Roles of Subsidiary Managers in Multinational Corporations: The Effect of Dual Organizational Identification

Abstract and Key Results

- Subsidiary managers are faced with complex managerial roles involving both the interests of the multinational corporation (MNC) and the subsidiary. We suggest complex roles are best fulfilled when managers develop dual organizational identification towards both entities.
- Based on a conceptualization of dual organizational identification in terms of relative magnitude, we test the effect of dual identification on subsidiary manager roles and role conflict.
- Results indicate that high identification with both entities is associated with high role fulfillment and that similarity in organizational identities directly affects role conflict.

Key Words

Dual Organizational Identification, Subsidiary Manager Roles, Multinational Corporation (MNC), Role Theory, Role Conflict, Organizational Identity

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Introduction

One of the most critical issues that multinational corporations (MNCs) face is that of coordination and integration among its dispersed organizational units. This is increasingly important in today’s competitive environment where MNCs must achieve both local responsiveness and global integration (Bartlett/Ghoshal 1988). Subsidiary managers are central to the functioning of MNCs, since they act as the boundary spanners between the subsidiary, the headquarters and often the other units of the MNC. As such, they are expected to fulfill a number of different and often conflicting roles and responsibilities. As Bartlett and Ghoshal discuss (Bartlett 1985, Bartlett/Ghoshal 1992, 1998), these roles concern both the MNC and the subsidiary. Subsidiary managers are expected to not only act in the subsidiary’s interest, but also in the interest of the overall MNC. In Bartlett and Ghoshal’s (1992, 1988) terms, they must be bi-cultural interpreters, national advocates and defenders, and front-line implementers. Effective navigation of these roles is suggested to improve inter-unit communication and cooperation (Bartlett/Ghoshal 1998) and facilitate the creation of social capital in the MNC (Kostova/Roth 2003), which in turn can contribute to performance and competitive advantage (Nahapiet/Ghoshal 1998). The question is: What are the factors that lead subsidiary managers to effectively fulfill these roles?

We propose that the nature of organizational identification experienced by these managers is one of these key factors. Dutton, Dukerich, and Harquail (1994) define organizational identification as a “form of psychological attachment that occurs when members adopt the defining characteristics of the organization as defining characteristics of themselves” (p. 242). Individuals who identify with an organization adopt its goals, values, and practices as their own. They share the views of the organization and are therefore likely to act in ways congruent with its interests. Indeed, as Tompkins and Cheney (1983) state, “from an organizational (or managerial) perspective, member identification is beneficial in that it guarantees that decisions will be consistent with organizational objectives” (p. 125). We suggest that organizational identification is particularly important for MNC subsidiary managers and that in this context identification becomes complex. Managers tend to develop dual identification, identifying with both MNC and subsidiary, which in turn affects their ability to act on behalf of both entities and thus fulfill their multiple roles. Such an idea is alluded to by Doz and Prahalad (1986), who suggest that managers with dual loyalties are more effective than those loyal to only one entity, since they are sensitive to both corporate and local interests. Similarly, Black and Gregersen’s (1992) qualitative research on expatriate allegiance suggests that expatriates can best serve both the MNC and subsidiary when they are highly committed to both.

The objective in this paper is to examine the effects of dual organizational identification of MNC subsidiary managers on their role fulfillment and role conflict.