

**Leadership capabilities that enable the identification of  
MNE opportunities in emerging markets**

**Student Name: Tebogo Nimrod Mokwele**

**Student Number: 20820934**

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## ABSTRACT

Subsidiary entrepreneurial activities continue to be highly valued strategic levers for subsidiary growth and performance, and as a result, they contribute to the enhancement of the value of the Multinational Enterprise (MNE) network. Leadership continues to be viewed as important in driving subsidiary entrepreneurship. However, there remains a paucity of studies on the actions of individuals with regard to subsidiary entrepreneurial initiatives. The aim of this study was to understand how leadership capabilities enhance the behaviour of the identification of multinational enterprise opportunities operating in emerging markets. A qualitative study was conducted based on 18 individuals working in multinational enterprises operating in emerging markets based in the African continent. The 18 individuals comprised 12 senior leaders and six junior leaders who were referred to as subordinates. They revealed that the extent to which leaders are able to facilitate entrepreneurial initiatives is dependent on a broad understanding of subsidiary entrepreneurship, an aligned and supportive multinational enterprise environment, as well as the existence of supporting headquarters and decision-making autonomy, all of which are working in concert to facilitate entrepreneurial initiatives. Furthermore, the critical role played by leadership in bringing everyone together to focus on increasing the performance of the subsidiary is emphasised. The study makes a significant contribution to the understanding of the leadership capabilities that foster and stimulate subsidiary initiatives in an emerging market context.

**Keywords:** Subsidiary entrepreneurship, leadership capabilities, subsidiary performance, subsidiary decision-making autonomy

## **DECLARATION**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in International Business at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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**Tebogo Nimrod Mokwele**

**29 November 2021**

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# CHAPTER 1

## INTRODUCTION TO THE RESEARCH

### 1.1 Introduction

While International Business (IB) studies have been applauded for successfully attending to several critical questions, criticism regarding the alleged disregard and lack of attention given to individuals remains a concern (Verbeke & Ciravegna, 2020). The concern raised by scholars is that most IB studies have only focused on an organisation as a unit of analysis while neglecting to capture the perspective of leaders, managers, and subordinates as integral role-players in a firm's performance (Buckley, Doh, & Bernischke, 2017). Supporting the view, Sarabi, Froese, Chng, & Meyer (2020) pointed out that more studies on subsidiary performance and management are positioned at organisational level, paying minimal attention to individuals such as leaders and managers. It is from this perspective that this study will focus on exploring a leader's ability to foster the behaviour of recognising and exploiting entrepreneurial opportunities in Multinational Enterprises (MNE) subsidiaries that are operating in emerging markets. When exploring leadership capabilities, the aim will be to understand how leadership affects the performance of a subsidiary while managing the expectations and relations of the headquarters.

### 1.2 Background to the Research Problem

Embedding a behaviour of proactively initiating entrepreneurial activities in an MNE's subsidiary can be a challenging task for a leader to achieve and is more challenging when a subsidiary operates in emerging markets. These markets are known to be inconsistent with one another, necessitating the MNE subsidiary to have a differentiated approach from one country to another (D'amelio & Piscitello, 2016; Gao, Zuzul, Jones & Khanna, 2017). To achieve this, a subsidiary leader will be expected to be constantly agile in response to the shifting realities in order to recognise and exploit opportunities in the local market for long-term survival (Schmid, Dzedek & Lehrer, 2014; Reiche, Bird, Mendenhall & Osland, 2017; Schmid & Morschett, 2020). Furthermore, a leader should possess capabilities that enable a subsidiary to initiate entrepreneurial activities while managing headquarters' expectations. The ability of a business leader to initiate entrepreneurial activities is critical for firms to exploit opportunities in the market, and more so for MNEs since their main reason to expand internationally is growth and long-term survival (Birkinshaw, Hood & Young, 2005).

Corporate entrepreneurship has been profoundly relied upon by MNEs to achieve growth and competitive advantage (Ahsan & Ferhaber, 2018). Although corporate entrepreneurship takes place through directed efforts from the headquarters (HQ) level, MNEs are progressively depending on entrepreneurial efforts being disseminated throughout the organisation, particularly within their overseas subsidiaries (Birkinshaw, 1997; Birkinshaw & Hood, 1998; Birkinshaw et al., 2005; Williams & Lee, 2011). Schmid et al., (2014:209) explain subsidiary initiatives as “proactive, autonomous and risk-taking activities that originate outside the home country in a foreign subsidiary of a multinational enterprise (MNE) and are initiated by actors in the subsidiary.” Studies on subsidiary initiatives offered different categories, processes, and performance implications (Scott et al., 2010). Subsidiary initiatives not only serve as a channel for improving performance (Geleilate, Andrews & Fainshmidt, 2020) but are also thought to have benefits to knowledge creation for MNE (O'Brien, Sharkey Scott, Andersson, Ambos & Fu, 2016).

To remain competitive in the local market, Sarabi et al. (2020) maintain MNE subsidiary leader should develop an entrepreneurial capability that facilitates the behaviour of identifying and exploiting opportunities. However, Monteiro and Birkinshaw (2017) argue that the adaptability of the MNE subsidiary comes from the leader's ability to be agile and capture opportunities presented in the market, while Karacay, Bayraktar, Kabasakal & Dastmalchian (2019) posit that the ability of the MNE subsidiary to adapt and develop entrepreneurial initiatives is a matter of how effectively the leader manages complexity and conflicting interests between them and headquarters by solving contextual problems. However, Reiche et al. (2017) hold that leaders shape the organisation through influence, authority and level of accountability in decision-making and create an environment that encourages the implementation of business objectives. Hence, the study views the importance of understanding leadership in a subsidiary context as being the effectiveness of individual managers lies in the situation and environment in which they operate.

Newman Neesham, Melville Tse (2018) suggest that business leaders who seek to foster entrepreneurial behaviour are not only important to motivate their followers to recognise opportunities in the market but also encourage them to engage in entrepreneurial activities for commercial gains. Given the complexity that comes with emerging markets and subsidiaries, most global companies are required to be adaptable to the conditions of the hosting country in order to recognise and capture available opportunities in the local market. Moreover, Schmid et al. (2014) posit that subsidiaries stand a better chance of long-term survival when identification and exploitation of opportunities are integrated as part of

strategic decision-making. Through the adoption of identifying and seizing opportunities, subsidiaries can engage in entrepreneurial initiatives, thereby improving performance and profitability and increasing the contribution to MNE competitive advantage and overall strategy (Sarabi et al, 2020). Furthermore, MNEs subsidiaries' growth and competitiveness have been documented as key factors essential to further the development of the host country, contributing towards the agenda of the United Nations Sustainable Development Goals (SDG) intended to improve economic growth, promote decent work, and expand access to electricity (UN, 2020; D'amelio et al., 2016). It is, therefore, necessary that MNE subsidiary leaders are able to effectively navigate and mitigate the complexity that comes with managing headquarters' expectations and local competitiveness as it will contribute towards the subsidiary growth and performance and in turn benefit the whole MNE.

### **1.3 Research Problem**

The ability of an organisation to recognise and leverage opportunities stems from leaders' capability to infuse enabling behaviour that proactively encourages subsidiary initiatives within their team members (Renko, El Tarabishy, Carsrud & Brannback, 2015). The subsidiary initiative has been explained as a process of identification of opportunities which is then followed by pledging of resources within the local market (Birkinshaw, 1997). In the context of this study, subsidiary initiatives refer to any proactive projects, generally undertaken independently, that are risky and uncertain, while benefiting the company commercially. One such complexity for a subsidiary leader to deal with is to foreground the behaviour of recognising and seizing opportunities in a local market, and influence team members and main participants to persist in achieving organisation objectives (Sarabi et al., 2020) while effectively managing headquarters' expectations and relations (Schmid et al., 2014). In dealing with this, Ambos et al. (2020) found that leaders play an important role in how the interrelation between headquarters and subsidiaries is managed. It is from this perspective that the study will seek to understand leadership capabilities that are required to drive the behaviour of recognition and exploitation of opportunities in MNE subsidiaries operating in emerging markets.

Birkinshaw (1997) has established that subsidiaries can meaningfully affect and adjust their operations separately from headquarters within a local market context using their own resources and capabilities to achieve success. This suggests that as much as MNE headquarters can still be responsible for setting strategic guidelines, the subsidiary leader can develop and execute objectives based on the context of the local market. However, Ambos et al. (2020) found that to achieve subsidiary independence and headquarters

setting guidelines is when subsidiary functions are established between headquarters and subsidiary instead of headquarters assigning the task or the subsidiary assuming independence autonomously. This resonates with the study as it is necessary that a leader's ability to organise and deploy resources to do what is required to achieve improvement on subsidiary performance be aligned with the parent company.

A key factor in the survival and profitability of a subsidiary is how it performs within the local market (Getachew & Beamish, 2017). Although the concept of subsidiary performance has been well researched, there is a scarcity of theories that link specific actions in an individual's role with the outcome of different organisations (Sarabi et al, 2020). A perspective maintained by Meyer, Li and Schotter (2020) is that research on subsidiary entrepreneurship, initiatives and performance suggests that there is a considerable absence of attention given to the effect that individuals such as leaders, managers and followers have on subsidiary performance. The greater focus has been on the subsidiary's ability to manage operations and initiate entrepreneurial activities to improve performance (Strutzenberger & Ambos, 2014). Less attention has been given to leaders as central role-players in subsidiaries to influence internal and external stakeholders (Anderson & Sun, 2017). An opinion supported by Reiche et al. (2017) is that a leader's way of doing things can have an influence on the firm's performance. It is from this perspective that the study will explore how leaders affect subsidiary performance. When examining the effect of a leader on subsidiary performance, the focus will be on their ability to augment the recognition and capturing of opportunities which is the start of fostering entrepreneurial behaviour (Birkinshaw, 1997; Schmid, et al., 2014).

Earlier studies by Schotter and Beamish (2011) and Ambos et al. (2020) have indicated that tension between headquarters and subsidiaries can affect the operation of a business and lead to MNE being the main loser. It is therefore important for the study to understand how leadership plays a role in managing the interrelations that can benefit both headquarters and subsidiary while embedding the behaviour of identifying opportunities within subsidiaries, and particularly when the main objective of expanding operations in other countries is growth and long-term survival (Getachew & Beamish, 2017). To grow means subsidiaries will be required to develop initiatives based on the local market environment and within a global strategic framework. However, Decreton, Nell and Stea (2019) indicates that in most cases subsidiary initiatives can be rejected which may lead to tensions between headquarters and subsidiary, while Gorgijevski, Lind and Lagerström (2019) indicates that subsidiary initiatives have a possibility of being accepted if they are well prepared and presented. Furthermore, they suggest that future studies should pay more attention to core

role constituencies to which successful initiatives proposals are tied. Thus, the study will examine how leadership affects followers' behaviour in identifying entrepreneurial ideas. As Ahworegba and Colovic (2020) posit, when the headquarters continually accepts the subsidiary's initiatives, this will lead to improvement of the local team's behaviour regarding the concept of identifying and exploiting entrepreneurial opportunities.

In the context of this study, subsidiary initiatives will also be referred to as entrepreneurial activities (Birkinshaw, 1997) which can be understood as any undertakings initiated by subsidiary staff, usually independent from headquarters, and which is followed by commitment of local resources which in turn contributes towards subsidiary performance and profitability (Verbeke & Ciravegna, 2020). The study will be outlined within the MNEs subsidiaries context of emerging markets which are characterised by poor infrastructure and high unemployment (D'amelio et al, 2016), where the performance and profitability of a subsidiary will, in turn, benefit the host country. In addition to the study, the identified research gap has encouraged a comparative assessment to be undertaken on leaders and followers to triangulate the data from the perspective of a leader and followers in order to derive insights into how this affects subsidiary performance and embedding of entrepreneurial behaviours for sustainable growth. To adequately examine the research problem, dynamic capabilities and leadership theories will be discussed in supporting the scope of the study.

#### **1.4 Research Purpose**

This study will explore the factors that are necessary to embed the behaviour of identifying opportunities in the MNEs subsidiary in order to initiate entrepreneurial activities that will elevate performance. Therefore, the purpose of this study is to gain an insight into leadership capabilities needed to advance and encourage the behaviour of noticing and seizing entrepreneurial opportunities in MNEs subsidiaries. This will be of interest to managers who are willing to lead across borders, subsidiaries operating in emerging markets, and those who have an interest in developing entrepreneurial leaders and improving performance. It will also highlight the pivotal role that leadership capabilities play with regard to subsidiary managers, performance and in providing insight into MNEs subsidiary management.

The purpose of this study is furthermore to address a gap in the literature on subsidiary initiatives, where there is at present limited information on the involvement of individuals in entrepreneurial activity. A lack of theories that are associated with specific actions in

individuals' roles within subsidiary performance, according to Meyer, Li, and Schotter (2020) and Sarabi et al. (2019), suggests that more attention should be paid to understanding how and to what extent individuals' actions influence subsidiary performance. Research into the role of individuals in the dynamics of subsidiaries' activities and performance will, in turn, contribute to a better understanding of IB in a volatile emerging market with unpredictable outcomes.

### **1.5 Research Contribution**

A better understanding of pre-existing factors that facilitate or obstruct the identification of MNE subsidiary initiatives will add to the body of knowledge on leadership capabilities for building entrepreneurial behaviour in the MNE subsidiary, knowledge that could advance the investigation of MNE subsidiaries initiatives (Verbeke & Ciravegna, 2018; Sarabi et al., 2020; Meyers et al., 2020). Understanding the process by which entrepreneurial initiatives are conceptualised and nurtured can support MNE in making decisions on the recruitment and development of subsidiary leaders. Furthermore, decision-makers should be empowered and assisted during the recruitment and appointment process to ensure that entrepreneurial efforts are present in MNE subsidiaries in order to improve subsidiary performance that will in turn contribute to the MNE network.

### **1.6 The Research Scope**

The study does not aim to study leadership as a concept and examine the efficacy of different styles but rather as it relates to the capabilities used by subsidiary leaders in building and fostering entrepreneurial initiatives for the performance of MNE subsidiaries. As a result, various leadership approaches are examined from the standpoint of drawing on lessons and attributes applied to a complex operating environment with multiple internal and external constituents from several national cultures and authorities (Doty & Glick, 1994), which may put pressure on leaders (Meyer et al., 2020).

The study further aims to understand the impact of headquarters control and decision-making autonomy on subsidiary entrepreneurial initiatives. How do the leaders manage and navigate the challenges that come with two concepts while being expected to improve subsidiary performance for the sustainability of MNE?

## **1.7 Research Project Structure**

The project structure is provided below. Chapter 1 provides an introduction and overview that explains the role played by leaders to enhance entrepreneurial initiatives.

In Chapter 2, a literature review presents the extent of the research problem based on previous work done by a range of authors.

In Chapter 3, the research question specifies the questions that will be interrogated in seeking to address the research question.

In Chapter 4, the method of investigation, the research instrument, sample, and how quality will be maintained to ensure validity and reliability of the study are addressed in some detail in the research methodology.

In Chapter 5, the findings of the research are detailed in the results, which are based on an analysis of the data collected.

Chapter 6 presents a discussion of results and provides an assessment of the research findings in relation to the research questions and the literature.

Chapter 7 provides the study's main findings, limitations, and future research opportunities in the conclusion and recommendations.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The literature review provides an existing theoretical background of the study. According to Paul and Criadoc (2020), the literature review will establish a framework of the study and explore the literature relative to the current study. In addition, it will integrate and critically review diverse theoretical perceptions from different scholars. The objective is to establish understanding of the present body of knowledge around the construct of entrepreneurial leadership, recognition and capturing of entrepreneurial opportunities, leadership, leadership capabilities and organisational behaviour, operating environment, and performance within MNEs subsidiaries operating in emerging markets.

The topic of leadership has been extensively discussed by scholars in diverse fields. By comparison, few studies have examined the characteristic of leadership in the setting of subsidiaries (Schmid et al., 2014; Sarabi et al., 2020). The first step is to define the concept. According to Reiche et al. (2017), leadership is a societal impact that comprises diverse in-house individuals such as followers and peers, but also a variety of peripheral elements such as regulators, government agencies, business partners, NGOs, and community leaders. The assertion is made that leadership in the context of the subsidiary should not be viewed in the traditional way but as a process where a leader utilises certain activities and behaviours through which they can achieve an influence even outside their organisation. On the other hand, Anderson and Sun (2017) maintain that leadership is a relationship that belongs to leaders and followers, a view supported by Schoemaker, Heaton and Teece (2018) when affirming that leadership comprises two individuals (one who leads and one who is, to some degree, 'led') and these individuals are in a relationship. This view is emphasised by Cho, Shin, Billing and Bhagat (2019) who observe that leadership should reflect the context in which it occurs. It is this perspective that is central to exploring how leadership capabilities in subsidiaries are used to stimulate a behaviour of recognising and capturing opportunities in a local market. Drawing on the above authors, this study will examine subsidiary leadership as a construct of a social process that involves internal followers (subsidiary staff and headquarters colleagues) but also a variety of external stakeholders such as host country regulators, government agencies, business partners, and community leaders.



## 2.2 Dynamic Capabilities Approach

Given the complex challenges and rapid changes that come with operating in emerging markets (D'amelio et al., 2016), from time to time, MNE subsidiary leaders may be required to develop creative ways to boost the performance of entities in local markets. Using the theory of dynamic capabilities which indicates the degree to which an organisation decisively creates, spreads or adapt its resources base in a dependable way (Teece, Pisano & Shuen, 1997; Helfat, Finkelstein, Mitchell, Peteraf, Singh & Teece, 2007). These authors further state that dynamic capabilities serve as an organisation's ability to adjust its main processes and resources, including insights and expertise, to counter changes in the industry and succeed against competitors. This is important for a leader who is pursuing entrepreneurial activities as it will serve as a guide when encouraging followers to identify and capture opportunities (Gupta, McMillan & Surie, 2004). The leader will have an idea of how to deploy organisational resources when developing entrepreneurial initiatives in order to foster the commitment of local employees to the vision of discovering and exploiting opportunities.

Establishing dynamic capabilities can also offer protection around the common dangers of the organisation being focused on ordinary capabilities without seeking ways to improve (Schoemaker et al., 2018). As Pitelis and Wagners (2019) point out, such capabilities can exist in essential human resources such as firm leaders and managers, and also in the whole firm. This means that leaders and managers can enable the firm to change existing business models in order to assist with new creative ways of generating and seizing opportunities (Petils & Teece, 2010; Teece, 2016). Pitelis and Wagners (2019) suggest that dynamic capabilities can assist with the detection and determination of opportunities and threats, leveraging opportunities, and dealing with potential threats; this in turn will reform the organization to preserve the sustainable advantage. In addition, the view of the dynamic capabilities of MNEs is that they must be able to innovate quickly, adapt quickly, and be flexible across many jurisdictions (Petils & Teece, 2010).

Business leaders are often confronted with budget constraints and depletion of talented staff (Buckleys & Casson, 2019); in such situations, applying dynamic capabilities will assist an organisation to oversee how ordinary capabilities should be incorporated and rearranged internally for the firm, and which capabilities need to be increased or reduced (Schoemaker et al., 2018). In addition, as competition increases, leaders will be required to continuously innovate, adapt and be flexible to seize opportunities presented in the local market (Lin et al., 2016). Drawing from the dynamic capabilities theory, the study will examine how quickly

subsidiary leadership can be creative and adapt current organisation resources to enhance the behaviour of identifying and exploiting entrepreneurial opportunities in emerging markets.

## **2.3 Literature Themes**

### **2.3.1 Corporate entrepreneurship**

MNEs are being compelled to adapt and find new ways of staying competitive in a shifting environment. Corporate entrepreneurship has for some time been recognised as pivotal to MNE, with distributed entrepreneurial efforts relating to subsidiary initiatives becoming progressively dependent on MNE (Ahsan & Fernhaber, 2018). It has frequently been described as the notion of supporting employees to think like entrepreneurs inside the boundaries of a prevailing organisation (Yunis, Turhini & Kasser, 2018). Employees with the right mindset and skills are stimulated to recognise opportunities and advance concepts which lead to innovative new products, services, or even new lines of business. This allows established MNEs to behave like start-ups while harnessing the power of being creative as well as retaining the status of being MNE.

In order to remain viable, any organisation must constantly generate new ideas for expanding its operations and increasing profits (Ahsan & Fernhaber, 2018). Many MNE subsidiaries, on the other hand, may fail to properly discover and exploit possibilities in the local market as a result of their organisational structures, bureaucracy and culture (Sarabi et al., 2020). Implementing corporate entrepreneurship within MNE will afford the company with an organised way of increasing its creative and different way of doing things which will benefit the organisation in the long term. For this study, the focus will be to understand how MNE subsidiary leadership uses capabilities to embed entrepreneurial behaviour. It is important to understand that organisations do not create entrepreneurs as they are already in the company. All that needs to be done is to identify and motivate people to recognise and exploit opportunities. Therefore, through the lens of dynamic capabilities, this research will examine how MNE subsidiary leadership repurposes available resources to identify and capture opportunities in the local market.

According to Ahasan and Ferhaber (2019), corporate entrepreneurs are different from average employees and need to be motivated and supported in a different manner. The approach to these individuals should be different from others. Gorgijevski et al (2019) posits that organisational leadership should create a conducive environment that will enable

people to unleash their full potential. In order to bring the best out of these individuals, while Sarabi et al (2020) suggest that subsidiary leadership should create an encouraging environment and support employees, Becker, Billings, Eveleth & Gilbert (1996) maintain that it is essential to enhance a culture that makes employees feel appreciated and supported. Individuals should feel free to share new ideas and be provided with the required resources and guidance that will promote the success of entrepreneurial initiatives.

### **2.3.2 Overview of Leadership**

The concept of leadership remains a key aspect of this study. Although the intention of this study is not to investigate the efficacy of different leadership styles, the focus will be to examine how some leadership styles may assist subsidiary leaders to identify and exploit opportunities. It is within this framework that previous work on leadership styles will be critically evaluated and present gaps relevant for this research topic regarding the effect on the role of subsidiary leadership in dealing with pre-existing factors that enable or impede identification and capturing opportunities in emerging markets.

#### **Leadership Styles:**

There is no leadership style that is deemed appropriate for all circumstances; however, a talented leader adapts according to what the situation requires to succeed (Shafique & Beh, 2017). Contributing to this argument Ritter and Rugero (2017) argue that essential qualities of leadership will continue going into the future, and efficient leaders will be those who are able to transform and modernise their capabilities to react to the varying business requirements. Leadership is fundamental for the functioning and success of a business organisation, and central to leading well is to have an understanding of the requirements for entrepreneurship within MNE subsidiaries. According to Cho et al (2017), the leadership approach of a leader is one of the important contributing factors to creating a climate for entrepreneurship in an organisation.

