A New Chapter of Subsidiary Charters in MNEs: Will Alignment Become More Effective through the Dynamics of Subsidiary Role Change and their Performance

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The drivers of subsidiary development continue to advance following changes in the global environment. As an evolutionary mechanism, alignment assists MNEs in capturing value while ensuring that subsidiaries can deliver their commitments. Here, we focus on whether the subsidiary role change specified in charters is linked to performance by specifically using the perspectives of scorecard and retention. Our study is garnered from statistical analyses of 152 responses to surveys given to Taiwan MNE subsidiaries. We discuss our findings in the context of HQ-subsidiary relationships and consider the managerial implications for initiating a new chapter of subsidiary management.

INTRODUCTION

In the past few decades, the importance of multinational enterprises (MNEs) to society has increased exponentially. From a strategic management perspective, it is now crucial to evaluate MNEs separately from the classical key determinants of international business (IB) when studying the total impact of foreign direct investment (FDI). Since the late 1980s, economic scholars have taken particular notice of the role of subsidiaries (Barlett & Ghoshal, 1986; Gupta & Govindarajan, 1991; Jarillo & Martinez, 1990). Subsidiaries may have an impact on rich or poor economics, the transmission of capital, knowledge, and valued behaviors, and even policy across multinational borders. Indeed, as MNEs may leverage the location-specific advantages of their subsidiaries, subsidiary charters are often customized to exploit these local advantages while complementing charters of subsidiaries in other countries (Birkinshaw & Hood, 1998; Rugman, Verbeke, & Yuan, 2011). Hence, subsidiary development has been updated as a key aspect of contemporary topics in recent times. Subsidiary development is largely driven by factors that are dependent on the MNEs' sphere of control, including the tendency of headquarters (HQ) to prefer control on the subsidiaries (Barlett et al., 1986). This also demonstrates the importance of control as a mechanism to help achieve specific goals. The control of the worldwide activities of subsidiaries is therefore a complex multi-dimensional phenomenon. When one sees a firm that is dysfunctional and underperforming, the lack of alignment is apparent.

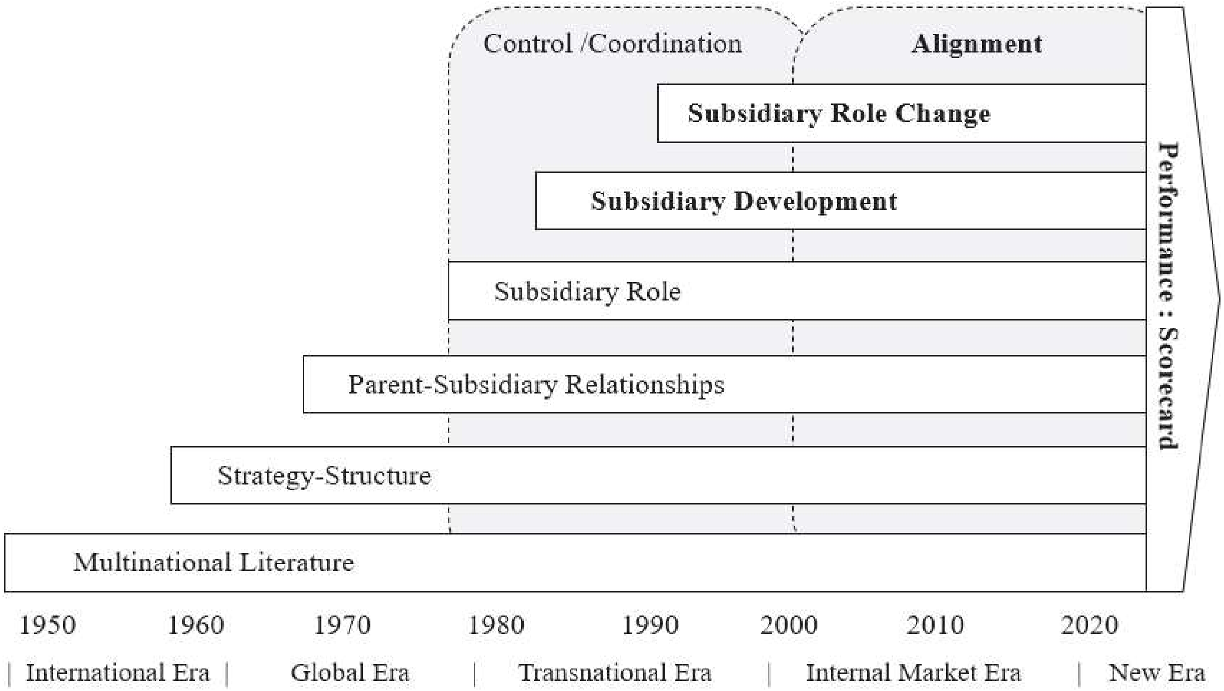
Rather than simply being the recipient of one-way guidance by HQ, international business scholars argue that alignment occurs over time for the role of subsidiaries in charters and capabilities (Birkinshaw, 2000; Birkinshaw et al., 1998). Alignment has become a device that has allowed internal and external communication and support from the top down: from the MNE HQ to the corporate level, the corporate level to subsidiary units, and finally subsidiary units to the peer level. Alignment is not a new issue. Nonetheless, it has recently become a much more prominent topic, particularly for MNEs in the growth to mature stage as they tend to revisit their overall organization strategy and structure more frequently to retain a competitive advantage. MNEs highlight the importance of alignment for reaching a consensus during management meetings and strategy reviews to connect the assigned or self-initiated priorities and the growth objectives of HQ in considering internal stakeholders, external stockholders, investors, customers, and suppliers.

As MNEs continue to expand their businesses globally, the role of the subsidiary may adapt to better balance the control needs of HQ with the need for global integration to improve subsidiary efficiency. Such changes in the subsidiary role are a part of rationalization, and in some cases are the result of a restructuring of the HQ which often involves decentralization and autonomy (Birkinshaw & Fey, 2000). Such role change requires the alignment of a subsidiary's assigned charters and actual capabilities over time (Birkinshaw, 2000). In addition, a subsidiary itself may initiate the potential renegotiation that allows it to provide new insights into situations of misalignment between the actions of the subsidiary and the mandates of HQ (Friesl & Silberzahn, 2017). These instances demonstrate that the subsidiary role is not limited to a static and assigned state but may also be a highly proactive role in which the subsidiary is encouraged and rewarded for raising its voice and getting the needed attention within the MNE's network (Birkinshaw & Bouquet, 2008).

In this paper, we will demonstrate how alignment influences the work of the subsidiary on its charter to ultimately facilitate its performance and move the development of the subsidiary to a new level. Our results are based on statistical analyses of responses to a questionnaire survey of Taiwan MNE subsidiaries and focus on our evaluation of the relationships between subsidiary role change in charters, alignment, and subsidiary performance. During the rapid start of industrialization in the 1960s, Taiwan became one of Asia's fabled "tiger" economies. Currently, however, it is set to lag further behind than its peers due to the rise of China's economy and new forces from the "Mighty Five" ASEAN economies. Several downside risks are also contributing greatly to the challenges faced by organizations in Taiwan: a slowdown in business momentum amid the US-China trade war, increased industrial shift and transformation, and subtle diplomatic tensions in-country and cross-strait. Together, these issues have forced almost every organization to face the stark choice of whether or not to enact change. Indeed, in striving to survive, even well-established MNEs in Taiwan may need to change or re-structure more frequently than before.

