Track 9: Headquarters-subsidiary relations, knowledge transfer and inter-firm spill-overs

COMPETITIVE PAPER

Personal values and managers' response to foreign subsidiary initiatives' resistance

Abstract

Foreign subsidiaries have become contributor units to the global competitive advantage of multinational corporations. Subsidiary initiative has emerged as the entrepreneurial tool driving to competence creation. However, subsidiary initiative has to face corporate resistance not only from the headquarters but also from sister units. Our study analyses the impact of subsidiary managers' values, procedural justice and subsidiary autonomy on the choice of alternative strategies for overcoming corporate resistance to subsidiary initiative. Our results show that undertaking the initiative in a "concealed" way is positively influenced by achievement and need for power values, as expected. Self-direction, instead, had a negative relationship, showing the importance of differentiating among the different values traditionally associated to individualism. Universalism does not show significant relationship to concealed initiatives. Procedural justice perception reduced the willingness to undertake initiatives behind headquarters' back. Finally, autonomy, as it is acknowledged by headquarters, does not significantly increase the willingness to promote secret actions and drives subsidiaries to undertake initiatives in an open way.

Personal values and managers' response to foreign subsidiary initiatives' resistance

Contemporary multinational corporations (MNC) work as networks in which foreign subsidiaries play relevant roles in the development of firm-specific advantages. In this sense, subsidiary initiative has proved to act as a key driver for subsidiary development that is determinant for the subsidiary's contributory role to the MNC competitive advantages (Hedlund, 1986; Birkinshaw et al., 1998; Bartlett and Ghoshal, 1989; Nell et al., 2010).

Subsidiary initiatives are entrepreneurial activities carried out by peripheral units that in most cases need either approval or recognition from the headquarters (Birkinshaw, 1999). However, recognition is anything but automatic as subsidiary initiative uses to face resistance. Corporate resistance not only comes from the headquarters but often even from sister units that behave as a "corporate immune system" (Birkinshaw and Ridderstråle, 1999). This corporate immune system (CIS) tries to prevent from opportunistic behaviours or unviable projects but it may also hinder the emergence of initiatives that could result in bases of competitive advantage for the multinational. Corporate resistance triggers different strategies from subsidiary managers. Subsidiary responses range from withdrawing the initiative to pursuing it in a concealed way.

Subsidiary initiative has received increasing attention in the area of international business (for a review see Strutzenberger and Ambos, 2014; Schmid et al., 2014). However, the research in the field presents two major shortcomings: first, despite the literature on entrepreneurship has mainly focused on the personality traits of the entrepreneur, studies on subsidiary initiative have paid less attention to them. But as an entrepreneurial activity, personal and professional background of the subsidiary managers promoting it is key antecedents in explaining initiative success. Thus, a relatively unexplored issue has been to examine the microfoundations (individuals and their background) underlying the subsidiary

initiative. Second, regarding the initiative implementation, research has focused on the explanation of how successful initiatives are undertaken (Williams, 2009). However, even if the "corporate immune system" has been described, its internal mechanisms remain mainly unexplored. Only the pioneer contribution by Birkinshaw and Ridderstråle (1999) described a series of alternative strategies that subsidiary managers may adopt as a response to the resistance faced from the CIS.

To fill this gap in the literature, our research aims to explore the link between initiative antecedents and the subsidiary responses for circumventing and fighting the resistance. Structural characteristics such as procedural justice and subsidiary autonomy as well as the personal values of subsidiary managers are studied as antecedents of the initiative. Subsidiary initiative has often been regarded from the headquarters as a tool used by local managers acting as "empire builders" that may lead to subversive behaviours. However, as far as we know, no studies have explained mechanisms of this concealed behaviour at subsidiary level. Thus, among the different alternatives for fighting the CIS our work focuses on those strategies trying to avoid confrontation to the CIS by hiding the initiative until it has proven to be successful, i.e. concealed initiatives.

We address this issue by developing a model concerning the impact of procedural justice, subsidiary autonomy and subsidiary managers' values (in particular, need for power, achievement, self-direction and universalism values) on subsidiary concealed initiatives. By combining corporate structural factors with managers' individual perceptions and values, we respond to recent calls to investigate subsidiary initiatives as multilevel phenomena (Birkinshaw 2000; Williams and Lee 2009; Strutzenberger and Ambos, 2014). We analyse the hypotheses by means of structural equation modelling using a PLS approach. For this research, we use a survey of 201 foreign-subsidiary managers in Costa Rica. In addition, looking for more robust results we also include in the model the initiatives revealed to the

eyes of headquarters. This allows us to compare both alternative strategies for overcoming corporate resistance and verify the consistency of our arguments.

