SUBISDIARY INITIATIVES IN VOLATILE ENVIRONMENTS: VENEZUELAN EVIDENCE

Abstract

This paper studies the initiatives of Venezuelan subsidiaries and their market focus. A qualitative methodology through case studies is used and initiative typologies with markets and objectives focus are assessed on initiative-taking in subsidiaries established in the volatile local market of Venezuela. The results show that when the local market is volatile, no matter what type of subsidiary is, most initiative-taking is focused on the internal market of the multinational corporation. Besides, two more types of developing initiatives are identified. The effect of volatile local market in encouraging initiative-taking among subsidiaries is analyzed.

Key words: subsidiary initiative; subsidiary development, subsidiary strategy; volatile local market.

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In the last years, subsidiary evolution and mandate changes have received great attention. Literature has been consistent that subsidiary's role determinants are headquarters assignment, subsidiary initiative and local environment determinism and accept that these elements have influence on subsidiary levels of resources and capabilities, which drive to changes on roles in a specific moment (Birkinshaw & Hood, 1997).

This paper studies subsidiary initiative as a determinant of subsidiary role. It assesses and extends Birkinshaw (1995a) and Delany (1998; 2000) subsidiary initiative typologies and connect them with internal and external markets, using cases taken from a volatile environment like Venezuela.

The paper is organized as follows. In Section 1 we provide some theoretical background about subsidiary initiative-taking and different typologies found in literature. In Section 2 we describe the research methodology and protocol followed to conduct the research. In Section 3 we describe the findings. Finally, the last section presents conclusions and discusses the implications of the study for theory and for practice.

1. Theoretical background

An initiative, in essence, is an entrepreneurial process that begins with the identification on an opportunity and ends with the resource commitment oriented toward the achievement of that opportunity. This process can be developed with the purpose of creating a new firm, or can be developed within an enterprise in which case it is known as corporate entrepreneurship (Birkinshaw, 1997).

Subsidiary initiative is a specific form of corporate entrepreneurship (Birkinshaw & Ridderstrale, 1999). According to Stopford & Baden-Fuller (1994), there are three forms of corporate entrepreneurship. The first is creating new business activities within an established organization. Other is transforming or renewing an established organization. And third, is that in which an organization changes the rules of competition in its industry. Subsidiary initiative is related with the first corporate entrepreneurship form.

In line with Birkinshaw (1997), corporate entrepreneurship can be organized within an enterprise in a concentrate o disperse form. Concentrate corporate entrepreneurship usually is related to a new businesses unit, which aim is to identify and promote new business opportunities for the firm. Disperse corporate entrepreneurship is based on the dual roles than managers and entrepreneurs within a firm can play (Kanter, 1982), allowing every unit of the organization, including foreign subsidiaries, the possibility of contributing with innovative ideas (White & Poynter, 1984; Birkinshaw & Hood, 2001).

Disperse corporate entrepreneurship has an advantage over concentrate corporate entrepreneurship because a greater diversity of opportunities can be sensed because the entrepreneurial capability is dispersed throughout the organization, rather than restricted to a new business unit (Birkinshaw, 1997).

Within multinational corporations, subsidiary initiative is defined by Birkinshaw & Ridderstrale (1999) as a discrete, proactive undertaking that advances a new way for the corporation to use or expand its resources. When initiative is undertaken by subsidiary managers, this can lead to a change on the recognized role of the subsidiary within the multinational corporation (Birkinshaw, 1997; Galunic & Eisenhardt, 1996; Birkinshaw & Hood, 1998).

Subsidiary literature has studied subsidiary initiative-taking as a determinant of its role (Delany, 1998, 2000; Birkinshaw, 1995a, 1995b, 1997; Birkinshaw & Fry, 1998; Birkinshaw & Ridderstrale, 1999; Birkinshaw, Hood & Young, 2005). These studies have classified those initiatives according to the objectives seek by the subsidiary and according with the type of market to which that initiative is oriented to.

1.1. Initiative classification according to the objectives

According to the objective that the subsidiary is seeking, some initiatives drive to subsidiary's role development, because they have the potential to increase the scope, the scale and the activities of the subsidiary; other initiatives, either intent to consolidate current role of the subsidiary or to defend subsidiary role, otherwise the consequence will be that the subsidiary will lose its role.

