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2008, Vol. 51, No. 3, 577–601.

WEIGHT VERSUS VOICE: HOW FOREIGN SUBSIDIARIES GAIN ATTENTION FROM CORPORATE HEADQUARTERS

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This study investigates how foreign subsidiaries gain attention from corporate headquarters. Using detailed questionnaire and archival data on 283 subsidiaries of multinational enterprises, our analysis revealed three significant findings. First, attention decisions are partially based on the structural positions that subsidiary units occupy within a corporate system—their "weight." Second, a subsidiary also has a "voice" of its own that it can use to attract attention. Third, the relationship between a subsidiary's voice and headquarters attention is moderated by two specific aspects of the subsidiary's historical situation: geographic distance and downstream competence.

The attention of executives at corporate headquarters is recognized to be a scarce and critical resource (Cyert & March, 1963; Simon, 1947). The choices senior executives make about which organizational units or issues to focus on therefore have profound implications for the strategic direction of an organization, and for its ability to respond effectively to emerging opportunities (March & Olsen, 1976; Ocasio & Joseph, 2005). Researchers have begun to study the role that formal structures play in directing investments of managerial attention toward the most attractive opportunities (Ocasio, 1997). There is also research on how individual players within an organization can access or get around these structures to more effectively capture the attention of executives at the top (Dutton, 1997; Dutton & Ashford, 1993; Hansen & Haas, 2001).

In this study, we utilized and built on the latter stream of research by theorizing further on the strategies that organizational *units* deploy to attract headquarters attention. Existing research has primarily focused on the packaging and selling of specific issues or projects (Dutton & Ashford, 1993; Morrison & Phelps, 1999). Fewer studies, however, have examined organizational units themselves as meaningful entities that may capture (or fail to capture) attention from headquarters executives (Morrison & Milliken, 2000: 707). One notable exception is the research conducted by Galunic and Eisenhardt (1996, 2001). Those authors found that organizational units have longer-lived and more "path-dependent" connections with executives at headquarters than do specific issues, which are typically short-lived and linked to key individuals. In fact, their qualitative studies of divisional charter gains and losses suggested that the factors shaping organizational unit attention may be somewhat different from those observed in the issue-selling literature—and perhaps may involve a combination of individual initiative *and* aspects of a unit's historical situation.

Although such findings are informative, multinational enterprises (MNEs) provide a fascinating context for exploring this issue further. The distinctive features of MNEs are high levels of geographical and cultural diversity coupled with complex portfolios of businesses, functions, and markets. This diversity and complexity make it impossible for executives at corporate headquarters to give full attention to all subsidiary units around the world (Bouquet, 2005; Levy, 2005). Rather, their attention is typically divided among subsidiaries in ways that do not give an equal hearing to all parties

We would like to thank Duane Ireland, two anonymous *AMJ* reviewers, Tina Ambos, Jean-Philippe Bonardi, Lex Donaldson, Moshe Farjoun, Tony Frost, Anoop Madhok, Allen Morrison, Charles McMillan, and Bernie Wolf, as well as the organizers and participants of the "New Perspectives on Subsidiary Management Research" workshop in Newcastle, Australia, for their very helpful suggestions on drafts. Tina Ambos, Hamid Hakbari, Liza Mercier (from York's Institute for Social Research), Yesim Ozalp, and Serdar Yaruz also helped with data collection. Support from the Advanced Institute of Management Research (AIM), the Social Sciences and Humanities Research Council of Canada (Grant #410-2005-2079), and International Management Australia is gratefully acknowledged.

(Prahalad & Doz, 1987). So for the individuals managing a specific subsidiary, a key question becomes how they can gain the necessary levels of headquarters attention to deliver on their potential and contribute to their MNE's long-term success (Birkinshaw, Hood, & Jonsson, 1998).

MNE researchers have observed for many years that it is important both for corporate headquarters to be alert to their promising subsidiaries (Bartlett & Ghoshal, 1986; Doz, Santos, & Williamson, 2004) and for subsidiaries to be vocal in support of their own achievements (Birkinshaw, 2000; Dutton, 1997). However, there are still plenty of examples of subsidiaries that struggle to gain even the smallest amounts of interest or investment from headquarters, often resulting in missed opportunities for the parent company. For example, one of our interviewees, the chief executive of Dun & Bradstreet (D&B) Australia, took the highly unusual step of using private equity backing to buy the subsidiary from its American parent company, after realizing that its low ranking in the D&B world was preventing additional investment. The business subsequently doubled in three years, and the profits grew tenfold.

Our objective in this study was to uncover the factors that affect the level of attention given by corporate headquarters executives (hereafter, "headquarters attention") to a subsidiary unit.[1] We address two specific questions: The first question is, How should the construct of headquarters attention be operationalized to have both practical and theoretical value? The existing literature on attention suggests disparate points of view (Moray, 1969; Ocasio, 1997). In the context of an MNE, for example, attention can evoke images of corporate staff seeking to coerce a subsidiary into complying with global policies, or it can suggest a more developmental relationship, in which headquarters is seeking to identify and build on new ideas (Chandler, 1991; Rugman & Verbeke, 2001). We adopt the latter point of view on attention and conceptualize it as a largely "positive" form of parental intervention and, more specifically, as a meta-construct that consists of three interrelated and reinforcing dimensions (Law, Wong, & Mobley, 1998). We then validate this operational approach in our empirical study.

The second research question is, What are the key factors that shape headquarters attention for a subsidiary unit? We argue that two sets of factors are at work. Theories of intraorganizational power suggest that the structural configuration of an MNE network (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997)—in our terms, a subsidiary's *weight* in a system—influences headquarters attention. A relational process in which the subsidiary's *voice* (Hirschman, 1970; Morrison & Phelps, 1999) is used to emphasize its existing or potential contribution to the MNE as a whole (Birkinshaw, 2000) also shapes headquarters attention. In this article, we integrate these perspectives to develop theoretically grounded predictions regarding the attention that subsidiaries receive from headquarters. Further, we investigate the possibility of moderating influences. In particular, we develop the reasoning that the voice of a subsidiary becomes increasingly important as a means for capturing attention when the subsidiary is at a risk of strategic isolation (Monteiro, Arvidsson, & Birkinshaw, 2007). Subsidiaries prone to strategic isolation are those that are a long way from headquarters and those whose competencies are largely anchored in the downstream part of the value chain. We make this logical extension to our framework to determine whether important aspects of a subsidiary's situation interact with relational processes to impact headquarters attention.

We believe this study has theoretical implications for several important domains of international management and organization theory. In terms of international management, although many studies have examined the potential value of subsidiary-level initiatives in MNEs (e.g., Birkinshaw, 2000; Ling, Floyd, & Baldridge, 2005; O'Donnell, 2000), none of them has demonstrated how that potential is realized. This study represents the missing link in the chain in that it shows the conditions under which entrepreneurial efforts by subsidiary managers can influence headquarters attention, which in turn may result in significant changes to the roles of particular subsidiaries and a rethinking of the broader priorities of an MNE (Birkinshaw & Hood, 1998). And in doing so, we provide a careful operationalization of headquarters attention in an MNE context.

In terms of organization theory, our research contributes to a deeper understanding of how the allocation of attention can influence a broader realignment of priorities and investments within a multiunit organization. That is, we see the shifting level of attention given to a particular organizational unit as an important *mechanism* through which its role or charter evolves to reflect changes in the

[1] Many MNEs have distributed headquarters operations, with some executives in the global office and others in regional headquarters. Although we conceptualized headquarters as the set of executives with central (non-business-specific) responsibilities, in practice we operationalize the concept as the corporate or global (rather than regional) set of executives. We did this to avoid any confusion among respondents, some of whom had regional headquarters and some of whom did not.

organization's operating environment (Galunic & Eisenhardt, 2001). In sum, this article develops new theoretical ideas about the allocation of attention in large multiunit organizations, and to our knowledge it is also the first to empirically test such issues in the specific context of MNEs.

THE CONCEPT OF HEADQUARTERS ATTENTION

Attention constitutes a broad field of research that spans several disciplines (Jones, 2005; Thornton, 2004) and fields of inquiry.[2] For most organizational scholars, attention refers to the set of elements (events, trends, ideas and, in our case, foreign subsidiaries) that occupies the consciousness of managers (Dutton, Walton, & Abrahamson, 1989; Fiske & Taylor, 1984). The emerging attention-based view of the firm (Ocasio, 1997; Ocasio & Joseph, 2005) portrays attention as a meta-construct describing the noticing, encoding, and interpreting of available stimuli and the accompanying focusing of time and effort. To develop an appropriate conceptualization of attention for this research, we supplemented our review of the organizational and international management literature with an exploratory round of research interviews with 24 subsidiary executives. Appendix A describes this approach in detail. This research highlighted the multifaceted nature of attention in an MNE and the need to define the term in a very precise way to avoid confusing it with related notions of control and compliance. We focused on a positive form of headquarters attention that is value-enhancing and forward-looking (Chandler, 1991). Specifically, we introduce the concept of "positive headquarters attention" and define it as the *extent to which a parent company recognizes and gives credit to a subsidiary for its contribution to the MNE as a whole.* The definition has three important elements: it portrays attention as a largely positive thing that can facilitate a subsidiary's future development (rather than as a form of corporate interference or control); it puts the granting of attention into the hands of the parent company as a whole (rather than the CEO or a particular subset of executives); and it is achieved on the basis of the subsidiary's contribution to the MNE as a whole (rather than its contribution to a local market). Moreover, our interviews suggested that positive headquarters attention can be broken down into three subconstructs, as follows:

Subconstructs of Positive Attention

Relative attention. This is the perceived level of recognition and credit given to a focal subsidiary relative to the level given to other subsidiaries in an MNE. Many of the subsidiary managers we interviewed saw attention as a competitive process resembling the zero-sum games described in agenda-setting research (Dutton, 1997; Jones & Baumgartner, 2005). For example, one individual we spoke to had responsibility for the entire Asian region in his company. He described attention as a scarce commodity that needed to be allocated across a portfolio of countries. In his opinion, the headquarters were "overinvested" in mainland China, "radically underweight in Japan," and "uncertain" about India, which he felt was "a real wild card." He also acknowledged that the smaller countries (the "poor cousins") were typically not getting much interest from parent executives.

Supportive attention. This is the provision by a corporate parent of discretionary resources as a way to facilitate a subsidiary's development (Luo, 2003; Rugman & Verbeke, 2001). MNE theorists (Bartlett & Ghoshal, 1989; Doz, Santos, & Williamson, 2001) and scholars interested in the function of corporate headquarters (Chandler, 1991; Goold, Alexander, & Campbell, 1994) have described attention as a kind of "emotional energy" (Collins, 1998) that underpins the value-added interventions of parent executives. Our interviewees adopted a similar point of view, often describing attention as a gateway to the best practices, technologies, people, and career opportunities available in the corporate world, many of which are in limited supply.

