Driving lateral collaboration effectiveness across multinational enterprises: The antecedents and consequences

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Abstract
In the face of increasing global uncertainty, multinational enterprises (MNEs) have turned to downsizing to maintain profitability while emphasizing lateral collaboration to increase productivity. Here, we establish a conceptual framework and examine from a macro-to-micro perspective how the growing subjects of subsidiary role change, team alignment and employee engagement impact lateral collaboration. We used structural equation modelling to analyse the results of 252 surveys given to MNE subsidiaries in the Taiwanese banking industry and found that employee engagement was central to driving lateral collaboration effectiveness, indicating that the subsidiary role is critical for boundary-spanning activities and building bridges between various teams. These activities in turn enhance subsidiary performance and lead to better people development. Our findings demonstrate that bundling employee engagement with human resource practices is a strategic way of positioning for the evolution of subsidiary management.

KEYWORDS
employee engagement, HQ-subsidiary relationship, lateral collaboration, performance, team alignment

Abbreviations: GTM, global talent management; HR, human resource; IB, international business; IHRM, international human resources management; MNEs, multinational enterprises; SEM, structural equation modelling; TMT, top management teams.

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Practitioner notes

What is currently known about the subject matter
- Multinational enterprises (MNEs) have increasingly turned to downsizing to maintain profitability while emphasizing lateral collaboration to maximize productivity.
- The extant international business (IB) literature has yet to bridge the elements of human resource (HR) practices to guide effective lateral collaboration as research has focused on control mechanisms to increase productivity rather than collaboration.

What does your paper add to this
- We examine how the antecedents of lateral collaboration, subsidiary role change, team alignment and employee engagement, can gauge the health of an organization from a macro-to-micro perspective.
- We ascertain the effectiveness of lateral collaboration to drive MNE subsidiaries to the next level by enhancing subsidiary performance and people development.
- We demonstrate that bundling engagement with HR practices could be a strategic way of positioning for the evolution of subsidiary management.

What are the implications of the study findings for practitioners?
- Employee engagement is becoming more crucial compared to other control mechanisms regardless of whether the changes of IB are internal or external.
- While subsidiary performance is important, employee recognition helps to drive people development to the next level and formulate a positive learning ecosystem.

1 | INTRODUCTION

Multinational enterprises (MNEs) have traditionally been organized as systems of routines encompassing a setup of subsidiaries which are responsible for functions, geographies and products. In recent years, however, MNE subsidiaries have had to utilize additional mechanisms to transform and adapt to dynamic changes in the business environment (Pitelis & Teece, 2018). While some mechanisms like control and coordination have been well-researched in international business (IB) literature (Contractor et al., 2019; Jaussaud & Schaaper, 2006; Martinez & Jarillo, 1989), little has been devoted to the process of lateral collaboration, which is cooperation and boundary spanning achieved between groups without regard for hierarchy (O’Brien, Sharkey, & Andersson, 2019). Distinct from the well-known systems of vertical and horizontal collaboration, the bulk of research currently available on lateral collaboration has been conducted in the fields of production or business management (Chan & Prakash, 2012). While enlightening, these studies have yet to bridge the elements of human resource (HR) practices and IB in the organizational context and are often non-empirical in nature. Here, we seek to empirically ascertain the critical determinants that drive MNE subsidiaries to the next level by investigating whether lateral collaboration can influence subsidiary performance and people development effectively. In addition, we assess how the antecedents of collaboration, subsidiary role change, team alignment and employee engagement, impact lateral collaboration from a macro-to-micro perspective of the organization. The results of our study substantiate our theory that bundling employee engagement with HR practices could be a strategic way of positioning for the evolution of subsidiary management.
We begin our study by reviewing relevant literature on the HQ‐subsidiary relationship with a particular emphasis on collaboration and its related HR elements (Ambos et al., 2020). Based on our findings from this review, we discuss the selected construct and propose a conceptual framework of lateral collaboration effectiveness by explaining the theoretical foundation and our associated hypotheses. We then illustrate our data collection methods and our survey items, which are leveraged from an annual survey given by the highly respected HR magazine HR Asia™ (HR Asia, 2019) to enrich the employee‐related content of our survey with practical questions relevant to the current business world. Our study results are based on structural equation modelling (SEM) analysis of a questionnaire survey given to MNE subsidiaries in the Taiwanese banking industry. We chose this industry and these international subsidiary banks in particular as they are well‐established and highly regulated, yet in recent years have been uniquely forced to quickly adapt to the changing business environment locally and globally. Lastly, we discuss our findings based on our empirical results, summarize the effective mechanisms by which MNE subsidiaries drive success in innovation performance and shed further light on how lateral collaboration fosters the evolution of people development across MNE networks (Ferraris et al., 2020; O'Brien, Sharkey, & Andersson, 2019).

2 | LITERATURE REVIEW AND HYPOTHESES

2.1 | HQ‐subsidiary relationship and subsidiary development

The emergence of the HQ‐subsidiary relationship has given birth to subsidiary‐level analysis as a distinct field of research by recognizing the heterogeneity and complement influence within MNEs (Kostova et al., 2016; Paterson & Brock, 2002). While HQs may attempt to centralize decisions to streamline the ease of business management, the precise mechanism of collaboration is dependent on the MNEs' sphere of control to monitor its worldwide subsidiaries (Jaussaud & Schaaper, 2006). As such, the subsidiary's choice of management determines its availability to bridge internal and external embeddedness and has become the driver of subsidiary development in response to its host institution and the changing environment (Andersson et al., 2016; Ferraris et al., 2020). To some extent, the subsidiary has the ability to link the required resources from its relationship networks and learn to upgrade its position by utilizing its dynamic capabilities through the incremental behaviour of commitment, while still instilling the spirit of evolution throughout its daily business routines back to the MNE organization (Phelps & Fuller, 2016). Subsidiary development and the efforts of subsidiary employees have hence been recognized as critical to successful resource recombination throughout MNE networks (Rugman et al., 2011). Moreover, subsidiary development greatly enables lateral collaboration, thus making multiple embeddedness possible and further empowering subsidiary employees to form the joint and multiple international business networks that will allow them to evolve together with the subsidiary itself (Cuypers et al., 2020; Ferraris, 2014; Kostova et al., 2016).