The following provides a breakdown of different initiatives that subsidiaries can develop, taking developing initiatives from Birkinshaw (1995a), while defending or consolidating initiative belong to Delany (1998, 2000). These initiatives are also shown in Table 1.

1.1.1. Domain Developing Initiatives

- **Pursue a new business opportunity in the local market:** the subsidiary management undertakes an initiative which builds on its current local business for satisfying a local need but with the potential to go to international markets
- **Bid for corporate investment:** the headquarters is planning to set up an activity in one of its subsidiaries and the subsidiary management bids for this investment.
- **Extend an existing role:** the subsidiary management seeks to add new activities to its existing mandate. For instance, a manufacturing subsidiary may seek to add product development activities.
- **Reconfigure operations:** the subsidiary management actively seeks to persuade the parent to rationalize its international operations so that the subsidiary gains increased volume from the closure or rationalization of its sister sites.

Table 1. Initiative classification according to the objectives

Objectives	***Initiative***
Development of the role	Pursue a new business opportunity in the local market. Bid for corporate investment Extend an existing role Reconfigure operations

Consolidation of the role	Performance improvement Input into corporate decisions
Defense of the role	Retain operations Retain reporting Find a new patron

1.1.2. Domain Consolidating Initiatives

Consolidating subsidiary roles depend exclusively on subsidiary management actions. Competitors send specific signs about their strength and weaknesses to local management, that drive the subsidiary to improve their relevant capabilities to compete. The sharpen of existing capabilities drive the subsidiary to a better performance and to an increase of credibility from headquarters point of view.

- **Performance improvement:** the subsidiary management has an ongoing task to increase the cost competitiveness, quality, profitability and overall relative advantage of its current activities.
- **Input into corporate decisions:** the subsidiary Management will seek the opportunity to have input into corporate decisions where its input adds value. This may involve participation in project teams and key corporate meetings. Such input enhances the credibility of the subsidiary.

1.1.3. Domain Defending Initiatives

- **Retain operations:** the subsidiary management can be faced with the threat of closure or rationalization and takes action to retain its current role.
- **Retain reporting:** where the subsidiary management reports to its headquarters matters of critical long-term importance and it will seek to be structurally positioned to optimize its influence. In particular, the subsidiary may try to retain direct reporting relationships to headquarters as opposed to reporting through a regional headquarters or other sister where its influence may be diluted.
- **Find a new patron:** where a subsidiary's operations are dependent on resource transfers from a corporate unit which is being downsized, it may seek out a new corporate `customer' for its capabilities.

1.2. Initiative classification according to the market focus

Subsidiary initiative can focus on different markets either the internal market of the corporation or the subsidiary external markets, inside and outside the formal boundaries of the domestic host country market (Birkinshaw, 1997; Birkinshaw & Fry, 1998). Depending on the market focus of the initiative, the subsidiary will use different tactics that will have diverse impact and resistance forms.

External markets can be either local or global. Local market consists of competitors, suppliers, customers, and regulatory bodies in the host country. The global market may be the entire world end-customer market or specific regional niches of that market. Finally, the internal market is made up of the internal customers, suppliers and competitors within the corporation and can be regional or global, depending on the organizational structure of the corporation (Birkinshaw, 1995a, 1997, 1998; Birkinshaw & Fry, 1998; Delany, 2000, Birkinshaw, Hood & Young, 2005).

Considering the initiative classification according with the objectives, it is possible to associate objectives with the market focus of the subsidiary initiatives (See Table 2). Within developing initiatives, “Bid for corporate investment” and “Reconfigure operations” initiatives are focused on the internal market, while “Pursue a new business opportunity in the local market” initiative is oriented to the local market and “Extend an existing role” initiative is mostly focused to the local but eventually could change its focus to the global market.

Consolidating initiatives “Performance improvement” and “Input into corporate decisions” seem to be focused to the internal market. Finally, defending initiative “Retain reporting” is oriented to the internal market, “Find a new patron” initiative is focused to the external market, either global or local, while “Retain operations” initiative can be undertaken oriented to all markets.

Table 2. Initiative classification according to objectives and market focus.