Visible attention. This describes explicit recognition from its corporate parent of a subsidiary's existence and achievements, expressed in media that are transmitted to a broad body of stakeholders. In particular, and building on the assumption that language and thoughts are closely related (Huff, 1990), numerous studies have suggested that annual reports depict the major topics that a parent company attends to (Cho & Hambrick, 2006; D'Aveni & MacMillan, 1990; Levy, 2005), partly because such reports reflect the perception and in-

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[2] In psychology, for example, William James wrote: "Every-one knows what attention is. It is the taking possession by the mind in clear and vivid form of one out of what seem several simultaneous objects or trains of thought" (1890: 403–404). Yet Moray (1969) proposed seven distinct uses of the term, which included the concentration of mental resources as a way to improve task performance; the act of vigilance, in which a person monitors the environment in the hope of detecting something; selective filtering; oriented search; activation; and set, whereby an attending actor demonstrates a readiness to respond in a certain way.

put of many individuals at the top. Our interviewees echoed this viewpoint, often alluding to the symbolic value of annual reports, which they believed send strong signals as to who the winners and losers are in their firms' systems.

Positive Attention as an Aggregate Multidimensional Construct

These three dimensions are conceptualized as forming an overall representation of how much positive attention a subsidiary receives from its parent company. However, it makes little sense to argue that there exists a higher-order latent construct called positive attention that can be manifested solely in terms of any one dimension, for example visibility. Instead, we view attention as an aggregate multidimensional construct (Law et al., 1998) that is formed as the composite of three subconstructs, which may or may not covary. In other words, changes in the visible dimension of our core construct will not necessarily lead to changes in the supportive or relative dimensions. Rather, lack of any single dimension will decrease but not totally eliminate the amount of positive attention that a subsidiary receives from its corporate parent.

Before proceeding, we also need to clarify the relationship between positive headquarters attention and strategic role. A long tradition of research examines the causes and consequences of subsidiaries' strategic roles in MNEs (e.g., Bartlett & Ghoshal, 1986; Jarillo & Martinez, 1990; White & Poynter, 1984). *Strategic role* is defined as the activities a subsidiary performs and has responsibility for within an MNE (Birkinshaw & Hood, 1998: 782); it is typically established over a number of years, is widely communicated and understood in the organization, and changes relatively rarely (Galunic & Eisenhardt, 1996). The concept of positive attention, as we have defined it, is an indicator of the current level of recognition and/or credit accorded to the subsidiary by headquarters executives, and as such positive attention is likely to be more subjective and less stable than a subsidiary's stategic role. Of course, we would expect a subsidiary's strategic role to correlate with the attention it receives from headquarters, but we would also expect there to be occasions when a subsidiary receives more or less attention than would be expected in view of its formal role within the MNE—perhaps because of recent changes in the subsidiary's marketplace, or because of the specific initiatives it is pursuing. By focusing on attention, rather than strategic role, this study opens up several new avenues for research into the dynamics of headquarters-subsidiary relationships.

THEORY DEVELOPMENT

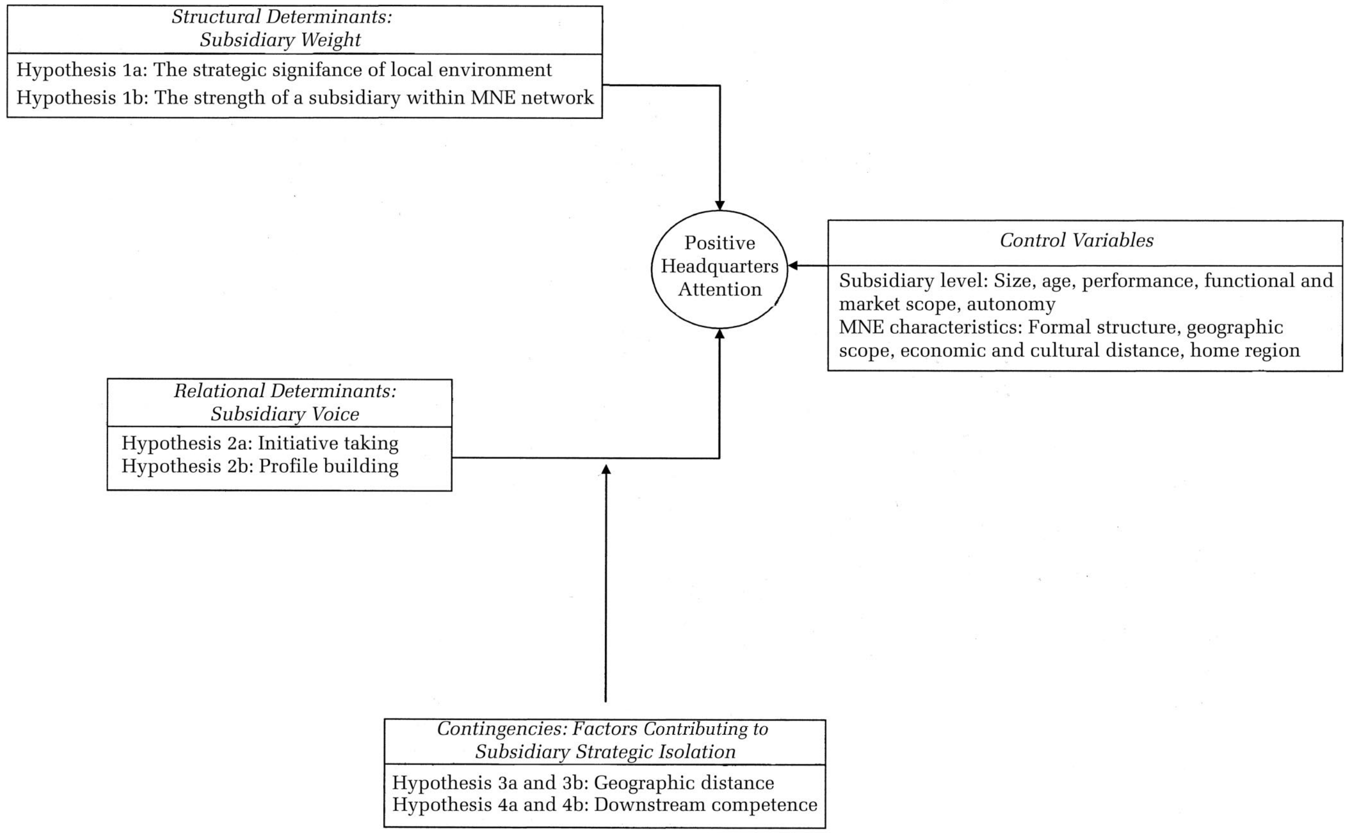
Two theoretical perspectives inform our model of corporate attention allocation in MNEs. Figure 1, which graphically presents the conceptual framework for our study, delineates these two perspectives on the left. The structural perspective, which can be seen as representing the baseline perspective for this study, embraces ideas from theories of intraorganizational power (Benson, 1975; Hickson, Hinings, Lee, Schneck, & Pennings, 1971; Lawrence & Lorsch, 1967). It suggests that headquarters attention is fundamentally determined by the internationally differentiated positions that foreign subsidiaries occupy in the corporate system of an MNE (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997). According to this perspective, an MNE is a value-maximizing entity that functions according to criteria of proven strategic significance. The positive attention a subsidiary receives is therefore based on its *weight* in the global ordering of power. Prior studies suggest that key components of a subsidiary's weight are the strategic significance of its local market (Hypothesis 1a) and the strength of the subsidiary within the MNE network (Hypothesis 1b) (Bartlett & Ghoshal, 1986; Jarillo & Martinez, 1990).[3]

Although this line of thinking is by far the most established in MNE literature, it has its limitations. Often, indicators of weight concern how successful a subsidiary has been in the past or convey something about the received view of the subsidiary's marketplace (usually from external sources). But decision-making heuristics tend to be relatively biased and simple-minded (Cyert & March, 1963), so without any evidence to the contrary, arguments centered on the notion of weight suggest that parent company executives will continue to allocate attention to subsidiaries in the way they have always done.

The *relational* perspective, to which this study seeks to contribute, is grounded upon the issue-selling literature (Dutton, 1997; Dutton & Ashford, 1993; Dutton, Ashford, O'Neill, & Lawrence, 2001) to highlight the possibility that headquarters executives do not see the world simply in this hierarchical manner. Combining the issue-selling literature with related research in organizational

[3] These two dimensions can be interpreted as constituting the subsidiary's *strategic role* in its MNE, though as noted earlier we prefer not to use the term "strategic role" as it is sometimes confused with attention. Other variables are also sometimes used to define subsidiary roles, such as "level of autonomy" and "size," and these are controlled for in the analysis.

FIGURE 1
Conceptual Framework



behavior (Hirschman, 1970; Morrison & Phelps, 1999) and unit-level studies of divisional charter gains and losses (Galunic & Eisenhardt, 1996, 2001), we suggest that *headquarters attention can also be viewed as the outcome of a bottom-up process* (Birkinshaw & Hood, 1998; Birkinshaw et al., 1998; Ling et al., 2005). That is, foreign subsidiary units have voices of their own that they can use in their relationships with headquarters to more effectively position their achievements within a corporate system, irrespective of current weight considerations.

With our model, we build on this relational perspective to develop theoretically grounded, unit-level predictions regarding the components of subsidiary voice. In this regard, we view MNEs as complex organizational systems characterized by a dual (and sometimes contradictory) logic of action (Luo, 2005). On the one hand, an MNE is an economically integrated economic institution that encourages members to continuously justify their existence within an emerging global hierarchy, so taking the initiative is important (Hypothesis 2a) because it may lead to the acquisition of specialized resources that offer future competitive advantages. On the other hand, an MNE is also a socially constructed community of subsidiary members that can only advance their cause with corporate headquarters if they are believed to adhere to a common set of strategic goals, norms, and values (Bartlett & Ghoshal, 1994; Galunic & Eisenhardt, 1996). So although taking the initiative is important, so are the concrete actions undertaken by host country managers to build a subsidiary's profile with headquarters executives (Hypothesis 2b) and reinforce their perception that it is a reliable citizen of the MNE family.

We further expand the relational perspective by also exploring whether there are conditions that moderate the strength of our voice arguments. Two variables—geographic distance and downstream competence—have often been described as contributing to the strategic isolation of a subsidiary (Ghemawat, 2001; Mudambi & Navarra, 2004), although these links have not always been supported empirically (Monteiro et al., 2007). The third part of our model addresses the extent to which geographic distance (Hypotheses 3a and 3b) and "downstream competence" (Hypotheses 4a and 4b) act as moderator variables for the hypothesized effects of initiative taking and profile building on the positive attention that subsidiary units receive from corporate headquarters. We now develop each of these hypotheses in detail.

Structural Determinants of Attention: The Weight of a Subsidiary

The task of allocating attention over an entire portfolio of subsidiary units is complex. But strategic management requires that headquarters executives make some choices rather than try to allocate their limited attention in a uniform manner, as if all subsidiary units were equally critical to MNE success (Prahalad & Doz, 1987: 150–152). No simple formula exists, yet a large number of prior studies have suggested that headquarters executives use relatively objective criteria to categorize subsidiaries; they assess the strategic significance of a local market as well as the strength of the subsidiary operations within the MNE network. By gaining weight along such dimensions, subsidiary units increase the likelihood that headquarters executives know of their accomplishments in the firm system, and therefore the units increase the amount of positive attention that actually flows in their direction.

