

Rickley & Karim (2011). “Examining How Firm-Specific Advantages Impact Foreign Subsidiary CEO Staffing”,
Journal of World Business, 53(5), 740-751.

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

Special Topics in Internationalization

Università degli Studi di Bergamo

Dipartimento di Scienze Aziendali

Bergamo, ITALY



■ Questions

- ❖ **What is all about** in this article?
- ❖ What is **the major contribution** of this article to the literature?
- ❖ What about **liabilities of foreignness**? Where are they originated from?
- ❖ **Which industry** do the authors focus on? **Why**?
- ❖ According to **the institutional considerations**, why should MNC subsidiaries **appoint local CEOs rather than expatriate CEOs**?
- ❖ Discuss the underlying rationale **why** the positive relationship between the appointment of local CEOs & institutional distance **decreases** when (1) **MNC multinationality**, (2) **regional agglomeration**, & (3) **host country experience** increase.
- ❖ Draw **practical insights** from the study's empirical results?
- ❖ Discuss **the drawbacks inherent in this research**.



■ Research Questions

- ❖ Whether are **CEO staffing strategies** influenced by **institutional distance**?
- ❖ How do **firm-specific advantages** moderate the relationship between **institutional distance & CEO staffing strategies**? => Whether does (in more institutionally distant host countries) possession of firm-specific advantages **shift subsidiary CEO staffing strategies**?

■ Theory

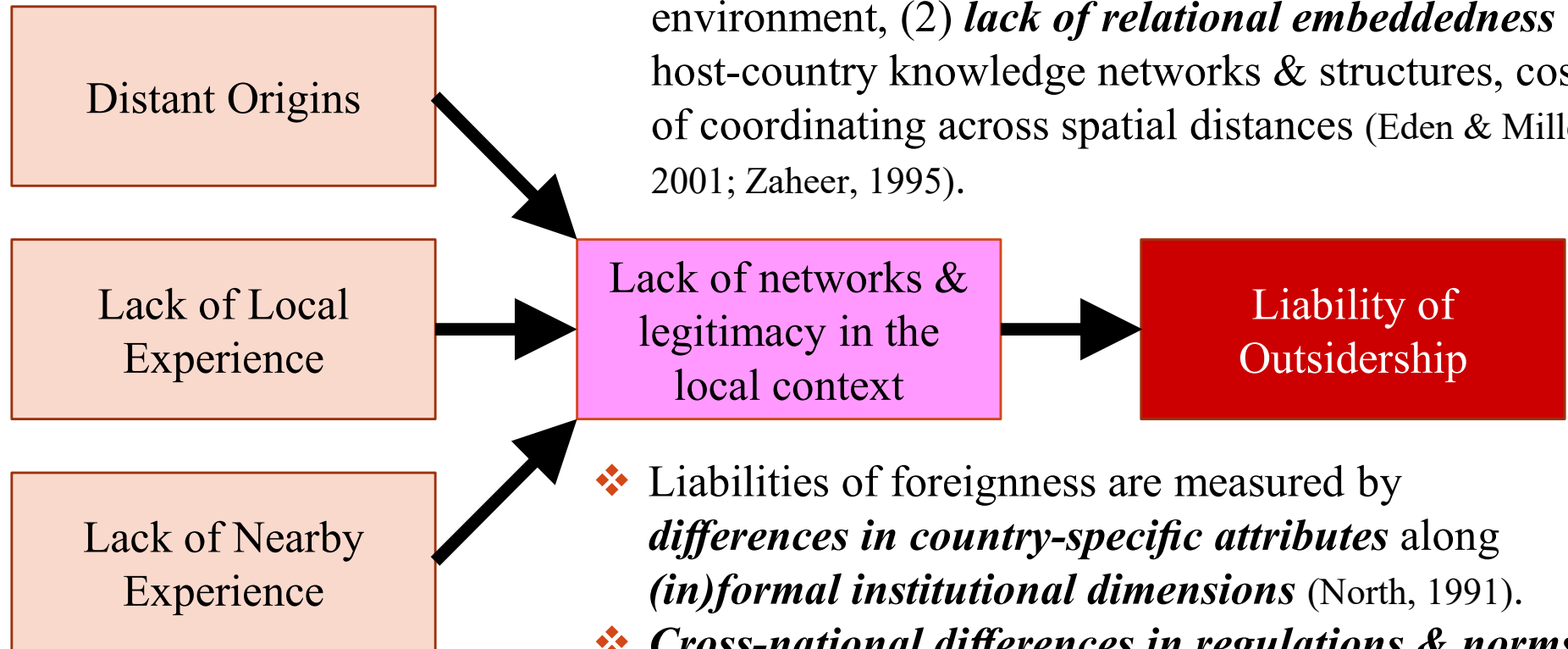
- ❖ A mix of **institutional theory & the resource-based considerations**.