2.2 | Collaboration and the antecedents of lateral collaboration effectiveness

Collaboration is defined as a relational system in which two or more stakeholders use joint effort to put together the resources to meet objectives (Wang & Archer, 2007). Such collaborative relationships help MNEs mitigate risks, enhance productivity, access complementary capabilities and deliver performance over time (Mentzer et al., 2000). In this study, we focus on lateral collaboration, which combines the benefits of both vertical and horizontal collaboration while providing the freedom for individual participants to make decisions efficiently (Chan & Prakash, 2012). As the key characteristics of collaboration are identified as coordination, alignment and real‐time support in the form of task management (Friesl & Silberzahn, 2017), it is important that we first examine the
antecedents for ensuring that lateral collaboration is effective. In addition, we investigate how an effective lateral collaboration scheme assists the exploration of the dynamic capabilities of MNEs (Andersson et al., 2016), as it is useful to identify all participants involved in achieving a common purpose. Our intention is to assist modern MNEs in achieving high-quality collaborations by aligning synergies of internal embeddedness from macro-to-micro foundations of organization, which are then able to equip MNE subsidiaries with a co-evolutionary nature (Cano-Kollmann et al., 2016; Ferraris et al., 2020).

2.2.1 | Subsidiary role change

Though effective lateral collaborations help MNEs apply adaptive changes in the business environment, subsidiaries must maintain their role in providing committed deliverables. There is no guarantee, however, that prior practices will be continuously successful for a well-established subsidiary. Hence, the subsidiary is forced to restructure whenever there is a shift in management focus, business direction, or organization structure in order to prevent it from declining into a parabolic upside-down curve (Geppert & Williams, 2006). This is defined as subsidiary role change, which may be driven by either internal role change originated by HQs or external role change subject to the changes in global environment or enhancement of linkages to the supply chains that better utilize the subsidiary’s capabilities (Ghoshal & Bartlett, 2005). Subsidiary role change can also be triggered by external opportunities, threats, top-down mandates, or bottom-up initiatives according to macro-economic factors and micro-resource foundations (Boehe, 2007; Phelps & Fuller, 2000).

Subsidiary role change has become particularly crucial during the execution of internal business restructuring by exploiting path-dependent capabilities to react to the fluctuations in the international business environment (Andersson et al., 2016; Birkinshaw & Hood, 1998). Such change ideally requires team alignments to reaffirm that the subsidiary is capable of becoming relevant with the subsidiary role assignment through a complete matrix of direct and dotted-line reporting relationships (Friesl & Silberzahn, 2017). Although a good concept in theory, this model neglects situations in which the subsidiary does not perform as expected, pressuring HQs to continuously restructure the organization and resulting in potential tensions within the HQ-subsidiary relationship (Ambos et al., 2020). Hence, in the absence of clear guidance in structure, employees are instead taught to seek endorsements from several internal stakeholders for compliance, creating coordination overload while slowing turnaround time to seize business opportunities (Kostova et al., 2016). Such cautionary tales indicate that for subsidiaries to be successful, their motivated and skilled teams must work in alignment (Friesl & Silberzahn, 2017). Fortunately, employee engagement has recently become a much more prominent issue in the minds of top management teams (TMT), where the goal is to maximize an employee’s commitment and wellbeing to work proactively and passionately, thus adding value while at the same time aligning with the HQ mission and subsidiary goals (Kruse, 2012; Zhang et al., 2018). In summary, subsidiary role change results in adjustments to the key value proposition, where ownership of the subsidiary remains unaffected but the subsidiary is willing to embrace the changes in order to demonstrate its commitment to the MNE, as reflected in the following hypothesis:

**Hypothesis 1** The greater the subsidiary role change an organization undergoes, the greater its lateral collaboration effectiveness.

2.2.2 | Team alignment

Team alignment has been shown to be another evolutionary mechanism that enables quicker and more dynamic communications to supplement the desired outcomes between HQ mandates and subsidiary actions (Friesl &
Silberzahn, 2017). Such formal alignment embeds the classic bureaucratic control mechanisms and can be deemed as ‘formal collaboration’. It provides a communication tool to improve information-processing capabilities and affects the MNE’s ability to integrate activities and enhance productivity for achieving performance within the organization (Martinez & Jarillo, 1989). In addition, other types of ‘informal coordination’, namely socialization (Zeng et al., 2018), further provide a positive influence for information sharing across different parties among the associated social networks, such as scheduled review meetings or boundary-spanning activities between the HQ-subsidiary relationship, to encourage the same value behaviours in a collective culture (Ertug et al., 2013). Most importantly, team alignment promotes two-way communication between subsidiary managers and employees to continuously ensure that their goals are aligned (Geppert & Williams, 2006). Based on the aforementioned analyses, we put forth the following hypothesis:

