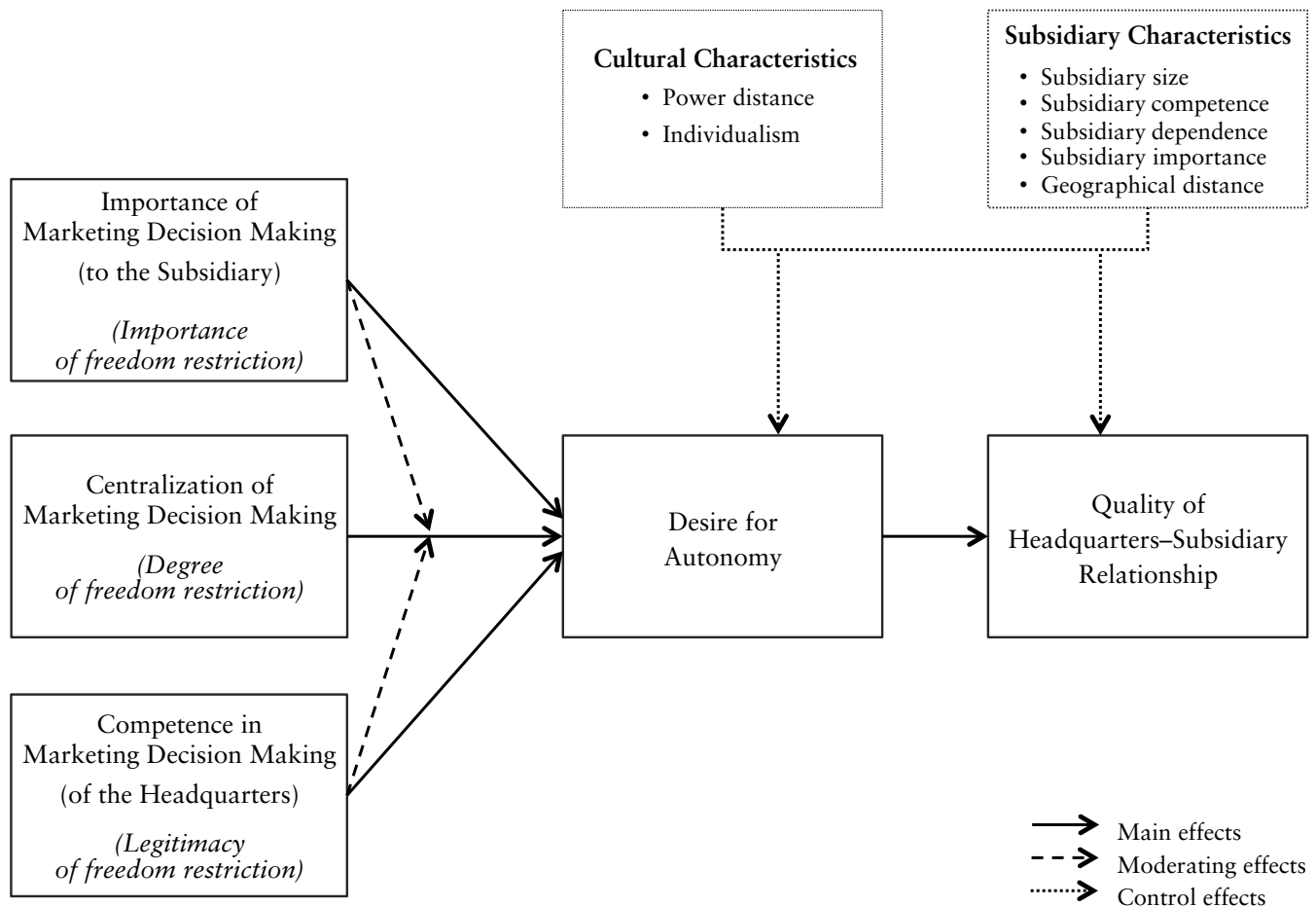
subsidiary's desire for autonomy is positively moderated by the importance of marketing decision making to the subsidiary but is negatively moderated by the competence in marketing decision making of the headquarters. These results not only contribute to a better understanding of the phenomenon of subsidiary desire for autonomy but also add to calls for further research on the subsidiary–headquarters relationship (e.g., Leonidou et al. 2010). Moreover, the findings have important implications for marketing managers at both the headquarters and the subsidiary with regard to improving the headquarters–subsidiary relationship for enhanced marketing decision making.

## THEORETICAL BACKGROUND

To develop our framework (Figure 1), we draw on reactance theory (Brehm 1966; Brehm and Brehm 1981). This sociopsychological theory assumes that people experience an inner state of psychological reactance if their freedom to engage in a specific behavior is restricted by a controlling party. Psychological reactance refers to a motivational state of the controlled party (e.g., the subsidiary) geared toward reestablishing the freedom restricted by the controlling party (e.g., the headquarters). From this psychological reactance, the controlled party experiences a mounting desire for that particular restricted freedom (desire for autonomy), owing to an “increased motivation to have what was lost” (Brehm 1966, p. 10).

According to Brehm (1966), three major antecedents affect psychological reactance: (1) the *degree* of freedom restriction, (2) the *importance* of freedom restriction to the controlling party, and (3) the *legitimacy* of freedom restriction by the controlling party. In particular, the degree of freedom restriction describes the extent to which the controlling party (e.g., the headquarters) restricts the freedom (autonomy) of the controlled party (e.g., the subsidiary). According to reactance theory, the degree of freedom restriction increases the controlled party's psychological reactance and thus raises the controlled party's desire to reestablish the forgone freedom (i.e., the desire for autonomy). The importance of the freedom restriction refers to the relevance of the restricted freedom to the controlled party. In particular, it reflects how much value the controlled party attributes to having a certain freedom (autonomy). If a restriction of that freedom threatens the perceived status of the controlled party, he or she will develop psychological reactance and thus experience a strong desire to restore

**Figure 1.** Conceptual Framework



that freedom. Finally, the legitimacy of freedom restriction captures the degree to which the restriction of freedom by the controlling party is perceived as justified. Unlike the degree and importance of freedom restriction, the legitimacy of the freedom restriction may attenuate psychological reactance, thus reducing the related desire for that freedom (autonomy).

Moreover, an increased desire to restore the lost freedom (i.e., autonomy) often leads the controlled party to develop feelings of frustration or anger toward the controlling party. These negative feelings then lead to specific behaviors aimed to regain the lost freedom (Brehm and Brehm 1981). Because these behaviors are based on negative feelings, they are usually dysfunctional in nature (e.g., disobeying the controlling party’s directives) and may result in disadvantageous outcomes for both the controlling and the controlled parties, thus harming their relationship (Brehm 1966; Perrow 1986).

Reactance theory originally served to analyze people’s attitudes and behaviors and has been used particularly in organizational contexts to examine the effects of supervisor control on subordinates (Ashforth 1989; Lawrence and Robinson 2007; Zellars, Tepper, and Duffy 2002). However, researchers have begun transferring reactance theory to other contexts as well. For example, Luque-Martinez, Ibanez-Zapata, and Del Barrio-Garcia (2000), Russell and Russell (2006), and Shimp and Sharma (1987) all apply this theory to an international context and, in particular, have used it to explore its role in consumer ethnocentrism. The general idea here is that local consumers may feel threatened by foreign products, brands, or firms, which they fear may restrict their local products or behaviors, thereby reducing their freedom of choice.

Researchers have also begun transferring this theory to interfirm control relationships (Andaleeb 1995; Heide,

Wathne, and Rokkan 2007; Stephen and Coote 2007; Stouthuysen, Slabbinck, and Roodhooft 2012). For example, Stephen and Coote (2007) investigate how control and leadership affect relationships between firms (e.g., buyer–seller relationships). They reason (p. 287) that a loss of perceived freedom, for example, through a buyer’s strict monitoring mechanisms may “undermine a party’s motivation to act in the best interests of the relationship.”

Following these examples, we transfer reactance theory to an international context to investigate interfirm relationships, in particular those between headquarters and subsidiaries. We further elaborate on the application of this theory in the conceptual framework and in our hypotheses.