Given this business environment, we decided that using Taiwan MNE subsidiaries as our subject of study was particularly appropriate. Here, we begin by reviewing the relevant HQ-subsidiary literature, discuss the selected constructs to explain the theoretical bases and the associated hypotheses, then propose our conceptual framework. In the course of this study, we will also build upon the systematic efforts of Paterson and Brock (2002) to summarize the development of subsidiary-management research as raised by Birkinshaw et al. in 1998, as illustrated in Figure 1.

FIGURE 1
EXTENSION OF THE DEVELOPMENT OF SUBSIDIARY MANAGEMENT



THEORETICAL FOUNDATIONS AND HYPOTHESES

Where Are We Today with Subsidiary Management and Its Associated Performance?

The subsidiary-level of analysis has emerged as a distinct field of research over the past few decades. Subsidiaries have unique resources and are often able to act with considerable autonomy, indicating that it may be necessary to allocate them different roles within the greater organization (Barlette et al., 1986). The subsidiary role is a pre-set factor endowment with capabilities specified in the assigned charter. Here, a charter is defined as a socially constructed, non-codified agreement regarding a subsidiary's focus on products or specific targeted markets. In addition, a charter might formally capture target agreements, organizational blueprints, and role descriptions to legitimately outline the role a subsidiary is expected to play (Friesl et al., 2017).

As such, the subsidiary can be defined as a "semi-autonomous entity with entrepreneurial potential" which exists in a competitive environment consisting of internal and external stakeholders (Birkinshaw, Hood, & Young, 2005). Based on this description of MNE subsidiaries, the performance of a subsidiary's host country is related to "its competitive position in the external environment, in which it deals with host country suppliers and customers and competes against host country competitors" (Andersson, Forsgren & Pedersen, 2001). While a subsidiary mainly competes with external entities, it may also struggle to receive attention and investments from its MNE in its rivalry with sister subsidiaries (Birkinshaw et al. 2005, 2008). To fairly assess which focal subsidiary should receive such resources compared to other subsidiaries, MNEs evaluate their subsidiaries via a systematic approach, namely the scorecard (Kaplan & Norton, 1992, 2008). This method draws strongly on the concept of resource-based-view (RBV) in consisting of a mix of financial and non-financial measures such as the stakeholders' orientation, process and control, and learning and career development to track the progress of performance. More and more MNEs have recently announced guidelines and implemented robust scorecard systems to track performance progress digitally and automatically. To this extent, the scorecard can be used as a base for understanding the sustainability of the subsidiary.

In addition, scorecards also serve to maximize centralization by illustrating the organizational blueprints that are meant to be the focus of management. In this way, the decision-making power each HQ exercises with respect to the daily operations of each subsidiary is safeguarded (Yan & Gray, 2001; Schepker, Oh, Martynov & Poppo, 2014). This also serves as a method of controlling the trajectory of a subsidiary while achieving its own goals, thus allowing it to deliver the committed performance.

Subsidiary Role Change

When a subsidiary has been well established, it may hit an inflection point where prior practices that allowed it to be successful are no longer effective. Without reinvention to move through such events, the firm may become stuck and ultimately decline into a parabolic upside-down curve. MNEs are also vulnerable to these issues, which may result in substantial impacts to the subsidiaries (Birkinshaw, 1996b; Birkinshaw et al., 1998). Here, change in the subsidiary role means the ownership remains but the key value proposition or business model has changed. This forces the subsidiary to restructure as the management focus has been renegotiated over time, business directions have been re-shuffled, and the original legitimacy of control alongside the organizational framework may be enabled or disabled. This is called endogenous change when it originates from the organization level and in turn drives the subsidiary role change and its development.

In addition, such change may also result from the growth of the local external environment and the enhancement of external linkages that better utilize the subsidiary's capabilities (Holm, Malmberg & Sölvell, 2003). This is considered exogenous change (Ghoshal & Bartlett, 2005) and involves rewriting of the subsidiary's assigned charter that is triggered by external opportunities, treats, or top-down mandates due to external macro-economic factors and external linkages to partners in host countries (Birkinshaw et al., 1998; Boehe, 2007). Exogenous change has been deemed as one of the main drivers for subsidiary development. Following global rationalization via the Integration-Responsiveness (IR) framework's (Prahalad & Doz, 1987) strategy for MNEs, there is no doubt that the local environment has a positive influence on a subsidiary's development in terms of its opportunities, constraints, and the associated subsidiary's choice of management with the respective internal and external stakeholders. Taken together, these studies demonstrate that subsidiary role change does indeed further enhance subsidiary performance.

H1: *Subsidiary role change has a positive association with subsidiary performance.*

Alignment

Prior studies have viewed control as "the process by which one entity influences, to varying degrees, the behavior and output of another entity through the use of power, authority, and a wide range of bureaucratic, cultural and informal mechanisms." Control practices do not, however, primarily determine success or failure (Geringer & Herbert, 1989). Many more factors exist within an MNE's sphere of control, including HQ's tendency of preferred control and the subsidiary's assigned charter as related to its role and its relevant capabilities (Barlett et al., 1986). Hence, synthesized control mechanisms emerged in the late 1990s that covered the dimensions of contractual control, organizational control, HR control, and training control (Jaussaud & Schaaper, 2001). Yet, when control mechanisms are faced with opportunistic behaviors, there is a further need for ex ante and ex post safeguarding under formal and informal governances' structures (Nakos & Brouthers, 2008). This explains why clear objectives are required for results or action-oriented controls. Scholars have also observed that HQ and the subsidiary managers tend to establish the subsidiary roles with shared value behaviors and ensure the accountability and predictability of the subsidiary-level resource allocation via coordinated managerial efforts (Srikanth & Puranam, 2010, 2014).

Indeed, after subsidiary role change, capabilities might initially be misaligned (Birkinshaw et al., 1998) with the initially assigned charter, such that the re-alignment of the subsidiary role is required over time and may even replace the previous control mechanisms. This provides the subsidiary a potential opportunity to renegotiate its charter, which may allow it to provide new insights into situations of misalignment between HQ mandates and subsidiary actions (Friesl et al., 2017). The subsidiary managers are also likely to re-discuss their influence (Geppert et al., 2006) or seek to gain HQ's attention as well as other considerations (Bouquet et al., 2008) in order to shape the subsidiary's new role.

H2: *Subsidiary role change is positively related to alignment*

Formalization is "a type of bureaucratic control that consists of using limits and an explicit set of rules and regulations to delineate the desired performance in terms of output and/or behavior" (Baliga & Jaegar, 1984; Huang, Hsiung & Lu, 2015). Formalization also provides a communication tool to improve information-processing abilities which affect the MNEs' ability to oversee, direct, and integrate activities effectively within the organization (Yan & Child, 2004). We therefore consider the exercise of formalization a form of alignment that can structurally enhance the effectiveness of management control with the expected performance.

Typically, informal control mechanisms have a positive impact on two-way communications and information sharing among different parties (Ertug et al., 2013). For example, verbal information channels may be created between the HQ and subsidiaries with expatriate or top management team (TMT)'s assignments. Frequent review meetings and scheduled visits between the subsidiary and HQ can also enhance informal coordination and collaboration (Chalos & O'Connor, 2004). Moreover, the engagement with HQ or regional HQ (RHQ) of boundary spanning activities may help to form a social network to develop shared norms and a collective culture. These practices and interactions encourage subsidiaries to be open-minded to sharing with other subsidiaries, RHQ or even HQ, thus ensuring more willingness for sharing as an informal alignment. It has been observed that such mechanisms can improve performance and the participants' ability to communicate (Ahuja & Galvin, 2003). We therefore suggest that in creating an open and amiable environment, the exercise of informal coordination could be another form of alignment which again structurally helps to mitigate potential concerns and further improve subsidiary performance. This is in line with our hypothesis for structural alignment.

