

Headquarter centralisation influence on host subsidiary market development initiatives.

23023733

A research project submitted to the Gordon Institute of Business Science, University of Pretoria,
in partial fulfilment of the requirements for the degree of Master of Philosophy in International
Business.

25 November 2024

Abstract

Although international business literature discusses the multinational enterprise as a de-centred or networked organisation, the typical MNE predominately operates as a central authoritative headquarter with standardized processes, knowledge, resources, scope, culture as well as strategy to which it transfers to its host subsidiary. MNE headquarters are particularly interested in host subsidiaries in emerging markets due to desirable growth potential for MNEs wanting to expand their footprint and gain competitive advantage in regions outside of their home country. Given this dynamic, host subsidiaries in emerging markets have a mandate to deliver on the strategy that has been transferred to them by the headquarter, this can lead to conflicting interests as the subsidiary has its own local entrepreneurial goals to achieve for developing the local market. Using semi-structured interview data collected from 10 participants within European and American MNEs, this qualitative study sought to gather insights into the influence of headquarter centralisation on host subsidiary market development initiatives. Anchored by the principle-agency and resource dependence theories, the purpose was to analyse the operational characteristics such as resource dependency and contextual characteristics such regulatory environment of a host subsidiary influences the level to which a host subsidiary can be autonomous from both the perspectives of headquarter decision makers against those of the host subsidiary market development managers. Based on the findings, the influence of headquarter centralisation is not “black or white” nor good or bad, rather it is contextual and the nature of MNE does not structurally invite for full autonomy. This entails that means of coordination mechanisms to establish a balance between central steering and localisation/subsidiary autonomy need to be put in place. The outcome of this research is presented in a coordination framework to help headquarter decision makers and host subsidiary market development managers find strategic balance.

Key words:

Headquarter (HQ), host subsidiary (HS), multinational enterprise (MNE), headquarter centralisation, market development, central steering, headquarter-subsidiary relationship, regional managers, market development managers, business development managers, autonomy, localisation, power and dependency, resource allocation

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.

25 November 2025

TABLE OF CONTENTS

CHAPTER 1: PROBLEM STATEMENT	1
1.1 Introduction.....	1
1.2 Background to the research problem	1
1.3 Definition of research problem	2
1.4 Research aims and purpose.....	2
1.5 Significance of the study.....	4
1.6 Business rationale	5
1.7 Theoretical relevance	5
1.8 Scope	5
1.9 Conclusion.....	6
CHAPTER 2: LITERATURE REVIEW	7
2.1 Introduction.....	7
2.2 Agency theory.....	7
2.3 Resource dependence theory.....	8
2.4 Control mechanisms	8
2.4.1 General control mechanisms	8
2.4.2 Centralisation.....	9
2.4.3 Coordination mechanisms	10
2.5 Market development initiatives and approval and rejection metrics.....	11
2.5.1 Market development initiatives.....	11
2.6 Hinderance to market development	12
2.6.1 Approval metrics	12
2.6.2 Rejection metrics	13
2.7 Emerging market host subsidiary.....	13
2.7.1 The role of the host subsidiary in an emerging market.....	13
2.7.2 Host subsidiary autonomy.....	14

2.8 Local embeddedness	14
2.8.1 Host country embeddedness	14
2.9 Conclusion.....	15
CHAPTER 3: RESEARCH QUESTIONS	16
3.1 Anchoring research questions.....	16
CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN.....	19
4.1 Introduction and Problem.....	19
4.2 Methodology.....	19
4.2.1 Research Philosophy	19
4.2.2 Research Design Purpose	20
4.2.3 Approach to Theory	20
4.2.4 Research Strategy	20
4.2.5 Time Horizon	21
4.2.6 Population.....	21
4.2.7 Unit of Analysis	22
4.2.8 Sampling Method and Size	22
4.2.9 Research Instrument	23
4.2.10 Data Gathering Process.....	26
4.2.11 Data analysis process.....	26
4.2.12 Research Quality	27
4.2.13 Ethical Considerations	27
4.2.14 Limitations of the research design and methods	28
CHAPTER 5: CHAPTER 5: FINDINGS	29
5.1 Introduction.....	29
5.2 Context and description of participants	29
5.2.1 Description of participants.....	29
5.3 Presentation of findings	31

5.4 Findings: Headquarters' Context.....	31
5.4.1 Findings: Research question 1.....	31
5.4.2 Organisational structure.....	34
5.4.3 Coordination	36
5.4.4 Localisation.....	37
5.4.5 Power Play	40
5.5 Findings: Research question 3	40
5.5.1 Subsidiary context	42
5.5.2 Leveraging existing Supply Chains	42
5.6 Findings: Research Question 4.....	43
5.6.1 Business Case.....	44
5.6.2 Global Strategy	45
5.7 Findings: Research question 5	47
5.7.1 Organisational growth.....	47
5.8 Findings: Host subsidiary context	49
5.8.1 Findings: Research Question 1.....	49
5.8.2 Subsidiary context	51
5.8.3 Justify need for local initiatives.....	54
5.8.4 Power play.....	56
5.9 Findings: Research Question 2.....	57
5.9.1 Subsidiary growth	58
5.9.2 Intrinsic motivation	59
5.9.3 Demotivation.....	60
5.10 Findings: Research Question 3.....	62
5.10.2 Neglected labour force	69
5.10.3 Localisation.....	71
5.10.4 Market orientation	72

CHAPTER 6: DISCUSSION OF FINDINGS	73
6.1 Introduction.....	73
6.2 Discussion: Research Question 1	73
6.2.1 Organisation structure: Host subsidiary and Headquarter context.....	74
6.2.2 Power play.....	75
6.3 Discussion: Research Question 2	75
6.3.1 Organisational growth.....	76
6.4 Discussion: Research Question 3	76
6.4.1 Responsiveness	76
6.4.2 Neglected Labour force.....	77
6.4.3 Leveraging existing supply chains	78
6.5 Discussion: Research Question 4	78
6.5.1 Justify need for local initiatives.....	78
6.5.2 Business Case.....	79
6.6 Discussion: Research Question 5	79
6.6.1 Localisation.....	80
6.6.2 Market orientation	80
6.7 Summary of findings	81
6.8 Conclusion.....	85
CHAPTER 7: CONCLUSION AND RECOMMENDATIONS.....	86
7.1 Introduction.....	86
7.2 Principal conclusion	86
7.3 Research contributions	90
7.4 Recommendations for headquarter decision makers and host subsidiary managers	90
7.5 Limitations of the research.....	91
7.6 Suggestions for future research.....	91
REFERENCE LIST	92

APPENDICES.....	96
APPENDIX 1:	96
APPENDIX 2:GIBS ETHICAL CLEARANCE FORM	98
APPENDIX 3: COPYRIGHT DECLARATION FORM	99
APPENDIX 4: MPHIL STUDENT/SUPERVISOR AGREEMENT.....	Error! Bookmark not defined.
Appendix E:	Error! Bookmark not defined.

LIST OF FIGURES

Figure 1: Centralisation influence model (Researcher’s own model)	89
---	----

LIST OF TABLES

Table 1: Identified knowledge gaps.	3
Table 2: presents the unique knowledge gap alongside the connected research question.	16
Table 3: Sample size and population mix classification.	23
Table 4: Interview questions alongside the research questions from which they were derived. .	24
Table 5: Summary of research sample	30
Table 6: Sorting and elimination process	32
Table 7: Theme Development	34
Table 8: Coding and elimination process	41
Table 9: Theme development	41
Table 10: Sorting and eliminating process	43
Table 11: Theme Development.....	44
Table 12: Sorting and elimination process	47
Table 13: Theme development	47
Table 14: Sorting and elimination process	49
Table 15: Theme development	51
Table 16: Sorting and eliminating	57
Table 17: Theme development	58
Table 18: Sorting and elimination process	62

Table 19: Theme development	63
Table 20: Sorting and elimination process	70
Table 21: Theme development	71
Table 22: Conclusion of findings	81

CHAPTER 1: PROBLEM STATEMENT

1.1 Introduction

This chapter introduces the research topic. It delivers the problem statement, highlighting the background and definition to the research problem, and establishes the business need and theoretical relevance. It also details the research aims, purpose and questions and provides a brief outline of the methodology and research design.

1.2 Background to the research problem

Centralisation plays a pivotal role in ensuring strategic alignment between the headquarter and its subsidiaries (Dasi, Pedersen & Barber, 2024). It can be labelled as a form of control mechanism (Dasi et al., 2024) employed by the headquarter to its subsidiaries for the purpose of maintaining decision making powers, creating a uniform brand image and a way to monitor operations or functions such as market development (Sageder & Feldbauer-Durstmuller, 2019). Although essential for uniformity and overall headquarter-subsidary embeddedness, centralisation can restrict subsidiary autonomy and development, as well as perpetuate constant “subsidiary initiative opposition” by the headquarter (Ahworegha & Colovic, 2020). According to Raziq, Benito and Ahmad (2021) market development initiatives are vital in ensuring the survival of the subsidiary, and given decision-making autonomy, host subsidiaries can have the ability to timeously seize local market development opportunities which result in gained local competitive advantage for the host subsidiary and global competitive advantage for the multinational enterprise headquarter.

It is fundamental to note that there are resources required by the host subsidiary to pursue and seize market development initiatives. Although these resources enable the subsidiary to conduct market research, scout for opportunities, problem solve and meet local market supply demands, they are only formally authorised by the headquarter (Raziq et al., 2021) meaning that the host subsidiary would require headquarter approval prior to pursuing local market development initiatives. In many cases “headquarters are generally keen on embedding resources to their subsidiaries as they are interested in exploring further product and market opportunities” (Raziq et al., 2021, p.311), however, due to headquarter centralisation the initiatives proposed by the

host country often face rejection (Schotter & Beamish, 2011), resulting in the host subsidiary being hindered from exploring market development efforts (Sarabi, Froese, Chng & Meyer, 2020).

Headquarter-subsidiary relationship studies maintain that centralisation perpetuates subsidiary dependence on the headquarter, (Raziq et al., (2021) and that there are various headquarter-subsidiary coordination mechanisms required in creating innovation capabilities and market development abilities, to achieve superior subsidiary performance. However, limited research focuses on other capabilities such as management, technology, or market development in emerging markets (Wang & Zhang, 2023). Thus, the research problem can be articulated around the fact that host subsidiaries are hindered from exploring market development capabilities and initiatives or opportunities by headquarter centralisation, and that is particularly under-researched with respect to specific capabilities and in emerging markets.

1.3 Definition of research problem

Headquarter-subsidiary relationship studies maintain that centralisation perpetuates subsidiary dependence on the headquarter, particularly a dependence on resources which are critical for managing local market demands (Raziq et al., 2021). Market development initiatives, sometimes referred to as subsidiary initiatives, can be defined as proactive entrepreneurial projects initiated by the host subsidiary (Ahworegba & Colovic, 2020), and these projects are a way to develop global competitiveness for the headquarter and grow sales for the host subsidiary. However, a problem occurs where the resources required to access these market opportunities fall under the headquarters centralised decision-making authority, which often result in subsidiary market development initiatives facing headquarter resistance, ultimately poorly affecting the host subsidiaries market competitiveness and sales growth. To influence this outcome, subsidiaries require autonomy (Chatzopoulou, Dimitratos & Lioukas, 2021). According to Brooks (2021) further research on headquarters, centralisation and influence of decision-makers needs to be conducted to explore and provide insights into multinational enterprises strategy control process and therefore influences thereof on the host subsidiaries.

1.4 Research aims and purpose

This research aims to explore the influence of headquarter centralised decision making, on host subsidiary market development initiatives and how processes such as resource allocation or dependence play a role. The aim is to explore the latter particularly from the perspective of i) the centralised decision makers from the multinational enterprise headquarter and ii) the host

subsidiary market development managers in emerging markets. The purpose of this research is therefore to explore how both levels in the hierarchy view and respond to the influence of headquarter centralisation in relation to market development and by implication resource allocation. It further seeks to explore which control and coordination mechanisms (Wang & Zhang, 2023) the headquarter and subsidiaries employ to support the host subsidiary in competing effectively and developing and growing sales in its local market. The influence of control mechanisms such as centralised decision making on market development initiatives will be analysed by understanding headquarter which metrics are utilized to issue initiative approval and what determinants lead to initiative rejection. including resource allocation. Furthermore, it will focus on host subsidiary managers who have initiated market development projects to detail what motivations drive them to proposing such initiatives, what steps are required in this process and how do they actively push the central headquarter for initiative approval. The study also looks at the nature of headquarter-subsidiary relationships and how they are coordinated to run effective subsidiary market development initiatives in centralised organisations. The following knowledge gaps were identified in accordance with the above focus research themes.

Table 1: Identified knowledge gaps.

Theme	Knowledge Gap
Power and dependency dynamic	When control mechanisms are employed, the headquarter “retains the power of veto, that is, the ability to overrule any subsidiary decision” (Cuervo-Cazurra et al., 2019, p.492). Conroy et al. (2019) states that it is therefore fundamental to study how host subsidiary stakeholders balance the headquarter power and subsidiary dependency dynamic
Motivation for market development initiatives	Host subsidiaries require autonomy to effectively respond to local market demands (Chatzopoulou et al., 2021) however this autonomy is often restricted by centralised headquarter decision making. This therefore presents a knowledge gap in how host subsidiary market development managers are motivated to conceptualize market development initiatives (Chatzopoulou et al., 2021).

Resource allocation/dependence	Headquarters hold power over a host subsidiary and may thus constrain its behavior on the basis of them controlling resources that are vital to its ongoing operation that cannot be acquired elsewhere,” (Cobb & Wry, 2014). While Raziq et al. (2019) posits that centralisation perpetuates subsidiary dependence on the headquarter, the different areas of dependence lack visibility and require further studying.
Approval and rejection metrics	A subsidiary gains the headquarters trust by maintaining a strong performance track record (Gorgijevski & Andrews, 2022). However, Meyer et al. (2020) suggests that further research could be conducted on the processes taken by host subsidiary market development managers to influence for approvals from the headquarter.
Contextual characteristics	According to Gorgijevski and Andrews (2022, p.3)” The greater the dissimilarity between the contexts of the headquarters home country and the subsidiary’s host country, the more gaps the headquarter will have in its knowledge of the subsidiary market conditions”. However, not much theory covers the direct impact of institutional distance on host subsidiary market development initiatives

1.5 Significance of the study

Host subsidiaries require autonomy to effectively respond to local market demands (Chatzopoulou et al., 2021) however this autonomy is often restricted by centralised headquarter decision making resulting in headquarter dependence (Raziq et al., 2021). Furthermore, when subsidiaries are restricted from making decisions regarding initiatives to develop their local market, their survival, sales performance, and ability to compete in robust business environments is poorly affected (Lee, Changwha Chung & Beamish, 2019).

1.6 Business rationale

The business relevance or need for, and the practical contribution of, this research is thus to provide managers in host subsidiaries insight into headquarter initiative approval and rejection metrics that may lead to imitative success or initiative opposition (Ahworegha & Colovic, 2020). This information is positioned to equip subsidiary managers with the toolkit for them to explore relevant coordination mechanisms that will support them in receiving headquarter buy-in (Ambos, Fuchs & Zimmerman, 2020) for future market development initiatives and ensure competitive advantage and overall business growth.

1.7 Theoretical relevance

When host subsidiary managers desire to pursue market development initiatives that serve the subsidiary market, they have to interface with the headquarter to acquire resources that are necessary for the accomplishment of those initiatives, however the duration taken by the headquarter in deciding on initiative approval and resource allocation oftentimes inhibits the subsidiary for responding to local opportunities, as a result tensions arise in headquarter-subsidiary relationship (Contractor, Foss, Kundu & Lahiri, 2019). Therefore, theoretical relevance of this study, as also outlined in the preceding discussions, will thus be in the extension of headquarter-subsidiary relationship research with a focus on the linkage between headquarter centralisation and subsidiary market development, particularly with respect to emerging markets.

1.8 Scope

This study focuses on establishing the direct link between control mechanisms such as centralisation and market development within host subsidiaries in emerging markets, particularly in South Africa. This is because South Africa is one of the most attractive countries for foreign direct investment (FDI) by multinational enterprises due to its abundance in mineral resources and an established financial sector boasting an asset GDP of 129% which is well above most emerging markets (FSCA, 2022) such as Morocco at 89%, Egypt with 27%, Kenya recording 33% and Nigeria with a low 12%, however is plagued by political uncertainty and economical risk which can create complexities and knowledge gaps for headquarters (Gorgijevski & Andrews, 2022). Furthermore, it analyses the headquarter-subsidiary relationship within the boundaries of power and dependency dynamics and excludes other relationship dynamics such as headquarter-subsidiary knowledge transfer. It also seeks to draw insights only from the perspective of the

headquarter decision makers and host subsidiary market development managers and not those of other key headquarter or subsidiary stakeholders.

1.9 Conclusion

With the research problem, aim and knowledge gaps identified in this chapter, the upcoming chapters are set out as follows, chapter 2 presents the literature review of multiple scholarly literature in the field of international business relating to headquarter centralisation, host subsidiary market development, headquarter-subsidiary relationships as well as coordination mechanisms. Chapter 3 details the five research questions derived from the knowledge gaps identified in the literature review. While chapter 4 captures the research methods followed in the process of gathering and analysing the data. Thereafter, chapter 5 provides a detailed representations of the findings from the semi-structured interviews conducted with headquarter decision makers, also known as regional managers, as well as host subsidiary market development managers. In chapter 6 a discussion of the findings is presented in line with the respective research questions as well as literature in order to determine whether the findings correlate, contradict or provide additional nuances to the literature. Then lastly, in chapter 7 the principal theoretical conclusions and presented together with proposed recommendations for MNEs.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

In this chapter, the aim is to review various headquarter-subsidary relationship literature, with specific focus on headquarter centralisation as a control mechanism and the impact thereof on host subsidiary market development initiatives. Cobb and Wry, (2014) posit that headquarters have the ability to constrain host subsidiary behaviour by controlling resources that are key to the subsidiary's operations, therefore, by leaning onto the principle-agent theory together with the resource-dependence theory as theoretical anchors for this study, this research will uncover the themes in the power-dependency dynamic and understand headquarter-subsidary relationships in multinational enterprises. Conroy et al. (2019) states that it is therefore fundamental to study how host subsidiary stakeholders balance the headquarter power and subsidiary dependency dynamic.

This chapter is laid out in the following format: Sections 2.2 and 2.3 will present literature of the two theoretical anchors of this study namely, the agency theory and the resource dependency theory which will unpack the power and dependency dynamic in headquarter-subsidary relationships. In Section 2.4 an introduction to control mechanisms employed by multinational enterprises will be presented, with a core focus on centralisation as one of the control mechanisms. Section 2.5 covers views from scholars on the hindrances as well as aids of resource dependency on market development initiatives. Section 2.6 details a theoretical outlook on host subsidiary market development initiatives approval and rejection metrics. Section 2.7 sets out the context of how a typical host subsidiary located in an emerging market is managed by the headquarter based on headquarter-subsidary relationship literature. Lastly, section 2.8 will cover the topic of local embeddedness with respect to host subsidiary market development initiatives.

2.2 Agency theory

The success of a multinational enterprise is highly dependent on the relationship between headquarter and subsidiaries, this relationship is susceptible to conflicting interests between the two entities (Cuervo-Cazurra, Mudambi & Pedersen, 2019). One way to analyse these conflicting interests is through applying the agency theory, this theory draws special attention to the principle-agency relationship, in which one party (the principal) assigns work to another (the agent) who performs that work (Jensen & Meckling, 1976). In the context of this study the principle is the

multinational enterprise headquarter that manages and controls its resources outside of its home country, while the agent refers to the host subsidiary based in an emerging market.

According to Dasi, Pedersen and Barber (2024) the adoption of control mechanisms by headquarters (principal) as a means to prevent agency problems can be analysed through the agency theory. The two focus problems are distinguished as i) misalignment of headquarter (principal) and host subsidiary (agency) goals and initiatives and ii) costly headquarter intervention (Dasi et al., 2024). What the theory informs us is that the adoption of control mechanisms such as centralisation by the headquarter is to ensure that the subsidiary limits its pursuit of self-serving local interests that may give rise to uncertainty and risk (Chatzopoulou et al., 2021) we observe that when control mechanisms are employed, the headquarter “retains the power of veto, that is, the ability to overrule any subsidiary decision” (Cuervo-Cazurra et al., 2019, p.492) ultimately influencing if, when and how host subsidiaries can pursue market development initiatives.