#### **Transformational and Transactional Leadership:**

There is existing leadership literature that discusses and evaluates different leadership styles and their influence on entrepreneurship in MNEs. Cho et al (2017) in their comparative study of the effects of transformational and transactional leadership suggest both leadership styles are likely to predict the outcome under certain circumstances when accompanied by financial or non-financial gains. Transformational leadership achieves the outcome in an organisation by encouraging and inspiring followers (Bass & Avolio, 1995) while transactional leadership encompasses motivating and directing followers mainly

through appealing to their own self-interest (Avolio, Bass & Jung, 1999; Bono & Judge, 2004). The formal authority and accountability of transactional leaders in the organization gives them the ability to influence others (Bono & Judge, 2004). The primary purpose of a follower is to carry out the directions of the leader as instructed. Transactional leaders value orders and structure. Furthermore, Bono and Judge (2004) emphasise that it is a leadership approach that depends on self-motivated people who work well in a structured and directed environment. This approach of leadership monitors for deviations, mistakes and errors, and then takes remedial action as soon as possible if and when they do happen (Bass, Avolio, Jung & Berson, 2003).

As opposed to directive leadership, transformational leadership works to motivate and inspire employees by choosing to effect rather than direct their actions and decisions. Transformational leaders have been found to possess emotional mechanisms in their minds to affect followers by transforming their values, concepts, perceptions, aspirations and expectations. Through personalised observation, these leaders develop their subordinates through mentoring, effective communication, and constant feedback (Anderson & Sun, 2017). The transformational leadership approach makes use of four sub-dimensions that are conceptually distinct from one another: ideal influence, inspirational motivation, intellectual stimulation, and personalised consideration (Bass & Avolio, 1994; Bass, 1999). Idealised influence refers to a circumstance where the leader offers a vision and direction and encourages subordinates to believe in themselves which creates a bond and connection with followers (Bass & Avolio, 1994; Bass, 1999). Inspirational motivation relates to conditions where the leader activates motivation within the team by inspiring the follower while providing a share vision. Intellectual stimulation affords the leader to inspire the employees to create new ideas and approach existing problems in a different way. Individualised consideration takes place in a situation where the leader recognises individual personality and concentrates on the uniqueness of people to appropriately support and mentor them whenever there is an opportunity (Bass & Avolio, 1994; Bass, Avolio, Jung & Berson, 2003).

The MNE environment is characterised by structure and directive from headquarters. Based on what is expected from MNE subsidiary leaders, these two leadership approaches may be required to be employed in different circumstances. At certain times, the leader will be expected to connect people from different backgrounds and encourage them to identify opportunities within the local market, and to a certain extent, cascade vision from headquarters and direct a team to deliver results. It is therefore relevant to examine

subsidiary leadership through the lens of these two leadership approaches and understand how these approaches are employed in the context of MNE subsidiaries.

### **Entrepreneurial Leadership:**

Although there is growing acknowledgment of the importance of other leadership styles in the development of entrepreneurial mindset in organisations, some scholars have started to investigate the effects of entrepreneurial leadership in MNE subsidiary performance (Gorgijevski et al., 2019; Sarabi et al, 2020). Based on some investigation of this leadership approach, it is becoming increasingly important in business organisations (Gorgijevski et al, 2019). Renko et al, (2015:55) define entrepreneurial leadership as a leadership approach that, “influences and directs the performance of group members towards the achievement of organisational goals that involve recognising and exploiting entrepreneurial opportunities”. In addition to caring about their company and its employees, effective entrepreneurial leaders strike a delicate balance between working closely with their team while also remaining in a leadership position (Renko et al., 2015). For instance, the need to be friendly, approachable, and treat subordinates the same is required, while remaining adequately distant to exercise authority (Harrison, Burnard & Paul, 2017; Renko et al., 2015). Furthermore, entrepreneurial leaders ensure that their teams are allowed to make decisions, are aware of the benefits and penalties associated with not attaining their objectives and have faith in the leader's judgment in making those decisions. (Leitch & Volery, 2017) In this approach, the leader does not impose solutions on the followers or exclude or suppress potential. Instead, people are encouraged to be creative and come up with their own solutions to problems. Gupta (2004) takes it further and posits that the power of an entrepreneurial leader does not come from an individual instead of their capabilities and principles of opportunity identification and exploitation.

In investigating the role played by subsidiary leadership, this study will also examine how the entrepreneurial leadership approach is utilised to enable the behaviour to recognise and exploit opportunities, given entrepreneurial leaders not only encourage subordinates to engender ideas in response to opportunities within the organisation and market but also motivate people to creatively exploit such ideas for entrepreneurial advances (Gupta, 2004).

### **Situational Leadership Theory:**

MNE subsidiaries operate in a complex international environment (Meyer et al, 2020), which comes with affecting a variety of internal and external constituencies from multiple national cultures and jurisdictions (Doty & Glick, 1994, Bird & Mendenhall, 2016; Reiche et al, 2017). This complex environment may generate a situation for leaders to face competition, therefore at times they are required to be adaptable to deal with different situations in order to be effective and achieve business objectives. It was for these reasons that Blanchard and Hersey introduced the situational leadership model which was modified in 1996

(Blanchard & Hersey, 1996). They argued that there is no leadership style that fits all circumstances. Furthermore, their suggestion was that different situations require different approaches to achieve results. Based on this theory, leaders that are effective are those that can adjust their style to the situation and look at signals to act such as the type of task, the type of people, and other aspects that might add to getting the job done (Wright, 2017).

With the advancement of situational leadership, the insistence is on task behaviour and relationship behaviour (Blanchard & Hersey, 1996). This means the manner of conduct of a leader must be based on the developmental level of their followers for explicit tasks to achieve results. It is also influenced by the attitude of the leaders as to how they will make a difference in an organisation (Wright, 2017). Furthermore, Wright (2017) argues that this type of leadership style drives performance as the leaders adjust their style based on the subordinates.

Situational leadership identified and recommended four approaches to help leaders adapt according to the development of followers (Blanchard & Hersey, 1996). The four approaches are explained briefly below.

- **Telling and directing:** In this approach, the leader is the one having a final say on matters pertaining to the organisation and informing others in the company about the decision. This type of leadership is also known as micro-management because the leader is very involved and closely supervises the people who work (Bass et al. 2003). In addition, it is the type of leadership is characterised by a strong top-down approach, and the employees just follow orders without question. (Blanchard & Hersey, 1996; Graeff, 1997; Bass et al., 2003).
  
- **Selling and coaching:** With this leadership approach, the leader is very engaged in the day-to-day activities of followers. However, the final say eventually lies with the leader, but employees are also invited to give input before the decision is implemented (Blanchard & Hersey, 1996; Graeff, 1997; Bass et al., 2003). The leader will still supervise employees, but it is more of a coaching way rather than a management way. This approach characteristically brings out results when dealing with inexperienced followers. It encompasses sincere accolades and approval to enhance the confidence and self-esteem of subordinates (Blanchard & Hersey, 1996; Graeff, 1997; Bass et al., 2003).

- **Participating and supporting:** This is an approach that permits more accountability from the employees or followers. Although the leader will still offer direction to a certain extent, ultimately decisions rest with the subordinate. When the follower completes the task, the leader will always be available to provide feedback and to build their confidence by motivating and praising them (Bass et al., 2003). It has been found that employees that do well under this approach do not lack the required skills but confidence or motivation to achieve results (Blanchard & Hersey, 1996; Graeff, 1997; Bass et al., 2003). Hence the leader will put more emphasis on encouraging followers.
  
- **Delegating followers:** In this approach, the leaders afford more space to employees that gives them more responsibilities. The subordinates are accountable to choose the task and the direction to do the work. Even though the leader might still get involved to give direction and feedback on how the employee is doing, it is on a much lower level than with other approaches. With this approach, the follower knows their part and executes the task with limited supervision needed (Blanchard & Hersey, 1996; Graeff, 1997; Bass et al., 2003).

By adapting to the situation when necessary, the subsidiary leader will understand the operating environment and local employees better, and in turn will direct and coach them to identify opportunities within the local market. In addition, MNE subsidiaries engage with counterparts in other countries to assist with certain tasks and knowledge sharing and being adaptable to different circumstances is important in this context. Therefore, settling on only one leadership approach from an MNE environment perspective makes it difficult as it comes with complexity.

### **2.3.3 Leadership Capabilities for Subsidiary Entrepreneurship**

Globalisation and rapid change are factors that influence the MNE operating environment. This necessitates the development of leaders who are capable of dealing with the problems that come with rapid global expansion and being adaptable to these fast changes (Uhl-bien & Arena, 2018). According to Teece (2016), entrepreneurship and leadership abilities are difficult to teach and learn if they have not been formed organically during one's lifetime. They are only capable of being imitated to a certain extent. In contrast, a lack of leadership talent in an organisation will almost certainly have a negative impact on the organization's performance (Teece, 2016). There have been numerous studies conducted on the characteristics that contribute to the success of a leader who drives entrepreneurial



activities in the organisation (Renko et al., 2015; Teece, 2016; Sarabi et al., 2020; Meyer et al., 2020). However, with regard to how and when leaders employ leadership approaches depends on the context and setting (Blanchard & Hersey, 1996; Graeff, 1997). Therefore it is necessary for individuals to have certain competencies in order to fulfil their tasks when faced with different problems in their organisation. Specifically, the focus of this study will be on leadership abilities that help individuals to identify and capitalise on entrepreneurial possibilities.

In essence, leadership capabilities are a way of thinking, feeling and subsequently behaving and acting (Bass et al., 2003; Bono & Judge, 2004). Dick, Hirst, Grojean and Wieseke (2007) suggest that it is the ability of a leader to have developed a sense of knowing who they are and what they want to achieve while Eberly, Bluhm, Guarana and Avolio (2017) postulate that it is the leader's ability to engage and empower others to achieve results in a complex environment. In a competitive global and local market where there is a greater demand for organisations, people and resources, leaders play an increasingly vital and expanding role in ensuring that the performance of their teams, and ultimately the performance of the business, is at its highest possible level (Cho et al., 2019). It is therefore important to have leaders equipped with the tools and capabilities to fulfil their roles by capitalising on their potential, leading subsidiaries and unlocking the potential of their followers (Bono & Judge, 2004).

When pursuing entrepreneurial opportunities, the subsidiary leader will be engaging with different stakeholders and counterparts from different countries, and will need to balance the different demands in certain circumstances (Reiche et al, 2017). Therefore, it is necessary to have an individual who can act with the required nuanced maturity in different situations. What is important for a subsidiary leader is the ability to challenge the authority which headquarters may assert on occasion. For example, headquarters may impose plans that may not be relevant to the local market and how the leader deals with the situation is important as it may affect the subsidiary initiatives and in turn the performance (Sarabi et al, 2019). Leaders may also be required to use persuasion with headquarters when seeking to obtain approval for entrepreneurial initiatives suggested by the subsidiary team.

For this study, leadership capabilities are relevant to assist in understanding which behaviours help a leader to drive performance and embed entrepreneurial culture thereby ensuring a sustainable competitive advantage for the subsidiary.

### **2.3.4 Subsidiary Entrepreneurship**

The concept of entrepreneurship in subsidiaries has received considerable attention from IB scholars, and many posit that it can improve the performance and add to the long-term survival of the subsidiary (Verbeke & Yan, 2013). However, much research into subsidiary initiatives has been conducted on organisational level paying less attention to the effect of individuals such as leaders and managers (Sarabi et al., 2020; Meyer et al., 2020). Given that subsidiary initiatives are triggered by individuals with the efforts to enhance performance within a subsidiary (Schmid et al., 2014), it has become necessary to examine the impact of these individuals.

As much as subsidiaries can actively develop and pursue their own objectives, support from headquarters is still required and remains important for the success of initiatives. This is necessary for subsidiary leaders as they differ from domestic leaders, in that their actions and processes affect a variety of internal and external stakeholders from various backgrounds. Therefore, context is considered as a significant aspect that determines their success (Reiche et al., 2017). An opinion reinforced by Schmid and Morschett (2020) is that a leader in a subsidiary context should be agile so as to understand how to navigate challenges that come with leading a subsidiary in a different country in order to exploit opportunities in that host country. By understanding the agility of a subsidiary leader, the study will obtain insight into how to navigate and mitigate pre-existing factors that may impede subsidiary members from proactively identifying and leveraging entrepreneurial initiatives.

Regarding the unused hidden capacity of people as a factor to be creative, Newman, et al. (2018) postulate that traditional approaches such as top-bottom leadership not only undermines the execution of strategic initiatives by failing to leverage the potential of members identifying opportunities but also discourages subordinates from proactively exploiting opportunities in the local market. The entrepreneurial leader should create a conducive environment for team members to continuously look for opportunities and listen to divergent voices that likely have different perceptions that can help with better entrepreneurial initiatives to benefit subsidiary performance (Teece, 2011). Affirming this view, Gorgijevski et al. (2019) suggest that organisations can achieve cost-effectiveness of the entrepreneurial process to a certain extent when they use their internal talent to think creatively on how to exploit opportunities they recognise and confront in their daily activities.

### **2.3.5 The role of Leadership on Opportunity Identification and exploitation**

The importance of leadership in social, economic and political settings has been extensively discussed and studied by many academics and management scholars around the world. Several scholars have made concerted efforts to develop leadership styles, skills and abilities suitable to solve business and societal problems (Terrel & Rosenbush, 2012). Martin, Epitropaki, Erdogan & Thomas (2017) maintain that there is no right or wrong approach while Cho et al. (2019) argues that there is no specific leadership behaviour that is considered effective for a certain task. On the other hand, Bird and Mendenhall (2016) posit that context and those who are flexible to the changes and needs that present themselves matters if a leader wants to succeed, suggesting that the degree to which a leader can successfully foster certain behaviours to perform in an organisation often depends on the context and how adaptable they are in different circumstances (Rieche et al., 2017).

Research suggests that leadership plays a central role in fostering entrepreneurial behaviour in an organisation. Although entrepreneurial leadership has been reflected as a leadership behaviour that encourages the identification and leveraging of opportunities (Renko et al., 2015), research on IB studies suggests that there is a paucity of leadership capabilities that engender entrepreneurial behaviour in subsidiaries (Verberke & Ciravegna, 2020). A perspective which is expanded on by Sarabi et al. (2019) is that studies on entrepreneurial leadership have made entrepreneurship a central idea with minimal emphasis on leadership capabilities essential to advance it. Schmid et al. (2014) advocate that the problem of subsidiary entrepreneurship and performance originates from the methods used to identify and exploit opportunities in a local market rather than entrepreneurial activities. Sarabi et al. (2019) maintains that identifying and exploiting entrepreneurial opportunities has the potential to improve subsidiary performance and foster entrepreneurial behaviour within an organisation. This suggests that a goal to achieve entrepreneurial behaviour revolves around a leader, hence the focus will not only be on one leadership behaviour.

Gorgijevski et al. (2019) highlights that an exceptional entrepreneurial leader is the one who is able to allow subordinates to be proactive and take initiatives on entrepreneurial activities while rewarding them. Sarabi et al. (2019) hold that leading an organisation that drives entrepreneurial initiatives not only means recognising and capturing opportunities but also assembling and committing resources to that opportunity. However, Cho et al. (2019) found variances in leadership style from one country to the other, while Reiche et al. (2019)

postulate that the situation and environment where a leader operates often may affect how they will perform. Taking the matter further, Pitelis and Wagner (2019) argues that entrepreneurial leadership capabilities from leaders are crucial in developing organisational dynamic capabilities that will facilitate entrepreneurial behaviour. This suggests that complementing leadership style and context should be more effective than one leadership style. It is in this perspective and vagueness of leadership literature that this paper aims to explore capabilities that proliferate entrepreneurial behaviour in MNE subsidiaries operating in emerging markets.

### **2.3.6 Organisational Behaviour**

How things are done in an organisation is just as important as what is done. An organisation should have an environment that affords an opportunity for employees to be creative in order to develop ways to improve performance (Marion-Spetkor & Bennen, 2015). Although organisational behaviour might not be easy to interpret, it has become most influential in management research and practice (Linnenluecke & Griffiths, 2010) which makes it important to be understood as it can be a key contribution to performance improvement in the workplace (Lee & Dunlop, 2004).

Zaptaa and Hayes-Jones (2019) argued that there is a constant interplay between organisational behaviour and leadership. Empirical studies have shown the important role leaders play in shaping organisational behaviour (Luthans, 2002). A view that is supported by Marion-Spektor and Beenen (2015) is that leaders (regardless of their title) should focus on setting the example internally so that their team can learn from and emulate it. They further emphasise that it is the duty of a leader to entrench the behaviours that encourage people to achieve what has been set out to be done. Therefore, understanding how the process of identifying and exploiting opportunities is embedded and how the leader enables followers to drive business objectives within a subsidiary is appropriate for this study in order to understand the role of organisational behaviour in enhancing entrepreneurial culture and organisational alignment.

### **2.3.7 Recognition of Entrepreneurial Opportunities in Subsidiary**

The topic of subsidiary entrepreneurial initiatives has received considerable attention from scholars in international business research. Schmid et al. (2014) explains that subsidiary entrepreneurship draws attention to the view that subsidiary leaders can advance entrepreneurial activities and perform their strategic initiatives on their own by identifying

and exploiting opportunities in the local market. However, ongoing discourse on the source of entrepreneurial opportunities is whether they are recognised or generated (Zahra et al., 2014). This topic of discourse does not form part of the current study but it is important to understand the role of a leader when embedding the behaviour of identifying opportunities. O'Brien et al. (2019) argues that context is important in such a context as there may be various effects on individuals, organisations and situations that may not be clear. Similarly, tMNEs subsidiary leaders face a variety of challenges in a shifting business environment which will likely have an impact on how or why certain opportunities are identified and exploited.

Martin et al. (2017) and Newman et al. (2018) established that a leader plays a pivotal role in creating a conducive environment for the behaviour of spotting and seizing opportunities to be entrenched within the organisation. Gupta et al (2004) advocate that it should be leaders that encourage followers to engage in entrepreneurial initiatives, while Newman et al. (2018) suggest that a leader with an entrepreneurial mindset is more likely to foster entrepreneurial behaviour within their organisation. Understanding the role of leadership in the method used to identify and exploit opportunities will position the study to reveal leadership capabilities to engender entrepreneurial behaviour in the subsidiary.

### **2.3.8 Subsidiary Operating Environment**

Management and leadership research consider the organisational operating environment as an important issue to the company to achieve results. According to Schotter and Beamish (2011), an MNE subsidiary's operating environment comes with complexities. However, Kostova, Nell and Hoenen (2018) point out that the subsidiary operating environment's complexity differs from one organisation to another and from one market to another. This key issue has been shown to have an influence on the performance of the organisation (Ambos et al., 2020). What is important for the study is to establish what operating challenges can be found in a subsidiary, and how leaders might navigate and mitigate these challenges in order to have positive outcomes on the performance of the subsidiary. Understanding the effect of the subsidiary operating environment will assist a leader to build required capacity and align strategic initiatives which are realistic to the organisation's operating environment.

According to Sarabi et al. (2019), organisations that are selling differentiated products and services have complex environments to deal with, as it may involve a leader making different strategic decisions. Reiche et al. (2017) further argues that serving different types

of markets that come with several activities brings complexity that requires leaders to be mindful and aware of how to navigate them. This view is maintained by Meyer et al. (2020) when they point out that a subsidiary may serve local and export markets in neighbouring countries which brings added complexity to the operating environment than those that serve only one market. In such circumstances, the subsidiary leader will be required to learn and adapt to many different conditions and may be exposed to various cross-cultural boundaries and many markets with different competitors.

Another matter to consider in a subsidiary operating environment is dealing with the tension that may arise between the MNE subsidiary and headquarters. Although a subsidiary can operate as a stand-alone entity and come up with its own entrepreneurial initiatives, headquarters still develops and gives strategic direction (Sarabi et al., 2019). According to Bouquet, Birkinshaw and Barsoux (2016), tensions between subsidiaries and headquarters are often caused by how headquarters staff treats their subsidiary colleagues. They explained further that this happens when subsidiary managers are disregarded or controlled by conservative elements at headquarters which often leads to the entire company being inconvenienced. It is therefore necessary for a subsidiary leader to know how to navigate this challenge and ensure that local staff is aware of the complexities associated with this matter to avoid tensions when seeking to promote a culture of entrepreneurial activities. As has been pointed out by Haq et al. (2017), tensions within subsidiaries and headquarters are not beneficial to the achievement of the main MNE goals and overall strategy.

### **2.3.9 Subsidiary Decision-Making Autonomy**

Subsidiary decision-making autonomy has been one of the most researched topics by international business scholars. It has been explained as a situation whereby MNE HQ allows the foreign subsidiary to make strategic decisions without any interference (Birkinshaw & Morrison, 1995; Young & Tavares, 2004). It has been regarded as the fundamental aspect of the headquarters / subsidiary relationship (Johnston & Menguc, 2007 & Cuervo-Cazurra, Mudambi & Pedersen, 2019). However, it can be complex given the MNE headquarters usually functions in a different geographical location (De Jong, van Dut, Jindra & Marek, 2015). Furthermore, they argue that the distance in the country's context complicates subsidiary decision-making hence headquarters would prefer to centralise it in order to assure organisational alignment. On the other hand, Sarabi et al. (2020) argues that it may be essential for HQ to give decision-making autonomy to subsidiaries to empower local leaders to respond to changes and exploit local opportunities.

Several studies found supporting evidence that subsidiary decision-making autonomy has an effect on subsidiary performance (Slangen & Hennart, 2008; Tran, Mahnke and Ambos, 2010; Kawai & Strange, 2014). Taking it further, a meta-analysis study by Geleilate et al (2020) indicates subsidiary decision-making autonomy may improve subsidiary performance in some contexts and conditions. What is relevant for this study on this concept is firstly to understand how subsidiary decision-making autonomy affects subsidiary performance (Geleilate et al, 2020 & Cuervo-Cazurra et al., 2019), and secondly, how decision-making restricts the identification and exploitation of commercial opportunities in a subsidiary. Furthermore, it is important to understand the role of subsidiary leadership in managing and navigating this conundrum of subsidiary autonomy and subsidiary performance.