## CONCEPTUAL FRAMEWORK

Our framework centers on the construct of a subsidiary’s desire for autonomy (see Figure 1). In line with reactance theory (Brehm 1966), a subsidiary’s desire for autonomy develops from psychological reactance that reflects a negative state of mind. Specifically, we define a subsidiary’s “desire for autonomy” as the extent to which the subsidiary wants to be granted more decision-making authority in marketing decisions (e.g., pricing, product design, communication, sales) and to make these decisions without interference from the headquarters (Ambos and Birkinshaw 2010; Keith, Jackson, and Crosby 1990). Therefore, desire for autonomy represents the inherent wish of the subsidiaries’ employees to work more independently of the headquarters. However, because this desire stems from psychological reactance, it is based on regaining the restricted autonomy at whatever cost, even by risking conflicts with the headquarters (Fulgini 1998).

In line with the logic of reactance theory, a subsidiary’s desire for autonomy depends on three major drivers: the degree, importance, and legitimacy of the subsidiary’s freedom restriction (i.e., autonomy restriction) in marketing decision making (see Figure 1). In our model, the degree of freedom restriction is represented by the centralization of marketing decision making. This construct reflects the extent to which the headquarters makes marketing decisions for the subsidiary’s home market (Child 1973; Özsoy and Prussia 2000; Venaik, Midgley, and Devinney 2005). Centralization is the opposite of autonomy and is equivalent to marketing decision-making control, with “marketing decision making”

referring to decisions in the major fields in marketing—product management, pricing, communication, and sales management (Gates and Egelhoff 1986; Hewett, Roth, and Roth 2003; Katsikeas, Samiee, and Theodosiou 2006). Thus, high centralization of marketing decision making of the subsidiary is equivalent to low autonomy in marketing decision making. The theory’s suggested importance of freedom restriction to the controlled party is represented by the importance of marketing decision making to the subsidiary. This construct refers to the relevance the subsidiary attaches to making marketing decisions independently in its local market. Finally, to capture the legitimacy of freedom restriction, our model includes the competence in marketing decision making of the headquarters. This construct involves the knowledge, expertise, and experience of the headquarters in making marketing decisions in the subsidiary’s home market (Bouquet, Morrison, and Birkinshaw 2009; Gaski 1986; John 1984).

Building on reactance theory, which states that the degree and the importance of freedom restriction enhance psychological reactance, thereby increasing the desire to regain the restricted freedom, we posit that the subsidiary’s desire for autonomy is amplified by the centralization of marketing decision making (i.e., the degree of freedom restriction) and the importance of marketing decision making to the subsidiary (i.e., the importance of freedom restriction to the controlled party). By contrast, reactance theory states that the controlling party’s legitimacy in restricting freedom reduces psychological reactance and, therefore, the desire to regain the restricted freedom. Thus, we predict that the competence in marketing decision making of the headquarters (or the legitimacy of freedom restriction by the controlling party) diminishes a subsidiary’s desire for autonomy.

Moreover, our model includes the quality of the headquarters–subsidiary relationship, which we define as the degree to which the subsidiary is willing to work with the headquarters to be a vital part of the MNC (Ramasmami 1996; Roth and Nigh 1992). In applying reactance theory to our framework, we assume that the desire for autonomy—based on the negative feeling of psychological reactance—may provoke dysfunctional behavior on the part of the subsidiary (i.e., the controlled party), such as ignoring orders, and thus cause conflicts with the headquarters (i.e., the controlling party). As a consequence, such actions may substantially reduce the quality of the headquarters–subsidiary relationship (see Figure 1).

To account for our multinational study design with 133 headquarters–subsidiary dyads from 29 countries, the model also includes two sets of control variables: cultural characteristics of the subsidiary home country (individualism and power distance) and subsidiary characteristics (size, competence, dependence, importance, and geographical distance to the headquarters). We use these variables to control for the variance of other potential determinants not explicitly hypothesized in our model (e.g., Becker 2005; Hui, Au, and Fock 2004; Katsikea, Theodosiou, and Morgan 2007).

## HYPOTHESES DEVELOPMENT

### Hypotheses on Main Effects

*Desire for Autonomy on Quality of the Headquarters–Subsidiary Relationship.* Reactance theory suggests that “the greater the magnitude of reactance, the more the individual will attempt to re-establish the freedom which has been lost or threatened” (Brehm 1966, p. 10). Yet these actions “might undermine a party’s motivation to act in the best interests of the relationship. Hence, relational behaviors may not be fostered” (Stephen and Coote 2007, p. 287). Thus, the controlled party’s (i.e., the subsidiary’s) desire to restore the restricted freedom (i.e., desire for autonomy) may lead to negative actions directed toward the controlling party (i.e., the headquarters), which are not of a positive nature. These dysfunctional reactions may stem from the subsidiary’s desire for autonomy based on psychological reactance (Brehm 1966)—that is, on the subsidiary’s motivational state to reestablish restricted freedom. A subsidiary’s desire for autonomy does not represent a motivation to engage more completely in decision making for the sake of its overall improvement and, thus, the improvement of the MNC’s performance. Rather, the overall goal is to gain more autonomy to independently make marketing decisions at whatever cost; as such, the attainment of this autonomy may involve behaviors that lead to relationship damages (i.e., dysfunctional behaviors) (Ramaswami 1996; Stephen and Coote 2007). In this context, Podsakoff, MacKenzie, and Bommer (1996, p. 292) note that “when employees feel that their behavior becomes overprescribed by the organization and represents a threat to their independence, they may resist these threats by choosing not to do what may benefit the organization.”

The subsidiary’s dysfunctional behavior may involve the rejection of headquarters’ ideas or instructions or a negligent and suboptimal engagement in market activities (Hewett and Bearden 2001; Schotter and Beamish

2011). Because the subsidiary’s behaviors and actions supply the main mechanisms through which headquarters can pursue and accomplish the firm’s marketing goals in the local market (Jensen and Raver 2012), dysfunctional behavior, such as the rejection of the headquarters’ instructions, may result in the alienation of the headquarters from the subsidiary, raising the potential for conflicts that may harm their cooperation (Birkinshaw et al. 2000; Pahl and Roth 1993) and seriously undermine their relationship (e.g., Ashforth 1989; Menon, Bharadwaj, and Howell 1996; Schotter and Beamish 2011). This reasoning is in line with the suggestions of psychology studies, which conversely indicate that people who experience high autonomy (and, thus, a low desire for autonomy) evaluate their relationship with the other party as particularly positive (Deci et al. 2006; Fuligni 1998) and are also more responsive when conflicts arise (e.g., Knee et al. 2005). Overall, we predict that by provoking fatal dysfunctional behavior in the subsidiary and therefore evoking conflicts, the desire for autonomy will negatively affect the relationship between the subsidiary and the headquarters.

H<sub>1</sub>: The subsidiary’s desire for autonomy has a negative impact on the quality of the headquarters–subsidiary relationship.

*Centralization of Marketing Decision Making on the Subsidiary’s Desire for Autonomy.* According to reactance theory, restricting freedom (autonomy) by increasing control causes reactance and increases the desire for the restricted freedom: “[I]f a person’s behavioral freedom is reduced or threatened with reduction, he will become motivationally aroused. This arousal would presumably be directed against any further loss of freedom, and it would also be directed toward the re-establishment of whatever freedom had already been lost or threatened” (Brehm 1966, p. 2).

With regard to our framework, the degree of freedom restriction as stated by reactance theory is represented by the centralization of marketing decision making. Specifically, the centralization of marketing decision making represents a shift of decision-making autonomy to the headquarters and thus is equivalent to a restriction of freedom (autonomy) of the subsidiary (see Özsoy and Gençtürk 2003). The desire to restore the lost freedom reflects the desire for autonomy on the part of the subsidiary. Thus, in line with reactance theory, we argue that a greater centralization of marketing decision making by the headquarters increases the subsidiary’s reactance to the resulting loss of autonomy in marketing decision

making. In turn, the subsidiary is likely to develop a stronger desire to reestablish this lost autonomy.

