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# The microfoundations of subsidiary initiatives: How subsidiary manager activities unlock entrepreneurship

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**Research Summary:** We use a microfoundations lens to challenge the assumption of a simple relationship between organizational-level context (subsidiary entrepreneurial orientation) and entrepreneurial outcomes (initiative realization). Drawing on middle manager and subsidiary literature, we argue that the strategic activities of the subsidiary's central actor, the subsidiary CEO (referred to as the subsidiary manager), translates the benefits of subsidiary entrepreneurship for initiative realization. We test this mediating effect of subsidiary manager micro-level activities on data from 186 individuals. The results of our multilevel mediation analysis show that micro-activities of subsidiary managers mobilize subsidiary entrepreneurship for initiative realization, "downward" through facilitating subsidiary adaptability and "horizontally" through enabling embeddedness in the local environment. Our findings also challenge the accepted value of "upward" championing alternatives. Revealing the centrality of subsidiary manager activities for unlocking entrepreneurship demonstrates the value of adopting a microfoundations lens for understanding organizational phenomena.

**Managerial Summary:** Multinational companies (MNCs) increasingly expect their subsidiary units to contribute through realizing initiatives, such as new product, service, or process designs. Such outcomes are encouraged through a supporting organizational context for entrepreneurship. But to understand how an entrepreneurial context translates into realized initiatives demands that we apply a microfoundations lens and consider the activities of the subsidiary's central actor, the subsidiary chief executive officer—referred to as the "subsidiary manager." The subsidiary manager is responsible for mobilizing the subsidiary to develop relationships to access the knowledge, ideas, and opportunities implicit in the initiative process. Revealing the impact of these micro-activities advances our understanding of how to liberate the benefits of entrepreneurship for realizing initiatives. This study offers key insights for both subsidiary managers and headquarters.

**KEYWORDS**

entrepreneurship, initiative, microfoundations, middle manager, subsidiary, subsidiary CEO

## 1 | INTRODUCTION

The competitive advantage of multinational corporations (MNCs) relies on their superiority in exploiting new developments and innovations generated by subsidiaries across the internationally distributed organization (Bartlett & Ghoshal, 1989; Burgelman, 1983; Cantwell & Mudambi, 2005; Contractor, 2013; Kogut & Zander, 1993; Mudambi, Mudambi, & Navarra, 2007). The challenge for MNCs, however, is to bring together the diverse potential between headquarters, subsidiaries, and the local environment. In particular, the underlying specializations and contextual sensitivities (Tippmann, Sharkey Scott, & Parker, 2017) make it difficult for managers at the subsidiary level to develop and realize entrepreneurial initiatives that contribute to the MNC's strategy and create value for the organization as a whole (Ambos, Andersson, & Birkinshaw, 2010; Birkinshaw, 1997).

The rich subsidiary literature assumes that variations in subsidiary success at initiative realization largely reflect the entrepreneurial context of the organization (Birkinshaw, 1997, 1999; Reilly & Sharkey Scott, 2014; Strutzenberger & Ambos, 2014). Despite acknowledging the importance of subsidiary management (Birkinshaw, Hood, & Jonsson, 1998) and heightened awareness of the contribution of key individuals (Felin & Foss, 2005: Felin & Hesterly, 2007; Felin, Foss, & Ployhart, 2015), studies of subsidiary entrepreneurship are largely at an aggregate organizational level. While recognizing that opportunities for initiatives are accessed through interactions both within the organization (Schotter & Beamish, 2011; Watson O'Donnell, 2000; Williams & Lee, 2011) and with the external environment (Andersson & Forsgren, 1996; Andersson, Forsgren, & Holm, 2002; Birkinshaw & Lingblad, 2005; Marx & Lechner, 2005), the activities of central individuals in such interactions are crowded out (Schmid, Dzedek, & Lehrer, 2014; Strutzenberger & Ambos, 2014) in favor of largely aggregated explanations of initiative realization within the MNC.

Those studies that do consider the impact of individual activities suggest that the subsidiary CEO, hereinafter the "subsidiary manager," is pivotal to subsidiary-level outcomes, with roles in conflict resolution (Schotter & Beamish, 2011) and politics (Dörrenbächer & Geppert, 2009), and as a crucial connector with the external environment (Cano-Kollmann, Cantwell, Hannigan, Mudambi, & Song, 2016; Lorenzen & Mudambi, 2013; Schmid & Schurig, 2003). However, modest attention is paid to explicating the impact of their day-to-day activities and interactions in meeting the complex managerial agenda of the MNC (Mudambi, 2011; Schmid et al., 2014). This is particularly surprising, as subsidiary managers are middle managers within their organizations (Schotter, Mudambi, Doz, & Gaur, 2017) and act as "linking pins" (Likert, 1961) between headquarters and the subsidiary and between the subsidiary and its environment (Bartlett & Ghoshal, 1986). Despite the theoretical (Birkinshaw et al., 1998; Strutzenberger & Ambos, 2014), empirical (Schotter & Beamish, 2011), and anecdotal evidence of the contribution of such central individuals, they are "rounded out in the analysis" (Felin & Foss, 2005, p. 443). Individual-level explanation of variances in initiative realization are either overlooked in favor of collective explanations or theories for individual-level agency are transposed to the organizational level (Ambos et al., 2010). In sum, to understand the microfoundations of entrepreneurship in the MNC, there is a need to focus on how the activities of individual managers contribute to the successful realization of entrepreneurial outcomes (Schmid et al., 2014; Strutzenberger & Ambos, 2014).

In response, we develop arguments for how subsidiary managers can unlock the entrepreneurial potential of their subsidiary through their *micro-activities*. These activities are targeted in three directions to mobilize the benefits of entrepreneurship for initiative realization: *downward* within their subsidiaries, *upward* to headquarters, and *horizontally* to the host country environment. To theorize our micro-level approach (Barney & Felin, 2013; Felin & Foss, 2005; Foss & Pedersen, 2016; Felin et al., 2015) and develop a framework of the foundations of subsidiary initiative, we draw on the literature on subsidiary entrepreneurship (Birkinshaw, 1997; Birkinshaw et al., 1998; Lorenzen & Mudambi, 2013) and on the seminal work on micro-level activities of middle managers in large organizations (Burgelman, 1983; Floyd & Wooldridge, 1992; Mintzberg & Waters, 1985). We test our theoretical framework using structural equation modeling (SEM) in Mplus, enabling simultaneous testing across our multilevel model. This approach addresses concerns about suborganizational-level analysis (Birkinshaw & Pedersen, 2009) by separating measurement errors into subsidiary manager-level and organizational-level components as appropriate.

Our findings delve behind "surface characteristics" (Coleman, 1990) to expose the complex relationships between individual-level activities and realizing the benefits of subsidiary entrepreneurship (Ambos et al., 2010; Birkinshaw, 1997; Cantwell & Mudambi, 2005; Taggart, 1997). Specifically, we bring greater clarity to our understanding of entrepreneurship within the MNC by looking deeper into the established positive relationship between subsidiary entrepreneurship and initiative realization at the organizational level. We find that, contrary to the subsidiary literature (Conroy & Collings, 2016; Nohria & Ghoshal, 1994; Schotter & Beamish, 2011), a subsidiary manager's activities within his/her subsidiary unit and with the local environment are of greater importance than efforts to champion initiatives with headquarters. We also contribute to the integration of theories of middle managers and the subsidiary literature by extending the seminal framework of Floyd and Wooldridge (1992, 1997) to the MNC arena. In particular, by introducing the concept of *enabling embeddedness* to identify and capture the activities required of a subsidiary manager to access and assimilate information and ideas from local external parties, we bring formal recognition to an individual-level microfoundation of initiative realization. Given the complexities and demands of managing within today's MNCs, we also identify the important managerial implications of our findings for both headquarter and subsidiary managers.