### **2.3.10 Knowledge Sharing**

Accessing knowledge, ideas, and opportunities within the MNE environment has been regarded as a competitive advantage (Paul & Criadoc., 2018) When a subsidiary can access better knowledge and expertise than competitors from a global network, it will be ahead of competitors and perform better in the local market (Meyer et al., 2020). However, the challenge for MNE would be how to bring the diverse potential together between headquarters, subsidiary, and the local market (O'Brien et al., 2016) in order to create knowledge-based capabilities and share these amongst the subsidiaries and the entire MNE for competitiveness in the market (Rugman & Verbeke, 2001; Ciabuschi et al., 2012). Scholars have accepted that individual subsidiaries benefit MNE by interacting with the local environment which has the potential to create commercial initiatives and knowledge, in turn, to be disseminated across other countries globally (Birkinshaw et al., 1998; Almeida & Phene, 2004; Hansen & Lovas, 2004; Gnyawali et al., 2009). To effectively exploit the local environment as regards available and potential opportunities, Scott, Gibbons and Coughlan (2010) suggests that the subsidiary should develop subsidiary entrepreneurship.

According to Cantwell and Mudambi (2005), the ability of subsidiaries to create knowledge within a local setting comes from their capacity to have an opinion and views in their in-house network and to develop through a combination of local initiatives and headquarters support. It is known to be critical and beneficial for MNE knowledge creation ability when subsidiaries accumulate and absorb knowledge from internal and external sources (Phene & Almeida, 2008). The study by Paul et al. (2018) found that when subsidiary leaders show early intentions to create knowledge, this will benefit the whole organisation to not just deliver above par or budgets but also elevate the role of an individual subsidiary within the

MNE network (Andersson, Forsgren & Holm, 2007). According to Meyer et al., (2020) less is known on the role of individual leaders as knowledge carriers in MNE subsidiaries. It is this view that this study examines with regard to how subsidiary leaders employ the concept of knowledge sharing to embed the entrepreneurship culture within the organisation and further, to understand how this process assists with developing leadership capabilities to ensure continuous advantage for the subsidiary.

### **2.3.11 Subsidiary Performance**

The main objective for subsidiaries is to deliver performance as aligned with headquarters' expectations and contribute to giving the company a competitive advantage (Ambos et al., 2010). Although the concept of subsidiaries' performance is well known, scholars do not agree on what comprises subsidiary performance as the objective to establish them differs from one MNE to another (Meyer et al, 2020). This suggests that when measuring performance in a subsidiary context, the criteria should be to evaluate the extent to which objectives have been achieved. On the other hand, Schmid and Morshett (2020) found that many scholars focused and resorted to subsidiary survival as opposed to exiting the local market as a measure of performance. Based on explanations of the above authors, meeting subsidiary objectives and survival in the local market will be viewed as performance in this study.

The focus will be to obtain insights into leaders as they are expected to provide sufficient opportunity and create an environment that will encourage employees to spot and seize entrepreneurial opportunities, particularly when the objective is to advance the entrepreneurial behaviour in the organisation. Providing adequate space will require a leader who understands the operating environment of the subsidiary, comes with an entrepreneurial mindset, and is able to motivate the local team to perform and deliver results (Sarabi et al, 2020). The key factor to performance and encouraging entrepreneurial behaviour originates from subsidiary leaders imparting a sense of dedication and achievement amongst the local team (Pinto, 2019).

Covin and Slein (1991) assert that there is sufficient evidence to demonstrate that incentivising people can either boost or suppress entrepreneurial behaviour, depending on their perspective, while Morginson (2002) postulates that human efforts can be influenced on the condition that metrics are in place for measuring and rewarding desired actions and results. This suggests that if leaders choose to employ reward systems for employees to perform, there should be measuring metrics in place to guide everyone (Scott et al., 2010).



Bringing a different perspective, Dunlop and Lee (2004) posit that performance management has shown that managers who are able to inspire their teams can encourage them to be highly committed to their work and give extra efforts to achieve more than what is expected. Supporting this perspective, Marion-Spektor and Beenes (2015) consider that employees who are committed find meaning to their work, and in turn, it assists in unlocking creativity and productivity which can enhance subsidiary performance.

In the MNEs context, if headquarters provides the value system that guides all employees, then it is expected that subsidiary leaders transfer them to their followers to engender required behaviours. Depending on how subsidiary leaders choose to implement these value systems will affect the expected behaviours. Lord, Day, Zaccaro, Avolio & Eagly (2017) points out that leaders have a stronger influence on their followers' behaviour and one way to transfer values quickly and easily is through the conduct of the leader. An opinion that is supported by Sarabi et al. (2020) is that the assurance of local employees towards achieving subsidiary objectives rests upon the leadership. Therefore, some leaders achieve results by rewarding employees who are consistent with the values and goals of the organisation. Understanding what motivates employees is important for a leader to pursue entrepreneurial initiatives. Exploring how leadership complements subsidiary performance is relevant for the study as it will enable the subsidiary leader to attain required internal and external resources to achieve company goals. Thus, understanding how and to what extent individuals' (leaders and subordinate) actions affect the outcome of a subsidiary is important since little is known on this matter (Meyer et al., 2020).

## **2.4 Conclusion**

The review of the literature provided a comprehensive perspective on the subject matter. The literature has established that leadership in the context of subsidiary effects goes beyond a managerial role, therefore its effectiveness cannot be based on single leadership behaviour. Context plays an important role regarding the extent to which a leader can achieve influence internally and externally. By adjusting to the situation, the leader will be able to modify the business resources and create a conducive environment where employees can be creative and develop new ideas that will enhance the performance of a subsidiary. In addition, the operational environment and different situations have an influence on leadership behaviour; therefore, subsidiary leaders should be able to adjust their leadership approach in order to successfully achieve results. By adapting their style and behaviour, the leader will enhance the commitment and productivity of followers, which in turn increases subsidiary competitiveness locally and benefits the entire MNE. It is

therefore important that subsidiary leaders and managers can efficiently react favourably to new opportunities and challenges presented in the local market while being open to being adaptable to mobilising and deploying resources (Teece, 2016).

The literature has established that in order for a leader to develop subsidiary entrepreneurial activities, they need to manage and navigate pre-existing factors that enable or impede the identification of entrepreneurial opportunities. Firstly, headquarters control and subsidiary decision autonomy should be clear to avoid causing confusion and conflict between the subsidiary and headquarters which may affect the relationship between the two. The subsidiary leadership should be in a position where they are aware of which decisions can be taken without headquarters approval and which ones will require their approval. This will help subsidiary leaders to plan better in case headquarters' approval is needed when it comes to opportunity recognition should they decide to exploit what has been identified as a potential business in the local market.

Secondly, the literature established that when subsidiaries become involved in commercial activities, knowledge can be gained and be shared with others globally. This will benefit the whole MNE.

## CHAPTER 3

### RESEARCH QUESTIONS

#### 3.1 Introduction

The purpose of the study is to examine how leadership capabilities foster a behaviour of opportunity recognition in MNE subsidiaries. In order to assist leaders working in the MNE environment to deal with the complexity and ambiguity of operating under multiple internal and external restrictions while expected to influence constituencies from a wide range of national cultures and jurisdictions, it is necessary to examine this research problem. Three research questions have been developed from the review of the literature in order to achieve the research's overall goal.

#### 3.2 Research Question 1

***What are pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives?***

The literature to some extent revealed the pre-existing factors that subsidiary leaders will have to deal with when building entrepreneurial initiatives. The rationale behind this question was to gain an understanding of limitations and/or requirements that may exist to embed subsidiary entrepreneurial behaviour. It was important for the study to understand the reaction of headquarters to the subsidiary entrepreneurial initiatives and the reasons why previous initiatives were rejected, if any. This will assist subsidiary leaders who are attempting to establish subsidiary initiatives in order to manage and navigate headquarters control and subsidiary decision-making, which has been revealed by the literature to be a limitation to some extent in the development of subsidiary initiatives.

#### 3.3 Research Question 2

***How is this process embedded within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary?***

The purpose of this question is to determine how this process is embedded within the organisation in order to develop leadership capabilities and, as a result, ensure the subsidiary's entrepreneurial initiatives continue. In order to successfully have continuous

entrepreneurial initiatives, it was important to examine how commercial opportunities are identified in a subsidiary. It was necessary to study how subsidiaries search and capture new commercial opportunities in order to successfully maintain a continual entrepreneurial effort.

Resources and capabilities are critical to the success of subsidiary activities, and their availability is necessary to the success of subsidiary initiatives. Through the lens of dynamic capabilities theory, the study examined how subsidiary leadership locates and provides resources to ensure entrepreneurial initiatives become successful. The study also examined how subsidiaries use these events to develop the leadership pipeline and stock knowledge for future use and benefit to the MNE network globally.

### **3.4 Research Question 3**

***How and to what extent do the actions of individuals (leaders and followers) have an effect on a subsidiary performance?***

Organisational function and performance are centred on the people who work there. The intention of this question was to understand the extent of the influence that the actions of individual have on subsidiary performance. When investigating the actions of individuals, the study then sought to understand how employees are motivated to identify and exploit opportunities. The literature revealed that other organisations use rewards and recognition to encourage commercial activities. As a result, the study attempts to determine whether or not subsidiaries use incentive and recognition systems to motivate employees, who in turn drive performance levels. It was also important to establish how subsidiaries evaluate the success or failure of their entrepreneurial initiatives in order to extract learnings from the process as knowledge-sharing literature suggests valuable knowledge can be gained when becoming involved in initiatives.

## **CHAPTER 4**

### **RESEARCH DESIGN AND METHODS**

#### **4.1 Introduction**

Research methods play an important role in assisting researchers to address problems that have been identified. This chapter will discuss the research methodology and design to be employed in the study. As philosophy influences the manner in which a study is conducted, this will be explained and reasons provided. Unit of analysis as a primary entity of study will also be covered. Finally, sampling, measurement, and analysis, and issues of ethical consideration will be discussed within this chapter.

#### **4.2 Research Design**

When observing the nature of the problem being researched, an interpretivism philosophy was followed to comprehend the abundance and complexity of the described constructs through exploring the lived experience of participants (Packard, 2017). According to Bell et al. (2019), interpretivism is the scientific philosophy that follows social concepts, and the truth would be context-dependent and subjective. This philosophy is consistent with the researcher's interest in discovering how MNE subsidiaries are operating in emerging markets, as well as how leaders use capabilities to foster the behaviour of entrepreneurial initiatives and be flexible enough to do things differently, which can benefit MNE subsidiaries by elevating their performance. Furthermore, the aim was to understand how leaders use capabilities to foster the behaviour of entrepreneurial opportunities recognition and creativity to do things differently that can improve subsidiary performance.

Assumptions and views about the manner in which research should be conducted have an influence on the way in which the study has been conducted (Eden & Nielsen, 2020). Given the diverse nature of the subsidiary environment, the researcher sought to reveal insights from various views and practices, and the interrelation with internal and external constituencies. In addition, the researcher acknowledges that as a novice researcher, learnings should be drawn from others to expand knowledge, and the research approach was therefore epistemological.

An inductive approach as a basis of qualitative research was employed for the study. When implementing qualitative methods, researchers aggregate information at a higher level than

the raw data (Bansal, Smith & Vaara, 2018). The inductive approach to theorising will be used to analyse qualitative data, interpret text, and consider various meanings that are implicit in the text (Bell, Bryman & Harley, 2019). By adopting this method, the researcher will identify text segments that comprise meaningful units and broaden the existing literature of subsidiary leadership, initiatives, management, and performance. Furthermore, the researcher through this approach allowed the data to shape the direction of the study.

The study adopted an exploratory research design to reveal hidden views. This is a type of research that focuses on explaining the characteristics of the study thoroughly (Aguinis, Ramani & Cascio, 2020). Although qualitative data can be converted to digital form, synthesised, and even aggregated, doing so first involves analysis of the data to determine patterns and observations (Bansal et al., 2018). It is for this reason the method was selected to ensure that enough information is gathered to understand how leadership capabilities advance creativity, recognition, and leverage opportunities in MNE subsidiaries that are operating in emerging markets. Furthermore, the research design allowed the researcher to identify leadership capabilities that specifically enhance the identification of commercial opportunities with the MNE subsidiary structure. The research design linked different concepts and clarified distinctive reasoning by subsidiary leaders and the impact on their followers.

This study intended to assist individuals who lead within subsidiaries to understand how they can exploit subsidiaries' dynamic capabilities while using leadership to advance entrepreneurial behaviour to enhance performance, and specifically the capabilities to deal with the complexity related to managing MNE subsidiaries operating in emerging markets while headquarters expect growth and performance. This required a phenomenological, qualitative approach to explore different and complex views that can be understood in more detail through the lived experience of several individuals and incorporate additional views that might advance the theory in a different way (Bansal et al., 2018).

### **4.3 Population**

The population is explained as a prescribed group of people or a whole organisation (Bell et al., 2019). The chosen population is significant as it establishes the pool from which the organisations are selected. The appropriate population for this study was a mix of developed countries' MNE (DMNE) and emerging countries' MNE (EMNE) subsidiaries operating in emerging markets. The MNE subsidiaries considered were not limited to a specific sector so as to broaden the generalisability of the study. In addition, the purposeful

heterogeneity of the population in different sectors was established based on the view that it would provide insights that may not be found in a similar group (Aguinis et al., 2019). This component of the study helped to delineate the confines of the findings of the study as well as restricted discrepancy due to aspects outside of the scope of the research.

#### **4.4 Unit of Analysis**

The unit of analysis was the primary entity analysed in the study (Bell et al., 2019). For this study, a unit of analysis was individuals who are leaders and subordinates within MNE subsidiaries operating in emerging markets. The leaders considered consisted of middle management to senior managers involved in managing MNE subsidiaries operating in emerging markets. To obtain insights into the effect of leadership on followers, the study triangulated the data from different sectors, leaders and subordinates. The rationale for this is to understand the perspective of subordinates on the effects of leadership that enable the behaviour of identifying opportunities in MNE subsidiaries as well as to obtain an understanding of the local market.

#### **4.5 Sampling Criteria**

A sampling frame ensured that suitable participants were selected for the study. Individuals with relevant experience, competence, and exposure to subsidiaries operating in emerging markets were the best candidates for this research. In the case of individuals who are from the parent country of an MNE, only those who are based within a subsidiary that is operating in another emerging market were taken into account for the study. These individuals were not limited to any specific industry as the subsidiary entrepreneurial initiative is not tied to any specific sector. This criteria for selecting participants allowed for the expansion of knowledge in the area of subsidiary leadership, entrepreneurial initiatives, performance, and management.

#### **4.6 Sample Method and Size**

Sampling is an unavoidable feature of most research and it completes an essential part of any study (Bell et al., 2019). The sample for the study was drawn from willing individuals (leaders and subordinates) of MNE subsidiaries operating in emerging markets. The sample of 18 (N=18) which will be a combination of leaders and subordinates from different MNEs was interviewed to do inter-company triangulation. Due to the selection criteria of participants, a purposive sampling technique was applied as this non-probability sampling allowed the researcher to use his judgment in proactively selecting respondents who would

best respond to the interview questions (Aguinis et al., 2019). This approach allowed for the expansion of knowledge in the IB field as the preferred sample was of interest, which enables the study's research problem to be comprehensively addressed. Since the study employed purposive sampling, the researcher used his professional and personal networks (Christensen et al., 2015). The researcher initially planned to conduct interviews with 9 leaders of MNE subsidiaries and 9 followers within the same organisation. During the selection process, the researcher interviewed 12 leaders as some leaders did not feel comfortable where their direct followers were part of the study. Since the study was not examining leadership as a concept, the researcher mitigated this concern by interviewing subordinates who report to a different leader within the same organisation to ensure that they would be sufficiently comfortable to freely share their views on the subject matter. The final sample had 18 participants from 12 MNE subsidiaries operating in emerging markets, of which 12 were leaders and eight were subordinates (see Table 1 below for a brief description of the sample).



**Table 1: Brief Description of Sample.**

Sector	Location	Job Designation	Gender	Participants
Tobacco Manufacturing	South Africa	Head of Customer Management	Male	Leader
Fast Moving Consumer Goods	South Africa	Category Management Director	Female	
Pharmaceutical	Malawi	Country Head	Female	
Insurance, Medical, and Investment	Ghana	Country Head of Sales and Distribution	Male	
Motor Manufacturing	Rest of Africa	Executive Director	Male	
Chemical	Zambia	Country Marketing Manager	Female	
Media & Entertainment	Mozambique	Country Head of Marketing, PR & Communication	Female	
Alcohol Manufacturing	South Africa	Country Head of Marketing	Female	
Media & Advertising	Nigeria	Country Manager	Male	
Electronic Devices	South Africa	Marketing Lead - Go to Market	Female	
Confectionary	South Africa	Strategy, Insight & Analytic Director	Female	
Insurance, Medical, and Investment	Ghana	Insurance, Medical, and Investment	Female	Follower
Home Electronics	South Africa	Home Electronics	Female	
Tobacco Manufacturing	South Africa	Tobacco Manufacturing	Male	
Fast Moving Consumer Goods	South Africa	Fast Moving Consumer Goods	Male	
Motor Manufacturing	South Africa	Motor Manufacturing	Male	
Alcohol Manufacturing	South Africa	Alcohol Manufacturing	Male	

#### **4.7 Research Instrument**

Because the study is exploratory, a semi-structured interview was the most appropriate research instrument to collect data. This process allowed the researcher to be flexible and deviate from the 'script' on occasion where respondents provided interesting or pertinent information related to the study that required additional exploration (Bell et al, 2019) or where a respondent may have provided information indirectly linked to the research but which could be valuable as a possible area for future researchers to explore. However, the researcher always posed all the questions in the Interview Guide in the prescribed order to allow for equitable comparisons to be made when comparing respondents' inputs.

The measurement instrument enabled the participants to communicate thoughts, meaning, and insights in order to enhance the understanding of the research problem (Aguinis et al., 2020). The interview schedule was used as a guide to obtaining in-depth interviews and was recorded and transcribed to provide data validation. The interview guide determined the quality of the interview. Interview questions were aligned to the study's research questions to allow the researcher to explore insights on the subject matter. The interview questions were not leading but allowed the participants to freely express themselves as clarified in the interview schedule attached as Appendix A.

#### **4.8 Data Collection**

Data was collected through semi-structured one-on-one in-depth interviews to explore the key themes identified in the literature review and articulated in the research questions discussed in Chapter Three. Edmondson and McManus (2007) considered that in certain cases, the interview has become a technique that is heavily relied on by qualitative scholars, therefore the researcher deemed it appropriate to employ the practice for this study. Due to current circumstances of limiting face-to-face contact between people and travel restrictions, the researcher opted to use an online platform (Microsoft Teams) to collect data.

To ensure the element of freedom and variability is not destroyed within the interview, the interview guide was designed in a way that minimises the use of theoretical constructs in the wording, and mainly used common business language. This allowed participants to easily convey their views and ideas on the phenomena under investigation. The researcher then applied suitable analytical methods to make sense of the data and draw both defensible and generalisable conclusions. To improve the reliability and validity of the data,

the researcher conducted a short pilot study to test the instrument with two individuals. The interviews were audio-recorded and transcribed. The researcher used Otter.ai, an online platform, to do transcription. The transcription enabled the researcher to upload the transcript into computer-aided software (ATLAS.ti) to start the process of coding.

#### **4.9 Data Analysis**

Upon completion of qualitative data collection and validation, the next step was to do data analysis. This is an important stage that assisted the researcher to reduce the large corpus of information collected to make sense of it (Bell et al., 2019). The introduction of a thematic approach to data analysis aims to reveal common trends and some agreements and constructs and also to check if there are any discrepancies in views and ideas between leaders and subordinates and differences between various sectors.

Each transcript was coded by the researcher. Coding is the method whereby qualitative data will be broken down into elements that are given themes (Bell et al., 2019). ATLAS.ti software which is computer-aided software for qualitative data analysis was used to examine data. To convert raw data in a manner that it can be communicated and trusted, coding was used as a tool (Linneberg & Korsgaard, 2019). Coding condensed substantial quantities of raw material and produced the data, which was easily available for analysis, thereby improving the quality of the outcome and analysis simultaneously. As the analysis progressed, the researcher identified categories that later were expanded or collapsed, refined into logical categories, which finally arrived at the basis of the study (Thomas, 2006).

When reviewing the literature on MNE subsidiary leadership, entrepreneurial initiatives, performance, and management, there was an identified gap that suggested the role of subsidiary leadership as actors in their own right was under-researched within the context of subsidiary entrepreneurial initiatives (O' Brien et al., 2017; Sarabi et al., 2020). As a result, the study applied triangulation to derive the views of the subordinates and leaders to enhance the current knowledge in the literature. In addition, a triangulation strategy was used to compare collected data across subsidiaries in different multinationals, both EMNE and DMNE, to identify the mutual as well as contradictory opinions on leadership capabilities that enhance the recognising and exploiting of entrepreneurial opportunities.

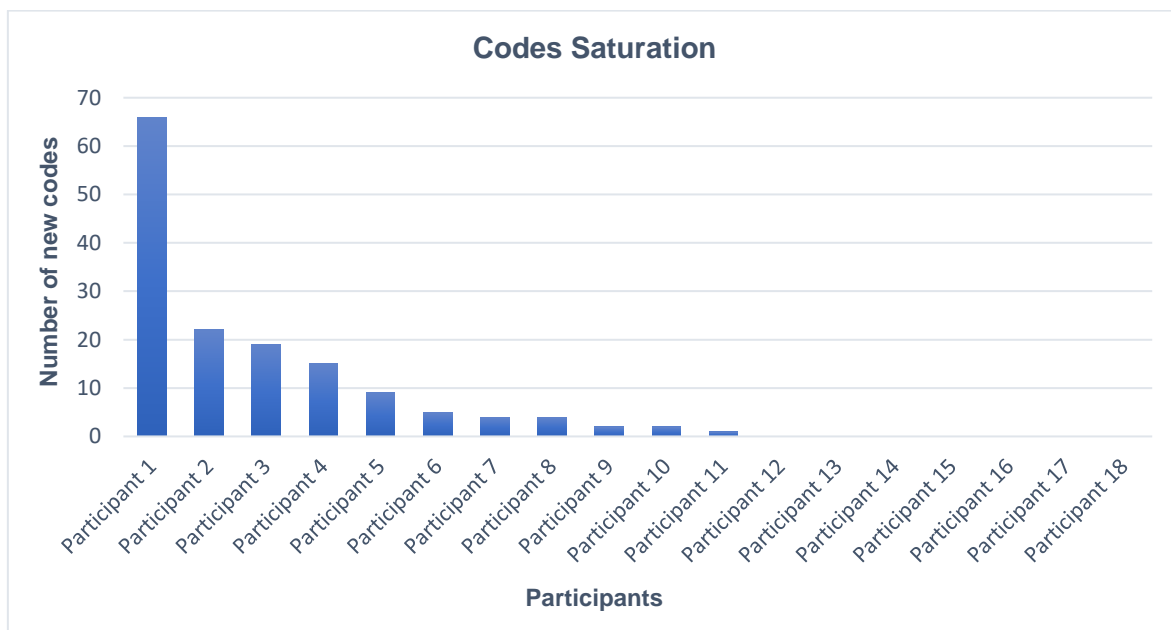
##### **4.9.1 Data Quality – Reliability and Validity**

Ensuring data quality is important for the research as it can eliminate any doubt as to the credibility of the study (Aguinis et al., 2020). A typical principle for evaluating the procedure

and results within qualitative research is employing validity and reliability. The process of validity is when the study ensures that data methods precisely measure what they were aimed to measure, and findings are what they are declared to be (Bell et al., 2019). Reliability is when the study ensures data collection methods and analysis procedures produce consistent findings (Bell et al., 2019). All interviews were recorded and cross-checked against the researcher's field notes for accuracy and to ensure that contents of the transcript correctly represent respondents' viewpoints.