**Hypothesis 2** The better the team alignment within a subsidiary, the greater its lateral collaboration effectiveness.

### 2.2.3 Employee engagement

A subsidiary cannot succeed without skilled and highly engaged employees working in alignment with overall objectives. As previously mentioned, in order to promote team alignment, subsidiary managers are encouraged to provide constructive feedback to the employees in order to foster connections to keep their employees engaged (Kruse, 2012). Such informal bonding practice also serves to enhance employee engagement, which has benefits beyond increasing employee satisfaction as it results in an improvement in desirable outcomes for the organization: turnover is decreased, employees can work beyond targets more productively with collective team effort, employees are more willing to participate in discretionary efforts on behalf of the organization, and employee loyalty to the organization is increased (Fleming & Asplund, 2007). Moreover, as high employee engagement augments the reputation of an organization and increases customer satisfaction, TMT are consistently prioritizing the development of an engaged workforce environment (Zhang et al., 2018). Employee engagement may be divided into two categories: cognitive attachment of engagement, which refers to employees’ trust in and beliefs about the organization, the teams and the workplace culture; and emotional attachment of engagement, which demonstrates how employees feel about the organization, the leaders and their colleagues. High cognitive attachment motivates employees to achieve stretch goals of their work and inspires them to become more engaged when opportunities arise for growth and development (Fleming & Asplund, 2007). Similarly, high emotional attachment is indicated by how passionate employees are about the organization. Employee engagement has been actively promoted by MNEs to build connections between subsidiary managers and their employees (Chutke, 2016). We posit that MNEs encourage increased employee engagement in order to mobilize the effectiveness of lateral collaboration within its networks.

**Hypothesis 3** The greater the employee engagement within a subsidiary, the greater its lateral collaboration effectiveness.

### 2.3 Lateral collaboration effectiveness and its consequences

Lateral collaboration effectiveness is a crucial process for commitment integration that satisfies the concerns of each relevant party involved in any business exchange (Harrison & New, 2002). Normative commitments encourage a subsidiary employee to comply with the MNEs’ requirement set for bureaucratic control with ‘a sense of obligation that derives from the internalization of normative influences’ (Meyer & Parfyonova, 2010). Affective commitments capture the subsidiary employees' emotional identification, engagement and attachment to the MNE,
which are associated with employees’ desire to contribute to the benefit of the firm (Meyer & Allen, 1991). By committing in these ways to the efforts of the team and organization, employees transcend their formal roles and increase their potential to make impactful contributions to the effectiveness of the organization (Wombacher & Felfe, 2017). We therefore consider the exercise of commitment as a form of lateral collaboration that can be enhanced to achieve the expected people development and subsidiary performance.

2.3.1 | People development

People development is a process by which the individual employees make efforts to strengthen their career while enhancing growth of the organization. MNEs have increasingly become more cognizant of the potential yield of people development as employees have steadily become more aware of themselves and more willing to become familiar with the subsidiary goals and objectives, resulting in an increase in the interactions between the subsidiary and the employee (Mustafa, 2017; Zeng et al., 2018). A group of motivated employees, for example, may form a transformation team to demonstrate knowledge transfer and to adapt new changes on behalf of the subsidiary through continuous learning activities to improve their innovative performance (Ferraris et al., 2017). Though MNEs continue to allocate resources while monitoring subsidiary performance against cost-optimal governance, the most prominent trend has been to implement less title-based hierarchy in the organization and develop potential employees. This serves to further advance the employees’ careers by assigning them to company initiatives and new roles, or even double-hatting their roles to collectively synergize cross team efforts. In essence, this practice reinvents the rising asks of the slash generation (Mäkelä et al., 2012). By emphasizing people development, an employee-centric learning ecosystem can be formulated by integrating diverse learning strategy and delivery modes, including but not limited to face-to-face or online modes with a mix of learning options (Kumar & Pande, 2017).

Hypothesis 4 The greater the lateral collaboration effectiveness of a subsidiary, the more likely people development will be realized.

2.3.2 | Subsidiary performance

Subsidiary performance is related to a subsidiary’s competitive ability to deal with host country suppliers and customers and to compete against rivals. A subsidiary does not only compete with external stakeholders; it also contends with its sister subsidiaries among MNEs for necessary investments and attention (Birkinshaw & Bouquet, 2008; Phelps & Fuller, 2000). The scorecard system has therefore been extensively adopted by MNEs to assess which focal subsidiary should receive resources while systematically tracking subsidiary performance (Kaplan & Norton, 2008). This method usually consists of a mix of financial and non-financial measurements to discover the subsidiary’s individual capabilities and the relevant markets. Nowadays, MNEs use scorecards as a basis for recognition of the subsidiaries and their employees for their efforts in achieving the management standards and committed deliverables set by HQs. Moreover, this recognition becomes a value-added condition in its appreciation of employees, leading the employees to feel a greater sense of positivity towards their workplaces, roles and responsibilities. This results in the enhanced involvement of employees in lateral collaboration (Chutke, 2016) and inspires them to achieve what is in the best interest of the organization. Overall, scorecards and measurements of subsidiary performance allow MNEs, subsidiaries and their employees to recognize that people development is sense-making for enabling influence, as expressed in the following hypotheses (Mäkelä et al., 2019):
Hypothesis 5 The greater the lateral collaboration effectiveness of a subsidiary, the better its subsidiary performance.

Hypothesis 6 The better the subsidiary performance, the more likely people development will be realized within the subsidiary.

3 | RESEARCH DESIGN

3.1 | Conceptual framework

In our literature review, we found that previous IB studies largely focused on the explicit control mechanisms of HQ’s interdependency for subsequent subsidiary performance in MNEs. Nonetheless, there is little research on how these mechanisms enable the implicit dynamics of lateral collaboration effectiveness within the MNEs. Our study examines how the antecedents of lateral collaboration, subsidiary role change, team alignment and employee engagement, can gauge the health of an organization from a macro-to-micro perspective. It also exploits the consequent relationship between lateral collaboration effectiveness, subsidiary performance and people development. The conceptual research framework is shown in Figure 1.