## 2 | THEORETICAL BACKGROUND

### 2.1 | Entrepreneurship in the MNC

The relationship between a supportive MNC context and entrepreneurial outcomes is extensively investigated (e.g., Birkinshaw, 2000; Burgelman, 1983; Verbeke, Chrisman, & Yuan, 2007;

Volberda, Van Den Bosch, & Heij, 2013). Organizations seeking to nurture the potential of their subsidiaries to innovate and realize initiatives (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003) must develop an entrepreneurial context, here referred to as a subsidiary's entrepreneurial orientation. The realization of subsidiary initiatives, in the form of new products, processes, or services advancing a new way for the MNC to use or expand its resources (Kanter, 1982; Miller, 1983), is an important source of firm-specific advantage (Birkinshaw et al., 1998).

Recently, the long-established simple and direct relationship between subsidiary entrepreneurial orientation and initiative realization (Bartlett & Ghoshal, 1989; Burgelman, 1983; Cantwell & Mudambi, 2000; Rugman & Verbeke, 2001) has come under scrutiny (Miller, 2011; Rauch, Wiklund, Lumpkin, & Frese, 2009; Wales, Monsen, & McKelvie, 2011). For example, the broader entrepreneurship literature is now paying attention to the impact of variations in intervening factors at individual levels in organizations (Keil, Maula, & Syrigos, 2015). Bringing together this growing recognition that to fully explicate organizational-level context we must "fundamentally begin with and understand the individual" (Felin & Foss, 2005, p. 441), with an emerging acknowledgement of the central role of the subsidiary manager (Conroy & Collings, 2016; Dorrenbacher & Gammelgaard, 2011; Schotter et al., 2017), to understand entrepreneurship in the MNC, we must move from a traditional lens and develop theory that bridges the different levels of analysis.

### 2.2 | Micro-level foundations of subsidiary entrepreneurship

Studies to date on understanding MNC entrepreneurship largely adopt the subsidiary as the unit of analysis (Bartlett & Ghoshal, 1989; Burgelman, 1983; Cantwell & Mudambi, 2000; Rugman & Verbeke, 2001) and, similarly to the wider organizational literature (Felin et al., 2015), tend to overlook the role of the individual in the phenomenon. This focus on the collective level tends to zoom out individual contributions (Felin & Foss, 2005), despite the central role of the subsidiary manager (Birkinshaw et al., 1998; Conroy & Collings, 2016; Dorrenbacher & Gammelgaard, 2011; Schotter et al., 2017), and organizational expectations for them to deliver entrepreneurial outcomes (Birkinshaw, 1997, 1999; Boojihawon, Dimitratos, & Young, 2007). Subsidiary management have the "responsibility" of supporting the realization of initiatives (Birkinshaw et al., 1998), but the activities demanded to achieve this do not come under the microscope. Recent papers highlight the value of understanding how the activities of central actors affect the behavior, evolution, and performance of organizations (Felin, Foss, Heimeriks, & Madsen, 2012; Groysberg & Lee, 2009; Keil et al., 2015; Mollick, 2012), yet the activities of the subsidiary manager aimed at unlocking the organizational-level phenomenon of subsidiary entrepreneurship have not yet been theorized.

### 2.3 | Strategic activities of subsidiary managers for initiative generation

While the role of the individual manager is acknowledged in the broader entrepreneurial literature (Covin & Lumpkin, 2011; Covin & Slevin, 1991; Zahra & Covin, 1995), the specific micro-activities of the subsidiary manager have not been adequately conceptualized in previous studies of subsidiary initiatives. This is a critical shortcoming because these managers play a decisive role in the exploitation of entrepreneurial opportunities (Floyd & Wooldridge, 1997; Mom, Van Den Bosch, & Volberda, 2007). In rare cases, the subsidiary manager's profile or leadership characteristics are included as an antecedent to initiative taking (for example, Birkinshaw, 1999; Birkinshaw et al., 1998), but the specific micro-level activities that lead to the realization of initiatives have not yet been investigated. Also, despite the importance of subsidiary embeddedness at a unit level (Andersson & Forsgren, 2000; Andersson et al., 2002), the question of how managers mobilize networks to bring initiatives to fruition has been largely overlooked. In essence, we need to explore "how relationships between macro variables are mediated by micro actions and interactions" (Felin et al., 2015, p. 576): in this specific context, the strategic activities of the subsidiary manager in the intricate interplay between subsidiary, entrepreneurial orientation, and initiative realization.

Charged with translating the wishes of the organization into action, the subsidiary manager is, similarly to other middle managers, an influential actor who must "mediate, negotiate, and interpret connections" (Floyd & Wooldridge, 1997, p. 466), champion alternatives (Floyd & Wooldridge, 1992; Mantere, 2008), seize opportunities (Burgelman, 1994), search for solutions to complex problems (Tippmann, Sharkey Scott, & Mangematin, 2012), encourage and integrate divergent views (Beck & Plowman, 2009), and shape strategy (Balogun & Johnson, 2005; Browne, Sharkey-Scott, Mangematin, Lawlor, & Cuddihy, 2014; Wooldridge, Floyd, & Schmid, 2008). Floyd and Wooldridge's (1992) seminal typology captures the vertical relationships of such middle managers: their interactions both upward and downward through integrative and divergent activities (Aherne, Lam, & Kraus, 2014; Mom et al., 2007; Pappas & Wooldridge, 2007; Wooldridge et al., 2008). Meeting the demands of the MNC agenda requires the subsidiary manager, as a middle manager (Dutton, Ashford, O'Neill, Hayes, & Wierba, 1997), to interact downward within their own unit and upward with headquarters.

Subsidiary managers must also act as a bridge between the MNC, the local subsidiary company, and the host market (Bartlett & Ghoshal, 1986; Birkinshaw et al., 1998; Monteiro & Birkinshaw, 2017; Tippmann et al., 2014). The subsidiary manager, as the subsidiary's senior executive and the MNC's local representative, continually interacts with a range of external parties in the host location, including customers and suppliers, and in the broader institutional environment. The implicit boundary-spanning activities of the subsidiary manager, in particular the strategic activities required to build relationships with a range of actors and to embed the subsidiary within its host environment, must also be captured. These subsidiary manager activities represent the horizontal level of any framework of subsidiary manager strategic activities (Birkinshaw, Ambos, & Bouquet, 2017; Tippmann et al., 2017).

While organizational middle managers engage in the integrative activities of synthesizing information and implementing deliberate strategy, both of which are aligned with implementing the strategic imperatives of headquarters, we direct our attention to considering middle managers' divergent activities of *championing alternatives* and *facilitating adaptability*, as these are more closely linked with introducing new ideas (Aherne et al., 2014; Pappas & Wooldridge, 2007) and shaping strategic outcomes. We also identify an external horizontal activity, *enabling embeddedness*, and bring this to the original Floyd and Wooldridge conceptualization of middle manager divergent activities. Having first confirmed the direct relationship (Birkinshaw, 1997, 1999; Delany, 2000; Rugman & Verbeke, 2003) between subsidiary entrepreneurial orientation and initiative realization, we then explicate the mediating impact of these strategic activities of the subsidiary manager. This multilevel analysis sheds new light on initiative realization at the subsidiary level of the MNC.