■ Analytical Strategy

- ❖ A **quantitative** approach.
- ❖ **75 subsidiaries of 33 U.S. & European MNC banks in 12 CEE host countries** (between **2005–2010**).
- ❖ **Multi-level regressions**.



■ Liabilities of Foreignness



- ❖ (1) *A lack of familiarity &/or legitimacy* in the host environment, (2) *lack of relational embeddedness* in host-country knowledge networks & structures, costs of coordinating across spatial distances (Eden & Miller, 2001; Zaheer, 1995).

- ❖ Liabilities of foreignness are measured by *differences in country-specific attributes* along *(in)formal institutional dimensions* (North, 1991).
- ❖ *Cross-national differences in regulations & norms* represent salient attributes, & together, these are referred to as *'institutional distance'* (North, 1991).

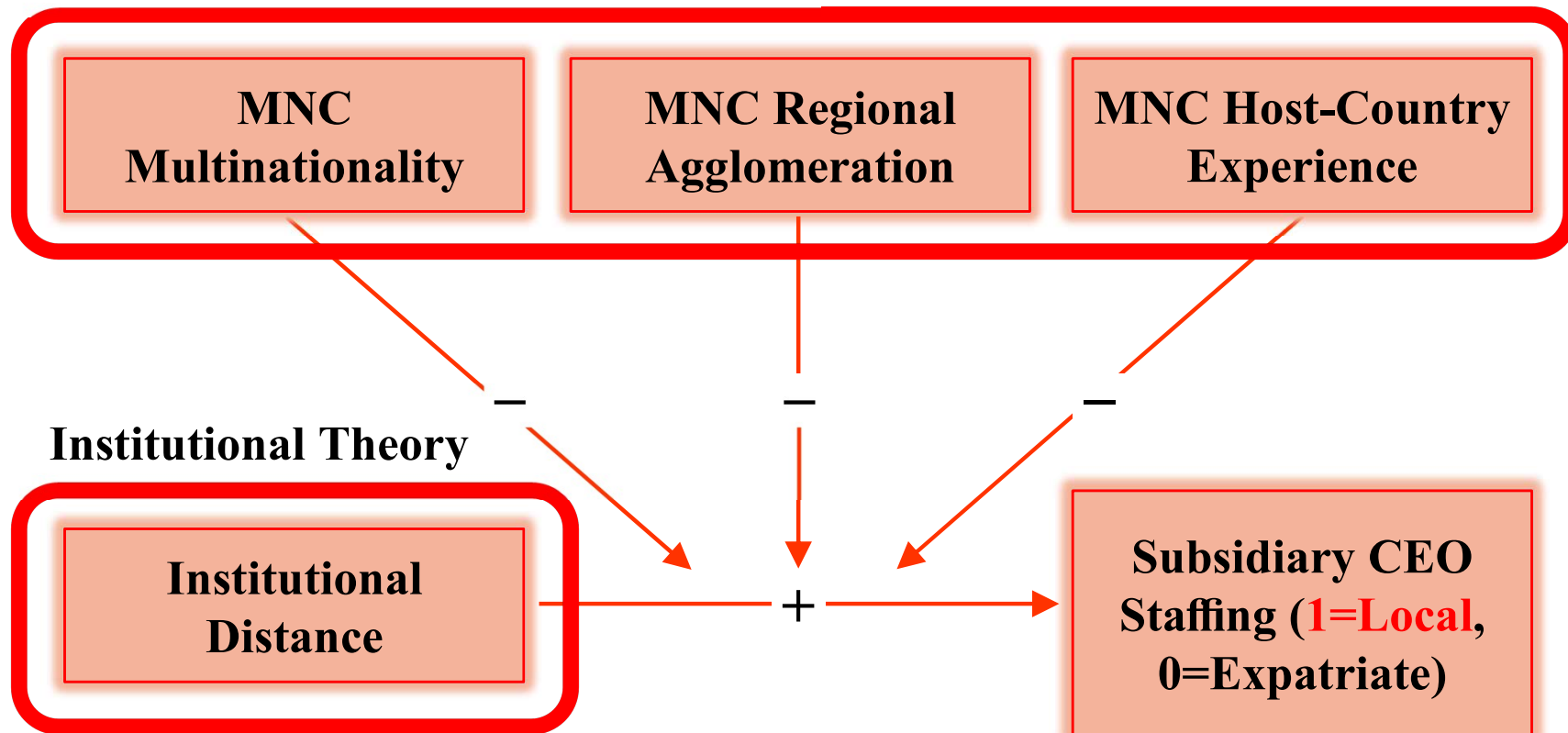
Source: Peng & Meyer (2011: 14).