#### 4.9.2 Data Saturation

The researcher ensured consistency of application in terms of code determination, in that the codes were exhaustive in terms of the data gathered, and that there was exclusivity between the codes. The researcher also ensured that there was coding saturation, where no new meaning could be extracted from the data, in order to ensure reliability and validity. The coding saturation process is depicted graphically in Figure 1 below, with 128 of a total of 149 codes extracted from the first five transcripts and no new codes extracted from the last five transcripts.



**Figure 1: Data Saturation Coding**

Categories were created by establishing a relationship between the codes. To ensure consistency in application, Bell et al. (2019) recommend an up-to-date definition of the categories. In the same way, categories were refined as meaning was deduced from the collected data. With regard to the reliability of the research findings, consistency was maintained throughout the entire analysis procedure. Following the establishment of

categories, topics were developed based on an awareness of current literature, with the goal of achieving theory saturation as a result.

#### **4.10 Research Ethics**

The process of collecting data was carried out within the boundaries of prescribed GIBS/UP ethical requirements. Participants were requested to confirm their participation in the study by means of a signed Individual Consent Form (see Appendix B). The researcher maintained confidentiality throughout the research process by not reporting individuals' names or the names of their organisations. Furthermore, data was stored without identifiers. During the data analysis process, the researcher identified potential researcher biases that could affect the interpretation of the findings. This was stated explicitly in the body of the text.

#### **4.11 Limitations**

As with research in general, this study had limitations in that it was conducted only in emerging markets host countries within the African continent. Therefore, generalising the results outside different markets will necessitate further research using other samples. Due to the nature of the research design, which is qualitative, generalisability is limited. It is recognised that qualitative research is subjective by nature, which can be affected by biases from the researcher and participants (Bell et al.,2019).

## **CHAPTER 5**

### **RESEARCH RESULTS**

#### **5.1 Introduction**

This chapter presents the findings of the interviews that were conducted online. The list of leaders and followers is presented in Table 2 below. The interviews were conducted through semi-structured, in-depth interviews that took place using an online platform (Microsoft Teams) as face-to-face engagement was not possible due to the Covid pandemic. The interview questions were constructed based on the Research Questions in Chapter 3. To gain a deeper understanding of how leaders use their capabilities to foster the identification of commercial opportunities in emerging markets, probing open-ended questions were posed to the participants. The participants shared insightful information during the interview sessions, and all appeared to have experience and knowledge working within MNE subsidiaries operating in emerging markets. These results are presented according to the research questions that were presented in Chapter 3.

#### **5.2. Sample Description**

The selected sample was collected through purposive sampling. This method was chosen to intentionally identify individuals with experience of working within MNE subsidiaries operating in emerging markets. The ideal participants were individuals with experience, expertise and exposure to subsidiaries operating in emerging markets. In a case where individuals are from a parent country of MNE, only those who are based within a subsidiary that is operating in another emerging market were considered for the study. These were leaders and followers involved in different capacities in the process of identifying and capturing entrepreneurial opportunities in their subsidiaries. The researcher used his professional and personal networks to select participants.

Due to the geographical proximity of the researcher, the majority of respondents were from South Africa and the remaining respondents were from other African countries. Eighteen interviews were conducted during August and September 2021, of which thirteen were with leaders (country managers, managing directors, country heads of department), and five were with followers in the same organisations. The insights derived from the interviews gave different views on MNE subsidiaries as they were from different sectors. This initiated the comparative assessment on MNE subsidiary's contexts within the study to triangulate the data from different sector perspectives.

**Table 2: Summary of selected sample**

Hierarchy	Company	Participant No	Analysis No	Job Designation	Gender	Sector	Location
Leaders	Company 1	Participant 1	Participant 1	Managing Director	Male	Home Electronics	South Africa
	Company 2	Participant 2	Participant 2	Head of Customer Management	Male	Tobacco Manufacturing	South Africa
	Company 3	Participant 3	Participant 4	Category Management Director	Female	Fast Moving Consumer Goods	South Africa
	Company 4	Participant 4	Participant 5	Country Head	Female	Pharmaceutical	Malawi
	Company 5	Participant 5	Participant 3	Country Head of Sales and Distribution	Male	Insurance, Medical, and Investment	Ghana
	Company 6	Participant 8	Participant 6	Executive Director	Male	Motor Manufacturing	Rest of Africa
	Company 7	Participant 10	Participant 10	Country Marketing Manager	Female	Chemical	Zambia
	Company 8	Participant 11	Participant 7	Country Head of Marketing, PR & Communication	Female	Media & Entertainment	Mozambique
	Company 9	Participant 12	Participant 8	Country Head of Marketing	Female	Alcohol Manufacturing	South Africa
	Company 10	Participant 15	Participant 15	Country Manager	Male	Media & Advertising	Nigeria
	Company 11	Participant 16	Participant 16	Marketing Lead - Go to Market	Female	Electronic Device	South Africa

	Company 12	Participant 17	Participant 17	Strategy, Insight & Analytic Director	Female	Confectionary	South Africa
Followers	Company 5	Participant 6	Participant 9	Corporate & Alternative Solution Sales	Female	Insurance, Medical, and Investment	Ghana
	Company 1	Participant 7	Participant 11	Marketing Manager	Female	Home Electronics	South Africa
	Company 2	Participant 9	Participant 12	Key Account Manager	Male	Tobacco Manufacturing	South Africa
	Company 3	Participant 13	Participant 13	National Account Manager	Male	Fast Moving Consumer Goods	South Africa
	Company 6	Participant 14	Participant 14	Financial Planning & Analysis	Male	Motor Manufacturing	South Africa
	Company 9	Participant 18	Participant 18	Key Account Manager	Male	Alcohol Manufacturing	South Africa



### 5.3 Presentation and Analysis of Results

A background explanation was provided to all participants to understand entrepreneurial or commercial initiatives, and all were aligned with the concept. This was to ensure that all respondents would offer insights that would appropriately respond to the research questions. Findings from the qualitative data collected from interviews with the sample group presented in Item 5.2 would be presented according to each research question presented in Chapter 3 as well as being aligned with categories that emerged during data analysis. The interview questions were derived from the research questions in Table 3. It is an intentional research choice of this study to not explicitly compare sample sub-sets of different countries as this is not the main purpose of the study. In addition, interview participants were granted ethical anonymity.

**Table 3: Research Questions aligning to codes, code categories, and themes**

Research Questions	No of Codes	Codes Categories	Themes	RQ Code Percentage
<b>Research Question 1</b>				
<b>RQ1:</b> What are pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives?	10	Broad understanding of MNE operating environment	Pre-existing factors that enable or impede opportunities	<b>41%</b>
	4	Broad understanding of local operating environment		
	5	Subsidiary decision-making		
	7	Organisational alignment		
	8	Extensive understanding of local market		
	14	Subsidiary internal environment and relations		
	13	Subsidiary external environment and relations		

<b>Interview</b> <b>Question 1.4</b> What is the role of subsidiary leadership in (1.1), (1.2), and (1.3)	7	Leadership characteristics	The role of subsidiary leadership	<b>19%</b>
	11	Leadership capabilities		
	11	Leadership behaviours		
<b>Research Question 2</b>				
<b>RQ2:</b> How is this process embedded within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary?	10	Search and capture new opportunities	Enabling practice	<b>23%</b>
	14	Locate and provide resources		
	5	Learning and development		
	5	Create and share knowledge		
<b>Research Question 3</b>				
<b>RQ3:</b> How and to what extent do the actions of individuals (leaders & followers) have an influence on a subsidiary's performance?	12	Measuring Success, Reward and recognition system	Subsidiary performance	<b>17%</b>
	3	Motivation to identify and exploit opportunities		
	10	Supportive environment		
<b>Total</b>	<b>149</b>			<b>100%</b>

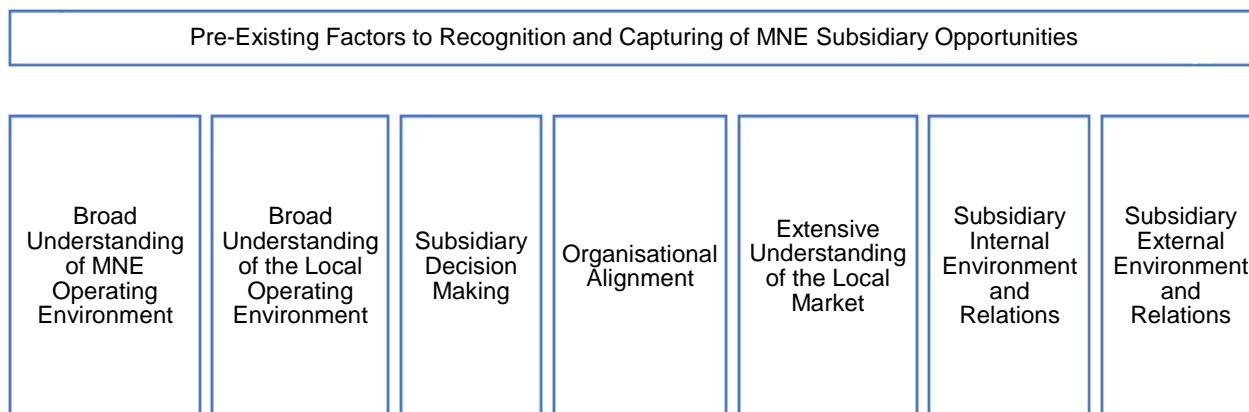
## 5.4 Results for Research Question 1

**Research Question 1: What are the pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives?**

**Table 4: Interview questions for Research Question 1**

Research Question	Interview Question
RQ1. What are pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives?	<p>1.1 How does HQ react to the entrepreneurial initiatives of your subsidiary?</p> <p>1.2 Which initiatives were previously rejected by HQ and what was the reason for this?</p> <p>1.3 What factors restrict the identification and exploitation of commercial opportunities in your subsidiary?</p> <p>1.4 What is the role of subsidiary leadership in (1.1), (1.2), and (1.3)?</p>

The four questions that were drafted for Research Question 1 were to first establish the pre-existing factors that foster or hinder subsidiary entrepreneurial initiatives and understand the role of leadership in managing and navigating antecedents. The researcher needed to understand the reaction of HQ to subsidiary commercial initiatives. The participants were asked to share the reasons for previous initiatives being rejected and establish if leaders and followers are aware of restriction factors in identifying and exploiting commercial opportunities in their subsidiaries. Lastly, which is central to the identification and exploitation of commercial opportunities was to understand the role of subsidiary leadership in dealing with all the challenges identified in questions 1.1, 1.2, and 1.3 while managing HQ expectations. Given that interview question 4.1 is linked to the other three questions (1.1, 1.2 & 1.3) this question will be answered as an unconnected theme. A high level of pre-existing factors categories that were generated during analysis stage are presented in Figure 2 below.



**Figure 2: High-level view for Pre-Existing Factors that enable or impede MNE subsidiary entrepreneurial initiatives**

The codes related to RQ1 are presented in Table 5 below.

**Table 5: Codes, Categories, and RQ code percentage.**

No of Codes	Codes Categories	Themes	RQ Code Percentage
10	Broad understanding of MNE operating environment	Pre-existing factors that enable or impede opportunities	<b>41%</b>
4	Broad understanding of the local operating environment		
5	Subsidiary decision making		
7	Organisational alignment		
8	Extensive understanding of the local market		
14	Subsidiary internal environment and relations		
13	Subsidiary external environment and relations		

#### **5.4.1. Broad understanding of MNE operating environment**

It is important for subsidiary employees (leaders and followers) to extensively understand the MNE operating environment. The first aspect of this theme was to obtain participants' views on the response of HQ to subsidiary commercial initiatives. It was necessary to have respondents share the reaction of HQ to entrepreneurial initiatives before examining how commercial opportunities are identified and how leaders mobilise organisational resources and capabilities to capture entrepreneurial opportunities within the local market. It will not

help to identify opportunities in a subsidiary if HQ is not in support. The data that emerged from this question disclosed that generally HQ supports and embraces subsidiary commercial initiatives. However, participants emphasised that as much as HQ is flexible and agile in response to initiatives, it has to be aligned with the global framework which indicates the level of HQ control in the operations of a subsidiary. Participants 1, 6, 4, and 6 highlighted this:

*“They’re very perceptive to it, they want it, they push for it, an entrepreneurial mindset is what we are, we are growing in our business”.* (Participant 1)

*“Generally, they’re quite flexible. So, what typically happens is that you kind of get a framework from head office, right, or the global or the region, right, you get a framework grade, and then you do have the ability to sort of then put on the table different initiatives that will help you to achieve that framework”.* (Participant 3)

*“We have basically, the leeway to go ahead and pursue them”.* (Participant 4)

*“Okay, so, commercial initiatives have usually 100% been supported by our headquarters”.* (Participant 6)

The participants further indicated that sometimes it depends on the type and the size of opportunity as some opportunities can be exploited without the involvement of HQ as long these are aligned with company plans. They are also required to submit a business case to HQ to show the feasibility of the opportunity.

*“And depending on the kind of opportunity that it is, sometimes we need input or support from head office”.* (Participant 5)

*“What you have to do is to probably put together a paper and it is sent to headquarters for the relevant cases to take quite a bit of time to analyse before you get a go-ahead?”.* (Participant 6)

*“So basically, they’re very flexible. And yes, so obviously, when we identify a new project that will bring in value or revenue to the company, we develop a business case”.* (Participant 8)

Participant 17 brought a different perspective to the discussion, that achieving entrepreneurial ideas in a structured environment may not be viable.

*“I know you can think entrepreneurial, but I’m saying that, you know, it’s not a word that applies in a lot of structure organisations”. (Participant 17)*

All these observations highlight the importance of having a broad understanding of the MNE operating environment. However, what is also important to understand is that in the MNE context, the plan comes from HQ, and although a subsidiary may adjust plans to local conditions, plans are developed by the global team. Reflecting on this Participant 1 observed:

*“The thing about multinationals is that the global team has a plan, right? Which then they roll out globally. And whatever, let’s say new product launch, it happens on a global perspective, and it staggered by each region”. (Participant 1)*

Taking the discussion further, Participant 3 pointed out that generally there will be certain sets of procedures, processes and rules to follow for subsidiaries to conduct their affairs:

*“Generally, there will be a certain set of procedures, processes, and rules in terms of how we do things, right”. (Participant 3)*

It was observed that HQ control comes with unintended consequences. As discussed in Chapter 2, the HQ control of subsidiaries may have an impact on whether commercial initiatives are rejected or not. Participants were asked to share experiences on initiatives that were previously rejected by HQ and the reasons for it. On sharing their views, data shows some initiatives were delayed by HQ due to not being the focus in certain countries. This suggests that even though initiatives might be in line with the HQ framework, they might not be a priority in a certain country and therefore HQ would reject it based on those reasons. Participants 4, 13, and 14 highlighted this:

*“There’s an opportunity, but maybe they’ll say, no, you can’t pursue that opportunity. Because let’s say your country is not a priority in terms of investment. We would rather invest, let’s say, in another country where we feel the return will be that’s one of the reasons”. (Participant 4)*

*“So, it is not a matter of rejecting initiatives but not fully operational in South African context”. (Participant 13)*

*“I did have some initiatives rejected. And it was head office’s belief that a campaign wouldn’t work in South Africa”. (Participant 14)*

Taking this further, Participant 10 highlighted that sometimes opportunities are lost in the local market while waiting for HQ to approve initiatives:

*“I think in our environment, sometimes you can lose out on opportunities in the market whilst waiting for rubber stamping and approvals from the global side”.*  
(Participant 10)

Participant 17, on the other hand, emphasised that it is critical to understand where capital is allocated, who has authority to make decisions, and how those decisions are made since these factors influence the ability of a subsidiary to be entrepreneurial:

*“I guess the point I was making consistently is where the decisions made, okay? That is the most important piece and what decisions are made, who can make what decisions? First and foremost, that allows you to be entrepreneurial or not, right, or to get the money to do stuff. You can only do stuff when you’ve got money. You can think everything you want, you can go and do gap assessments, what was what, what, but who’s going to make the decision? Right, for me, that is the most important question”.* (Participant 17)

#### **5.4.1.2 Broad understanding of the local operating environment**

While the MNE subsidiary gets direction from HQ, it still operates within the conditions of the local environment. Therefore, the subsidiary leader should also have a broad understanding of a local operating environment in order to grow the business. Giving an opinion on this, Participant 8 mentioned the importance of adhering to local regulators before coming up with initiatives:

*“So, most of our products come from Europe or America, they have to whether we are able to dispose of some of these chemicals once they expire, or do we have the capacity in Country F, because obviously, what is happening in Europe, it’s very easy to dispose of, or recycle some of these chemicals. So, we have to look at the environmental impact also, of the chemicals on to the environment. So, we have to make sure in terms of disposal and safety to consumption here in the African market, because obviously our markets are totally different. Are we able to dispose the packaging, for example of the material that we are launching?”* (Participant 8)

Furthermore, Participant 11 emphasises that local regulators play a crucial part if a subsidiary wants to exploit opportunities in a local market:

*“The second thing you need to also there is a bit of a regulatory element to that. So, the regulator also plays a big part in ensuring that this becomes mandatory so, that also helps”.* (Participant 11)

#### **5.4.1.3 Subsidiary Decision Making**

The debate around whether subsidiaries can make their own decisions is reflected in the data. While 83 percent of organisations mentioned subsidiaries are wholly owned in the host country and can make their own decisions, HQ still have control over the majority of decisions that have an impact on commercial initiatives. Therefore, it is necessary for a subsidiary leadership to know what decisions can be made or not. Participant 2 mentioned that with their subsidiary it is explicit on the level of what can be done or not as this affects the opportunities that can be identified and exploited.

*“If the idea that we’ve come up with was smaller than a certain capital needed, it’s not necessary that head office needs to sign off on it”. (Participant 2)*

Adding to the discussion, Participant 4 postulates that it also depends on the type of opportunity whether a decision can be taken in a subsidiary or HQ:

*“It really depends on the type of opportunity if it’s an existing business where we already have the tools and the structures in place to take advantage of it, we just go ahead and do it. We don’t need any approval from headquarters, it’ll be someone from my team who would simply say, this is an opportunity, and we’ll go ahead and pursue it. If it’s a new area that requires a bit of investment from an organisation or, for that thing, you have to obviously make some sort of justification and discuss of how you take advantage of that opportunity?” (Participant 4)*

Participant 3 pointed out the complexity related to the matter, in that although there is a degree of flexibility in subsidiary decision-making, it is not there from a subsidiary leadership perspective:

*“The only thing I would say is that when you work for large multinationals and FMCG, like I needed to, whilst there is a degree of flexibility, they also aren’t a weird thing, you know, and maybe let me say maybe it’s not even there, but it’s like when you talk about like blue sky thinking, when you’re re-imagining things those things take a long time for organisations like this, you know, and they tend to be a lot of stakeholders to convince, especially if it’s really out the box, you know, like, a different lot of different stakeholders, a lot of getting people to agree”. (Participant 3)*

Emphasising this view, Participant 14 shared that what is bizarre is considered strange is that although HQ gave them autonomy, they still wanted to make decisions for the subsidiary.



*“So, what we found very strange, even though we were given autonomy to do things. Yes, our headquarters also wanted to approve a lot of things that we do”.* (Participant 14)

#### **5.4.1.4 Organisational Alignment**

Moving beyond HQ control and subsidiary control, MNEs do all this to achieve organisational alignment. Participants were swift to point out that if commercial initiatives are not aligned with the global plan they will not be exploited. This suggests that what is done within the subsidiary should be in line with HQ plans. Participant 3 shared that initiatives were rejected because they were not aligned with global strategic direction:

*“The feedback was no because strategically, we need to hit in the direction from a global because there was a bigger picture at play”.* (Participant 3)

Expanding on the matter, Participant 12 revealed that sometimes in their subsidiary they get an opportunity to move away from global plans slightly but this did not always produce satisfactory results, which can be frustrating for employees:

*“This is how we do it at my current organisation. If you’re going to tweak a little bit, but don’t stray too far from the template, which can be frustrating and sometimes doesn’t really do results.”* (Participant 12)

An important aspect of this matter is the importance of setting the tone from the top. Identifying and exploiting entrepreneurial initiatives is hard work that needs commitment and effort. Participant 1 observed that subsidiary leadership should intentionally make an effort and be dedicated to always engaging with employees and have feedback sessions to update them and be aligned.

*“I share progress on a monthly basis. To say, guys, this is where we are, this is where we want to get to or guys, we’ve reached the new targets, you know, that’s how we do it”.* (Participant 1)

Giving regular updates to employees improved organisational alignment. Employees will be better motivated and feel appreciated when they understand how their individual actions add to the strategy of the organisation.

#### **5.4.1.5 Extensive Understanding of Local Market**

One of the tasks facing local leadership is to adjust global plans to make them fit in a local context in order to identify and capture opportunities. To successfully do this, subsidiary leaders and followers should have a broad knowledge of the local market. Participant 1

indicates that it is expected that global plans should be localised to make sense for the host country market and ensure that a subsidiary continues to exploit opportunities:

*“So, what ends up happening, is what we do from an entrepreneurial aspect is that we then localise whatever the plan is. So, for example, if it was done in a certain way somewhere else. And it won’t work here in South Africa. Then we put the South African twist to it so that it works in South Africa versus just following the blueprint 100% as it was, you know. So, we assess the plan and see how much of it can fit into the South African context. If it doesn’t, that’s when we put in the South African spin. But we have to still sell it back to the organisation. Right. So that they also be aligned an end they assist with the plan. Okay. So that”, the level of entrepreneurship”. (Participant 1)*

Reiterating this perspective, Participant 4 shared that local leadership ensures that global plans are relevant to the local market:

*“What the local guys also do, the local leadership guys they make sure that those things are relevant to the local markets”. (Participant 4)*

It is up to local leaders to know which global plans can fit into the local market or not. This view was shared by Participant 5:

*“So, some opportunities for localisation of certain products are very difficult to do, because it needs to be a massive plan that’s going to be national”. (Participant 5)*

Participant 3, however, stated that there is a level of flexibility from HQ that allows subsidiaries to work outside of the corporate framework.