We find that besides to structural variables such as autonomy and managers perceptions about procedural justice, the personal values and culture of subsidiary managers have a strong influence on the strategies they chose to develop their initiatives. So far, the literature refers to the subsidiary as the actor who undertakes the initiative, or to the subsidiary managers as a team, never to the subsidiary CEO or to any single individual. Our work shows that individual and collective goals at subsidiary are not always necessarily coincident and sheds light on the managers' strategic responses to fight corporate resistance. Therefore, this study contributes to the recent trends in much macro-management research, notably microfoundations (Foss and Lindenberg, 2013) and behavioural strategy (Gavetti, 2012), by emphasizing the role of heterogeneous individuals, top management and their interaction in driving subsidiary-level outcomes.

In the next section we develop four hypotheses on the incidence of procedural justice, subsidiary autonomy and subsidiary managers' values on subsidiary initiatives to overcome the CIS. This leads to the methodology section, which describes the sample and the constructs. A section on data analysis leads to a discussion of the results and a conclusion.

ACHIEVEMENT, POWER, SELF-DIRECTION AND SUBSIDIARY INITIATIVE

Subsidiary initiatives are included in the area of disperse corporate entrepreneurship. As entrepreneurial activities they are influenced by culture and personal characteristics of entrepreneurs (Stevenson and Jarillo, 1990). Subsidiary initiative results in a variety of outcomes, including the development of subsidiary specific advantages, increased performance, subsidiary role change, etc. (Strutzenberger and Ambos (2014). These changes occur not only at corporate and subsidiary level but also at managers' individual level. Being

the increase of subsidiary power and influence within the corporate network one of the consequences of initiatives (Ambos et al., 2010), it could be expected that that subsidiary initiatives also increase power and influence of the managers involved in.

In the structure of human values achievement and need for power are part of the self-enhancement dimension. Self-enhancement emphasizes the pursuit of one's own relative success, dominance over others and control over many rewarding resources (Schwartz, 1994; Schwartz and Bilsky, 1987). In this sense, individuals are motivated to achieve high status and prestige, tend to be independent, encourage free choice and individual performance. Promoting initiatives is regarded as a way to demonstrate success and individual competence (Morris et al. 1994) as well as to increase managers' power and influence. The more achievement and power values dominate a culture, the greater the value given to outcomes typifying personal goals and the less the concern given to the means of achieving these outcomes (Cullen et al., 2004). Managers with high achievement and power values are expected be more prone to seek for any means to face the corporate immune system resistance. These means may include avoiding all parts of corporate immune system in the early stages of initiative process and using proven acceptance to their initiatives instead of disclosing their plans to the corporation from the beginning (Birkinshaw and Ridderstråle, 1999).

Independent thought and action, as well as the need for control, are distinctive characteristics of individuals with high self-direction values (Schwartz, 1994). Self-direction, besides to achievement and need for power, has been included within the individualism dimension (Ralston et al., 2014). Self-directed managers value creativity, freedom and opportunities for self-enhancement that could report them intrinsic rewards (Van Dijk and Kluger, 2004). They value uncertainty and challenges as a source of opportunity instead of threat. They are more flexible and willing to take risks, are reluctant to comply with social

restraints and show higher willingness to break the rules (Verma, 1985). Therefore they may regard the corporate immune system as a barrier that has to be overcome.

Given the personal characteristics of managers scoring high values in need for power, achievement and self-direction we formulate the following:

Hypothesis 1: The need for power, achievement and self-direction will be positively related to the likelihood to undertake concealed initiatives, but has no effect on the likelihood to undertake revealed initiatives.

UNIVERSALISM AND SUBSIDIARY INITIATIVE

Self-trascendence (universalism and benevolence) emphasizes serving the interests of others: understanding, appreciating and tolerating all people regardless their rank or status (Schwartz, 1994). Individuals who attribute high importance to self-trascendence values are motivated to seek social justice and equality for all people and to be helpful, loyal and honest in everyday interactions (Roccas et al., 2010). According to Trompenaars and Hampden-Turner (1996) individuals in universalist societies place a high importance to laws, rules, values and obligations. Procedures and processes are clear and actions generally respect established rules.