## 3 | HYPOTHESES DEVELOPMENT

### 3.1 | Organizational relationship: Subsidiary entrepreneurship and initiative realization

Entrepreneurship is regarded as fundamental to long-term organizational survival (Davis, Morris, & Allen, 1991; Miles & Arnold, 1991; Murray, 1981), as it is an overall orientation driving managerial effort and activity (Covin & Slevin, 1989; Miller, 1983; Stam & Elfring, 2008). The relationship between entrepreneurship and organizational outcomes is the subject of a sizable body of research, primarily under the rubric of the relationship between entrepreneurial orientation and performance

(Rauch et al., 2009; Wales, Gupta, & Mousa, 2013). There is a general consensus that an entrepreneurial orientation—usually defined as a strategic posture encompassing proactivity, risk taking, and innovativeness (Covin & Slevin, 1989)—is positively related to firm performance (Anderson, Covin, & Slevin, 2009; Covin & Lumpkin, 2011; Edmond & Wiklund, 2010; Rauch et al., 2009). Allowing for the fact that these three dimensions may vary independently of one another (Lumpkin & Dess, 2001), we view entrepreneurial orientation as an additive variable including innovativeness, proactivity, and risk taking, and we focus on the direct implications of a subsidiary entrepreneurial orientation for initiative realization (Stam & Elfring, 2008). Within the MNC literature, difficulties in measuring the direct relationship between a subsidiary's entrepreneurial orientation and its performance arise due to transfer pricing, the vagaries of taxation, and other internal financial arrangements (Rugman & Verbeke, 2003). There is, however, widespread acknowledgment that a subsidiary's entrepreneurial orientation is conducive to initiative realization within the MNC (Birkinshaw, 1997; Birkinshaw et al., 1998; Rugman & Verbeke, 2003; Sharkey Scott, Gibbons, & Coughlan, 2010; Verbeke et al., 2007; Young, Dimitratos, & Dana, 2003).

Engaging in initiatives such as developing new products, projects, and processes is inherently risky (Ambos et al., 2010). This is exacerbated by the often clandestine nature of subsidiary initiatives, which are often shielded from headquarters' gaze for protection during their incubation. We argue that less entrepreneurial (or conservative) subsidiaries lack the innovativeness, risk taking, and proactivity implicit in developing new approaches. Similarly, we argue that conservative subsidiaries are not sufficiently innovative, risk taking, or proactive to overcome headquarters' resistance to unproven practices (Birkinshaw et al., 1998; Dutton & Ashford, 1993). Therefore, subsidiaries exhibiting an entrepreneurial orientation are far more likely to be successful in the pursuit of initiative realization. Following this logic, we posit the following:

> **Hypothesis 1 (H1)** *Subsidiary entrepreneurial orientation is positively related to initiative realization.*

### 3.2 | Micro-level foundations: The mediating role of subsidiary manager strategic activities

While recent studies support a positive relationship between entrepreneurial orientation and performance outcomes, they also point to a number of important mediating or moderating factors that may explain further how entrepreneurship is translated into organizational outcomes (e.g., Gupta & Batra, 2015; Semrau, Ambos, & Kraus, 2016; Stam & Elfring, 2008; Wales et al., 2013).

In the context of global MNC strategy, subsidiary managers are crucial actors between their unit, headquarters, and the external environment. A critical question is how the strategic activities of these individual subsidiary managers potentially leverage these relationships. In response, we explore the microfoundations of initiative realization by theorizing how the activities of a key individual—the subsidiary manager—mediate the relationship between two organizational-level constructs: the subsidiary's entrepreneurial orientation and initiative realization (Barney & Felin, 2013; Felin et al., 2015; Felin & Foss, 2005; Molina-Azorín, 2014).

We draw on the research on middle managers to frame the specific interactions of subsidiary managers in MNCs. As explicated by Floyd and Wooldridge's framework (1992), MNC middle managers manage downward, facilitating organizational adaptability by engaging and motivating the operational level of employees (De Clercq, Dimov, & Thongpapanl, 2010). As subsidiary managers operate with limited autonomy (Reilly & Sharkey Scott, 2014; Taggart, 1997), they are also required to identify and select issues to champion for headquarters' approval (Birkinshaw & Hood, 1998;

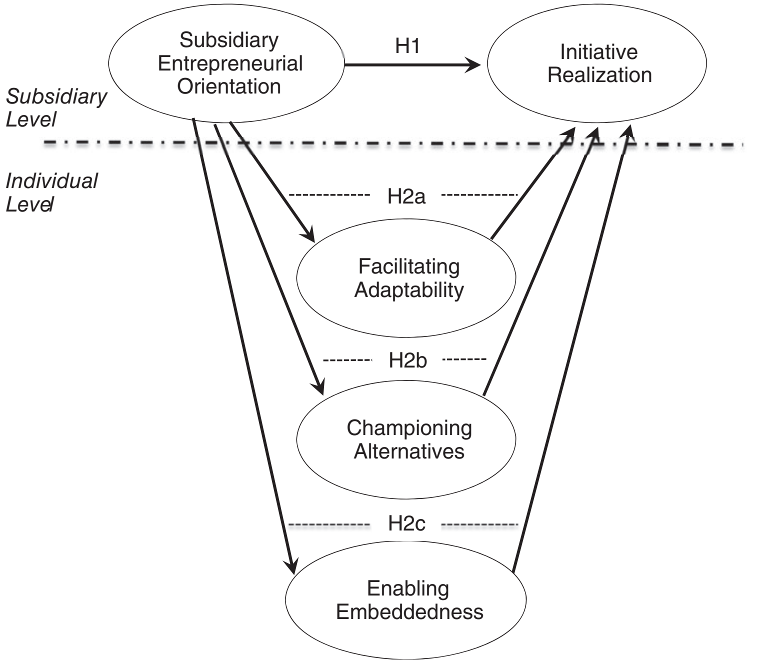


**FIGURE 1** Hypothesized model

Dutton & Ashford, 1993). This championing of alternative actions is effectively "managing upward" to headquarters (Floyd & Wooldridge, 1992).

The position of subsidiary managers as *de facto* CEOs of their units brings additional responsibilities not captured by the original Floyd and Wooldridge (1992) framework. These managers must assume responsibilities similar to those of independent operations, often managing the subsidiary as a trading entity (Andersson, 2003; Andersson et al., 2002; Andersson, Dellestrand, & Pedersen, 2014; Andersson & Forsgren, 1996; Andersson, Forsgren, & Holm, 2001), embedded with multiple local suppliers and customers, and interacting with a range of third parties, including universities, governments, and government agencies within their host country. These responsibilities, which we introduce as a third category of subsidiary strategic manager activities and conceptualize as "enabling embeddedness," demand a range of horizontal interactions (Mom et al., 2007; Rouleau & Balogun, 2011) with the external environment. We now develop hypotheses for each of the subsidiary manager strategic activities: *facilitating adaptability, championing alternatives*, and *enabling embeddedness* as mediators of the relationship between subsidiary entrepreneurial orientation and initiative realization, illustrated in Figure 1.

### 3.3 | Downward activities: Facilitating adaptability

In their pursuit of subsidiary initiatives, managers need to mobilize their employees and create an entrepreneurial space (Birkinshaw, 2000; Williams & Lee, 2011) by shielding such activities from corporate-level management while they seek to secure a critical mass behind a new approach (Delany, 2000; Birkinshaw & Ridderstråle, 1999). As a result, managers foster adaptability from the plans embedded in deliberate strategy, or sometimes in spite of those plans (Bower, 1970; Floyd & Wooldridge, 1992; Kanter, 1983), to increase the likelihood of initiative realization.