2.3 Resource dependence theory

Alongside the agency theory, this study also draws perspective from the resource dependence theory to understand what headquarter-subsidiary relationship dynamics influence the way in which host subsidiaries develop their local market. The resource dependence theory states two arguments “(1) an organisation’s external environment comprises other organizations, each with their own interests and objectives; (2) organisations hold power over a focal firm—and may thus constrain its behaviour—if they control resources that are vital to its ongoing operation and cannot be acquired elsewhere”, (Cobb & Wry, 2014). The latter correlates to research question 3 listed in chapter 3 which asks what influence does resource dependence have on the host subsidiary’s market development initiatives? Cobb and Wry (2014) therefore inform us that host subsidiaries are likely to be constrained from pursuing market development initiatives if the resources they require to do so are controlled by the headquarter, which justifies Conroy et al., (2019) for stating that it is therefore fundamental to understand how host subsidiary stakeholders balance the headquarter power and subsidiary dependency dynamic.

2.4 Control mechanisms

2.4.1 General control mechanisms

Multinational enterprises grow and gain global competitive advantage through establishing subsidiaries in countries or markets outside of their home country (Kristiansen & Schweizer,

2021). The establishment of these subsidiaries is often driven by several objectives which are anchored by the multinational enterprises' corporate strategy, these headquarter objectives include leveraging the natural resources and or market pool of a particular host country (Shehata, 2020). Once such the relationship between the multinational enterprise headquarters and the host subsidiary has been established, it is fundamental for the headquarter to maintain coordination as a means of guaranteeing alignment. However, the one challenge that arises for the headquarter in this instance is that host subsidiaries, particularly in emerging markets, are "heterogenous and geographically distant" (Kristiansen & Schweizer ,2022, p.724) which can raise uncertainty and risk for the multinational enterprise headquarter. As a response to this challenge headquarters employ control mechanism also known as control management systems. Chatzopoulou et al., (2021) defines these control mechanisms as instruments utilized by the headquarter to align host subsidiary capabilities, initiatives with the overarching multinational enterprise strategy.

One strategy that multinational enterprises tend to implement in order to maintain control is the deployment of expatriate management into the host subsidiary, by so doing the headquarter ensures process and culture alignment between the two entities (Sageder & Feldbauer-Durstmuller, 2019).

2.4.2 Centralisation

In this case, the study focuses on centralisation as a control mechanism which encapsulates decision power and process standardization. Dasi et al. (2024) define centralisation as the cementing of hierarchical power and decision-making at headquarter level where the host subsidiary has little to no decision-making powers. Zeng et al. (2023) add to the discourse by stating that "centralisation mechanisms assert positions of power or hierarchies, like centralised decision-making to achieve intended outcomes" (p1602).

This form of control mechanism is guided by the belief that a subsidiary cannot operate outside of the global corporate culture, nor can it make any decisions without informing the headquarter (Sageder & Feldbauer-Durstmuller, 2019).

To bring further insights to centralisation, (Gates and Egelhoff, 1986) posit that centralisation is present when decisions cannot be implemented without a certain level of approval. The authors present what they term "contingency variables" to the fore in order to demonstrate the level at which centralisation is prevalent within a multinational enterprise. The contingency variables are presented by the authors are unpacked below.

2.4.2.1 Size of foreign operations

The assumption made regarding the size of the host subsidiary is that the bigger the organisation becomes from a revenue perspective, the more the dependence risks it stands to face, as such, the headquarter has to proactively respond to this risk by “exercising direct control over its subsidiaries” (Gates & Egelhoff, 1986, p.77). In such instances, centralisation thrives.

2.4.2.2 Extent of outside ownership

Gates and Egelhoff, (1986) further discuss subsidiary ownership, this variable is not as critical to this study as it focuses on host subsidiaries which have joint venture partnerships or is shared between outside equity holders such as the government. This type of set up causes complexities with centralised decision making.

2.4.2.3 Complexity of foreign product diversity and modification

According to the authors, even when the manufacturing of new product lines is done in the headquarters home country and transferred to the host subsidiary, that product will still require some of modification or specialisation to specifically fit the host subsidiary’s local market. The decisions on where and how to change specifications would need to be made by the subsidiary managers. In such instances where products need to be localised, this act challenges centralisation.

The latter variable is critical for this study as it highlights areas where the headquarter has power to centralise and where subsidiary seeks autonomy. It also discusses product as a resource which leads host subsidiary market development managers into wanting to localise their operations. With centralisation as a control mechanism the headquarter has to decided how much appetite it has with respect to understanding and accommodating the unique market conditions of the host subsidiary, this ultimately leads towards local market development initiative disregard because it challenges centralisation and requests the headquarter to diminish its control.

Host subsidiary market development managers must therefore gain insights on the existing market development approval and rejection metrics employed by the headquarter and develop exp mechanisms to limit the resistance towards local market development initiatives.

2.4.3 Coordination mechanisms

Multinational enterprise coordination mechanisms, adverse from control mechanisms, are put in place for headquarters and their subsidiaries to align activities, goals and resources instead of

centralised top-down power-based transfer of activities (Zeng, Groggaard & Bjorkman, 2023). Through coordination mechanisms, de-centralisation of decision-making and communication mechanisms are established which can lead to subsidiary autonomy as well as equal knowledge transfer from host subsidiary to headquarter (Rabbiosi, 2011). Subsidiary knowledge transfer to its headquarter regarding innovation and local market development opportunities can reduce the dependency a subsidiary has on its headquarter and enable it to gain some level of power which translates into a level playground for both the headquarter and host subsidiary (Wang, Hua, Wu, Zhao & Wang, 2019). Based on Liu and Migrow (2022) findings, de-centralisation as a coordination mechanism enables the host subsidiary to be responsive and adapt to its local market dynamic.

Manolopoulos, (2007) categorizes coordination as “formal” or “structural” mechanisms which include “(departmentalization, centralization or decentralization, formalization or standardization, planning, output and behavior control) and three types of “informal” mechanisms, (lateral ties, informal communications and socialization)” (p.362). Formal mechanisms remove the human element in decision-making by focusing on processes and systems, it can be known as standardization. Centralization, as noted above, takes a more hierarchal top-down approach.

2.5 Market development initiatives and approval and rejection metrics

2.5.1 Market development initiatives

One of the goals for a multinational enterprise is to be globally competitive. This enables the headquarter to be successful even in environments outside of the MNEs headquarters’ home country (Kristiansen & Schweizer, 2021). However, global competitiveness can be challenging to develop, to address this challenge, host subsidiaries seek or create innovate and entrepreneurial initiatives from opportunities they observe in their local markets (Ahworegba & Colovic, 2019).

Such initiatives often invite the host subsidiary to embark on autonomous actions that involve mobilising resources that can only be authorised by the headquarter, establishing niche or untapped business avenues and proactively taking risks in order to “foster operational efficiency, increase innovation and increase market penetration (Sarabi et al., 2020). By going above and beyond headquarter scope, subsidiary’s stand to add value in the multinational enterprise (Corry & Cormica, 2019).

Gorgijevski and Andrews (2022) discuss the rarity of host subsidiary market development initiatives, and that this is caused by the reality that even in organisations that seek to assimilate

and leverage subsidiary knowledge, market development initiatives seldom accepted or approved by the headquarter, and those that do end up receiving approval tend to fail.

The dilemma with market development initiatives is that although value adding and pertinent to the MNEs overall performance and global competitiveness, these initiatives often face headquarter opposition (Ahworegha & Colovic, 2020).

2.6 Hinderance to market development

Market development is fundamental for a thriving host subsidiary, it is one of the determinants of subsidiary survival. It is categorised as external, market entrepreneurship initiatives designed to identify opportunities and attain local market growth (Strategic Direction, 2022).

Leaning to the resource dependence theory, Cerar (2021) states that host subsidiary market development initiatives require the allocation of headquarter resources for them to succeed, however, headquarter biases about the subsidiary's location can hinder the resource allocation process from happening. Based on this statement, there's a desire to understand how proposals for market development initiatives brought forward by host subsidiaries located in emerging markets are regarded by the multinational headquarter.

Chatzopoulou et al. (2021) add to this discourse by asserting that, beyond location biases, one of the core reasons for headquarters not supporting nor allocating resources to the host subsidiary to pursue market development initiatives is because the headquarter has little to no knowledge of the subsidiary's local context nor how these subsidiary initiatives will contribute to the overall performance of the multinational.

2.6.1 Approval metrics

Sarabi et al. (2020) assert that host subsidiaries can have entrepreneurial capabilities which are dedicated to developing their local market, they do so by proactively seeking local opportunities and creating route-to-market strategies or plans that underpin the processes and resources required to seize these market development opportunities. However, Chen and Tsou (2020) emphasize that for the host subsidiary to receive initiative approval and thrive it must cooperate with the headquarter mandate instead of working outside of it, alluding to the idea that the more a host subsidiary cooperates with the headquarter and prioritises shared goals, the more its local performance will increase.

Gorgijevski and Andrews, (2022) have identified that host subsidiary's gain headquarter trust and initiative approval by maintaining a strong performance track record, however, Meyer et al. (2020) suggest that further research could be conducted on the processes taken by host subsidiary market development managers to influence for approvals from the headquarter.

2.6.2 Rejection metrics

Initiative rejection often results from contextual characteristics such as political and economic risk of a host subsidiary, hence Gorgijevski and Andrews (2022) argue that "the greater the dissimilarity between the contexts of the headquarters home country and the subsidiary's host country, the more gaps the headquarter will have in its knowledge of the subsidiary market conditions" (p.3). These location factors emanating from the external environment will always of an impact on the organization – whether visible or not to decision makers (Pfeffer & Salancik, 2003).

2.7 Emerging market host subsidiary

2.7.1 The role of the host subsidiary in an emerging market

Emerging markets are becoming a topic of interest in international business studies due to being ideal locations for global sourcing, exporting and foreign direct investment (Shehata, 2020).

South Africa as an emerging market gains foreign direct investment attractiveness due its abundant mineral resources, developing infrastructure and a sophisticated financial sector which can be significant for the competitive advantage of a multinational headquarter. However, such countries also carry local complexities such as a turbulent political context which tends to have a ripple effect in the country's economic, environmental, and social standing (Fitch Solutions, 2023), these often translate into business risk for multinational enterprise headquarters and often raise the call for centralisation to maintain uniformity. According to Raziq, Benito and Ahmad (2020) the role of host a subsidiary is dual in that it is obligated to align with its external and internal environment by integrating globally and still finding means to be locally responsiveness.

Host subsidiaries play various fundamental roles in the success of a multinational enterprise when the headquarter provides the correct facilitation and encourages both downward and upward knowledge flows (Yu, Liu & Bai 2019). Beyond providing a desirable market pool, natural resources, and other tangible assets for the headquarter, emerging market host subsidiaries are often the source of a plethora of entrepreneurial opportunities dedicated to developing their local

market and enhance overall multinational enterprise performance (Sarabi et al., 2020) however, literature suggests that headquarter centralisation hinders host subsidiary's autonomy to decide whether or not and when and how to seize these opportunities. Cuervo-Cazurra et al., (2019) rebut the latter by asserting that host subsidiaries which possess unique competencies have the ability to resist headquarter control, however this rejection is achievable only in network structures that give the subsidiaries acting powers and autonomy.

2.7.2 Host subsidiary autonomy

Although dependent on the headquarter for strategic direction, host subsidiaries do possess a certain level of influence and power and aspire to be autonomous and influence upward (Dorrenbacher & Gammelgaard, 2016).

Lee (2021) informs us that “subsidiaries are willing and able to use their power to stimulate change, resource allocation, and growth within the multinational enterprise” (p.127). This capability of autonomy is what the host subsidiary requires in order for it to successfully participate in the local market, respond to local market needs and strengthen its competitive performance (Ahworegha & Colovic, 2020).

In addition to this view Geleilate and Andrews (2020) emphasise that host subsidiary performance-enhancing decisions made by the headquarter tend to restrict and weaken the subsidiaries market position instead of strengthening it, this is because the headquarter often possesses limited knowledge about the subsidiary's local context. On the other hand, Kawai and Chung (2019) provide an opposing view to the latter by suggesting that through expatriate utilization, the headquarter is fit to make strategic decisions that facilitate embeddedness and responsiveness within a subsidiary's local context. This claim, however, fails to substantiate and provide a practical approach as to how centralised decision making has influenced host subsidiary market responsiveness.

2.8 Local embeddedness

2.8.1 Host country embeddedness

One critical determinant of a multinational enterprises' performance is the distribution of power in the host subsidiary portfolio (Lee, 2021). Although international business literature discusses the multinational enterprises as a “de-centred or networked” organisation, the typical organisation predominately operates as a central authoritative headquarter with standardized processes,

knowledge, resources, scope, and culture (Kristian & Schweizer, 2022) to which it transfers to the host subsidiary.

Host country embeddedness can be defined as the act of a host subsidiary being internally embedded to the headquarter while having the able to respond to host country market dynamics. Davy, Hansen and Nygaard (2021) posit that “the fact that MNC subsidiaries are socially embedded in different institutional contexts raises the issues of power dynamics and micro-politics, which the capabilities literature tends to overlook. While embedding in the local institutional context can allow subsidiaries to develop distinct advantages, innovation is often hampered when the MNC attempts to replicate best practices and transfer global standards from the parent company to the subsidiary” (p.1).

In a qualitative case study Shehata (2020) introduced an interesting concept of market orientation and found that multinational enterprise headquarters that prioritize organisational learning of the host subsidiary in which they manage stand to perform successfully and gain competitive advantage, therefore cementing the idea that a global business strategy that is rooted in the market orientation of the host subsidiary located in an emerging market is important for strengthening innovation and responding to local market development requests.

According to Lorenzen et al. (2020) multinational enterprises that center their strategy around the headquarter, its characteristics or dynamics, risk the likelihood of repeating short-term returns. Which is why Zhang, Xie, Li, and Cheng (2019) argue for a good balance of “global orchestration” and local responsiveness in multinational enterprises.

2.9 Conclusion

Given that host subsidiary market development initiatives are critical for the growth of the multinational enterprise headquarter the new “networked” subsidiary can be empowered to make strategic decisions regarding market development without constrain from the headquarter (Cobb & Wry, 2014). Although studies emphasise that this constrain and constant initiative opposition of market development projects persists, it still lacks in uncovering the influence that this constrain currently has on developing the local market, particularly in emerging markets nor does it provide detailed insight into the rejection and approval metrics employed the headquarter with respect to host subsidiary initiatives hence this area requires further studying

CHAPTER 3: RESEARCH QUESTIONS

This chapter lists the research questions that will help in extracting critical themes within headquarter centralisation and how those impact subsidiary market development.

The main research question asked **What is the impact of headquarter centralization on host subsidiary market development initiatives in emerging markets?**

3.1 Anchoring research questions

The following anchoring research questions serve as subordinate to the main research question noted above. These questions are derived from the contents of the literature review to help gain deeper insights into the power-dependency dynamic in headquarter-subsidiary relationships with respect to market development.

RQ1. How does the power and dependency dynamic in headquarter-subsidiary relationships impact host subsidiary market development?

RQ2. What motivates host subsidiary market development managers to initiate market development projects under centralised decision-making?

RQ3. How does resource allocation/dependence help or hinder host subsidiaries from pursuing market development initiatives?

RQ4. What approval or rejection metrics does the headquarter employ when making decisions regarding host subsidiary market development initiatives?

RQ5. What is the role of contextual characteristics such as political and economic risk on market development initiative approval?

Table 2: presents the unique knowledge gap alongside the connected research question.

Knowledge Gap	Research Question
When control mechanisms are employed, the headquarter “retains the power of veto, that is, the ability to overrule any subsidiary decision” (Cuervo-Cazurra et al., 2019, p.492). Conroy et al., 2019 states that it is therefore fundamental to study how host subsidiary	RQ1. How does the power and dependency dynamic in headquarter subsidiary relationships impact host subsidiary market development?

<p>stakeholders balance the headquarter power and subsidiary dependency dynamic</p>	
<p>Host subsidiaries require autonomy to effectively respond to local market demands (Chatzopoulou et al., 2021) however this autonomy is often restricted by centralised headquarter decision making. This therefore presents a knowledge gap in how host subsidiary market development managers are motivated to conceptualize market development initiatives (Chatzopoulou et al., 2021).</p>	<p>RQ2. What motivates host subsidiary market development managers to initiate market development projects under the headquarter centralised decision making?</p>
<p>Headquarters hold power over a host subsidiary and may thus constrain its behavior on the basis of them controlling resources that are vital to its ongoing operation that cannot be acquired elsewhere”, (Cobb & Wry, 2014). While Raziq et al. posit that centralisation perpetuates subsidiary dependence on the headquarter, the different areas of dependence lack visibility and require further studying.</p>	<p>RQ3. How does resource allocation/dependence help/hinder host subsidiaries from pursuing market development initiatives?</p>
<p>A subsidiary gains the headquarters trust by maintaining a strong performance track record (Gorgijevski & Andrews, 2022). However, Meyer et al. (2020) suggests that further research could be conducted on the processes taken by host subsidiary market development managers to influence for approvals from the headquarter.</p>	<p>RQ4. What approval/rejection metrics does the headquarter employ when making decisions regarding host subsidiary market development initiatives or projects?</p>
<p>According to Gorgijevski and Andrews (2022)” The greater the dissimilarity between the contexts of the headquarters home country</p>	<p>RQ5. What is the role of contextual characteristics such as political and economic risk on initiative approval?</p>

<p>and the subsidiary's host country, the more gaps the headquarter will have in its knowledge of the subsidiary market conditions" (p.3). However, not much theory covers the direct impact of institutional distance on host subsidiary market development initiatives</p>	
--	--

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

4.1 Introduction and Problem

This chapter details the rationale behind the chosen research philosophy and proposed design used to study Headquarter centralisation impact on host subsidiary market development initiatives. Market development initiatives, sometimes referred to as subsidiary initiatives, can be defined as proactive entrepreneurial projects initiated by the host subsidiary (Ahworegba & Colovic, 2020), these projects are a way to develop global competitiveness for the headquarter and grow sales for the host subsidiary. International business studies maintain that centralisation perpetuates subsidiary dependence on the headquarter, particularly a dependence on resources which are critical for managing local market demands (Raziq et al., 2021). However, a problem occurs where the resources required to access these market opportunities fall under the headquarters' centralised decision-making authority, which often result in subsidiary market development initiatives facing headquarter resistance, ultimately poorly affecting the host subsidiaries' market competitiveness and sales growth. In order to influence this outcome, subsidiaries require autonomy (Chatzopoulou, Dimitratos & Lioukas, 2021). Based on these insights, this study seeks an understanding to the main research question; how does the power and dependency dynamic in headquarter-subsidiary relationships impact host subsidiary market development in South Africa as an emerging market?

In this chapter, the research design elements such as research strategy, time horizon, population, sampling method, the research instrument, ethical considerations, limitations of the research and design methods will be outlined.

4.2 Methodology

4.2.1 Research Philosophy

Suitable research philosophies or paradigms for international business include interpretivist and positivist, where interpretivism “enables researchers to consider different factors such as behavioural aspects based on participants' experiences, and this would help to describe reality given the assumptions and beliefs of the interpretivist researcher. The positivism approach takes a varying approach which focuses on the importance of what is given in general, with more strict focus to consider pure data as well as facts without being influenced by interpretation of bias of human” (Alharahsheh & Pius, 2020, p.42). It was therefore most suitable for this study to apply

an interpretivist paradigm or philosophy as this research sought to explore and to deepen the degree of understanding to which centralised decision making, particularly on resource allocation, influences host subsidiary market development projects from the perspective and experience of i) the host subsidiary market development manager in emerging markets and ii) the decision makers from the global multinational enterprise headquarter.