Objectives	***Initiatives***	***Markets***
Domain Development	Pursue a new business opportunity in the local market.	Local
	Bid for corporate investment.	Internal
	Extend an existing role.	Global o Local
	Reconfigure operations.	Internal
Domain Consolidation	Performance improvement.	Internal
	Input into corporate decisions.	Internal
Domain Defense	Retain operations.	Global, Local or Internal
	Retain reporting.	Internal
	Find a new patron.	Global or Local

It is important to consider that the level of success of a subsidiary initiative-taking rely on the current strategic role of the subsidiary. A market will be more attractive than other depending on the subsidiary role. Their competences or credibility within the corporation will be more aligned when it undertake some initiatives instead of others (Delany, 2000).

For global multinational subsidiaries that develop sales and marketing activities, the local market will be more relevant. The same apply in case of multidomestic multinational subsidiaries, which behaved as miniature replicas in the local market developing all activities like a domestic firm, so for implementing initiatives; these subsidiaries will be better prepared to undertake those focused to the local market (Birkinshaw, 1995a, 1997, 1998; Birkinshaw & Fry, 1998; Delany, 2000; Birkinshaw, Hood & Young, 2005). According to this, in terms of Jarillo & Martínez (1990), *autonomous* and *receptive* subsidiaries with sales and marketing activities tend to be focused on the local market and usually they have no role in the global market.

In the other hand, some subsidiaries have international scope, so for their regional or global markets tend to have more interest than the local market. Subsidiaries with relevant strategic activities in the international arena, such *active* subsidiaries in terms of Jarillo & Martínez (1990), will be in a better position to undertake initiatives focused on the regional or global market (Birkinshaw, 1995a, 1997, 1998; Birkinshaw y Fry, 1998; Delany, 2000; Birkinshaw, Hood & Young, 2005).

Other subsidiaries like *centers of excellence* or *rationalized* operators with integrated activities within the multinational corporation will tend to develop initiatives focused on the internal market (Birkinshaw & Fry, 1998; Delany, 2000). These subsidiaries have little contact with local customers because their interactions are made within the internal market, so *receptive* subsidiaries with rationalized operations in terms of Jarillo & Martínez (1990), will be in a better position to undertake initiatives focused on the internal market.

It is possible to observe hybrid initiatives focused both on the internal market and the external markets. Furthermore, an initiative initially focused on the internal market latter can have consequences on the local or global markets (Birkinshaw, 1997). Also is possible that a consolidating initiative can be used to retain operations in local subsidiary for role defense (Delany, 2000).

1.3. Volatile local market

When a subsidiary local market is going through a volatile period, the *corporate immune system* may be activated. Headquarters adopt a risk aversion attitude, prudence and cautious tactics are used and, consequently, subsidiary initiatives involving resource commitment focused on the local market will experience resistance from headquarters (Birkinshaw & Ridderstrale, 1999, Birkinshaw, 1995a, 1995b).

On their side, subsidiaries have to undertake initiatives to avoid environment disadvantages by developing capabilities and competences that let them survive, and evidencing managers' proactive attitude to achieve opportunities for adding value to subsidiary activities (Rugman & Verbeke, 2001; Birkinshaw, 1995a, 1995b, 1997, 1998; Birkinshaw & Fry, 1998; Birkinshaw & Hood, 1998).

Can be expected that managers will undertake initiatives that allow subsidiaries to adapt to the local market environment defending their roles within the multinational corporation even though that initiative correspond with developing or consolidation objectives. In the same line of thinking, under local conditions may have little incentive to develop external initiatives, besides the regional or global ones, while internal market initiatives will be more attractive. Taking into account the different subsidiary types, *active* subsidiaries with more resource endowment will be in a better position to undertake initiatives focused on internal and external markets while *autonomous* and *receptive* subsidiaries tend to develop internal initiatives.

2. Research methodology

The scope of the research question, coupled with the exploratory nature of the study, made a case study methodology appropriate (Yin, 1981, 1994; Eisenhardt, 1989; Rowley, 2002). The research meet all conditions described by Yin (1981, 1994) and Eisenhardt (1989) for a case study: allows the best and deeper understanding of the subsidiaries undertaken initiatives; there is no control of studied phenomenon and, the limits between the phenomenon and the context are not well defined.