CEO Staffing Strategy: Institutions & Resources



■ Conceptual Framework

Resource-Based View of the Firm



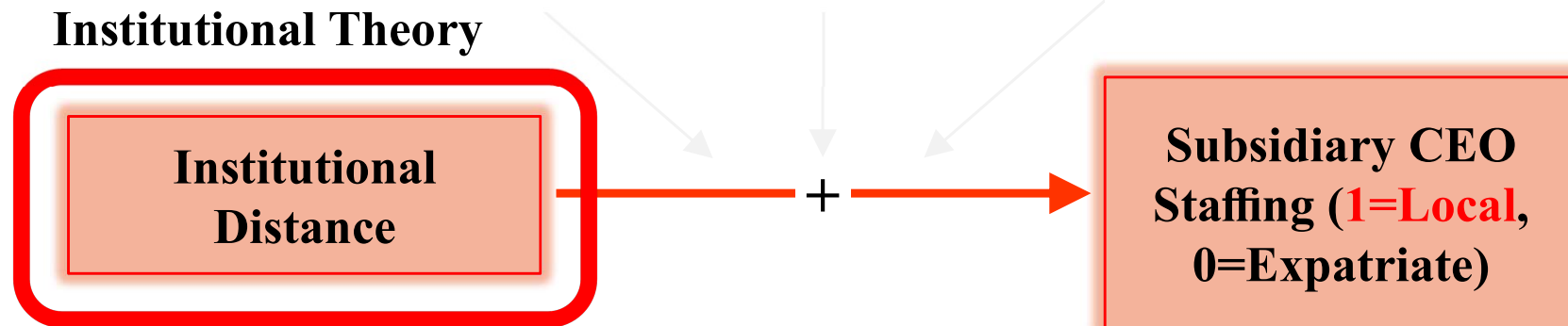
CEO Staffing Strategy: Institutions & Resources



■ Hypotheses

KEY POINTS

- ❖ An institutional theory-based solution for **alleviating liabilities of foreignness** is *the adoption of local isomorphism strategies* (Rosenzweig & Singh, 1991; Zaheer, 1995).
- ❖ Using *domestic firms' strategic behavior as a template*, foreign subsidiaries (1) *reduce risk of losses* due to **misalignment** between internal strategic choices & external market conditions & (2) *enhances their legitimacy* in the host-country market.
- ❖ MNC subsidiaries are likely to *utilize the local knowledge & network embeddedness of local CEOs* to a greater extent in more institutionally distant environments.



CEO Staffing Strategy: Institutions & Resources



■ Hypotheses

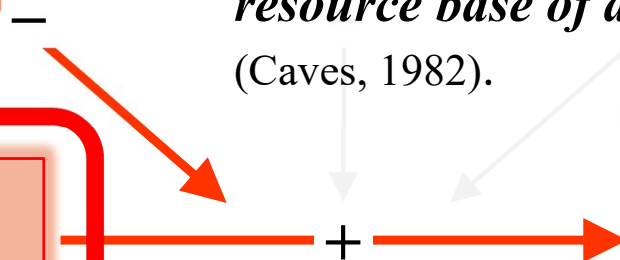
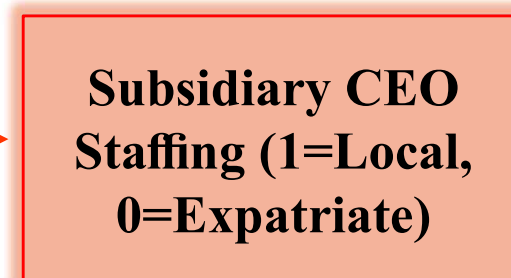
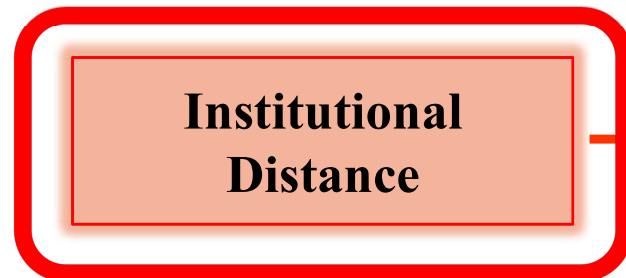
Resource-Based View of the Firm