Local market strategic significance. This dimension reflects the perception that the particular market in which a subsidiary operates is critical to the performance of its parent MNE. In this respect, previous researchers have often suggested that headquarters managers flock toward those subsidiary markets that provide the greatest sales opportunities, relative to those available elsewhere in their corporation (e.g., Christensen, 1997). The presence of other foreign multinationals in a local market may also trigger positive headquarters attention because it typically signals the availability of critical location-specific advantages that can improve the competitiveness of an MNE (Dunning, 1998). Alternatively, it may also indicate agglomeration effects (such as rapid technological advances and improved competitive practices) from which the MNE can derive benefits. These effects, which were originally described by Marshall (1920), typically emerge through the clustering of related activities and specialized support services, which, as Porter (2000) described, typically act as magnets for the allocation of attention in MNEs.

Hypothesis 1a. The strategic significance of its local market is positively related to the positive attention that a subsidiary receives from corporate headquarters.

Subsidiary strength within an MNE network. This dimension is defined as the extent to which a subsidiary undertakes activities upon which sister subsidiaries depend. For example, a subsidiary might have responsibility for manufacturing a product on behalf of its entire MNE, or it might be designated as a "center of excellence" that other subsidiaries can learn from (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997). Building on well-established theories of intraorganizational power (Benson, 1975; Hickson et al., 1971; Lawrence & Lorsch, 1967), we argue that the higher the level of dependence of other subsidiaries on a focal subsidiary, the more powerful the focal subsidiary is likely to be and, consequently, the greater the amount of attention it is likely to receive from corporate headquarters.

Hypothesis 1b. The strength of a subsidiary within an MNE network is positively related to the positive attention that the subsidiary receives from corporate headquarters.

Relational Determinants of Attention: The Voice of a Subsidiary

Initiative taking. This dimension refers to the conscious and deliberate actions of subsidiary managers in their marketplace (Birkinshaw & Hood, 1998; Birkinshaw et al., 1998). Initiative taking is similar to other forms of "taking charge" behavior (Morrison & Milliken, 2003; Morrison & Phelps, 1999) in that it is voluntary (not formally required by headquarters) and change-oriented (that is, aimed at improving a subsidiary's status and perceived significance in a corporate system). Subsidiary initiatives are typically directed toward new products or services, or new market opportunities. And they usually represent an extension to or departure from the subsidiary's established mandate. Evidence from a variety of sources highlights the potential value of subsidiary initiatives for a firm as a whole (Rugman & Verbeke, 2001), but their outcomes are uncertain and to some degree embedded in their local market contexts, so the effectiveness of subsidiary initiatives as attention-capturing tools is ambiguous (Schulz, 2001). In fact, Birkinshaw (2000) argued that many MNEs are intolerant of ideas and proposals that have not been directly solicited from the top and that, as a result, subsidiary managers are sometimes reluctant to fully exert their entrepreneurial influence.

In this study, we argue that initiative taking can generate flows of positive attention from parent companies both directly and indirectly. The direct effect is likely to be experienced during routine visits to a subsidiary operation. Consider an example from our research interviews: when the CEO of ABB, a Swiss-Swedish engineering group, visited the managers of its Czech subsidiary, he discovered that they had come up with the rather ingenious idea of linking the company's administrative computers at night (when they were not used) to leverage their combined processing capacity. This meta-network, which allowed the company to more quickly run R&D algorithms with a particular mathematical structure, gave unprecedented recognition and support to the Czech subsidiary. The indirect effect takes two forms: either headquarters executives see the early-stage results of a subsidiary initiative in the form of increased revenues or higher profitability, or the individuals behind the initiative develop a reputation across the MNE for their actions and subsequently come to the attention of headquarters executives.

Hypothesis 2a. Initiative taking by a subsidiary's managers is positively related to the positive attention that the subsidiary receives from corporate headquarters.

Profile building. This dimension refers to the broad set of efforts undertaken by subsidiary managers to improve their image, credibility, and reputation within their parent MNE. If initiative taking is fundamentally about action taken in the local subsidiary context, profile building is the complementary set of activities focused on the corporate network. The logic stems from the argument that for a subsidiary's current status and growth plans to influence parent company attention, the managers running the subsidiary have to work hard to shape the corporate agenda (Dutton & Ashford, 1993) and to build perceptions that their activities and operations are strategically important and supportive of established corporate goals, norms, and values. In this respect, Galunic and Eisenhardt's (1996, 2001) studies of divisional charter gains and losses emphasized the importance of a subsidiary's being seen as a reliable citizen of the corporate community. As one manager whom these authors interviewed related, "Omni [the parent corporation] knows we deliver, and we've had a great reputation for that. I cannot remember not delivering." (Galunic & Eisenhardt, 2001: 1238).

Our review of the MNE literature suggested that profile building consists of three main factors. The most important factor is probably the subsidiary's *track record*—that is, "the extent to which it has delivered, over the years, results at or above the expectations of the parent company" (Birkinshaw & Hood, 1998: 788).[4] A solid track record helps to build confidence that the subsidiary is a reliable and trustworthy actor within the firm network.[5] The subsidiary's *commitment to the parent company* constitutes a second important factor. As Galunic and Eisenhardt noted, headquarters executives can seldom "ignore a widely felt need to reward good citizenship" (2001: 1238), perhaps because a strong sense of affiliation serves to reduce goal conflict and the likelihood that subsidiaries will pursue actions detrimental to overall corporate objectives (Black & Gregersen, 1992; Gregersen & Black, 1992; Roth & O'Donnell, 1996). A third factor is related to the *impression management* (Gardner & Martinko, 1988; Schlenker, 1980) efforts by which a subsidiary is able to more effectively emphasize its contributions and strategic proposals (Dutton & Ashford, 1993). Such efforts may involve working with headquarters to demonstrate strategic alignment, or simply maintaining exposure and connections with power brokers at head office.[6]

Hypothesis 2b. Profile building by a subsidiary's managers is positively related to the positive attention that the subsidiary receives from corporate headquarters.

Contingencies: Contributors to Subsidiary Strategic Isolation

Geographic distance. Even in an era of global economic interdependence, as Helliwell observed, "being further from home usually means being less well connected to local networks, less able to understand local norms, and less able to be sure how much to trust what people may say" (2002: 21). All else being equal, headquarters executives understand the subsidiaries in their corporate network

[4] This concept is distinct from that of subsidiary performance, which we include as a control variable.

[5] For example, one subsidiary president observed: "Getting attention is about establishing credibility and it doesn't happen within a short period of time. People need time to evaluate how you run a business. If you demonstrate predictability and results over time, you start to build a confidence that ultimately works in your favor."

[6] One manager we interviewed commented: "In terms of getting attention, there's an enormous amount of preselling that goes on. For example, if we have a project which we know we're going to put up the line, I will go out and pre-sell this to my boss, I'll pre-sell it to the business development people or the worldwide marketing teams, so by the time it gets to discussion at the executive team, we already have a number of support pillars in place. It's unusual at that stage that people turn around and say, 'I didn't know about this,' or, 'I don't feel comfortable with this,' because you've already had that discussion."

that are the furthest away less well than they understand the closer ones, which in turn means that the executives are more likely to fall back on simple heuristics (rather than deep personal knowledge) to evaluate distant subsidiaries. This formulation suggests that distant subsidiaries are therefore at a greater risk of capturing low levels of attention than those closer to home. Findings in related areas support this argument . For example, studies of knowledge transfers in MNEs have shown that transfers between units drop off dramatically with increasing distance (Buckley & Carter, 2004; Hansen & Lovas, 2004; Monteiro et al., 2007), and puzzling stories of "home bias" in the patterns of trade flows and capital investments between countries offer parallel findings (Ricart, Enright, Ghemawat, Hart, & Khanna, 2004).

If the above logic is correct, there is also reason to believe that, by more fully exerting their voice (i.e., through initiative taking and profile building), a subsidiary's managers can improve the quality and quantity of information that parent company executives have at their disposal, which in turn increases the likelihood that the attention afforded to the subsidiary is a fair reflection of its actual activities and capabilities. Subsidiaries close to headquarters have various informal and ad hoc mechanisms for achieving this objective of gaining attention, whereas those further away have no choice but to be proactive in initiative taking and profile building. This statement would suggest that voice-based mechanisms for channeling positive levels of headquarters attention are likely to become increasingly important as geographic distance increases (see Agrawal, Kapur, and McHale's [2006] study of the Indian diaspora).

Hypothesis 3a Geographic distance strengthens the relationship between initiative taking and positive headquarters attention.

Hypothesis 3b. Geographic distance strengthens the relationship between profile building and positive headquarters attention.

Downstream competence. Although subsidiary units are nodes in a network from which headquarters executives potentially have much to learn (Bartlett & Ghoshal, 1986), the extent to which the particular initiative-taking and profile-building efforts of managers elicit positive attention from headquarters may vary according to the kind of activity that underpins subsidiary competence. In particular, we suggest that a subsidiary with a downstream competence, by which we mean a unit responsible for activities mostly confined to product sales, service, and/or marketing, is generally more likely to fall out of the loop than a subsidiary with an upstream competence, such as manufacturing, R&D, or strategic support services (see Mudambi and Navarra [2004] for a recent review of this issue). This expectation prevails because some subsidiary advantages are location-bound: although occasional examples of subsidiaries developing global centers of excellence in downstream functions exist (Frost, Birkinshaw, & Ensign, 2002), downstream assets usually lead to the creation of competencies and insights that cannot be "leveraged into" other distant markets (Forsgren, 2000; Hu, 1995) and are therefore viewed as less important to corporate headquarters (Schulz, 2001). A downstream competence can also exacerbate concern at an MNE's head office that a subsidiary is engaging in opportunistic "empire-building" behavior that may destroy value for the MNE (Williamson, 1975), thus diminishing the flow of positive attention to the subsidiary.

But again, there is reason to believe that subsidiary managers can, through their initiatives in particular, channel information to parent company executives that facilitates their understanding of how the subsidiary's knowledge or expertise in downstream activities can contribute to the rest of the MNE (Monteiro et al., 2007). The maintenance of a good profile can also create perceptions of trust and commitment that strengthen the exchange relationships between headquarters and their marketing affiliates (Hewett & Bearden, 2001; Morgan & Hunt, 1994). Thus, we expect that voice mechanisms become increasingly important as vehicles for capturing attention when a subsidiary's competencies are confined to the downstream part of the value chain.

Hypothesis 4a. A downstream competence strengthens the relationship between initiative taking and positive headquarters attention.

Hypothesis 4b. A downstream competence strengthens the relationship between profile building and positive headquarters attention.