For conducting the research was necessary to identify a group of subsidiaries that had previously developed initiatives, so the subsidiary selection depended on that criterion. This first criterion was very important because most subsidiaries have never undertaken initiatives, even in developed countries (Birkinshaw, 1997).

Successful initiatives developed by subsidiaries established in Venezuela were used as unit of analysis. One single subsidiary could undertake one or several initiatives. Different roles of subsidiaries were appreciated for greater scope, so during the identification process attention was paid to activities, industries and home country of the multinational corporation.

Data collection and interviewees selection was made according to an agenda and a description defined on a protocol of the research. Initiatives were identified through discussions with senior subsidiary managers. Each initiative that was identified was researched as exhaustively as possible. In every subsidiary were interviewed up to three individuals. Every interview was transcript and archival material and secondary data was accessed where possible. All of these pieces of information were put together into a database and reports were prepared for every subsidiary. Then data was analyzed using a variety of qualitative data analysis techniques including data triangulation.

3. Findings

This research included 31 foreign subsidiaries. In terms of Jarillo and Martínez 11 subsidiaries were classified as *active*, 13 of them were *autonomous*, and 7 *receptive* of marketing and sales. More than half of these subsidiaries performed manufacturing activities while a 25% were service companies and a 22% had a marketing and sales role, selling goods produced by their parent corporations in other countries. The subsidiaries in the sample belonged to multinationals headquartered in 11 different countries. United States is the home country for 45% of them, while 42% are European (19% from Spain), and the rest are Latin American. Even if they come from a wide range of industries, the most representative sector is that of food, beverages and tobacco (35%). According to its size, 48% of subsidiaries are classified as big companies (more than 250 employees), 27% are medium sized and 25% are small sized firms (less than 100 employees).

When analysing the *active* subsidiaries group we can observe that they come mainly from the USA, they are also big sized and they perform manufacturing activities in a wide range of industries (see table 3).

Table 3. Active subsidiaries subset

Subsidiary	Activity	industry	Country	Empl.
Active Aluminium XAL	Manufacturing	Aluminium	USA	488
Active Camping XCA	Manufacturing	Household appliances	USA	272

Active Cosmetics XCO	Manufacturing	Cosmetics and personal care	USA	200
Active Electrics XEL	Manufacturing	Electrics	Spain	75
Active Finance XFI	Services	Financial Services	USA	5
Active Biscuits XGT	Manufacturing	Food, beverages and tobacco	USA	2100
Active Software XIN	Services	Technology	Spain	320
Active Manufacture XMA	Manufacturing	Chemical	USA	200
Active Materials XMT	Manufacturing	Building materials	Mexico	2200
Active Sanitary XSA	Manufacturing	Building materials	Chile	1030
Active Systems XSI	Services	Technology	USA	150

The *autonomous* subsidiaries subset shown in table 4 includes a greater percentage of firms headquartered in Europe, they are mostly big sized and most of them produce food and beverages.

Table 4. Autonomous subsidiaries subset

Subsidiary	Activity	industry	Country	Empl.
Autonomous Food AAL	Manufacturing	Food, beverages and tobacco	USA	650
Autonomous Meat ACA	Manufacturing	Food, beverages and tobacco	Denmark	1000
Autonomous Contact ACT	Services	Call centres	Spain	460
Autonomous Packaging AEM	Manufacturing	Packaging	Sweden	150
Autonomous Flour AHA	Manufacturing	Food, beverages and tobacco	Mexico	1550
Autonomous Industry AIN	Manufacturing	Food, beverages and tobacco	UK	650
Autonomous Engineering AIG	Services	Consultancy	Spain	48
Autonomous Milk ALA	Manufacturing	Food, beverages and tobacco	Italy	1500
Autonomous Marketing AMA	Services	Consultancy	Spain	7
Autonomous Mill AMO	Manufacturing	Food, beverages and tobacco	USA	260
Autonomous Baking APA	Manufacturing	Food, beverages and tobacco	Colombia	54
Autonomous Projects APR	Services	Construction	Spain	86
Autonomous Telecom. ATE	Services	Telecommunications	USA	830

Table 5 introduces the *receptive* subsidiaries subset. This is the smallest group, including mostly medium sized and US companies.