3.2 | Questionnaire design and data collection

Our research questions were designed according to an extensive literature review on this topic and further fulfilled by leveraging survey items from HR Asia™'s prestigious annual award ‘Best Companies to Work for in Asia’, which handpicks the top-tier MNE subsidiaries and local corporations in 12 markets across the Asian region with high levels of employee engagement and excellent corporate culture. The HR Asia™ survey encompasses a complete overview of each company, spanning from the organization’s value proposition, group thinking and degree of employees’ self-consciousness. We hence sought to enrich our own survey variables of team alignment, employee engagement, lateral collaboration effectiveness and subsidiary performance by adopting some specific survey items related to the topic of HR from this highly respected magazine. Furthermore, to finalize our questionnaire of 36 survey items in both Mandarin and English, we sought additional expert feedback from an academic professor and two Managing Directors from our subject international banks. The operational definition, question items and reference literature of each variable used in this study are listed in Table 1.

The data for our study was garnered from MNE subsidiaries in the Taiwanese banking industry including Citibank, HSBC, Standard Chartered Bank, DBS and ANZ. These five international banks have been localized for more than 30 years and combined have nearly 20,000 employees, representing up to a 20% share of wallet among the total banking industry in Taiwan. We e-mailed a 5-point Likert scale questionnaire to 650 employees with the title of Manager and above to these five selected international banks. The investigation took place from 15 July to 15 September 2019. A total of 266 questionnaire responses were collected; excluding 14 invalid responses with error inputs, we ended up with 252 valid responses, providing a response rate of 38.4%.

3.3 | Statistical methods

The structural equation modelling (SEM) method was applied to evaluate the strength of hypotheses relationships among the constructs in our conceptual framework, as it is a form of causal modelling that integrates factor analysis with path analysis and fits networks of constructs to the data. Such model construction consists of a two-stage
FIGURE 1 Conceptual framework
| Variables                              | Definitions                                                                 | Questions                                                                 | References                                                                 |
|----------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Subsidiary role change (S)             |                                                                             |                                                                           |                                                                            |
| Internal subsidiary role change (S1)   | It means the subsidiary has its given factor endowment for the role description and its change may be pulled from internal sentiment. | S11: Your subsidiary’s management focus (i.e., production, sales, R&D, finance or HR) assigned by HQ is getting important. | Birkinshaw & Hood, 1998; Yu et al., 2006                                    |
|                                        |                                                                             |                                                                           |                                                                            |
|                                        |                                                                             | S12: There are major changes of your subsidiary’s business focus assigned by HQ. |                                                                            |
|                                        |                                                                             |                                                                           |                                                                            |
|                                        |                                                                             | S13: There are major changes of your subsidiary’s organization structure and role description. |                                                                            |
|                                        |                                                                             |                                                                           |                                                                            |
| External subsidiary role change (S2)   | The subsidiary could change its assigned role following the movement of the external environment or external linkages with counterparties. | S21: Your subsidiary has modified its business model or value proposition in response to the peer competition. | Birkinshaw & Hood, 1998; Birkinshaw & Bouquet, 2008                         |
|                                        |                                                                             |                                                                           |                                                                            |
|                                        |                                                                             | S22: Your subsidiary has transformed the relationship with suppliers and customers in response to the change of external environment. |                                                                            |
|                                        |                                                                             |                                                                           |                                                                            |
|                                        |                                                                             | S23: Your subsidiary has modified the relationship with suppliers and customers in response to the peer competition. |                                                                            |
| Team alignment (A)                     |                                                                             |                                                                           |                                                                            |
| Formal collaboration (A1)              | It refers to guidelines, processes and duties regulated by HQ for defining the expected behaviour and standard output. | A11: You have more than two layer’s reporting lines (i.e., local, regional or HQ). | Birkinshaw & Hood, 1998; Geleilat et al., 2019; HR Asia™ Survey (Core: structure & policy) |
|                                        |                                                                             |                                                                           |                                                                            |
|                                        |                                                                             | A12: Your subsidiary encourages active collaboration between functions/ departments or encourages employees to rotate between functions/ department. |                                                                            |
| Variables                          | Definitions                                                                                                                                                                                                 | Questions                                                                                       | References                                      |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------|
| Informal coordination (A2)        | It describes the degree to which HQ creates shared norms and values as well as sets a monitoring mechanism through social interactions.                                                                        | A13 Your subsidiary allows to have flexible working arrangements.                              | Geleilate et al., 2019; Zeng et al., 2018       |
| A21 You are requested to participate the conference call with RHQ or HQ periodically. |                                                                                                                                                    | A21 You are requested to participate the conference call with RHQ or HQ periodically.          |                                                 |
| A22 HQ or RHQ will visit your subsidiary regularly. |                                                                                                                                                    | A22 HQ or RHQ will visit your subsidiary regularly.                                            |                                                 |
| A23 You are requested to participate HQ or RHQ or local trainings periodically. |                                                                                                                                                    | A23 You are requested to participate HQ or RHQ or local trainings periodically.                |                                                 |
| Employee engagement (E)           | Cognitive attachment (E1) It means the employees' trust and beliefs about the organization and the willingness to stretch goal for their work.            | E11 You know clearly about your job description and your role responsibility.                 | Fleming & Asplund, 2007; HR Asia™ Survey (Self: mind) |
| E12 You are confident of the value of your contribution to the subsidiary. |                                                                                                                                                    | E12 You are confident of the value of your contribution to the subsidiary.                     |                                                 |
| E21 You feel energized and rarely feel exhausted at work. |                                                                                                                                                    | E21 You feel energized and rarely feel exhausted at work.                                      | Chutke, 2016; HR Asia™ Survey (Self: heart & soul) |
| E22 Your line manager will care about your working conditions from time to time. |                                                                                                                                                    | E22 Your line manager will care about your working conditions from time to time.              |                                                 |
| E23 You feel satisfied with the current workplace. |                                                                                                                                                    | E23 You feel satisfied with the current workplace.                                             |                                                 |
| Emotional attachment (E2)         | It demonstrates how employees feel about the organization and the passionate about the work.                                                                                                                  | E23 You feel satisfied with the current workplace.                                             |                                                 |
| Lateral collaboration effectiveness (L) | Normative commitment (L1) A subsidiary employee will feel more likely to comply with the MNEs' requirement set for bureaucratic control. | L11 HQ has formal annual target setting for you to submit in the system with a deadline.     | Meyer & Parfyonova, 2010                       |
| L12 You have been communicated with annual target setting and job responsibility, and which are required to be approved in the system. |                                                                                                                                                    | L12 You have been communicated with annual target setting and job responsibility, and which are required to be approved in the system. |                                                 |
| L13 HQ has promoted its core value proposition and value behaviours periodically. |                                                                                                                                                    | L13 HQ has promoted its core value proposition and value behaviours periodically.               |                                                 |
| Variables                  | Definitions                                                                 | Questions                                                                 | References                                      |
|----------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------|
| Affective commitment (L2) | It captures the employees’ emotional identification and their desire to contribute to the organization. | L21 You trust other colleagues know their works and can play their roles. | HR Asia™ Survey (group: feel & do); Meyer & Allen, 1991 |
|                            |                                                                             | L22 You feel collective ownership is our responsibility.                   |                                                 |
| People development (D)     | Knowledge transfer (D1) It describes employees' willingness to increase the interactions at organization and individual level | D11 You have been invited to participate HQ or RHQ or local's regular meetings. | Mustafa, 2017; Zeng et al., 2018                |
|                            | Slash opportunity (D2) It supports individual employees' growth together with organization's short-term and long-term targets. | D21 You are identified as a high-potential talent by your subsidiary.       | Mäkelä et al., 2012; Mustafa, 2017              |
|                            | Learning ecosystem (D3) It is an employee-centric conceptualization providing 360-degree learning environment by integrating mix of learning options. | D22 You have opportunity to participate cross-functions or cross-countries projects. |                                                 |
|                            |                                                                             | D23 You have opportunity to be assigned with a new task or to be appointed with a double-hatting role. |                                                 |
|                            |                                                                             | D31 You are willing to assist colleagues who require helps.                 | HR Asia™ Survey (Self: mind); Kumar & Pande, 2017 |
|                            |                                                                             | D32 You will constantly look for ways to improve your contributions and your roles at the subsidiary. |                                                 |
|                            |                                                                             | D33 You have been appointed to guide the new comers.                        |                                                 |
| Subsidiary performance (P) | Recognition (P1) It means the reward for subsidiary and their employees' efforts in achieving HQ's deliverables. | P11 Your contribution to the work has been supported and recognized by your subsidiary’s seniors. | HR Asia™ Survey (Core: Active initiative); Mäkelä et al., 2019 |