Motivational goals associated to universalism include understanding, appreciation, tolerance and protection of the welfare of all people and nature (Schwartz, 1994). Universalism opposes to achievement and the need for power for which we have postulated a positive relationship with concealed initiative. Both of the latter emphasize pursuit of self-interest whereas the former involve concern for the welfare and interest of others (Schwartz, Sagiv and Boehnske, 2000). So, we may expect that managers showing high universalistic values will be more reluctant to undertake any activity that can be interpreted as opportunistic at headquarters eyes.

Subsidiary initiatives pursue increasing the competitive asset base of multinational corporations. However, interests and perceptions of headquarters and subsidiaries are frequently not aligned with one another (Ghoshal and Nohria, 1989). What subsidiary managers understand as entrepreneurial endeavour, headquarters perceives as opportunism. Undertaking subsidiary initiatives may thus be perceived as contrary to norms and a potential source of conflict.

Even if in the increasingly complex multinationals competitive advantage may be built from disperse contributions, headquarters still preserve its role as coordinator and the legitimacy to implement norms (Ciabuschi et al., 2012). Subsidiary managers with high universalism levels are expected to respect such legitimacy and therefore avoid any action that could be interpreted by headquarters as a violation of rules. As concealed initiative may be considered a breach of established rules, we propose:

Hypothesis 2: Universalism will be negatively related to the likelihood to undertake concealed initiatives, and positively related to the likelihood to undertake revealed initiatives.

PROCEDURAL JUSTICE

Complexity and subsidiary role heterogeneity within MNCs set the organizational conditions in which discrepancies may arise. Corporate decisions may result in differentiation, ambiguity and inconsistencies (Vora et al., 2007). Submitting initiatives for corporate approval processes may drive to discrepancies with headquarters' decisions. These discrepancies may have an impact on the perceptions about justice thus provoking negative reactions (Mudambi and Pedersen, 2007).

Procedural justice is defined as the extent to which the dynamics of a multinational corporation's strategy-making process are judged to be fair by the top managers of its subsidiaries (Kim and Mauborgne, 1993). Reactions of subsidiary managers to the decisions

regarding their initiatives will be positive or negative depending on the individuals' perception of procedural fairness. Managers welcome the organizations in which organizational processes are conducted fairly. Conversely, the perception that procedures have not been fair drive to negative reactions (Lind and Tyler, 1988), especially when the individuals perceive that their welfare is reduced or threatened. In this sense, fairness of processes becomes more important in developments with negative outcome than when results are positive (Colquitt et al. 2006). Individuals tend to be pleased about positive results regardless how these were achieved. However, people are more concerned about the way the process worked when they obtain undesired results. People accept rejection or negative responses to their proposals when they consider that the process followed in their evaluation has been fair (Luo, 2005).

Studies in multinational corporations have found that procedural justice implemented in the process of global strategy formulation increases trust, commitment and satisfaction with the results obtained at the subsidiary managers' eyes (Kim and Mauborgne, 1991), contrariwise, low levels of procedural justice result in distrust, suspicion and even hostility (Taggart, 1997).

The initiative process makes part of the political game within multinational corporations. While subsidiary managers try to attract support for their initiatives other actors may try to hinder them at all costs (Dörrenbächer and Geppert, 2009; Gammelgaard, 2009). Rejection combined with low levels of procedural justice are expected to drive to frustration and annoyance which in turn may trigger low level of commitment and disloyal behaviours. On the other hand, subsidiary managers considering that the initiative's evaluation process is fair are expected to avoid any action misaligned with the established procedures. Therefore:

Hypothesis 3: The perception of procedural justice will be negatively related to the likelihood to undertake concealed initiatives, and positively related to the likelihood to undertake revealed initiatives.

AUTONOMY

Autonomy is related to the division of power in making decisions between an organization and its subunits (Garnier, 1982). It is understood as the power subsidiaries have to make decisions without the interference of the headquarters. The level of autonomy of a subsidiary is a critical parameter to determine its position within the corporate network (Birkinshaw and Morrison, 1995; Taggart, 1997). Autonomy influences the quality of headquarters-subsidiary relationships, is linked to the ability in managing resources, the degree of intra and inter-organizational integration and the innovative activity of the subsidiary.

Autonomy has been considered both an antecedent and an outcome of subsidiary initiative (Paterson and Brock, 2002; Bouquet and Birkinshaw, 2008; Ambos et al., 2010; 2011). Autonomy appears as a necessary instrument to absorb knowledge from the host country environment (Achcaoucaou et al., 2014). This knowledge can alternatively be used to develop local responsiveness (Luo, 2001) or to contribute to the MNC's overall capabilities (Andersson, 2003). However, headquarters' managers use to regard with suspicion any action potentially driving to foreign subsidiary autonomy increase. Autonomy seeking is seen as an attempt to manipulate the rules to justify self-serving actions (Paterson and Brock, 2002; Taplin, 2006).