Table 5. Receptive subsidiaries subset

Subsidiary	Activity	industry	Country	Empl.
Receptive Beverages RBE	Mk - Sales	Food, beverages and tobacco	France	200
Receptive Consultancy RCO	Mk - Sales	Consultancy	USA	180
Receptive Consumer RCM	Mk - Sales	Household and personal care	UK-NL	350
Receptive Sweet RDU	Mk - Sales	Food, beverages and tobacco	USA	5
Receptive Lab. RLA	Mk - Sales	Pharmaceutical	USA	87
Receptive Liquor RLI	Mk - Sales	Food, beverages and tobacco	UK	100
Receptive Technology RTI	Mk - Sales	Technology	USA	100

With regard to the initiatives undertaken by the subsidiaries in the study, we identified a total of 92 ventures. As expected, given its greater resource base, and in accordance with Delany (2000), *active* subsidiaries have developed the largest number of initiatives within the group (39). Moreover, contrary to expectations, the group of *receptive* subsidiaries undertook a proportionally larger number of initiatives than the *autonomous* subset.

Table 6. Initiative classification according to Jarillo and Martínez (1990) subsidiary typology

Subsidiary type	Subsidiaries	%	Initiatives	%
Active	11	35.5	39	42.4
Autonomous	13	41.9	33	35.9
Receptive	7	22.6	20	21.7
Total	**31**	**100**	**92**	**100**

Adopting the initiative classification developed by Birkinshaw (1995a) and Delany (1998; 2000), we describe the different initiatives identified during the research, according to their target markets. The largest number of initiatives were those that pursued the *domain consolidation* (56 initiatives), followed by those pursuing the *domain development* (32 initiatives, while those initiatives whose aim was the *domain defence* were the smallest group (4 initiatives).

4.1. Domain developing initiatives

Analyzed subsidiaries undertook several different types of initiatives driving to the extension of their previous roles. While most of the initiatives had previously been identified by Birkinshaw (1995a) and Delany (1998, 2000) there were two new types: *report line reduction* and *pursuing new business opportunities in foreign markets*. Those initiatives are internal market and foreign market oriented, respectively. The new initiatives were verified in subsidiaries that had previously achieved the regional headquarters status. This status enhances their power position inside the whole corporation in terms of reducing their report line to the parent units and increasing their influence on corporate decisions.

For some of the studied subsidiaries the possibility of developing was through the search of opportunities outside the local market. Their entrepreneurial activities drove them to the creation of new subsidiaries in other countries in the region.

A Venezuelan subsidiary (ACA), headquartered in Denmark, operates since 1953. Its activity is related to meat processing. Its international activities started in Ecuador. When local conditions endangered its competitive position, the subsidiary management team showed a proactive attitude and searched opportunities in neighbour countries. In 2003, after a period of political turmoil, they established a daughter subsidiary in Colombia. ACA has always promoted vertical integration for its activity of pork meat processing, so they have controlled the whole value chain for their products. Their own farms provide pork meat covering 100% of supply needs for the Ecuadorian plant, while in Venezuela self supplying reaches 50%. ACA works also as regional headquarters, its management team reports to the corporate headquarters for all three subsidiaries.

Table 7 shows *domain developing* initiatives undertook by subsidiaries classified according to their subsidiary types. 32 *domain developing* initiatives were identified, one third of all initiatives analysed in our research. Half of those were developed by *active* subsidiaries, followed by *autonomous* and *receptive* subsidiaries. *Domain extension* was the most frequent domain developing initiative, offering the widest range of examples. This type of initiative is external market oriented, either local or global market.

In terms of the market faced by these *domain developing* initiatives, table 8 reveals that most of them were internal market oriented. According to Delany (2000) the most frequent marketplace for *receptive* subsidiaries should be the local market. Instead of this, the cases analyzed in this study show that the most common marketplace for *domain developing* initiatives undertook by *receptive* subsidiaries is the corporate internal market. Given the nature of *receptive* subsidiaries, just having control of a narrow range of value activities, there may be little contact with the international market. Under adverse conditions in the local market, searching opportunities in the internal market appears as the most suitable option for them.