METHODS

Sample and Data Collection

The study involved 283 foreign subsidiaries of large MNEs in Australia, Canada, and the United Kingdom (U.K.). These countries were considered appropriate domains of study in this research because they all have substantial populations of foreign-owned affiliates with similarities along two dimensions: (1) they constitute a relatively homogeneous cultural group that shares a common language, thus mitigating the issue of measurement equivalence and (2) all three have established histories of inward investment, thus offering an interesting context for the study of how subsidiaries may succeed in attracting attention. Foreign subsidiaries, defined as local affiliates whose parent companies held at least 51 percent of their ownership, were identified in each country through a slightly different sampling methodology because of the nature of the available databases. In Australia, we used the membership listing of the International CEO Forum, a leading industry association (whose members are exclusively foreign-owned subsidiaries), to compile our selection of foreign subsidiaries. In Canada and the U.K., a random sample was drawn up from the *Directory of Corporate Affiliations.* The initial set consisted of 1,400 subsidiaries for which the names of CEO contacts could be identified, excluding operating branches without a significant level of strategic decision making. To reduce problems associated with common methods variance, we collected data both from primary and secondary sources. Secondary data were collected for one dimension of the dependent variable (i.e., visible attention) and for several independent, moderating, and control variables. Since the focus of our investigation was on privately held subsidiary companies, it was impossible to get consistent public-record data on other aspects of internal subsidiary activities.

We mailed questionnaires to the managing directors of the selected subsidiaries, using local sponsors in each case. This study received the generous support of reputable local organizations, namely the International CEO Forum, the Social Sciences and Humanities Research Council of Canada, and the Advanced Institute of Management Research in the U.K. Clearly identifying these endorsements in our communications with subsidiary executives may have helped to build trust that our data collection effort was legitimate and useful. Specific steps were also taken to maximize response rate (Dillman, 2000; Fowler, 1993): (1) requests for participation in the mail survey engaged the respondents' natural interest in the topic of "attention," (2) we provided stamped return envelopes and offered access to a summary report of the study's findings, and (3) about three weeks after the initial mailing, we sent nonrespondents a second letter with a new questionnaire. In total, 286 subsidiary CEOs responded, providing a response rate of 20 percent, which is satisfactory for research of this type (Harzing, 2000). After eliminating three questionnaires with missing data, we ended up with 283 usable responses that were used in all subsequent analysis.

We developed the questionnaire in three stages. First, we asked three academics to review the initial draft instrument to identify questions that were vague, ambiguous, or sources of possible bias. Through this feedback, we eliminated or modified some of the initial survey items and added others to the revised instrument. Second, we attempted to minimize consistency artifacts by keeping the questionnaire short (four pages), varying the scale formats, and scattering same-construct questions throughout the questionnaire. Third, we tackled the risk of social desirability bias by asking informants to answer survey questions in an indirect way, from the perspective of a group of managers rather than from their own individual points of view (Fisher, 1993). We also maintained the confidentiality of informants and used serial numbers on the mail survey to keep track of respondents and nonrespondents (Sharma, 2000).

The distribution of the respondents was as follows: 101 foreign subsidiaries in Australia, 96 in Canada, and 86 in the U.K. The mean annual revenues of the sample were $412 million (in U.S. dollars), with a range from $2 million through to $6 billion (s.d. = $752 million). The subsidiaries represented 246 different corporate parents whose sales ranged from $12 million to $92 billion, with the average parent sales being $3.2 billion (s.d. = $7.5 billion). The most common parent company nationality by far was the United States (96), followed by France (31), Germany (30), Japan (25), and the United Kingdom (21). To estimate the likelihood of nonresponse bias, we examined whether respondents and nonrespondents differed significantly on parent nationality, but no significant difference was found. We also used a Kolmogorov-Smirnov two-sample test to examine differences of central tendency, dispersion, and skewness in the distribution of respondents and nonrespondents related to size, using the logarithm of total subsidiary sales, but no significant differences were found. A nonsignificant time trend extrapolation test (Armstrong & Overton, 1977) provided further confidence that our sample was representative.

Measuring Attention

Procedures. To construct a clear understanding of how to apply scholarly views of the attention concept (Ocasio, 1997; Thornton, 2004) to the study of parent-subsidiary relationships in an MNE context,[7] we conducted a preliminary set of face-to-face interviews. This approach, which led to the identification of three unifying themes corresponding to the *relative*, *supportive*, and *visible* aspects of attention, is described in Appendix A. It should be noted that some of the interviewees described more negative forms of attention that we later determined (on closer inspection in the course of analyzing this content) actually referred to issues of corporate control—that is, procedures undertaken by headquarters managers to monitor and evaluate subsidiary activities. We felt it was more appropriate to label these activities "headquarters control." However, for the sake of completeness, we performed some additional post hoc analysis to investigate the impact of our independent variables on headquarters control.

Multidimensional scales. We measured *relative attention* by asking respondents to answer three questions on a scale ranging from 1 ("much lower") through 4 ("about the same"), to 7 ("much higher"). Our abbreviations for the items follow their descriptions to facilitate interpretation of the relevant confirmatory factor analysis results [below]): "The amount of attention paid to us relative to key Asian markets (e.g., China) is . . . " (AT1), "The amount of attention paid to us relative to comparatively sized markets in the region is . . . " (AT2), and "The amount of attention paid to us relative to comparatively sized markets in other parts of the world is . . . " (AT3) S*upportive attention* items used a three-item scale ranging from 1 ("strongly disagree") to 7 ("strongly agree"). Respondents were asked to assess the value-added aspects of the attention they received from corporate headquarters by indicating the extent to which they agreed with the following: "Corporate headquarters provide cash bonuses and career opportunities to our people" (AT4), "Parent companies want to learn more about our local market and products" (AT5), and "The head-office helps diffuse our best practices across the firm's global network" (AT6).

Finally, we followed D'Aveni and MacMillan's (1990) recommended procedures to assess *visible attention* in terms of the content of an MNE's annual report. We calculated three ratios using data averaged over two years (2003–04). These ratios were computed as the total number of times a subsidiary country location was mentioned in the annual report (excluding references to currency and accounting standards) divided by the total number of words used in the annual report (AT7), the total number of times a subsidiary country location was mentioned divided by the total number of references made to the parent company's nationality (AT8), and the total number of times a subsidiary country location was mentioned divided by the total number of references made to China (AT9). The use of China as a country comparator provided a realistic and objective sense of the relative attention afforded to a focal subsidiary in the MNE corporate world. We converted all three measures to logarithms to correct for their nonnormal distributions.

Psychometric properties. We used confirmatory factor analysis (CFA) with AMOS version 5 and maximum-likelihood estimation to evaluate whether attention could be conceptualized as a higher-order construct represented by nine items loading on three first-order dimensions. Here we followed Kline's (2005: 134) recommendation in reporting a minimal set of fit indexes that included: (1) the model chi-square, (2) the Steiger-Lind root-mean-square-error of approximation (RMSEA), (3) the Bentler comparative fit index (CFI), and (4) the standardized root-mean-square residual (SRMR). As shown in Table 1, the hypothesized CFA model provided a very good fit to the data (χ^2[25, n = 283] = 33.94, $p > .01$; RMSEA = .04, with a 90% confidence interval of .00–.06; CFI = .99; SRMR = .04). Each indicator variable loaded significantly on its respective factor, as expected.

For completeness, we compared this higher-order, three-factor model structure to one- and two-factor structures, using the chi-square difference test to compare these models (Bollen, 1989; Kline, 2005). The single-factor model inadequately accounted for the observed covariances (χ^2[27, n = 283] = 248.92, $p < .01$; RMSEA = .17 with a 90% confidence interval of .15–.19; CFI = .79; SRMR = .14). When we examined whether attention could be modeled as two correlated factors (one of which corresponded to the items representing visible attention), we found that the fit associated with this model (χ^2[26, n = 283] = 97.14, $p < .01$; RMSEA = .10 with a 90% confidence interval of .08–.12; CFI = .93; SRMR = .08) was significantly decreased compared to the higher-order, three-factor structure. Indeed, the chi-square difference of 63.18 between these two models was highly significant

[7] In the specific context of an MNE, attention is often evoked in general terms as a type of parental intervention by which headquarters executives are able to recognize and support promising subsidiary developments, such as new technologies and emerging customer needs in various parts of the world (e.g., Rugman & Verbeke, 2001). The limited attention of decision makers at headquarters typically means that subsidiaries compete for this scarce resource, a challenge often described as particularly daunting for subsidiaries, particularly those located at the periphery of the world economy (Doz et al., 2001).

TABLE 1
Results of CFA Model for Attention[a]

Construct/ Indicator	Standardized Loading	Z	Composite Reliability (AVE)[b]
Relative			.80 (.57)
AT1	.68		
AT2	.62	6.77***	
AT3	.53	5.38***	
Supportive			.84 (.63)
AT4	.55		
AT5	.62	7.49***	
AT6	.75	7.56***	
Visible			.98 (.95)
AT7	.94		
AT8	.96	20.58***	
AT9	.82	30.34***	
Attention[c]			.74 (.51)
Relative	.61	4.89***	
Supportive	.59	4.42***	
Visible	.48	5.49***	

[a] For spell-outs of the abbreviations for the individual items, see the text. *Z*s (critical ratios) were set to 1.00 to establish scale.
[b] "AVE" is average variance extracted.
[c] Hypothesized second-order model with residual variances constrained to be equal.
*** $p < .001$

($\Delta df = 2$, $p < .001$). Taken together, these analyses suggested that attention was best captured as a meta-construct of three first-order dimensions. Table 1 gives the statistical values resulting from our CFA assessing the fit of our attention-getting model.

Independent Variables

The strategic significance of a local market. We measured this construct using two separate indicators, both computed at the North American Industry Classification Index (NAICS) three-digit-industry level of analysis. The first indicator captured the size of the local subsidiary market. *Local market size* was calculated as the proportion of worldwide industry sales realized in a given subsidiary's host country. We used data reported in Compustat Global Vantage to compute this first item. The second indicator captured the presence of multinationals in a local subsidiary market (*presence of MNEs in local market*), which, as indicated earlier, may indicate the presence of location-specific advantages or agglomeration effects from which a parent company can learn. We calculated this indicator as the ratio of foreign direct investment (FDI) inflows to FDI outflows over the most recent previous ten years, using data from the United Nations 2005 *World Investment Report*.

The strength of a subsidiary in its MNE network. This construct captures the idea that a subsidiary's activities are central to its MNE system. It was measured with a scale adapted from O'Donnell (2000) that asked respondents to indicate (1, "to a very little extent," to 7, "to a great extent") whether: (1) "the activities of this subsidiary influence the outcomes of other subsidiaries," (2) "work in this subsidiary is connected to the work of other subsidiaries," (3) "the activities of other subsidiaries influence the outcomes of this subsidiary," and (4) "this subsidiary depends on the effective functioning of other subsidiaries to keep performing its own tasks effectively." The final measure was calculated as follows:

Subsidiary strength in MNE network

$$= \frac{\text{Item a}}{\text{Average of (item b, item c, and item d)}} .$$

Initiative taking. We measured this construct using a four-item scale from Birkinshaw et al. (1998) tapping various aspects of subsidiary initiatives. The items were all preceded by the stem, "How often have any of the following activities occurred over the previous five years?" The items were: "new products developed in [the host-market] and then sold internationally," "successful bids for corporate investments in [the host market]," "new corporate investments in R&D or manufacturing attracted by host-country management," and "proposals to transfer manufacturing to [the host market] from elsewhere in the corporation" (1 = "never" to 7 = "plentifully").