*“Most times when it’s like more, I don’t say small scale, but not to the extent, genuinely, they do give a certain level of flexibility and the ability for the countries to adopt those frameworks within to adopt the frameworks or the strategies within their local countries with relevant, yeah”. (Participant 3)*

Participant 12 pointed out that having a subsidiary leadership that does not have enough knowledge of the local market might miss opportunities with the host country:

*“So, I think not enough knowledge of the country or not spending enough time understanding the country which operating in also deprives a business of taking in or being exposed to opportunities within those businesses”. (Participant 12)*

Accentuating this view, Participant 15 noted that subsidiary leaders need people who understand the local market and dynamics and in that way they can back those negotiations with HQ:

*“But more than anything else, you really need a strong leadership who understands the market and the market dynamics, right, who understand how to win, and are able to back up those when they are negotiating with, with headquarters”.*  
(Participant 15)

However, Participant 7 highlighted that it is up to local people within the subsidiary to provide information about the local market in case subsidiary leadership is from a different country:

*“You have to have somebody on the ground, to be able to translate what is happening into a business environment and that they understand business language”.* (Participant 7)

What is also important to understand by HQ which was explicit from interview data is that each country is different, even though all African countries fall under emerging markets. This suggests that plans might work in country A but not in country C as opportunities are driven by the country’s nuances. Participants 5 and 11 explained that each country is independent to do entrepreneurial initiatives:

*“So, each country has an independent view of its commercial activities is at the entrepreneurial activities. But it must fit into the context of that Africa segment, so that all the other countries within the segment can benefit if they so choose. So, a commercial activity may be viable in Country G, but not in the other countries”.*  
(Participant 5)

*“Like, as I mentioned, what may seem to be an opportunity in Country M may not necessarily be an opportunity in another country”.* (Participant 11)

#### **5.4.1.6 Subsidiary Internal Environment and Relations**

The subsidiary internal environment plays a pivotal role as this is where all the role-plays connect and if there is no cooperation between departments or different functions it will be difficult to achieve company objectives. The rationale in examining this category was to understand how subsidiary internal resources and capabilities assist to identify and capture opportunities, how conducive the subsidiary internal environment is to recognition and exploitation of opportunities, and how important it is to build internal relations in order to achieve company goals. The majority of participants highlighted internal processes as a

hindrance to capturing opportunities. Reflecting on this, Participant 6 mentioned internal environment restricting exploitation of opportunities:

*“I think in our kind of setup, there are quite a lot of dependencies. And you need to depend on someone to assist with something, and that person needs to depend on another. Yeah. In the headquarters, you know, that kind of cycle. And so, like I said, with the earlier question, yes. So, what happens is that, then you have a challenge of even meeting the expectation of the prospects”.* (Participant 6)

Expanding on this perspective, Participant 3 maintains that from the subsidiary’s internal environment perspective, lack of flexibility makes it difficult to exploit opportunities in the local market:

*“I think the challenge within the company I work for, which is Company 2 in South Africa there’s a lot of process and a lot of red tape, you know, and I think we sometimes probably get caught up in and it’s not so much the head office, it’s just as being ingrained in terms of doing business one way, you know what I mean, and not exploring different business opportunities”.* (Participant 3)

In support of this view, Participant 18 observed that their industry requires them to be flexible in order to be competitive:

*“I mean there is need to be flexibility in terms of ad hoc, and ad hoc is very important because there’s decisions you need to make immediately without worrying about failing an audit, you know”.* (Participant 18)

Another complex matter to deal with is subsidiary reporting. The majority of MNEs have regional clusters which act as mini-HQs. This adds a layer of complexity to the internal environment as regional/cluster office makes it appear like subsidiary leadership has double reporting. Participant 4 explained that regional cluster leadership can be a hindrance to commercial opportunities, depending on the personalities:

*“Where I have seen things really go wrong is where the reins are left to tides and subsidiaries are not being allowed to make any kind of decisions. And that is usually dependent on personality. It’s not really something that comes from the head office itself. Yes, usually, that is driven by, let’s say, a personality that’s looking after a cluster, for example, its leadership tends to that and sort of make the teams less likely to present any commercial opportunities that come up, because they’ve been, they themselves are not, they just want to go in a certain direction, and they think everybody should go in that direction”.* (Participant 4)

Offering a suggestion to navigate this complex matter, Participant 1 asserted that subsidiary leadership should work on building credibility locally to gain trust internally:

*“Locally, there’s obviously a lot of trust, that needed to be built, especially for myself when I joined. It’s easier now to sell back any ideas that I may have. Because the level of trust is there now in terms of us being able to do what we say we’re going to do”.* (Participant 1)

Agreeing with this opinion, Participant 12 affirmed that gaining trust internally will help the subsidiary to gain favour with HQ on initiatives:

*“I guess integrity helps and that not just integrity but good experience whereby you are able to quote that lesson in the previous business, this is what we did, and we were successful in this manner. And also, I guess, that would whet the appetite of your headquarters to say, Okay, I guess this person knows what they are saying they’ve done it before, perhaps it could work here as well”.* (Participant 12)

#### **5.4.1.7 Subsidiary External Environment and Relations**

Building external relations is as important as building internal relations. The subsidiary external environment is central to the success of subsidiary initiatives. This involves customers, local suppliers and other external constituencies that play an indirect role in the performance and growth of a subsidiary. Therefore, subsidiary leadership needs to understand the dynamics of the external environment within the host country and build relations. Participant 7 observed that sometimes external partners (retailers and buyers) will help an organisation to identify opportunities because a relationship with customers will make them suggest:

*“This is where I see an opportunity, sometimes you are looking for, and sometimes it comes to you, you know, so what, we have is relationships with our retailers, and buyers, and all of those types of things”.* (Participant 7)

Participant 2 maintained that building a relationship with customers and understanding their needs will yield results that will have long term benefits for a subsidiary:

*“However, it’s changing and we’re looking to talk to what does the customer need and how do they bring the customer’s needs back into the business so they can be the driver of the longer term idea and activities”.* (Participant 2)

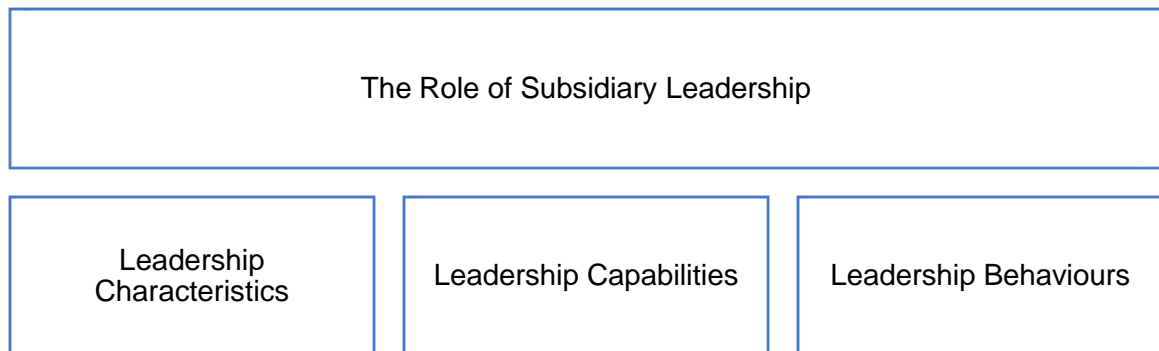
A common theme among participants was the significance of paying attention to pre-existing elements before embarking on commercial activities in order to avoid frustration or failure.

#### 5.4.2 The role of subsidiary leadership in dealing with pre-existing factors, rejected initiatives, and factors that restrict the recognition and capturing of opportunities

**Table 6: Codes, code categories, and RQ code percentage**

No of Codes	Codes Categories	Themes	RQ Code Percentage
7	Leadership characteristics	The role of subsidiary leadership	19%
11	Leadership capabilities		
11	Leadership behaviours		

This theme emanates from question 1.4 of the interview guide and the aim is to understand the role of subsidiary leadership in dealing with the reaction of HQ, what to do when initiatives have been rejected, and understanding factors that restrict the identification and exploitation of commercial opportunities. Categories emerging from this question are leadership characters, capabilities, and leadership behaviours (relationship and task-orientated behaviours) that play a pivotal role in dealing with pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives. Figure 3 provides an overview of emerging views from the data.



**Figure 3: High-level view of a subsidiary leadership role in dealing with pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives**

##### **5.4.2.1 Leadership Characteristics**

The important role of leadership in driving the identification of entrepreneurial opportunities in a subsidiary was highlighted by the majority of participants as they shared views and insights on the role leaders play in their subsidiary to stimulate and enhance recognition of opportunities and at times limit entrepreneurial mindset. The participants noted that a leader’s characteristics should be supportive and caring to help deal with the rejection of

HQ and navigate factors that restrict the identification and exploitation of commercial initiatives.

*“I think also that the leadership aims to make sure, especially once you push your complaints to them, they are ready to assist”.* (Participant 6)

*“When decisions need to be made, when mistakes are made for that matter or miscalculations are made, that’s when the support becomes quite important that leaders must play their role”.* (Participant 10)

*“For me, a key learning that came out of that is having those leaders that still give you the time of day to listen to your idea”.* (Participant 16)

*“The leadership’s job is to provide strategic leadership and give guidance and support”.* (Participant 18).

Across the sectors, participants emphasised the necessity of having a leader who possesses attributes that are appropriate for the environment and personalities present in the team.

#### **5.4.2.2 Leadership Capabilities**

Leadership capabilities can help in the aspects of driving recognition and capturing of opportunities in a subsidiary. Leading an MNE subsidiary comes with complexity. Therefore, it requires a leader who can manage complexity. One of the complexities to navigate is helping the subsidiary employee who needs to deal with their counterparts or senior leader in other countries. This requires someone who can become involved when necessary. Sharing this view, Participant 1 highlighted that a leader should get involved when needed:

*“So, like, currently, there’s a project that I’m working on. And one of the people that works with me was struggling to get this thing off the ground. And I’ve been pushing for the last six months, you know, so eventually I’ve gotten involved”.* (Participant 1)

Affirming the same view, Participant 6, who is speaking from a follower’s perspective, observed that subsidiary leadership gets involved to assist with some of the internal challenges faced with HQ:

*“I think many at times and we see quite a number of interventions from the leadership which tends to reduce the waiting period for a particular request which is of high priority”.* (Participant 6)

Participant 10 reiterated that at times things do not move quickly enough from HQ unless subsidiary leadership intervenes:

*“So, the response is usually slow to understand, unless of course the urgency is created by how strongly we push for certain things”. (Participant 10)*

Participant 3 expanded on this view, noting that a leader should not only become involved when necessary but also unlock or remove local barriers to exploit opportunities:

*“Sometimes what they also do is that they can help in terms of fast tracking or unlocking blockers, you know, is and so if like, like that example, I gave you what the local leadership goals are, but this is an opportunity supply chain, this is an exception, okay? They have the power to do that. So, they can do that and sort of also, like, unlock or remove barriers so that we can move forward and achieve these initiatives”. (Participant 3)*

Another capability to pose as a subsidiary leader is being able to challenge authority. Reflecting on this view, Participant 12 explained that when subsidiary leadership is vocal to the global office certain things that are not suitable for the local market will not be implemented:

*“So, on previous organisation the MD then was very much vocal to global office. There were some things global office might have wanted to do in South Africa because they might have seen opportunity from the top, and whereas we were within country, were able to say listen yes, that opportunity might exist in the continent. However, in South Africa these are the dynamics that we’re dealing with, and especially because we are still a very new business where at this phase now, we ask that you give us some time we won’t do that this year, but this is what we’re going to do within this year, and that was allowed”. (Participant 12)*

Participant 17 shared that it is not only about challenging authority but being able to influence senior leaders within a global space. Leadership ought not to influence only subordinates but also influence upwards to senior levels:

*“So, the local level, obviously is responsible for identifying what those initiatives are, but the mandate is to influence those at much more senior levels”. (Participant 17)*

From time to time a subsidiary will want to obtain approval from HQ about the local initiative. Therefore, subsidiary leadership should be persuasive in their approach to HQ in order to get approval on proposed initiatives. Participant 1 explained how one sells the idea to HQ:



*“So, there are some ideas that for them won’t make sense. And I think, ultimately, it’s about how you sell the idea back to them. Yeah, the stronger your idea the more chances it will be that your plan will be accepted”.* (Participant 1)

Participants 7,8 and 9 agreed with the view that subsidiary leadership ought to constantly build a business case and HQ have to buy into it:

*“So, you have to constantly build business cases, and it has to have commercial value, it has to have brand value, it has to have, you know, and financial backing all of those types of things to be able to so they certain”.* (Participant 7)

*“So obviously, when we identify a new project that will bring in value or revenue to the company, we develop a business case”.* (Participant 8)

*“So, to get them to give money to us, they have to buy into the idea, right? And so that means your story, and then all of the science behind it, and the numbers must all make sense”.* (Participant 9)

Adding to the discussion, Participant 15 highlighted that subsidiary leadership needs to do lobbying with HQ to get the buy-in:

*“We do the lobbying with the head office is just to make them understand how things work here”.* (Participant 15).

*“You have to convince them to get the money and then do, but then you’re not necessarily as entrepreneurial, even the idea could be entrepreneurial”.* (Participant 17)

### **5.4.2.3 Leadership Behaviours**

Leadership behaviour is the qualities and actions that make an individual effective as a leader. These behaviours help a person to guide, direct and influence the work of others to meet specific goals. The main finding is that participants suggest leaders use these behaviours to motivate people into action to identify commercial opportunities and when faced with restrictions or rejection from HQ. The data across industries shows two leadership behaviours which are relationship-oriented and task-oriented behaviours. These two behaviours were highlighted as key to assisting leaders within subsidiaries to build important relations and encourage employees to take action.

#### **5.4.2.3.1 Relationship Oriented Behaviour**

On reflecting upon leaders that are able to rally people towards their vision, participants highlighted the need for a leader who rallies internal stakeholders and builds relations to assist with achieving the outcome on commercial opportunities. Emerging out of this view was that a leader needs to get the backing of everyone in the organisation.

*“You get everybody in the organisation to back up, yes, you know, at your project or your ask, or your initiative and speak to their counterparts in the language and what they understand”.* (Participant 7).

*“This will be presented at our local level which then sometimes you find that you may require additional support from an implication of other departments”.* (Participant 11)

*“I suppose the role of leadership is to, you know, constantly engage and influence at a local level”.* (Participant 17)

What emerged from other participants is that a leader should create a sense of community by bringing everyone closer together and keeping employees engaged.

*“So, I built that team into a community of even like, the commercial team, okay”.* (Participant 5)

*“So, leaders must, of course, keep employees engaged as well, employees are an important stakeholder”.* (Participant 10)

*“There were lots of initiatives to make and bring us closer together”.* (Participant 14)

#### 5.4.2.3.2 Task Orientated Behaviour

In contrast to leaders who were perceived as nurturing and caring, participants also reflected on leaders who focus on achieving results and are willing to consider and be open to new ideas. These were perceived by most participants as being effective in stimulating and encouraging spotting and capturing opportunities in the local market. Participant 1 reflected on how they made employees focus on achieving results:

*“So, the way I started in the organisation was around just laying out what the vision was for the company from a local perspective in terms of what we want to do and one of the things that we want is to become the standard.”* (Participant 1)

Participants 6 and 13 reflected on the kind of environment that stimulated people to be confident enough to make suggestions:

*“We go through a lot of thinking to just discuss these things, and it becomes an idea, so we push it also, let’s say competition could drive you where you lose opportunities”.* (Participant 6)

*“We do live it, you’re free to come up with these ideas”.* (Participant 13)

## 5.5 Results of Research Question 2

**Research Question 2: How is this process embedded within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary?**

Research Question 2 was aimed at understanding the process followed to embed the behaviour of identifying opportunities within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary. Four interview questions were developed to gain insight as listed in Table 7 below.

**Table 7: Interview questions for Research Question 2**

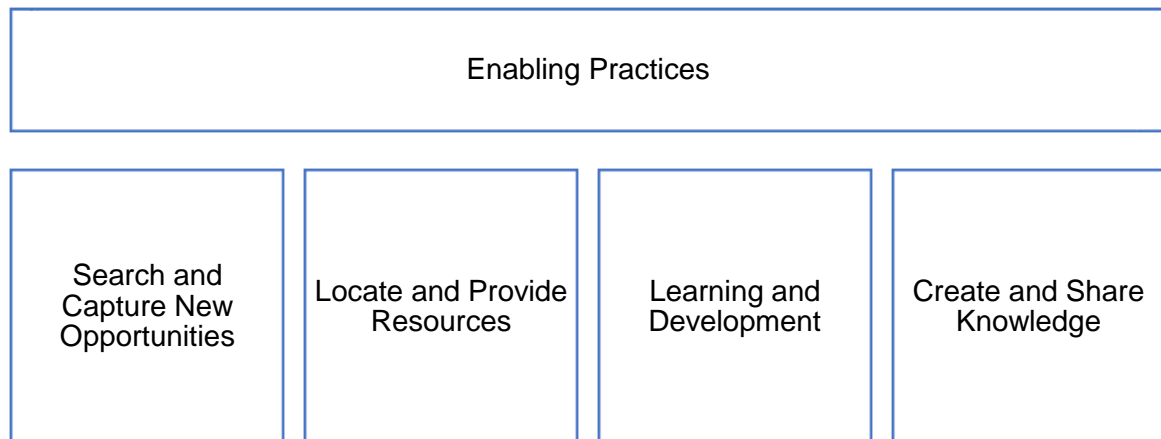
Research Question	Interview Questions
RQ2: How is this process embedded within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary?	<p>2.1. How are commercial opportunities identified in your subsidiary?</p> <p>2.2 How are organisational resources and capabilities mobilised towards this? (Discuss your answer at both HQ and subsidiary level if these differ).</p> <p>2.3 How are these events used to develop the leadership pipeline in the subsidiary?</p> <p>2.4 How are knowledge stock and leadership capabilities developed through these activities codified in the subsidiary for future use?</p>

The codes related to RQ2 are presented in Table 8 below.

**Table 8: Code, Code categories, and RQ Code percentage**

No of Codes	Codes Categories	Themes	RQ Code Percentage
10	Search and capture new opportunities	Enabling practices	23%
14	Locate and provide resources		
5	Learning and development		
5	Create and share knowledge		

The categories that emerged from interviews to give meaning to the data are depicted in Figure 4 below.



**Figure 4: High-Level View for Enabling Practices**

### 5.5.1 Search and Capture New Opportunities

Data obtained from the interviews indicates that participants across industries agree that it is essential to search for new ideas for the continuous competitive advantage of the subsidiary. Although participants pointed out that most initiatives are from HQ, generating new ideas is important to keep current with consumer needs and be competitive in the local market.

*“So, we will come up with our own ideas about, okay, fine. This is what we think we could do to make this slightly more profitable”. (Participant 3)*

*“We have to come up with innovative solutions all the time, just to keep abreast with our customer needs”. (Participant 8)*

Participant 6 emphasised the importance of finding creative ways to come up with commercial ideas locally:

*“And you want to find more creative ways to make come up with some commercial idea”.* (Participant 6)

What emerged from interviews, as Participants 1 and 8 further emphasised, was the significance of understanding and paying attention to customers within the local market as opportunities can be suggested by them:

*“So, that’s one of the things that we look at, secondary opportunities within the customers”.* (Participant 1)

*“I think, outside of the analytical work opportunities are there when you engage stakeholders because now, they can mention something that you won’t find in the analysis, or they can give you a signal of an emerging opportunity that will come that you can gear yourself up for to take”.* (Participant 8)

Participant 13 went further to suggest that there can be a collaboration between companies and customers:

*“But then to find the sweet spot between my organisation and customers’ positions to unlock businesses, for the future in which via joint business planning sessions to work with your customers or retailers to unlock the growth opportunities”.* (Participant 13)

### **5.5.2 Locate and Provide Resources**

Committing resources to the identification and exploitation of opportunities was highlighted as important in developing capabilities and thereby ensuring a sustainable competitive advantage for the subsidiary. Once opportunities have been identified, leaders have a responsibility to ensure that organisational resources and capabilities are mobilised to succeed in exploiting them. A leader will have to ensure they employ suitable individuals to execute and implement initiatives successfully. It starts with a leader having an understanding that an idea on paper is not sufficient; results need to be achieved through people:

*“So, people to us are very important because at the end of the day, sort of just putting an idea onto paper is about making sure that that idea is executed and implemented, and you deliver the right deliverables”.* (Participant 1)

Reflecting on this, Participants 8, 10 and 16 agreed that their role is to ensure they have the right people to do the job as leaders they should try to do things by themselves:

*“At the end of the day, you just have to make sure that you have the right people in the right jobs, and also have the basic appreciation so you can’t be a jack of all trades and master of none”.* (Participant 8)

*“So, my role is learning, my role is development, my role is also ensuring that we have the right people to do the job”.* (Participant 10)

*“It was in ensuring that you had the right people in those positions that will be able and will be empowered to put together the business unit strategy, and then work with the respective team”.* (Participant 16)

Participant 2 suggested that is not about just employing people but intentionally bringing in individuals with the entrepreneurial mindset in the subsidiary:

*“On the type of people, we’re bringing in, we’re not bringing in the typical salesperson, marketing person, etc, we’re bringing in a person that can help us on direct to consumer marketing, or we’re bringing in a person from a huge investment house in New York or London, to help us on top talking to us about which initiatives we should pursue, and why in order to absorb the tech that we may need into our business going into the long term”.* (Participant 2)

Providing a different perspective on this, Participant 3 suggested that it was not only about employing new people, but the leader should also be able to repurpose available resources and capabilities by identifying internal people to lead new initiatives:

*“So, and then also identifying the right team members to lead those initiatives, I think becomes quite an important key success factor because you can have a great idea”.* (Participant 3)

Adding to the discussion, Participant 2 mentioned the advantage of being in an MNE environment as other expertise can be sourced from other countries:

*“When I need resources is easier to get them because I go, and say well, I don’t have this skill here. Someone else I know knows someone who does. So, I reach out to that person. And also, I can reach out to anyone in the world”.* (Participant 2)

On the other hand, Participant 8 pointed out that in an MNE environment people's functions and roles are well defined and things are structured, so a leader just needs to talk to the right people:

*"I think that most people's jobs and roles are well defined in the multinationals in terms of who the product owner or the initiative owner is going to be, I think, clarity or there should be clarity anyway around who is responsible for doing what and I think the rules you follow if you're implementing a product and your product, you know marketing has to start by doing certain things and then for marketing, they engaged supply chain and supply chain engages the OEM and so on everybody knows because I mean a lot of entrepreneurial organisations are very structured people, and they have programmes of what they're responsible for. And within projects, they will do exactly what is asked of them because the rules are defined is okay". (Participant 8)*

Diverse perspectives on funds as a resource were expressed, with some respondents citing it as a limitation. Therefore, it should be noted that there was no clear distinction between different subsidiaries. According to Participant 17, it does not matter whether an organisation attempts to pursue entrepreneurial opportunities; if there is not enough finance to back the idea, it will never materialise.