The *autonomous* subsidiaries are, by definition, local market oriented. Their initiatives should be market oriented, but our study reveals that they are searching for opportunities in all three markets in a similar percentage. Local conditions emerge again as a powerful driver that even modifies the nature of the subsidiary itself.

Table 7. Domain developing initiatives by subsidiary type

Developing initiatives	***Undertaken initiative***	***Frequency***		
		X	**A**	**R**
Pursue new business opportunities in the local market	Business portfolio extension with new products and / or services.	2	-	-
	Development of new businesses: call centres, juices and cheeses, children food and pet food.	1	2	-
Role extension	Start / increase R&D activities.	3		-
	Development of new products.	1	1	-
	Creation of a new production plant for increasing the product portfolio.	-	1	-
	Development of products sold in the international markets.	2	-	-
	Managing operations in Colombia	-	-	1
Reconfigure existing operations	Increase of production and logistic operation for international operations rationalization.	2	-	-
	International extension of market scope for international operations rationalization.	2	1	2
Pursue new business opportunities in international markets	Creation of a new subsidiary in a third country.	1	1	-
	Internationalization of activities in markets not served by the parent company.	-	2	-
Reduce report line	Achieving regional headquarters status.	2	2	3
Total developing initiatives by subsidiary type		**16**	**10**	**6**

X: Active; A: Autonomous; R: Receptive

Table 8. Domain developing initiatives clustered by subsidiary type and the market faced by the subsidiary

Market faced	Active	Autonomous	Receptive	Total
Local	7	4	-	11
Global	3	3	1	7
Internal	6	3	5	14
Total	**16**	**10**	**6**	**32**

4.2. Domain consolidating initiatives

In the process of consolidating its own role, facing the competence from sister units and external firms, the subsidiary takes the complete responsibility without intervention of other agents (Birkinshaw & Hood, 1998; Crookell & Morrison, 1990).

The highest number of initiatives identified in this study was *domain consolidating*. There were a total of 56 cases of *domain consolidating* initiatives, this is almost twice than for the following subset: *domain developing.* Both initiative types identified by Birkinshaw (1995a) and Delany (1998, 2000) were found in the Venezuelan case: *performance improvement* and *input into the corporate decisions*. Besides to the known initiatives, the management teams of the analysed subsidiaries also took decisions driven to increase the subsidiary size. The aim of these actions was to increase the importance of the subsidiary inside the corporation. The new initiative identified was named *subsidiary growth.*

Subsidiary growth initiative is observed in those subsidiaries that even having the same activities, without extending their product or market scope, have significantly increased their volume of operations in the host country. Venezuelan subsidiaries have implemented *subsidiary growth* in two different ways: investing for increasing the existing manufacturing capacity and acquiring local competitors. XCA, XSA and AHA increased their capacity by enlarging their existing plants; while AMO build a new plant for producing goods previously imported from other sister units. ALA opted for acquiring some different local competitors in order to increase its size.

For the smallest subsidiaries in this subset, such as XFI and AMA, consolidating their roles required the internationalization of their activities. As the local market was not big enough for achieving the desired size, they internationalized their services. In this sense, we can appreciate that *pursuing business opportunities in foreign markets*, that is considered an initiative for developing the role, in this case has been used as an initiative for consolidating the existing role.

Table 9 introduces the 56 initiatives taken by management teams for consolidating the roles. *Domain consolidating* initiatives were a 60% of all initiatives identified in the study. *Autonomous* subsidiaries implemented 39% of these initiatives. They were followed by *active* subsidiaries and, finally *receptive* subsidiaries were responsible for 25% of initiatives. The percentage of *consolidating* initiatives by subsidiary type shows the same portions as the number of subsidiaries in the sample, what seems to be quite logical. Seeking the opportunity to have *input into the corporate decisions* was the most cited initiative in this subset.