Scholars have also noticed that control mechanisms are becoming harder to enforce, as monitoring and incentives to keep up with the times are required. Instead of merely being the recipient of directives from HQ, a subsidiary tends to be autonomy-seeking in order to achieve efficient local responsiveness while also forming activities on internalization (Birkinshaw & Fey 2000). Furthermore, the subsidiary may expand to drive their local network or to develop an industrial cluster with increased access to international value chains. This represents a form of profile-building that covers a broad set of track records and efforts undertaken by the subsidiary managers to improve their image, credibility, and reputation within their MNE network.

Though the economic gains from a subsidiary are all distributed to HQ, the subsidiary will now be capable of raising its voice regarding any concerns or escalating its search for support or renegotiation to better deliver its committed performance (Birkinshaw et al., 2008). In this paper, we adopt Birkinshaw and Bouquet's (2008) subsidiary voice as relational determinants of attention to HQ for our purpose of testing these behaviors of profile building and initiative-taking as behavioral alignment.

H3: *All else being equal, alignment is positively related to subsidiary performance.*

Alignment as a Mediating Effect and/or a Moderating Effect

Based on the relevant research, we will therefore focus on two types of alignment – structural alignment and behavioral alignment. Adequate structural alignments may have a number of important functions such as increasing the visibility of a respective subsidiary's behavior, achieving set objectives, and ensuring that the subsidiary can pursue strategies that comply to the interest of the HQ (Pangarkar & Klein, 2004). To increase the awareness of strategic mindsets of future development with enhanced mutual understanding of foreign business operations, MNEs need to build up an effective communication tool or mechanism that captures key information from their subsidiaries. This kind of information processing flow, also known as alignment, is used by MNEs to gather, interpret, synthesize, and leverage information within the HQ and in its subsidiaries (Egelhoff, 1982). As higher degrees of control from the HQ are associated with greater performance (Quer, Claver & Rienda, 2007), we hypothesize that higher degrees of structural alignment also have positive associations with greater performance. With all else being equal, MNEs understand well that change of the subsidiary role is subject to the dynamic changes of the external environments and may empower the policies, controls, and decision-making processes of their subsidiary, and can understand their subsidiary's goals and performances more effectively (Chang & Taylor, 1999; Huang et al., 2015). This results in increased performance satisfaction.

Behavioral alignment is another proactive approach carried out by the subsidiary's autonomous actions, like the forms of profile-building that consist of the subsidiary's historical track record. This may be reflected in several ways: a subsidiary's commitment to HQ; its ability to effectively emphasize its contribution and strategic proposals (Dutton & Ashford, 1993); its ability to take charge (Morrison & Milliken, 2003) from HQ or other individuals from RHQ; or in the reputation it develops across the MNE as a subsidiary that can take initiative. As prior studies have shown that the positive attention directly or indirectly from HQ makes a significant impact, we deem that such behavioral alignment may only act as the moderator to strengthen the performance of subsidiaries. Accordingly, we propose the following hypotheses for further examination.

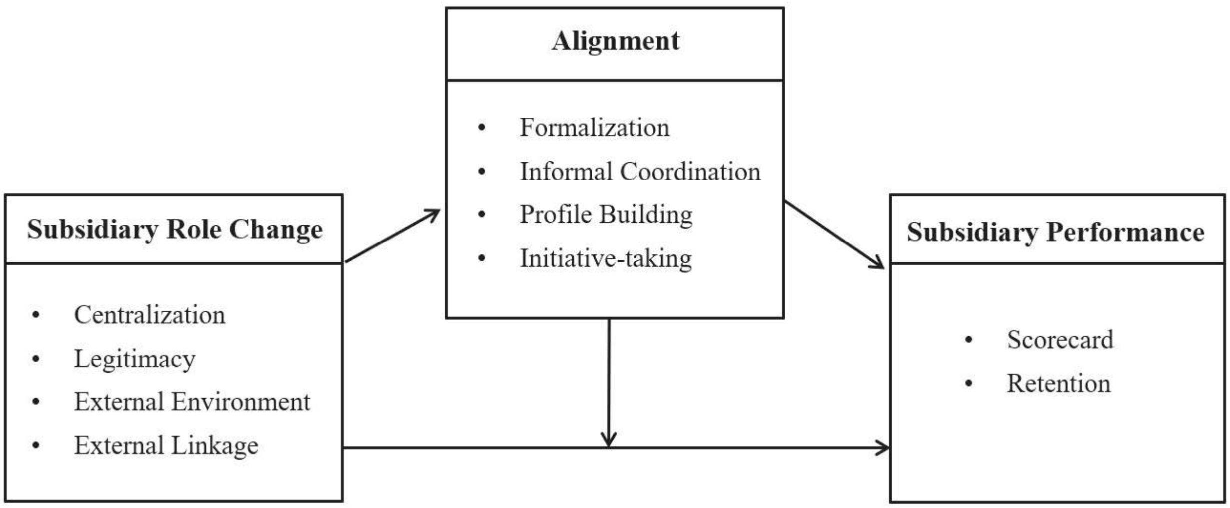
H4: *Through mediating alignment, subsidiary role change has a positive association with subsidiary performance*

H5: *The moderating alignment strengthens the relationship between subsidiary role change and subsidiary performance.*

Conceptual Framework

Through our review of subsidiary-related studies, we found alignment to be a growing subject of investigation in the literature. Nonetheless, there is little research on how alignment has been executed in practice, especially for established MNEs. Alignment should not only be a slogan for an MNE, but should serve as a coordinator to cover a synthesized control mechanism which facilitates subsidiary performance in delivering the business commitment. With time, the changes to subsidiary roles have been further enriched with more content within the charter. This paper summarizes the findings of two alignment mechanisms: the prior control mechanisms of structural alignment and the factors in the subsidiary's autonomous actions as behavioral alignment. In our view, alignment mechanisms will have a significant mediating effect on the relationship between the subsidiary role change and its performance. It is critical, however, to further validate which variables under these alignment mechanisms would be triggered as a moderating effect, towards the end goal of enhancing the bonus points obtained on the overall scorecard and strengthening the retention rate of employees of a subsidiary to maximize sustainability.

FIGURE 2
CONCEPTUAL FRAMEWORK



A sample of 152 MNE subsidiaries in Taiwan examined the abovementioned effects on the relationship between subsidiary role change and its performance. In addition to the theoretical foundation, this paper proposes a conceptual framework as illustrated in Figure 2 and aims to contribute to the literature on the new insights of subsidiary development in the following ways: (1) testing the differences between structural alignment and behavioral alignment, which allows us to address the need of autonomy under subsidiary development's management; and (2) clarifying the direct and indirect relationships among subsidiary role change, alignment, and subsidiary performance to deep dive our understanding of the HQ-subsidiary link in the new chapter of the subsidiary charters in MNEs.