Subsidiary managers enhance new idea generation through the pooling of slack resources or through the relaxing of protocols to garner support and, in doing so, demonstrate to subordinates that new ideas are valued in the organization (Aherne et al., 2014). These managers actively support the identification with—and buy-in to—subsidiary goals (Ashforth & Mael, 1989, 1996), act as change agents, use emotional balancing to help groups adapt during organizational change (Huy, 2001, 2002), or proactively enact strategic priorities (Mair, 2005). These management activities are vital for developing the resources and capabilities under the subsidiaries control, which can lead to an enhanced subsidiary alertness to entrepreneurial possibilities. Thus, we propose the following hypothesis:

> **Hypothesis 2a (H2a)** *Subsidiary managers mediate the relationship between subsidiary entrepreneurial orientation and initiative realization through facilitating adaptability.*

### 3.4 | Upward activities: Championing alternatives

Initiatives are, by their very nature, bottom-up processes (J.M. Birkinshaw, 2000; J. Birkinshaw & Ridderstråle, 1999) that emanate from the middle of the organization and are championed by middle managers (Bower, 1970; Burgelman, 1983; Dutton et al., 1997) who identify the value of an idea and bring it to headquarters' attention. It falls to subsidiary managers as middle managers to proactively champion their preferred alternatives and communicate the "link between an idea and the organization's existing goals" (Floyd & Wooldridge, 1999, p. 136) to upwardly influence headquarters (Floyd & Wooldridge, 1994). By exposing corporate headquarters to different perspectives, subsidiary managers provide insightful inputs that can shape the agenda in a light more favorable to the demands (Floyd & Wooldridge, 1992, 1997) and that can enhance the likelihood of the realization of their initiatives (Dutton et al., 1997).

The challenge for subsidiary managers is that headquarters managers have time to give only limited attention to the multiple requests for support for new ideas amidst other more routine demands for attention (Ambos & Birkinshaw, 2010; Ambos et al., 2010; Williams & Lee, 2011). To attract attention, subsidiary managers must essentially engage in issue selling (Conroy & Collings, 2016; Dutton & Ashford, 1993), winning top managers' support for particular issues and helping them understand how these ideas can either reinforce or provide a welcome deviation from the organization's planned strategy (Ling, Floyd, & Baldridge, 2005). We argue that individuals' motivation to champion particular issues depends on their perception of their organizational context (Dutton et al., 1997; Ling et al., 2005) and that successful issue sellers develop a sense about whether the organizational context is favorable or unfavorable for championing activity at a given time. Thus, we propose that subsidiary managers' upward activities to champion alternatives are important in unlocking the potential of entrepreneurship and to realizing initiatives in the MNC. This leads us to hypothesize as follows:

> **Hypothesis 2b (H2b)** *Subsidiary managers mediate the relationship between subsidiary entrepreneurial orientation and initiative realization through championing alternatives.*

### 3.5 | Horizontal activities: Enabling embeddedness

We bring the concept of enabling embeddedness to extend traditional frameworks of middle manager strategic activities and to consider the impact of these external interactions on the relationship between entrepreneurial orientation and initiative realization. The value of subsidiary-level embeddedness in external networks—allowing the subsidiary to access new knowledge, ideas, and opportunities for initiative realization (Andersson et al., 2001; Andersson, Bjorkman, & Forsgren, 2005; Nell & Andersson, 2012)—is well established. Achieving embeddedness in host countries allows the subsidiary to gain access to relationships and networks (Kilduff & Tsai, 2003; Yamin & Andersson, 2011), to enjoy the stimulation of a competitive host environment (Birkinshaw & Hood, 2000; Borini, Fleury, & Fleury, 2009; Dimitratos, Liouka, & Young, 2009; Santangelo, 2012) and to access sources of opportunities (Bartlett & Ghoshal, 1990; Dunning, 1996; Gupta & Govindarajan, 1991; Strutzenberger & Ambos, 2014; Taggart, 1998). Thus, it is integral to the initiative process.

This approach to subsidiary embeddedness, while valuable, fails to capture the individual activities implicit in building relationships. In particular, the activities of the subsidiary manager in acting as a key interface between the organization and host country actors is largely ignored (Williams & Lee, 2011). Indeed, most instances of operationalization of external embeddedness limit consideration of the role of individuals within the subsidiary to capturing the headcount of those directly involved in a specific relationship with an external party (Andersson et al., 2001, 2002). We propose, however, that individual interactions are crucial for relationship building and network access and that the subsidiary's entrepreneurial orientation is liberated by the individual subsidiary manager's level of engagement in developing "close, meaningful social interactions with actors in the local environment" (Williams & Lee, 2011, p. 259).

Subsidiary managers are the "eyes and ears" of the organization by sensing and acting on ideas picked up in the local market (Almeida, 1996; Meyer, Mudambi, & Narula, 2011; Monteiro & Birkinshaw, 2017). To achieve this, they must network with key individuals outside the organization (Jack & Anderson, 2002), providing access to advice and information (Johannisson, 1996; Singh, Hills, Hybels, & Lumpkin, 1999). Through engagement with customers and suppliers, managers access market intelligence, anticipate future market trends (Lumpkin & Dess, 1996), seek novelty and ways of departing from existing practice (Guth & Ginsberg, 1990), and monitor competitor activities (Andersson, 2003; Nell & Andersson, 2012; Perri, Andersson, Nell, & Santangelo, 2013). The pursuit of new approaches requires a tolerance of ambiguity and appetite for risk (Karri & Goel, 2008); enabling embeddedness within the local environment is imperative for the information gathering required to evaluate highly uncertain outcomes (Andersson et al., 2014) and to uphold subsidiary performance levels under competition (Perri et al., 2013). This leads us to develop the following hypothesis:

> **Hypothesis 2c (H2c)** *Subsidiary managers mediate the relationship between subsidiary entrepreneurial orientation and initiative realization through enabling embeddedness.*

## 4 | METHODS

### 4.1 | Sample

Our study draws on the population of multinational subsidiaries in Ireland. Given the comparatively modest number of subsidiaries in this host country relative to some of its geographic neighbors, the entire population of approximately 1,100 Irish subsidiaries of foreign-owned multinationals was included in the study. This helps us avoid issues of potential external validity (Bettis, 1991; Hubbard, Vetter, & Little, 1998) and potential problems in sampling design, such as systematic biases

(Short, Ketchen, & Palmer, 2002). A comprehensive database was developed, based on national government sources and publicly available company information.

To bridge the methodological gap between individual- and organizational-level research, we draw on studies that frame managerial activities at different levels in organizations (Wooldridge et al., 2008). Taking the subsidiary as a fundamental unit of a multinational, multilayered organization, we follow Devinney, Midgley, and Venaik's (2000) recommendation to specifically consider the activities of a key individual. In this case, the specific informant for our study was the most senior manager in the subsidiary. The mail questionnaire followed the "tailored design method" of Dillman (2000) in design and administration. The success of this approach is reflected in the profile of respondents, all of whom have general manager or director titles, and a response rate of 17%. The total number of usable responses of 186 compares favorably with the average response rate for top management surveys (Hult & Ketchen, 2001).

*T*-test comparisons were run between the responding and nonresponding firms in relation to two organization attributes: country of origin and business sector. Results confirm the absence of any significant statistical difference between these two subgroups. Similarly, *t*-test comparisons of the early respondents (those respondents returning the questionnaire before being contacted a second time) and late respondents (those respondents returning the questionnaire after being contacted a second time) revealed no statistical differences in terms of business sector and country of origin. Thus, the sample appears to be representative of the population from which it was drawn on these fundamental organizational descriptions.

### 4.2 | Measurements

MNCs predominantly do not publish results relating to their individual business unit activities. Therefore, in line with similar studies of subsidiary practices, the questionnaire data was provided by the most senior subsidiary manager (Birkinshaw, 1997; Delany, 2000). Data of this kind has the potential for common method bias; the precautionary measures taken in this study are outlined later in the section on statistical safeguards. Within the structure of the questionnaire itself, the most crucial distinction of measures was between the questions that related to activities at the individual level and those that related to the organizational level. Both sets of measures are described below.

### 4.3 | Subsidiary-level variables

The two organizational-level variables employed in this study are established scales in the literature.