Reaction to the corporate immune system is expected to be strongly influenced by the subsidiary degree of autonomy. Subsidiaries with enough decision-making capacity, having the necessary resources and flexibility to develop alternative strategies will have less interest in using the corporate network to defend their projects. Alternatively, they may use their

resources and external networks as a way to develop the initiatives and gain legitimacy for their projects. Therefore:

Hypothesis 4: Subsidiary autonomy will be positively related to the likelihood to undertake both concealed and revealed initiatives.

METHODS

Questionnaire and data

This research employs the survey approach to collect data related to the subsidiary's concealed and revealed initiatives and their antecedents. The questionnaire was carefully developed on the basis of previous research. In this sense, existing validated measures were used to support content validity. Sources of possible bias were also avoided in the development of survey instrument by scattering the construct questions throughout the questionnaire, reversing and varying the scale endpoints of the variables and keeping the respondents unaware of the relationships under investigation (Podsakoff et al., 2003). The draft questionnaire was pre-tested through interviews with a mix of experienced managers and academics. After feedback and minor modification to wording, the questionnaire was administered in face to face interviews at subsidiary site.

The entire population of subsidiaries with majority foreign ownership located in Costa Rica was targeted for this study. The sample frame was constructed assembling data provided by the Costa Rican Investment Promotion Agency, the Association of Free Trade Zone Companies of Costa Rica, and the American Chamber. In addition, it was triangulated with other sources (including industry publications, company reports, newspaper articles, etc.). A census of 252 units with at least 51% foreign ownership was identified.

The data were collected between 2012 and 2014. During this period all subsidiaries were contacted and 113 subsidiaries accepted to participate. This made it possible to interview 207

subsidiary top managers (mainly CEOs, Managing Directors and Executive directors). After cleaning the data following the manual for a proper use of the Schwartz Value Survey (see Schwartz, 2009), the number of usable responses was reduced to 201. Cleaning the data also diminishes the number of participant subsidiaries to 108. This procedure yields an effective response rate of 42.9%, which is well above the normal range for surveys of MNC subsidiaries (Harzing, 1997) with high-level executives as respondents (Harzing and Noorderhaven, 2006).

While such high response rate diminishes the probability of non-response bias (Weiss and Heide, 1993), single respondent for both the dependent and independent variables enlarges the risk of common method bias (Podsakoff and Organ, 1986). As a post hoc statistical procedure to control for common method variance, we performed the Harman's single-factor test. The unrotated factor analysis -applying principal component extraction- revealed seven factors with eigenvalues above 1.0, the first of which accounting for 22% of the variance. This result confirms that common method bias is not a serious concern for this study.

The final sample is varied in terms of nationalities, industry, size, age and internationalization of the foreign subsidiaries, which also minimizes the number of sources of extraneous variance and systematic bias. A total of 19 different parent company nationalities are represented: 61.8% are of North American origin, 20.6% European, 11.7% Latin American, and 5.9% Asian. Moreover, manufacturing and service industries are represented at 43.8% and 56.2% respectively. Within the sample, subsidiary size ranges from 3 to 4,500 employees with an average of 407.48, and subsidiary age goes from 4 to 115 years with an average of 19. The degree of internationalization is also varied: 37 subsidiaries do not have foreign sales at all, while 19 subsidiaries target more than the 90% of their sales to foreign markets (the average is 35.7%).

Data analysis technique

A partial least square (PLS) approach to structural equation modeling (Chin, 1998; Wold, 1982) was used to test the hypotheses, specifically we used SmartPLS 2.0 software (Ringle et al., 2005). For our analysis this technique is preferable for the following reasons. First, structural equation modelling particularly fits this study since many if not most of the key concepts are not directly observable. This allows us to cope simultaneously with the issues of construct measurement and the structural relationships among the constructs (Barroso et al., 2010). Second, regression based approach of PLS has proved very useful in conditions of high complexity but low theoretical information (Chin et al., 2003) such as the one reported in this research. The study of concealed behaviour at subsidiary level is still at an early stage of development and some of the relationships analysed herein have not been hypothesized before. Third, mathematical algorithm underlying PLS also makes it suitable for this research, since it does not require restrictive assumptions of data normality (Fornell and Larcker, 1981) or known distribution (Falk and Miller, 1992), and sample size (Chin and Newsted, 1999; Reinartz et al., 2009) prevalent to other methods. Specifically, this research is constrained by the size of the target populations (the census of industrial foreign owned firms in Costa Rica only amounts 252 units) and non-normal distribution (as showed by Shapiro-Wilk statistic and normal probability plots of most of our variables). Consequently, we herein employed PLS because of its overall suitability to our modelling requirements.