(Continues)
| Variables      | Definitions                                                                 | Questions                                                                 | References                      |
|---------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------|
| Scorecard (P2)| It is related to a subsidiary’s competitive position to deal with host country and other competitors. | P12 Your work performance has received correspondent reward from your subsidiary (i.e., bonus, promotion and etc.) |                                |
|               |                                                                             | P13 You will recommend another person to join your subsidiary.              | Kaplan & Norton, 2008            |
|               |                                                                             | P21 Your subsidiary has achieved the financial performance.                |                                 |
|               |                                                                             | P22 Your subsidiary has achieved the client-oriented performance.          |                                 |
|               |                                                                             | P23 Overall, your subsidiary performance was satisfactory in the past year. |                                 |

Abbreviations: HR, human resource.
Table 2 presents descriptive statistics. We collected 252 usable responses from our survey; 51.2% of respondents were female, and more than 70% of respondents had worked in international banks for more than 3 years. Of the respondents, 47.1% were single contributors in senior roles (Managers and above, Assistant Vice President or Vice President), 39.3% were people managers responsible for a team (Director and/or Team Head) and 19.0% were responsible for more than one team (Department Head and/or above).

Abbreviations: HR, human resource.

process (Hoyle & Panter, 1995), where the measurement model is tested before examination of the structural model. Our study follows the general SEM formulation set with the explicit variables $x$ and $y$ defined as in the formula, $y = \alpha + By + \Gamma x + \varsigma$.

4 | RESULTS

4.1 | Descriptive statistics

Table 2 presents descriptive statistics. We collected 252 usable responses from our survey; 51.2% of respondents were female, and more than 70% of respondents had worked in international banks for more than 3 years. Of the respondents, 47.1% were single contributors in senior roles (Managers and above, Assistant Vice President or Vice President), 39.3% were people managers responsible for a team (Director and/or Team Head) and 19.0% were responsible for more than one team (Department Head and/or above).
4.2 | Validity and reliability

As we developed the survey questions from previous literature on related issues, an appropriate pre-test was done using five additional subjects to confirm the validity of our proposed measurement model. All of the research questions in our study, including 13 observed variables, were positively significant with the mean value ranging from 3.85 to 4.40 and the standard deviations presenting from 0.57 to 0.94 as shown in Table 3.

The reliability of the observed variables ranged from 0.582 to 0.920, which all exceeded the acceptable value of 0.50. In addition, the construct reliability for most of the latent variables surpassed the acceptable value of 0.70 (Hair et al., 2009), except for weaker performance on subsidiary role change (0.564) and a slightly lower than expected value for lateral collaboration effectiveness (0.689). The average variance extracted for most of the latent variables also exceeded the benchmark of 0.50 (Fornell & Larcker, 1981). For additional validation, we ascertained that variance inflation factors (VIF) for all of the observed variables ranged from 1.41 to 3.21, which are all less than the acceptable value of 5.00, confirming that multi-collinearity was not an issue. Taken together, we concluded that the scales designed for this measurement model were able to demonstrate acceptable convergence reliability as stated in Table 4.