Prior studies in the international business and organizational context find support for this reasoning. Within an individual setting, organizational research demonstrates that the less autonomy a person has in an organization (i.e., the higher the control of the employer), the greater the employee's resistance (Xu et al. 2012) and desire to reestablish the threatened autonomy (Ashforth 1989; Sundaram and Black 1992). In particular, Ashforth (1989, p. 210) notes that "individuals initially desire personal control over the immediate parameters of their work, and some input into decisions that either directly or indirectly affect that work."

These assumptions may also hold within the context of organizational entities, such as foreign subsidiaries, particularly because they comprise many people. These people may all react similarly to a restriction of decision-making freedom by the headquarters, thus developing psychological reactance that may lead to a dysfunctionally oriented desire for more autonomy (Stephen and Coote 2007). International business research provides further evidence for this rationale. In particular, in an MNC context, research has found that high levels of supervision and control are likely to alienate subsidiary managers (e.g., Birkinshaw et al. 2000; Birkinshaw and Lingblad 2005). Subsidiaries may "view close supervision as an expression of a lack of trust in their ability" (Ramaswami 1996, p. 107). Consequently, they may experience severe dissonance (Ghoshal and Nohria 1989) and develop stronger internal resistance (Balogun, Jarzabkowski, and Vaara 2011; Taggart 1997) to the restriction of their autonomy (e.g., the centralization of marketing decision making). Thus, "the subsidiary may desire greater autonomy including the right to commit resources to pursue local interests" (Ghoshal and Nohria 1989, p. 325) and may show more willingness to autonomously make decisions about local marketing initiatives (Birkinshaw 1999; Jain 1989). Accordingly, we hypothesize the following:

H<sub>2</sub>: The centralization of marketing decision making has a positive impact on the subsidiary's desire for autonomy.

*Importance of Marketing Decision Making to the Subsidiary on the Subsidiary's Desire for Autonomy.* In line with reactance theory, the importance the controlled party (i.e., the subsidiary) attributes to the restricted freedom increases its desire to restore the restricted free-

dom because "the more important that free behavior is to the individual, the greater will be the magnitude of resistance" (Brehm 1966, p. 4). In turn, this resistance will increase the controlled party's desire to regain the highly valued restricted freedom. Consequently, we argue that subsidiaries that view making marketing decisions independently of the headquarters as extremely important want to preserve this independence and show a strong desire for autonomy.

Empirical research at the individual level reveals that meaningful work can increase the degree to which employees value their work and consider it important (Gagne and Deci 2005; Gagne, Senecal, and Koestner 1997). In particular, employees who perform highly valued tasks may be more motivated and consequently develop a strong desire to execute these tasks independently (Ryan et al. 2008). Moreover, if employees believe that they can effectively complete certain activities, they are likely to attribute greater importance to them and thus develop a strong desire to execute these tasks autonomously (Ryan and Deci 2002).

Applied to the context of subsidiaries, the reasoning of reactance theory and findings from prior research suggest that subsidiaries that perceive marketing decision making as meaningful and relevant to act effectively in their local markets (e.g., Andersson, Forsgren, and Pedersen 2001; Özsomer and Gençtürk 2003) may develop an increased desire to make these marketing decisions autonomously. Specifically, if subsidiaries perceive themselves as particularly capable of making marketing decisions, for example, because they have special access to critical resources (e.g., Birkinshaw and Hood 1998), they may attribute a greater importance to marketing decision making. Thus, they may believe that they are better off making all relevant marketing decisions independent of the headquarters and may develop a strong desire to do so without interference (Dellestrand and Kappen 2011). Thus, we posit the following:

H<sub>3</sub>: The importance of marketing decision making to the subsidiary has a positive impact on the subsidiary's desire for autonomy.

*Competence in Marketing Decision Making of the Headquarters on the Subsidiary's Desire for Autonomy.* Reactance theory does not just consider the triggers of the controlled party's reactance and of its desire to regain restricted autonomy; it also considers how that party's reactance and desire for autonomy can be reduced through the perceived legitimacy of the control-

ling party to restrict its autonomy. In this context, Brehm (1966, p. 8) notes that this legitimacy “will create restraints against direct attempts at restoration of freedom.” Previous research in international marketing suggests that the headquarters’ display of competence in making appropriate marketing decisions within the subsidiary’s home market can legitimize its decision-making authority. Consequently, we argue that the headquarters’ competence in marketing decision making can decrease the subsidiary’s reactance and thus reduce its desire for autonomy.

Previous studies in related research areas provide further support for this reasoning. In the individual context, by drawing on reactance theory, Ashforth (1989) argues that the perceived legitimacy of control by the controlling party (i.e., the organization) can lessen the controlled parties’ (i.e., the employees’) reactance. Moreover, Evan and Zelditch (1961) discover that a supervisor’s greater legitimacy in giving instructions can reduce subordinates’ tendency to disobey orders.

In the context of an MNC, Solberg (2000) suggests that a headquarters’ low knowledge of the local market can lead to resistant and obstructive behavior of controlled local partners, such as local sales representatives. Similarly, but conversely, various studies have proposed that if subsidiary managers perceive the decision-making procedures in the MNC as legitimate because they are based on headquarters’ thorough local market knowledge (Kim and Mauborgne 1991, 1993), they will be more willing to accept related instructions, implying a decrease in the subsidiary’s resistance and desire for autonomy. These findings also apply to the context of marketing decision making because, to make adequate marketing decisions, responsible decision makers must have a profound knowledge of and experience with the local market. They must be familiar with local customers’ habits and needs as well as local partners’ cultural behaviors (Kaufmann and Roesch 2012; Lee, Chen, and Lu 2009; O’Donnell 2000), thereby increasing their legitimacy in making appropriate marketing decisions (Bartlett and Ghoshal 2003; Dong, Zou, and Taylor 2008). As a consequence, the subsidiary may be more likely to agree to the headquarters’ engagement in decision making on local marketing activities and thus accept a reduction in its own autonomy in making these decisions. If so, the subsidiary’s desire for more decision-making autonomy may be attenuated. Thus, we posit the following:

H<sub>4</sub>: The competence in marketing decision making of the headquarters has a negative impact on the subsidiary’s desire for autonomy.

## Hypotheses on Moderating Effects

In general, reactance theory posits that the influence of the controlled party’s autonomy restriction on its desire for regaining the restricted autonomy is “a direct function of ... the proportion of free behaviors eliminated or threatened” (Brehm 1966, p. 4). However, this function may be shaped differently depending on specific situations (Fuligni 1998). In the context of restricting a subsidiary’s desire for autonomy, the impact of the centralization of marketing decision making on a subsidiary’s desire for autonomy may vary with different situations (i.e., with varying importance of marketing decision making to the subsidiary and varying competence in marketing decision making of the headquarters). These determinants may not only directly affect the subsidiary’s resistance and related desire for autonomy (see H<sub>3</sub> and H<sub>4</sub>); rather, these total effects may be more complicated (Brehm 1966). If so, they require investigation of the potential additional moderating effects on the relationship between the centralization of marketing decision making and the subsidiary’s desire for autonomy.

Specifically, if marketing decisions (e.g., organizing and managing relationships with local distributors and adjusting communication to local customers’ needs and behaviors) are highly important for the subsidiary to act successfully in the local market (Baldauf, Cravens, and Piercy 2005; Luo 2001, O’Donnell 2000), the subsidiary is likely to be more motivated to make these decisions without interference from the headquarters. However, in such a situation, a restriction of autonomy by the centralization of marketing decision making may strongly affect the subsidiary’s self-concept and perceived self-efficacy (Gagne and Deci 2005; Paterson and Brock 2002). In an international context, Fuligni (1998) finds that the degree to which parental restrictions trigger conflicts with their children depends on how important these restrictions are to the children in different cultural contexts. Similarly, restrictions on decisions about local marketing activities that subsidiaries deem highly important may cause a particularly strong reactance, thus creating an out-of-proportion increase in their desire for autonomy. In other words, a given level of centralization of marketing decision making will have a stronger impact on a subsidiary’s desire for autonomy if it places a high value on its ability to make marketing decisions independent of the headquarters. Following our previous reasoning and in line with Brehm (1966), the legitimacy of the controlling party may significantly reduce the controlled party’s psychological reactance. As the previous discussion indicates, the head-

quarters' competence in marketing decision making can serve to legitimize centralizing marketing decision making (Solberg 2000). Thus, if the headquarters displays a high level of competence in making marketing decisions, the subsidiary may be less likely to develop feelings of reactance. As a consequence, it may be more likely to accept the centralization of these decisions and less likely to develop a desire for more decision-making autonomy.