Table 9. Consolidating initiatives by subsidiary type

Consolidating initiatives	***Undertaken initiative***	***Frequency***		
		X	**A**	**R**
Performance improvement	Cost cuts, improving quality and profits.	3	6	4
	General improvement in management indicators.	6	1	3
Input into corporate decisions	Leadership in global scope projects.	-	2	1
	Transference of technology and best practices.	4	5	4
	Supplying qualified expatriates for the parent company.	3	2	2
	Achieving the status of corporate level strategic for subsidiary businesses.	1	2	-
Subsidiary growth	Enlarging manufacturing capacity.	2	2	-
	Acquiring local competitors.	-	1	-
Pursue of new business opportunities in foreign markets	Internationalization of activities for achieving scale advantages.	1	1	-
Total consolidating initiatives by subsidiary type		**20**	**22**	**14**

X: Active; A: Autonomous; R: Receptive.

Among the *consolidating* initiatives, *input into corporate decisions* was the most cited initiative, followed by *performance improvement.* 88% of analysed initiatives were included in these two categories. As shown in table 10, only 3 initiatives were either local or global market oriented. Subsidiaries operating under adverse local conditions seek for the parent company protection, so for the studied subsidiaries 53 over 56 *consolidating initiatives* are internal market focused.

Table 10. Domain consolidating initiatives clustered by subsidiary type and the market faced by the subsidiary

Market faced	**Active**	**Autonomous**	**Receptive**	**Total**
Local	-	1	-	1
Global	1	1	-	2
Internal	19	20	14	53
Total	**20**	**22**	**14**	**56**

4.3. Domain defending initiatives

Local market volatility forced Venezuelan subsidiaries to take decisions oriented to defending their existing roles. As stated by Delany (2000), when facing any kind of external threat, subsidiary managers tend to take decisions seeking for retaining its ongoing activities. In this sense, for the studied subsidiaries, the ways for retaining their existing operations were seeking new business opportunities both in the local and global markets as shown in table 11.

Table 11. Defending initiatives by subsidiary type

Defending initiatives	***Undertaken initiative***	***Frequency***		
		X	**A**	**R**
Retain operations	Internationalization of operations.	2	1	-

	Starting a new business for replacing the role lost in a previous business.	1	-	-
Total defending initiatives by subsidiary type		**3**	**1**	**-**

X: Active; A: Autonomous; R: Receptive.

For some subsidiaries, seeking business opportunities in foreign markets is seen as a unique way of defending their roles due to the local market reduction and the subsequent excess of capacity. This was the case of AIG and XEL.

The *domain defending* initiative undertook by XSI in the Venezuelan market ended with the starting of a new business in the “call centre” sector. The new business replaced the previous activities in an industry were local market disappeared as a consequence of the adverse local conditions. Transforming the business portfolio in the subsidiary allowed it to recover its position at corporate level.

XSI was considered as a financial expertise centre by its parent company. Its activity was focused on the banking sector. XSI was the main supplier of systems and technology for the biggest banks in the country. In 1994 the local banking crisis drove the majority of them to bankruptcy. During the following years a new legislation permitted foreign investment in the sector. XSI customers either disappeared or were acquired by foreign banks which transferred their technology and systems to Venezuela. This situation provoked the lost of XSI customer portfolio, and consequently the lost of its responsibility as expertise centre.

In order to recover its position inside the corporate network, XSI started a strategic change linked to the “call centre” sector. The new business resulted from the combination of the previous telecommunications activities with the corporate strategic focus on outsourcing. XSI developed a strategic alliance with a fixed phone company which is operating the call centre employing 400 people. This kind of business was first developed in Venezuela. Given the success of this venture and the expertise achieved by the local subsidiary, the parent company has replicated the experience in other countries. Exporting its best practices to other sister subsidiaries has allowed XSI recovering its previous position in the corporation.

Contrary to initially expected, there was identified a low number of *domain defending* initiatives. *Active* subsidiaries were responsible for 3 initiatives, *autonomous* for 1 initiative while *receptive* subsidiaries showed no initiatives in this area.

Two initiative types identified by Birkinshaw (1995a) and Delany (1998; 2000), such as *retaining reporting* and *finding new patron* were not observed in this study.

4.4. Initiatives according to its market focus

In the previous sections we have analysed the initiatives according to the target seek by the subsidiary. We have also studied their distribution among the different subsidiary types related to their market focus. Finally, in this section, we are going to analyse the aggregate data.