4.2.2 Research Design Purpose

The role of headquarter centralisation on market development initiatives in host subsidiaries can be best established through adopting an exploratory research design, this way the headquarter decision makers and host subsidiary market development managers can provide their experiential insights on the phenomena. An exploratory design ensured that this study produces valuable, honest insights, without perpetuating a specific narrative. The purpose of this design was to gather verbatim how the identified sample experiences the phenomena in a non-rigid nature and enable the research to take different shapes based on the views and insights uncovered (Saunders, Lewis & Thornhill, 2023).

4.2.3 Approach to Theory

Based on its explorative and qualitative nature, the study took an inductive approach. According to Raziq and Ahmad (2021) the headquarter engages with host subsidiary initiative topics to ensure strategic alignment, to further understand how this was done and what impact it had on market development initiatives the researcher started by gathering new experiential human data through conducting interviews of the specified sample. Through the inductive approach the study could establish a “cause-effective link” between centralised decision making and host subsidiary market development (Saunders et al., 2023), once established, the theory was developed by analysing, coding and categorising themes that arose from the data.

4.2.4 Research Strategy

To gain the critical, experiential, and subjective insights of the research problem, this study adopted the phenomenological approach. Greening (2019) asserts that the “phenomenological strategy is important in indicating the presence of factors and their implications in distinct context cases”. As the focus phenomena was headquarter centralisation and the distinct context case subsidiary market development, this approach was significant in that it enabled the researcher to produce a detailed account of the phenomena as experienced by different individuals in multinational enterprises with host subsidiaries in emerging markets such as South Africa

(Greening, 2019). The aim of the research was to uncover what influence the presence of headquarter centralised decision making has on host country market development initiatives conducted in South Africa as an emerging market.

4.2.5 Time Horizon

Melnikovas (2019), distinguished between two types of time horizons, namely, the longitudinal horizon which covers studies repeated over an extended period, and the cross-sectional time horizon which refers to studies conducted within a limited or specific time frame. This study adopted a cross-sectional time horizon to gain insights of the phenomena as they occurred in a period of one business quarter to better understand how quarterly host subsidiary market development projects were initiated and how headquarter centralised decision-making influenced the delivery of these initiatives.

4.2.6 Population

The context of this study was set up in multinational enterprises, headquartered in the European and American markets. The population was specific to i) organisations with manufacturing plants located at the headquarter as well as strategic planning conducted at headquarter level, ii) the host subsidiaries of those multinational enterprise with sales and distribution functions, operating and located in South Africa as an emerging market. South Africa was the country of choice because of its foreign direct investment (FDI) attractiveness, its abundance in mineral resources, and an established financial sector boasting an asset GDP of 129%, which is well above most emerging markets (FSCA, 2022) such as Morocco at 89%, Egypt with 27%, Kenya recording 33% and Nigeria with a low 12%. However the country is also plagued with political uncertainty and economical risk which can create complexities and knowledge gaps for headquarters (Gorgijevski & Andrews, 2022). Within the headquarters, the regional business manager for the subsidiary and other decision makers participated in the study, whilst from the host subsidiary the interview questions were directed to the market development manager because functionally, the execution of their role to establish and pursue market development opportunities within the organisation is largely dependent on the approval from the headquarters regional manager (Sageder & Feldbauer-Durstmuller, 2019). In multinational enterprises organisations, the subsidiary managers interface largely with centralised decision making and therefore have acquired experiential know-how of the impact of headquarter centralisation. The views expressed by this population will enable a thorough, and objective analysis of the topic and help extract critical themes within the power and dependency dynamics of headquarter-subsidary relationships.

4.2.7 Unit of Analysis

The unit of analysis used for this research considered host subsidiary market development managers within the host subsidiary who, as part of their day-to-day functions scouted for and initiated market development projects in South Africa as an emerging market. These functions are performed under the mandate of the headquarter, as well as decision makers located in the headquarter who were responsible for monitoring operations and allocating resources to the host subsidiary. Both these key informants interface with each other as part of centralisation, the other from a principal perspective in which the headquarter assigns work while the other from an agency perspective in which the host subsidiary performs the assigned work (Jensen & Meckling, 1976).

4.2.8 Sampling Method and Size

In order to identify the correct and most suitable participants for the research this study applied the purposive sampling technique, which according to Bell et al. (2018) is highly suitable for qualitative studies. The criterion for this sample involved practitioners in management position who, as part of their day-to-day functions i) scouted for and initiated market development projects ii) worked within a multinational enterprise host subsidiary in South Africa. It also included the i) decision makers and global managers ii) located in the multinational enterprise headquarter iii) who were responsible for defining the strategy, monitoring operations and allocating resources to the host subsidiary in South Africa. These informants were typically titled regional business managers; however, titles varied per organisation. The above criteria were formulated on non-probabilistic sampling which refers to sampling that is targeted instead of random selection of professionals (Saunders et al., 2023).

The target sample size for this research was split based on the population mix, where the researcher leveraged professional and academic networks of market developers in host subsidiaries, as well as global business managers based in the multinational enterprise headquarter from three different companies. To increase the probability of accessing a sufficient number of participants over and above the researcher's network, snowball sampling was adopted (Quinlan, Babin, Carr, Griffin and Zikmund, 2019). A larger fraction of the sample size was the market developers from the host subsidiary as they were directly impacted by headquarter centralisation and required initiative approval from the regional business managers based in the headquarter. The information provided by this sample helped extract critical themes within the power and dependency dynamics of headquarter-subsiary relationships. Table 1 provides the classification of the sample size against the identified population mix.

Table 3: Sample size and population mix classification.

Population mix	Sample size	Organisation	Location
Global/Regional business manager	3	Headquarter	Germany & North America
Market development manager	7	Host subsidiary	South Africa
		Total	10

4.2.9 Research Instrument

The data collection process took a semi-structured approach using an interview protocol known as 'semi-structured interview questions', which covered key questions relating to the various themes and knowledge gaps developed in the literature about headquarter centralisation influence on market development initiatives in host subsidiaries (Saunders, Lewis & Thornhill 2007). To garner more specific details about phenomena, a set of semi-structured probing questions was posed to the informants listed in the unit of analysis (Bougie & Sekaran, 2020). The semi-structured questions were prepared in advance and included an introduction of the interviewer, the reason for the interview, an assurance of confidentiality and permissions to conduct the audio recording (Bougie & Sekaran, 2020).

Prior to the interviews, once the interview questions were captured, a pilot interview with an anonymous and unofficial participant was conducted to test the efficacy of the questions (Saunders & Lewis, 2023). Once this process was complete, the researcher progressed with the research questions to the larger official sample. Table 4 presents the interview questions alongside the knowledge gaps as well as the research questions from which they were derived. This interview guide aided in conducting the semi-structured data gathering process, where only the relevant information was asked based on the identified knowledge gaps.

HQ = Headquarter

HS = Host-subsiary

Table 4: Interview questions alongside the research questions from which they were derived.

Research Question	Interview questions HQ	Interview questions HS
<p>RQ1. How does the power and dependency dynamic in headquarter subsidiary relationships impact host subsidiary market development?</p>	<ul style="list-style-type: none"> • Can you provide examples of successful outcomes or improvements that have been achieved through centralisation within the subsidiary you manage? • Has a host subsidiary you manage pursued market development initiatives without your approval? How did you respond to that? 	<ul style="list-style-type: none"> • Have you ever attempted to pursue market development initiatives that you were passionate about without receiving approval from the headquarter, what did that look like?
<p>RQ2. What motivates host subsidiary market development managers to initiate market development projects under the headquarter centralised decision making?</p>	<ul style="list-style-type: none"> • In your opinion, what is the main purpose for centralisation? • What risk/benefit do you foresee if host subsidiaries were to act in complete autonomy? 	<ul style="list-style-type: none"> • What motivates you to initiate market development projects/initiatives? • What hinders you from initiating market development initiatives?
<p>RQ3. How does resource allocation/dependence help/hinder host subsidiaries</p>	<p>Would you say that headquarter uses its resource advantages to control host subsidiary behavior? How?</p>	<ul style="list-style-type: none"> • What role does resource dependence play in how you

<p>from pursuing market development initiatives?</p>		<p>develop the local market</p> <ul style="list-style-type: none"> • How much dependence do you currently have on your headquarters. Can you list the areas of dependence?
<p>RQ4. What approval/rejection metrics does the headquarter employ when making decisions regarding host subsidiary market development initiatives or projects?</p>	<ul style="list-style-type: none"> • In your opinion, does centralisation aid or prevent subsidiary performance in relation to market development? • What is your criteria for approving or rejecting initiatives 	<ul style="list-style-type: none"> • What steps do you take to influence HQ and motivate for local market development initiatives? • What is the success rate of market development initiatives under centralised decision making? Does it outweigh the fail rate?
<p>RQ5. What is the role of contextual characteristics such as political and economic risk on initiative approval?</p>	<ul style="list-style-type: none"> • Is it important for you to have a global business strategy that is also informed by the market dynamics of the host subsidiary in an emerging market, and why? • How much attention do you pay to the host 	<ul style="list-style-type: none"> • How does centralisation impact the level of flexibility your subsidiary has in responding to local market dynamics? • What it is like to set local market development targets

	subsidiary market dynamics?	under centralised decision making?
--	-----------------------------	------------------------------------

4.2.10 Data Gathering Process.

As outline in section 3.5 the primary data will be gathered using an interview protocol with semi-structured questions. Prior to the commencement of the interview process, participants will be requested to consent to sharing their information using a consent document that will be shared on the participants email (Saunders et al., 2023). Once consent has been received, interview sessions will be scheduled based on the participants availability as well as geographical location – with some of the population being based in the headquarters in countries such as Germany, North America and the United Kingdom outside of the country of research, interviews will take place virtually using digital platforms such as MS Teams or Zoom with the special request to record and use the video functionality for all the session. The rest of the sample will be given the option of a virtual interview session and or face-to-face interview either at a central coffee shop but preferably an office boardroom in order to eliminate background noise. The face-to-face sessions will be recorded using a smartphone and stored in a password protected Google Drive and later transcribed in a locked word document respecting the participants anonymity.

4.2.11 Data analysis process

Although this study sought to gain in-depth insights into the subjective and experiential perspectives of headquarter decision makers and host subsidiary market development managers, it was important to maintain objectivity and report on both levels of feedback as accurately as possible (Saunders et al., 2023) without bias to the headquarter or subsidiary. In the process of combining the data using inductive analysis, a thematic approach was applied.

The first step in the data analysis process was to apply for a license for Atlas.ti through the University of Pretoria. The licence was issued within a few days. While waiting to access the software, the researcher transcribed the data using a verbatim transcription technique included pauses and sighs (Harding, 2019) to capture the exact spoken words and non-verbal cues of the participants using MS Teams’ built-in transcription functionality, which were then edited by the researcher on MS Word to ensure that there were no spelling errors or sentences written out of context. This step is particularly challenging as there were language barriers and video disconnections due to poor network connectivity.

After the data had been transcribed verbatim, two files were created for the data. The first file included only the headquarter participant interviews, these documents were then individually uploaded on Atlas.ti for sorting based on the five research questions. The coding was done manually on Atlas.ti to eliminate the haphazard codes derived from AI coding functionality. After coding, a code book was exported into an excel file by codes per research question. The next step after exporting the files was to move the manually sorted codes into group bins so that similar code would be positioned in one group namely, “category 1,2,3 and 4” this step was conducted in order to run the codes on the different categories through an elimination process where reoccurring codes were scratched out to develop one single unifying theme. These steps were then repeated for the host subsidiary interviews accordingly.

Once complete, the Atlas.ti profile alongside the data was completely deleted to ensure data security and inaccessibility for future use of the data (Harding, 2019).

4.2.12 Research Quality

Once themes were coded and categorized, it was important to maintain objectivity and steer away from researcher biases when collecting, analysing, and reporting on findings (Saunders et al., 2007). To ensure data quality and authenticity, means of validity and credibility were used as evaluation criteria by adopting the triangulation method, particularly data triangulation which refers to conducting in-depth interviews with groups from the multinational enterprise headquarter and those from the host subsidiary. This method, paired with the member checking technique ensured that the data retained its authentic interpretation as expressed by the participants even after transcription and coding had taken place (Saunders et al., 2023). This was done by summarising the responses and sharing the data with each participant for validation and report back, as per participant’s final response.

4.2.13 Ethical Considerations

Prior to collection, a document providing a research protocol detailing what the research was for and how it would be conducted was shared to the individual participants to enable them to sign and consent to sharing their experience about the phenomena. After receiving consent, the researcher proceeded to schedule meetings which were recorded and only accessible to the interviewer and the participant. The recorded sessions to ensure that full attention was offered to the participant and later transcribed into a document that was backed up in a password protected cloud storage for a minimum period of ten years by the researcher as prescribed by GIBS. The data was presented or reported while maintaining the anonymity of the respondents, no

individual's name or organisations name were reported on, instead the interviewees were labelled as "participants".

4.2.14 Limitations of the research design and methods

The study focuses on the experiential perspective of headquarter decision makers and host country market development managers within a time horizon of one business quarter, this approach or time constrain may provide insufficient insights on the phenomena because a single quarter is not enough to track the realisation of market development initiatives from inception, therefore, perhaps the study can be furthered through a longitudinal study.

Again, this study is limited to seeking understanding only from the experiences of the host country's market development manager while excluding the views of other important functions that are involved in the process of market development such as demand planners and account managers.

It also fails to provide an account of centralised decision making based on the type of management style that exists in a multinational enterprise host subsidiary – when the host subsidiary manager is an expatriate versus when it is a local manager originating from and residing in the host subsidiary.

Lastly, the target sample size was 17 participants split between global decision makers and market development managers from multinational enterprises within America and Europe, however, the researcher could not secure all 17 interviews which led to a reduced sample size of 10 participants. This limited the study from attaining a variety of insights which would have derived further themes for the discussion.

CHAPTER 5: FINDINGS

5.1 Introduction

This chapter details the findings from the interviews conducted with participants from the headquarter as well as the host subsidiary. As indicated in chapter 4 the key participants for this study were decision makers based in the headquarter managing a host subsidiary in South Africa as an emerging market and market development managers situated in the host subsidiary. The interview questions directed to the participants were derived from the knowledge gaps identified in the literature review and research questions covered in chapter 3.

5.2 Context and description of participants

5.2.1 Description of participants

To gather key insights on the phenomena of headquarter centralisation and its impact on host subsidiary market development initiatives in South Africa as an emerging market a total of twelve semi structured interviews were conducted via MS Teams with participants who fit the conditions and criteria listed in chapter 4 which details the participants gain eligibility if they are practitioners who, as part of their day-to-day functions scout for and initiate market development projects and work within a multinational enterprise host subsidiary based in South Africa. Secondly, they are decision makers and global managers (typically titled regional business managers; however, titles vary per organisation) located in the multinational enterprise headquarter who are responsible for defining the strategy, monitoring operations and allocating resources to the host subsidiary in South Africa.

These participants were identified and approached by means of purposive and snowball sampling. The majority of these participants were employed by European multinational enterprises based in Germany and two of the participants were from multinational enterprises located in North America, specifically the United States. This is because the researcher leveraged professional and personal networks in the European market. Naturally, all the market/business development managers were based in South Africa, with 1 exception who works for a European multinational enterprise and was based in Nairobi, Kenya but as part of her function was assigned to develop the market in South Africa. Table 5 summarises the research samples geographical locations, titles and industry.

Interviews were recorded and transcribed on MS Teams using the transcription functionality during the interview. Once completed, transcripts were further edited using MS Word to ensure

validity and shared with the respective participants to confirm the exact spoken words were captured within the correct context. The next step was to analyse the data using Atlas.ti which helped in coding and tracking code frequency as well as categorizing reoccurring themes from the interviews.

Table 5: Summary of research sample

Participant Code	Industry	Title/Function	Headquarter location	Subsidiary location
Participant 1	Chemical manufacturing	Global Product Manager	Germany	South Africa
Participant 2	Automotive Equipment manufacturing	Business Development manager	United States	South Africa
Participant 3	Chemical manufacturing	Head of Business Management EMEA	Germany	South Africa
Participant 4	Chemical manufacturing	Regional Business Management EMEA	Germany	South Africa
Participant 5	Chemical manufacturing	Market Development manager	Germany	South Africa
Participant 6	Chemical manufacturing	Market Development manager	Germany	South Africa
Participant 7	Chemical manufacturing	Commercial Director and Head of Business Development	Germany	South Africa
Participant 8	Chemical manufacturing	Market Development manager	Germany	South Africa (based in Kenya)
Participant 9	Chemical distribution	Business Development manager	Germany	South Africa
Participant 10	Chemical manufacturing	Market Development manager	Germany	South Africa

5.3 Presentation of findings

The interview results are presented according to the research questions listed in Chapter 3. Using Atlas.ti, the transcribed interviews were uploaded and manually scanned for key codes. Each interview took between one and two hours to manually scan for codes and sort them under code groups. This step was essential as the labelling of descriptive tags helped with clustering the codes. Each interview went through a process of frequency count in order to determine the most relevant and recurrent set of codes. Codes that had frequency counts of more than four were considered important and thus listed in code groups for further sorting.

After coding, a sorting and elimination process was conducted to ensure that the codes were thoroughly distilled before developing themes. Once this step was complete, the theming analysis was conducted, and themes were then developed in line with the knowledge gaps in the literature review in Chapter 2.

As listed in Table 5, the interviewees have been labelled participant 1-10 to maintain anonymity. Throughout the results and discussions, the full word “participants” will be used interchangeably with “P1-10” as identifiers. Due to the nature of the research, the results will be presented in two sections, the first section will cover the Headquarters’ context, where only the perspectives of the headquarter participants will be shared, these participants largely support emerging markets in Africa, including South Africa and therefore tend to respond without specific mention to South Africa which is a slight deviation from the scope of this study but is still very relevant as it relates to emerging markets.

The second section will focus purely on host subsidiary context and then the two perspectives will be discussed together in the discussion section of the document.

5.4 Findings: Headquarters’ Context

5.4.1 Findings: Research question 1

How does the power and dependency dynamic in headquarter-subsidary relationships impact host subsidiary market development?

The purpose of Research Question 1 was to garner experiential data from headquarter decision makers into their understanding of how the power that lies in the headquarter as well as the dependency that sits in the host subsidiary impact market development at host subsidiary level.

The two questions posed to the participants were inspired by the information found in the literature review where Dasi et al. (2024) states that centralisation is the cementing of hierarchical power and decision-making at headquarter level where the host subsidiary has little to no decision-making powers. Based on this literature the semi-structured questions were important in gaining insights into how the headquarter uses its power to influence subsidiary development.

The questions also help uncover the level of appetite the headquarter has in driving market development in an emerging market host subsidiary.

Table 6 demonstrates the sorting and elimination process which led to theme development for Research Question 1.

Table 6: Sorting and elimination process

(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: 'not control, but support.'
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: agreeing on a common goal.
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: balance between the two.
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: both of them depend on each other.
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: centralisation can support where it makes sense.
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: centralisation drives an 'aligned approach.'
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: contributing to the strategic path.
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: control of local customers and understanding of local customs and traditions.
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: disconnect in the organisations "strategic path"
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: Don't undersell local insights.

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: each headquarter and subsidiary contributing what they are good at.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: final commercial decision making with strong local voices to talk to us about customer and market requirements.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: good balance between the local freedom.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: headquarter has a more dominant role.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: it's a dependency vice-versa.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: it is not always that the headquarter has all the power.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: joint target.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: key to success is partnership.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: low success rate of initiatives when HQ isnt involved.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: no need to know every single step taken locally.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: power source.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: pricing authority at headquarters.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: Shared expertise~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: some advantages because you know your customers.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: supporting each other towards a common goal~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: team mindset~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: the region have lots of power if they know how to play it.~~

~~(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: underestimate all the know how that is that is available locally~~

(RQ1) Power and dependency dynamic in headquarter-subsidary relationships: win-win situation
Other: more operational freedom

Table 7 presents the four themes that emerged during the thematic analysis process regarding the power and dependency dynamic in headquarter-subsidary relationships which were shared by the participants. The first theme that was identified was the role of a centralised organizational structure in the distribution of power. The second theme that was identified was the role of coordination between headquarter and subsidiary in managing power and dependency. The following theme which was uncovered had to do with the localisation of decision making to reduce dependence on the headquarter. The final theme is related to the power play between the headquarter and host subsidiary.