In other words, in such a situation, the level of a subsidiary's reactance (stemming from the restrictions of its freedom to make independent marketing decisions) may be attenuated in a particularly effective way, thus also lessening its desire for autonomy particularly strongly. This rationale is in line with prior research that suggests that a supervisor's knowledge can moderate the relationship between the degree of marketing control and negative employee responses (Ramaswami 1996). Thus, we posit the following:

H<sub>5</sub>: The greater the importance of marketing decision making to the subsidiary, the stronger is the positive impact of the centralization of marketing decision making on the subsidiary's desire for autonomy.

H<sub>6</sub>: The greater the competence in marketing decision making of the headquarters, the weaker is the positive impact of the centralization of marketing decision making on the subsidiary's desire for autonomy.

## METHODOLOGY

### Data Collection and Sample

To obtain the necessary data for testing our conceptual framework, we conducted a large-scale, cross-sectional mail survey with the headquarters–subsidiary relationship as the unit of analysis. To avoid biases from “a cognitive disconnect between the role of headquarters and subsidiary managers' perception” (Ambos and Mahnke 2010, p. 406), we built our study on a dyadic data design, in which we received answers from both the headquarters and its respective subsidiary.

We organized the data collection procedure into several steps. In a first step, we obtained a random sample of 1,078 MNCs from a commercial provider. The sample covered a wide range of manufacturing and service industries and was restricted to MNCs with at least one

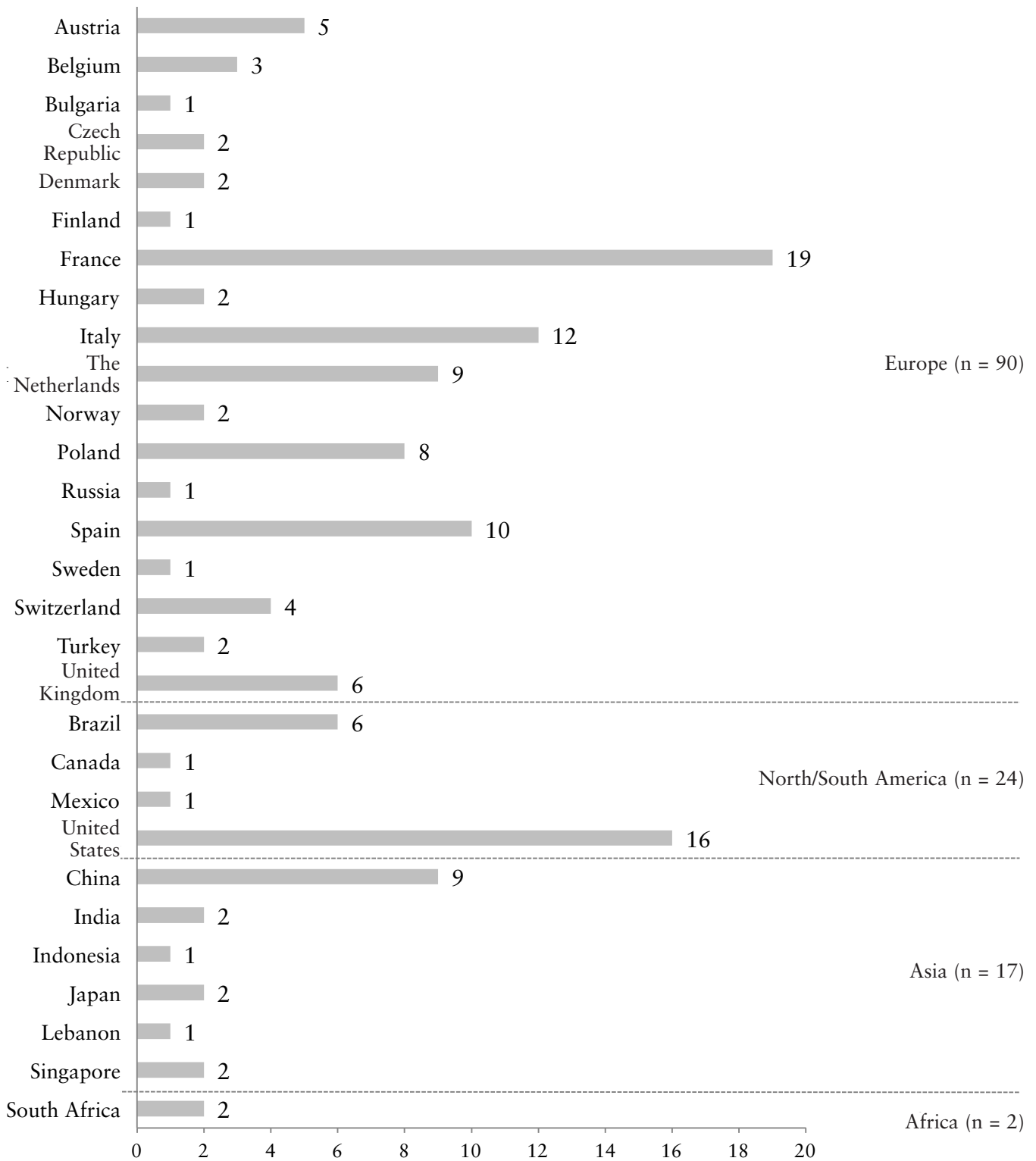
foreign subsidiary in charge of marketing and sales activities (Homburg, Fürst, and Kuehnl 2012). The MNCs were headquartered in a representative Central European country, which enabled us to control for country-specific effects of the headquarters' responses (Kirca, Bearden, and Roth 2010). The selection of countries in which the subsidiaries were located was not restricted. To control for country-specific effects of the subsidiaries, we collected additional data on the national culture from the Hofstede website ([www.geerthofstede.nl](http://www.geerthofstede.nl)). In a second step, we called the headquarters of these 1,078 MNCs to identify the people responsible for marketing subsidiary management. We then sent these people personalized cover letters, in which we described the study and solicited their cooperation. We attached a short questionnaire and asked them to indicate whether they were willing to participate in our study and to name possible respondents from the headquarters and the respective subsidiaries. In a third step, we mailed standardized study questionnaires to the MNCs that were willing to participate. Specifically, we sent 190 questionnaires to the headquarters and 190 questionnaires to the corresponding subsidiaries.

Four weeks later, we made follow-up telephone calls to solicit their responses. We obtained 158 completed questionnaires from the headquarters (response rate: 83.2%) and 139 from the subsidiaries (response rate: 73.2%). We view these figures as very satisfactory, particularly in light of the complexity of conducting an international study and the approach of collecting a dyadic data set (Harzing 1997). Of the questionnaires, 157 from the headquarters and 137 from the subsidiaries passed the plausibility test. To average the data, we relied on the ADM(J) approach (Burke and Dunlap 2002), which proposes excluding dyads with an ADM(J) value greater than 1; thus, our analysis is based on 133 dyads from manufacturing and services industries.

Figure 2 shows the 29 countries in which the participating subsidiaries were located. The respondents occupied leading positions and therefore were eligible to provide information about critical aspects of the headquarters–subsidiary control relationship. (Positions of the headquarters respondents were as follows: 24% managing director, and 66% head or manager of marketing and sales. Positions held by respondents of the subsidiaries were as follows: 61% managing director, and 35% head or manager of marketing and sales.) The results of the Armstrong and Overton (1977) test provided no evidence of nonresponse bias in the data.



**Figure 2.** Sample Details: Country of Origin of Participating Subsidiaries



## Measure Development and Assessment

*Measurement of Constructs: General Approach.* We followed standard scale development procedures (Gerbing and Anderson 1988). Most of the scales were newly developed from a thorough literature review and interviews with executives. We pretested the resultant questionnaire and refined it from comments from scholars and international executives. We applied seven-point rating scales to all questionnaire constructs.