4.3 | Structural model

First, we tested the overall fit of path model to evaluate the correspondence of the observed inputs. The goodness-of-fit index surpassed the recommended value of 0.80, though adjusted goodness-of-fit index and root mean square error of approximation were slightly below the criterion value. Nonetheless, the remaining fix indices indicated reasonable fit values with no substantive differences as shown in Table 5. Therefore, the path diagram for the proposed framework sufficed to represent the entire set of the causal relationships.

Next, we examined the coefficients of the causal relationships between variables that validated the hypotheses. Figure 2 presents the coefficients of each dependent variable and the estimated path coefficients and their significance in the structural model. As all of the path coefficients were more than 0.05, this re-affirmed the appropriateness to examine the significance of the paths in association with the proposed variables.

The results shown in Figure 2 did not support our prediction of Hypothesis 1 (the greater the subsidiary role change an organization undergoes, the greater its lateral collaboration effectiveness) nor Hypothesis 2 (the better the team alignment within a subsidiary, the greater its lateral collaboration effectiveness), where the path coefficient is 0.022 ($p > 0.05$) and 0.269 ($p > 0.05$), respectively. Since the rationalization processes of subsidiary development were pulled from the internal sentiment and pushed by the external environment, this does not imply that changing the subsidiary role will increase the subsidiary employees’ commitments to their subsidiary’s business. In addition, team alignment is not a given, despite the greater number of employees who are presented with less hierarchical in-country organization. To achieve better outcomes in lateral collaboration effectiveness, the subsidiaries must utilize other mechanisms in order to ensure their teams and employees are fully committed to the MNEs’ strategy agenda.

In accordance with the path coefficient of 0.649 for employee engagement ($p < 0.001$), Hypothesis 3 (the greater the employee engagement within a subsidiary, the greater its lateral collaboration effectiveness) is supported, suggesting that employees will seek to improve their contributions when they clearly understand their roles and responsibilities, but only after they truly believe in the subsidiary. To boost such trust in the workplace, the subsidiary should educate their people managers to foster connections with their staff members, such as demonstrating empathy for employees or providing them with constructive and meaningful feedback. When the cognitive and emotional connectivity between managers and their employees is improved, the employees are more willing to make discretionary efforts to achieve stretch goals of their work, further encouraging them to become more engaged. This results in employees improving their decision-making for the
### TABLE 3  Correlation between the observed variables

| Variable                  | M   | SD  | S1   | S2   | A1  | A2  | E1   | E2  | L1  | L2  | D1  | D2  | D3  | P1  | P2  |
|---------------------------|-----|-----|------|------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|
| S1 Internal role change  | 3.91| 0.67|      |      |     |     |      |     |     |     |     |     |     |     |     |
| S2 External role change  | 4.17| 0.64| 0.39***|     |     |     |      |     |     |     |     |     |     |     |     |
| A1 Formal collaboration  | 4.05| 0.69| 0.43***| 0.42***|     |     |      |     |     |     |     |     |     |     |     |
| A2 Informal coordination | 4.40| 0.60| 0.31***| 0.39***| 0.63***|     |      |     |     |     |     |     |     |     |     |
| E1 Cognitive attachment  | 4.22| 0.59| 0.27***| 0.37***| 0.57***| 0.55***|     |     |     |     |     |     |     |     |     |
| E2 Emotional attachment  | 3.98| 0.69| 0.35***| 0.37***| 0.52***| 0.49***| 0.62***|     |     |     |     |     |     |     |     |
| L1 Normative commitment  | 4.19| 0.59| 0.36***| 0.34***| 0.56***| 0.47***| 0.58***| 0.70***|     |     |     |     |     |     |     |
| L2 Affective commitment  | 4.14| 0.57| 0.28***| 0.40***| 0.40***| 0.43***| 0.51***| 0.60***| 0.52***|     |     |     |     |     |     |
| D1 Knowledge transfer    | 4.27| 0.75| 0.26***| 0.33***| 0.57***| 0.63***| 0.48***| 0.51***| 0.44***| 0.49***|     |     |     |     |     |
| D2 Slash opportunity     | 3.85| 0.94| 0.26***| 0.38***| 0.57***| 0.58***| 0.51***| 0.58***| 0.56***| 0.45***| 0.56***|     |     |     |     |
| D3 Learning ecosystem    | 4.13| 0.59| 0.29***| 0.23***| 0.42***| 0.39***| 0.52***| 0.58***| 0.50***| 0.48***| 0.27***| 0.51***|     |     |     |
| P1 Recognition           | 4.10| 0.69| 0.18** | 0.39***| 0.51***| 0.53***| 0.56***| 0.62***| 0.53***| 0.57***| 0.68***| 0.47***|     |     |     |
| P2 Scorecard             | 4.02| 0.62| 0.20** | 0.47***| 0.46***| 0.50***| 0.50***| 0.52***| 0.47***| 0.47***| 0.50** | 0.62***| 0.36***| 0.74***|     |

* N = 252, *p < 0.05, **p < 0.01, ***p < 0.001.
teams and thus gaining effectiveness in their deliverables. Such commitment also links employee engagement toward the workplace with their level of involvement to co-create a corporate culture of appreciation and recognition.