METHODS

Data Collection

The sampling frame of this study involved MNE subsidiaries based in Taiwan with HQs located in the United States, United Kingdom, France, Germany and Japan. As Taiwan used to be considered a gateway country to Asia, several FDIs have been set up here for more than 20 years. Also, because Joint Venture (JV) is not a prerequisite for investing in Taiwan, most of the FDIs present are in the form of branch offices, Wholly-Owned-Subsidiaries (WOS) or majority-owned subsidiaries. The selected subsidiaries' HQ countries are representative appropriate domains of study in this research because they are all considered developed countries with established histories of inward investment. Moreover, they all have substantial populations of foreign-owned affiliates, thus requiring a certain level of alignment mechanisms for the internal study of how subsidiaries may deliver better performance.

The data from foreign subsidiaries was collected directly from top-tier international banks in Taiwan including Citibank, HSBC Bank, and Standard Chartered Bank by filtering their customer base from MNE segments. In terms of total asset, net income, and returned earnings, these three international banks hold one third of 3,451 FDIs approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) of Taiwan. To reduce the possible problems of common methods variance, we collected data from both primary and secondary sources. Secondary data was specifically collected for one dimension of the mediating and moderating variables (i.e., alignment). Since the focus of our investigation was on MNE subsidiary companies in Taiwan, it was impossible to get consistent public-record data on other aspects of internal subsidiary activities.

We electronically mailed an online, 360 question survey to the TMTs of the selected subsidiaries, all of whom were either working in the international banks or had taken the banks as their main operating partner to support their daily business activities. Clearly identifying these mutual understandings was required to demonstrate that our data collection effort was legitimate and efficient. We also took specific steps to optimize the response rate (Dillman, 2000): (1) requests for participation in the e-mailed survey engaged the respondents' natural attention to the topic of "alignment," (2) we offered access to the summary pie charts of the study's findings after completion of the online questionnaire, and (3) about one month after the initial e-mail, we sent a reminder e-mail to the non-respondents with subsequent follow-ups on a daily basis for one week before the due date. A total of 165 complete responses were received, providing a response rate of 42.2%. After eliminating the responses with error inputs, we ended up with 152 usable responses that were used in all following analyses.

We developed the online questionnaire based on three stages. First, we sought opinions from experts, including a professor from academics, a government officer from the Bureau of Foreign Trade of the MOEA, and two MNE Managing Directors, one from the financial industry and one from the manufacturing industry, to review and identify if any question that was unclear, ambiguous, or sources of possible misunderstanding. Based on their feedback, we further rephrased some of the initial survey items and added other instrument to make the question more straightforward. Next, we minimized consistency artifacts by limiting the online questionnaire to only four sections (subsidiary role change, alignment, subsidiary performance and general information) where each response was on a scale from 1-5 (see 3.2 Measures). Lastly, based on previous empirical studies of subsidiary management, we sought to eliminate the risk of social desirability bias by including a brief explanation at the beginning of each session to ask respondents to answer survey items from the perspective of the subsidiary rather than from their own individual points of view. By doing so, we obtained the confidentiality of informants and used serial numbers regarding the online questionnaire survey to keep track of respondents and non-respondents (Sharma, 2000).

Among the distribution of the respondents, 85 are involved in the financial and service industries, while 67 are from the manufacturing industry. The mean annual revenue of the sample subsidiaries was US$ 55 million, with a range from US$ 0.5 million to US$ 2 billion. The most common parent company nationality was Europe (58, including the United Kingdom, Germany and France), followed by the United States (53) and Asia (41, including Japan, Hong Kong, Singapore, etc.). To test for non-response bias, a t test was adopted to check the difference between early respondents and late respondents (Weiss & Heide, 1993). Early respondents were defined as the first 75% to submit their surveys and the last 25% submitted were considered late responses. The result of t tests presented insignificant differences between these two groups of foreign subsidiaries, mitigating the concern for non-response bias (Armstrong & Overton, 1977) and providing further confidence that our sample was representative.

Measures

The research variables of this study include subsidiary role change, alignment, and subsidiary performance. We adopted the variable measurement methods from previous studies or developed them from concepts that are discussed in the existing literature. Several survey items were added to address the global economy, business environment, and the environment of the host market. All survey items were measured on a five-point Likert scale, ranging from 1 (disagree), 2 (somewhat disagree), 3 (natural), 4 (somewhat agree) to 5 (agree). Based on the opinion from our panel of experts that Taiwan, like other East Asian nations of Japan, South Korea and parts of China, prefers more indirect responses, we excluded the options "strongly disagree" and "strongly agree" in the scale.

Dependent Variable

Subsidiary performance can be assessed via objective or subjective measures. A prior study demonstrated that subjective performance measures may be considered if objective measures are unavailable (Dess & Robinson, 1984). Several scholars have suggested that it is appropriate to examine performance via a subjective measure (Gong, Shenkar, Luo & Nyaw et al., 2007). In this study, we used perceptual measures to assess subsidiary performance according to the subjective indices of two categorical variables based on two areas: (1) scorecard – goal achievement through a combination of financial performance and subjective deliverables; and (2) retention –willingness of employees to continue their current employment and satisfaction regarding the subsidiary. When evaluating subsidiary performance, such perceptual measures have been proven to be reliable in previous studies (Luo & Park, 2004; Yan & Gary, 2001).

Mediating or Moderating Variables

Structural Alignment

Formalization refers to written policies and guidelines, objectives, processes, rules and duties regulated by HQ for defining the expected behavior and standard output (Poppo & Zenger, 2002; Wang & Fulop, 2007). Respondents were asked to evaluate the degree of formalization regarding: annual target setting – "bureaucratic mechanisms" (Geringer et al., 1989); reporting lines – results in control by means of performance reports; product governance and operational procedures; and organization chart and job description – "administrative means" (Groot & Merchant, 2000).

Informal coordination, also known as socialization, describes the degree to which HQ creates shared norms and values as well as sets a monitoring mechanism such as regular review meetings and social networking activities among HQ, RHQ and other subsidiaries through social interactions (Nohria & Ghoshal, 1994; Chalos et al., 2004). The following items were used to measure informal coordination: the declaration of a "mission statement and valued behaviors"; whether "regular coordination" occurred on a subsidiary's communications with HQ/RHQ via telephone conference or face-to-face meetings; frequency/presence of HQ/RHQ visits to the subsidiary in the host country (Chalos et al., 2004; Glaister et al., 2003a); whether subsidiary's employees were invited to participate in training activities hosted by HQ/RHQ; and whether subsidiaries were requested to communicate or set up a corridor with other subsidiaries (Jaussaud & Schaaper, 2006).

Behavioral Alignment

Profile building consists of the track record of a subsidiary, its commitment to HQ, and its impression management efforts. Following Bouquet and Birkinshaw (2008)'s study with the revised CFA model, we adopted two fitness items for "track record" – whether a subsidiary has a history of effective and respected leaders, and whether the top management team of the subsidiary has a high degree of credibility. As for "subsidiary commitment", we checked whether the subsidiary currently followed HQ's posts on social media and determined whether what HQ stood for was important to our subsidiary managers (Roth & O'Donnell, 1996). Lastly, we measured "impression management" based on a three-item scale developed by Bouquet et al. (2008) and noted whether a subsidiary said yes or no to the following: we fine-tuned the item to make it more practical to the actual business arrangement; we worked internally together with HQ/RHQ to focus on the subsidiary's efforts towards meeting the group's goals and values (so as to maintain the strategic alignment from a behavioral point of view); and we involve HQ/RHQ in our business and welcome their inputs periodically (Barlett & Ghoshal, 1989).