*"So, you know, I know you can think entrepreneurial, but I'm saying that, you know, it's not a word that applies in a lot of structure organisations, you know, because of capital allocation. So, capital allocation isn't here". (Participant 17)*

Emphasising the view of cash as a resource, Participant 12 disclosed that entrepreneurial initiatives depend on cash:

*"So, once those resources come in, you usually either have the cash in the business, or if you don't have the cash, obviously, you have to look at your cash flows, and see how best you can accommodate that additional resource to fund the initial stages of the investment, for example. So, that really depends on the cash you have, if it's a cash injection that's coming in when you prepare for that injection when it comes in, and then you make sure that you've paid and made the right financial commitments to get whatever you need to move through the state". (Participant 12)*

### **5.5.3 Learning and Development**

Individuals being in the middle of commercial initiatives and the crucial role that they played suggested that any initiative to identify and exploit opportunities that do not involve people

is likely to be unsuccessful. Respondents emphasised the necessity for the employee to constantly come up with opportunities to learn and develop themselves. However, other participants noted that leaders should be conscious about developing people and invest in training.

*“I’m not just talking about it, but I’m very conscious about building a succession tree to ensure that we take advantage of these things”.* (Participant 5)

*“We do also invest quite a bit in terms of training and information and access, etc.”*  
(Participant 17)

Adding to the discussion, Participant 10 observed leaders should create a safe space for followers to make mistakes while learning. Commercial initiatives involve mistakes; therefore subsidiaries should understand that mistakes are an integral part of the process. Over and above the tolerance of failure as part of identification and exploitation of opportunities was the opinion that creating an environment for employees to make mistakes bolsters confidence and encourages participation in commercial initiatives:

*“When mistakes are made for that matter or miscalculations are made, that’s when the support becomes quite important that leaders must play their role there to get that”.* (Participant 10)

Supporting the view of exposing employees and giving them opportunities, Participant 1 posits that people learn when leaders intentionally provide opportunities and safe spaces:

*“I will still include the person who’s leading the project because that is how they learned by being part of those meetings by having to engage and I forced them to talk in the meetings”.* (Participant 1)

Beyond creating an opportunity for formal or informal training, empowering employees to think beyond their day-to-day duties will encourage them to recognise opportunities within the market. Participant 14 observed that employees should not be limited to proposing new and bigger ideas:

*“We need to make sure that there’s nothing stopping us from thinking big”.*  
(Participant 14)

#### **5.5.4 Create and Share Knowledge**

Data has clearly indicated that MNEs have knowledge-sharing platforms and subsidiaries benefit from one another through these platforms. The majority of participants agreed their



organisation has created a space to share knowledge which at times benefits subsidiaries on future initiatives. Emphasising this, Participant 4 shared that creating and sharing knowledge is not an issue in the MNE environment:

*“I think, in a lot of multinationals, this isn’t an issue. Well, I’d say, they have a well-established system of sharing information. And it usually comes in a number of forms”.* (Participant 4)

Participants 5 and 6 expanded on this view by emphasising that knowledge sharing helps other subsidiaries and established ways for shared learning to take place in a way that everyone can see activities in other countries and be able to make amendments where necessary within the local market:

*“When the inputs from the other countries and we make amendments that we will finalise, it comes down to the team as well”.* (Participant 5)

*“And it is built into a catalogue, which is shared on the common platform where all the heads of distribution of the various countries, are we all on that platform, and we share it, each country shares, the distribution platform, I mean, that was a strategy and in so that others learn from it”.* (Participant 6)

Taking the discussion further, Participant 9 pointed out that within MNE subsidiaries if they do not understand certain things one can ask their counterpart in other countries:

*“So, the goodness with multinationals is, if you’re not clear, on something, you can ask somebody from another country”.* (Participant 9)

Reflecting on this matter, Participant 13 pointed out that sharing knowledge may come in different forms. Sometimes, employees are sent to other countries to obtain knowledge on how to deal with certain issues:

*“Our company has been really great in terms of sending people to understand what’s happening within the first world countries that the company is operating”.* (Participant 13)

On the other hand, Participant 11 noted how their organisation did not have a knowledge-sharing platform where people from different countries can access information and learn from one another in a way that is seen as a constraint:

*“I would actually say that is a bit of a weakness when it comes to that. First, because I think there are many reasons that I think for a long time we had experienced people. This was a business that had people that would stay and work for like 10*

*years. For example, I'm just giving example, they never realise that there was a need to actually kind of put those learnings and that knowledge into one place where others can access it". (Participant 11)*

Participant 14 supported this view, and pointed out that although their organisation has a knowledge platform at times getting information from HQ counterparts can be challenging. This made it difficult to be competitive in the local market:

*"It's a challenge from the HQ side from the mother company because in that one you cannot have with those guys. They don't tell you everything. Yes, yeah. Okay. That's another biggest thing. They don't tell you anything. They just give you what you want. They just give you piece by piece information". (Participant 14).*

### 5.6 Results of Research Question 3

#### **Research Question 3: How and to what extent do the actions of individuals (leaders & followers) have an influence on a subsidiary's performance?**

Research Question 3 was aimed at understanding how and to what extent the actions of individuals (leaders and followers) have an impact on a subsidiary's performance. Four interview questions as shown in Table 9 below were developed to obtain information on this matter

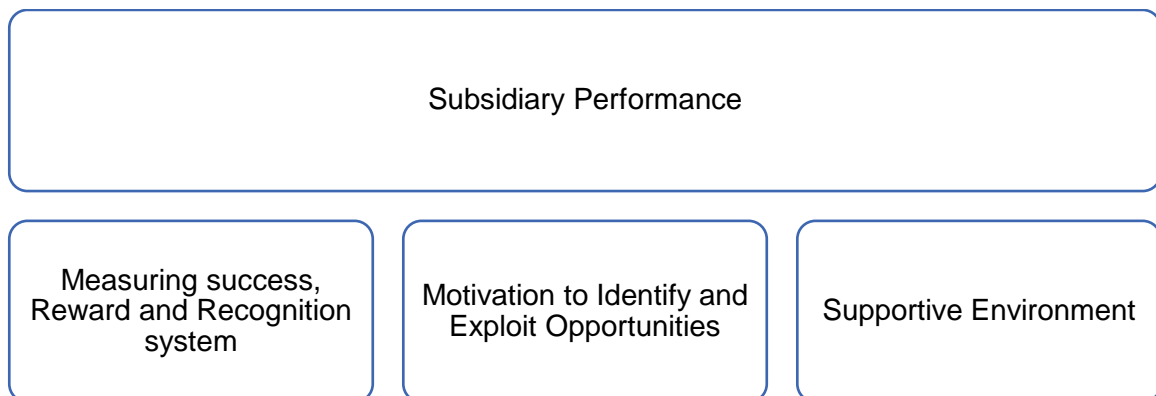
**Table 9: Interview questions for Research Question 3**

Research Question	Interview question
RQ3. How and to what extent do the actions of individuals (leaders & followers) have an influence on a subsidiary performance?	<p>3.1 Under what conditions are subsidiary employees incentivised to achieve entrepreneurial outcomes?</p> <p>3.2 How are subsidiary leaders and followers motivated to recognise and exploit commercial opportunities?</p> <p>3.3 How are subsidiary teams motivated to identify and capture commercial opportunities? (Discuss your answer with reference to formal and ad hoc teams).</p> <p>3.4 How does the subsidiary periodically review the success or failure of its entrepreneurial initiatives?</p>

The categories that emerged from the interviews are measuring success, reward and recognition, and supportive environment, as depicted in Table 10 and Figure 5 below.

**Table 10: Codes, code categories, and RQ code percentage**

No of Codes	Codes Categories	Themes	RQ Code Percentage
12	Measuring Success, Reward and recognition system	Subsidiary performance	17%
3	Motivation to identify and exploit opportunities		
10	Supportive environment		



**Figure 5: High-level view for Subsidiary Performance**

### 5.6.1 Measuring Success, Rewards, and Recognition systems

With regard to rewards and recognition, there was a significant differentiation of views among the participants. The goal of this category was to gather information to determine the circumstances under which subsidiary employees are incentivised to accomplish entrepreneurial outcomes. All agreed that incentives and recognition can be effective tools and can influence the performance of employees. However, some respondents felt that people should do their work without expecting more than what is due to them. Participants were thus divided on whether financial benefits were preferable to non-financial gains in relation to performance.

Participant 1 stated that their organisation has a variety of incentive and recognition programmes given to employees for going above and beyond their defined duties:

*“Everything else in the world is we have what we call like some CEO awards. Where people will recognise that a global level, if they’ve not done a fantastic job on something, we also have regionally for our cluster awards, shows, awards that we do at the end of each year where people are recognised for different things and we link them and not to the behaviours than anything else, not on absolute results so. And they are based on the values of the company”.* (Participant 1)

Participants 6 and 15 elaborated on the subject by stating that people are rewarded when they achieve their objectives.

*“So, I believe that it is there, and also when people both achieve the sales targets, they are rewarded. I think that is also incentive enough”.* (Participant 6)

*“There are also some kind of incentive programmes, they know that the company has also put in place to reward best performing employees”.* (Participant 15)

It was noted that people appreciate the rewards, whether they are financial or non-financial in nature, and this may, in turn, lead to improved performance. However, Participant 10 indicated that people are rewarded for identifying new opportunities in their organisation:

*“And if people perform, we should rate them well and pay them for their contribution for that here wouldn’t be anything special for new initiatives or commercial activities now”.* (Participant 10)

Overall, participants observed that having some sort of reward and recognition system helps. However, it is critical to evaluate the success or failure of its entrepreneurial initiatives in order to determine whether or not subsidiary performance is improving. All participants indicated that it is normal practice for their organisations to review commercial initiatives. Participant 17 stated that organisations follow a structured process to review entrepreneurial initiatives

*“We go through a structured process, we look at our demand review, we look at supply, we look at, you know, where they were making any money, and we look at that on a monthly basis. I think, you know, it’s a very structured process where you know, that you’re going to be understanding the financial performances, and what actions you’ve got in place to rectify them for the forecast period”.* (Participant 17)

### 5.6.2 Motivation to identify and exploit opportunities

Employees who are motivated can achieve better results. This category sought to establish how motivated subsidiary individuals are to identify and capitalise on opportunities in the local market. Although all participants agreed that everyone is motivated to seek and capture commercial opportunities, there was no consensus on what it is that keeps people motivated in the longer term. As a result, it is critical for subsidiary leadership to have an understanding of their personnel and to determine what motivates them. Other respondents observed that employees are motivated by the desire to achieve success for the organisation financial gains for themselves. Participant 4, however, stated that what is important for employees is career advancement.

*“So, for them, it’s mostly career, that they’re pursuing progress in their career”.*  
(Participant 4)

Adding to this view, Participant 3 mentioned that employees are motivated by moving up the ranks within the organisation:

*“So, obviously, when you don’t have a growth mindset, and you don’t think about new opportunities and explore things, you kind of become someone who doesn’t move up as fast. You know what I mean? It mainly impacts your progression up the organisation, if I’m honest, or you get like, increases along with everybody else, you know what I mean, you won’t stand up”.* (Participant 3)

Participant 2 stated that motivation comes in different forms, where one is dependent on the type of personnel that the organisation employs, and the other is based on the organisation’s goals. Therefore, individuals should push themselves in order to reach company objectives:

*“The motivation comes probably in two parts. One is the type of employee or a person that we look for, we’re looking for a certain type of person, we need a self-starter. A self-starter is an important word because especially in the times we’re living in, we don’t get to see each other every day. We definitely hear each other every day, but maybe not see each other every day. And we definitely don’t, aren’t in the same office every day. Based on that alone, the person needs to be able to give off their best by themselves and push themselves. So that’s the first thing”.*  
(Participant 2)

While some participants attribute motivation to monetary factors and others to non-monetary factors, the majority of participants stated that employees are motivated to identify and exploit entrepreneurial opportunities that will, in turn, add to the performance of their organisation:

*“We all want to do more for our business, for ourselves and for our own personal growth. And for that tap in the back, I was talking about that, nobody goes to work to fail, of course”.* (Participant 18)

### **5.6.3 Supportive environment**

Creating an environment that is conducive to the success of entrepreneurial endeavours is necessary. When a leader tries to construct and indoctrinate entrepreneurial culture within a subsidiary, they must first create an atmosphere that is conducive to the attainment of this goal. The participants indicated that one of the ways for a leader to create a supportive environment is to create a culture where people can be free to propose and try new things without fear of being reprimanded when new ideas fail. This view was highlighted by Participant 11:

*“When an opportunity is identified as somebody who’s got a particular view about guide, allow for someone to learn your thoughts without the fear of failure, because I told you so, at the end of the line, you’re saying it exists now”.* (Participant 11)

Participant 13 supported this view by stating that leaders should establish an environment where everyone is free to engage, be themselves and express their differing viewpoints:

*“So, you can come into our organisation today and be yourself. Right? You’re bringing your ideas and thoughts is what you live for, areas to fear background, your racial circumstance, your gender. Coming to this organisation, you come with your thoughts, your ideas are being heard. And that’s what I enjoy working in this organisation. I mean, that’s what I bring my unique self to work every day, my ideas, and my thoughts are being heard. Your ideas and thoughts are being heard”.* (Participant 13)

In addition, Participant 18 stated that leaders should create an environment in which everyone is free to engage and share different points of view:

*“So, there’s it’s almost like a culture change that’s needed in my immediate business. Right? Where there is a need to be a better engagement about what we think or what we say opportunities are, instead of talking above each other, and arguing about proving to each other that we know better, we need to discuss things*

*more and allow for that flexibility to exist, that make exceptions that some things will fail. We are better off having tried them". (Participant 18)*

A factor that was clear from participants is that leaders should always try to remove barriers to identification and exploitation of opportunities while encouraging teamwork in the subsidiary. Emphasising this perspective, Participant 12 maintained that when complexity is removed employees can function with ease to deliver on company goals:

*"A lot of complexity was taken out it was easy for either sales reps, sales managers or DSM to go out and do what they needed to do". (Participant 12)*

Overall, participants agreed that it is critical to creating an environment that is supportive of the pursuit of entrepreneurial ideas in the market to succeed.

## **5.7. Conclusion**

The results of the study were presented with the main focus on the principal themes that emerged from the findings. Amongst these findings was the requirement for a broader understanding of pre-existing factors that enable or impede opportunity recognition, the role of subsidiary leadership in dealing and navigating the antecedents as well as extensive enabling practices to improve subsidiary performance.

Chapter Six will examine the findings of the research in the context of current literature and explain the overall significance of the study, as well as what it implies for the body of knowledge in general.

## **CHAPTER 6**

### **DISCUSSION OF RESULTS**

#### **6.1 Introduction**

The main findings of this study as discussed in Chapter 5 will be presented in relation to the literature, with results being compared with the literature that was discussed in Chapter 2. The findings of this research will also be compared to the broader discourse on this area of research.

Through this augmentation, the research study seeks to enhance the understanding of how leaders in MNE subsidiaries can manage the constant change in the organisational structure required to support an ambiguous organisation.

#### **6.2 Discussion of Research Question 1 Results**

##### **Research Question 1: What are pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives?**

This question was intended to identify and understand pre-existing factors that allow or hamper MNE subsidiary entrepreneurial initiatives. It was important to first identify and understand antecedents of subsidiary entrepreneurial initiatives, as this can facilitate or impede initiatives. Interview questions 1.1, 1.2 and 1.3 allowed and encouraged participants to freely share insights about the reaction of HQ to the entrepreneurial initiatives, previously rejected initiatives by HQ, and mention factors restricting the identification and exploitation of commercial opportunities in subsidiaries. The significance of understanding the antecedents that enable or impede MNE subsidiary entrepreneurial initiatives is reflected in 61 codes generated during analysis.

Question 1.4 which examined the role of subsidiary leadership in dealing with questions 1.1, 1.2 and 1.3 afforded respondents an opportunity to examine the role played by subsidiary leadership in handling and navigating complex environments within MNE subsidiaries operating in the emerging market while managing HQ expectations.

##### **6.2.1 Broad understanding of MNE operating environment**



An MNE's operating environment is complex, particularly for leaders that work in a foreign country subsidiary (Schmid et al., 2014). One of the explicit aspects that emerged from the data is the difficulty of dealing with HQ control while expecting to grow a business. This was identified as a problem for subsidiary leaders because it prevents them from capitalising on opportunities in the local market. Participant 10 stated that opportunities in a local market can sometimes be lost while waiting for HQ to approve proposed initiatives:

*"I think in our environment, sometimes you can lose out on opportunities in the market whilst waiting for rubber stamping and approvals from the global side".*

(Participant 10)

The study on MNE subsidiary and HQ relations has been conducted by many authors which investigated HQ control (Birkinshaw et al., 2010). This finding is consistent with the findings of Geleilate et al. (2020). However, the divergent views on the literature of HQ-subsidary relations resulted in a lack of consensus on how to deal with this complexity.

Results that emerged from the study reveal subsidiary leaders operating in an ambiguous environment and at times this causes tension between an MNE subsidiary and an MNE HQ. This finding is consistent with findings by Kostova, Nell and Hoenen (2016) that established HQ-subsidary relationships may be affected if boundaries between the two are not clear. However, insights to augment the knowledge on this concept emerged from interviews, with some participants sharing insights as to how to navigate this conundrum. For example, Participant 1 pointed out that one needs to earn and gain internal trust by delivering results. In that way, there will be less HQ control when it comes to subsidiary initiatives. However, subsidiary leaders' actions require a delicate balance between situations and based on what is required because this can cause friction between subsidiary and HQ.

### **6.2.2 Broad understanding of the local operating environment**

The local environment plays an important role for MNE subsidiaries to succeed in expanding business, and in turn contribute to the parent company. Understanding a local environment makes it possible for subsidiaries to interact and utilise local opportunities. It will be difficult for subsidiary leadership to fulfil their roles if there is no broad understanding of the local environment (Verbeke & Yuan, 2013).). All participants across industries mentioned the importance of having a leader who is knowledgeable about the local operating environment. Issues of local regulatory requirements were raised as being important; however, lack of knowledge from HQ about certain local regulations may delay and restrict entrepreneurial initiatives.

It is therefore necessary to understand that, when subsidiary leadership does not have extensive knowledge, it may be difficult to identify opportunities locally and align subsidiary initiatives to global plans. This is consistent with the study by Sarabi et al. (2020) suggesting opportunities that a knowledgeable leader within local market will add value to the MNE as its pursue growth expansion.

### **6.2.3 Subsidiary decision-making**

The results from the study highlighted subsidiary decision-making as ambiguous which gives little leeway for subsidiary leadership to instil entrepreneurial culture within the local team (Sarabi et al., 2020). Although 83 percent of subsidiaries from the study indicated as wholly owned and operate as a standalone company in foreign countries, HQ still gets involved in subsidiary decision-making. Evidence from the study shows that subsidiary autonomy is not as clear to subsidiary leadership as it should be (de Jong et al., 2015). While subsidiary leadership will be informed of having decision-making autonomy, HQ will still want to approve other things. Participants noted that subsidiary decision-making is a complex matter. The interference from HQ creates uncertainty from the subsidiary's point of view in terms of which opportunities they identify and leverage in the local market. This view was emphasised by Participant 14:

*“So, what we found very strange, even though we were given autonomy to do things. Yes, our headquarters also wanted to approve a lot of things that we do”.* (Participant 14)

Comparing the finding with the literature on subsidiary decision-making autonomy, this finding is consistent. Supporting evidence from the study has found a link between subsidiary decision autonomy and performance (Geleilate et al., 2020). However, data indicated that from the subsidiary's perspective everyone follows a framework that stipulates the level of decision-making. This aligns with Kim, Prescott and Kim (2005) who suggests that various MNE organisations manage individual subsidiaries differently. However, what was thought-provoking from the data was even though other organisations allowed local teams to make adjustments to plans, they were still restricted in the extent to which this was considered acceptable. In addition, the parameters were not clearly defined. The data indicated that this could be influenced by the size of the subsidiary, and that the greater the individual contribution to the parent company, the greater the 'voice' that would be afforded to the individual.

#### **6.2.4 Organisational alignment**

Being aligned with HQ plans is central to the exploitation of opportunities. MNE subsidiaries will not be able to exploit identified local opportunities if they are aligned to global plans. The results obtained in this category show that subsidiary leadership cannot act outside the HQ framework. Although subsidiaries can bring a local twist to the global plans, they should not be far removed from the strategic direction. Alignment within the organisation brings clarity to everyone and subordinates will know which opportunities to identify and exploit without wasting time on activities that are in organisation plans. The results revealed that it is the duty and responsibility of subsidiary leadership to drive and ensure alignment within the organisation.

Evident from the data was that organisational alignment contributes to better employee engagements. It improves connection and communication with employees as they get regular updates on their work with the organisation. When employees understand how their individual actions link to the overall performance of the subsidiary objectives, they feel valued and become more effective.

#### **6.2.5 Extensive understanding of the local market**

The understanding of the local market is antecedent to subsidiary initiatives. It does not matter how good MNE plans are, if subsidiary leaders do not understand the local market, identifying and exploiting opportunities will not be possible. Data revealed that each emerging market country is different from the other. MNE HQ has a tendency of treating emerging markets as homogeneous although the data confirms this as a potential restriction to entrepreneurial initiatives. It was important to note that data indicated that HQ finds it difficult to understand such a context and it is therefore the responsibility of subsidiary leadership to facilitate clarity with HQ.

The results show that in certain instances subsidiary leadership introduces global initiatives only to find out that the local market is not suitable for that kind of initiative. When that happens, it makes it difficult for the subsidiary to engage with competitors locally. Furthermore, having a leader who does not have an extensive understanding of the local market may result in lost opportunities within the local market.

#### **6.2.6 Subsidiary internal environment and relations**

The internal environment of an organisation plays an important role in connecting everyone within the subsidiary including HQ in order to successfully exploit the identified opportunities. The importance of this category is reflected by 14 codes which are the highest on this theme. The leadership should make efforts to build relations internally as the ability to identify new opportunities and exploit them is influenced by internal relationships (Scott, Gibbons and Coughlan, 2010). The results demonstrate that to build and strengthen internal relations, subsidiary leadership should understand team dynamics within the subsidiary and counterparts in other markets globally as they might be required to interact with them.