Consistent with the above finding, the empirical results of our study also demonstrate that a correlation exists among the remaining variables of lateral collaboration effectiveness, subsidiary performance and people development, which further supports Hypothesis 4 (the greater the lateral collaboration effectiveness of a subsidiary, the more likely people development will be realized) with a path coefficient of 0.775 ($p < 0.001$) and Hypothesis 5 (the greater the lateral collaboration effectiveness of a subsidiary, the better its subsidiary performance) showing a path coefficient of 0.815 ($p < 0.001$). In addition, our research further confirms Hypothesis 6 (the better the subsidiary performance, the more likely people development will be realized within the subsidiary) with a path coefficient of 0.251 ($p < 0.01$). These results demonstrate that there is indeed a correlation among lateral collaboration effectiveness, subsidiary performance and people development. Subsidiary performance requires effective commitments from all levels of the organization. An imminent outcome of such commitment is to enable collaborations across functions to achieve the salient scorecard and echo the purpose of adopting the scorecard as a means to assess subsidiary performance. In addition, these commitments also demonstrate that enhancing recognition does drive subsidiaries to improve their performance by focussing on human capital to demonstrate the spillover of knowledge transfer, slash opportunity and the learning ecosystem with more fruitful boundary-spanning

### TABLE 4  Convergent Validity

| Latent variables/observed variables | Factor Loading (l) | CR     | AVE (%) |
|------------------------------------|--------------------|--------|---------|
| Subsidiary role change             |                    | 0.564  | 0.394   |
| Internal role change               | 0.582              |        |         |
| External role change               | 0.670              |        |         |
| Team alignment                     | 0.772              |        | 0.629   |
| Formal collaboration               | 0.799              |        |         |
| Informal coordination              | 0.788              |        |         |
| Employee engagement                |                    | 0.767  | 0.623   |
| Cognitive attachment               | 0.741              |        |         |
| Emotional attachment               | 0.835              |        |         |
| Lateral collaboration effectiveness |                    | 0.689  | 0.526   |
| Normative commitment               | 0.765              |        |         |
| Affective commitment               | 0.684              |        |         |
| People development                 |                    | 0.726  | 0.472   |
| Knowledge transfer                 | 0.702              |        |         |
| Slash opportunity                  | 0.684              |        |         |
| Learning ecosystem                 | 0.582              |        |         |
| Subsidiary performance             |                    | 0.856  | 0.749   |
| Recognition                        | 0.920              |        |         |
| Scorecard                          | 0.807              |        |         |

Abbreviations: AVE, average variance extracted; CR, construct reliability.
activities (Mäkelä et al., 2019). Therefore, if MNE subsidiaries can cultivate trust and collaborative cohesion around the organization, employees will feel confident in continuing to remain in and grow together with the subsidiary, or even mobilize themselves within the greater MNE network.

5 | DISCUSSION

This study explores the antecedents and consequences of lateral collaboration effectiveness from a macro-to-micro perspective of the foundations of MNEs along the HQ-subsidiary relationship link. While subsidiary development has moved forward in an era of uncharted territory, subsidiary role change has become a new normal that requires team alignment to originate from bureaucratic control. Our results demonstrate that engagement and recognition are essential to strengthening employee commitments to the subsidiary, which in turn furthers the ability of the subsidiary to agilely continue the success of the organization and further drive people development to the next level.

5.1 | Theoretical contributions

As MNE subsidiaries have turned to downsizing to maintain profitability, we proposed in this study to use lateral collaboration as a mechanism with which to delve into the key determinants that continue their success. Surprisingly, our results contrast with the current theoretical understanding of control mechanisms in long-standing IB literature. Subsidiary role change that encompasses new governance of the existing hierarchical structure as instructed by HQ
FIGURE 2 Result of structural model
does not guarantee the commitment of subsidiaries, as it calls for increased vertical collaboration efforts (Geleilate et al., 2019). Moreover, even when local subsidiaries engage in horizontal collaboration via networking with groups of members for value creation activities, team alignment is not a given result (Zeng et al., 2018). As an MNE itself is a complex adaptive system, lateral collaboration only takes effect when employees are fully engaged and truly believe in the MNE subsidiary. Under these optimal collaborative conditions, as international human resources management (IHRM) studies have shown, working relationships may actually be strengthened despite external stress, resulting in multiple embeddedness, a condition that is essential to collaboration among MNE subsidiaries themselves (Caligiuri et al., 2020; Ferraris, 2014). Our study further enriches this theoretical understanding of the micro-foundations of organization and identifies individual employees as the keystone. As MNEs understand that individual employees alone are capable of enhancing team alignment and realizing lateral collaboration across all levels, they are compelled to rethink from a global talent management (GTM) perspective whether and how to retain the right employees at the right places with the right balance (Contractor et al., 2019; Kilduff & Lee, 2020).

The empirical findings of our study also elucidate the relationship between subsidiary performance and people development. Though lateral collaboration effectiveness is beneficial to both subsidiary performance and people development, people development can only be actualized when full recognition is achieved as reflected in a satisfactory scorecard at the subsidiary level (Ogbonnaya et al., 2017). Engaged employees may recognize that their organization is demonstrating good will by sending them to training events, learning workshops and leadership seminars. Nevertheless, they will only commit boundary-spanning activities by accepting new tasks beyond their current comfort zone when they feel fairly treated with corresponding rewards (Mäkelä et al., 2019). The cultivation of these employees may yield stalwart boundary spanners who strengthen the employees’ commitments among the inter-organization’s networks, which allow them to co-create their expertise along the learning ecosystems formulating across MNEs (Cuypers et al., 2020). Our findings further emphasize the need for subsidiary managers to rethink how to implement and expand HR practices to systematically optimize and accumulate human capital (O’Brien, Sharkey, Andersson, Ambos, et al., 2019). Full recognition of employees as unique subsidiary-specific resources will empower them to take part in the future evolution of subsidiary management, as illustrated in Figure 3 (Paterson & Brock, 2002; Tasheva & Nielsen, 2020).