Measures

Subsidiary managers' cultural background was captured using Schwartz Values Survey (1992, 1994) of 45 value items. These 45 value items represent the 10 motivationally distinct values that are theoretically derived from universal requirements of human life. In particular, the values to which this research is concerned are power, achievement, self-direction and universalism. Accordingly, the scales, with the value items in parentheses, are power (social power, authority, wealth, preserving my public image), achievement (success, capability,

ambition, influential), self-direction (creativity, freedom, curiosity, independence, choosing one's own goals) and universalism (broadmindedness, beauty of nature and arts, social justice, a world at peace, equality, wisdom, unity with nature, environmental protection). The participants were asked to rate the importance they would give to the item scales of these four values as life-guiding principles on a 9-point rating scale (anchored as -1='opposed to my principles'; 0='not important'; 3='important'; and 7='of supreme importance'). All in all, 6 items exhibited very weak loadings on its respective constructs in the PLS analysis, so they were eventually dropped (see table 1).

Subsidiary perception on procedural justice was measured using the scale developed by Kim and Mauborgne (1991, 1993). Specifically this scale comprises five items to which managers indicated agreement on a 5-point Likert (anchored as 1='strongly disagree'; 5='strongly agree'). The items, with the definition in parentheses, are bilateral communication (the extent to which bilateral communication exists between managers of head offices and subsidiary units), consistency (the extent to which head offices do not discriminate but apply consistent decision-making procedures across subsidiaries), provided an account (the extent to which subsidiary units are provided a full account for the final strategic decisions of the head office), familiarity (the degree to which head office managers involved in strategic decision-making are well informed and familiar with the local situations of subsidiary units) and ability to refute (the extent to which subsidiary units can challenge and refute the strategic views of head office managers). The latter items were dropped in the course of the PLS analysis because they loaded very weakly on the construct.

Subsidiary autonomy was measured by combining scales previously used in the literature (Taggart 1997, Birkinshaw 1995a,b; Birkinshaw and Morrison, 1995, Ghoshal et al. 1994). Thus, respondents were requested to indicate whether the decision-making lies at the headquarters or at the subsidiary level for seven strategic decision fields, i.e. improvement or

development of new products; major improvements to manufacturing processes; research and development activities; innovation activities; setting up objectives and goals; supplier selection; and organizational changes. The following decision levels were used: 1='the subsidiary decides alone'; 2='the subsidiary decides after considering parent company suggestions'; 3='the parent company decides after considering subsidiary inputs'; and 4='the parent company decides alone' (Birkinshaw et al., 1998, Ghoshal et al. 1994). Item deletion was used to arrive at the final operationalization of four items (see Table 1).

Subsidiary concealed / revealed initiatives were essentially based on questions originally developed by Birkinshaw and Ridderstråle (1999). These set of measures represent six alternative ways to pursue initiatives as a response to the resistance faced from the CIS. Depending on its hidden nature, the initiative is classed as concealed or revealed to the headquarters. Revealed initiatives comprise (1) withdrawing the initiative to avoid conflict with competing divisions; (2) persistent selling of initiative to parent office; and (3) using of personal relationships with corporate managers to circumvent and/or fight major areas of resistance. Concealed initiatives encompass (1) implementing the initiative in its early stages and subsequently demonstrate its feasibility to parent office; (2) early generation of external market acceptance to fight resistance from parent office and rival units; and (3) implementing the initiative and presenting it as a *fait accompli* to parent office and sister subsidiaries. Respondents were asked to rate the extent to which they would follow these alternative ways to pursue initiatives on a 5 point Likert scale (from 1='strongly disagree' to 5='strongly agree'). The first item of each construct was dropped during the PLS analysis.

RESULTS

The PLS estimates are reported in two stages following the recommendations of Chin (2010). The first stage comprises the assessment of the psychometric properties of the

measurement model. The second stage provides evidence supporting the structural model as exemplified by the construct relationships. Bootstrap procedure was used to assess the significance of the parameter estimates as has the advantage of being completely distribution free (Chin, 2010). Accordingly, the number of bootstrap samples was set equal to 5000, with each bootstrap sample containing 201 observations as the original sample.