Profile building. Our composite measure of profile building captured the track record of a subsidiary, its commitment to its parent company, and the impression management efforts of subsidiary managers. *Track record* was operationalized with items based on the work of Birkinshaw and Hood (1998). The items were: "The subsidiary has a history of delivering what it has promised to the parent company" (PF1), "The subsidiary has a history of strong, internationally-respected leaders" (PF2), and "The credibility of subsidiary top management is high" (PF3). The notion of subsidiary *commitment* was assessed with a three-item scale used by Gregersen and Black (1992) and Roth and O'Donnell (1996). The items were: "Subsidiary managers care about the fate of the parent company" (PF4), "What this parent company stands for is important to our subsidiary managers" (PF5), and "Subsidiary managers feel a strong sense of affiliation with the multinational corporation as a whole"

TABLE 2
CFA Model for Profile Building[a]

Construct/ Indicator	Standardized Loading	Z	Composite Reliability (AVE)[b]
Track record			.81 (.60)
PF1	.50		
PF2	.81	7.61***	
PF3	.60	7.50***	
Commitment to parent company			.93 (.87)
PF4	.81		
PF5	.93	9.24***	
PF6[c]			
Impression management			.84 (.63)
PF7	.57		
PF8	.82	8.44***	
PF9	.65	8.29***	
Profile building[d]			.75 (.52)
Track record	.50		
Commitment to parent company	.75	3.63***	
Impression management	.58	3.64***	

[a] For spell-outs of the abbreviations for the individual items, see the text. *Z*s (critical ratios) were set to 1.00 to establish scale.
[b] "AVE" is average variance extracted.
[c] This item was dropped from the measurement model because of high cross-loadings on other constructs.
[d] Hypothesized second-order model with residual variances constrained to be equal.
*** $p < .001$

(PF6). Finally, to measure *impression management,* we developed a three-item scale based on the work of Bartlett and Ghoshal (1989). The items were: "We work with head-office managers to focus the subsidiary's efforts towards meeting corporate goals and values (therefore maintaining strategic alignment)" (PF7), "We involve the parent company in our business and welcome their input" (PF8), and "We spend time developing connections with people in positions of authority at corporate headquarters" (PF9).

As we did for attention, we used CFA to assess the fit of the hypothesized profile-building structure; Table 2 presents relevant statistics. The initial model provided a reasonable fit to the data (χ^2[26, n = 283] = 65.57, $p > .01$; RMSEA = .07 with a 90% confidence interval of .05–.10; CFI = .95; SRMR = .06), but further inspection of the output helped determine that large correlation residuals existed between item PF6 (sense of affiliation to MNE as a whole) and other factors. Dropping this item and reestimating the CFA model significantly improved fit (χ^2[19, n = 283] = 29.66, $p < .05$; RMSEA = .05 with a 90% confidence interval of .00–.07; CFI = .98; SRMR = .04). This revised model provided superior fit to one-factor and two-factor models, so we retained the reduced set of items for all subsequent tests.

Moderating Variables

Geographic distance. We applied the great-circle distance formula to the latitude and longitude coordinates of the city locations of both subsidiary and corporate headquarters to precisely calculate physical distance in kilometers. An application of this approach can be found in Coval and Moskovitz (1999). All distances were computed with a calculator available at http://www.mapcrow.info/.

Subsidiary downstream competence. Following established approaches (Hewett, Roth, & Roth, 2003; White & Poynter, 1984), we assessed each subsidiary's downstream competence by asking respondents to indicate which value-added activities it performed. We listed eight activities: Four corresponded to downstream parts of the value chain (product sales and after-sales service, marketing, sale of professional services, and logistics/distribution); four activities involved the upstream part (manufacturing, provision of strategic services [regional headquarters], R&D, and "back office" support.) Our measure of a downstream competence was the number of downstream activities divided by the total number of subsidiary activities.

Control Variables

We controlled for several factors that had potential to confound the study's hypotheses. Appendix B describes our operationalizations of these control variables. At the subsidiary level of analysis, we included a measure of subsidiary *size*, because large subsidiaries often possess a form of administrative heritage that commands attention in an MNE system (Bartlett & Ghoshal, 1989). To reflect the possibility that subsidiaries might attract more attention at both the early and late stages of their strategic development, as well as when they experienced extreme levels of performance, we also controlled for the nonlinear effects of subsidiary *age* and *performance*. The *functional scope* and the *market scope* of a subsidiary's activities and the strategic *autonomy* of the subsidiary were also included as controls because such variables are often assumed to shape the broad role and mandate of subsidiary actors within an MNE network (Jarillo & Martinez, 1990; White & Poynter, 1984). MNE characteristics were also included as controls. In particular, we controlled for considerations of formal structure, which may affect the attention routinely allocated to country affiliates (Galbraith, 2000), using the dichotomous variables *matrix structure* and *geographic area structure*. We also coded the *geographic scope* of a parent company, which determines the number of subsidiary actors that compete for the same finite pool of attention resources (Miller & Eden, 2006). We controlled for the *cultural distance* between an MNE's headquarters and a sudsidiary and for the *parentage* (home region) of the MNE when testing our hypotheses to account for the possibility of attentional differences resulting from broad differences in mind-sets (Perlmutter, 1969).

Additional Validity Tests

We estimated a CFA model that included all of the study's latent constructs—attention, initiative taking, profile building, subsidiary size, performance, and autonomy—and in which the factor scores obtained for the first-order dimensions of profile building and attention were used as manifest indicators of their higher-order constructs. This model was a good fit to the data (χ^2[155, n = 283] = 274.80, $p < .01$; RMSEA = .05 with a 90% confidence interval of .04–.06; CFI = .95; SRMR = .06). In addition, all the parameters loaded significantly on their respective constructs ($p > .001$, critical value = 2.58, all Zs > 4). The average variance extracted exceeded .5 in all cases, providing good evidence of convergent validity. The correlations between latent constructs, shown in Table 3, were not particularly high, indicating adequate discriminant validity (Anderson & Gerbing, 1988; Bagozzi & Phillips, 1982). The composite reliabilities ranged from .72 to .92, indicating that the measures were reliable.

We also tested for the possibility of common method bias among survey variables. This was done by estimating a CFA model in which all survey items for the constructs described in this study were loaded on a common "method" factor. This model demonstrated poor fit to the data (χ^2[104, n = 283] = 868.45, $p < .01$; RMSEA = .16 with a 90% confidence interval of .15–.17; CFI = .45; SRMR = .15), indicating the absence of a single general factor. Additional exploratory factor analysis on attention, initiative-taking, and profile-building items clearly replicated the factor structure we intended to use in the tests of hypotheses. Items loaded on the intended factors, all of which had eigenvalues greater than 1.0, as was consistent with the measurement model. Importantly, this analysis did not reveal significant cross-loadings that would suggest the presence of substantial common method variance. In addition, common method bias was unlikely to explain the hypothesized interaction effects between voice variables, geographic distance, and downstream competence as the survey respondents would have been unlikely to hypothesize interactions (Aiken & West, 1991; Evans, 1985.)

RESULTS

Tests of Hypotheses

We used hierarchical ordinary least square (OLS) regression analysis to test the study's hypotheses. Table 4 contains the results of these analyses. We centered component variables used for square terms or interactions to reduce possible problems of multicollinearity. All variance inflation factors (VIFs) had values lower than 5, suggesting that multicollinearity did not threaten parameter estimates. Model 1 presents the control coefficients predicting attention.

In model 2, we present results of the multiple regression analysis pertaining to Hypothesis 1a. Our prediction that the importance of the local market in which a sudsidiary is located would be positively associated with headquarters attention is supported. Indeed, the coefficients indicating the presence (through FDI) of MNEs in the subsidiary market and the relative size (as a proportion of worldwide industry sales) of this market, were both positive and significant. In model 3, a similar pattern of results emerged to support Hypothesis 1b. The coefficient measuring the strength of a subsidiary within its MNE network was positive and significant. Taken together, considerations of weight accounted for 20 percent of the explained variance in attention, compared to 12 percent for the baseline controls included in model 1.

Supporting our predictions, initiative taking (model 4), and profile building (model 5), were both positively related to positive headquarters attention and accounted for an additional 8 percent of unique variance explained. Therefore, Hypotheses 2a and 2b are supported, though it is worth noting that the effect of profile building on attention is qualitatively much stronger than the effect of initiative taking.

The results presented in model 6 support Hypotheses 3a and 3b. The main effect for the geographic distance variable was negative and statistically significant, and the interaction between profile building and geographic distance has a positive and significant ($p < .01$) coefficient, as we expected. The increase in the explained variance was also significant. The interaction between subsidiary initiative taking and geographic distance

TABLE 3
Means, Standard Deviations, and Correlations[a]

Variables[b]	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. Positive Headquarters attention	0.00	1.00																			
2. Subsidiary size	0.00	1.00	.13																		
3. Subsidiary age	33.94	29.12	−.02	.25																	
4. Subsidiary autonomy	3.39	0.94	.11	.18	.01																
5. Subsidiary performance	0.00	1.00	.07	.05	.06	.09															
6. Subsidiary functional scope	3.95	2.10	−.07	.23	.23	.01	.14														
7. Subsidiary market scope	19.84	24.10	.12	−.04	−.05	−.02	−.11	.00													
8. Geographic area structure	0.18	0.39	.10	−.29	−.12	−.16	−.08	−.04	.14												
9. Matrix structure	0.63	0.48	−.01	.18	.17	.02	.04	.05	−.02	−.61											
10. Geographic scope	14.17	16.05	−.09	.20	.28	−.06	.01	.18	−.03	−.13	.22										
11. Asia-Pacific parentage	0.32	0.93	−.04	−.13	−.07	−.08	−.06	−.10	.06	−.01	.05	−.17									
12. North American parentage	0.36	0.48	.02	.18	.10	.02	.05	.16	.02	−.03	−.04	−.05	−.26								
13. Headquarters-subsidiary cultural distance	0.92	1.02	−.03	−.30	−.11	−.09	−.08	−.21	.01	.01	.14	−.04	.56	−.62							
14. Presence of MNEs in local market	1.34	2.06	.18	.03	.01	−.04	−.03	.09	.06	.15	−.06	.02	.04	.05	−.01						
15. Local market size	2.21	3.09	.10	.09	−.04	.10	−.01	−.14	−.01	−.06	.02	−.09	.00	.06	−.07	−.04					
16. Subsidiary strength within MNE network	0.94	0.44	.27	.09	−.05	.10	.04	.07	.06	.02	.02	−.02	.03	.06	−.04	.09	−.02				
17. Subsidiary initiative taking	2.78	1.32	.18	.31	.06	.22	.03	.32	.19	−.07	.07	.10	−.14	.16	−.19	.13	.04	.09			
18. Subsidiary profile building	0.00	1.00	.30	.14	.06	.03	.20	.11	.03	.02	.08	.13	−.03	.10	−.12	.02	−.03	.09	.10		
19. Headquarters-subsidiary geographic distance	8,027.98	6,243.81	−.08	.09	.00	.13	.11	.18	−.01	.07	−.10	.03	.06	.11	−.08	.22	−.16	−.04	−.01	.04	
20. Subsidiary downstream competence	0.51	0.27	−.05	−.12	−.02	−.04	.00	−.19	.01	.00	.12	−.02	.15	−.07	.12	−.01	.00	.01	−.10	.02	−.06

[a] $n = 283$; correlations above .15 are significant at the .01 level, and those above .12 are significant at the .05 level (two-tailed tests).