### **6.2.7 Subsidiary external environment and relations**

The subsidiary cannot neglect the external environment and only keep its focus internally. Slater and Narver (1995) suggests that organisations should be receptive to external stakeholders such as customers, suppliers, government agencies, and others. Scott et al (2010) expand on this point by arguing that subsidiaries will gain more knowledge when the organisation is involved in initiatives generation. By engaging with external stakeholders, leaders will get a chance to spot opportunities in the local market. In support of this view, Almeida and Phene (2004) suggest that when an MNE subsidiary understands and builds relationships with the external partners in a host country they may have a better interconnectedness with relevant stakeholders to the extent that it becomes a resource that helps the company to obtain information and identify opportunities. However, this is in contrast with Ahworegba and Colovic (2019) who suggest that local institutional circumstances can hinder initiatives. Therefore, subsidiary leaders need to be aware of which external stakeholders will benefit the organisation and which will not.

### **6.2.8 The role of subsidiary leadership**

The role of subsidiary leadership is important in ensuring that entrepreneurial initiatives become successful. The rationale behind this theme was to understand how subsidiary leadership manages and navigates pre-existing factors that allow or hinder spotting and capturing entrepreneurial opportunity within the context of the local environment as well as examining how subsidiary leaders locate and provide resources to the end. This was done by identifying leadership characters, capabilities and behaviour through interviews.

#### **6.2.8.1 Leadership characteristics**

Leadership characteristics render an individual effective to perform their duties and deliver on their responsibilities (Bass, 1999). All participants shared and agreed on the importance

of having leadership characteristics that are required to assist and make it conducive for subsidiary workers to perform. A supportive leader emerged as one of the main characteristics that were mentioned by participants. Subordinate participants indicated that they prefer having supportive leaders in case they require their involvement when dealing with their counterparts in other countries. Leader participants noted that subsidiary leadership should be supportive to their followers by allowing them to learn from their mistakes. Participant 10 pointed that when mistakes occur, leaders should play their role and not discourage people:

*“When decisions need to be made, when mistakes are made for that matter or miscalculations are made, that’s when the support becomes quite important that leaders must play their role”.* (Participant 10)

Literature on leadership indicates that a supportive leader is not only able to accept that mistakes and failures do happen but will also have the type of relationship with their employees which is open to exchange of ideas for people to feel safe to learn from the mistakes and grow (Sarabi et al., 2020). A supportive leader focuses on finding what changes and support are required to ensure the well-being of their team and, in turn, deliver a high standard of performance by alleviating any unnecessary obstacles (Reiche et al., 2017). The focus is more on people than their mistakes as the goal is to encourage them. Data revealed that subsidiary leadership should be accessible and nurturing. The fact that subsidiary leadership might be people outside the host country should not present a barrier to how they relate with the team.

Data further revealed that subsidiary leadership needs to be able to manage risk. Managing complexity in this context refers to how the leaders encourage and drive teamwork within a subsidiary and counterparts from other markets.

#### **6.2.8.2 Leadership capabilities**

According to Anderson and Yun (2017), the way a leader thinks, feels and subsequently, behaves and acts will affect how they undertake their job. What is clear from the research is that a subsidiary leader should be adaptable to a shifting environment that is driven by HQ introducing new plans and local markets. They should demonstrate flexibility by being comfortable with change. The rapid changes within the MNE environment and local business market require a leader who is prepared to try new things and be prepared to fail while developing and driving growth within a subsidiary. Followers need to see leaders who are adaptable and willing to try new approaches and methods to meet the needs of the local

market. The literature therefore is aligned with what the research revealed (Newman et al., 2018).

It was clear from both groups of participants that for the leader to show support for the employee, getting involved when required to do so will instil confidence in followers knowing that leadership gets involved when necessary to resolve matters above subordinate level (Sarabi et al., 2020). In addition, involved leaders alleviate pressure that may be experienced within the team (Wright, 2017). Leading a subsidiary means that sometimes a leader will have to disagree with HQ when some of their plans are not relevant or may not be possible to implement. The research thus highlighted that the subsidiary leader should be prepared to challenge HQ. Such ideas and behaviours, on the other hand, contain the risk of causing problems in the relationship between the subsidiary and the headquarters (Bouquet et al., 2016).

It is accepted that in the process of identifying and exploiting opportunities, mistakes are bound to happen. It was evident from the research that subsidiary leadership needs to create space for employees to learn while making mistakes and also allow them to offer solutions to company problems. This is consistent with the transformational leadership approach (Bass et al., 2003).

### **6.2.8.3 Leadership behaviour**

The leadership literature suggests that leadership behaviour assists the leader to guide, direct and influence the work of others to achieve particular objectives (Bass et al., 2003). Although the aim of this study was not to investigate the efficacy of leadership, data revealed that subsidiary leadership employs some of the leadership approaches to drive the team to identify and exploit opportunities in the local market to improve the performance of an organisation. Two leadership behaviours that emerged from the research are relationship-oriented and task-oriented behaviours as discussed in the following section.

#### **6.2.8.3.1 Relationship orientated behaviour**

A key finding associated with a leader's behaviour, particularly to leaders building relationships, was that subsidiary leadership should create a sense of community within the organisation. MNE subsidiary operates with people from various countries with different cultures and backgrounds (Bird & Mendenhall, 2016). This can make it difficult for subsidiary employees to work together. However, subsidiary leadership should bring everyone together (Anderson & Sun, 2017) and keep them engaged to achieve company objectives and improve subsidiary performance (Meyer et al, 2020). The data revealed that subsidiary

leaders can maintain employee engagement by keeping them informed regularly as information can be lost in bigger organisations like MNEs. This is consistent with a study conducted by Becker et al (1996) which shows that engaged and appreciated workers deliver better results.

Of similar importance was the ability of the leader to build relationships with internal and external stakeholders. Due to the nature of the subsidiary environment, the leadership is expected to interact and influence a variety of different internal and external constituencies from various cultures and authorities (Reiche et al, 2017). For the leader to succeed, the support of all participants is required as it would be difficult to realise successful entrepreneurial initiatives without the commitment of all functions and everyone in the organisation.

#### *6.2.8.3.2 Task orientated behaviour*

While the data revealed that a caring and nurturing leader is important, it further indicated that a leader who focuses on the goal will achieve better results. Within the leadership behaviour responses, the results emerged with 72 percent of task-orientated behaviour. This behaviour emerged strongly as being a driver to opportunity recognition and leveraging. What has emerged is that a leader should plan ahead and outline the direction for success in the subsidiary. This will drive focus within the subsidiary and in turn encourage followers to perform, which will emulate the leaders' actions (Bass et al., 2003). Based on the entrepreneurial leadership approach, a leader guides and influences followers towards achieving organisational performance through the identification and exploitation of opportunities (Renko et al., 2015).

The results that emerged reveal that subordinates will find it easier to identify new or existing entrepreneurial opportunities when a leader is prepared to consider new ideas and proactively take risks. This will in turn contribute to a conducive environment for employees to identify new opportunities in the local markets without worrying about how they will be perceived and accepted (Gupta, 2004). Because the leader will be demonstrating this behaviour, followers can imitate it throughout the subsidiary (Bass et al., 2003). Furthermore, this behaviour will be in evidence from the leader, and this will encourage followers to model it throughout the subsidiary.

### **6.2.9 Conclusion of Research Question 1**

The results indicate that the key to instilling a sense of action and commitment to developing an entrepreneurial culture within a subsidiary is to first know how to deal with and navigate antecedents. Leadership continues to play a central role in creating a conducive environment to facilitate and engender entrepreneurial behaviour within the subsidiary.

### **6.3 Discussion of Research Question 2 Results**

**Research Question 2: How is this process embedded within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary?**

This question was aimed at identifying and understanding strategies used by subsidiary leadership that could help an organisation to build a sustainable competitive advantage. Firstly, it was critical to understand how commercial opportunities are identified within the subsidiary. Secondly, once opportunities were identified, subsidiary leadership are expected to locate and provide resources to assist in making initiatives successful.

#### **6.3.1 Search and capture new opportunities**

Searching and capturing new ideas is necessary for sustainable competitive advantage and subsidiary initiatives. If subsidiary employees do not continuously search for new opportunities, entrepreneurial initiatives will be reduced. Data indicated that it is essential to keep searching for new opportunities in the market to remain competitive within the local market. One subsidiary leader maintains that identifying new ideas benefits their organisation:

*“So, we will come up with our own ideas about, okay, fine. This is what we think we could do to make this slightly more profitable”.* (Participant 3).

A central aspect of this theme was to understand how and where commercial opportunities are identified. The results indicated that there are HQ, customer, and market-driven initiatives. Therefore, subsidiary employees (leaders and followers) should be able to understand where opportunities emanate from, so as to not overlook them when presented.



### **6.3.2 Locate and provide resources**

The availability of resources has a significant impact on the success or failure of business operations. Regardless of the potential of the initiatives, if there are insufficient resources to ensure success, the efforts made are unlikely to meet with success. The aim of examining this category was through the lens of dynamic capabilities which can be defined as the inherent ability of an organisation to optimise and consciously adjust its resource base in order to improve the organisation's performance (Teece et al., 1997; Helfat et al., 2007; Teece. 2016). The dynamic capabilities view of MNEs is that they must be able to be creative quickly, adapt quickly, and be flexible across many jurisdictions (Petils & Teece, 2010). It was important for this study to understand how rapidly subsidiary leaders can be creative and adapt their resources and also to identify how subsidiary leaders use resources within the network to drive subsidiary initiatives. In a case where there is a shortage of skills within the host country, results show that a subsidiary is able to draw from the network to ensure the initiative is successful.

Ahsan and Fernhaber (2019) posit that organisations do not have to search for entrepreneurs as they are already inside. This was confirmed by the findings as all leaders agreed that mobilising resources for entrepreneurial initiatives was not a problem. From the MNE subsidiary's perspective, the data revealed that roles and responsibilities are well defined, and everyone knows what to do. However, it was also indicated that subsidiary leaders need to locate or provide suitable individuals with adequate skills to ensure the initiatives are successful.

### **6.3.3 Learning and development**

The focus of this category was not to examine training programmes of the organisations but to understand how the subsidiary uses the identification and exploitation events to develop the leadership pipeline within the organisation. The majority of participants revealed that while they may not have formal programmes to develop leadership capabilities, they use informal ways to develop a leadership pipeline in the subsidiary. The findings revealed that it depends on the leader. The leader should be driven to use events and promote the development of people to create the establishment of a leadership pipeline within the subsidiary. In addition, the leader should provide an opportunity for employees to develop and upskill them to be 'job-fit'. This can be done through delegation and mentorship which is consistent with situational and transformational leadership. Situational leadership under a delegating approach allows followers to learn by giving them space and responsibility,

whereas transformational leadership focuses on the individual uniqueness to support and mentor them appropriately (Graeff, 1997; Bass et al., 2003).

### **6.3.4 Create and share knowledge**

There is extensive research on MNE knowledge transfer, and it has progressively contributed to the knowledge of the MNE. The aim of this theme was to examine how knowledge stock and leadership capabilities are developed through entrepreneurial activities for future use. There were diverging views on this theme. Eight leaders versus four agreed that their subsidiary develops organisational knowledge sharing and has a structural knowledge-sharing platform for everyone to access at any time. This is done for the purpose of using it in the future and to assist others within the MNE sector around the world who may encounter similar problems. This is consistent with knowledge-sharing literature. Meyers et al., (2020) observes that less is understood of the role of individual leaders as knowledge carriers in MNE subsidiaries.

In addition, it was revealed that leaders agree on leveraging knowledge throughout the organisation. From the MNE subsidiary perspective, the capacity to leverage knowledge globally positions the company differently from a fully local organisation, assuming that it can do so successfully and competently (Cantwell & Mudambi, 2005; Lupton & Beamish, 2016). However, leaders who indicated their organisations do not have a knowledge-sharing platform clarified that the company leverages knowledge by exchanging employees to gain knowledge on certain things in a particular market. One leader confirmed that:

*“Our company has been really great in terms of sending people to understand what’s happening within the first world countries that the company is operating”.* (Participant 13)

Although it is critical to have knowledge-sharing systems in place, this does not preclude employees from learning from one another from anywhere in the world. This emphasises that organizations should continue to create and accumulate knowledge in whatever form that may be of assistance to them in the future. This is consistent with Paul et al. (2019) when suggesting that leaders should show intention to create knowledge to the benefit of the whole organisation.

### **6.3.5 Conclusion of Research Question 2**

It is evident from the data that for a subsidiary to perform in the local market, employees and leaders should understand how and where opportunities are identified. What follows after opportunity recognition plays a key role. Leaders should know which and how to mobilise resources, whether human or financial resources. At times talking to counterparts might be the optimal way but a leader needs to be inclined to do this in order to successfully exploit opportunities. The research strongly suggests that the subsidiary can leverage knowledge and expertise within the MNE network to derive an advantage locally.

### **6.4 Discussion of Research Question 3 Results**

#### **Research Question 3: How and to what extent do the actions of individuals (leaders & followers) have an influence on subsidiary performance?**

Individuals are at the centre of an organisation, and the intention of this question was to understand how and to what extent human actions impact on subsidiary performance. It was important to examine whether incentives can promote or stifle entrepreneurial efforts as well as to establish how motivated individuals (leaders and followers) are to identify and exploit commercial opportunities.

#### **6.4.1 Measuring success, Reward and Recognition systems**

Covin and Slein (1991) observes that there is substantial evidence to suggest that incentivising or disincentivising people can either encourage or suppress entrepreneurial behaviour. The research data is consistent with this view. Overall results indicated that having some sort of reward system in place will encourage people to do more. This is supported by Scott et al (2010) who posits that rewarding creative ideas and performance provides such encouragement. This suggests that subsidiary leaders need to be creative in their thinking and approach when they want to encourage their followers to identify and exploit commercial opportunities.

However, what was clear from the data was that there cannot only be a reward system without measuring metrics that includes periodical reviews. Marginson (2002) postulates that human efforts can be influenced on the condition that metrics are in place for measuring and rewarding desired actions and results. Data revealed that subsidiaries with monetary

compensation packages and initiative performance systems in place were more entrepreneurial than those without them. This is consistent with Covin and Slein (1991), although contrary to Dunlop and Lee (2004) who suggested that leaders that can inspire their teams will obtain their commitment to delivering results without being heavily reliant on monetary rewards.

#### **6.4.2 Motivation to identify and exploit opportunities**

Although codes in this category were limited, this was important nonetheless as it answers two of the interview questions in the RQ3 which contributes to understanding the extent of employees' influence on subsidiary performance. Employees who are motivated can accomplish above-average results. Leaders cannot rely only on rewards systems to encourage employees to drive certain behaviours and outcomes. According to Slater and Naver (1995), depending too heavily on short-term financial measures may not be sustainable for an organisation in the long term. In order to lead effectively, leaders must endeavour to understand their team members and what motivates them. What was not clear from the data was that some employees were seen to be motivated by career progression while others were motivated by financial gains in order to identify and exploit opportunities. This suggests that it is the responsibility of leaders to pay close attention to their subordinates regarding how best to motivate them to achieve entrepreneurial outcomes (Slater & Naver, 1995; Scott et al, 2010).

Whether employees are motivated by financial or non-financial gains, what was clear from the research was that everyone was motivated to achieve required and above-average results motivate on the basis that this will contribute to the performance of a subsidiary. Based on the findings of Gupta et al (2004), entrepreneurial leadership empowers subsidiary leaders to motivate and shape local personnel into becoming committed to subsidiary objectives.

#### **6.4.3 Supportive environment**

With regard to supporting entrepreneurial efforts, having a supportive atmosphere has been found to be more important than perceived payment equity. The information in this category indicated that subsidiary leadership should create a conducive environment for employees to be free and creative in opportunity recognition and exploitation. The supportive environment has also been shown to have a positive relationship with subsidiary performance (Bono & Judge, 2004).

Some of the main aspects revealed by data in this category include that subsidiary leadership should ensure that barriers to opportunity identification and capturing are removed. In seeking to develop the right behaviour for an entrepreneurial mindset, Anderson and Sun (2017) postulate that leaders should generate an environment that enables the delivery of results along with communication that nurtures teamwork that will collectively encourage entrepreneurial initiatives. The main finding for a supportive environment was aligned with the view of Becker et al. (1996) who suggested that employees who believe they are being encouraged and supported by their subsidiary leadership are more likely to go above and beyond their contractual responsibilities and make a concerted effort to reach specified goals as compared to those who believe they are not being encouraged and supported.

An important factor revealed by data in this category was the support from HQ. Although in the minority, the findings nonetheless highlight that being supported by HQ was seen by some as important.

#### **6.4.4 Conclusion of Research Question 3**

The results demonstrate strong support for the influence of individuals as the main actors in subsidiary performance (Schmid et al., 2014). However, what is important to note is that individuals need to be motivated to identify and leverage opportunities that will improve the performance of a subsidiary. It was evident from the data that leaders and subordinates were divided on how and what motivates employees to identify and capture commercial opportunities. Some indicated financial gain motivation to some extent while others pointed out non-financial motivators like career progression and recognition amongst peers.

**Table 10: Key findings evaluated factors influencing subsidiary initiatives**

<b>Factors Influencing Subsidiary Initiatives</b>	<b>Description</b>	<b>Reference</b>	<b>Key Finding</b>
The role of Subsidiary Leadership	Relates to leadership attributes and behaviours when interacting with subsidiary employees to encourage and assist to remove restrictions to initiatives	Verbeke & Ciranvegna, 2018; Sarabi et al., 2020; Meyers et al., 2020	Leaders should approach entrepreneurial initiatives with an open mind and be prepared to challenge HQ when necessary and persuade them in supporting subsidiary initiatives.
HQ Control	Refers to the extent of HQ control to subsidiary activities and initiatives	Cuervo-Cazurra et al., 2019	HQ should afford subsidiaries space to develop entrepreneurial initiatives without interference
Subsidiary Decision Making	Refers to the flexibility of decisions within the MNE environment	De Jong et al., 2015; Geleilate et al., 2020	Although MNEs manage decision-making differently and some have processes in place, findings revealed this to be ambiguous and discourage initiatives
Knowledge Sharing	Refers to how MNE brings the diverse potential between HQ, Subsidiaries, and the host countries	Lupton & Beamish, 2016; O'Brien et al., 2017	Findings show knowledge sharing is critical to subsidiaries as it can be a competitive advantage against local competitors
Supporting Environment for Entrepreneurial initiatives	Refers to a subsidiary environment that is open to and responsive to entrepreneurial initiatives with deliberate efforts made to support it.	Meyers et al., 2020	Results show that subsidiaries that are open to and supportive of entrepreneurial initiatives are more likely to be successful in fostering an entrepreneurship behaviour in which employees are excited about contributing to the advancement of subsidiary performance.

## **CHAPTER 7**

### **CONCLUSION AND RECOMMENDATION**

#### **7.1 Introduction**

Building subsidiary entrepreneurship has the potential to benefit MNEs in the long term (Verbeke & Yan, 2013) but research in IB has primarily focused on an organization as a unit of analysis and has neglected to examine the influence of individuals as key actors (Verbeke & Luciano, 2018). Significantly, leadership has a critical role in promoting entrepreneurship and ensuring the success of an MNE subsidiary. However, with regard to driving entrepreneurial behaviour within subsidiaries, complexities and ambiguities continue to present challenges (Schmid et al., 2014). As a result, researchers have proposed various leadership approaches to manage and navigate the complexity of leader function that is subjected to a range of internal and external limitations, which may result in contradictory demands on leaders in several situations (Reiche et al., 2017; Gorgijevski et al., 2019; Sarabi et al., 2020). There has been some criticism that researchers are not paying enough attention to specific individuals within subsidiaries (Meyer et al., 2020; Sarabi et al., 2020).

The primary goal of this study is to determine how leadership capabilities influence the behaviour of entrepreneurial efforts within subsidiaries that operate in emerging countries. For the purpose of addressing the research question, the study sought to understand pre-existing factors that permit or obstruct MNE subsidiary activities, while also examining the function of leadership in dealing with these antecedents. Meyer et al. (2020) points out that the ability of subsidiaries to take independent decisions is dependent on the balance between HQ control and subsidiary decision-making autonomy in the MNE's internal governance structure. Despite the fact that several multinational enterprises (MNEs) have developed various approaches to dealing with this issue (Andersson et al., 2015), which in turn foster subsidiary entrepreneurship, the leadership continues to play an important role.

The study concludes with this chapter which will present the research contribution, the conceptual framework that will highlight key findings, recommendations, limitations to the study, and suggestions for future studies.

## **7.2 Principal findings**

The conclusions of this study were reached through a process of analysis in which themes were developed from constructs derived from the interviews. In the analytical process, the themes that were deemed significant were those that were dominating, repeating and heavily highlighted throughout the interview as well as those that were detected during the interview. The study's main findings are consistent with the overall three Research Questions, which are presented and summarised below. As a contribution to the body of knowledge, this study is proposing a conceptual framework as presented in Figure 6 below.

### **7.2.1 Findings on the pre-existing factors that foster or impede MNE subsidiary entrepreneurial initiatives**

The study results reflect what the study established during the analysis process in that 60 percent of categories belong to RQ1. The research reflects the dynamics and solutions to subsidiary initiatives together with the importance of subsidiary alignment with MNE HQ. MNE HQ establishes a framework for the entire organization; nevertheless, it is up to subsidiary leadership to tailor the framework to the specific needs of the local market. Therefore, subsidiary leadership should approach the concept of entrepreneurial initiatives with an open mind (O'Brien et al., 2016) as it will not always go according to plans or expectations.

Dealing with HQ control is important as it has been highlighted as a potential limitation to the development of subsidiary entrepreneurial initiatives (Gorgijevski et al., 2019). Situations like this call for leadership's intervention and the leader should always be prepared to step up to challenge HQ and seek to persuade it to support subsidiary initiatives. This concern emerged from a number of studies that highlight the challenge of building subsidiary initiatives with HQ still controlling the subsidiary activities (Cuervo-Cazurra et al., 2019; Sarabi et al., 2020; Meyers et al., 2020). The research established that subsidiary leadership that wants to build entrepreneurship behaviour should be able to manage the complexity that comes with leading an MNE subsidiary where HQ controls activities.

The study further established that the concept of decision-making differs from one MNE to another. Therefore, it is critical for subsidiary leadership to have a broad understanding of the policies and procedures that govern their organisation (Meyer et al., 2020) as this contributes to determining which initiatives should not be pursued in order to avoid resource wastage. What the study also found to be effective in dealing with this issue was the



alignment of subsidiary initiatives with global strategies in order to avoid relationship friction with HQ (de Jong et al., 2015; Geleilate et al., 2020).