Initiative taking is another construct summarizes the prior scale from Birkinshaw et al. (1998) with two-way aspects of subsidiary initiatives as top-down initiated assignments and subsidiary autonomous actions. As initiative is becoming increasingly crucial for driving business momentum, we asked the subsidiaries "how often have any of the following activities occurred in the past one to three years?" For the top-down assignments, the items were: "new initiative, new product or new investment to change the way of doing business from HQ to elsewhere in MNE network", while from the subsidiary's autonomous actions we assessed whether they responded that they were "mandating with landmark deal, obtaining investment budgets or proposing self-initiative such as new focus of a targeted industry, corridor or clients to attract HQ's attention."

Independent Variables

Subsidiary Role Change

Endogenous subsidiary role change means the subsidiary has its given factor endowment for the role description and the accountability and its change may be pulled from internal sentiment. To measure how HQ defines the subsidiary, we first assessed whether the subsidiary was aware of the change of given factor endowment, then we checked if any change had occurred in the centralized management focus and business direction in relation to the operational activities, namely centralization on R&D, finance, manufacturing, marketing and sales, and human resource management strategy (Luo et al., 2001; Yu, Wong & Chiao, 2006) compared to the past. Second, we explored if the degree of decision-making autonomy affected the legitimacy of the subsidiary's accountability via empowerment and guidance on the subsidiary role. A low degree of empowerment for a subsidiary would imply a high degree of centralization by HQ (Geringer et al., 1989; Glasiter et al, 2003). Meanwhile, a high degree of empowerment is often believed to authorize broader roles and mandate of subsidiary actors within the MNE network (Jarillo et al., 1990).

As for exogenous subsidiary role change, the subsidiary could also change its assigned charter following the movement of the external environment in its host country or external linkages with its upstream or downstream counterparties, such as suppliers, customers or even competitors for optimizing the subsidiary capability's utilization (Birkinshaw et al., 2005, 2008). Such role change means the subsidiary's ownership remains with the MNE network, while the key value proposition or business model may have been shifted with a different focus from the beginning. In this study, we measured from the "external environment": whether the subsidiary had internal organizational adjustments due to changes in the host market's local environment from economic (i.e. trend of digital economy), political (i.e. local government initiatives and recent global tensions of US-China trade war) or regulatory aspects as well as peer competition (Kostova & Zaheer, 1999; Hillman & Wan, 2005). We used the same perspective to assess "external linkage" as "any modifications of the relationship with the suppliers or customers under the value chains" (Helfat & Peteraf, 2003) caused by the abovementioned reasons.

Control Variables

We controlled for several factors that might have confounded the study's hypotheses. At the subsidiary level of analysis, we included questions regarding subsidiary size (number of employees), age, and turnover (average annual sales over the past 3 years). These questions were particularly important as well-established subsidiaries are often automatically allocated a set amount of resources or attention from the MNE (Bartlett et al., 1989). Two dummy variables were used to code the industry. The industry effect of the service sector, which included the financial industry and other sectors, was coded as 1; the manufacturing industry was coded as 0. In addition, the geographic scope of HQ's home country was also coded to see if any differences resulted from discrepancies between regional mindsets (Perlmutter, 1969).

Reliability and Validity

These variables were adopted or developed from previous studies on related issues, and we sought expert feedback to confirm the validity of the proposed five-factor measurement model – endogenous and exogenous subsidiary role change, formalization and informal coordination (structural alignment), profile building and initiative taking (behavioral alignment), and subsidiary performance. The Cronbach □ of the measurements all exceeded 0.70, indicating high reliability. Table 1 shows the means, standard deviations, and correlation coefficients of our study's variables.

TABLE 1
MEANS, STANDARD DEVIATIONS AND CORRELATION MATRIX

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Subsidiary role change	4.13	0.34	0.70												
2. Centralization	4.21	0.62	0.65^{***}	0.38											
3. Legitimacy	4.04	0.82	0.58^{***}	0.21^{**}	0.46										
4. External environment	4.09	0.36	0.76^{***}	0.18^{*}	0.22^{**}	0.34									
5. External linkage	4.16	0.44	0.78^{***}	0.23^{**}	0.18^{*}	0.63^{***}	0.56								
6. Alignment	4.44	0.29	0.59^{***}	0.41^{***}	0.31^{***}	0.44^{***}	0.44^{**}	0.80							
7. Formalization	4.46	0.41	0.46^{***}	0.25^{**}	0.38^{***}	0.28^{***}	0.34^{**}	0.67^{***}	0.35						
8. Informal Coordination	4.50	0.36	0.57^{***}	0.36^{***}	0.24^{**}	0.44^{***}	0.48^{**}	0.76^{***}	0.42^{***}	0.63					
9. Profile building	4.55	0.31	0.44^{***}	0.30^{***}	0.17^{*}	0.34^{***}	0.38^{**}	0.77^{***}	0.43^{***}	0.45^{***}	0.56				
10. Initiative taking	4.19	0.50	0.31^{***}	0.29^{***}	0.17^{*}	0.24^{**}	0.14	0.74^{***}	0.30^{***}	0.37^{***}	0.41^{***}	0.66			
11. Subsidiary performance	4.30	0.39	0.47^{***}	0.24^{**}	0.23^{**}	0.34^{***}	0.45^{**}	0.58^{***}	0.40^{***}	0.52^{***}	0.45^{***}	0.35^{***}	0.71		
12. Scorecard	4.22	0.47	0.38^{***}	0.18^{*}	0.11	0.36^{***}	0.37^{**}	0.49^{***}	0.27^{***}	0.44^{***}	0.44^{***}	0.29^{***}	0.79^{***}	0.70	
13. Retention	4.40	0.55	0.34^{***}	0.20^{*}	0.26^{**}	0.15	0.32^{**}	0.40^{***}	0.35^{***}	0.36^{***}	0.24^{**}	0.24^{**}	0.76^{***}	0.20^{*}	0.75

Diagonal terms are the coefficient of Cronbach's a for each variable. * p < 0.0.5; ** p < 0.01, *** p< 0.001.

RESULTS

Initially, we used multiple regression analysis to examine subsidiary role change and its relationship to subsidiary performance and alignment. Table 2 contains the results of these analyses.

TABLE 2
MULTIPLE REGRESSION ANALYSIS

	Control		Subsidiary Performance		Alignment	
	Model 1		Model 2		Model 3	
Constant	2.10^{**}	(0.36)	2.15^{***}	(0.36)	2.38^{***}	(0.24)
Subsidiary size	0.10	(0.06)	0.10	(0.06)	0.10	(0.06)
Subsidiary age	0.00^{*}	(0.00)	0.00^{*}	(0.00)	0.00^{*}	(0.00)
Subsidiary turnover	0.19^{**}	(0.07)	0.17^{**}	(0.07)	0.15^{**}	(0.06)
Financial & service	0.22^{**}	(0.06)	0.24^{***}	(0.08)	0.42^{***}	(0.11)
Manufacturing	0.02^{**}	(0.04)	0.01^{**}	(0.03)	0.02^{**}	(0.04)
Grographic scope	-0.01^{*}	(0.00)	-0.01^{*}	(0.00)	-0.01^{*}	(0.00)
Centralization			0.12	(0.05)	0.28^{***}	(0.03)
Legitimacy			0.13	(0.04)	0.16^{*}	(0.02)
External enviornment			0.06	(0.10)	0.22^{*}	(0.07)
External linkage			0.36^{***}	(0.08)	0.21^{*}	(0.06)
R^2	0.18		0.24		0.35	
F	3.45^{**}		11.64^{***}		20.06^{***}	

Standardized coefficients are reported; the figures in parentheses are standard errors; n = 152, * p < 0.05; ** p < 0.01, *** p< 0.001.