Table 7: Theme Development

Theme	Sub-theme
Organisational structure	<ul style="list-style-type: none"> • Reason for control • Dual dependence
Coordination	<ul style="list-style-type: none"> • Joint targets
Localization	<ul style="list-style-type: none"> • Operational freedom • Results of complete autonomy
Power play	<ul style="list-style-type: none"> • Power source

5.4.2 Organisational structure

The participants provided insights into their understanding of power and dependency in headquarter-subsidary relationships with evidence from experiential examples of events faced during their career managing host subsidiaries in emerging markets while being situated in the MNE headquarters.

In the section, the participants responded based on their interactions with the host subsidiaries as headquarter decision markers.

5.4.2.1 Reason for control

Participants noted that at headquarter level, they have a mandate to manage the host subsidiaries in emerging markets and do so by ensuring a top-down messaging of the organizational strategy, culture and core goals. As such the headquarter assumes a more dominant role and is accountable for the success of its subsidiary. The headquarter only excises its dominance to the effect of supporting the host subsidiary to develop, this is where the offering of resources as well as know-how come in. The participants claimed that centralisation is applied in order to aid subsidiary performance, and for this to happen the headquarter must steer the ship while taking into account that the ship can only move if the host subsidiary is willing and open to sharing what works for its local market.

Participant 1

“So, I think the main purpose is really to have to have a kind of knowledge base. So really where you know there is expertise that is in in one place and then can support everyone else in the region.”

Participant 3

“I mean, at some point, somebody needs to be accountable for..for what's happening. Yeah, accountable for teams, for business etcetera and that's been typically one or very, very few people, yeah. So that could be a purpose and ideally this, I mean this is my view from coming from chemicals, this needs to sit at where the power source sits”

Participant 4

“I would say it's to give a certain framework to the subsidiaries in terms of in which, in which corridor they can move or where they should focus on yeah. So, the one thing I just described in terms of derived from the strategy, what are the, the focus applications, focus, customers, everything. So that's, that would be the major role of the central unit, I would say.”

5.4.2.2 Dual dependence

Another key message that the participants emphasized throughout the interviews that the organization is structured so that the headquarter can provide resources to the host subsidiary and vice-versa. Which is why dependence cannot be viewed in one way, there's a dual dependence on both spectrums – the headquarter has products while the host subsidiary has the

customers. In essence, the whole concept of headquarter and host subsidiary is founded on “give and take”, the key is to know when to give and when to take.

Participant 3

“We were best if we really managed to combine product and industry know how and, and final commercial decision making with strong local voices to talk to us about customer and market requirements”

Participant 4

“It's a...It's a, it's a dependency vice versa.

I mean the headquarter, of course has the, the product and the and the raw materials and all that and let's say use that as as pressure to the subsidiaries. On the other hand, the subsidiary has the market access and customer access and the, the network and the market knowledge and without that, the headquarter would also not be able to sell the product and sitting on high inventory yeah, so I think it's a. It's a...It's a dependency that should be handled in a in a kind of win-win situation”

5.4.3 Coordination

One of the key points raised by the participants was the coordination of joint targets to build the strategic path.

5.4.3.1 Joint targets

Although the multinational enterprise is steered from the headquarter, the participants raised that coordination is needed to have align on joint targets.

Participant 1

“I think it needs to... you need to find this way where everyone supports each other towards a common goal. Let's say you have to set a common goal and then everyone has his or her expertise, and then you can work towards it. I'm, I think there is not, this is not black or white - that's what I think. So, you need to find a kind of balance in between to which extent does it make sense to have stuff flow centrally and to which extent does it make sense to have things locally so for me it's more like a, like a balance instead of 100% or 0.

Participant 3

“So this, this, is a classical case where the matrix can either go very sour or in fact because there is there is different views on something but a joint vision to jointly succeed uhhm then, typically you will have great outcomes.

5.4.3.2 Dual contribution

The participants noted that as much as there's dual dependence, there's also has to be dual contribution in headquarter-subsidary relationships.

Participant 3

“I mean it's.. it's.. it's contributing to a joint target. That's why I mean, if you talk to the CI guys. In in, in midwinter, I mean, some of them will might still recall I mean how much we pushed for the African mindset, emerging Europe mindset. You know, the team, team mindset, really agreeing on a common goal and then each headquarter and subsidiary contributing what they're good at”

5.4.4 Localisation

When asked if a host subsidiary has ever pursued market development initiatives without seeking approval or notifying the headquarter and what the results were, the 3 participants interviewed from the headquarter presented varying insights which included both challenges and benefits of localisation. They mentioned that the host subsidiary's they manage in emerging markets often approach them to have autonomy. One participant did not have enough experience to fully respond to the question, but rather responded from foreseeable challenges if host subsidiaries were to have complete localization and why the headquarter has to be involved in market development initiatives.

5.4.4.1 Operational freedom

Regarding headquarter involvement in decision making, the participants shared varying views, however still maintained the headquarter rightfully intervenes in decisions to ensure alignment and uniformity. However, operational freedom is necessary in reducing dependence but may not be as desired by the headquarter.

Participant 1

"I would say, yeah, it happens, but it's not really desired I would say so I mean, once you.. once you realize, OK, there is already a kind of localization ongoing without.. without, knowing then then you try to get in the game and try to understand how ? what's, what's going on, what is the reason etcetera. And then try to to jump on it"

Participant 3

"So that's why, I mean, there is there needs to be a good balance between the local freedom, yeah, and and we want that. I mean, we want people to take ownership we want them to experiment, we want to leverage on the local expertise."

Participant 1

"I think the key point is that everyone on the table has the feeling that they can uh, that they have a room to act and that they are needed, let's say. So, I think whenever you have a central approach where kind of centrally, people are only dictating stuff to a region. That's what I guess it's not nice to be in the situation where you just have to follow what, what you are being told kind of"

5.4.4.2 Results of complete autonomy

Participants mentioned that it is near impossible to run the subsidiary with complete autonomy while there's still dependence on raw materials and it also carries some risks and advantages to be completely autonomous.

Participant 1

"I mean, I think really a huge, huge advantage is this, this proximity to the market being close, knowing, knowing the customers, knowing the.. the set of rules that that apply in a country. I mean this is this is this is definitely a huge benefit and, and this is also the need at a company has to be successful in the market to, to have people locally and to have people who. Yeah. Who? Who know what, what is needed, let's say. So, I think this is, uh, this is in terms of market development Uh, huge, huge benefit"

Participant 3

"So, we've got a guy who wants to localise automotive fluids, he has obviously started his own research, he has identified 2 blenders that could take product and then take them to market, and this is how far he took the concept and this is the time now that he is transparent about this plan and say, look guys, I've worked something out, this is a concrete idea, let's talk about this."

So, I don't need to know, and I should maybe also not know what every little step is taken locally, I think ideas need a chance to ripen, yeah, and to, to firm up. But at some stage, when it's when product and margins and tolling and contracts are.. are then concerned, then of course we we must talk, yeah. So how do we respond to that? We say cool, here, let's talk about it and we set up a meeting with the with the right people and likely we will go ahead with this, you know"

Participant 1

"I think it would be a risk to have like a misalignment. So, for example subsidiary says I want to develop in market Express set whereas headquarters says this market is out of scope and then you have a kind of mismatch, let's say, so that, that would be a risk from my point of view. The strategic path also risk would be, let's say you have a customer that is represented in many different countries, and I think then a kind of global role helps to bring everyone together to make sure you have an aligned approach so that if customer in country one talks to customer country be we have an aligned approach as a company"

Participant 4

"Benefits would be maybe that they would be faster in in decision making and having more operational freedom to say what kind of..what kind of activities, what kind of customers they are trying to turn into business, yeah, so that's maybe, that would be the advantage"

Participant 3

"We've seen this at G-EVO in Russia, yeah...and I would not say complete autonomy, but, but this team, very much had all the abilities and capabilities and infrastructure to run a very successful refinery additives business, so they could do blending. They have their own labs; they have the technical capabilities to develop products and also take them to market. So, super successful, but acting alone, that it was difficult to sort of really synchronize the business with the rest of the business outside of Russia, so in this business, still dependent on raw material supply from Europe and, and there was also European customers so we had quite a bit of hectic times to then make sure after the deals were done to really make, make available the raw materials needed for each region to sell what was promised to customers. Yeah. So that's why, I mean, there is there needs to be a good balance between the local freedom, yeah, and and we want that.

5.4.5 Power Play

The participants in the headquarter highlighted that headquarters naturally have a more dominant role and may dictate subsidiary behavior, however, power ultimately lies on both ends of the spectrum in headquarter-subsidary relationships.

Participant 3

I mean, you hear me sort of rephrasing the questions a little bit because I mean it's it's, it's not always that the headquarter has all the power.

I mean the region have lots of power if they know how to play it”

Participant 1

“So, I think control is really, It's, it's really not a nice, a nice approach I would say. So, for me it's really about support. It's about it's about having the same goal in mind and working together towards this goal and to know who has which advantages. So, let's say for example Headquarter has the advantage of having a technical expert for example, and the host subsidiary of having a market expert and then bringing, bringing those two together and supporting each other. So that's from my point of view, what ...what is really, what is really the key part. But of course, I mean in a global company, usually there are kind of global rules that apply and that need to get followed. So, I think that's of course important to, to implement that in the ways of working and also in the ways of working of a, of a, of a host subsidiary”

5.5 Findings: Research question 3

How does resource allocation/dependence hinder/ help host subsidiary market development initiatives

In the literature review we learn that although resources enable the subsidiary to conduct market research, scout for opportunities, problem solve and meet local market supply demands, they are only formally authorised by the headquarter (Raziq et al., 2021) meaning that the host subsidiary would require headquarter approval prior to pursuing local market development initiatives. As such this research question was posed to gain insights into whether or not resource dependence helps or hinders host subsidiary market development initiatives and the factors involved in the authorization of these resources.

Since research question 3 is a double hatted question seeking to understand how resource allocation/dependence hinders and helps host subsidiary market development initiatives, the

question was broken down into two questions – RQ3 and RQ3.1 for the purpose of coding as presented in Table 8

Table 8: Coding and elimination process

(RQ3) Resource allocation/dependence help to host subsidiaries initiatives: access additional resources, being technical resources
(RQ3) Resource allocation/dependence help to host subsidiaries initiatives: central knowledge hub
(RQ3) Resource allocation/dependence help to host subsidiaries initiatives: centralising provides "advantages of economies of scale"
(RQ3) Resource allocation/dependence help to host subsidiaries initiatives: key target should be to aid
(RQ3) Resource allocation/dependence help to host subsidiaries initiatives: the other framework in terms of, in terms of pricing, in terms of business rules like minimum order quantity and things like that
(RQ3.1) Resource allocation/dependence hinderance to host subsidiary initiatives: dependent on raw material supply from Europe
(RQ3.1) Resource allocation/dependence hinderance to host subsidiary initiatives: Following HQ rules
(RQ3.1) Resource allocation/dependence hinderance to host subsidiary initiatives: limited resources in the subsidiary

From the thematic analysis, two themes emerged in relation to research question 3. The first theme was about the subsidiary context being in an emerging market, the second one was about leveraging existing supply chains to help host subsidiary market development initiatives. Table 9 presents the themes.

Table 9: Theme development

Themes
<ul style="list-style-type: none"> • Subsidiary context • Leveraging existing Supply Chains

5.5.1 Subsidiary context

In relation to resource dependence, the participants noted the role in which the subsidiary's context plays in how much dependence it will have on its headquarters. Although in emerging markets such as South Africa there's a surplus of natural resources, the reality is that there is limited production capacity, technology and infrastructure, however the South Africa as a host subsidiary balances that by being a source of market intelligence and having a customer base.

Participant 4

"I mean the headquarter, of course has the, the product and the and the raw materials and all that and let's say use that as, as pressure to the subsidiaries. On the other hand, the subsidiary has the market access and customer access and the, the network and the market knowledge and without that, the headquarter would also not be able to sell the product and sitting on high inventory yeah. Yeah, one has the maybe production, service function and whatever strategic framework resources that the subsidiary has, yeah. The local market knowledge and access and everything. Yeah, both of them are depending on each other, that's my opinion"

5.5.2 Leveraging existing Supply Chains

In line with the limited subsidiary resources presented by the participants in section 5.5.1, headquarter participants also noted that existing Supply Chains set up by the headquarter are in essence there to provide support to the host subsidiary and enable its development.

Participant 4

"Being able to access additional resources, being technical resources, being service functions for... for I don't know, supply chain services for sustainability services that maybe are not available in the in the subsidiaries"

Participant 1

"We oftentimes have the advantage of economies of scale. So, we have larger volumes that we can provide we have only one place where we have to steer, for example quality topics, we have all the knowledge in one place."

5.6 Findings: Research Question 4

What approval or rejection metrics does the headquarter employ when making decisions regarding host subsidiary market development initiatives?

Research question 4 aims to contextualize the reasons behind initiative approval as well as initiative rejection by providing the key determinants sought after by the headquarter when host subsidiaries seek to pursue local market development initiatives. In the thematic analysis, the most prevalent theme relating to approvals was concerned with the business case and the factors that need to be covered in it. The second theme relating to rejection metrics was concerned with the global strategy and the responsibility that the global organisation has. Research question 4 aims to contextualize the reasons behind initiative approval as well as initiative rejection by providing the key determinants sought after by the headquarter when host subsidiaries seek to pursue local market development initiatives. Table 10 presents the sorting and elimination process.

Table 10: Sorting and eliminating process

(RQ4) Approval or rejection metrics: 'business case'
(RQ4) Approval or rejection metrics: 'strategic focus'
(RQ4) Approval or rejection metrics: "Financial targets"
(RQ4) Approval or rejection metrics: acting within defined frameworks
(RQ4) Approval or rejection metrics: how big is that potential
(RQ4) Approval or rejection metrics: initiatives are normally derived from the global strategy
(RQ4) Approval or rejection metrics: rejection due to compliance reasons or sanctions
Other: responsibility

In the thematic analysis, it emerged that the results can be characterized as motivation for initiative buy-in which relates to approvals and causes for initiative rejection. The most prevalent theme relating to approvals was concerned with the business case and the contents that need to be covered in it. The second theme relating to initiative rejection was concerned with the global strategy and the responsibility that the global organisation has. Table 11 presents the themes and subthemes.

Table 11: Theme Development

Theme	Sub-theme
Business case	<ul style="list-style-type: none">• Setting financial targets• Initiating developments within defined framework
Global strategy	<ul style="list-style-type: none">• Compliance and accountability

5.6.1 Business Case

The participants from the headquarter articulated that there is a process that needs to be followed. Before a host subsidiary market development manager can even propose an initiative, there has to be due diligence conducted on the local markets potential and that oftentimes host subsidiary market development managers who neglect this process tend to always face headquarter rejection.

5.6.1.1 Setting financial targets

One of the frequent themes from all 3 participants was about crafting a business case with financial targets such as the potential financial returns that can be recovered from the investment made on the initiative. This also includes the size of the market development opportunity. This also includes identifying the size of the market development opportunity and mapping of stakeholders before taking the initiative up to the headquarter for approvals.

Participant 1

“So usually, we really have like financial targets. So, we have financial target that we need to achieve to kind of validate the business case. Uhm, so this is, let’s say the major part”

Participant 3

“So, he has obviously started his own research, he has identified 2 blenders that could take product and then take them to market, and this is how far he took the concept, and this is the time now that he is transparent about this plan”

5.6.1.2 Initiating developments within defined framework

Alongside setting financial targets, the participants stressed the importance of developing markets which are stipulated in the global organisational framework. Initiatives that are not aligned with the headquarters strategic framework seldom get approval.

Participant 4

“If it's happening in, in, in the in this framework, it is let's say in these boundaries that that are defined and if it's creating value then of course this is exactly what, what we want to achieve and what would be then approved. If it's outside, it still can be approved for example, if the price is, let's say lower than, than limit, then even then it will be discussed then, so there will be then an individual approval necessary and, in some cases, this can be done”

Participant 1

“The only exception could be that there is a really strong strategic focus and that's why you would also approve something which might not fulfill all the financial criteria”

Participant 4

“The subsidiaries can find opportunities outside the strategic framework or yeah. Let's say without having discussed that before. Not necessarily always in a formal approval necessary, but in that case, of course we, we then discuss about you know, is... is that how big is that potential is, are there any, any, any issues in terms of I don't know competition or yeah is it is it worth continuing or not yeah. So, it could be various reasons why we say that this we, we we need to stop that”

5.6.2 Global Strategy

In relation to the causes for initiative rejection, the participants mentioned that a central global strategy of the multinational enterprise which informs organisational behaviour should serve as a pathway or guardrail for local initiative development. The organisation has a responsibility to be compliant and report back to stakeholders such as shareholders on the profitability of the business ventures it takes.

5.6.2.1 Compliance and accountability

Participants noted that with great power comes great responsibility. At headquarter level, the multinational enterprise has a set of rules and regulations that it must comply with and on the

same breath it must be accountable to shareholders for profitability and be responsible for the top-down transfer of compliance relating to business models and market entry regulations.

Participants 3

“I think it's absolutely the case and it comes from the fact that as a producer, you have responsibilities. Yeah, you invest the money, you are accountable for the profit and losses from that unit, and you are accountable for the people working there”

Participant 4

“There was the cases where we had these topics to stop were because of sanctions customers or customers, customers did not. Yeah, did, did try to circumvent sanctions, for example, against Russia that were of cases where we needed, needed to stop it. Against certain, let's say compliance reasons or sanctions, what I mentioned before so in in any kind of area where we decided, I think not to, not to sell or not to sell in these conditions, Yeah”

5.7 Findings: Research question 5

What is the role of contextual characteristics such as political and economic risk on market development initiative approval?

This research question aimed to gain insights on whether headquarter takes into account the environmental conditions or rather contextual characteristics of an emerging market host subsidiary when developing the organisational strategy or the strategy is purely based on the conditions that are known to the people sitting in the headquarter. It also seeks to understand how much attention is given to the host subsidiary's context. Table 12 presents the sorting and elimination of codes.

Table 12: Sorting and elimination process

(RQ5) Contextual characteristics: 'important to understand individual markets'
(RQ5) Contextual characteristics: advantages of 'market proximity'
(RQ5) Contextual characteristics: close attention is needed in emerging markets
(RQ5) Contextual characteristics: we want to leverage on the local expertise
(RQ5) Contextual characteristics: Global strategy that is tailored to local market needs
(RQ5) Contextual characteristics: global strategy that is very high level
(RQ5) Contextual characteristics: I fully support the view that you must have a section on emerging markets in mind if you are into growth

During the theme development process, the key theme that emerged are organisational growth. Table 13 shows the themes and subthemes

Table 13: Theme development

Theme	Sub-theme
Organisational growth	<ul style="list-style-type: none">• Close attention to emerging markets

5.7.1 Organisational growth

The participants responded with conviction that for a multinational enterprise organisation to grow, it has to have to some sort of interest in what is currently happening in its host subsidiary. This

information not only informs strategy but also informs initiative approval. They also shared how strategy can be developed to take into account local dynamics.

5.7.1.1 Close attention to the emerging markets

Part of being interested in emerging markets involves paying close attention to the contextual characteristics such as market drivers, legislation etc.