The measure for *initiative realization* was adapted from Birkinshaw et al. (1998) and Ambos et al. (2010). The scale included three items, referring to the subsidiary's development of new products sold internationally, successful bids for new corporate investments, and new international business activities first initiated by the subsidiary. Managers had to assess to what extent certain activities occurred in their subsidiaries over the past 5 years, again on a seven-point scale from 1 (never) to 7 (plentifully). The Cronbach alphas for past subsidiary initiatives are 0.772.

To measure *subsidiary entrepreneurial orientation*, we used the widely employed 9-item entrepreneurial orientation scale developed by Covin and Slevin (1989) combining innovativeness (three items), proactivity (three items), and risk taking (three items). Items included: "This subsidiary places a strong emphasis on tried and trusted practices, products, and services versus innovation" (measuring innovativeness); "This subsidiary typically responds to initiatives that competitors initiate versus initiates actions to which competitors respond" (proactivity); and "This subsidiary favors low-risk projects with normal rates of return versus high-risk projects with the possibility of higher returns" (risk taking). Table 2 shows that the mean of the total construct was 4.52 and the standard deviation was 0.93. The fit indexes for the three first-order factors plus one second-order factor fell within an acceptable range ($\chi^2[26] = 53.93$, $p < .01$, CFI = 0.96, RMSEA = 0.08, SRMR = 0.06; see the "Analysis" section for explanation of abbreviations), suggesting that the dimensions reflected the overall construct. In addition, as entrepreneurial orientation is commonly theorized and operated as one overall construct (Anderson et al., 2009; Covin & Slevin, 1989), we treated it as such in the analysis.

## 4.4 | Individual-level variables

This study adopts the measures of vertical strategic activities of middle managers established in previous research by Floyd and Wooldridge (1992, 1997) and confirmed more recently by Aherne et al. (2014). The original items were presented to practicing subsidiary managers and to academics, and they were adapted to the subsidiary context. Likert-type scales were used, with respondents rating how frequently they performed each activity. The phrasing of the question began: "In your management role, indicate the frequency to which you personally carry out the following activities…" The frequency scale ranged from 1 (never) through 7 (very frequently); it was intended to capture the extent to which managers perceived the activities to be part of their work, rather than to measure the number of times a given activity was performed (Floyd & Wooldridge, 1992, 1997).

*Facilitating adaptability* had five items: "In this subsidiary, I...develop objectives and strategies for unofficial subsidiary projects; provide a safe haven for experimental subsidiary programs; buy time for experimental subsidiary programs; locate and provide resources for trial subsidiary projects; and relax regulations to get new subsidiary projects started." *Championing alternatives* had four items: "In interacting with head office, I...justify and define new subsidiary programs; search for new opportunities for the subsidiary; propose subsidiary programs or projects to managers in head office; and evaluate the merits of new proposals at the subsidiary level."

*Enabling embeddedness* captured the external horizontal dimensions of subsidiary managers' strategic activity. This measure was developed for this study based on research on the external horizontal activity required to build external relationships that may lead to embeddedness (Andersson et al., 2002, 2007), and modelled on the existing work by Floyd and Wooldridge (1992, 1997). Items included the subsidiary manager's direct trading relationships with customers and suppliers (Nell & Andersson, 2012) and more-indirect links with universities and industry groups (Andersson et al., 2014; Monaghan, Gunnigle, & Lavelle, 2014). Once again, the Likert frequency scale was designed to capture the extent to which managers perceived the activities to be part of their work, rather than to measure the number of times the activity was performed.

*Enabling embeddedness* had five items where the respondents again rated the extent to which they carried out each action: "Outside the organization, I...invite government agencies to meet management from head office; meet with government agencies to discuss new subsidiary projects; identify potential alliances with local universities/institutes of technology; encourage new subsidiary projects in conjunction with local customers; and encourage new subsidiary projects in conjunction with local suppliers." The factor loadings and Cronbach alphas for all three individual subsidiary manager activities are listed in Table 1.

## 4.5 | Controls

We introduced a series of control variables; these controlled for the range of subsidiaries in the study and the organizational and industry context in which they operate. At the organizational level, the size of the subsidiary unit was included in order to assess the impact of scale. The age of the

**TABLE 1** Individual management activities factor loadings

| | Construct reliability | Factor loadings 1 | 2 | 3 |
|---|---|---|---|---|
| ***1. Facilitating adaptability*** | ***0.862*** | | | |
| ***Within this subsidiary, I...*** | | | | |
| Develop objectives and strategies for unofficial subsidiary projects | | 0.903 | | |
| Provide a safe haven for experimental subsidiary programs | | 0.799 | | |
| Buy time for experimental subsidiary programs | | 0.782 | | |
| Locate and provide resources for trial subsidiary projects | | 0.707 | | |
| Relax regulations to get new subsidiary projects started | | 0.700 | | |
| ***2. Championing alternatives*** | ***0.866*** | | | |
| ***In interacting with head office, I…*** | | | | |
| Justify and define new subsidiary programs | | | 0.898 | |
| Search for new opportunities for the subsidiary | | | 0.831 | |
| Propose subsidiary programs or projects to managers in head office | | | 0.815 | |
| Evaluate the merits of new proposals at the subsidiary level | | | 0.794 | |
| ***3. Enabling embeddedness*** | ***0.811*** | | | |
| ***Outside the organization, I…*** | | | | |
| Invite government agencies to meet management from head office | | | | 0.846 |
| Meet with government agencies to discuss new subsidiary projects | | | | 0.834 |
| Identify potential alliances with local universities/institutes of technology | | | | 0.727 |
| Encourage new subsidiary projects in conjunction with local customers | | | | 0.660 |
| Encourage new subsidiary projects in conjunction with local suppliers | | | | 0.636 |

subsidiary was also recorded so as to incorporate the impact of the length of time that the subsidiary had been located in the geographic area and the related experience of the unit. At the individual level, the experience of individuals was captured through their tenure in the position. For all three of the variables, the log of the scores was used.

In addition, we controlled for industry sector and parent country. For industry sector, four dummy variables were created: medical sector, information and communications technology (ICT) sector, service sector, and engineering/manufacturing sector. This last sector was used as the baseline. For parent country, four dummy variables were created: United States (U.S.), United Kingdom (U.K.), continental Europe, and the rest of the world (the baseline). Finally, industry environment was controlled for using Bailey, Johnson, and Daniels' (2000) internal and external strategic constraint variables. These variables captured the internal strategic constraints of the MNC and the external strategic constraints of the business environment.

## 4.6 | Descriptive statistics and statistical safeguards

The correlation coefficients and descriptive data (mean values, standard deviations, and normality statistics) on all variables are provided in Table 2. To minimize the potential for common method bias, we put several safeguards in place. As a procedural approach, we ensured respondent anonymity during the data collection phase. This assists in preventing motif and social desirability (Ambos, Nell, & Pedersen, 2013). The vast majority of the scales utilized in this study are based on existing well-tested scales; additional measures went through a thorough pretesting and validation of the scales (Lindell & Whitney, 2001; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Reverse-scored