Model 1 shows the control coefficients predicting subsidiary performance. In Model 2, we present results of the multiple regression analysis pertaining to Hypothesis 1 (subsidiary role change has a positive association with subsidiary performance). Our results support our prediction that subsidiary role change would be positively associated with subsidiary performance ($p < 0.001$). Indeed, the coefficients indicating the industry effect, the relative sales turnover and their external linkage to modify the relationship with suppliers and customers were all positive and significant. In Model 3, the results also supported Hypothesis 2 (subsidiary role change is positively related to alignment). The coefficient measuring the subsidiary role change is positively related to alignment from both endogenous and exogenous factors ($p < 0.001$). Collectively, considerations of weight accounted for 24% and 35% of the explained variance in subsidiary performance and alignment, respectively, compared to 18% for the baseline controls included in Model 1.

We then adopted multiple hierarchical regression analysis via Baron and Kenny's method (1986) to test the mediating effect of alignment. Subsidiary role change was shown to significantly influence the alignment as the mediator in Model 4 ($p < 0.001$), and subsidiary role change was also shown to significantly influence the subsidiary performance ($p < 0.001$) in Model 5, as expected. In addition, the data regarding control of subsidiary role change supported Hypothesis 3 (all else being equal, alignment is positively related to subsidiary performance), that alignment was positively related to subsidiary performance in Model 6 ($p < 0.001$). Moreover, the coefficient in Model 5 ($\beta = 0.47$) is less than Model 6 ($\beta = 0.19$), which further confirmed the mediating role of alignment and supported Hypothesis 4 (through mediating alignment, subsidiary role change has a positive association with subsidiary performance) ($z = 4.80$, $p < 0.001$).

TABLE 3
MULTIPLE HIERARCHICAL REGRESSION ANALYSIS

	Alignment		Subsidiary Performance					
	Model 4		Model 5		Model 6		Model 7	
Constant	2.39^{***}	(0.23)	2.11^{***}	(0.34)	0.59	(0.41)	4.31^{***}	(0.03)
Subsidiary size	0.10	(0.06)	0.10	(0.06)	0.10	(0.06)	0.10	(0.06)
Subsidiary age	0.00^{*}	(0.00)	0.00^{*}	(0.00)	0.00^{*}	(0.00)	0.00^{*}	(0.00)
Subsidiary turnover	0.16^{**}	(0.06)	0.19^{**}	(0.08)	0.15^{**}	(0.06)	0.17^{**}	(0.07)
Financial & service	0.38^{***}	(0.10)	0.22^{***}	(0.08)	0.40^{***}	(0.10)	0.44^{***}	(0.12)
Manufacturing	0.02^{**}	(0.04)	0.01^{**}	(0.03)	0.02^{**}	(0.04)	0.02^{**}	(0.04)
Grographic scope	-0.01^{*}	(0.00)	-0.01^{*}	(0.00)	-0.01^{*}	(0.00)	-0.01^{*}	(0.00)
Subsidiary role change (SRC)	0.59^{***}	(0.06)	0.47^{***}	(0.08)	0.19^{*}	(0.09)	0.18	(0.09)
Alignment					0.46^{***}	(0.11)	0.44	(0.12)
SRC x Alignment							-0.07	(0.20)
ΔR^2	0.35		0.21		0.13			
ΔF	80.57^{***}		41.34^{***}		32.26^{***}			
R^2	0.35		0.21		0.36		0.33	
F	80.57^{***}		41.34^{***}		41.16^{***}		27.73^{***}	
Sobel Z					4.80^{***}			

Standardized coefficients are reported; the figures in parentheses are standard errors; n = 152, * p < 0.05; ** p < 0.01, *** p< 0.001.

To further explore if alignment has a moderating effect in associations with subsidiary role change and subsidiary performance, we used multiple regression analysis again and then mean centered (Kraemer & Blasey, 2004) to test the three-way interactions. Model 7, however, indicated that alignment ($\beta = -0.07$, $p > 0.05$) did not strengthen the relationship between subsidiary role change and subsidiary performance.

We tried another multiple hierarchy regression to test the different sub-constructs of alignment down to each variable's level. Model 8 reported that formalization ($\beta = -0.19$, $p < 0.05$) under structural alignment had a negative moderating effect on subsidiary role change and subsidiary performance. In Model 9, a similar pattern of results emerged to show profile building ($\beta = -0.19$, $p < 0.05$) under behavioral alignment had a negative moderating effect as well. Although the model fit of Model 8 and Model 9 were both significant, the moderating effect of informal coordination and initiative taking were both not significant. The results indicated that subsidiary role change did not become stronger to influence subsidiary performance together with the increase of informal coordination and initiative taking. Taken together, Hypothesis 5 (the moderating alignment strengthens the relationship between subsidiary role change and subsidiary performance) was only partially supported.

TABLE 4
MODERATING EFFECT ON SUBSIDIARY PERFORMANCE BY TYPE OF ALIGNMENT

	Structural Alignment		Behavioral Alignment	
	Model 8		Model 9	
Constant	4.31***	(0.03)	4.32***	(0.03)
Subsidiary role change (SRC)	0.18*	(0.10)	0.32***	(0.09)
Formalization	0.13	(0.07)		
Informal coordination	0.39***	(0.11)		
SRC x Formalization	-0.19*	(0.16)		
SRC x Informal coordination	0.11	(0.17)		
Profile building			0.15	(0.12)
Initiative taking			0.20*	(0.06)
SRC x Profile building			-0.19*	(0.28)
SRC x Initiative taking			0.11	(0.15)
R^2	0.37		0.36	
F	16.76***		14.25***	

Standardized coefficients are reported; the figures in parentheses are standard errors; n = 152, * $p < 0.05$; ** $p < 0.01$, *** $p < 0.001$.

In summary, the above tests revealed the importance of alignment as a mediating effect in our proposed framework. Although the moderating effect was not significant, it was still meaningful to take an additional step in exploring what role structural alignment and behavioral alignment plays in the relationship between subsidiary role change and subsidiary performance.

DISCUSSION AND CONCLUSIONS

MNEs are well aware that the global business environment is now changing faster than ever, such that not only HQs but also the subsidiaries are required to act diligently and systemically to retain preemptive advantages. “Alignment” has attracted substantial research interest, with particular attention being paid to understanding the influence of replacing HQ’s control over subsidiary management on the subsidiary performance. While subsidiary development continues to move forward in the internal market era, based on the key components under subsidiary management, we proposed a conceptual model that describes how HQ could leverage alignment mechanisms to optimize the subsidiary performance, especially for those established subsidiaries with a low weight. Our empirical findings demonstrated that through the mediating alignment, subsidiary role change has a positive association with subsidiary performance. Alignment originates from bureaucratic control between the HQ-subsidiary relationship and evolves toward the subsidiary role change. To deliver the committed performance, subsidiary managers must act agilely to adjust the relationship between suppliers and customers across value chains in response to the local market as well as to peer competition.