[b] "Subsidiary size" is the factor score of three items assessing total subsidiary sales, number of employees, and number of officers in the subsidiary's top management team. "Geographic area structure," "matrix structure," "Asia-Pacific parentage," and "North American parentage" are dichotomous variables and refer to the MNE level. "Local market size" is measured as sales. "Geographic distance" is computed in kilometers from the latitudes and longitude coordinates of headquarters and subsidiary city locations.

TABLE 4
Results of OLS Regressions Analyses[a]

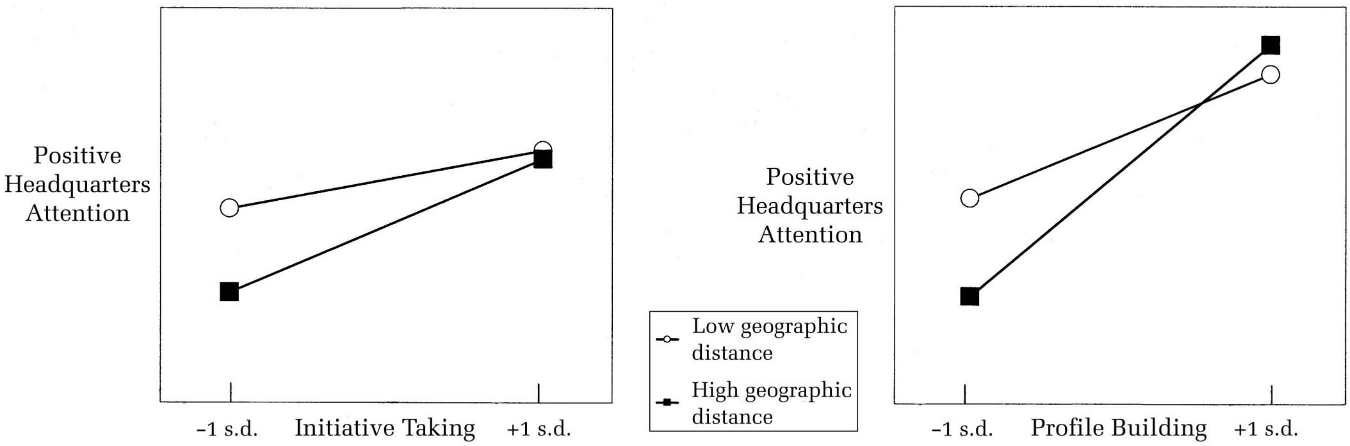
Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Constant	−.37* (.19)	−.52 (.19)	−.46** (.19)	−.41* (.19)	−.32* (.18)	−.36* (.18)	−.41* (.18)
Subsidiary size	.19** (.07)	.17** (.07)	.15** (.06)	.12* (.07)	.09† (.06)	.12* (.06)	.11* (.06)
Subsidiary age centered	−.01* (.00)	−.01* (.00)	−.01* (.00)	−.00† (.00)	−.00 (.00)	−.00 (.00)	−.00 (.00)
Subsidiary age squared	.00** (.00)	.00** (.00)	.00** (.00)	.00** (.00)	.00* (.00)	.00* (.00)	.00* (.00)
Subsidiary autonomy	.07† (.06)	.07 (.06)	.05 (.06)	.02 (.06)	.02 (.06)	.04 (.06)	.04 (.06)
Subsidiary performance	.10* (.06)	.01* (.06)	.10† (.06)	.10* (.06)	.06 (.06)	.06 (.06)	.05 (.06)
Subsidiary performance squared	−.02 (.04)	−.02 (.04)	−.02 (.04)	−.02 (.04)	−.00 (.04)	.01 (.04)	.01 (.04)
Subsidiary functional scope	−.09† (.06)	−.09† (.06)	−.10* (.06)	−.14* (.06)	−.15*** (.06)	−.12* (.06)	−.13* (.06)
Subsidiary market scope	.01* (.00)	.01* (.00)	.00* (.00)	.00† (.00)	.00† (.00)	.00 (.00)	.00† (.00)
Geographic area structure	.49** (.20)	.40* (.20)	.36* (.19)	.36* (.19)	.24† (.19)	.30* (.18)	.31* (.18)
Matrix structure	.22† (.16)	.19 (.16)	.16 (.15)	.15 (.15)	.07 (.15)	.08 (.14)	.10 (.15)
Geographic scope	−.01** (.00)	−.01* (.00)	−.01* (.00)	−.01* (.00)	−.01*** (.00)	−.01* (.00)	−.01** (.00)
HQ Asia-Pacific parentage	−.07 (.08)	−.08 (.08)	−.10 (.07)	−.09 (.07)	−.11 (.07)	−.08 (.07)	−.06 (.07)
HQ North American parentage	−.07 (.16)	.04 (.15)	.01 (.15)	−.01 (.15)	−.03 (.14)	.00 (.14)	−.01 (.14)
HQ-subsidiary cultural distance	.08 (.09)	.08 (.09)	.09 (.09)	.09 (.09)	.11† (.08)	.11† (.08)	.10 (.08)
H1a: Presence of MNEs in local market		.09* (.03)	.08** (.03)	.07*** (.03)	.07** (.03)	.07** (.03)	.08** (.03)
H1a: Local market size		.04* (.02)	.04* (.02)	.04* (.02)	.04* (.02)	.03* (.02)	.04* (.02)
H1b: Subsidiary strength within MNE network			.50*** (.13)	.49*** (.13)	.46*** (.12)	.43*** (.12)	.41*** (.12)
H2a: Subsidiary initiative taking				.12** (.05)	.11* (.05)	.10* (.05)	.09* (.05)
H2b: Subsidiary profile building					.26*** (.06)	.27*** (.06)	.29*** (.06)
HQ-subsidiary geographic distance						−.02* (.01)	−.02* (.01)
H3a: Initiative taking × geographic distance						.01† (.01)	.01* (.01)
H3b: Profile building × geographic distance						.02** (.01)	.02** (.01)
Subsidiary downstream competence							−.11* (.05)
H4a: Initiative taking × downstream competence							−.08* (.04)
H4b: profile building × downstream competence							.09* (.05)
R^2 (adjusted R^2)	.12 (.07)	.16 (.11)	.20 (.15)	.22 (.17)	.28 (.23)	.31 (.25)	.34 (.27)
R^2 (adjusted R^2)		.04 (.04)	.04 (.04)	.02 (.02)	.06 (.04)	.03 (.02)	.03 (.02)
F	2.43**	6.28**	14.84***	5.93**	22.09***	3.82**	3.13*

[a] Unstandardized coefficients are reported; the figures in parentheses are standard errors; $n = 283$ for all models. Component variables used for square terms or interactions were centered to reduce possible problems of multicollinearity. "HQ" is "headquarters," and "H" is hypothesis.

† $p < .10$
* $p < .05$
** $p < .01$
*** $p < .001$
One-tailed tests.

was only marginally significant ($p < .10$), but it was also positive, as we expected. Following the procedures outlined by Jaccard and colleagues (Jaccard, Turrisi, & Wan, 1990), decomposition of these interaction terms revealed that the simple effects of the two variables representing subsidiary voice were a positive and increasing function of geographic distance, as we predicted. Figure 2 is a graphic depiction of this moderating effect. It can be seen that the effect of voice becomes stronger as geographic distance increases, as Hypotheses 3a and 3b predict. Stated differently, although geo-

FIGURE 2
Moderating Effect of Geographic Distance

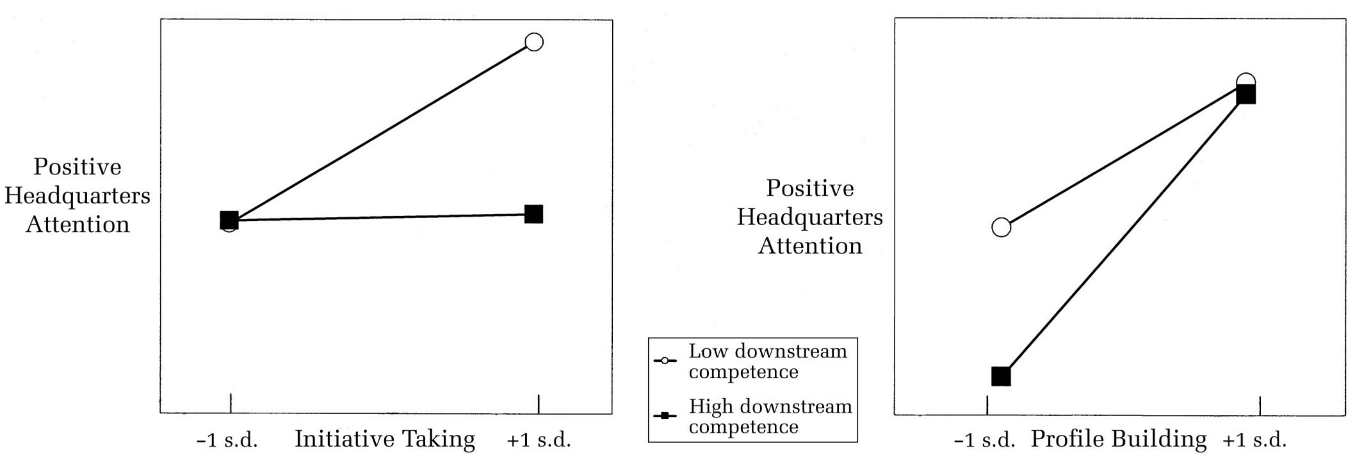


graphic distance tends to decrease the attention that a subsidiary receives from headquarters, this negative effect slowly diminishes with increasing levels of initiative taking and profile building. Thus, a subsidiary's voice can be used to neutralize or defeat the effect of geographic distance.