Participant 1

“So, I think what, what we usually do is, let me think what's the sequence. So we kind of have a global strategy that is very high level and then we break it down to the to the regions and when we break it down to the regions, then it's definitely of.. of importance to understand the individual markets and to have uhmm, Yeah, let's say an approach where you get input from the from the individual markets and then based on that develop the regional strategy. Why is that important? Because, well, you need to. If a strategy is not fulfilling what the market needs, then you will most probably not be successful. So I mean it's about tailoring it to the to the market”

Participant 4

“Yeah, this I... I try to have the regular meetings with the...with the subsidiaries to understand these market dynamics to, to get, yeah discussion around what's happening in the market in order to better understand. So, in that case I have, let's say monthly calls with each country cluster or, or region or subsidiary to, to discuss what's happening there and what are the opportunities, but also the risks and uhmm yeah, that helps a little bit. Then of course, we try to describe it also in our marketing plans”

Participant 3

“I mean it's it's it's absolutely critical, and from an EMEA point of view, of course it's it's important to understand what's going on in the Middle East and Africa. OK. Yeah, you'll see. I mean in my business today, I'm responsible for fuel additives Middle East is already playing a very visible and key role. In fact, the next key hunting opportunities globally, lie either in China or in Middle East for my business and that's why, yes, I mean, for certain markets it will the global strategy is key. And then I..I fully support the view that that you have to have a section on, on emerging markets if you are into growth”

5.8 Findings: Host subsidiary context

As articulated in the beginning of Chapter 5, this section presents the findings from host subsidiary managers. The participants were asked different interview questions with the overarching research questions remaining the same. The intention for separating the two in sections was to gather the experiential perspectives from the varying entities and avoid bulking two different viewpoints into one section.

5.8.1 Findings: Research Question 1

What is the power and dependency dynamic in headquarter-subsidiary relationships

This research questions aimed to comprehend the relationship dynamic between in headquarter-subsidiary relationships from the lens of host subsidiary market development managers in South Africa as an emerging market. Table 14 provides the sorting and elimination of lengthy codes in order to develop the key themes.

Table 14: Sorting and elimination process

(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: a lot of motivations and convincing
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: aligned with our global strategy
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: corporate expects is not always what I'm going to see in the region
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: educate them
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: Empowerment is the key
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: European lens
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: fair amount of flexibility
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: full support of Germany
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: Global strategy and local integration fighting each other
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: headquarters is not listening

(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: my people not involved in any research and development
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: negotiating it locally, but the final documents need to be approved by the legal team based in the UK.
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: not aligned
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: price adjustment. They are set by the global
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: Profitable product taken away by headquarter
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: stripped all your optimism
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: t comes from, from the corporate
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: transferred that knowledge to central headquarters
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: we are developing a local market development strategy based on the global strategy
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: We know the market best
(RQ1) Power and dependency dynamic in headquarter-subsidiary relationships: Business case

When analysing the data, three key themes were developed. The first one was about setting the contextual scene of the host subsidiary, the second one related to the need to justify for local initiatives to the headquarter. The final theme much like in the headquarters context, was concerned with the power play found in headquarter-subsidiary relationships. Table 15 presents the development of themes.

Table 15: Theme development

Theme	Sub-theme
Subsidiary context	<ul style="list-style-type: none">• Role of the subsidiary• Headquarter involvement• Strategy development
Justify need for local initiatives	<ul style="list-style-type: none">• Bottom-up knowledge transfer
Power Play	<ul style="list-style-type: none">• Headquarter expectations

5.8.2 Subsidiary context

In order to understand the power and dependency dynamic within headquarter-subsubsidiary relationships, the participants distinguished between the core purpose of a host subsidiary and where the two entities, being headquarter and host subsidiary interface.

5.8.2.1 Host subsidiary purpose

A significant piece to interview that a participant noted was about their view of host subsidiary's purpose within a multinational enterprise. One key insight was that the subsidiary is to somewhat serve the headquarter and deliver on the global strategy and sometimes this very strategy drives motivation. Although this was articulated by one participant, most of the participants alluded to the importance of fitting into the global strategy.

Participant 2

“The branch we're having, let's say in Africa or outside North America is having two main responsibilities, so the first one is to execute OK. the global strategy from the headquarter”

5.8.2.2 Headquarter involvement

The participants had mixed views about the nature of their headquarters involvement. Some have experienced notable market development initiative successes through centralised decision making and others have witnessed the involvement of their headquarter to be the cause of market development slump. For some participants the headquarter is fairly supportive and has appetite for some local market development while others the headquarter provides limited support towards such initiatives particularly because the headquarter does not have the local market knowledge.

Participant 2

“So, here I can say in my context, it depends on the segment or the product line we are promoting and to be specific overseeing the mining business.

So the continents we having which is Africa is full of opportunities for mining, OK. So we have been a lot of customers in need of our product, our equipment to support. while in developed markets the business revolves around automotive sector because they are having emission standard and strong legislation kind of enforcing the law for people to comply with the innovation, we bring to the markets in Africa Automotive was not successful. OK, so we didn't do well because the legislation did not help us develop the market with the technology. We're having expensive or premium top of the range technology, even in Pretoria, even opened an emission related segment to make sure our equipment not only equipment, but even for other OEM can get that technology for us to pollute less but based on the fact that South African government wasn't having legislation emission standard up to now for this type of industry, we closed the factory so this was a failure. OK, for the automotive sector. Yeah. But for mining taking initiative and we've been getting great support and we're also able to demonstrate results in both”

Participant 8

“We have less of things succeeding fully than we do have of those failing and just being knocked off the table. I don't have numbers yet, but that's, that's an estimate from the conversations we've had where you get into a meeting, this venture was launched by the market development team but after some time, the business unit does not wish to pursue it further, you know. We've heard a lot of that in our meetings. I wish I could quantify it, but it seems that we have more... more failures than successes”

Participant 5

“We've identified key customers, we've identified key projects and projects and products, and we've transferred that knowledge to central headquarters, and they've supported because we have really tangible targets that we can actually reach and they're closely monitoring that, so once we've given them the details, then we they allow us to pursue that market”

Participant 8

“We have one of the projects that we are doing here in Kenya which is to promote the use of spray foam in the region. However, we did not have adequate information on what's going to

happen with the spray foam market well this was information we had requested, but it had not been, it had not been cascaded down to us, at the same time, we decided this was the project and decided to just go forth with it and we have seen quite a bit of challenges, one of them being it, it is basically not recognized by the higher ups. So, without it not being recognized, we see that we do not get the support we need, you really have to push for support”

Participant 5

“I wouldn't say that, so far we've been fairly successful this year and bringing on new customers and increasing the volumes.

I think that the strategy that we've developed regionally for sub-Saharan Africa is working well and we have buy-in from headquarters”

5.8.2.3 Strategy development

Strategy development was also raised as one of the key factors that encourage headquarter power and subsidiary dependency. The headquarter uses its authority to set the strategic targets which for the participants is not always an effective approach. The participants noted that the global strategy cannot be the sole roadmap that informs the way in which business is conducted and that the setting of a local strategy is equally important.

Participant 2

“I'm having a global strategy OK to implement in a region some kind of Global strategy and local integration fighting each other because sometimes what the corporate expects is not always what I'm going to see in the region”

Participant 6

“Coming up like with, with an idea like in my role in business development, I might have a different strategy that I would really want to follow compared to someone who's based like in another region”

Participant 9

“So, when the strategy kind of gets handed down from overseas, it's it's a very it's a very skeletonised, skeletonised I can't pronounce the word today but it's a skeleton because you don't know what happens because my organisation, I don't know how many, the number of locations it is, but when we meet with our, our, our colleagues in Belgium versus Hungary versus Thailand or whatever it is, the market is so radically different there's. You don't have

really have an outright yenza-kanje, yenza-kanje (do this, do that). You know what I mean. It's actually...the strategy is basically numbers. You know what I mean that's what a global organization actually has to do to survive Because you can only give strategies in numbers. The, the local teams have to take care of which product and, and so on and so on"

Participant 4

"Even with globalization, still, we have individual types of needs that is country and regional specific. So, we can't use a global strategy as a drop in here. It needs to be adapted and molded or modified to suit the prevailing conditions"

5.8.3 Justify need for local initiatives

Within the subsidiary context, participants noted that the headquarter holds more power because even if they can establish development opportunities as market developers or business developers, the headquarter still makes the final decision.

5.8.3.1 Bottom-up knowledge transfer

Educating the headquarter on local market dynamics emerged as one the fundamental ways of influencing the headquarter to approve local market development initiatives. The participants complained that although it is necessary to motivate for local market development initiatives, it becomes a time consuming and tedious process.

Participant 6

"It's a lot of motivations and convincing that you have to do like you know in the process and that really takes up a lot of time.

So, it's unlike if, if everything like it's controlled here in a smaller group, then it makes it very easier to make decisions like in, in in in that regard because people would really understand that maybe in Africa, this is how things are done. So motivations, making sure that you study the market very well. If they don't understand, you go back, do your homework.

You present again is what helps."

Participant 2

"Your motivation is really, really needed and this is how I'm approaching it. So, the first thing I need to make them understand there is potential and opportunity, OK. and how do I do that, I need not to document a business case using tools we are having like Salesforce, yeah. So, this is how I start because you gonna go there wanting to present something big, is this in

Salesforce, this is our system we used to capture the opportunities and yeah, so is there a market we need to support you for in your region. So, I need a strong, strong business case.

Participant 10

“Obviously what we do here is to ensure that we collect information from the market about the market size, what our colleagues want in Europe, which is quite clear, is to be able to guide them that if there is an opportunity in Africa, how big is the opportunity, does it fit the organization to allocate the resources go after that opportunity? And if it's yes, then we'll go for it but if it doesn't fit the strategic objective of the organisations, then we don't go for it”

Participant 7

“Firstly, you have to speak the same language as them. So, you have to understand where they're coming from, what need they trying to fulfil and figure out if your need and they need align and create a win win strategy. If my customer is screaming and I must have this, forget it, not going to get the buy in. If both parties are not winning, what's in it for me? So when you want headquarters to buy into, to, to something you, you would like to do and something you feel has value, you've got to go in with a win win uhhh... uhhh ..uhhhh,.. pitch! and you can only go in with a win win, pitch if you know both sides of the coin, if you only go in with your customers point of view, forget it”

Participant 8

“From where I sit, I don't have much influence so, most of, most of what I can do is I can conduct the market research in the market analysis and show the numbers of this is the potential in this region. This is the potential of how it's going to grow based on my market research and then use people who have influence to possibly escalate what we are trying to do and gonna interest from the business unit, but beyond that, there really isn't much influence I have in my position”

Participant 2

“The first thing enough to educate them, because if you don't have that, it is going to be difficult for you to..to bring something to the table, you're just going to be complaining and not getting any support and everything getting rejected just because you are not able to convince the people that, hey, this is Africa.

I know the local dynamics. Yeah, and on top of showing that you know the local market”

Participant 6

“We we have a we have found a strategy that works and we've built like a very good profile like for ourselves, where it's it's no longer, you know, difficult we have good recordings like. Keeping record is very important where we can show we have good references where we can show like you know where I was telling you about timelines. We have good references. That we can really show that, you know, let's not give up. Still give us the funds we really need to do this”

5.8.4 Power play

Host subsidiaries are subjected to the dictatorship of the headquarter and must comply whether they environment allows or not. This leads to further dependence on the headquarter and frustration as it limits autonomy.

5.8.4.1 Headquarter expectations

Participants responded that being centrally steered limits them from being proactive and completely shuts down their plans to develop the local market because they do not get the support they require.

Participant 7

“Headquarters will dictate where you will get your supply chain from this hinders your market penetration strategies and because they dictate it, then sometimes they'll, they'll make a decision for cost optimization things in a plant we're not gonna do drummed product anymore. This again affects your market penetration strategy in a subsidiary where you don't have critical mass to only do bulk so sometimes when a global organization looks at where does it make the most of money which is the pareto, so you know, in in the world of business, we say you make 80% of your income and profit from 20% of your customers, So when you are in a crunch, meaning your profitability is under consideration, or you need to save money, what do you get rid of first? and that 80% of customers that don't contribute enough need to go and you either get rid of them by physically divorcing them and telling them you can't supply them, or by doing things like getting rid of certain packing lines”

Participant 5

“So, I'm gonna give you a typical example. We had one of our most profitable products taken away from us and given to distributor where one of my colleagues was responsible for that,

even myself we did, I did a small amount of business but very profitable, but it's gone to distribution. That was a directive from headquarters and in a market that we worked extensively on to start it from zero. It has been a challenge to let go of that and see that sales in fact removed from us but it was a...a...a regional, when I say like an EMEA directive to remove the, that product and then we have somebody from global supporting the distributor locally.”

Participant 2

“So even for the product and we get a notification that this is how it should be managed, so yeah, it comes from, from the corporate. And even the revenue for the region, the headquarter is committing to the New York Stock Exchange. OK, say in 2025 the company I'm in charge of this is for our global CEO going to be achieving this much OK. And when making that commitment, they also count on the contribution from the region then they gonna come to us. Guys, this is a commitment today the New York Stock Exchange we need to move from 34 billion, maybe to 38 or 40 and from your region this is what we expect.

Then I have to work with the local teams in the regions to make sure yeah, what is expected there we gonna contribute to to it”

5.9 Findings: Research Question 2

What motivates host subsidiary market development managers to initiate market development projects under headquarter centralised decision making?

This research question was raised to extract the key drivers for market development initiatives from the perspective of the host subsidiary market development managers operating under a centrally steered organisation. Juxtapose motivation factors, the interview questions also sought to uncover the factors that hinder market developers from pursuing related initiatives.

Table 16: Sorting and eliminating

(RQ2) Motivation for market development initiatives: Addressing market needs
(RQ2) Motivation for market development initiatives: passion for the products that we, we sell
(RQ2) Motivation for market development initiatives: attract new customers.
(RQ2) Motivation for market development initiatives be the voice of that customer.
(RQ2) Motivation for market development initiatives: brand visibility
(RQ2) Motivation for market development initiatives: expansion
(RQ2) Motivation for market development initiatives: growth areas

(RQ2) Motivation for market development initiatives: passionate about developing
(RQ2) Motivation for market development initiatives: Replacing lost market share
(RQ2) Motivation for market development initiatives: revenue and profitability
(RQ2) Motivation for market development initiatives: sales conversions
(RQ2) Motivation for market development initiatives: shareholders expecting some return

The themes that were derived from the data with regards to motivation for initiating market development initiatives include subsidiary growth, intrinsic motivation and demotivation. Table 17 covers the theme development

Table 17: Theme development

Theme	Sub-theme
Subsidiary growth	<ul style="list-style-type: none"> • Market expansion
Intrinsic motivation	<ul style="list-style-type: none"> • Responding to the local market • Passion projects
Demotivation	

5.9.1 Subsidiary growth

The most frequent theme that emerged from the interview question relating to the factors that motivate market developers to propose market development initiatives was organisational growth.

5.9.1.1 Market expansion

The participants indicated that expanding their market reach was a main driver. The frequently mentioned drivers for market development initiatives were to grow the sales and profitability of the organisation.

Participant 2

“So, if I take market development initiative, it is to generate some revenue and profitability, OK, That's the first one and the second one is to elevate and give visibility to the brand in the region. Like I said, America, the company's very big in America and well known. So, in my region, some of the places I need to be elevating the brands to make sure here is the company scene, the

company is present in the region and the last one is to expand here in the region and also attract new customers. So, these are my top three reasons”

Participant 10

“Yeah, one simple reason is that if we cannot acquire new customers and grow our business and remain stagnant, definitely we are guaranteed that we will die. To ensure that our organization continues to grow and obviously we have to get new customers and to get this business, new customers you have to initiate this kind of business development projects and as you do know that business development project takes quite long to really crystallize those kinds of opportunities into sales. If you don't start early enough, you will not be able to successfully convert those into sales. So, what motivates me is to ensure that we start early enough to identify those opportunities where work very closely with our partners to ensure that we convert those opportunities as fast as possible to sales. Yeah, and if we don't do that, obviously we'll die and to ensure the continuity of the organization, we have to keep looking for these new opportunities”

Participant 9

“It's that 7 to 8% growth which, which is very much I think the standard in any organization, right? So that's where you start to say that, OK.

So we did a million rands last year and we want to, I don't know, 1,1 or something like that. And the question is that's that's always it's it's not radical, but that's always the motivator to try and do more.

Or in the second case is when you've lost a... a market, right? And now you're trying to replace it, OK? Yeah, maybe those are the two. One like growth or replacing a..a segment which has disappeared”

5.9.2 Intrinsic motivation

5.9.2.1 Responding to the local market

The participants also mentioned that their motivation being driven by the desire to meet their local market needs.

Participant 8

“So, for me, I look at one; the need in the region that currently is present and can be addressed by one of our solutions. Two, it's something that maybe the overall market development team is

working on and I see a potential in my region.

So I want to replicate what they're doing in the other regions or to tailor the solution for my specific, to my region's needs and third in case there any regulations that provide the opportunity for us to plug in with some of our solutions, I normally use that as a motivation for my market development initiatives”

5.9.2.2 Passion projects

Some participants noted that they were passionate about the work that they do as market developers in line with the organisation’s strategy.

Participant 5

“My passion for the products that we, we sell, the products that we ..we.... have knowledge on and the demand that marketers asked us for, or the, the demands that mark just put forward towards us”

Participant 7

“So, the motivation normally comes twofold. Either intrinsically in the fact that you have too many unanswered questions about a market that nobody else has seen, or in some cases where customer is asking you for something and somebody in headquarters is not listening, and then you feel like you want to be the voice of that customer”

Participant 6

“I think what really motivates me is firstly the direction that the organization is, is really going to, the strategies which are always shared.

So no matter how it can be difficult, that really motivates me that, you know, if you are coming up with something that you can be able to convince like the headquarters, it might take time but at the end like, it will be approved and it makes it easier even for the other projects which would come like after that, 'cause now at least they know, and they have a better understanding”

5.9.3 Demotivation

The participant equally discussed the challenges that they face when attempting to pursue market development initiatives. The participants touched on how the lack of support and desire to understand and empower the local market dynamics from the headquarter can be demotivating.

Participant 7

“Demotivation sometimes happens when you have a centrally steered strategy, like what we say top down and somebody in Germany has already decided that we won't be in this market. That means they've stripped all your optimism. They've made all the decisions for you, and they've stripped your, they stripped your capability to think and that is demotivating, because now they haven't thought that you could actually think for yourself.”

Participant 6

“I think for me personally, what discourages me is you know, when we don't see things the same way and yes and with me for.. for 10 years like I've been doing what I'm doing all right and with the headquarters, what I know is they change people like from different business units which are doing totally different things, so the downside is when a new person is really coming in, the discouragement is will I have to go through what I went through again? Yes, yes. And...and we can't resist change. Definitely like leaders always come up like with, with...with different strategies, with different ways of doing things, positive, some not really positive, like for us down there but yeah, I think my discouragement for me it's... it's in that line of starting all over again, convincing all over again”

Participant 10

“Lack of information and resources sometimes it's a big challenge”

Participant 2

“I'm having a global strategy OK to implement in a region some kind of Global strategy and local integration fighting each other because sometimes what the corporate expects is not always what I'm going to see in the region because of legislation it is something I need to comply with, and I cannot influence so if I can maybe give an example here? In South Africa, we are having the BEE to comply with OK as part of the local contents and if you don't have a certain score in BEE, you cannot develop some of the segments even if you're having the right product and you are having customers for that. I can give an example of during the load shedding, OK, my company is having a power generation business unit, and we are supplying diesel generators and we one of, I can say one of the best globally. Not only in terms of quality, but even market share. OK, we number one and #2, but we did not benefit from the load shedding in South Africa because of we are not BEE compliant. So as much as we wanted to develop the power generation business, we couldn't sell to some of the state companies

because our BBEE score was low, 100% ownership is the, OK? We don't have any local guy's part of seeing or part of the ownership here."

Participant 8

"I'd say that's one of the largest challenges I've been facing of late because the strategy at the very top is we want volume, we want big numbers.

The minimum volume is for example 200 tons per month, that is my annual volume in East Africa, so asking me for 200 tons per month means I've you've locked my region out completely.

Whereas I'm looking at my region, is not large, but it's growing."

Participants 9

"The hindrance, the most common one that I'm not sure whether we're going to circle back on this thing is that the biggest issues with multinationals is that company X is in Germany, company Y is in Germany and what works for the German Deutschland market doesn't necessarily work here, so that's always the, that's always uhmm....more experienced managers and executives, need time to understand that this difference between markets and markets segments, but markets themselves"

5.10 Findings: Research Question 3

How does resource allocation/dependence help/hinder host subsidiaries from pursuing market development initiatives?