Our constructs were measured by reflective multiple-item, single-item, and formative multiple-item scales. We used a reflective measurement model if items were a reflection of the underlying construct (Jarvis, MacKenzie, and Podsakoff 2003). We assessed the scales' psychometric properties and, if necessary, purified the item pools. We used a formative measurement model if the construct was a summary index of the observed items (Rossiter 2002). Because the items of a formative construct cover different aspects and are not expected to correlate with each other, an assessment of the scales' psychometric properties is not appropriate (Jarvis, MacKenzie, and Podsakoff 2003). To maintain manageable complexity in our model, we used relatively parsimonious scales. Confronted with the difficult challenge of collecting dyadic data from different operating units (i.e., headquarters and corresponding subsidiaries) in many different countries, we were forced to keep our questionnaire short and, thus, to use relatively parsimonious measures for all reflective constructs. The Appendix shows a complete list of the construct items.

*Measurement of Main Constructs.* We measured the centralization of marketing decision making on a formative scale with eight items related to the four marketing decision fields of product management, pricing, communication, and sales management, with two items representing each field. We measured the construct on a continuum scale, with "centralization" and "autonomy" representing the extreme points. Respondents were requested to indicate whether the decision-making autonomy lies with the headquarters or the subsidiary. We developed the underlying seven-point rating scale, which constitutes a combination of scales previously used in the literature (Gençtürk and Aulakh 1995; Hewett, Roth, and Roth 2003; O'Donnell 2000), specifically for this study. We also measured the importance of marketing decision making to the subsidiary on a formative scale with eight items, with two items representing each marketing decision field. This seven-point scale was also newly developed for this construct (with "very important" and "very unimportant"

as anchors). We measured the competence in marketing decision making of the headquarters with two reflective items based on previous research (Comer 1984; John 1984; Nesler et al. 1999). The desire for autonomy was based on a reflective scale and measured with three items created in line with prior research (Keith, Jackson, and Crosby 1990). We measured the quality of the headquarters–subsidiary relationship with two reflective indicators based on ideas by Roth and Nigh (1992).

*Measurement of Control Variables.* With regard to cultural characteristics, we controlled for power distance and individualism using Hofstede, Hofstede, and Minkov's (2010) culture index values because these two cultural dimensions seemed the most relevant to the dependent variables of desire for autonomy and the quality of the headquarters–subsidiary relationship. In the category of characteristics related to the subsidiary itself, we measured subsidiary size with the natural logarithm of total employees (Contractor, Kundu, and Hsu 2003; Minbaeva et al. 2003), subsidiary competence with eight items based on Roth and Morrison (1992), subsidiary dependence with two items inspired by O'Donnell (2000) and Astley and Zajac (1990), subsidiary importance with a single-item assessment of the subsidiary's relevance to the overall MNC, and geographical distance by the natural logarithm of the spatial distance between the city of headquarters and the city of the subsidiary (Hansen and Løvås 2004).

*Assessment of Measurement Model and Validity Tests.* To assess our measurement model, we included all latent variables in a multifactorial confirmatory factor analysis model. The results reveal a good model fit ( $\chi^2/d.f. = 1.26$ , comparative fit index [CFI] = .97, nonnormed fit index [NNFI] = .94, root mean square error of approximation [RMSEA] = .05, standardized root mean square residual [SRMR] = .04). We calculated psychometric properties for all reflective constructs. As Table 1 shows, almost all values for coefficient alpha, composite reliability, and average variance extracted (AVE) exceed the recommended thresholds of .70, .60, and .50, respectively (Bagozzi and Baumgartner 1994), thus indicating convergent validity. Moreover, the comparison of squared correlations between constructs and their AVEs as depicted in Table 2 (Fornell and Larcker 1981), as well as the chi-square difference test (Bentler and Bonett 1980), indicate discriminant validity for all constructs.

*Test for Common Method Bias.* Although the use of multiple informants can significantly reduce the risk of common method bias (Van Bruggen, Lilien, and Kacker

**Table 1.** Construct Measures

Construct	Number of Items	Coefficient Alpha	Composite Reliability	AVE	M	SD
Centralization of marketing decision making	8	— <sup>a</sup>	— <sup>a</sup>	— <sup>a</sup>	3.71	.92
Importance of marketing decision making (to the subsidiary)	8	— <sup>a</sup>	— <sup>a</sup>	— <sup>a</sup>	5.33	.57
Competence in marketing decision making (of the headquarters)	2	.79	.81	.68	4.49	1.11
Desire for autonomy	3	.84	.85	.66	4.14	.89
Quality of the headquarters–subsidiary relationship	2	.66	.66	.50	5.86	.72
Power distance	1	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	53.95	17.98
Individualism	1	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	64.13	20.53
Subsidiary size	1	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	3.96	1.70
Subsidiary competence	8	— <sup>a</sup>	— <sup>a</sup>	— <sup>a</sup>	5.27	.59
Subsidiary dependence	2	.72	.73	.58	4.72	1.13
Subsidiary importance	1	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	5.28	1.11
Geographical distance	1	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	7.41	1.05

<sup>a</sup>This is a formative construct. Coefficient alpha, composite reliability, and AVE cannot be computed.

<sup>b</sup>The construct is measured with one item. Coefficient alpha, composite reliability, and AVE cannot be computed.

2002), we nevertheless assessed whether the strengths of the observed relationships between the constructs in our model were seriously inflated or deflated by common method variance and applied the single common method factor approach (Podsakoff et al. 2003). Therefore, we added a first-order factor to our model with all the independent and dependent construct measures as indicators (MacKenzie, Podsakoff, and Fetter 1993). The findings show that when controlling for the effects of this single common method factor, the pattern of relationships between constructs remains stable, indicating that common method variance is not a problem in our study.

## RESULTS

### Main Effects

We tested our hypotheses by means of structural equation modeling, using the software Mplus (Muthén and Muthén 2007). The global fit measures ( $\chi^2/d.f. = 1.24$ , CFI = .97, NNFI = .94, RMSEA = .04, SRMR = .04) indicate a good fit of our hypothesized model with the observed data.

Figure 3 displays the results for the main effects, which provide strong support for our hypotheses. The data confirm H<sub>1</sub>, which predicts a negative impact of the subsidiary's

desire for autonomy on the quality of the headquarters–subsidiary relationship ( $\beta_{21} = -.45, p < .01$ ). We also find support for H<sub>2</sub> and H<sub>3</sub>, indicating a positive, significant impact of the centralization of marketing decision making (H<sub>2</sub>:  $\gamma_{11} = .25, p < .05$ ) and the importance of marketing decision making to the subsidiary (H<sub>3</sub>:  $\gamma_{12} = .19, p < .05$ ) on the subsidiary's desire for autonomy. In addition, we find support for H<sub>4</sub>, which predicted that the headquarters' competence in marketing decision making would negatively influence the subsidiary's desire for autonomy (H<sub>4</sub>:  $\gamma_{13} = -.22, p < .05$ ).

In addition, several control variables exhibit significant effects. Specifically, individualism ( $\gamma_{15} = .27, p < .05$ ) and geographical distance ( $\gamma_{110} = .30, p < .01$ ) had significant, positive effects on the subsidiary's desire for autonomy. The data also reveal significant, negative effects of individualism ( $\gamma_{25} = -.41, p < .01$ ) and significant, positive impacts of subsidiary size ( $\gamma_{26} = .17, p < .05$ ), subsidiary dependence ( $\gamma_{28} = .49, p < .01$ ), and subsidiary importance ( $\gamma_{29} = .25, p < .01$ ) on the quality of the headquarters–subsidiary relationship.