The results presented in model 7 provide mixed support for the final hypotheses. Indeed, the main effect for the downstream competence variable was negative and statistically significant, and the interaction between profile building and geographic distance was positive and significant ($p < .05$), as we expected. However, the interaction between initiative taking and a downstream competence was negative and significant ($p < .05$). Therefore, Hypothesis 4b is supported, but Hypothesis 4a is not. Figure 3 is a graphic depiction of the contrasting moderating effects associated with this pattern of results. In contrast to profile building, initiative taking does not seem to constitute a particularly effective mechanism for capturing positive headquarters attention when a subsidiary's competence (as well as its perceived competences and contributions to an MNE network) is confined to the downstream part of the value chain. As Figure 3 indicates, initiative taking is perhaps better suited to those subsidiary units that have "evolved" toward competences that extend to such activities as manufacturing, R&D, and strategic support activities.

Although these interaction effects were contributing about 6 percent of additional variance in total, they were significant even after we controlled for many important characteristics operating at multiple levels of analysis. In particular, it would appear that the geographic scope of an MNE, the way it is structurally organized (its geographic area orientation), and specific attributes of its local con-

FIGURE 3
Moderating Effect of Downstream Competence



text (the age and size of a subsidiary) all have significant bearing on a subsidiary's capacity to effectively capture positive attention from headquarters. We also conducted additional analyses to determine if joint interactions existed between structural and relational determinants, but these supplemental analyses yielded no significant results.

Post Hoc Analyses

To further verify our findings and gain additional insight into the details of our statistical analysis, we estimated two additional regression models. First, we used a general linear model (GLM) multivariate procedure to predict the relative, supportive, and visible aspects of attention as a joint set of three related dimensions. The significant multivariate effect was consistent with those reported above for our OLS regressions, in which we treated attention as a composite variable. With respect to structural determinants, the measures indicating the presence of multinationals within a local subsidiary market and subsidiary strength within its MNE network offered by far the best indicators of weight. Both variables were significantly related to all three attention subconstructs. In this model, we also found that if initiative taking represented a useful voice strategy for earning attention, this effect was primarily gained through the relative dimension. Profile building, on the other hand, was found to exert a much more robust influence on attention. It had a direct and significant relationship with both relative attention and supportive attention, as well as a link to visible attention through a significant and positive interaction with geographic distance.

Because attention may not always correspond to a desirable state, we estimated an additional statistical model in which the dependent variable was *headquarters control,* measured as the average of a six-item scale ($\alpha = .74$) assessing the frequency (from less than once a year, through monthly and weekly, to daily) with which corporate headquarters reviewed subsidiary actions and decisions (e.g., operating expenditures, quality control assessments, budgeting process, resource allocation, capital equipment purchases, and strategic business plans) (O'Donnell, 2000). Of our predictor variables, subsidiary initiatives was positively related to headquarters control ($p < .005$), and distance was negatively related to it ($p < .001$). Also, a downstream competence was positively related to headquarters control ($p < .005$), bringing some support to the empire-building arguments evoked in Hypothesis 4b. The interaction between initiative taking and a downstream competence was positive and significant. This represents a particularly interesting finding, in terms of the key arguments in this article, as it would appear that *initiative taking only attracts positive headquarters attention when a subsidiary's competence extends to the upstream part of the value chain.* When a subsidiary's competence involves more location bound assets, initiative taking is likely to result in greater control from headquarters. Subsidiaries in this position may benefit from strong track records, as additional analysis revealed that this particular dimension of profile building was negatively related to headquarters control. In terms of the control variables, the geographic scope of an MNE ($p < .005$), subsidiary autonomy ($p < .001$), and the square term for subsidiary age ($p < .005$) were negatively related to headquarters control, but subsidiary size was positively related to headquarters control ($p < .005$).

DISCUSSION

In this study, we adopted a multimethod approach to understanding how foreign subsidiary units gain positive attention from headquarters while also generating new insights into the mechanisms and processes at work in the sample MNEs. We found strong evidence that the attention given to a foreign subsidiary is not simply influenced by structural considerations of weight; the voice of a subsidiary critically matters. In addition, our study also identifies a relevant set of contingencies that contribute to improving researchers' understanding of when being vocal is most likely to generate positive outcomes for a subsidiary. This study raises important issues for both theory and practice.

Implications for Theory

We make several contributions to the understanding of "attention markets" in organizations (Dutton & Ashford, 1993; Hansen & Haas, 2001; Ocasio, 1997). First, we provide a careful operationalization of attention in an MNE context. Despite the considerable amount of research on attention management in recent years, there have been few serious attempts to operationalize the core construct. We therefore adopted a grounded approach to this research by interviewing 24 executives and then pulling together their responses and reconciling them with concepts from previous research before ending up with our multidimensional construct. As a result of our research, we can state that the positive attention of an MNE has three elements: a supportive element, expressed in the ways headquarters executives interact with and help a subsidiary's managers achieve their goals; a visible element, expressed in the public statements headquarters executives make about how the subsidiary is doing; and a relative element, expressed in the subsidiary's perceived status vis-à-vis other subsidiaries in the corporate network. Conceptualized in this broadly positive way, attention is distinct from headquarters control and compliance, which have negative connotations. Parenthetically, it is also interesting to observe that a subsidiary may receive *too much* attention. As we discovered during our research interviews, many managers of Chinese subsidiaries have found themselves in this position in recent years; the result is high and often unreasonable expectations for subsidiary performance and a constant drain on time from visits of corporate executives.

The second major contribution of our study is to provide a general model of how subsidiaries gain the attention of MNE executives that integrates several important theoretical perspectives found in the pertinent literature. In particular, our research highlights two complementary processes through which headquarters attention is shaped. There is a *top-down structural process* whereby attention is allocated according to a subsidiary's weight in an MNE, and there is a *bottom-up relational process* whereby attention is earned according to the subsidiary's voice in the MNE. This model has obvious parallels with Burgelman's (1983) process theory of strategy, but it adds a layer of precision in one important respect. Specifically, Burgelman (1983) adopted a very broad view of an organization's "strategic context"—the political process through which bottom-up, or "autonomous," behavior gets rationalized and translated into changes in corporate strategy. Our approach to headquarters attention can be viewed as one way of operationalizing strategic context. It is certainly narrower in scope than Burgelman's definition, but it has the important advantages of being both measurable and meaningful to practicing managers.

Third, we consider the strategies that organizational units deploy to attract headquarters attention. Although the notion of voice has been discussed elsewhere (e.g., Morrison & Phelps, 1999), as far as we know our study constitutes the first empirical attempt to directly extend this line of thinking to the level of the subsidiary *unit* itself. It is clear from the statistical analysis described earlier, and from our conversations with executives, that initiative taking and profile building constitute important drivers of MNE attention, particularly for those subsidiaries located far away from headquarters. In this respect, it is interesting to observe that the ability to capture attention is by no means straightforward. Taking the initiative—perhaps by pursuing opportunities in emerging market segments that no other subsidiary is pursuing—works best for a subsidiary that has developed competencies in upstream parts of the value chain (such as R&D and manufacturing). Profile-building activities have a more robust impact on headquarters attention, but their deployment requires a subsidiary to be committed to an integrated set of priorities. Our findings suggest that, to be successful in shaping the perception that it is a reliable, credible, and trustworthy actor in an MNE organization, a subsidiary not only needs to maintain a basic track record of success, but also needs to reaffirm its commitment to the parent's objectives; and then, finally, it needs to take deliberate steps to manage impressions with power brokers at the head office. Achieving all three sets of objectives is by no means straightforward.

Finally, our findings hint at some important issues in the dynamics of change for multiunit organizations. The concept of attention potentially represents a "missing link" between studies of unit-level entrepreneurship (e.g., Birkinshaw, 2000) and resource-based notions of competitive advantage. Although multiunit organizations such as MNEs may generate advantages through the heterogeneous bundles of assets and capabilities that exist in their networks of subsidiaries, very little research has been concerned with *how* subsidiary-specific advantages get transformed into firm-specific assets (Rugman & Verbeke, 2001). Our focus on attention highlights one important mechanism by which this transformation is achieved. Specifically, we suggest that subsidiary voice is an internally generated stimulus for changing headquarters attention (there could also be externally generated stimuli, such as media interest in a particular market), that in turn influences the internal strategic context for decision making in an MNE (Burgelman, 1983) and therefore influences choices about which markets to invest in and focus on. These choices can, over time, result in significant changes to the weight of a subsidiary, or its strategic role, within the MNE's portfolio. So although the level of headquarters attention will not always be directly aligned with the strategic role of a subsidiary, it plays an important part in influencing any long-term changes to that role.

Implications for Practice

The practical implications of this research should be immediately apparent. For managers of foreign subsidiaries, attention is a vital commodity. With a few notable exceptions, such as subsidiary managers in China and India at the moment, most subsidiary managers would argue they do not get the level of attention they need or deserve. What emerges from this research is clear evidence that headquarters priorities can be influenced from the bottom up. To be clear, this is not an entirely surprising finding, because many researchers over the years have argued that subsidiaries need to be vocal in support of their own achievements. But it is important nonetheless, because it provides clear evidence that parent companies can view initiative-taking and profile-building efforts positively (rather than as unnecessary or annoying lobbying). The results suggest three specific things subsidiary managers can do. First, a manager can develop a position of strength within the MNE network for his or her subsidiary (by, for instance, undertaking activities upon which sister subsidiaries are dependent; most likely in the upstream part of the value chain); a key part of the job of country managers is to take initiatives that contribute to nurturing and augmenting this position of strength. Second, the manager can view the foreign subsidiary itself as a nexus of relationships: significant value can be generated over time in the course of maintaining a good profile.[8] Third, attention is a key mechanism for influencing the priorities of headquarters executives and thus—as we just explained—the future role of the subsidiary company. When an executive finds ways to manage attention that are to his or her subsidiary's advantage, the subsidiary can become a more salient entity within its corporate system.

For headquarters executives, the research highlights the need to be open to stimuli from multiple sources when assessing the capabilities and potential of subsidiary companies. Most MNEs are highly effective at using their standard reporting tools to monitor past and current performance, and they implicitly allocate attention according to those measures. This research highlights, in addition, the importance of careful market intelligence, often gained through external sources, and internal representations from the individuals running subsidiaries around the world, as inputs into the strategic priorities of MNEs. There is no simple way of weighing the relative importance of these different sources of information, but at the very least it is important that multiple "attention channels" exist if important new insights are to emerge.

Limitations and Extensions

This study has several limitations that we should acknowledge. First, although the sample extends the scope of research to subsidiary units based in Australia, Canada, and the United Kingdom, the results could be moderated by the noted propensity of organizations in these countries to innovate as a way to more rapidly increase their influence in the corporate world (Birkinshaw, 2000). Future research could provide insight into the applicability of this study's results for samples drawn from other host country settings. Second, we conducted our study with measures derived from archival sources (i.e., the visible aspects of attention expressed in the firms' annual reports) and survey measures compiled at the subsidiary level. A useful extension would be to capture the point of view of headquarters respondents. The possibility of common method bias is a concern (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), yet the careful design procedures adopted in the construction and administration of our survey questionnaire, and the statistical CFA tests reported earlier, provide reinsurance that the observed findings are not common methods artifacts. Two key findings in this study are interaction effects, which are unlikely to be the spurious result of correlated measurement errors (Aiken & West, 1991: 155; Evans, 1985). Further evidence is found in the results of our post hoc analyses. Common method bias would have produced consistent effects of the profile-building and initiative-taking variables on the three types of dependent variables measuring attention. Yet slightly different effects were observed. Ordinary forms of common method bias are not consistent with this pattern.