This research question, therefore, aimed to gain insights on how the dependency on resources helps with the pursuing of local market development initiatives as well as how it hinders initiatives from being pursued. Below is Table 18 which shows the sorting and elimination of codes relating to the research question.

Table 18: Sorting and elimination process

(RQ3) Resource allocation/ dependence helping or hindering: Branding.
(RQ3) Resource allocation/ dependence helping or hindering: contracts,
(RQ3) Resource allocation/ dependence helping or hindering: disadvantage with our competitors

(RQ3) Resource allocation/ dependence helping or hindering: Headquarters will dictate where you will get your supply chain from this hinders your market penetration strategies
(RQ3) Resource allocation/ dependence helping or hindering: Inadequate training for people on the ground
(RQ3) Resource allocation/ dependence helping or hindering: Labour, training and skill set.
(RQ3) Resource allocation/ dependence helping or hindering: language barrier
(RQ3) Resource allocation/ dependence helping or hindering: lead times are so long
(RQ3) Resource allocation/ dependence helping or hindering: losing one of the potential candidate when I was recruiting
(RQ3) Resource allocation/ dependence helping or hindering: need resource, even head counts locally. It needs to go through the approval process.
(RQ3) Resource allocation/ dependence helping or hindering: ork has to be approved by by the corporate
(RQ3) Resource allocation/ dependence helping or hindering: pricing strategy, technical expertise.
(RQ3) Resource allocation/ dependence helping or hindering: product of availability,
(RQ3) Resource allocation/ dependence helping or hindering: right partners
(RQ3) Resource allocation/ dependence helping or hindering: technical expertise.

After sorting the codes, a thematic analysis was conducted to develop relevant themes. The three main themes were relating to the limitation brought being dependent on the headquarter. The first that emerged was slow decision making, followed by a neglected labour-force. Table 19 presents the theme development.

Table 19: Theme development

Theme	Sub-theme
Responsiveness	<ul style="list-style-type: none"> • Inefficient decision making • Procurement processes • Competitiveness
Neglected labour-force	<ul style="list-style-type: none"> • Upskilling • Performance toolkit

5.10.1 Responsiveness

When asked about the role which played by resource allocation by the headquarter versus resource dependence by the host subsidiary the participants noted that they are highly dependent on their headquarter for various resources which are fundamental to the running of effective operations and market development. This causes a lot of frustration for them because they tend to feel as though they are constantly at the headquarters' mercy in most instances.

5.10.1.1 Inefficient decision making

The participants noted the dependence on their headquarter for decisions and approvals negatively affects flexibility. While this is the norm in centrally steered organisations, it has resulted in inefficiencies with respect meeting local market development needs.

Participant 10

“Yeah, obviously the, the... speed uhmmm gets impacted heavily, so you kinda like your, your hands are, are tied because you can't respond fast enough. If your company at least has not invested in producing maybe the products that we use at least locally and obviously that's influenced due to the cost structure that they want to have in the country, lean cost structures, uhm that obviously influences how you interact with your customers and how fast you respond to the customers”

Participant 2

“Now if you need resource, even head counts locally. It needs to go through the approval process and I even remember losing one of the potential candidate when I was recruiting for the expansion of my team because it took so long of depending on the US to approve and after different round of interviews, the guy was so good and we wanted a guy with French speaking skills for, for Africa and the guy couldn't wait another company took him, why? because I was so dependent on the US to get him hired and I lost it”

Participant 8

“One of our of my customers, he always reminds me that in the chemical world, we need quote un quote rats. but my organisation is an elephant, and we are unable to respond to changing times and changing dynamics and customer requests and how slow we are to respond, we'll have an impact, if not in our lifetime, we will see it in the next lifetime, specifically for Africa”

Participant 8

“Yes, the centralized strategy makes us completely inflexible, we cannot address all the needs on the ground, even some of the very basic needs, such as for example A custo....in East Africa, we have a payment system called M-Pesa where you just send money to someone on the phone it reflects immediately whether it be bank or through mobile money, but with our systems, it takes a day.

So we have managed to even circumvent the design of the most if most effective, most efficient payment process because we are being an elephant and refusing to be flexible to the needs of society. So yeah.

I am complaining about that, but yes, our inflexibility really impacts us”

Participant 7

“Commercially, if there's certain decisions that need to be made, for example say a, a country is is under hyperinflation and don't have the capability to pay in dollars. It's almost a negotiation between the local entity and the head office on whether we will only accept payment from customers in foreign currency or do we have the capability to accept payment in local currency. So in some countries like South Africa, where the South African forex model is fairly secure, if a customer owes the headquarter debt in foreign currency and the customer is under pressure, we can convert that debt to rands and allow them to pay it locally that's a good deal and we got the money and the customers stayed fluid, but in a space like for example Ethiopia, where we don't even have a legal entity and the customer cannot get Forex to pay the headquarter we can't in any means change that”

5.10.1.2 Procurement processes

In the various research questions, one of the common themes that kept emerging was relating procurement processes. The participants stated that they are mostly reliant on global pricing, global supply chains and global technical support. This dependence has a negative ripple effect on flexibility and responsiveness towards opportunities.

Participant 5

“So, we have dependence in terms of product of availability, allocation, pricing strategy, technical expertise”

Participant 8

“Looking at the interest of the business unit looking at our dependence for allocation and even like for supply chain efficiencies, because on the ground we have to wait, we have to accept

whatever supply chain options they have picked despite our recommendations and that really affects our timelines and how quickly we get our products to market and how quickly you're able to service our customers”

Participant 2

“Another item is the price itself, so we're having annual price adjustment. They are set by the global. So yeah, like now this season already we can already discuss the 2025 price adjustments So even for the product and we get a notification that this is how it should be managed, so yeah, it comes from, from the corporate. And even the revenue for the region, the headquarter is committing to the New York Stock Exchange, OK, say in 2025 the company I'm in charge of this is for our global CEO going to be achieving this much OK. And when making that commitment, they also count on the contribution from the region then they gonna come to us. Guys, this is a commitment today the New York Stock Exchange we need to move from 34 billion, maybe to 38 or 40 and from your region this is what we expect.

Then I have to work with the local teams in the regions to make sure. Yeah, what is expected day? We gonna contribute to..to it.”

Participant 6

“If something came up in the fine... in the financial side of things, we...we high-yes, we highly depend like on on, on the headquarters for, for a lot of approvals. I mean for us right now, a lot of things like we moved to Germany, right.

I'll show you for example like with invoices where like our vendors are invoicing and because I do not have anyone here in South Africa, I have to call Germany.

Sometimes there is that language barrier where like you will struggle like for the whole week to resolve an issue because maybe the way yes teams is there like we cannot disregard the fact that we have good technology but for the fact that you.. you can sit on a call and not understand each other, you write an e-mail - the interpretation is different. So yes, even in terms of financial, we still have like uhm, challenges, even there because it just becomes a problem with some invoices can even be paid late and previously before I joined, I heard that we used to have people here, based here, based here in South Africa finance was based here. Number 2, Actually I travel right, I travel a lot, previously there was someone based here in South Africa who could assist like with, with travelling arrangements, but now there is a third party involved. I can get to a country next thing like maybe I booked a car, but it was not finalised now you are

stuck in the airport you have to roam, network maybe is delaying, it's...it's just a challenge, yeah"

Participant 10

"We are heavily dependent on the headquarters and for simple reason that our products are produced in Europe and our technologies, which in this case we talking about formulations are developed in Europe as well.

So in terms of developing the new products, optimising or formulating new compositions, we depend heavily on our colleagues in Europe, right. Logistics as well would depend largely on the resources that we get from Europe.

So if you look at it on a scale of one to 10, we are 70% maybe or seven dependent on, on Europe or if I have to convert percentage 70% dependent on the headquarters here"

5.10.1.3 Competitiveness

The participants noted that being resource dependent has a negative impact on how they are proactive with customer enquiries and market opportunities, this has a ripple effect on their level of competitiveness within the local market. Such processes where the host subsidiary is constantly waiting for product allocation or technical capabilities to be cascaded down often leads to loss of market share.

Participant 10

"Yeah, of course, when you look at this, the problem of maybe developing the market in Africa, the market is highly fragmented and it is made out of largely by small customers, right and these small customers when you group them together, they bring you the decent volume. But if you look at it from the lens of the Europeans, they look at it as the highly fragmented market, 'It's a small customer, we're not so much interested' in doing business with a small customer, at least from allocating the resources to deal with a lot small customers because you can imagine that if you allocate all your customers to deal with the small customers, you don't really good get a good return that obviously impact on us that, because you have many of these small customers in Africa, it's very difficult to allocate the resources because it's not in line with the organizational strategic objective of handling all these small customers. So not having the resources to deal with that market it leads to us losing the opportunities there"

Participant 6

“I will give you a good example like with PGM market PGM mines which are producing PGMs not just in South Africa but let's use, Africa as a very good example.

Now, declining prices of PGMs puts clients in a point where they are not willing to spend so much like in, in buying products right now because you have the centralised headquarters they would want to you say, but you can't go down to that price. I mean, in Australia we are selling it like for this much.

So it really becomes a challenge where we, we constantly have to motivate that, that we are pricey and it puts us in a disadvantage with our competitors that are based here because they understand all the dynamics economically, politically of our country or continent, like as a whole, so that they are easily flexible, you know to adjust like to this changes where us from our side, it becomes a hassle because someone will be coming up with a price, maybe sitting in the US and you are here wanting to compare the South African market with the US market, so can you see like, where can you see where the challenge is so”

Participant 8

“With European companies I've, I've noticed there's rigidity in tweaking their...tweaking, their solutions to meet the local markets and that makes it very difficult and very inflexible for the people on the ground to actually give them results. So if they involve the people on the ground to make things happen and then cascade this upwards to tweak the strategy, for example, for Africa, we'd see better outcomes in the markets and I think that's what we are seeing with China and Asia and India coming into African markets, they even gotten into South Africa, right? They are in yeah, because they came to Africa, and they're like, what is, what does Africa need? Africa needs smaller pack sizes, Africa needs faster delivery times, Africa needs better pricing. So from China and India, you can get a variety of prices, a variety of quality...quality aspects from the product you need and that services every single customer in Africa, from the very small companies with the micro and small companies to the very big conglomerates, each of them has their service, has their needs serviced by the Asian companies.

But you can't say the same about the European companies, so we need to localise and tailor strategy for the market that you're trying to get into. Otherwise, we get locked out. We will be the Nokia of chemistry”

5.10.2 Neglected labour force

Another key point raised by the participants was that the headquarter has a tendency of not trusting the subsidiary staff to make be in positions of making decisions. This is demonstrated by the headquarter not empowering nor upskilling subsidiary staff.

5.10.2.1 lack of upskilling

The participants felt that they are not being positioned by their headquarters to influence decision making even though they have full market knowledge and can advise, they are still limited to doing so.

Participant 2

"I'm not involved in my region, or my people not involved in any research and development, so this is on 20% at headquarter and then overseas.

Manufacturing of those products again happens overseas, so this is something I'm not even controlling. OK, so I'm here with the whole team just to seat and service those products"

Participant 8

"There's also the element of there isn't adequate training for the people on the ground in the smaller regions, especially if the business unit does not think the region...how would I put it? The region is a market that they want to get into, so even if there is potential, no one will be trained on it, so it cannot be explored fully.

So I'd say I'd expand that on when it comes to the skill levels and also we are very dependent on the on how would I put it on the business unit looking at the region and thinking, OK, let us, let us say yes to this like, we will not assist you, but you go forth.

So even if I go and identify 1000 ton opportunity but the business is like we don't feel like it, there's nothing I can do. So, despite what our thoughts are on the ground whether or not they are implemented is dependent on the interest of the business unit, which shuts us down really quickly as market developers.

So I I'd look at it from that dependence - labour, training and skill set."

5.10.2.2 Performance toolkit

Participants noted that they require the headquarter to furnish them with the right resources, at the right time and also provide an enabling environment.

Participant 5

“It’s empowerment at the end of the day, that dictates the level of agility you have to go right down to meeting the customers’ needs and the businesses need. So, when you are given something from head office, the first thing one needs to ask is what is my level of empowerment. If this is 0 then it means I’m just going to put everything on a document and give it to you and walk away and I’m acting like a consultant. Like a Mackenzie or something like that. But if they say, listen, if you find a customer, sell the damn thing, you move, you, you, you, you then empowered to do what you need to do”

Findings: Research Question 5

What is the role of contextual characteristics such as political and economic risk on initiative approval?

This question aimed at understanding if local host subsidiary market development managers feel that their market characteristics are being factored by the headquarter when developing organisational strategy.

Table 20: Sorting and elimination process

(RQ5)Contextual characteristics: adapted and molded or modified to suit the prevailing conditions
(RQ5)Contextual characteristics: American sanctions
(RQ5)Contextual characteristics: culture
(RQ5)Contextual characteristics: returning to Europe or to South Africa, we not a botherless continent.
(RQ5)Contextual characteristics: Europe because the mobility is better and it’s a borderless continent
(RQ5)Contextual characteristics: f logistics challenges and even legislation immigration
(RQ5)Contextual characteristics: In South Africa, we are having the BEE to comply
(RQ5)Contextual characteristics: legislation
(RQ5)Contextual characteristics: localise and tailor strategy
(RQ5)Contextual characteristics: market research,
(RQ5)Contextual characteristics: payment system called M-Pesa
(RQ5)Contextual characteristics: Political stability
(RQ5)Contextual characteristics: worked for global may not work in South Africa

The key themes that emerged from research question 5 are relating to localisation with focus on the consideration for host subsidiary enablement. The second theme was on regulations as an enabler for business operations if complied with.

Table 21: Theme development

Theme	Sub-theme
Localisation	<ul style="list-style-type: none"> • Host subsidiary enablement
Market orientation	<ul style="list-style-type: none"> • Adaptability and compliance to local legislation

5.10.3 Localisation

Host subsidiary participants echoed that subsidiary sustainability and subsidiary growth can be achieved through localising processes and decision making. The participants noted that the headquarter should be in a position to enable local market development managers because they have a far better understanding of local legislation and political dynamic that could potentially affect business operations and strategy.

5.10.3.1 Host subsidiary enablement

The participants noted that the global strategies are seen as copy and past from central to local. This process tends to fail to account for local market dynamics which is why it is critical to enable host subsidiary managers to have inputs in strategy formulation and business proceedings to accommodate the realities of emerging markets.

Participant 9

“I think I don't know, maybe whether our companies are structured differently, I have to appreciate that. But our headquarter has understood that they have to do as little as possible other than just monitor numbers and set an initiative. So, they don't really have an overbearing nature, if it works, it works, they're happy. You can almost kind of push them wherever it is where it's going to work, because that has a performance on numbers so. I wouldn't claim to be an expert on this, but having been exposed to different multinationals from a producing perspective, from a distribution perspective, it seems like the success of a global organization is

to understand what happens in Soweto is not the same thing that happens, you know what I mean in, in Benoni, you know, that kind of thing”

5.10.4 Market orientation

The participant noted that the headquarters position on local regulations/policies and compliance should be limited and fed to the headquarter by the host subsidiary from a bottom-up information sharing perspective because it has a direct impact on opportunity losses and gains.

5.10.4.1 Adaptability and compliance to local legislation

Noncompliance to local legislation can hinder market development initiatives.

Participant 2

“The second one is to deal with institutions that are in that receiving or host country and make sure you comply with governments. Yeah. So, I mentioned BEE and let me let me make it more practical to show you what happened or reaction as a global company to the local contents in South Africa.

So we couldn't qualify for some of the opportunities in the market with Transnet or even Eskom because we are not having high BEE score, and after explaining this to the corporate it took about a decade to convince them only recently they decided to give about 25% of ownership to Black South Africans who are part of the company Trust, and this helped the company boost the BEE score. So it was something really important for the region and for global, but it took about a decade to reach that, and now we have in the high score for BEE.

Participant 7

“There are certain important things in a local entity that we call compliance, and that head office will never interfere with.

So, when it comes to being compliant to local authorities locally it has to be done. Head office will never contest that”

CHAPTER 6: DISCUSSION OF FINDINGS

6.1 Introduction

The purpose of this chapter is to discuss in-depth whether the findings presented in chapter 5 have correlations or contradictions that can be compared to the scholarly contributions captured in the literature review. The findings were presented systematically using the research questions listed in chapter. The semi-structured interviews helped uncover key themes which were presented in the findings. The participants of the interview were selected based on their role within the MNE headquarter and host subsidiary – these being regional managers based in the headquarter as well as market development managers situated in an emerging market host subsidiary. The research was conducted to extract information on the impact of headquarter centralisation have on host subsidiary market development initiatives. Unlike in chapter 5, the findings will be discussed the host subsidiary responses will be discussed juxtapose the headquarter responses. Although the themes that emerged were not identical, each of them was relating to the research questions listed in chapter 3.

While the other themes will be presented as individual findings, the following themes will be amalgamed for the purpose of the discussion.

- **Subsidiary + Headquarter context = Entity context**
- **Power Play + Global strategy + Business case + Subsidiary growth = Organisational growth.**

This approach was to gather the role of centralisation from the participants' understanding as they individually sit in different market contexts.

6.2 Discussion: Research Question 1

How does the power and dependency dynamic in headquarter-subsidiary relationships impact host subsidiary market development?

The two questions posed to the participants were inspired by the information found in the literature review where Dasi et al. (2024) states that centralisation is the cementing of hierarchical power and decision-making at headquarter level where the host subsidiary has little to no decision-making powers. Based on this literature the semi-structured questions were important in gaining insights into how the headquarter uses its power to influence subsidiary development.

6.2.1 Organisation structure: Host subsidiary and Headquarter context

In order to understand the power and dependency dynamic within headquarter-subsidary relationships, the participants distinguished between the core purpose of a host subsidiary as well as that of the headquarter and where the two entities interface. Participants expressed that the core purpose of the host subsidiary is to deliver on the global strategy cascaded down by the headquarter, this insight correlates with (Jensen & Meckling, 1976) agency theory where the principal, being the headquarter assigns work to the agent (host subsidiary) who performs that work. Raziq et al. (2020) supports this insight by adding that the role of a host subsidiary is dual in that it is obligated to align with its external and internal environment by integrating globally and still finding means to be locally responsiveness. This aligns with the participants insights about having a responsibility to execute the global strategy and still seek local market development opportunities.

From a strategy development perspective, the participants articulated that the global strategy does not suffice as a sole roadmap in informing the way in which business is conducted at subsidiary level. In some cases, the global strategy as it is, has the potential to shut the host subsidiary out of the market. This correlated with (Geleilate & Andrews, 2020) point in saying that host subsidiary performance-enhancing decisions made by the headquarter tend to restrict and weaken the subsidiaries market position instead of strengthening it. To mitigate this, the participants felt that the setting of a local strategy is equally important.

Headquarter participants on the other hand share slightly differing views. The participants believe that performance enhancing decisions must indeed be tabled at headquarter level mainly because the headquarters' core purpose lies in its responsibility to account for the success of the multinational enterprise. The participants articulated that the dominance that is seen from the headquarter is only exercised to the effect of supporting the subsidiary to achieve its development initiatives and that from their view there's a relatively equal distribution of power and dual dependence on both spectrums – the headquarter may have the resources to perform business, but it is dependent on the host subsidiary for customer base to supply. In essence, the whole concept of headquarter and host subsidiary is founded on a “win-win situation” the only key is for both entities to find a balance.

The participants provided that means of coordination are critical in establishing joint targets between the headquarter and its host subsidiary. Through coordination, both entities collaborate

in building a strategic path to achieve a good balance between “global orchestration” and local responsiveness in multinational enterprises (Zhang et al., 2019).

6.2.2 Power play

Host subsidiaries are subjected to the dictatorship of the headquarter and must comply whether the local conditions of a host subsidiary allows or not. Cuervo-Cazurra et al., (2019) also posits that the headquarter influences when and how a host subsidiary can pursue market development initiatives by exercising its power of veto, that is, the ability to overrule any subsidiary decision. Although Lee (2021) informs us that “subsidiaries are willing and able to use their power to stimulate change, resource allocation, and growth within the multinational enterprise”, this “power of veto” (p.127) leads to further dependence on the headquarter and ultimately inhibits autonomy as well as proactiveness relating to pursuing market development initiatives.