**TABLE 2** Correlations, means, standard deviations

| | | Mean | Std. dev. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Subsidiary entrepreneurial orientation | 4.52 | 0.93 | | | | | | | | | | | | | |
| 2 | Initiative realization | 3.98 | 1.65 | 0.394** | | | | | | | | | | | | |
| 3 | Facilitating adaptability | 4.48 | 1.32 | 0.252** | 0.511** | | | | | | | | | | | |
| 4 | Championing alternatives | 5.34 | 1.07 | 0.309** | 0.332** | 0.482** | | | | | | | | | | |
| 5 | Enabling embeddedness | 3.93 | 1.36 | 0.355** | 0.571** | 0.443** | 0.447** | | | | | | | | | |
| 6 | Tenure | 1.87 | 0.89 | −0.037 | −0.018 | 0.048 | −0.037 | −0.019 | | | | | | | | |
| 7 | Age | 2.91 | 0.82 | −0.118 | 0.001 | −0.055 | 0.069 | −0.038 | 0.185* | | | | | | | |
| 8 | Size | 4.72 | 1.69 | .372** | 0.430** | 0.362** | 0.288** | 0.511** | −0.079 | 0.001 | | | | | | |
| 9 | Sector | 6.28 | 4.12 | 0.042 | 0.067 | 0.089 | −0.013 | 0.147* | −.0173* | 0.037 | 0.124 | | | | | |
| 10 | Parent location | 2.16 | 1.53 | −0.219** | −0.142 | −0.003 | −0.071 | −0.092 | 0.055 | −0.074 | −0.015 | 0.012 | | | | |
| 11 | Internal MNC constraints | 3.49 | 1.33 | −0.208** | −0.192** | −0.130 | −.215** | −0.159* | −0.031 | −0.150* | −0.169* | −0.024 | 0.152* | | | |
| 12 | Environmental constraints | 3.60 | 1.43 | −0.177* | −0.203** | −0.165* | −0.181* | −0.194** | −0.059 | −0.013 | −0.177* | −0.055 | 0.144 | 0.664** | | |
| 13 | Trademarks | 3.98 | 1.76 | 0.116 | 0.025 | 0.007 | 0.095 | 0.085 | −0.034 | 0.054 | −0.148* | −0.064 | −0.069 | 0.058 | 0.186* | |

**Correlation is significant at the 0.01 level ( two tailed). *Correlation is significant at the 0.05 level (two tailed).

items were introduced to avoid bias, and dependent and independent variables were distributed throughout the questionnaire, making it extremely difficult to detect the overall nature of the hypothesized relationships. Statistically, to assess the potential for common method bias, we conducted a Harman's one-factor test (Podsakoff et al., 2003). The results showed that our items did not produce one single factor. In addition, we also applied the marker variable method as outlined by Lindell and Whitney (2001). This method entails using a scale theoretically unrelated to at least one of the scales in the analysis, as the marker variable offers a prior justification for predicting a zero correlation and, therefore, a reliable test for common method bias. The variable chosen in this study was the two-item *dependence on trademarks* outlined by Ramani and Kumar (2008). This variable had no significant relationship with any of the other variables in the study.

## 5 | ANALYSIS

Structural equation modelling (SEM) with Mplus 7.4 (Muthén, Muthén, & Asparouhov, 2016) was used to examine the hypothesized model. The reason for using SEM instead of regression is that SEM allows for simultaneously testing the entire hypothesized model (Byrne, 1998).

A two-step analytical approach was adopted from the work of Anderson and Gerbing (1988) to test the hypothesized model depicted in Figure 1. According to this strategy, the measurement model was first confirmed using confirmatory factor analysis (CFA), and we then performed SEM based on the measurement model to estimate the fit of the hypothesized model to the data. Prior to testing the measurement and structural models, we averaged items into dimensions for subsidiary entrepreneurial orientation and treated the different dimensions as separate indicators of their corresponding constructs in our SEM analyses. This is supported by the CFA for the higher-order factor structure as shown in the "Measurements" section. For all other variables in our model, we used the items as separate indicators for the constructs. To gauge the model fit, we used the following indexes: chi-square ($\chi^2$), comparative fix index (CFI: Bentler, 1990), root mean square error of approximation (RMSEA: Steiger, 1990), and standardized root mean square residual (SRMR). CFI with values greater than or equal to 0.90 is considered indicative of good fit (Medsker, Williams, & Holahan, 1994). The RMSEA is a measure of the average standardized residual per degree of freedom; a favorable value is less than or equal to 0.08, and values less than or equal to 0.10 are considered "fair" (Browne & Cudeck, 1993). The SRMR is a standardized summary of the average covariance residuals; a favorable value is less than 0.10 (Kline, 2005).

## 6 | RESULTS

### 6.1 | Measurement model

We performed CFA for all key variables in the study (not including control variables). The measurement model results indicated a good fit to the data ($\chi^2$[153] = 249.37, $p < .001$, CFI = 0.95, RMSEA = 0.06, SRMR = 0.05), showing that the constructs in this study, at both the subsidiary level (entrepreneurial orientation and initiative realization) and the individual level (facilitating adaptability, championing alternatives, and enabling embeddedness) are all distinct. The results also provide evidence for the further examination of the structural model. Although the chi-square test was statistically significant, this statistic is known to be sensitive to sample size (Kline, 1998). Based on the multiple indexes in assessing model fit that are generally suggested by SEM scholars

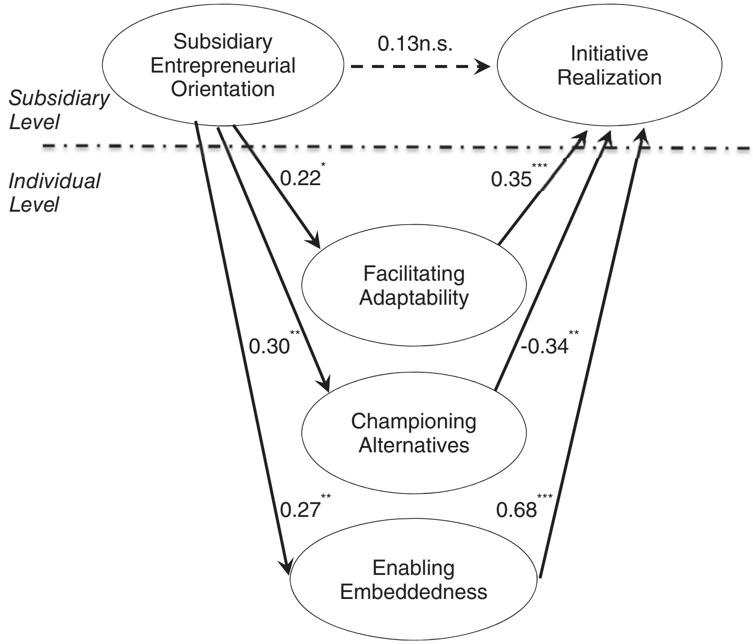


**FIGURE 2** Structural model

(e.g., Bollen, 1990; Schumacker & Lomax, 2010, Preacher, Zyphur, & Zhang, 2010), we proceeded with the structural model test.

### 6.2 | Structural model

Structural modeling results suggested that the hypothesized model fit the data well ($\chi^2$[329] = 529.45, $p < .001$, CFI = 0.90, RMSEA = 0.06, SRMR = 0.07). Figure 2 presents the overall structural model with path coefficients.

Hypothesis 1 proposed that subsidiary entrepreneurial orientation has a positive relationship with initiative realization. Table 3 outlines the direct effect between the independent and dependent variable in the study and confirms the significant positive relationship ($\beta = 0.30$, $p < .01$: Table 3 Model 1). However, when the three mediators are introduced in the full structural model, the direct relationship is reduced to a non-significant effect ($\beta = 0.13$, n.s: Table 3: Model 5).

Hypothesis 2a proposed that facilitating adaptability mediates the link between subsidiary entrepreneurial orientation and initiative realization. According to Hayes (2009), the mediation or indirect effect requires significant relationships between the independent variable and the mediator, as well as between the mediator and the dependent variables. The results show that subsidiary entrepreneurial orientation is significantly linked to facilitating adaptability ($\beta = 0.22$, $p < .05$) which is, in turn, significantly linked to initiative realization ($\beta = 0.35$, $p < .001$). We calculated the indirect effect in SEM ($z = 0.16$, $p < .10$). The 90% confidence interval for this indirect effect is from 0.022 to 0.293; this does not cover 0, which provides additional support for this mediation. Therefore, Hypothesis 2a is supported.