### **7.2.2 Findings on Enabling Practices**

Research Question 2 was intended to determine how the process of entrepreneurial initiatives is embedded in order to develop leadership capabilities, thereby ensuring continuous advantage for the subsidiary.

Knowledge sharing is the principal finding on enabling practices to embed the process of subsidiary initiatives while developing leadership capabilities and ensuring a sustainable competitive advantage for the subsidiary. Whenever a subsidiary can benefit from a worldwide network that provides superior knowledge and expertise to competitors (O'Brien et al., 2017), the subsidiary will be able to stay one step ahead of them and perform better in the local market (Meyer et al., 2020). The difficulty for MNEs, on the other hand, would be to establish how to leverage the different potential of their headquarters, subsidiaries, and local markets (O'Brien et al., 2017). This was established by the study, which found that several leaders who were interviewed stated that their organisation lacked knowledge-sharing mechanisms. As a result, the subsidiaries were perceived as having a disadvantage because they were unable to benefit from the information gained in other markets. Creating and sharing knowledge has been regarded as having a positive relationship to subsidiary performance and can benefit the MNE network (Lupton & Beamish, 2016). It is, therefore, critical for both headquarters and subsidiary leaders to develop capabilities and platforms to share the best practices for the sustainable competitive advantage of the subsidiaries in the local markets.

### **7.2.3 Findings on Subsidiary Performance**

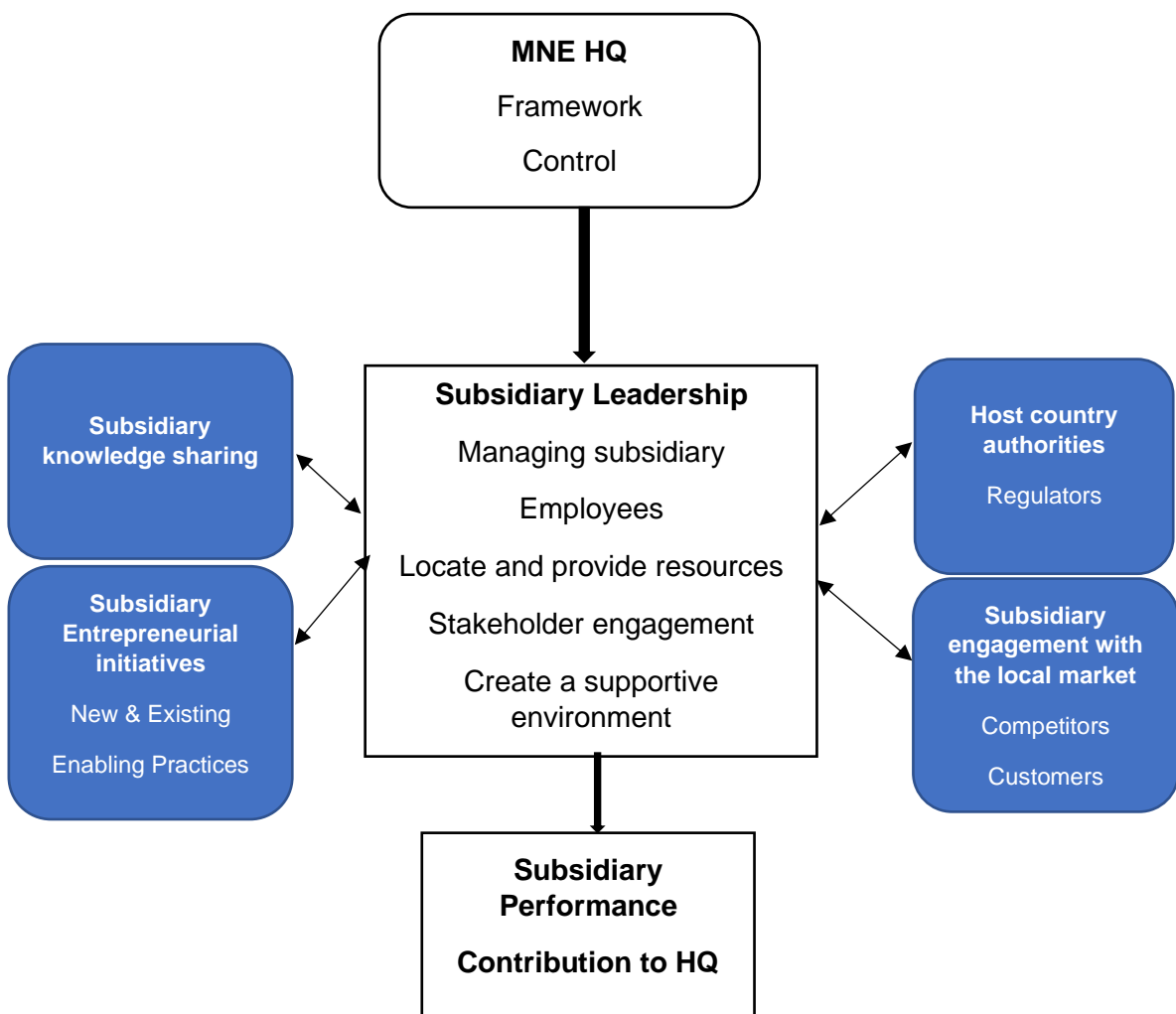
Research Question 3 was intended to understand the extent of influence that individuals' actions have on subsidiary performance. The people who work in an organization determine its function and performance. When looking into the actions of individuals, the study wanted to know how subsidiary employees were motivated to recognise and take advantage of the commercial opportunities in the market.

The study found that employees (leaders and followers) can search for new opportunities and perform in an environment that is conducive. The research established that a supportive environment plays a major role in encouraging employees to go over and above what is expected from them. This was established as important from both headquarters and

subsidiary levels. However, what was explicitly important was that followers preferred that leaders create a supportive environment within a subsidiary to remove barriers to identify and exploit entrepreneurial opportunities. The leader should be prepared to leave the comfort zone and sphere of influence and engage with counterparts around the world with the goal of mobilising and lobbying support for subsidiary initiatives (Sarabi et al., 2020).

In addition, it was recognised that being supportive meant that subsidiary leadership would be required to devote resources to the program in question. According to the findings of the study, it is impossible to achieve success in entrepreneurial endeavours without the assistance of subsidiary leadership in terms of resources. Applying dynamic capabilities theory, subsidiary leadership should alter internal resources and repurpose them in order to support the development of entrepreneurial behaviour (Teece, 2016).

### 7.2.4 Suggested Conceptual Framework



**Figure 6: Conceptual Framework on Subsidiary Entrepreneurial Initiatives**  
Source: Author's own.

### **7.3 Managerial Implications**

The research offers important insights for subsidiaries and their headquarters, evidently indicating the significance of looking beyond process and procedures. What this study presents as managerial implications is that leaders must be more deliberate in terms of putting structures together and creating a conducive environment to foster entrepreneurial initiatives that may have the potential to benefit the subsidiary. The study also urges subsidiary leaders to be aware of how their behaviours, corporate rules and processes, even when motivated by inspiring aims and entrepreneurial leaders, can impede opportunity recognition. Although it was not the intention of this study to compare different markets within emerging countries, it emerged during interviews in HQ that not all emerging markets should be treated the same as each country differs from another. What works in one country does not work in another country. Therefore, the study urges leaders based in headquarters to have a broad understanding of different countries before giving a generalised direction.

### **7.4 Recommendations**

Initially, the study sought to interview nine leaders and followers to compare the views of employees about the research problem. As the research was based on selected participants, some indicated discomfort at being interviewed with their direct line manager or subordinates. Although the research successfully mitigated this concern by approaching followers in a different department as the study was examining leadership as a concept, it is nonetheless recommended by the researcher that future researchers who may like to utilize a similar technique should examine the situation closely and find a way to overcome it before commencing the study.

### **7.5 Limitations**

This study, like all others, had its limitations, one of which was that it was limited to emerging market countries on the African continents, as opposed to other regions. As a result, in order to generalise the findings outside of different markets, additional research employing a different sample will be required. Furthermore, due to the qualitative character of the research approach, the generalisability of the findings is limited.

## **7.6 Suggestion for Future study**

From the MNE perspective, the operating environment will continue to be complex by its nature (Sarabi et al., 2020). The difficulty of managing and navigating challenges emanating from the headquarters / subsidiary relationship will continue to be part of MNE. However, what this study revealed, and which underpins a suggestion for future study is the role and impact played by regional clusters. What was established is where MNE is operating in emerging markets, all of them report and have a close relationship with regional offices. These regional offices act like headquarters as they oversee, allocate capital, and most of the time approve plans of subsidiaries. The study suggests this area be investigated as it can close the distance and sometimes lack of knowledge of the conditions of the local market.

Despite the fact that businesses exist to make money, the study identified that some organisations are more entrepreneurial than others. It will be valuable should future research initiatives investigate these organisations and how they impact leadership approach on their leaders.

## **7.7 Conclusion**

The findings of the study have been summarised in this chapter. The implications of the findings for organisations and leaders as a contribution to the research were explained. The chapter went on to point out some of the study's limitations as well as some recommendations for future research and investigation.

It is known that MNE expands internationally for the purpose of growing the business and being sustainable in the long run. This not only benefits MNE but also benefits other markets such as emerging countries in this case. The performance and growth of subsidiaries benefit the host country in areas such as infrastructure and economic development. The study was motivated by helping out subsidiaries and their leaders to improve performance, in turn adding to the growth of MNE. The study focused on the role of subsidiary leaders in enhancing the behaviour of opportunity recognition.

The study has advanced the overall understanding of MNE subsidiary initiatives in emerging markets. This will assist in the improvement of subsidiary performance and in improving the

role of subsidiary leadership on initiatives. It will also assist in helping subsidiary leaders to manage headquarters-subsidary relationships.

It is therefore suggested that this study was successful in provided a better understanding of how leadership capabilities foster opportunity recognition in MNE subsidiaries.

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## APPENDICES

### Appendix 1: Consistency Matrix

Research Questions	Literature Review	Data Collection Tool	Analysis
1. What are the pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives?	2.3.4 subsidiary entrepreneurship 2.3.8 Subsidiary operating environment 2.3.9 Subsidiary decision making	Semi-Structured Interview Interview guide sub-question 1.1, 1.2, 1.3	Thematic analysis
2. How is this process embedded within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary?	2.3.10 Knowledge sharing	Semi-Structured Interviews Interview guide sub-question 2.3, 2.4	Thematic analysis
3. How and to what extent do the actions of individuals (leaders & followers) have an influence on a subsidiary performance?	2.3.11 Subsidiary performance	Semi-Structured Interviews Interview guide sub-guide 3.1;3.2;3,3	Thematic analysis

## **Appendix 2: Research Instrument – Semi-structured Interview Guide**

**Date:**

**Time:**

**Research Topic: Leadership capabilities that enable the identification of MNE opportunities in emerging markets.**

### **1. Research Question 1: What are pre-existing factors that enable or impede MNE subsidiary entrepreneurial initiatives?**

- 1.1 How does HQ react to the entrepreneurial initiatives of your subsidiary?
- 1.2 Which initiatives were previously rejected by HQ and what was the reason for this?
- 1.3 What factors restrict the identification and exploitation of commercial opportunities in your subsidiary?
- 1.4 What is the role of subsidiary leadership in (1.1), (1.2) and (1.3)?

### **2. RQ2: How is this process embedded within the organisation to develop leadership capabilities and thereby ensure sustainable competitive advantage for the subsidiary?**

- 2.1 How are commercial opportunities identified in your subsidiary?
- 2.2 How are organisational resources and capabilities mobilised to this end? (Discuss your answer at both HQ and subsidiary level if these differ?)
- 2.3 How are these events used to develop the leadership pipeline in the subsidiary?
- 2.4. How is the knowledge stock and the leadership capabilities developed through these activities codified in the subsidiary for future use?

### **3. RQ3: How and to what extent do the actions of individuals (leaders & followers) have an influence on a subsidiary Performance?**

- 3.1 Under what conditions are subsidiary employees incentivised to achieve entrepreneurial outcomes?
- 3.2 How are subsidiary leaders and followers motivated to recognise and exploit commercial opportunities?
- 3.3 How are subsidiary teams motivated to identify and capture commercial opportunities? (Discuss your answer with reference to both formal and ad hoc teams)
- 3.4 How does the subsidiary periodically review the success or failure of its entrepreneurial initiatives?

### Appendix 3: Informed Consent Letter

Dear Sir/Madam

I am currently completing an MPhil in International Business at Gordon's Institute of Business Science (GIBS) – University of Pretoria and I am in the process of finalising the compulsory research element of the academic programme. My research title is 'Leadership capabilities that enable the Identification of MNE opportunities in emerging markets. The purpose of this research is to understand leadership capabilities that foster a behaviour to identify and exploit opportunities within subsidiaries operating in emerging markets while managing headquarters expectations. Further, to get an insight on how individuals (leaders & subordinates) impact the performance of subsidiaries at the same time navigating challenges that come with operating in emerging markets.

I would extremely welcome your willingness to participate in the study. Your participation is voluntary, and you can withdraw at any time without penalty. Our interview is expected to be between 45 – 60 minutes. By signing this letter, you are indicating that you have given permission for the interview to be recorded and transcribed for purposes of academic analysis. Although exact quotations from the interview may be used in the final report, your name or that of your organisation will not be identified as the interview will be kept strictly confidential. The data to be used as part of a report will be publicly available once the examination process has been completed, and all data to be reported and stored without identifiers. On request, a copy of the research findings will be made available to you.

If you have any concerns, please contact my supervisor or me on below details. As an indication of consent, please sign below.

Signature of participant:

Date:

Signature of researcher:

Date:

Researcher Name:

Research Supervisor Name:

Email:

Email:

Phone:

Phone:



#### Appendix 4: Codes Created with Categories

Codes	Grounded	Categories
A subsidiary size has an impact on HQ	3	Broad understanding of MNE operating environment
Adherence to internal rules	5	Broad understanding of MNE operating environment
Ambiguous operating environment	6	Broad understanding of MNE operating environment
Global embeddedness	2	Broad understanding of MNE operating environment
HQ conditions to approve initiatives	3	Broad understanding of MNE operating environment
HQ control	13	Broad understanding of MNE operating environment
HQ decision making	3	Broad understanding of MNE operating environment
The impact of the regional office	3	Broad understanding of MNE operating environment
Understand MNE global supply chain	5	Broad understanding of MNE operating environment
Understand subsidiary supply chain	2	Broad understanding of MNE operating environment
Commercial initiatives not aligned with global strategy	5	Broad understanding of the local operating environment
Understand the local operating environment	16	Broad understanding of the local operating environment
Understand the local regulatory environment	7	Broad understanding of the local operating environment
Understanding operating environment	3	Broad understanding of the local operating environment
Amount of freedom in decision-making within the subsidiary	9	Subsidiary decision making
Subsidiary power of influence	4	Subsidiary decision making
The impact of subsidiary ownership on commercial initiatives	15	Subsidiary decision making
The level of subsidiary decision-making	2	Subsidiary decision making
Understand decision-making within the MNE environment	6	Subsidiary decision making
Align subsidiary performance to global standard	2	Organisational alignment
Align subsidiary plans with global plans	10	Organisational alignment
Driving alignment within a subsidiary	7	Organisational alignment

Ensuring alignment with HQ	13	Organisational alignment
Strategic alignment	4	Organisational alignment
Understand the organisational dynamics	3	Organisational alignment
Update a team on subsidiary performance	3	Organisational alignment
Adjust global initiatives to suite local market	10	Extensive understanding of local market
Each market is different	6	Extensive understanding of local market
Facing changes in the industry	2	Extensive understanding of local market
Facing changes in the local market	4	Extensive understanding of local market
Facing competition in a local market	4	Extensive understanding of local market
Lack of understanding the local market	9	Extensive understanding of local market
Suitable for local market	6	Extensive understanding of local market
Understand the local market	9	Extensive understanding of local market
Each subsidiary is unique in each country	5	Subsidiary internal environment and relations
Gaining internal trust	5	Subsidiary internal environment and relations
Internal excessive bureaucracy	3	Subsidiary internal environment and relations
Internal processes and standards influence	15	Subsidiary internal environment and relations
Internal processes as a hindrance	14	Subsidiary internal environment and relations
Lack of support from HQ	6	Subsidiary internal environment and relations
Lacking internal flexibility	7	Subsidiary internal environment and relations
Relationship building internally	2	Subsidiary internal environment and relations
Set a standard to gain credibility internally	4	Subsidiary internal environment and relations
Subsidiary embeddedness	4	Subsidiary internal environment and relations
Subsidiary reporting	7	Subsidiary internal environment and relations
Understand the team dynamics	5	Subsidiary internal environment and relations

Understand your counterparts in different markets	4	Subsidiary internal environment and relations
Using internal network	6	Subsidiary internal environment and relations
Availability of customer data in a local market	3	Subsidiary external environment and relations
Build local capacity to drive commercial outcome	5	Subsidiary external environment and relations
Building relationship with customers	2	Subsidiary external environment and relations
Influence of external factors	4	Subsidiary external environment and relations
Leveraging on external partners	3	Subsidiary external environment and relations
Managing external stakeholders	2	Subsidiary external environment and relations
Relationship building externally	4	Subsidiary external environment and relations
Study competitors	7	Subsidiary external environment and relations
Trust the expert	4	Subsidiary external environment and relations
Understand customers	13	Subsidiary external environment and relations
Understand market dynamics	9	Subsidiary external environment and relations
Understand market trends	8	Subsidiary external environment and relations
Understand the industry	3	Subsidiary external environment and relations
Being accessible and naturing	7	Leader characteristics
Caring and encouraging leader	4	Leader characteristics
Encouraging teamwork	5	Leader characteristics
Experience of a leader	2	Leader characteristics
Manage complexity and risk	7	Leader characteristics
Personal awareness	3	Leader characteristics
Supportive leader	8	Leader characteristics
A Leader get involved when necessary	8	Leadership capabilities
Adapting to change	15	Leadership capabilities
Allow employees to come up with solutions	6	Leadership capabilities
Challenging the authority	5	Leadership capabilities
Embedding entrepreneurial culture within a subsidiary	6	Leadership capabilities
Employees' motivation for performance	2	Leadership capabilities

Leader allowing embeddedness to happen within subsidiary	13	Leadership capabilities
Leader allowing employees to learn from mistakes	6	Leadership capabilities
Leader driving performance within subsidiary	6	Leadership capabilities
Persuading HQ to approve initiatives	16	Leadership capabilities
Rely on the team to deliver results	3	Leadership capabilities
Creating a sense of community within a Subsidiary	5	Relationship orientated behaviour
Internal stakeholder engagement	9	Relationship orientated behaviour
Regular update and feedback sessions	3	Relationship orientated behaviour
Driving focus within a subsidiary	4	Task orientated behaviour
Lead by actions and encourage employees to emulate them	4	Task orientated behaviour
Leader creating a conducive environment for employees to perform	4	Task orientated behaviour
Outlining a direction to success	3	Task orientated behaviour
Planning ahead	2	Task orientated behaviour
Planning for action	3	Task orientated behaviour
Proactive risk taking	4	Task orientated behaviour
Willing to consider new and different ideas	10	Task orientated behaviour
Challenging the team to identify opportunities	2	Search and capture for new opportunities
Collaboration and co-creation with customers	10	Search and capture for new opportunities
Customer driven initiatives	10	Search and capture for new opportunities
Exploit local opportunities	10	Search and capture for new opportunities
Generating ideas to competitive in the market	18	Search and capture for new opportunities
HQ driven initiatives	4	Search and capture for new opportunities
Identify opportunities	9	Search and capture for new opportunities
Market driven initiatives	10	Search and capture for new opportunities
Structural model for commercial initiatives	4	Search and capture for new opportunities
Viability of an initiative	3	Search and capture for new opportunities
Acquiring required skills to ensure sustainable competitive advantage	6	Locate and provide resources
Availability of resources	9	Locate and provide resources

Efficiently utilising resources	4	Locate and provide resources
Employ suitable individuals	6	Locate and provide resources
Employees managing oneself and sufficiently self-motivated to perform	5	Locate and provide resources
Everyone is an entrepreneur	2	Locate and provide resources
Explicit defined roles and responsibilities	4	Locate and provide resources
Identify required resources and capabilities	3	Locate and provide resources
Individuals with suitable attributes	2	Locate and provide resources
Knowledgeable employees	3	Locate and provide resources
Purposefully adapting organisational resources	3	Locate and provide resources
Resource allocation	5	Locate and provide resources
Understand subsidiary resources and capabilities	3	Locate and provide resources
Using resources and capabilities within MNE globally	3	Locate and provide resources
Driven to develop employees	7	Learning and development
Employee development and training	10	Learning and development
Employee empowerment	13	Learning and development
Providing employees with an opportunity to develop	7	Learning and development
Upskilling employees to be job fit	4	Learning and development
Developing organisational knowledge sharing	7	Creating and sharing knowledge
Encourage employee to learn from their counterparts	2	Creating and sharing knowledge
Knowledge sharing	17	Creating and sharing knowledge
Leveraging global knowledge	11	Creating and sharing knowledge
Structural knowledge sharing platform	6	Creating and sharing knowledge
Commercial initiatives review period	13	Measuring success, reward and recognition system
Commercial initiatives' review process	9	Measuring success, reward and recognition system
Employee recognition	6	Measuring success, reward and recognition system
Global recognition initiative	3	Measuring success, reward and recognition system
Initiative's performance management	4	Measuring success, reward and recognition system
Regional recognition initiative	4	Measuring success, reward and recognition system
Reward and recognition method	4	Measuring success, reward and recognition system
Reward criteria	5	Measuring success, reward and recognition system

Rewarding coming up with innovative ideas	2	Measuring success, reward and recognition system
Rewarding employee's performance	10	Measuring success, reward and recognition system
Rewarding the identification of entrepreneurial opportunities	4	Measuring success, reward and recognition system
Subsidiary reward initiative	8	Measuring success, reward and recognition system
Career progression	5	Motivation to identify and exploit entrepreneurial opportunities
Driven to over-achieve results	4	Motivation to identify and exploit entrepreneurial opportunities
Employees driven to achieve results	6	Motivation to identify and exploit entrepreneurial opportunities
Developing accountability capabilities within subsidiary	3	Supportive environment
Ensuring knowledge application takes place	2	Supportive environment
HQ creating conducive an environment to perform	3	Supportive environment
HQ support	13	Supportive environment
HQ's reaction to entrepreneurial initiatives	9	Supportive environment
Leveraging global network	4	Supportive environment
Removing barriers to exploit opportunities	6	Supportive environment
Subsidiary reaching goals	3	Supportive environment
Support from regional office	5	Supportive environment
The role of a leader	5	Supportive environment