In contrast to this view, the headquarter based participants noted that the host subsidiary also has the power and should realise its power and know how to play on it. This narrative concurs with the newly defined multinational enterprise which is “de-centred or networked” (Kristian & Schweizer, 2022). Headquarter participants were not comfortable with the term “control” as it did not accurately define the role of the headquarter, instead the word “support” was preferred. According to the headquarter, the host subsidiary should not be undersold as it carries of wealth of knowledge about the market potential and growth opportunities. Therefore, making it key for the subsidiary to know where its capabilities lie and how to play on those capabilities to influence upward. Dorrenbacher and Gammelgaard (2016) find that subsidiaries are not entirely dependent on their headquarters, they in fact do possess a certain level of influence and power and aspire to be autonomous and influence upward.

6.3 Discussion: Research Question 2

What motivates host subsidiary market development managers to initiate market development projects under headquarter centralised decision making?

This research question was raised to extract the key drivers for market development initiatives from the perspective of the host subsidiary market development managers operating under a centrally steered organisation. Juxtapose motivation factors, the interview questions also sought to uncover the factors that hinder market developers from pursuing related initiatives

6.3.1 Organisational growth

The most frequent theme that emerged from the interview question relating to the factors that motivate market developers to propose market development initiatives was organisational growth. Sarabi et al. (2020) assert that host subsidiaries can have entrepreneurial capabilities which are dedicated to developing their local market, they do so by proactively seeking local opportunities and creating route-to-market strategies or plans that underpin the processes and resources required to seize these market development opportunities.

The participants were intrinsically motivated by their passion for their work and host country. They were also motivated by growing through product launches and expansions from pursuing opportunities in various untapped segments, similarly this is also a part of the headquarters objectives. Headquarter participants echoed that they have intentions to expand in uncharted emerging markets, however, they can only do so by collaborating with local market development managers who sit and hear what is happening on the ground.

To successfully achieve financial returns and growth, the host subsidiary has to possess the freedom to respond to local market needs articulated by local customers which, under central steering is difficult to achieve, this highlights Lorenzen et al. (2020) theory that multinational enterprises that center their strategy around the headquarter, its characteristics or dynamics, risk the likelihood of reaping short-term returns.

6.4 Discussion: Research Question 3

How does resource allocation/dependence help/hinder host subsidiaries from pursuing market development initiatives?

Research question 3 provided three main themes relating to the limitation brought by being dependent on the headquarter. The first that emerged was slow decision making, followed by a neglected labour-force, then the last one was about competitiveness

6.4.1 Responsiveness

The topic of responsiveness has been echoed or alluded to throughout the research questions and is explained in detail under resource allocation as well as resource dependence. In centrally steered organisations operational functions such as IT, Finance, Procurement, Product management and sometimes Human Resources or talent management are managed at the headquarters, which establishes a sense of dependence on approvals for even the mundane activities required to run the business effectively. The host subsidiary is then ultimately limited in

responsiveness unless formally authorised by the headquarter (Raziq et al., 2021) do so. The participants emphasized that the dependence has a negative ripple effect on flexibility and responsiveness towards opportunities. This finding supports Lee et al. (2019) stating that when subsidiaries are restricted from making decisions regarding initiatives to develop their local market, their survival, sales performance, and ability to compete in robust business environments is poorly affected.

The participants also noted that being resource dependent results in host subsidiary being less competitive in its local markets, in fact it can sometimes completely shut the subsidiary out of the market in instances where the headquarter decides to set pricing targets that do not align nor accommodate the purchasing power available in emerging markets. The participants stressed in particular that being based in South Africa as an emerging market boasting business potential but with little to no production capacity or infrastructure, their behaviour is heavily constrained as the resources that are vital to its ongoing operations are controlled by the headquarter and cannot be acquired in South Africa (Cobb & Wry, 2014). This entails that even if the headquarter were to enable autonomous decision making, the host subsidiary would still face challenges in responding to market demands seeing that the very characteristics of the host subsidiary market such as lack of production infrastructure and capacity would ultimately leave the host subsidiary disadvantaged, particularly in the area of product supply. This dynamic calls for a balance between the two entities.

Contrasting viewpoints were raised by headquarter participants where they claimed that the topic of resource allocation is not to limit subsidiary's but rather to support them in effectively pursuing approved initiative for market development. The participants noted that in areas such as manufacturing capacity and infrastructure or technical know-how, where the host subsidiary may lack – the headquarter makes up for the lack and presents the benefits such as economies of scale which in turn provide larger product volumes for the subsidiary to be competitive in its local market.

6.4.2 Neglected Labour force

Another key point raised by the participants was that the headquarter has a tendency of not trusting the subsidiary managers to make decisions. This is demonstrated by the headquarter not empowering nor upskilling subsidiary staff into positions fit for making or influencing strategic decisions, instead the headquarter would rather send an expatriate to support the local market and facilitate embeddedness and responsiveness within a subsidiary's local context, Kawai and

Chung (2019). Technical skills are critical for effective market development within the chemical and manufacturing industries, these skills allow market development managers to identify innovation opportunities which may require formulation changes, however, as one participant mentioned, local managers are not involved in any research and development of product solutions and therefore cannot influence this process, this reality contradicts Tippmann, Sharkey Scott and Parker (2017) who claim that host subsidiary market development managers can demonstrate the value of local market development initiatives outside of the central strategy by utilizing their technical skills to develop innovative solutions. The headquarter participants did not touch on this topic during the interviews which suggests that there may be a lack of awareness around this issue.

6.4.3 Leveraging existing supply chains

With respect to resources, headquarter participants emphasize that resources are provided as enabling tools.

6.5 Discussion: Research Question 4

What approval or rejection metrics does the headquarter employ when making decisions regarding host subsidiary market development initiatives?

Research question 4 aims to contextualize the reasons behind initiative approval as well as initiative rejection by providing the key determinants sought after by the headquarter when host subsidiaries seek to pursue local market development initiatives. In the thematic analysis, the most prevalent theme relating to approvals was concerned with the business case and the factors that need to be covered in it. The second theme relating to rejection metrics was concerned with the global strategy and the responsibility that the global organisation has. Research question 4 aims to contextualize the reasons behind initiative approval as well as initiative rejection by providing the key determinants sought after by the headquarter when host subsidiaries seek to pursue local market development initiatives

6.5.1 Justify need for local initiatives

Since the participants were working for multination enterprises headquarter in Europe and the USA, far from the host subsidiary market in South Africa, it meant the headquarters possessed very little knowledge about the host subsidiary local conditions, this is what Kristiansen and Shcweizer (2022) described as “heterogenous and geographically distant” (p.724) markets. This dynamic begs the need for bottom-up knowledge transfer from subsidiary to headquarter as a

means to motivate for local market development initiatives. The participants did in fact express that educating the headquarter on local market conditions is one the fundamental ways of influencing the headquarter to approve local market development initiatives. However, this process of bottom-up knowledge transfer which requires business cases with market research and financial targets as motivations, ultimately becomes a tedious process, impacting the time it takes to respond to local market development opportunities and at times the headquarters will oppose market development initiatives merely because they have a certain bias towards emerging markets.

6.5.2 Business Case

From the headquarters perspective, biases about the local market were not a role player in initiative approval, which contradicts (Cerar, 2021) when theorizing that headquarter biases about the subsidiary's location can lead to initiative rejection. The participants explained that host subsidiary market development initiatives are justified when they are presented in the form of a business case with clear and measurable financial targets, that are also in line with the organisations strategic focus one participant mentioned that even without fulfil the global financial criteria, business cases that demonstrate a strong strategic focus often stand the chance of being approved.

The participants touched on how the lack of support and desire to understand the local market dynamics can be demotivating and poses challenges when concerned proposing market development initiatives. The lack of support potentially comes as a result of the host subsidiary pursuing initiatives which are seen as "self-serving" local interests (Chatzopoulou et al., 2021) hence Chen and Tsou (2020) emphasize that for the host subsidiary to receive initiative approval and thrive it must cooperate with the headquarter mandate instead of working outside of it. This notion again causes the clash between global strategy and local integration and ultimately reduces the number of proposed and pursued market development initiatives.

6.6 Discussion: Research Question 5

What is the role of contextual characteristics such as political and economic risk on initiative approval?

This research question aimed to gain insights on whether headquarter takes into account the environmental conditions or rather contextual characteristics of an emerging market host subsidiary when developing the organisational strategy or the strategy is purely based on the

conditions that are known to the people sitting in the headquarter. It also seeks to understand how much attention is given to the host subsidiary's context.

6.6.1 Localisation

Host subsidiaries play various fundamental roles in the success of a multinational enterprise when the headquarter provides the correct facilitation and encourages both downward and upward knowledge flows (Yu, Liu & Bai 2019). This theory supports the points highlighted by the host subsidiary participants which echoed that subsidiary sustainability and subsidiary growth can be achieved through localising processes and decision making. The participants noted that the headquarter should be in a position to enable local market development managers because they have a far better understanding of local legislation and political dynamic. Beyond providing a desirable market pool, natural resources, and other tangible assets for the headquarter, emerging market host subsidiaries are often the source of a plethora of entrepreneurial opportunities dedicated to developing their local market and enhance overall multinational enterprise performance (Sarabi et al., 2020) which is sufficient justification for localising decision making, however because emerging markets are characterized with political and economic instability, subsidiary managers with desires to engage in market development initiatives are flagged as risk-takers by the headquarter and ultimately face increased control (Sengul & Obloj, 2017) which limits localisation.

The participants noted that the headquarter expects global strategies to be copied and pasted down from central to local. This process tends to fail to account for local market dynamics which is why it is critical to enable host subsidiary managers to have inputs in strategy formulation and business proceedings to accommodate the realities of emerging markets.

From a headquarter perspective, localisation can interfere with global compliance. At headquarter level, the multinational enterprise has a set of rules and regulations that it must comply with and on the same breath it must be accountable to shareholders for profitability and be responsible for the top-down transfer of compliance relating to business models and market entry strategies. One participant from the headquarter mentioned that an initiative to develop a market segment was stopped due to noncompliance with the trade sanctions.

6.6.2 Market orientation

In addition, the participant noted that the headquarters position on local regulations/policies and compliance should be limited and fed to the headquarter by the host subsidiary from a bottom-up

information sharing perspective as this has a direct impact on opportunity losses and gains. A participant described how their organisation lost out on a local opportunity due to having a low BBEE score, despite various attempts to educate and inform the headquarters about this policy, the headquarter resisted, became noncompliant and lost out on a growth opportunity. This highlights that location factors emanating from the external environment will always of an impact on the organization – whether visible or not to the headquarters (Pfeffer & Salancik, 2003). This raises the importance for headquarters to listen to host subsidiary managers and prioritize organisational learning of the host subsidiary in which it manages, in order to competitive advantage Shehata (2020).

However, headquarter participants were under the belief that it is critical to pay close attention to the emerging markets contextual characteristics so that those findings inform the global strategy and have a layer within the strategy that is tailored to the host subsidiary’s market dynamics and legislation. No evidence on how this is process of paying “close attention” is conducted in a real-life setting.

6.7 Summary of findings

To summaries the findings, table presents the research questions and their related themes, as well as the findings and literature. The purpose of this is to note where the findings confirm the given literature as well as where there are additional nuances to be looked at from the findings which do not correlate or confirm the literature.

Table 22: Conclusion of findings

Research Question	Themes	Findings	Findings and Literature
RQ1 Power and dependency dynamic	<ul style="list-style-type: none"> Organisational structure 	Although central steering is still the norm in MNEs, the headquarters, and host subsidiary are equally dependent on eachother. Means of Coordination are necessary for the HQ and	Confirmed

	<ul style="list-style-type: none"> • Power play 	<p>HS to collaboratively build a strategic path.</p> <p>Resource advantages at headquarter level give the headquarter power over the host subsidiary. The host subsidiary is keen on influencing upward and contributing to the overall decision making.</p>	Confirmed
RQ2 Motivation for market development	<ul style="list-style-type: none"> • Organisational growth • Intrinsic motivation 	<p>Host subsidiary market development managers pursue entrepreneurial initiatives outside of the global focus to meet unique local market needs, they do this to expand their reach and grow their share of the market pie.</p> <p>Market development managers have “self-serving” entrepreneurial drives. They go for initiatives that they are most passionate about.</p>	Confirmed Confirmed

	<ul style="list-style-type: none"> • Business case 	<p>Host subsidiary market development managers seek to have a local focus since they understand the opportunities within the emerging markets. They motivate for local initiatives by developing business cases that include research about the market potential, financial targets and return on invest as well as overall profitability of the initiative.</p>	<p>Additional nuances established</p>
<p>RQ5</p>	<ul style="list-style-type: none"> • Localisation • Market orientation 	<p>Market development managers are passionate, but they lack empowerment. They do not want to copy and paste global strategies into their local market. Empowerment can be achieved through subsidiary autonomy.</p> <p>Given the nature of developing or emerging markets, noncompliance to regulations can negatively impact the pursuit of market development initiatives. The headquarter ought to prioritize subsidiary organizational learning.</p>	<p>Confirm</p> <p>Confirmed</p>

		Local policy should be articulated and driven from the bottom up in order for the MNE to succeed and become compliant.	
--	--	--	--

6.8 Conclusion

In this chapter, the findings gathered in Chapter 5 were presented to determine whether the findings correlate, contradict or provide new insights to the literature in Chapter 2. The findings were presented by research question and the related themes of derived from each RQ. Due to the study seeking to understand the impact of headquarter centralisation on host subsidiary market development initiatives in emerging markets, both headquarter and host subsidiary were interviewed to share their different experiences. Which explains the reason certain themes within the RQs were consolidated, as they were either repetitive or synonymous. A majority of the findings were validated by the literature and only a few findings established additional nuances which will all be consolidated in the following and final chapter.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

The aim of this research was to gain in-depth understanding of the influence of headquarter centralised decision-making on emerging market host subsidiary market development initiatives from the lens of i) the enforcers of central steering situated in the multinational enterprise headquarters and ii) the host subsidiary market development managers in emerging markets. Anchored by the Agent-principle and resource dependency theories, the power and dependency dynamic in headquarter-subsidiary relationships as well as resource allocation and dependence were analysed. The analysis also included motivation for market development initiatives as well as approval and rejection metrics for the latter. The analysis concluded with findings relating to the role of contextual characteristics in the approval or rejection of market development initiatives. This chapter covers the deductions made from the findings of the study by detailing the principal conclusions as well as the theoretical contribution. It also contributes with recommendations for affected stakeholders and states the limitations of the study as well as suggestions for future research.

7.2 Principal conclusion

In the previous chapter a comparison of the literature to the findings was tabled to depict the correlations, contradictions and or additional nuances between the two. The following themes: organizational structure, power play, organisational growth, intrinsic motivation, responsiveness, justify need for local initiatives, localisation and market orientation were confirmed by literature, whilst the themes labour-force and business case had additional nuances which can be added in addition to the literature.

After analysing the findings in chapter 6 against the literature in chapter 2, the influence of headquarter centralisation on host subsidiary market development initiatives cannot be viewed by a single lens for example to assume “it is good, or it is black”. This influence is completely situation and requires that headquarters decision makers together with host subsidiary market development managers to review initiatives case by case. This can be done when both parties exclusively employ coordination mechanisms. To begin with, a summary of the type of influence centralisation will be listed by research question as done below.

RQ1: Power and dependency

As the parent company, the headquarters naturally retains greater power. It uses its power to influence how, where and what host subsidiary market developers initiate (Cuervo-Cazurra et al., 2019). From a dependency aspect both the headquarters and host subsidiary are dependent on each other for the sustainability of the overall organization. Without the subsidiary market there would be no avenue to deliver on the central strategy. However, the headquarter still uses its power to influence how the central strategy is implemented in the subsidiary. This enables the headquarter to maintain control.

RQ2: Motivation for market development

Host subsidiary market development managers have intrinsic motivation to achieve the things that they are personally passionate about. They seek opportunities which fulfil their passions as well as those that provide solutions to the needs of their customers which, if successful, ultimately translates into organisational growth. Centralisation has a direct and negative influence on motivation because it limits innovation and forces market development managers to be rigid. One participant noted that it disempowers them. Motivation is also linked quite closely to RQ4 which discusses the rejection and approval metrics. Constant initiative rejection by headquarter decision makers negatively influences the desire to pursue and justify market development initiatives.

In addition, market developers in host subsidiaries lose interest and motivation to initiative market development due to a lack of a market penetration toolkit. How often and how successfully market development managers release development initiatives is a direct reflection of how much technical know-how they possess in tackling topics of innovation.

This can be addressed through applying informational interpersonal mechanisms (Manolopoulos, 2007). This mechanism builds onto the humanistic approach in headquarter-subsidiary relationships. Having a supportive team can directly influence one's motivation for initiating development topics.

MOTIVATION → INFORMAL INTERPERSONAL COORDINATION

RQ3: Resource dependency

Resource advantages held by the headquarters perpetuate centralisation and subsidiary dependence. Host subsidiaries are restricted from pursuing and realising market development initiatives if the resources required to realise those initiatives are withheld by the headquarters.

Host subsidiaries depend on technical capabilities, production infrastructure and products, price as well as other operations which the headquarters has centralised. In this instance centralisation

has a negative ripple effect on subsidiary competitiveness. When headquarter decision makers decide to withhold the allocation of resources required to develop the local market or delays in the delivery of the latter, local competitors gain an upper hand and penetrate the market much quicker.

RQ4: Approval and rejection metrics

Headquarter centralisation puts in place certain criteria for market development initiatives, it is up to the host subsidiary to ensure that this criterion is met. As such host subsidiaries are required to present a business case to justify the need for each local initiative. Without any level of autonomy, subsidiary managers must wait for either rejection or approval. If their initiative is deemed out of scope by the headquarter, it will most likely face rejection.

RQ5: Contextual characterizes

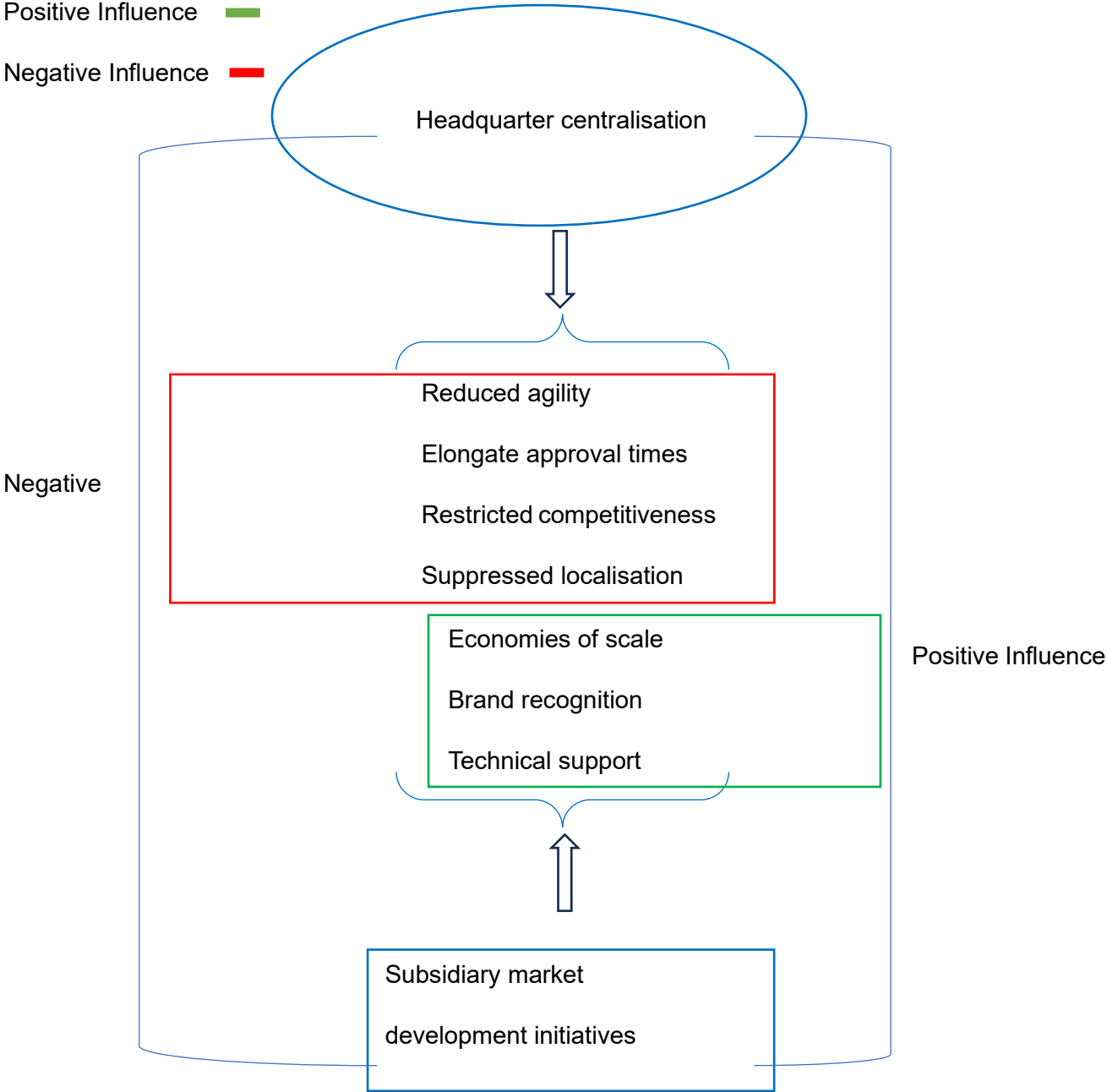
Centralisation has a negative influence on how contextual characteristics such as regulations and other local policies such as BBEEE are managed in host subsidiaries. This is because centralisation holds a blanket view and does not allow for adaptability.