Table 12 shows the whole set of initiatives according to their focused market: local, global or internal; and by subsidiary type. 67 initiatives, 70% of all had their focus on the internal market of the multinational. This is consistent with the argument that, under adverse local conditions, internal market initiatives should be more attractive given that there are fewer incentives for external market initiatives.

Table 12. Identified initiatives according to its market focus and subsidiary type

Market focus	**Active**		**Autonomous**		**Receptive**		**Total**	
Local	8	20,5%	5	15,2%	-	-	**13**	**14,1%**
Global	6	15,3%	5	15,2%	1	5%	**12**	**13%**
Internal	25	64,2%	23	69,6%	19	95%	**67**	**72,9%**
Total	**39**	**100%**	**33**	**100%**	**20**	**100%**	**92**	**100%**

Given the low number of external initiatives, one could think that they would be primarily oriented to the global or regional market. Results show that local market is as important as international markets.

According to the subsidiary types, for each of them internal market is clearly the preferred option. It is not surprising for *active* and *receptive* subsidiaries given that they have strong links with other corporate units. According to Jarillo and Martínez (1990), *autonomous* subsidiaries should be focused on its local market, showing a low integration within the multinational. Environmental conditions are forcing *autonomous* subsidiaries to change its strategic profile. Literature has shown that this kind of subsidiaries is usually seeking for a greater autonomy based on local differences. With the lack of opportunities in the local market due to adverse conditions, even *autonomous* subsidiaries prefer to reinforce their ties to the parent company.

4. CONCLUSIONS

Many parent companies are obviously reluctant about the possibility of upgrading the roles of subsidiaries operating in adverse environments as that in Venezuela. The local conditions impose severe restrictions to doing business in the country and the perception of risk increases as political climate worsens and new economic measures make more difficult operating in the country. However, we can observe that, even under these conditions, analysed subsidiaries have been successful in implementing their initiatives.

Managing foreign subsidiaries in Venezuela requires creativity and a proactive attitude. Consolidating the existing domain has been the main concern for their management teams; however, we cannot underestimate the relative high number of *role development* initiatives. Only few of them pursued *role defending.* Seeking for internal market opportunities was the most frequent strategy for Venezuelan subsidiaries, probably because they needed to enhance their reputation inside the corporation by demonstrating that local conditions and not weak management practices were the reasons for subsidiary instability.

Birkinshaw and Hood defended local determinism as a key subsidiary development driver. This study shows that even adverse local conditions can foster subsidiary development. In this case subsidiary initiative emerges as the tool used by this firms to overcome local threats. Exploiting internal markets become the preferred option for Venezuelan subsidiaries.

Besides to the subsidiary initiatives previously identified in the literature this study has recognized new initiative types. *Pursuing new business opportunities in foreign markets* has allowed subsidiaries compensating adversity in the local market. Even the smallest subsidiaries have internationalized their selling activities in order to maintain operations in Venezuela (AMA and XFI).

Seeking for internal initiatives can be useful for subsidiaries facing adverse local conditions. However, they are not the sole competitors for serving internal markets. Sister subsidiaries from countries with better local conditions start from a stronger position in this game. This can be the reason why Venezuelan subsidiaries have not started an initiative type identified in other studies: *bidding for corporate investment.*

According to the objectives of the initiatives, this study reveals some differences that can extend Birkinshaw (1995a) and Delany (1998; 2000) classifications. The newly identified initiatives are included in the *domain developing* and *domain consolidating* categories. *Pursuing new business opportunities in foreign markets* has emerged as an affordable initiative for many kinds of subsidiaries that have skills and competences to develop them (Delany, 2000), as it was anticipated in some role typologies White and Poynter (1984), Jarillo and Martínez (1990), Benito et al. (2003) and Hogenbirk and Van Kranenburg (2006), among others. *Reducing report line* is an initiative that improves the long term possibilities of the subsidiary as it increases its influence on corporate decisions. Increasing subsidiary size through *subsidiary growth* initiative was a strategy used for gaining visibility inside the multinational.

As future research lines we consider the realization of studies analysing the proposed new initiatives in markets with a favourable environment in order to assess their existence and comparing them with the Venezuelan case. It is also possible to validate the existing initiatives through quantitative studies, including Birkinshaw (1995a) and Delany (1998; 2000) initiatives.

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