Measurement model

In the research model, all variables correspond to first-order reflective factors with multi-item scales. Thus, psychometric properties of the measurement model were assessed in terms of the reliability and validity of the item measures (Hair et al., 2012).

As it is shown in Table 1, the measurement model is valid in terms of individual item reliability, construct reliability, and convergent validity. It is also acceptable for discriminant validity (see Table 2). Standardized factor loadings indicate that all individual reliability of the items, except for items Auto1, Auto2, Auto3 from the autonomy scale, Uni4 and Uni5 from the universalism scale, and Self1 and Self3 from the self-direction scale, are above the threshold of 0.707 recommended by Carmines and Zeller, 1979. However, they were retained in the model for two reasons. First, they are over the minimum acceptable value of 0.55 suggested by Falk and Miller (1992) for initial stages of research development (Chin, 1998). Second, these factor loadings proved to be different from zero as they are significant at the 0.01 level (based on a Student t(4999) distribution, two-tailed test). Thus, removing these items would eliminate valid information, even though relatively small with respect to the rest of the items (Chin, 1998). Internal consistency reliability was examined through composite reliability (Werts et al., 1974). All the latent variables exceeded the benchmark of 0.7 for exploratory research suggested by Nunnally (1978). Convergent validity was assessed using the average variance extracted (AVE), which is recommended to be greater than 0.5 (Fornell and Larcker, 1981). All the constructs have an AVE value above this minimum, except for the

autonomy construct which is very close to this value (0.4202, see Table 3). Finally, discriminant validity is assessed following Fornell and Larcker's (1981) approach. Table 2 shows how the AVE is higher than the variance shared between the construct and other constructs in the model (i.e. squared correlation between two constructs). Taken together, these results provide sufficient confidence that the measurement model used is reliable and valid.

Structural Model

The amount of variance explained of the endogenous variables brings support to the appropriate predictive power of the theoretical model. As it is shown in Table 3, which summarizes the results, the R-square values of the concealed and revealed initiatives are higher than the 10 per cent optimal minimum according to Falk and Miller (1992). Also, the Stone-Geisser Q^2 statistic (Geisser, 19747; Stone, 1974) is higher than zero for the two initiatives, suggesting that the model has predictive relevance.

The statistical significance of the path coefficients was determined by means of bootstrap procedure (5000 resamples) to generate standard errors and t-statistics (Chin, 1998). As can be observed in Table 3, most of the hypothesized relationships for concealed initiatives are significant (at least at $p < 0.05$), while the relationships for revealed initiatives are not. Interestingly, need for power, achievement and self-direction, have significant effect on concealed initiatives (at $p < 0.05$) but no significant effect on revealed initiatives. While this supports the notion that managers' cultural values affect organisational initiative, it also demands distinguishing their effects according to the concealed or revealed quality of the initiative under consideration. In this sense, hypothesis 1 (proposing a positive effect of need for power, achievement and self-direction on initiatives) is partially supported in respect of concealed initiatives and not supported for revealed initiatives. However, contradicting hypothesis 2, the relationship between universalism and either concealed initiatives or

revealed initiatives were not significant (at $p < 0.05$). In contrast, there is strong support for hypothesis 3, which predicts a negative effect of subsidiary's perception of procedural justice on concealed initiatives and a positive effect on revealed initiatives (significant at the $p < 0.01$). Finally, hypothesis 4, which predicts subsidiary autonomy positively related to the likelihood to undertake both initiatives, is strongly supported for revealed initiatives (at $p < 0.01$), but no significant effect was found on concealed initiatives. A possible explanation is that autonomy is often granted by corporate headquarters, thus, an acknowledged autonomous subsidiary does not need to undertake concealed initiatives to get legitimacy for its projects. All in all, results indicate that the influence of the variables introduced in the model varies depending on the type of initiative scrutinized, which calls for breaking down the initiative and distinguishing its concealed or revealed nature for a better analysis.

DISCUSSION

Our results outline the importance of combining corporate structural factors with managers' perceptions and their own values in explaining their responses to the corporate immune system resistance. The positive relationship between the need for power and achievement with concealed initiative is in line with the literature on entrepreneurship that sees it as a way of achieving their own personal goals, even when it involves paying less attention to the means employed in the process.