Third, although we examined two important sets of factors—weight and voice—critical to attention decisions in MNEs, we did not view our framework as comprehensive. In fact, our statistical analysis reveals that the way an MNE is organized (e.g., its formal structure and geographic scope) creates strict constraints on the allocation of headquarters attention that certainly transcend weight and voice considerations. The interviews we conducted also revealed that companies are managing headquarters attention through different types of organizational design

[8] Several of the subsidiary executives we spoke to had specific advice on how impressions get formed. One talked a great deal about the preselling process—getting all the interested parties involved at an early stage and "oiling the wheels" of the organization so that when the formal proposal is presented it encounters no resistance. Another talked about the importance of timing: "If you tell the story too early, you risk getting shot down or building up unreasonable expectations; if you tell it too late, and they get mad, you will struggle to get support." Much of this, of course, is common sense to a seasoned executive, but it is interesting to observe the amount of careful planning that often goes into a successful campaign to exert the subsidiary voice.

approaches. Some are trying to improve the ease of attention flows by promoting communal types of bonds throughout their worldwide organizations.[9] Others are adding regional headquarters to their organizational charts, only to find out this additional layer of complexity can in fact cause a lot of grief. A grand theory of attention decisions in MNEs would include organizational design factors in addition to the ones included in our study. Moreover, we also limited our conceptualization of voice to an examination of initiative-taking and profile-building activities. Yet research in organizational behavior suggests that effective voice strategies may sometimes include certain shades of "silence" (Milliken & Morrison, 2003). Reflecting this point of view, our interviews revealed instances in which keeping a low profile led to clear practical advantages.[10] Presumably, headquarters executives do not need to know about all subsidiary developments because the sheer volume of inputs would be quite overwhelming. Future studies could examine the functionality of subsidiary silence in an MNE, rather than simply assume that silence always reduces influence. One could also argue that receiving attention is not always desirable state from a subsidiary's viewpoint. One company that we surveyed for this study, 3M, recently reacted to the disappointing results of its Canadian subsidiary by almost completely replacing local management. Four out of five vice presidents were let go; the Canadian CEO who completed our survey was moved to a lesser position in the United States; and a substantial number of middle-level managers were replaced. The conditions leading to such drastic interventions on the part of headquarters managers are yet to be fully understood. Studies attempting to operationalize the concept "negative headquarters attention" would be a useful extension to the present study.

Finally, our research design did not, of course, allow us to test causality. Our expectation is that most of the observed relationships exhibit reciprocal causality, so that, for example, initiative taking and profile building lead to more positive attention, while at the same time higher levels of positive attention likely increase a subsidiary's level of initiative taking and profile building (a form of "Hawthorne effect"). But this reciprocal relationship is unlikely to be entirely symmetrical. Recall that our conceptualization of attention suggests a high level of inertia in how attention is allocated among subsidiaries. Absent major changes at a geopolitical level (such as the opening up of China to foreign investment), the attention allocated to a subsidiary from above changes very slowly, so it is unlikely to be the stimulus for dramatic changes in initiative taking or profile building by subsidiary managers. Rather, the evidence collected in this and earlier work is that these activities are the internal stimuli for change. They typically lead to increases in attention from a subsidiary's parent company, which in turn reinforce the efforts of subsidiary managers in taking initiative and promoting their efforts. Of course it would be useful for research to examine these issues on a longitudinal basis to establish clearly the causal nature of the relationships we observed, but for the moment this logical inference is as far as we can go.

In conclusion, the purpose of this study was to use the concept of attention to shed new light on the dynamics of headquarters-subsidiary relationships in MNEs. This fresh approach allowed this study to develop rich insights into the mechanisms by which subsidiaries actively gain or lose the positive attention of their parent companies, in contrast to previous studies, such as those rooted in agency theory or control theory, whose authors have assumed that such choices are driven exclusively from above. The current research therefore helps to explain how a subsidiary company can take charge of its own destiny, and how corporate headquarters managers can more effectively allocate their attention and efforts across their portfolio of international operations.

[9] One individual we interviewed observed: "Australia is a really pretty small fry, a spoke in a big wheel, but it is amazing how much attention we get. You could walk into any office around the world and know you're in a [company X] office. You talk the same language. There is very much a family culture right throughout the world, and no matter how big or small the operation is, you get attention."

[10] The following interview segment illustrates this line of thinking: "You are naive if you don't keep some things up your sleeve. You have to manage expectations, which involves not telling the whole story until you are ready. So I act as a buffer."

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APPENDIX A

Preliminary Field Research

We focused our preliminary interviews on the Australian affiliates of some major MNEs. This particular group was well suited for the generation of a rich set of ideas and insights: the population of established subsidiary units from which to solicit interviews was large, and many seemed to operate in a position of strength within their firm system; at the same time there are also good

TABLE A1
Interview Participants

Roundtable 1	Roundtable 2
Managing director and chief executive officer, 3M	Chairman and chief executive officer, ATOFINA
President and chief executive officer, ABB	Managing director, Henkel
Chief executive officer, Alcatel	Group vice president, Illinois Tool Works Construction Products
Country president and managing director, Alstom	Chief executive officer, Cargill
Managing director, Dupont	Managing director, PZ Cussons
Chief executive officer, HSBC Bank	Chairman and managing director, Robert Bosch
Managing director, Manpower Services	Managing director, Sara Lee Household and Body Care
Chief financial officer, ABN Amro	Managing director, STIHL

publicized examples of "isolated" subsidiaries that continuously struggled to attract the interest of strategic headquarters. To improve access, we solicited and secured the help of the International CEO Forum, the Australian partner of the U.K.-based Economist Group, which provides comprehensive business briefing and networking services for about 200 country managers, chief financial officers (CFOs), and other senior executives of subsidiary companies operating in Australia. The Forum regularly holds high-level roundtables among its members to discuss particular sets of competitiveness issues. In the summer of 2004, we utilized the Economist Group's contacts to organize two roundtables around the topic "managing headquarters attention." Table A1 lists all participating senior executives.

We found it necessary to organize eight additional interviews; these were with the regional president (Australia, Middle East, and Africa) of Abott Laboratories; the respective CEOs of Yum! Restaurants International (YRI), Australia, Dun & Bradstreet, Australia, Mercer, Australia, and Siemens, Australia; the managing director of Oracle, Australia; the president and CEO of Unilever, Canada; and the vice president for corporate development of ABB. These interviews provided further insights that helped to refine our conceptualization of attention and the emerging framework for the present study.

A semistructured format (Butterfield, Trevino, & Ball, 1996; Glaser & Strauss, 1967) was followed for all interviews. After briefly introducing the research project, we asked interviewees to describe their views and company experiences on the relevant set of issues. We found it frequently necessary to probe for additional comments, illustrations, and insights along the following question lines:

1. How would you describe the main changes underway in the global organization?
2. How do they affect your subsidiary unit? Are you seeing a reduction in the power base that you have?
3. What does the term "attention" mean to you? Are you getting all the attention you need from HQ?
4. What are you doing about it? Are there things that you can do to improve your status within the firm system?

All interviews were about an hour and a half long and were audiotaped and transcribed. The information obtained through these interviews generated several recording units (relevant and coherent interview segments for which a single meaning structure could be generated) on the forms that headquarters attention could take. These insights were then organized into three unifying themes, corresponding to the *relative*, *supportive*, and *visible* aspects of attention. One of us returned to Australia to debrief a broader audience of subsidiary executives at one of the international CEO forums on the study's findings. This additional step allowed us to build further face validity into our conceptual framework and ensure the insights we present are useful both for theory and practice.

APPENDIX B

Operationalization of Control Variables

Subsidiary-Level Factors

For *subsidiary size,* we considered total sales, total number of employees, and the size of the top team and found high correlations among these variables (greater than .50). All three variables loaded on one factor with a high eigenvalue, high explained variance (72 percent), and high interitem reliability (α = .86). Thus, we used the corresponding factor score as our measure of subsidiary size. *Subsidiary age* was measured in years with data from the *Directory of Corporate Affiliations*. For *subsidiary performance,* respondents were asked to rate, on a seven-point Likert scale, their subsidiary's performance relative to their corporation as a whole over the past five years. We used four items: market share, return on investment, profit, and cash flow from operations. All three variables loaded on one factor with a high eigenvalue and high explained variance (70 percent); interitem reliability was good (α = .85). Thus, we used the corresponding factor score to measure subsidiary performance.

Subsidiary autonomy was measured with five items: "discontinuing a major existing product or product line," "investing in major plant or equipment to expand manufacturing capacity," "formulating and approving your subsidiary's annual budgets," "increasing (beyond budget) expenditures for research and development," and "subcontracting out large portions of the manufacturing (instead of expanding the subsidiary's own facilities)." These were measured on a five-point scale as follows: 1 = "the subsidiary's opinion is not asked; decision is explained to subsidiary by corporate headquarters," 2 = "proposal by corporate headquarters, but the subsidiary's opinion carries little weight," 3 = "proposal by corporate headquarters, and the subsidiary's opinion carries a lot of weight," 4 = "proposal by the subsidiary, decision made jointly by you and corporate headquarters," 5 = "decision made by the subsidiary without much consultation with headquarters."

For the *functional scope* of a subsidiary's activities, respondents were asked to indicate how many of the following eight activities the subsidiary performed: product sales and after-sales service, manufacturing, marketing, sales of professional services, provision of strategic services (regional headquarters), logistics/distribution, R&D, and "back office" support. Greater functional scope might indicate the possibility of a "miniature replica" that makes few strategic contributions to an MNE (White & Poynter, 1984); conversely, a narrow set of value-added activities sometimes corresponds to a more specialized subsidiary mandate that warrants positive attention from the top. The *market scope* of a subsidiary's activities was measured as the percentage of subsidiary sales realized in foreign markets.

MNE Characteristics

To assess *formal MNE structure,* we used the company hierarchy provided by the *Directory of Corporate Affiliations* and determined whether subsidiaries belonged to an MNE that was configured into geographic divisions, worldwide business units, or a matrix. We treated a product orientation as the base case, creating dummy variables for other types of structures. The *geographic scope of the parent company* was measured as the number of countries in which the MNE had foreign subsidiaries (Delios & Beamish, 1999).

We calculated a Euclidian index of *cultural distance* using Hofstede's (1991) indexes of power distance, uncertainty avoidance, individualism, and masculinity.

In assessing *home region*, we treated European parentage as the base case. All MNEs in the sample were headquartered in North America, Europe, or the broad Asia-Pacific region. Dummy variables were created for the two other regions.

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