To further determine the influence of headquarter centralization on host subsidiary market development initiatives, an influence model is drawn. The influence model captures positive and negative influences.

These can be addressed by implementing social/cultural mechanisms which according to Manolopoulos (2007) “MNEs should establish strong business relationships with a culturally diverse set of employees, business practices and networks” (p,364). Forming such cultures enables the MNE to understand the host subsidiary’s context.

CONTEXTUAL CHARACTERSTICS  SOCIAL/CULTURAL MECHANISMS

Figure 1: Centralisation influence model (Researcher's own model)



This model demonstrates that centralisation has both positive and negative influence depending on the construct. Taking this into account, both multinational enterprises headquarter decision

makers and host subsidiary market development initiative can circumvent many of conflicts and challenges that arise from centralisation by employing or establishing coordination mechanisms. Through coordination mechanisms such as decentralisation of decision-making can lead to an established balance (Rabbiosi,2011) and collaboration in building a strategic path that will create room for and enhance market development initiative realisation.

Tier 1 in the model presents the functional aspects required for thriving market development which are negatively influenced by centralisation. Subsidiary sustainability is measured by how much flexibility the host subsidiary has in responding to its local market opportunities and other dynamics (Yu, Liu & Bai 2019), therefore coordination mechanism by means of decentralisation ought to be implemented. Because centralisation has its benefits, as presented in tier 2, it cannot be completely eliminated, instead MNE HQ and HS should implement contextual centralisation – implement where it works and leave it where it doesn't.

7.3 Research contributions

This study has contributed to existing research by identifying the cause-and-effect relationship found in headquarter centralisation relating to market development initiatives. Based on the findings, the host subsidiary faces more pressure and control in developing the local market on the basis of 3 main resources, these are supply chain systems, procurement, which includes pricing and product and lastly knowledge transfer. Centralisation being the cause, has both a negative and positive effect on market development initiatives. Recommendations on how to manage this dual influence is listed in section 7.4.

7.4 Recommendations for host subsidiary market development managers

1. Headquarter decision makers need to be cognizant of the fact that the central strategy cannot be cascaded in a blanket approach. Adaptability is crucial for the success of the MNE. The host subsidiary's contextual characteristics must not be overlooked as they can directly impact MNE growth.
2. Market development initiatives dedicated to the host subsidiary for its sustainability should be determined by the host subsidiary market development managers. Therefore, headquarter decision makers should limit their interference and only provide support as and when requested by the host subsidiary.

3. Host subsidiaries seeking to develop the local market ought to maintain a good track record to gain trust from the headquarter. They can do so by successfully meeting the financial criteria set by the headquarter which represents a mutual win for both parties.
4. Approval for initiative is critical. Host subsidiary market development managers have to do their due diligence in conducting research about the local initiatives as well as market opportunities and ensure that they provide bottom-up transfer of knowledge to the headquarter about these initiatives in order to influence upward. A thorough business case detailing return on investment of the initiative is critical. This business case should aim to achieve a win-win outcome for both the headquarter and host subsidiary.

7.5 Limitations of the research

The research lacked sufficient participants to contribute to the phenomenon as only 10 participants were present. An empirical analysis of how coordination mechanisms such as de-centralisation can be applied would have added solidity to the study.

7.6 Suggestions for future research

Subsidiary sustainability becomes increasingly questionable for European subsidiaries operating in African emerging markets. This is due to the entrance of Asian competitors who have been labelled as flexible in adapting and responding to the local market dynamics unlike European players who are still labelled rigid and centrally steered. Further research can be conducted to verify this contribution made by a participant.

7.7 Conclusion

The purpose of the study was to understand the influence of headquarter centralisation of host subsidiary market development initiatives. In the study, the researcher found that the influence is dependent on the type of aspect being dealt with, for example centralisation has a positive influence on market development initiatives in the sense that it creates economies of scale for subsidiaries to respond effectively to market demands, however, on the downside, centralisation has a negative influence on localisation as it imposes “the global way” of doing business instead of adapting to host subsidiary market conditions. These findings tell us that centralisation is neither fully negative nor fully positive which is why MNE headquarter and host subsidiary have to employ coordination mechanisms to determine where centralisation is benefit and where processes and decision-making need to be de-centralised.

REFERENCE LIST

- Ahworegba, A. H., & Colovic, A. (2020). Embedded opportunities and conflict of subsidiary initiatives. *Journal of Organizational Change Management*, 33(1), 83–99. <https://doi.org/10.1108/JOCM-04-2019-0085>
- Alharahsheh. H., H. Pius., A. (2020). A Review of key paradigms: positivism VS interpretivism. *Global Academy Journal Humanities Society Sci*; Vol-2, Iss-3, -39-43.
- Ambos, T. C., Fuchs, S.H., & Zimmermann, A. (2020). Managing interrelated tensions in headquarter-subsidiary relationships: The case of multinational hybrid organisation. *Journal of International Business Studies*, 50(2), 223-249. <https://doi.org/10.1057/s41267-017-01122-8>
- Bell, E., Bryman, A., & Harley, B. (2018). *Business Research Methods*. Oxford, England: Oxford University Press
- Bougie, R., & Sekaran, U. (2020). *Research methods for business: a skill-building approach* (Eighth edition). John Wiley & Sons, Inc.
- Brooks, C., R. (2021) Subsidiary influence of multinational enterprise headquarters scope requirements.
- Cerar, J. (2021). Headquarters Resource Allocation within Multinational Corporations: Antecedents, Consequences, and Related. *A I B Insights, Suppl.Special Issue*, 21(4), 1-5. <https://doi.org/10.46697/001c.29911>.
- Chatzopoulou, E.-C., Dimitratos, P., & Lioukas, S. (2021). Agency controls and subsidiary strategic initiatives: The mediating role of subsidiary autonomy. *International Business Review*, 30(3). <https://doi.org/10.1016/j.ibusrev.2021.101807>
- Chen, L.-J., & Tsou, H.-T. (2020). “Of course, cooperation first”: the effect of subsidiary capability and perception gaps for subsidiary development. *Multinational Business Review*, 28(3), 401–426. <https://doi.org/10.1108/MBR-10-2019-0125>
- Cobb, A., & Wry, T. (2014). Resource-Dependence Theory. *obo in Management*. <https://www.oxfordbibliographies.com/view/document/obo-9780199846740/obo-9780199846740-0072.xml>
- Contractor, F., Foss, N., Kundu, S., & Lahiri, S. (2019). Viweing global strategy through a microfoundations lens. *Global Strategy Journal*, 9(1), 3-18. <https://doi.org/10.1002/gsj.1329>

- Cuervo-Cazurra, A., Mudambi, R., & Pedersen, T. (2019). Subsidiary power: Loaned or owned? The lenses of agency theory and resource dependence theory. *Global Strategy Journal*, 9(4), 491–501. <https://doi.org/10.1002/gsj.1362>
- Dasí, À., Pedersen, T., & Pla-Barber, J. (2024). MNCs' Intermediate Units and Their Choice of Control Mechanisms. *Management International Review: Journal of International Business*, 64(1), 59–88. <https://doi.org/10.1007/s11575-023-00527-z>
- Dorrenbacher, C., & Gammergaard, J. (2016). Subsidiary Initiative Taking in Multinational Corporations: The Relationship between Power and Issue Selling. *Organisational Studies*, 37(9), 1249-1270. <https://doi.org/10.1177/0170840616634130>
- Gates, S. R., & Egelhoff, W. G. (1986). Centralization in Headquarters-Subsidiary Relationships. *Journal of International Business Studies*, 17(2), 71–92. <http://www.istor.org/stable/154584>
- Geleilate., JM., G. Andrews., S., D. Fainshmidt., S. (2020). Subsidiary autonomy and subsidiary performance: A meta-analysis, *Journal of World Business*, Volume 55, Issue 4. <https://doi.org/10.1016/j.jwb.2019.101049>
- Greening, N. (2019). Phenomenological Research Methodology: *Scientific Research Journal (SCIRJ)*, Volume VII, Issue V, 88,2201-2796. <http://dx.doi.org/10.31364/SCIRJ/v7.i5.2019.P0519656>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Kawai, N., & Chung, C. (2019). Expatriate utilization, subsidiary knowledge creation and performance: The moderating role of subsidiary strategic context. *Journal of World Business*, 54(1), 24–36. <https://doi.org/10.1016/j.jwb.2018.09.003>
- Kristiansen, A., & Schweizer, R. (2021). The diffusion of management ideas within the MNC: under the sway of the corporate immune system. *Review of International Business and Strategy*, 31(4), 576–595. <https://doi.org/10.1108/RIBS-09-2020-0105>
- Kristiansen, A., & Schweizer, R. (2022). Practice coordination by principles: a contemporary MNC approach to coordinating global practices. *Critical Perspectives on International Business*, 18(5), 724–745. <https://doi.org/10.1108/cpoib-04-2020-0027>

- Lee, H., Chung, C. C., & Beamish, P. W. (2019). Configurational characteristics of mandate portfolios and their impact on foreign subsidiary survival. *Journal of World Business*, 54(5). <https://doi.org/10.1016/j.jwb.2019.100999>
- Lee, J. M. (2021). MNCs as dispersed structures of power: Performance and management implications of power distribution in the subsidiary portfolio. *Journal of International Business Studies*, 53(1), 126–155. <https://doi.org/10.1057/s41267-021-00464-9>
- Manolopoulos, D. (2007). The Coordination Imperative for MNE: Empirical Evidence from Foreign Operations in Greece. *Contemporary Management Research*, 3 (4), 359-390 <https://cmr-journal.org/article/view/584/1870>
- Melkinovas, A. (2019). Towards an Explicit Research Methodology: Adapting Research Onion Model for Futures Studies
- Pfeffer, J. & Salancik, G.R. (2003) *The External Control of Organizations: A Resource Dependence Perspective*. Stanford Business Books, Stanford.
- Raziq, M. M., Benito, G. R. G., & Ahmad, M. (2021). Institutional Distance and MNE-subsiary Initiative Collaboration: The Role of Dual Embeddedness. *European Management Review*, 18(3), 311–328. <https://doi.org/10.1111/emre.12454>
- Raziq, M. M., Benito, G. R., & Igoe, J. (2020). Subsidiary country managers and subsidiary development: Upper echelons and resource-based perspectives. *German Journal of Human Resource Management*, 34(3), 291–323. <https://doi.org/10.1177/2397002219898184>
- Sageder, M., & Feldbauer-Durstmüller, B. (2019). Management control in multinational companies: a systematic literature review. *Review of Managerial Science*, 13(5), 875–918. <https://doi.org/10.1007/s11846-018-0276-1>
- Sarabi, A., Froese, F. J., Chng, D. H. M., & Meyer, K. E. (2020). Entrepreneurial leadership and MNE subsidiary performance: The moderating role of subsidiary context. *International Business Review*, 29(3). <https://doi.org/10.1016/j.ibusrev.2020.101672>
- Saunders, M. N. K., Lewis, P., & Thornhill, A. (2023). *Research methods for business students* (Ninth edition). Pearson.
- Saunders, M., Lewis, P. and Thornhill, A. (2007). *Research Methods for Business Students*. 4th Edition, Financial Times Prentice Hall, Edinburgh Gate, Harlow.

- Schotter, A., & Beamish, P. W. (2011). Performance effects of MNC headquarters-subsidary conflict and the role of boundary spanners: The case of headquarter initiative rejection. *Journal of International Management*, 17(3), 243–259. <https://doi.org/10.1016/j.intman.2011.05.006>
- Sengul, M., & Obloj, T. (2017). Better Safe Than Sorry: Subsidiary Performance Feedback and Internal Governance in Multiunit Firms. *Journal of Management*, 43(8), 2526-2554. <https://doi.org/10.1177/0149206316677298>
- Shehata, G. M. (2020). Exploiting market-oriented collective learning cycle to leverage competitive advantage at a foreign subsidiary in emerging markets. *European Business Review*, 32(1), 86–128. <https://doi.org/10.1108/EBR-03-2018-0063>
- South Africa Country Risk Report. (2023) [BMI Country Risk & Industry Research: Fitch Solutions](#)
- Subsidiary initiatives in the host country. (2022). *Strategic Direction*, 38(7), 24–26. <https://doi.org/10.1108/SD-06-2022-0052>
- Wang, L., & Zhang, C. (2023). Do emerging market multinational corporations headquarter-subsidary relationships foster subsidiary innovation and performance in developed markets? *Industrial Marketing Management*, 114, 47–63. <https://doi.org/10.1016/j.indmarman.2023.07.006>
- Wang, N., Hua Y., Wu, G., Zhao, C., Wang, Y. (2019). Reverse transfer of innovation and subsidiary power: A moderated mediation model, *Journal of Business Research*, Volume 103, 328-337 <https://doi.org/10.1016/j.jbusres.2019.01.057>

APPENDICES

APPENDIX 1: CONSISTENCY MATRIX

Knowledge Gap	Research Question	Data gathering tool	Analysis
When control mechanisms are employed, the headquarter “retains the power of veto, that is, the ability to overrule any subsidiary decision” (Cuervo-Cazurra et al., 2019, p.492). Conroy et al., 2019 states that it is therefore fundamental to study how host subsidiary stakeholders balance the headquarter power and subsidiary dependency dynamic	RQ1. How does the power and dependency dynamic in headquarter subsidiary relationships impact host subsidiary market development?	Semi-structured interview	Thematic
Host subsidiaries require autonomy to effectively respond to local market demands (Chatzopoulou et al., 2021) however this autonomy is often restricted by centralised headquarter decision making. This therefore presents a knowledge gap in how host subsidiary market development managers are motivated to conceptualize market development initiatives (Chatzopoulou et al., 2021).	RQ2. What motivates host subsidiary market development managers to initiate market development projects under the headquarter centralised decision making?	Semi-structured interview	Thematic
Headquarters hold power over a host subsidiary and may thus constrain its behavior on the basis of them controlling resources that are vital to its ongoing operation that cannot be acquired elsewhere”, (Cobb & Wry, 2014). While Raziq et al. posit that centralisation perpetuates subsidiary dependence on the headquarter, the different areas of dependence lack visibility and require further studying.	RQ3. How does resource allocation/dependence help/hinder host subsidiaries from pursuing market development initiatives?	Semi-structured interview	Thematic
A subsidiary gains the headquarters trust by maintaining a strong	RQ4. What approval/rejection metrics does the headquarter employ when making	Semi-structured interview	Thematic

<p>performance track record (Gorgijevski & Andrews, 2022). However, Meyer et al. (2020) suggests that further research could be conducted on the processes taken by host subsidiary market development managers to influence for approvals from the headquarter.</p>	<p>decisions regarding host subsidiary market development initiatives or projects?</p>		
<p>According to Gorgijevski and Andrews (2022) "The greater the dissimilarity between the contexts of the headquarters home country and the subsidiary's host country, the more gaps the headquarter will have in its knowledge of the subsidiary market conditions" (p.3). However, not much theory covers the direct impact of institutional distance on host subsidiary market development initiatives</p>	<p>RQ5. What is the role of contextual characteristics such as political and economic risk on initiative approval?</p>	<p>Semi-structured interview</p>	<p>Thematic</p>

APPENDIX 2: GIBS ETHICAL CLEARANCE FORM

**Gordon Institute
of Business Science**
University of Pretoria

Ethical Clearance
Approved

Dear Mbali Sibiya,

Please be advised that your application for **Ethical Clearance** has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.



Ethical Clearance [Form](#)

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

APPENDIX 3: COPYRIGHT DECLARATION FORM

19.1 COPYRIGHT DECLARATION FORM

Student details			
Surname:	SIBIYA	Initials:	M.B
Student number:	23023733		
Email:	23023733@mygibs.co.za		
Phone:	0630699855		
Qualification details			
Degree:	MPHIL IB	Year completed:	2025
Title of research:	Headquarter centralisation impact on host subsidiary market development initiatives		
Supervisor:	Dr Bev Waugh		
Supervisor email:	bev.waugh1@gmail.com		
Access			
<input type="checkbox"/> A.	My research is not confidential and may be made available in the GIBS Information Centre and on UPspace.		
I give permission to display my email address on the UPspace website			
Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
<input type="checkbox"/> B.	My research is confidential and may NOT be made available in the GIBS Information Centre nor on UPspace.		
Please indicate embargo period requested			
Two years	<input type="checkbox"/>	Please attach a letter of motivation to substantiate your request. Without a letter embargo will not be granted.	
Permanent	<input type="checkbox"/>	Permission from the Vice-Principal: Research and Postgraduate Studies at UP is required for permanent embargo. Please attach a copy permission letter. Without a letter permanent embargo will not be granted.	
Copyright declaration			
I hereby declare that I have not used unethical research practices nor gained material dishonesty in this electronic version of my research submitted. Where appropriate, written permission statement(s) were obtained from the owner(s) of third-party copyrighted matter included in my research, allowing distribution as specified below.			
I hereby assign, transfer and make over to the University of Pretoria my rights of copyright in the submitted work to the extent that it has not already been affected in terms of the contract I entered into at registration. I understand that all rights with regard to the intellectual property of my research, vest in the University who has the right to reproduce, distribute and/or publish the work in any manner it may deem fit.			
Signature:		Date:	25 November 2024
Supervisor signature:		Date:	18 November 2024

APPENDIX 4: CONSENT FORM

Gordon Institute of Business Science

University of Pretoria

Informed consent for Master's research Interview

Dear participant,

I am conducting an academic research study titled **Headquarter centralization impact on host subsidiary market development initiatives**. Our interview is expected to last for a minimum of 45 minutes to 60 minutes maximum and will help us understand how does the power and dependency dynamic in headquarter-subsidiary relationships impact host subsidiary market development.

Please note that your participation is voluntary, and you can withdraw at any time without penalty. By signing this letter, you are indicating that

you have given permission for:

- Participating in this anonymous study, where all data will be reported and stored without identifiers such as your name and the name of your organization.
- The interview to be recorded.
- Verbatim quotations from the interview may be used in the report, provided they are not identified with your name or that of your organization.
- The data to be used as part of a report that will be publicly available once the examination process has been completed; and that data will be stored on a safe and secure platform managed by the Gordon Institute of Business Science, University of Pretoria.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name: Mbali Sibiyi

Email: 23023733@mygibs.co.za

Research Supervisor name: Dr Bev Waugh

Email: bev.waugh1@gmail.com

Signature of participant: _____