Theoretical Contributions

This paper proposed that subsidiary role change illustrates the subsidiary’s position under shifting dynamics that requires capturing changes resulting from the global environment, resource availability, organization re-structuring, or competition among the MNE networks. We further reconfirmed the relationship between subsidiary role change and subsidiary performance. The subsidiary role may be further broadened or scaled down in order to adapt to the host market for survival. Moreover, based on the hypothesis that alignment could provide a better control mechanism in MNEs to determine their subsidiaries' success or failure, we examined whether the proposed structural alignment and behavioral alignment mechanisms do have the mediating or moderating effect on the relationship of subsidiary role change and subsidiary performance.

First, our study explores the subsidiary role change and expands our knowledge regarding this topic. We determined the current state of the subsidiary role and compared it to the initial subsidiary's assigned charters, highlighting the little attention paid to subsidiary performance once it is established. Of the sample MNE subsidiaries in Taiwan, 87% have been established for more than 20 years. Over this time, more than 75% of the subsidiaries had experienced major changes in the business focus assigned by HQs, mainly resulting in enhanced centralized management focus. On the other hand, such change is mainly driven by external linkages to fine-tune the connectivity with suppliers and customers according to the host market's business environment and peer competition. It answers the question of why MNEs restructure more frequently than before to ensure that performance can be sustained. It is worthwhile to highlight an interesting finding from exogenous change enablers, that MNE subsidiaries would still follow global trends such as the US-China trade war and digital economy to modify their business model and value chains, while the lowest priority for those MNEs' expansion into a host market was the local governments' initiatives.

Second, this study advances our understanding of the importance of alignment. Alignment is a contributor to subsidiary role change and there is also a mediating effect between the relationship of subsidiary role change and subsidiary performance. Although we found that alignment didn't significantly contribute additional variance to subsidiary performance, the result was still positive as we expected. We therefore can adopt alignment as a replacement of bureaucratic control processes, and, to varying degrees, an influencer of the behavioral output of another entity by using authority, empowerment, and a wide range of administrative, cultural, and informal mechanisms (Geringer et al., 1989). Furthermore, we consolidated and simplified the prior studies' several control instruments as structural alignment (formalization and informal coordination) and behavioral alignment (profile building and initiative taking), embedded with both HQ's guidelines & procedures as well as MNE subsidiaries' autonomous actions. Our study shows that most MNE subsidiary managers acknowledged the alignment mechanisms of profile building, informal coordination and formalization, while initiative taking came last. This is consistent with previous studies that profile building does help to gain HQ's attention (Birkinshaw et al., 2008), however our results indicate that informal coordination makes more sense for assisting subsidiaries to achieve the committed performance. This supports the empirical results that subsidiaries are normally willing to cooperate with what is being requested by HQ, and periodical reviews, face-to-face meetings or assigning mandatory trainings are also beneficial to ensure the business is on track.

Third, we deep dive on the moderating effect of structural alignment and behavioral alignment to see if it strengthens the relationship between subsidiary role change and subsidiary performance, given the insignificant moderating effect for overall alignment. Our findings showed a significant negative moderating effect on formalization and profile building, with no interaction on information coordination and initiative taking, which was contrary to our previous hypothesis that better alignment would vitalize subsidiary role change and its associated performance. To explain this from another standpoint, for established MNE subsidiaries dealing with the dynamic changes of the business environment, formalization may not be able to capture the subsidiary role change to reflect the most up-to-date organization changes down to the level of target setting, individual job function, and product and procedures for timely actions due to the extended linkage to internal and external counterparties. Similarly, for profile building, a credible history, capable TMTs, and commitment to the required deliverables cannot always be guaranteed because of several internal and external factors involved for MNEs. Hence, subsidiary role change itself would strengthen the positive association with subsidiary performance. For subsidiaries that strive to survive subsidiary role change, their role change alone may meet the purpose to accommodate the change of the external business environment, and the subsidiary's self-initiatives work better to address the fitness of the business model and the key value proposition.

Nevertheless, our findings demonstrate the feasibility of using the scorecard and retention as subjective measures of subsidiary performance, and still support the positive function of alignment. The subsidiary that fully aligns with its subsidiary role change tends to achieve a better scorecard and has a lower attrition rate. In another words, if the subsidiary can be allocated a better bonus pool and promotion opportunities, their staff would be more willing to stay and would feel more optimistic about the subsidiary's future.

Managerial Implications

The empirical results presented in this study provide several managerial implications for the established subsidiaries that already have a given role. For HQ executives, this study highlights the need for, and guidance regarding, methods to simulate the subsidiary companies' transition or transformation during subsidiary role change. To prosper in the dynamic changes of the global environment, HQ should be open to assessing multiple sources to assign management focus and business focus according to the capabilities and potential step-ups of subsidiaries companies. In addition, HQ needs to set the bureaucratic control systemically in place across the MNE network to monitor past and current performance. This is not only to ensure that subsidiary development is on track via periodic meetings, but also to gain host market intelligence in a timely manner and to revisit the assigned charters and target-setting that is applicable to each subsidiary.

For subsidiary managers, what emerges from this study is clear evidence that subsidiary performance can be influenced from two directions. First, alignment effects kick off the new chapter of subsidiary development. Alignment usually begins as means to ensure all stakeholders are on the same page and it also serves a valuable mediating role in the diverse cultures and geographic areas between the relationship of subsidiary role change and subsidiary performance, on top of the policies, procedures, and reporting routines which have been set as a guideline within the organization. Furthermore, subsidiaries can profile their achievements by strengthening their positions within the MNE network through alignment. Subsidiary managers need to be vocal in their support of the subsidiary to obtain the needed attention from HQ or RHQ and to be held accountable. Second, subsidiary managers who are in low-weight host markets or are faced with limited growth opportunities can still survive by proper subsidiary role change. Even after misalignment, subsidiary performance can still be enhanced after modifying the partnership with upstream suppliers and downstream customers under the value chains in response to peer competition in the host market to catch up to global environment trends. This finding is not new, but it is important to note nonetheless, as it provides clear evidence that such change efforts in considering suppliers and customers' relationship are helpful in achieving the committed deliverables.

Taken together, the ultimate goal is to deliver the committed subsidiary performance to ensure a bright future for the MNE. This requires subsidiary employees to fully participate and to work consistently to achieve the scorecard assigned by HQ and RHQ, as well as to follow up closely by different levels of reporting lines. Here we highlight the importance of the subsidiary manager's development, which is critical for the future of subsidiary role change. A capable subsidiary manager could be the nexus of the relationship between HQ and the subsidiary to move forward toward the growth of subsidiary role change. After people alignment, subsidiary managers could drive the group of people with varying interests in a wider environment and ease the tensions between HQ's new strategic intent and the fitness of the subsidiary's role change under changing dynamics.

Research Limitations and Future Research

While this paper's proposed conceptual framework helps to refine our understanding of the alignment among the relationship of subsidiary role change and their performance, it still has several limitations. First, though we propose structural alignment and behavioral alignment as a new concept of alignment mechanisms, we did not address the potential interactions between the two. Previous empirical studies have attempted to explore the relationships among several control mechanisms, yet the results have yet to be conclusive (Jassuad et al., 2006; Mesquita & Brush, 2008; Huang et al., 2015). Given a circumstance when the role of a subsidiary must change, is there a possibility that behavioral alignment becomes an antecedent or a consequence of structural alignment? What's more, although alignment doesn't play a significant moderating role between subsidiary role change and subsidiary performance, will it become a predetermining effect even before subsidiary role change? These questions demonstrate the need for follow-up studies to reconfirm the path analysis among the proposed constructs, explore the interactions between types of alignments, and examine the effects of these interactions on the subsidiary performance.