Hypothesis 2b proposed that championing alternatives mediates the link between subsidiary entrepreneurial orientation and initiative realization. Similarly, we checked the links between subsidiary entrepreneurial orientation and championing alternatives, as well as between championing alternatives and initiative realization, and found both links to be significant ($\beta = 0.30$, $p < .01$ for the first; $\beta = -0.34$, $p < .01$ for the second). With regard to the indirect effect in SEM ($z = -0.22$,

TABLE 3 Results for direct and indirect effects

| | Model 1 Initiative realization | Model 2 Facilitating adaptability | Model 3 Championing alternatives | Model 4 Enabling embeddedness | Model 5 Initiative realization |
|---|---|---|---|---|---|
| **Control variables:** | | | | | |
| Tenure | −0.05 | 0.08 | 0.02 | 0.09 | −0.05 |
| Age | 0.01 | −0.01 | 0.13 | 0.05 | 0.01 |
| Size | −0.11 | 0 .31** | 0.15 | 0.43*** | −0.11 |
| Location (U.S.) | 0.07 | −0.11 | −0.04 | 0.06 | 0.07 |
| Location (U.K.) | 0.06 | −0.10 | −0.08 | 0.47*** | 0.06 |
| Location (CEU) | 0.08 | −0.03 | 0.04 | −0.08 | 0.08 |
| Sector (medical) | 0.19* | 0.10 | 0.06 | −0.02 | 0.19* |
| Sector (ICT) | 0.14* | 0.15 | 0.21* | 0.00 | 0.14* |
| Sector (service) | 0.06 | 0.09 | 0.06 | −0.13 | 0.06 |
| Internal MNC environment constraints | −0.05 | 0.01 | −0.13 | 0.09 | −0.05 |
| External environmental constraints | −0.13 | −0.14 | −0.05 | −0.10 | −0.13 |
| **Independent variable:** | | | | | |
| Subsidiary entrepreneurial orientation | 0.30** | 0.22* | 0.30** | 0.27** | 0.13 |
| **Mediating variables:** | | | | | |
| Facilitating adaptability | | | | | 0.35*** |
| Championing alternatives | | | | | −0.34** |
| Enabling embeddedness | | | | | 0.68*** |
| Adjusted $R^2$ | 0.105*** | 0.126*** | 0.207*** | 0.214*** | 0.445*** |
| Sig. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

$N = 186$.

***$p < .001$. **$p < .01$. *$p < .05$.

$p < .05$), the 90% confidence interval is from −0.380 to −0.050, which does not cover 0, providing additional support for this mediation. However, the direction of the relationship between championing alternatives and initiative realization is the opposite of what we expected. This will be discussed in detail in the next section.

Hypothesis 2c proposed that enabling embeddedness mediates the link between subsidiary entrepreneurial orientation and initiative realization. We accordingly checked the links between subsidiary entrepreneurial orientation and enabling embeddedness, as well as between enabling embeddedness and initiative realization; we found both links to be significant ($\beta = 0.27$, $p < .01$ for the first; and $\beta = 0.68$, $p < .001$ for the link between enabling embeddedness and initiative realization). With regard to the indirect effect in SEM ($z = 0.39$, $p < .05$), the 90% confidence interval for this indirect effect is from 0.132 to 0.648, which does not cover 0, providing additional support for this mediation. Therefore, Hypothesis 2c is supported.

## 7 | DISCUSSION

By showing that the strategic activities of the subsidiary manager unlock the value of entrepreneurship within the subsidiary, we challenge assumptions of entrepreneurship in the MNC and demonstrate the benefits of adopting a microfoundations lens. We establish that research in MNC global strategy must look beyond collective variables and discover how micro-level activities within the subsidiary mediate macro-level causation (Abell, Felin, & Foss, 2008; Felin & Foss, 2005; Felin et al., 2012, 2015). Revealing how a subsidiary's entrepreneurial context—an organizational-level construct (Barney & Felin, 2013; Felin & Foss, 2005; Felin et al., 2015; Molina-Azorín, 2014)—is leveraged to realize subsidiary-level initiatives through the micro-level activities of an individual subsidiary manager enables three contributions. First, by bringing a microfoundations lens to understanding subsidiary initiative realization, we challenge dominant theories of entrepreneurship within the MNC. Second, we add to the rich literature of subsidiary initiative (Ambos et al., 2010; Birkinshaw, 1997; Cantwell & Mudambi, 2005; Taggart, 1997), revealing how different management activities not only impact the entrepreneurship/initiative relationship, but do so in complex and unexpected ways. Last but not least, we contribute to the middle management literature, particularly the seminal work of Floyd and Wooldridge (1992, 1997).

### 7.1 | Entrepreneurship in the MNC

We extend our understanding of entrepreneurship within the MNC by shifting from general assumptions of macro-level causation (Felin & Foss, 2005; Felin et al., 2015) to adopt ideas from the microfoundations approach (for example, Grigoriou & Rothaermel, 2014; Lindenberg & Foss, 2011; Mäkelä, Andersson, & Seppälä, 2012; Mollick, 2012; Rogan & Mors, 2014). Previous considerations of subsidiary initiative realization moved the level of analysis from the MNC (Bartlett & Ghoshal, 1989) to the subsidiary (Ambos et al., 2010; Birkinshaw, 1997, 1999; Birkinshaw et al., 1998) and established how subsidiaries can contribute to MNC firm-specific advantages. This research acknowledged the importance of subsidiary management but does not examine how individuals contributed to the phenomenon. By bringing the micro-level activities of the subsidiary manager to center stage, we demonstrate their impact as key contributors to the entrepreneurial agenda of the overall MNC (Felin et al., 2015; Heath & Sitkin, 2001; Johns, 2006; Ployhart, 2012; Ployhart & Schneider, 2012). As such, our research adds to the wider debate on the relationship between entrepreneurship and organizational outcomes, and responds to calls for inclusion of moderating and mediating effects at the individual level (Aherne et al., 2014; Rauch et al., 2009; Semrau et al., 2016). By studying the micro-level activities of subsidiary managers, we uncover that, contrary to the extant literature, the MNC cannot simply provide a dynamic and supportive entrepreneurial context for the subsidiary (Birkinshaw, 1997; Birkinshaw et al., 1998) and anticipate that the subsidiary will produce initiatives. Relying on macro-level (Felin & Foss, 2005) explanations of subsidiary context within the MNC will not relieve the "fuzziness" surrounding such complex organizational phenomena as initiative realization. Our findings reveal that to understand the relationship between context and outcomes, we must understand the underlying activities of individuals. Specifically, the actions of the individual subsidiary manager are relevant in terms of unlocking the benefits of a supportive MNC context.

This finding has important implications for theories of MNC global strategy. Levels of subsidiary entrepreneurship and initiative generation are established as determinants of subsidiary evolution and subsidiary contribution to their MNC (Birkinshaw & Hood, 1998; Birkinshaw et al., 1998). Yet, our findings demonstrate that such theories overlook the impact of a critical mediating factor, the engagement of the subsidiary manager in certain strategic activities. This additional source of heterogeneity in unlocking organizational context, particularly organizational entrepreneurship (Barney & Felin, 2013; Felin et al., 2015), warrants further attention if we are to understand variations not just in subsidiary contribution, but given the established relationships between initiative generation and subsidiary evolution, the broader implications for managing MNC operations.

### 7.2 | The micro-level activities of subsidiary initiative

Subsidiaries can enhance the distribution of activities within the MNC through initiative realization (Birkinshaw et al., 1998), but for this to happen, MNCs need managers to drive the process. Adopting a microfoundation lens and extending previous middle manager frameworks, our research focused on three different types of strategic micro-level activities engaged in by subsidiary managers. Crucially, establishing that subsidiary managers utilize these three distinct activities enabled identification of variations in their separate mediating impact on the macro-level relationship between subsidiary entrepreneurship and initiative realization. This led to a range of unexpected but exciting findings.