All the values included in hypothesis 1, however, do not show a positive impact on concealed initiatives. The significant negative relationship between self-direction and concealed initiative drives us to think about the very nature of the subsidiary initiative. Self-direction values are associated to independent thought and action (Schwartz, 1994). Our argumentation interpreted independent as related to subsidiary interest in contrast to follow corporate guidelines. However, self-direction in this case seems to be more related to think

independently from any other individual. Subsidiary initiative definition refers to it as corporate entrepreneurship, therefore being a collective endeavour. Our results suggest that highly self-direction oriented individuals have no significant relationship to undertaking revealed initiatives what can be related to the fact that they don't like to be involved in collective actions. The negative relationship with the concealed initiative may show the reluctance to participate in actions against what could be considered “good corporate citizen” behaviour thus damaging their career prospects.

Universalism has a positive, even if not significant, effect on concealed initiative instead of the expected negative relationship. This may be justified by the idea that the perception gap between subsidiary’s and headquarters’ managers prevails over the possibility of considering concealed initiatives as a source of conflicts. Managers with universalistic values are not primarily considering initiatives as sources of conflict, but they see keeping them secret of little relevance compared to the benefits they may bring to the company. The positioning of universalism within the structure of human values may support this argument. According to Schwartz (1994) values form a continuum of related motivations, so adjacent value types may share motivational emphases. Universalism shares with self-direction the reliance upon one’s own judgement. This reliance is consistent with the idea that there is uncertainty about how the headquarters interpret the subsidiary activities as to judge them as being consistent with or inconsistent with the overall strategy of the firm (Vahlne et al., 2012). Given the idea that subsidiary initiative results in developments that may benefit not only the interests of the subsidiary or the individuals involved in it but also of the whole multinational, we could understand that managers with high universalistic values do not refuse to undertake concealed initiatives if they think they are in the interest of the company. This could explain why results do not confirm what we proposed in hypothesis 2.

Our results show that individuals guided by opposed values may undertake similar actions. Managers with high self-enhancement (power and achievement) values may regard concealed initiatives as a way of increasing subsidiary power (Ambos et al., 2010) and consequently their own power within the corporate network. Conversely individuals with high self-transcendence (universalism) values may carry on with initiatives even if the headquarters does not bless them when they regard them as a way of contributing to the interest of the whole corporation.

Procedural justice has proved to have a strong impact on the reactions of subsidiary managers to corporate decisions affecting their activities. As expected, managers' perceptions about fairness in the process opposing the initiative by corporate agents prevent subsidiary directors from undertaking secret initiatives. This suggest that transparency and fairness in the strategy-making processes may be used as a tool to disincentive undesired behaviours.

Not blessed initiatives have been considered a way of enhancing subsidiary autonomy. Managers involved in them have frequently been considered mavericks or empire builders trying to defend their own interests. Their actions are regarded with suspicion as they can be misaligned with corporate purposes. Consequently, headquarters and sister units try to prevent from them by activating the corporate immune system. Our results do not support hypothesis 4 proposing that autonomy has a positive impact on concealed initiative. Instead, its relationship to the revealed initiative is positive and significant. These results suggest that managers in subsidiaries with enough decision-making capacity do not need to get involved in finding support for the initiative behind headquarters' back. It seems that autonomy legitimates subsidiary initiative so they do not feel constrained by corporate rules. Autonomy thus legitimates subsidiary initiative.

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Figure 1. Theoretical model

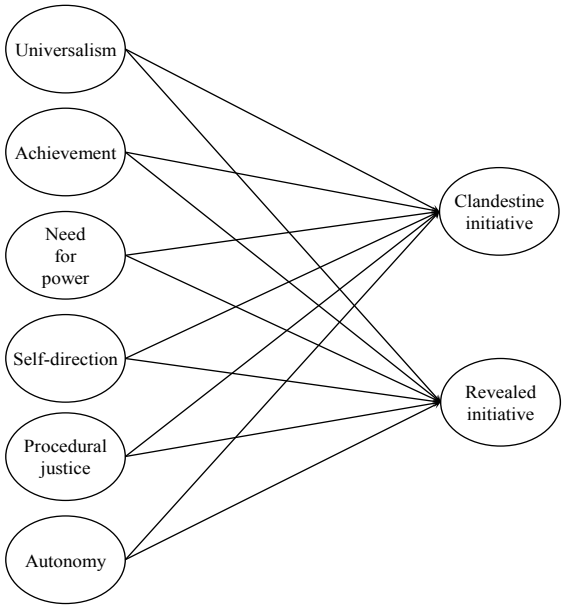

Table 1. Validation of the measurement model. Reliability and convergent validity