### Moderating Effects

To test our moderation hypotheses, we included latent interaction terms between the moderator and the respec-

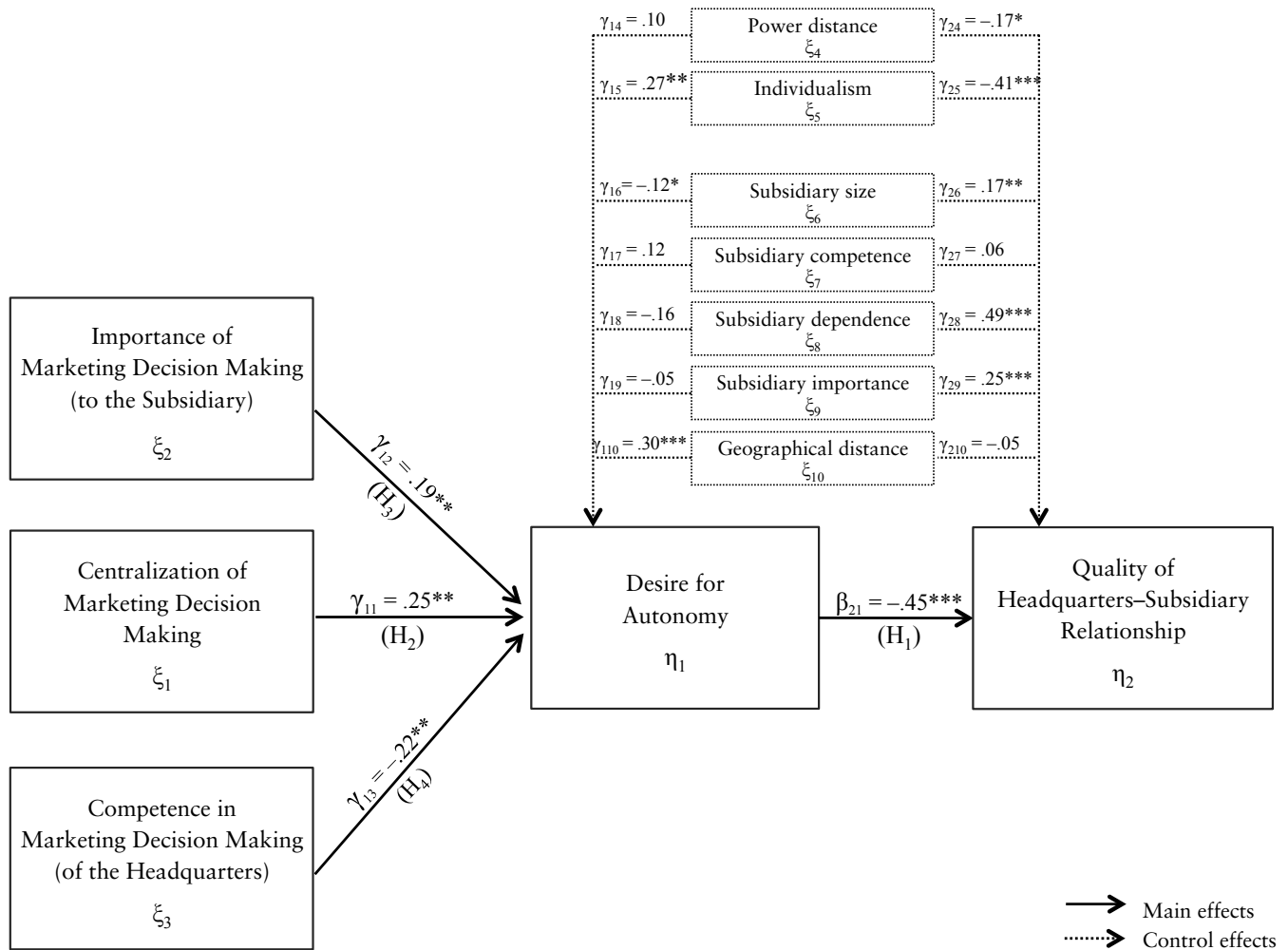
**Table 2.** Correlations and AVEs

	Correlations (Squared Correlations)											
	1	2	3	4	5	6	7	8	9	10	11	12
	(AVE)	(—)	(—)	(.68)	(.66)	(.50)	(—)	(—)	(—)	(.58)	(—)	(—)
1. Centralization of marketing decision making	(— <sup>a</sup> )	—										
2. Importance of marketing decision making (to the subsidiary)	(— <sup>a</sup> )	-.08 (.01)	—									
3. Competence in marketing decision making (of the headquarters)	(.68)	.18* (.03)	-.07 (.01)	—								
4. Desire for autonomy	(.66)	.12 (.01)	.02 (.00)	-.24** (.06)	—							
5. Quality of the headquarters–subsidiary relationship	(.50)	.00 (.00)	.28** (.08)	.32** (.10)	-.44** (.20)	—						
6. Power distance	(— <sup>b</sup> )	.18* (.03)	-.07 (.01)	.18* (.03)	.11 (.01)	-.06 (.00)	—					
7. Individualism	(— <sup>b</sup> )	-.08 (.01)	-.15 (.02)	-.20* (.04)	.08 (.01)	-.21* (.04)	-.59** (.35)	—				
8. Subsidiary size	(— <sup>b</sup> )	-.30** (.09)	-.01 (.00)	-.18* (.03)	.19* (.04)	-.06 (.00)	-.08 (.01)	.12 (.01)	—			
9. Subsidiary competence	(— <sup>a</sup> )	-.52** (.27)	.28** (.08)	-.30** (.09)	-.09 (.01)	-.02 (.00)	-.14 (.02)	.09 (.01)	.15 (.02)	—		
10. Subsidiary dependence	(.58)	.36** (.13)	.21* (.04)	.31** (.10)	-.10 (.01)	.36** (.13)	-.09 (.01)	.02 (.00)	-.20* (.04)	-.30** (.09)	—	
11. Subsidiary importance	(— <sup>b</sup> )	-.03 (.00)	.12 (.12)	.08 (.01)	-.04 (.00)	.21* (.04)	-.03 (.00)	.07 (.00)	.02 (.00)	.08 (.01)	.10 (.01)	—
12. Geographical distance	(— <sup>b</sup> )	-.04 (.00)	.05 (.00)	.10 (.01)	.19* (.03)	-.02 (.00)	.35** (.12)	-.39** (.15)	.11 (.01)	-.10 (.01)	-.02 (.00)	.09 (.01)

\* $p < .05$ .\*\* $p < .01$ .<sup>a</sup>This is a formative construct; AVE cannot be computed.<sup>b</sup>The variable is measured with one item; AVE cannot be computed.

Notes: Squared correlations are shown in parentheses underneath the corresponding correlations (cf. test recommended by Fornell and Larcker [1981]).

**Figure 3.** Results of the Hypotheses Testing: Main Effects



\* $p < .10$ .  
 \*\* $p < .05$ .  
 \*\*\* $p < .01$ .

tive predictor variable into the model (Table 3). This approach is similar to the testing of moderating effects by means of moderated regression analysis (Cohen et al. 2003). The methodology is widely accepted and used across disciplines (e.g., Cortina, Chen, and Dunlap 2001; Homburg, Müller, and Klarmann 2011; MacKenzie, Podsakoff, and Podsakoff 2011) and is frequently deemed suitable to examine moderating effects in structural equation modeling (e.g., Marsh, Wen, and Hau 2004; Schumacker and Marcoulides 1998).

Our moderating effects model shows a good fit to the data ( $\chi^2/d.f. = 1.21$ , CFI = .98, NNFI = .95, RMSEA =

.04, SRMR = .04). Table 3 shows the results of the moderation analyses. H<sub>5</sub> predicted that the importance of marketing decision making to the subsidiary would have a positive moderating effect on the relationship between the centralization of marketing decision making and the subsidiary's desire for autonomy. This hypothesis is confirmed; the interaction term is positive and significant ( $\gamma_{111} = .20$ ,  $p < .05$ ). H<sub>6</sub> proposes that the headquarters' competence in marketing decision making would have a negative moderating impact on the link between the centralization of marketing decision making and the desire for autonomy. The interaction term is negative and significant ( $\gamma_{112} = -.18$ ,  $p < .05$ ), thus confirming H<sub>6</sub>.<sup>1</sup>

## Post Hoc Analyses: Mediation Test

To test whether the subsidiary's desire for autonomy fully mediates the impact of its three major determinants (i.e., centralization of marketing decision making, importance of marketing decision making to the subsidiary, and competence in marketing decision making of the headquarters) on the quality of the headquarters–subsidiary relationship (see Figure 3 and the full mediation model in Table 4), we conducted further analyses (e.g., James, Mulaik, and Brett 2006; MacKinnon et al. 2002). Specifically, we introduced direct effects of the three major determinants on the quality of the headquarters–subsidiary relationship (see the partial mediation model in Table 4).