Our finding that the activities of subsidiary managers in facilitating subsidiary adaptability are positively related to initiative realization brings to the fore the part played by these individuals in mobilizing the resources and capabilities under their control for entrepreneurship (Ashforth & Mael, 1996, 1998). Subsidiary initiatives naturally evolve from the bottom up; unlocking the collective contribution of the different units of analysis facilitates greater incorporation of broader management theories, including proactive behavior (e.g., Frese & Fay, 2001), social identification (e.g., Ashforth & Mael, 1998; Ling et al., 2005), and corporate renewal and change (e.g., Jansen, Van Den Bosch, & Volberda, 2006).

Our conceptualization of subsidiary manager activities to enable embeddedness allows us to shed light on the day-to-day activities required to access the new knowledge, ideas, and opportunities (Andersson et al., 2001; Nell & Andersson, 2012) implicit in initiative realization. Despite recognizing the importance of establishing "beyond arm's-length" relationships in conducting initiatives (Andersson et al., 2002), the extant literature on embeddedness largely overlooks how the vital interfaces between the subsidiary, actors, and institutions within its local environment are actually achieved (Williams & Lee, 2011). Our research draws on the theories of middle management and identifies previously omitted activities of subsidiary managers in developing these links with local actors.

A major finding of the study was the absence of support for championing alternatives as a positive mediator between subsidiary entrepreneurship and initiative realization. In addition, the emergence of a negative and significant relationship was initially surprising given the established role of subsidiary managers in identifying ideas and bringing these to the attention of the organization (Bouquet & Birkinshaw, 2008; Bower, 1970; Burgelman, 1983; Dutton & Ashford, 1993; Dutton et al., 1997). On reflection, we identified three possible alternative theoretical explanations. First, the assumption that subsidiary managers enjoy the capability to sell initiatives must be questioned. Managers are not only "initiative evaluators, but must have a complementary capability of idea selling, finding the right window and means to introduce the initiative to headquarters" (Strutzenberger & Ambos, 2014, p. 9). This may mean that any evaluation of the benefit of championing requires a deeper analysis of middle managers' selling and convincing capabilities (Conroy & Collings, 2016). Second, there may be a trade-off between issue selling and implementation in MNCs. Those subsidiary managers who spend their time championing initiatives for headquarters support may fail to devote adequate attention to the realization of initiatives. Third, there is also the notion that engaging in developing ideas and opportunities is essentially an "under the radar" activity (Delany, 2000), to be protected from scrutiny until success can be demonstrated. This argument implies that managers from entrepreneurially oriented subsidiaries refrain from championing their preferred ideas in the formative stage and wait until the initiative has been realized to bring their success to headquarters' attention. These conjectures that there are trade-offs between subsidiary manager attention to activities and the outcomes of entrepreneurship suggest rich potential for further studies to explore the nuances of middle manager strategic activities.

More broadly, by unpacking the microfoundations of initiative realization, we can tease out that not all of the activities are positive despite their strong theoretical foundations. We reveal that for subsidiary managers to be successful, they may be better off flying under the radar and facilitating adaptability internally and embedding the subsidiary externally, rather than taking the more visible approach of directly championing to headquarters. These findings give credence to anecdotal evidence that subsidiary managers should engage in new activities away from the view of headquarters rather than bring unwanted attention (Delany, 1998); in other words, it is better to seek forgiveness for actions taken than to seek permission in advance.

### 7.3 | Middle managers within MNCs

Our study also makes a valuable contribution to our understanding of the activities of middle managers in the complex organizational setting of the MNC, answering calls for middle management studies to be carried out in specific contexts (Wooldridge et al., 2008). While existing research identifies middle managers as important mediators across organizational boundaries (Aherne et al., 2014; Balogun & Johnson, 2004; Bartlett & Ghoshal, 1993; Floyd & Wooldridge, 1997), there is a need for a greater understanding of their day-to-day activities in interacting with the external environment (Balogun, Jarzabkowski, & Vaara, 2011; Rouleau, 2005; Rouleau & Balogun, 2011). Subsidiary managers are recognized not only for engaging downward within their own unit and upward with headquarters, but also as bridging the organization, the local operation, and the host country (Bartlett & Ghoshal, 1986; Birkinshaw et al., 1998). By lifting the premise that middle managers' activities are bounded by the organization (Floyd & Wooldridge, 1992), we capture the activities of middle managers in building relationships with local actors to enable subsidiary embeddedness. This conceptualization extends the seminal framework of middle manager activities established by Floyd and Wooldridge (1992) in an MNC context and indicates the valuable potential for extending this framework to other arenas.

## 8 | MANAGERIAL IMPLICATIONS

This study provides key managerial insights for subsidiaries and their headquarters, clearly demonstrating the value of looking below aggregate or collective variables. Subsidiary managers are often urged, by both theory and practice, to contribute to their organizations by generating initiatives, and they may not truly understand how to respond. The microfoundations approach adopted here removes some of the higher level "fuzziness" around such imperatives and specifically explicates the positive/negative impact of engaging within the subsidiary, with headquarters, and with the local external environment. Balancing the demands of developing external relationships while managing their subsidiary and responding to the often conflicting demands of their headquarters' agenda may lead some subsidiary managers to overlook the value of such activities. Our study demonstrates the benefit of enabling embeddedness and the surprisingly negative impact of championing alternatives to headquarters, providing guidance for management priorities that can be explicated further by future studies.

From the perspective of headquarters, an appreciation of the value of subsidiary managers' activities in unlocking the benefits of entrepreneurship may relieve concerns that such activities are prompted by self-interest and opportunism (Jensen & Meckling, 1976) and instead prompt consideration of how to support and guide such activities to deliver initiatives for the benefit of the MNC.

## 9 | FUTURE RESEARCH AND LIMITATIONS

Proponents of microfoundations (Abell et al., 2008; Barney & Felin, 2013; Felin & Foss, 2005) argue that even when the role of individuals is recognized, they are too often dismissed as mere "actors" and collectively heterogeneous; instead, it is the collective context, environment, and situations that are held to determine firm-level outcomes. Our study attempts to overcome this issue, but there are rich opportunities for future studies to consider the impact of individual manager characteristics and capabilities on unlocking the benefits of subsidiary entrepreneurial orientation. One option may be to bring in recent insights from the broader international entrepreneurship literature (Li, Qian, & Qian, 2015) and to consider the implications of individual-level entrepreneurship on activities for leveraging subsidiary entrepreneurship. To date, despite its logical and intuitive appeal and acknowledgment of the subsidiary manager as an entrepreneurial MNC middle manager (Birkinshaw & Fry, 1998; Birkinshaw & Hood, 1998; Williams, 2009), this perspective has largely been overlooked in subsidiary research, albeit with some notable exceptions (e.g., Boyett & Currie, 2004; Dutton & Ashford, 1993; Dutton et al., 1997; Dutton, Ashford, O'Neill, & Lawrence, 2001; Delany, 2000).

## 10 | CONCLUSION

As the value of entrepreneurship within subsidiaries is increasingly recognized by the global strategy literature (Rugman, Verbeke, & Nguyen, 2011), developing our knowledge of how the organizational context for entrepreneurship can be leveraged through the micro-activities of central individuals (Felin et al., 2015) becomes more critical. By revealing the impact of the subsidiary manager's micro-activities of facilitating adaptability, championing alternatives, and enabling embeddedness, this study advances our understanding of how to liberate the benefits of entrepreneurship for realizing initiatives in the MNC.

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