5.2 Managerial implications

The findings of our study have several managerial implications for established MNE subsidiaries. First, our results assert the importance of employee engagement as the critical antecedent that enhances lateral collaboration effectiveness. This in turn echoes the crucial role of subsidiary CEOs to become the nexus between HQ and the subsidiary to successfully deliver subsidiary deliverables. They are the spiritual leaders of the organization who must plan ahead to agilely achieve big-picture goals without succumbing to the pitfalls of obsessive competitiveness and creating unexpected roadblocks. It is therefore imperative that subsidiary CEOs align with HR partners to reshape the corporate culture locally to emphasize tolerance, build resilience and encourage hunger within the dynamic business environment (Tasheva & Nielsen, 2020). By doing so, a workplace can be formulated that is willing to listen, communicate and demonstrate empathy which will allow the entire TMT and people managers to implement business strategies more efficiently and effectively while keeping employees loyal.

Second, as subsidiary CEOs are very often expatriates assigned by HQs or Regional HQs on a rotational basis, they must be pragmatic in their management focus with different stakeholders while also prioritizing the development of people managers. In turn, these managers will aid the new CEO by conducting effective dialogues with their employees to provide clear guidance and outline appropriate engagement under the new leadership (Bebenroth & Froese, 2019). Hence, future leaders and high-potential employees need to be nominated to ensure the strategic talent pool is up to date. Moreover, in order to help these nominees make influential impacts on their
FIGURE 3  Evolution of subsidiary management
teams and other employees, it will be meaningful to provide them with cross-functional assignments, cross-cultural teamwork, or leadership programs to accelerate their career paths. Assisted by these opportunities, these promising employees will become the social network corridors who are capable of taking on bigger roles and outperforming by bridging their personal objectives with the organization’s business agenda across MNEs (Doug, 2019; Kilduff & Lee, 2020).

Third, while delivering committed subsidiary performance is important, appropriate recognition based on subsidiary performance or even individual performance in parallel further bolsters the growth of people development (Mäkelä et al., 2019). To maximize the abovementioned integrated performance, we suggest redefining the function of HR managers among MNE subsidiaries as that of facilitators that execute business strategy. In this role, they become the catalysts that create critical experiences and recognize individual employees’ contributions to the organization as well as coaches that aid in the reinvention of corporate culture. As such, a positive learning ecosystem platform that bundles skill-upscaling with individual growth opportunities could be formulated with greater HR impact (Morris et al., 2016). Such an environment leads to recognized employees that are capable of and comfortable with adapting to disruptive challenges from inside and outside of their organization so that they may better drive exponential growth across MNE networks. MNE subsidiaries can maximize employee engagement by bringing in IHRM activities to inspire mind-set change, foster positive attitudes and encourage stretch goals for each employee, which will further contribute to the success of MNE subsidiaries (Innocenti et al., 2011; Tarique, & Schuler, 2010).

6 | LIMITATIONS AND FUTURE RESEARCH

This study is not without its limitations. While we initially proposed subsidiary role change, team alignment and employee engagement as the major antecedents for lateral collaboration effectiveness, our findings were only able to substantiate employee engagement as a key prerequisite. In this regard, it is worthy to re-examine whether interrelationships exist between the three factors of this proposed conceptual framework. Furthermore, it would be interesting to explore the construct of employee engagement by adding other explanatory variables either from the perspectives of HR commitment that feed into MNEs’ business routines or network embeddedness which drives social-structural linkage or other complementary mechanisms across MNE networks (Geleilate et al., 2019). This will allow more visibility regarding whether engagement promises the stability of business or serves as a source of underlying commitment that shapes the value of knowledge transfer and stimulates the dynamic capabilities of MNEs (Tasheva & Nielsen, 2020).

In addition, the MNE subsidiaries used in our empirical study were only selected from the Taiwanese banking industry. As Taiwan has recently been characterized by a lack of growth momentum resulting from industrial migration and overbanking, MNE subsidiaries have struggled to further outperform due to the host institutional constraints and challenges. This difficult environment has also compelled these international banks to enact imminent changes, work agilely and convince their employees to truly trust that their organization can deliver its commitments and continue to stay competitive and profitable (Ganderson, 2020). To reaffirm the external validity of this study so that our findings can be generalized, future research should seek to expand this study to additional industries or even replicate it in other host countries.

Finally, the results of our study relied on responses only from the MNE subsidiaries and did not take into account their respective stakeholders. As change requests to the subsidiary role mainly originate from the MNE HQ’s management decisions on organizational structure and the TMT’s management style, we suggest that researchers try to also collect data from the relevant stakeholders in future studies. By determining more antecedents or consequences across MNE networks, subsidiary development would certainly be enriched by examining multiple parties from multiple sides within the dynamic business environment (Morris et al., 2016).
CONCLUSION

MNEs must become ambidextrous in order to respond quickly to emerging disruptive stress from evolving ecosystems and unknown global uncertainty while retaining resilience and productivity. Our study summarizes a necessary first step that MNEs must take to achieve committed subsidiary performance and people development: to ascertain that the engaged employees demonstrate not only bounding-spanning activities but also build bridges among various teams to make lateral collaboration possible. These measures will allow the team to be aligned following subsidiary role change given the right circumstances to drive collaboration. Future research should take our findings forward to explore how other HR practices could enhance lateral collaboration while fostering greater team cohesion, such as examining physical to virtual manners through diverse cross-cultural perspectives. By doing so, sustainable HQ-subsidiary relationships can truly co-evolve with the dynamic business environment to allow mindful MNEs to become inclusive and continuously innovative organizations.

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DATA STATEMENT AVAILABILITY

Further information about the data and conditions for access are available at the corresponding author.

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