KEY POINTS

- ❖ Benefits from their parents' previous **international experience**: (1) experience can help *avoid elementary mistakes in foreign market entry* (Barkema et al., 1996) & (2) subsidiaries belonging to a larger international network can *access a global resource base of diverse knowledge & capital* (Caves, 1982).

Institutional Theory



CEO Staffing Strategy: Institutions & Resources

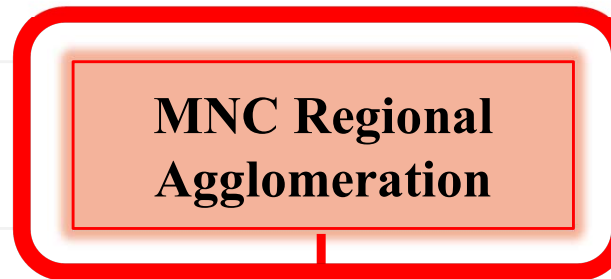


■ Hypotheses

Resource-Based View of the Firm

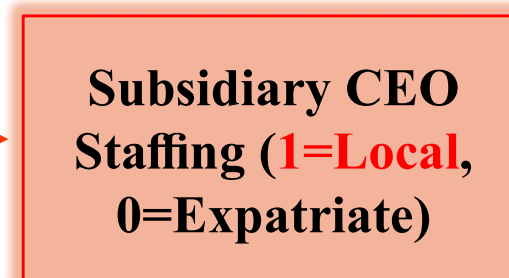
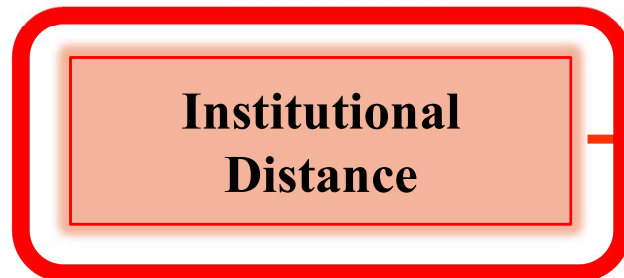
KEY POINTS

- ❖ Facilitates *intra-firm communication & knowledge transfer* (Buckley & Ghauri, 2004).



- ❖ *Expatriates as agents of informal coordination within the subsidiary network* (Edstrom & Galbraith, 1977; Harzing, 2002).

Institutional Theory



- ❖ Subsidiaries leverage *related experiences the MNC has earned in proximate locations*.