		ITEM RELIABILITY		SIGNIFICANCE (bootstrapping)	CONSTRUCT RELIABILITY	CONVERGENT VALIDITY
	Label	Loading	Standard Error	T Statistics	Composite reliability	AVE
Universalism					0.8582	0.5051
A world at peace	Uni2	0.7481	0.0789	9.4778**		
Unity with nature	Uni3	0.7750	0.0711	10.9048**		
Wisdom	Uni4	0.6125	0.0962	6.3663**		
A world of beauty	Uni5	0.6169	0.0998	6.1837**		
Social justice	Uni6	0.6800	0.0891	7.6302**		
Protecting the environment	Uni8	0.8077	0.0704	11.4726**		
Achievement					0.8362	0.6328
Influential	Achi2	0.9116	0.0623	14.6393**		
Capable	Achi3	0.7570	0.1220	6.2054**		
Successful	Achi4	0.7030	0.1255	5.6003**		
Need for power					0.8251	0.7023
Social power	Power2	0.8550	0.1012	8.4460**		
Authority	Power3	0.8207	0.1238	6.6301**		
Self-direction					0.8090	0.5187
Freedom	Self1	0.5953	0.2110	2.8219**		
Creativity	Self2	0.8190	0.1585	5.1687**		
Choosing own goals	Self4	0.6460	0.1766	3.6588**		
Curious	Self5	0.7952	0.1550	5.1295**		
Procedural justice					0.8812	0.6504
Bilateral communication	Proc1	0.8576	0.0388	22.1128**		
Consistency	Proc2	0.8294	0.0474	17.5064**		
Provided an account	Proc3	0.8063	0.0570	14.1378**		
Familiarity	Proc4	0.7267	0.0676	10.7480**		
Autonomy					0.7382	**0.4202**
Improvement or development of new products	Auto1	0.5924	0.2018	2.9356**		
Major improvements to processes	Auto2	0.5778	0.1932	2.9910**		
Innovation activities	Auto4	0.5618	0.1855	3.0282**		
Set up objectives and goals	Auto5	0.8249	0.1447	5.7008**		
Revealed initiative					0.8373	0.7210
Persistent selling	Init2	0.9035	0.0732	12.3416**		
Personal networking	Init3	0.7910	0.0888	8.9124**		
Concealed initiative					0.8727	0.7744
Market acceptance	Init6	0.8468	0.0431	19.6520**		
Fait accompli	Init5	0.9120	0.0349	26.1088**		

Note: AVE=Average Variance Extracted; $^{**}p < 0.01$; $^{*}p < 0.05$ (based on a Student t(4999) distribution, two-tailed test).

Table 2. Validation of the measurement model. Discriminant Validity

	1	2	3	4	5	6	7	8
1. Achievement	**0.6328**							
2. Autonomy	0.0409	**0.4202**						
3. Concealed initiative	0.0389	0.0169	**0.7744**					
4. Procedural justice	0.0787	0.0161	0.0227	**0.6504**				
5. Revealed initiative	0.0336	0.0462	0.0699	0.0634	**0.7210**			
6. Self-direction	0.4706	0.0518	0.0032	0.0854	0.0267	**0.5187**		
7. Universalism	0.3148	0.0311	0.0286	0.0218	0.0381	0.3721	**0.5051**	
8. Need for power	0.0884	0.0195	0.0376	0.0284	0.0018	0.0446	0.0152	**0.7023**

Note: Diagonal represents the average variance extracted; while below the diagonal the shared variance (squared correlations) are represented.

Table 3. Structural model assessment

PATHS	SIGNIFICANCE (bootstrapping)				
	Path Coefficient	t-value	Standard Deviation	R^2	Q^2
Effects on concealed initiatives				0.1410	0.0667
Achievement	0.2372	2.5659**	0.0924		
Need for power	0.1688	2.3977*	0.0704		
Self-direction	-0.1888	2.1418*	0.0881		
Universalism	0.1452	1.9140	0.0759		
Procedural justice	-0.2252	2.8715**	0.0784		
Autonomy	0.1044	1.5820	0.0660		
Effects on revealed initiatives				0.1332	0.0470
Achievement	0.0891	1.1723	0.0760		
Need for power	-0.1361	1.8575	0.0733		
Self-direction	-0.0547	0.8169	0.0670		
Universalism	0.1311	1.6803	0.0780		
Procedural justice	0.2240	2.7943**	0.0802		
Autonomy	0.1768	2.2948*	0.0770		

Note: $^{**}p < 0.01$; $^{*}p < 0.05$ (based on a Student t(4999) distribution, two-tailed test).