Second, the MNE subsidiaries in our sample were all located in one host country – Taiwan. The institutional environment is an important factor that influences the utilization of alignment mechanisms. In Taiwan, the local environment is characterized by subtle diplomatic tensions and lack of growth momentum due to industrial migration. These conditions create difficulties for these subsidiaries to demonstrate better results in behavioral alignment, and indeed the subsidiary voice may not be taken as seriously with little additional resources or investment allocated by HQ. Hence, future research should ideally seek to replicate this study in different locations with host countries of similar GDP (2.5%), which will help to confirm the external validity of this study so that the findings can be generalized. In addition, this can also be replicated in other host countries with higher GDP (>5%) for assessing the mediating or moderating effects of alignment.

Finally, this paper only relied on the responses from the subsidiaries but did not collect data from all the stakeholders. As Birkinshaw (2000) noted, subsidiary role change is due to a parent company's management style and structure, and TMTs at the HQ or RHQ level could have different influences on the subsidiary's performance. Through HQ/RHQ's own strategy and resource endowment are crucial for benefiting from interactions with the relevant stakeholders, the subsidiary can essentially learn and benefit from knowledge spillovers via absorptive capacity and talent mobility. Therefore, we suggest that future researchers try to collect data from all relevant stakeholders and conduct analyses for more antecedents or consequences. Although this will not be an easy task, it is important to understand the outlook from multiple points of view to better appreciate the development of subsidiary management.

A subsidiary's assigned charter is not only the initial short-term means or the overlying alternatives which may help achieve a MNE's business objective, but also the driving force which leads the sustainable MNE to having a much more engaged stance with development potentials. To ensure the established subsidiary can also deliver its commitments and continue to stay profitable and competitive, subsidiary role change has evolved as a crucial starting point. Without guidance by HQ and the ability to equip itself with the soft skills to adapt to changes and accept challenges, subsidiaries are unable to obtain precise alignment from the relevant stakeholders and obtain the needed supports in a timely manner. To shape a vivid subsidiary role change under the MNE network, it is time to turn over a new chapter of subsidiary development by leveraging the alignment effects.

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APPENDIX

TABLE
SELECTED SURVEY ITEMS

Items (five-point Likert scale from 1 = disagree to 5 = agree)		*Mean*	*SD*
Subsidiary Role Change: Centralization		**4.21**	**0.62**
(1)	There are changes of your subsidiary's given factor endowment.	4.03	0.85
(2)	Your subsidiary's centralized management focus (i.e. production, sales, R&D, finance or HR) assigned by HQ is getting important.	4.13	1.12
(3)	There are major changes of your subsidiary's business focus assigned by HQ.	4.46	0.80
Subsidiary Role Change: Legitimacy		**4.04**	**0.82**
(1)	Your subsidiary is fully empowered by HQ.	3.64	1.21
(2)	Your subsidiary has a clear organization chart and job description.	4.43	0.80
Subsidiary Role Change: External Environment		**4.09**	**0.36**
(1)	Overall, your subsidiary has transformed internally in response to the change of external environment.	4.49	0.50
(2)	Your subsidiary has modified its business model or value proposition in response to the peer competition.	4.63	0.57
(3)	Your subsidiary has altered its business model or value proposition in response to the trend of digital economy.	3.87	0.74
(4)	Your subsidiary has adjusted its business model or value proposition in response to government initiatives (i.e. New Southbound Policy, green energy, or wind power, etc.)	3.62	0.82
(5)	Your subsidiary has adjusted its business model or value proposition due to the uncertain US-China trade war.	3.82	0.70
Subsidiary Role Change: External Linkage		**4.12**	**0.36**
(1)	Overall, your subsidiary has transformed the relationship with suppliers and customers in response to the change of external environment.	4.51	0.67
(2)	Your subsidiary has modified the relationship with suppliers and customers in response to the peer competition.	4.67	0.55
(3)	Your subsidiary has adjusted he relationship with suppliers and customers in response to government initiatives (i.e. New Southbound Policy, green energy, or wind power, etc.)	3.59	0.76
(4)	Your subsidiary has adjusted he relationship with suppliers and customers due to the uncertain US-China trade war.	3.89	0.72
Alignment: Formalization		**4.46**	**0.41**
(1)	HQ has formal annual target setting, which helps to achieve your subsidiary performance.	4.57	0.56
(2)	As a subsidiary manager, you have more than 2 layer's reporting lines (i.e. local, regional or HQ).	4.66	0.66
(3)	HQ has clear guidance on product governance, sales discipline and operational procedures.	4.45	0.72
(4)	As a subsidiary manager, you have been formally communicated on the annual target setting, organization structure and job description and it helps to achieve your subsidiary performance.	4.16	0.90
Alignment: Informal Coordination		**4.50**	**0.36**
(1)	HQ has promoted the mission statement or value behaviors regularly.	4.66	0.49
(2)	As a subsidiary manager, you are requested to participate the conference call with RHQ or HQ periodically.	4.87	0.39

(3)	As a subsidiary manager, you are requested to participate the conference call with RHQ or HQ periodically.	4.32	0.80
(4)	HQ or RHQ will visit your subsidiary regularly.	4.86	0.43
(5)	As a subsidiary manager, you are requested to participate the employee training at HQ or regional level.	4.53	0.58
(6)	As a subsidiary manager, you are encouraged to communicate with other subsidiaries.	3.75	0.84
Alignment: Profile Building		**4.55**	**0.31**
(1)	Your subsidiary has delivered the commitments to HQ continuously.	4.39	0.55
(2)	Your subsidiary has a history creditable and capable Top Management Team (TMT).	4.51	0.78
(3)	As a subsidiary manager, you will follow HQ's stories from social media.	4.05	0.66
(4)	What HQ stands for is very important to your subsidiary's TMT.	4.85	0.47
(5)	Your subsidiary is required to complete mandatory employee trainings as per HQ's request.	4.50	0.62
(6)	Your subsidiary will try efforts to work with HQ or RHQ managers to achieve toward the corporation objectives.	4.78	0.45
(7)	Your subsidiary will involve HQ or RHQ in your business and expect their inputs and suggestions.	4.73	0.51
Alignment: Initiative Taking		**4.19**	**0.50**
(1)	HQ has assigned new initiatives in the past year.	4.43	0.54
(2)	HQ has launched new investment or product proposal in the past year.	4.11	0.77
(3)	Your subsidiary has mandated with landmark deal in the past year.	4.36	0.71
(4)	Your subsidiary has obtained new investment or resources from HQ in the past one to three years.	3.46	1.10
(5)	Your subsidiary has initiated self-initiative in the past one to three years.	4.60	0.60
Subsidiary Performance: Scorecard		**4.22**	**0.47**
(1)	Overall, your subsidiary performance was satisfactory in the past year.	4.49	0.70
(2)	Your subsidiary has achieved the financial performance.	4.45	0.73
(3)	Your subsidiary has achieved the client-oriented performance.	4.31	0.64
(4)	Your subsidiary has achieved the internal process and control's performance.	3.91	0.65
(5)	Your subsidiary has achieved the learning and career development's performance.	3.95	0.75
Subsidiary Performance: Retention		**4.40**	**0.55**
(1)	Your subsidiary's turnover rate is relatively low compared to peer.	4.13	0.98
(2)	More than 80% of your subsidiary employees are willing to stay in the following one year.	4.41	0.70
(3)	You will recommend other people to join your subsidiary.	4.54	0.57
(4)	You are confident with your subsidiary's future.	4.53	0.60