As we expected, the newly included direct effects are not significant, whereas all the other effects remain significant. To specifically analyze the type of mediation, we carried out additional chi-square difference tests. In particular, we investigated whether the newly introduced direct effects would significantly improve the model fit,

which, if so, would be an indication of partial mediation. As the results in Table 4 show, the inclusion of these direct effects did not result in a significant improvement of the model fit ( $\Delta\chi^2 = 2.29$ ,  $p > .10$ ). In addition, we estimated a model that included the newly established direct effects but did not contain indirect effects (see the no-mediation model in Table 4). This model exhibits a significantly worse fit to the data than the hypothesized model ( $\Delta\chi^2 = 12.46$ ,  $p < .01$ ).

Overall, the results of the mediation test show that a subsidiary's desire for autonomy fully mediates the impacts of the centralization of marketing decision making, the importance of marketing decision making to the subsidiary, and the competence in marketing decision making of the headquarters on the quality of the headquarters–subsidiary relationship. These findings further emphasize the importance to research and practice of a subsidiary's desire for autonomy.

## DISCUSSION

### Research Implications

Researchers have repeatedly described the relationship between headquarters and subsidiaries as a mixed-motive dyad, in which the headquarters seeks control to ensure strategic alignment of the subsidiary's activities in the MNC while the subsidiary desires autonomy to proactively and independently influence activities in its local market. Despite widely acknowledging the existence of a subsidiary's desire for autonomy, so far research has not systematically investigated this phenomenon. By systematically deriving the construct's major determinants and consequences and testing our hypothesis using a dyadic data set, our study contributes to international marketing research in several conceptual and empirical ways.

First, we systematically base our framework on the theoretical foundation of reactance theory, a theory adapted from social psychology. Drawing from this theory as well as findings from organizational research, we apply an integrative, interdisciplinary approach to examine this important phenomenon. Researchers are increasingly considering psychological theories not only on an individual level but also in interfirm relationships (e.g., Stephen and Coote 2007; Stouthuysen, Slabbinck, and Roodhooft 2012) to gain further insights beyond those provided by established theories, such as resource dependence theory (e.g., Pfeffer and Salancik 1978), the resource-based view (e.g., Penrose 1959), and agency theory (e.g., Jensen and Meckling

**Table 3.** Results of Hypotheses Testing: Moderating Effects

Moderators	Dependent Variable Desire for Autonomy
<b>Importance of Marketing Decision Making to the Subsidiary</b>	
Predictor (centralization of marketing decision making)	.32**
Moderator (importance of marketing decision making to the subsidiary)	.25*
Interaction (= predictor × moderator) (H <sub>5</sub> )	.20*
<b>Competence in Marketing Decision Making of the Headquarters</b>	
Predictor (centralization of marketing decision making)	.32**
Moderator (competence in marketing decision making of the headquarters)	-.26*
Interaction (= predictor × moderator) (H <sub>6</sub> )	-.18*

\* $p < .05$ .

\*\* $p < .01$ .

Model fit:  $\chi^2/d.f. = 1.21$ , CFI = .98, NNFI = .95, RMSEA = .04, SRMR = .04. Completely standardized coefficients are shown.

**Table 4.** Results of Mediation Testing

	Alternative Models		
	Full Mediation Model <sup>a</sup>	Partial Mediation Model	No-Mediation Model
Specified effects of...			
• Centralization of marketing decision making			
• Importance of marketing decision making (to the subsidiary)	Only indirect effects	Direct and indirect effects	Only direct effects
• Competence in marketing decision making (of the headquarters)			
...on the desire for autonomy			
d.f.	65	62	65
$\Delta$ d.f. to full mediation model	—	3	0
$\chi^2$	80.49	78.20	92.95
$\Delta\chi^2$ to full mediation model	—	2.29 <sup>n.s.</sup>	12.46*

<sup>\*</sup> $p < .01$ .  
<sup>n.s.</sup>not significant.  
<sup>a</sup>Corresponds to the hypothesized model (see Figure 3).

1976). Thus, we advance international marketing research by introducing the concept of reactance theory to the discipline and presenting an expedient field of application within this discipline.

Second, we develop an integrative framework based on reactance theory to conceptualize the major determinants and relationship outcomes of a subsidiary's desire for autonomy in the context of marketing decision making, and we test this framework empirically. An important result of our study is the significant, negative impact of a subsidiary's desire for autonomy on the quality of the headquarters–subsidiary relationship (Figure 3). This finding is critical for MNCs because the associated dysfunctional behavior of the subsidiary and the resulting internal conflicts with the headquarters can impede the effective implementation of marketing decisions in the subsidiary's local market (e.g., Hewett and Bearden 2001; Obadia and Vida 2006) and may eventually culminate in the consumption of more resources to implement those decisions (e.g., Schotter and Beamish 2011). Thus, managing this behavior by carefully steering the subsidiary's desire for autonomy is essential for MNC headquarters. These results should be of interest to researchers striving to identify sources leading to headquarters–subsidiary conflicts.

Third, our study proves that determinants directly related to the subsidiary's resistance—the centralization of marketing decision making, the importance of marketing decision making to the subsidiary, and the competence in marketing decision making of the headquarters—greatly affect a subsidiary's desire for autonomy (see Figures 1 and 3). The results show that the headquarters' control mechanisms for marketing decision making (in terms of centralization) and the relevance of the marketing decision making to the subsidiary (in terms of importance) strongly amplify the subsidiary's desire for autonomy. By contrast, the headquarters' competence in marketing decision making significantly reduces a subsidiary's resistance to control and thus weakens its desire for autonomy. In MNCs, not only the extent of freedom restriction but also the importance the subsidiary attaches to the type of freedom restricted and the legitimacy of the headquarters to restrict the subsidiary's freedom influence the subsidiary's desire for autonomy strongly and in converse ways. Subsidiaries' reactions to headquarters' restrictions of their decision-making autonomy follow a similar pattern of people's responses to restrictions of their freedom along the rationale of reactance theory. This observation further encourages the application of sociopsychological theories to an institutional context to gain new insights

into the field of international business research. Overall, this application seems reasonable, particularly because a subsidiary, though an organizational unit, still comprises people (employees) who can exhibit sociopsychological behaviors.

Fourth, we found significant moderating effects of the importance of marketing decision making to the subsidiary and the competence in marketing decision making of the headquarters on the positive impact of the centralization of marketing decision making on the subsidiary's desire for autonomy (Table 3). Note that whereas the importance of marketing decision making strengthens this impact, the headquarters' competence in marketing decision making attenuates it. Thus, when marketing decision making is highly important to the subsidiary, a given centralization of marketing decision making will have a more compounding impact on the subsidiary's desire for autonomy than when the importance of marketing decision making is low. By contrast, a headquarters' high competence in marketing decision making can serve as a "buffer" and significantly reduce the impact of marketing decision-making centralization on the desire for autonomy, whereas low competence may not be beneficial and eventually may even increase the strength of this effect.

Finally, the results of the mediation analysis clearly show that the desire for autonomy fully mediates all three determinants in the model (i.e., centralization, importance, and competence of marketing decision making) with regard to the quality of the headquarters–subsidiary relationship. This finding further reinforces the importance of the desire for autonomy to research and practice. The findings show that to successfully improve the quality of the headquarters–subsidiary relationship, headquarters should focus on properly managing the subsidiary's desire for autonomy by paying particular attention to the investigated major determinants.

### **Limitations and Avenues for Further Research**

This study has several limitations that provide avenues for further research. First, our research focuses on determinants related to a subsidiary's resistance to centralization (control) by its headquarters. Although our model encompasses variables of potential influence (e.g., cultural and subsidiary characteristics), additional variables that shape a subsidiary's desire for autonomy and its resulting relationship quality could be considered, for example, with regard to the MNC's corporate culture.