CEO Staffing Strategy: Institutions & Resources

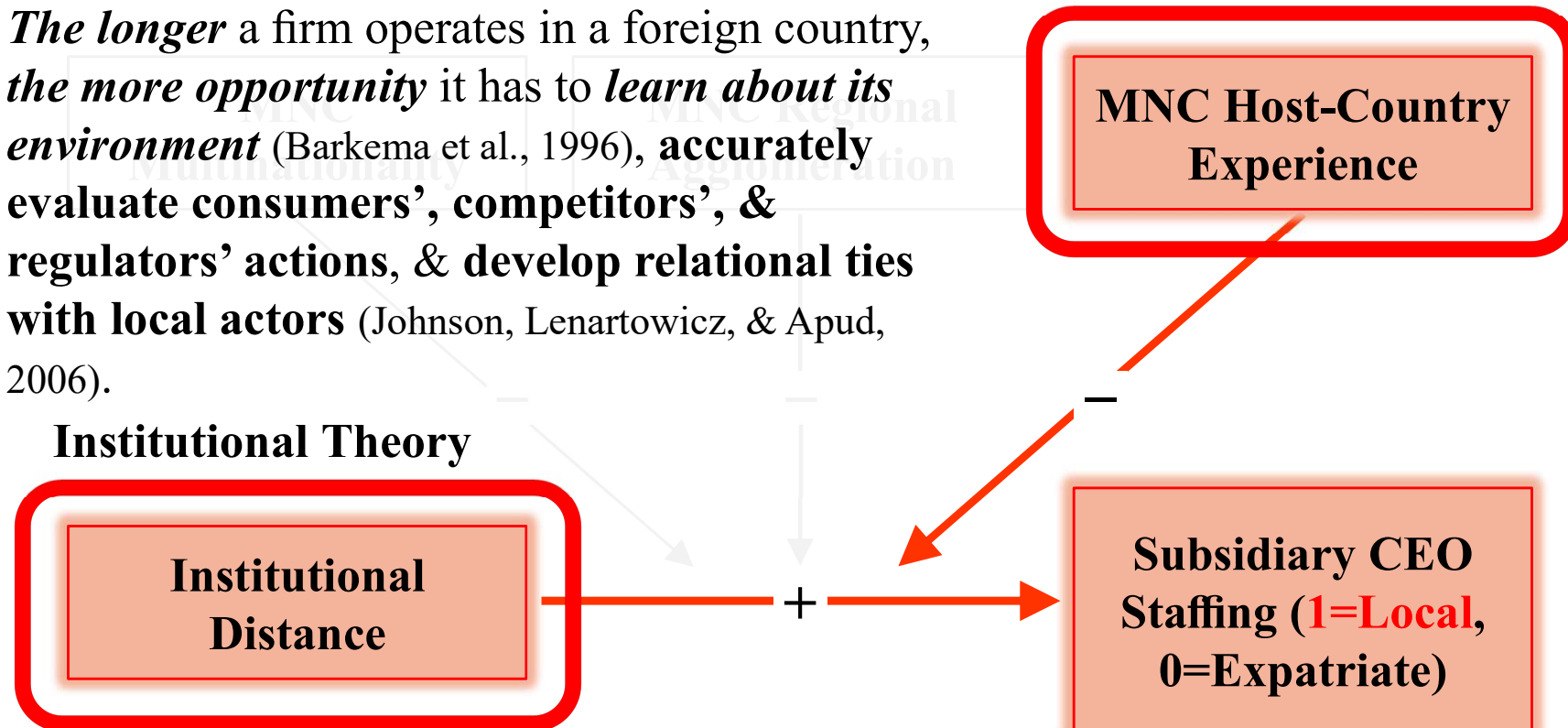


■ Hypotheses

KEY POINTS

- ❖ *The longer* a firm operates in a foreign country, *the more opportunity* it has to *learn about its environment* (Barkema et al., 1996), **accurately evaluate consumers', competitors', & regulators' actions, & develop relational ties with local actors** (Johnson, Lenartowicz, & Apud, 2006).

Resource-Based View of the Firm



- ❖ As MNCs accumulate experience in a host-country environment, *the need to rely on the local knowledge of local executives wanes* (Bartlett & Ghoshal, 1988).



■ Managerial Relevance

- ❖ As MNCs seek to configure their subsidiary TMTs to *fit the demands of multiple host-country environments*, they are *constrained by the availability of qualified talent* (Tung, 2016), particularly in *high-growth emerging markets such as Brazil, China, India, & Eastern Europe* (Collings et al., 2007).
- ❖ *How to allocate a limited recruitment pool across different institutional contexts?* => Allocation patterns of expatriate versus local CEOs across subsidiaries are '*not one-size-fits-all*'.
- ❖ Instead, they depend *on interaction between (i) institutional distance & (ii) organizational characteristics of the MNC*. While higher levels of institutional distance **alone** do **not** indicate a greater use of expatriates, expatriates are used more often by MNCs with firm-specific advantages in more institutionally distant environments.



■ Limitations & Suggestions for Future Research

- ❖ Focusing on a **single region & industry limits the generalizability** of our findings. Since this study was performed in the transitioning CEE host markets, it would be particularly valuable to have **comparison with Asian communist/transitioning economies**.
- ❖ The study covered **the period between 2005 & 2010**, which is **approximately 15 years following the fall of Communism in CEE**.
- ❖ The sample consisted of **MNCs from more developed countries operating in comparatively less developed countries**. => How about **emerging-market MNCs operating in developed markets?**
- ❖ Future research can extend our understanding of subsidiary staffing by also examining **the interaction between institutions & culture**.

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Merci beaucoup !

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

【Contact Address】

ADDRESS: 208 in Via dei Caniana 2, 24127 Bergamo, ITALY

E-mail: norifumi.kawai@unibg.it