Second, the study focuses on investigating the moderating effects of the importance of marketing decision making to the subsidiary and the competence in marketing decision making of the headquarters. However, international marketing research could be further advanced by investigating how additional moderators, such as organizational characteristics of the subsidiary or characteristics of the corporate MNC culture, moderate the relationship between a subsidiary's desire for autonomy and the identified major determinants.

Third, the study is based on a sample of headquarters located in a single representative country in Central Europe, and so future studies could collect data from MNCs with headquarters around the world, in addition to collecting data from globally located subsidiaries. Although our approach of keeping the headquarters' home country constant offered some advantages, such as limiting variation in the data (due to same home country characteristics), it may still restrict the generalizability of the findings to MNCs outside this country.

Fourth, a subsidiary's desire for autonomy usually implies that it raises its voice and behaves in a dysfunctional manner toward its headquarters, thereby causing damage to the relationship. However, it may be worthwhile to explore whether the desire for autonomy may have beneficial effects on the overall quality of marketing decision making.

Fifth, subsidiaries may also develop positive motivations for engaging in decision making geared toward improving the outcome of the MNC. Thus, future studies could investigate how these motivations affect the relationship with the headquarters as well as their further consequences.

### **Managerial Implications**

*Implications for Marketing Managers at the Subsidiary.* Our finding of the negative impact of the desire for autonomy on the quality of the headquarters–subsidiary relationship may be highly relevant for subsidiary marketing managers. In particular, we recommend that these managers not engage in dysfunctional behavior (e.g., rejecting the headquarters' instructions) if they experience high marketing decision-making centralization and perceive marketing decision making as important for the subsidiary. This advice finds support in prior research that shows that dysfunctional behavior can worsen a subsidiary's local market performance (e.g.,



Obadia and Vida 2006). With low compliance to headquarters' orders, subsidiary managers may provoke severe conflicts with the headquarters, which may not only result in punishment of the subsidiary (e.g., paying employees lower rewards, initiating employee layoffs) but also affect the managers' own status and position in the subsidiary. Instead, subsidiary managers could seek alternative means of resistance that do not harm the subsidiary-headquarters relationship—for example, by expressing their desire for more autonomy in a diplomatic dialogue with representatives of the headquarters.

Moreover, our finding that competent marketing decision making on the part of the headquarters diminishes the subsidiary's desire for autonomy suggests that subsidiary managers should consider such competence in marketing decision making particularly carefully and realistically. Otherwise, managers may risk over- or underestimating the headquarters' competence, thereby triggering the subsidiary's desire for autonomy.

*Implications for Marketing Managers at the Headquarters.* The harmful consequences of a subsidiary's desire for autonomy to the quality of the headquarters-sub subsidiary relationship are also highly relevant for headquarters' marketing managers, because smoothly functioning subsidiary-headquarters relationships are vital for the overall success of the MNC. Thus, we recommend that these marketing managers be especially receptive to complaints from the subsidiary about its level of decision-making autonomy. This receptivity could help minimize the subsidiary's desire for autonomy and thus prevent related dysfunctional behavior by the subsidiary.

Moreover, although research has acknowledged the application of some headquarters' control over marketing decision making as vital to ensure the strategic alignment of the subsidiary's decisions (Luo 2001), headquarters' managers should still be aware that the more control they exert over marketing decisions within the subsidiary, the greater the subsidiary's desire for autonomy may become and, in turn, the more the subsidiary may reduce its compliance and provoke conflicts with the headquarters. Consequently, headquarters might consider closely monitoring subsidiaries' desire for autonomy and providing them with appropriate opportunities to exercise control whenever applicable. Moreover, because subsidiaries' attempts to secure their autonomy over their work are often perceived as threats to the headquarters' authority, headquarters' managers should be aware that any counteractions may lead to

even greater resistance and thereby reduce a subsidiary's compliance even further. Thus, to minimize subsidiary reactance the headquarters might consider allowing subsidiaries a certain degree of freedom.

Headquarters' marketing managers might also consider the importance of marketing decision making for the subsidiary because high importance may evoke strong subsidiary resistance and an increased desire for autonomy. However, if managers are aware of the importance the subsidiary puts on making marketing decisions independently, they may develop a better understanding of the subsidiary's reactions and respond to these reactions more appropriately.

The finding of a negative impact of the headquarters' competence in marketing decision making on the subsidiary's desire for autonomy implies a greater legitimacy of the headquarters' control over the subsidiary's local marketing decisions. Thus, a wise approach to increase subsidiaries' acceptance of headquarters' marketing decision making may be for the headquarters to increase local marketing decision-making competence and to properly communicate this expertise to its subsidiaries.

## NOTE

1. To verify whether it was suitable to average the data from the headquarters and the subsidiary, we also tested our main and moderation model using two data sets. Specifically, we tested these models by measuring the *desire of autonomy* only on the subsidiary side (while all other constructs were based on the averaged dyad) and by measuring all constructs only on the *subsidiary* side. The analyses reveal that the pattern of results remains stable for both the main and the moderating impacts.

## APPENDIX: SCALE ITEMS FOR CONSTRUCT MEASURES

### Centralization of Marketing Decision Making

Please indicate if each of the following marketing decisions are made at the headquarters, at your subsidiary, or if it is a collective decision of both headquarters and subsidiary. (1 = "by subsidiary only," and 7 = "by headquarters only")

- Design of products or services
- Decision on range of products or services to be offered

- Price determination for products or services
- Decision on payment conditions for individual customers (e.g., sales discounts, bonuses)
- Decision on content and design of advertising/communication campaigns
- Designing customer information systems
- Deciding on whether to use distributors and to what extent (delegated responsibilities)
- Determining customer service activities

### Importance of Marketing Decision Making to the Subsidiary

How important is each of the following decisions for your market activities? (1 = “very unimportant,” and 7 = “very important”)

- Design of products or services
- Decision on range of products or services to be offered
- Price determination for products or services
- Decision on payment conditions for individual customers (e.g., sales discounts, bonuses)
- Decision on content and design of advertising/communication campaigns
- Designing customer information systems
- Deciding on whether to use distributors and to what extent (delegated responsibilities)
- Determining customer service activities

### Competence in Marketing Decision Making (of the Headquarters)

To what extent do you agree with each of the following statements? (1 = “strongly disagree,” and 7 = “strongly agree”)

- Our headquarters possess all relevant information to decide on the market activities.
- The marketing and sales managers at the headquarters are very familiar with international business activities.

### Desire for Autonomy

To what extent do you agree with each of the following statements? (1 = “strongly disagree,” and 7 = “strongly agree”)

Employees of the subsidiary...

- ...are not satisfied with the decision-making authority the headquarters give to us with respect to market activities.
- ...wish to be more independent from the headquarters with respect to decisions on market activities.

- ...often communicate their wish to the headquarters to expand their decision autonomy regarding market activities.

### Quality of Headquarters–Subsidiary Relationship

To what extent do you agree with each of the following statements? (1 = “strongly disagree,” and 7 = “strongly agree”)

- The employees at the marketing and sales department in the subsidiary feel as though they are part of the whole firm.
- The employees at the marketing and sales department in the subsidiary like working for this firm/strategic business unit.

### Subsidiary Size

How many permanent employees work in your subsidiary?

### Subsidiary Competence

In your opinion, how is the expertise with respect to each of the following aspects mainly distributed among the headquarters and the local subsidiary? (1 = “mainly located at the headquarters,” and 7 = “mainly located at the subsidiary”)

- Knowledge of market conditions
- Evaluation/analysis of future trends
- Knowledge of customer needs
- Knowledge of competitors and their strategies
- Tools and success factors of new product/service development
- Success factors of pricing/price decisions
- Success factors when designing advertisements/promotional activities
- Success factors when developing sales strategies

### Subsidiary Dependence

To what extent do you agree with each of the following statements? (1 = “strongly disagree,” and 7 = “strongly agree”)

- To perform its own tasks effectively, the subsidiary’s marketing and sales department relies on the effective functioning of the marketing and sales department at the headquarters.
- Work in the marketing and sales department in the subsidiary is connected to the work of the marketing and sales department at the headquarters.

## Subsidiary Importance

Overall, how important is the local subsidiary to the firm/strategic business unit in the future? (1 = “very unimportant,” and 7 = “very important”)

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