University of Nottingham Ningbo China

Nottingham University Business School

Contextualising Foreign Subsidiary Governance of EMNEs: Antecedents and Consequences

Yuxue Luo (ID: 20211061)

Supervisors: Lei Li, Youngun Kim

Submitted to the University of Nottingham Ningbo China in partial fulfilment of the requirements for the degree of Doctor of Philosophy in Strategy

Acknowledgement

Firstly, I would like to express my deepest gratitude to the supervisors, Dr. Lei Li and Dr. Youngun Kim, for their extremely supportive guidance during the entire PhD study. Their regular supervision and prompt replies to the constant questions provided efficient guidance for completing the PhD. Specifically, I would like to thank Dr. Lei Li for enrolling me in several research programs that provided valuable research experience, including involvement in academic programs and company programs. Additionally, he gave me valuable teaching opportunities in an MBA program, which allowed me to validate academic theories with practitioners. I would also like to express my gratitude to Dr Youngun Kim, whose invaluable patience and feedback facilitated the motivation and innovative ideas in the research. Her warm and considerate words encouraged me not only in research but also in life. Both of the supervisors dedicated a significant amount of time to supervising me, even during challenging periods, and I am deeply grateful for that.

Secondly, I would like to thank the reviewers in the three annual reviews, Dr. Martin Lockett and Dr. Cong Cao, for generously sharing their knowledge and expertise. Their detailed and insightful comments challenged the weaknesses in the theoretical framework and methods, helping me refine and develop the papers and thesis.

Thirdly, I would like to extend my gratitude to the parents, who have supported and accompanied me throughout the PhD journey. They have been a powerful source of encouragement, alleviating the pressures that often burden the peers.

Fourth, I would like to thank all my friends, without whom I would not have been able to overcome several challenges during the PhD. I am particularly grateful to Ziqi Ma for helping me access databases and for engaging in discussions and brainstorming sessions regarding the models. I would also like to thank Dr. Xiaojun Tang, Xi Feng, and Guanqi Sun for their guidance and support in the machine learning techniques used in this thesis. Their assistance was critical in overcoming data and software challenges encountered during this research.

Abstract

The institutional environments for international business have become increasingly complex and uncertain, which presents disproportionate challenges to emerging market multinational enterprises (EMNEs). Foreign subsidiaries of EMNEs are expected to establish well-functioning governance structures and play crucial roles in managing the global strategy journey of parent companies. However, the literature reveals a gap in systematic research on foreign subsidiary governance. To address the research gap, I develop a comprehensive framework to explore (1) the understudied internal drivers of foreign subsidiary governance structure such as the FDI motives, business relatedness, and the parent firm's ownership; (2) the lack of understanding of the impact of foreign subsidiary governance structure on local legitimacy of EMNEs. To empirically test the hypotheses, I utilise data from 116 listed foreign subsidiaries of Chinese MNEs, collected from CSMAR, ORBIS, BoardEx, and ProQuest, spanning from 2005 to 2021.

Subsidiary governance mainly serves an internal role in managing relationships with headquarters and an external role in managing relationships with host countries. Conflicts may arise due to this dual role, leading to a trade-off or varying emphasis between headquarters control/standardisation and subsidiary autonomy/adaptation (Kostova & Roth, 2002).

The first empirical study examines the impact of antecedents. The findings indicate that the strategic asset-seeking motive positively influences the external role of the subsidiary board while negatively affecting its internal role. This impact is demonstrated by a greater emphasis on engaging with the host country environment, evidenced by a higher proportion of independent directors and a preference for non-expatriate CEOs. Conversely, the internal role receives less emphasis, as reflected in a lower ratio of expatriate directors. In comparison, institutional escape, business relatedness, and headquarters ownership of subsidiaries correlate more strongly with the subsidiary board's internal role and less with its external role. The hypotheses regarding institutional escape—that it correlates with a higher expatriate director ratio, lower independent director ratio, and a higher likelihood of hiring a non-expatriate CEO—are supported. However, hypotheses concerning business relatedness and headquarters ownership receive only partial support.

The second empirical study investigates the influence of subsidiary governance on legitimacy. Utilising sentiment analysis of news titles and two-stage least squares regressions (2SLS), the study reveals that a greater external role and lesser internal role positively correlate with subsidiary legitimacy. Specifically, a higher ratio of independent directors, the appointment of non-expatriate CEOs, and a lower ratio of expatriate directors facilitate legitimacy attainment.

Additionally, the moderating effect of cultural distance is discussed across both empirical studies. Generally, increasing cultural distance strengthens the internal role while weakening the external role. Both empirical chapters employ regression analyses, followed by a series of robustness tests, which generally confirm the robustness of the results.

I contribute significantly to international corporate governance and the study of EMNEs. It addresses gaps highlighted by Puck & Filatotchev (2020) by integrating multi-disciplinary approaches in corporate governance and strategic management in the process of firm internationalisation. Moreover, the thesis integrates and extends management theories within the context of foreign subsidiaries, which are essential elements of MNEs navigating dual pressures from both home and host environments. Moreover, it shifts the focus from previous research on DMNEs to include EMNEs, which uniquely impact subsidiary board composition and CEO recruitment and are supplementary to existing literature. Additionally, I empirically examine the impact of board composition on legitimacy, a novel contribution not previously directly tested in the literature. Finally, it provides implications for both practitioners and researchers, highlighting the importance of strategically selecting board members and CEOs for subsidiaries to align their expertise and strategic vision with local contextual dynamics and subsidiary-specific objectives.

Keywords: foreign subsidiary governance, board of directors, CEO, antecedents, consequences.

Contents

List of Tables

List of Figures

Declaration of Research Ethics

First of all, none of the work referenced in this thesis has been submitted for any other degree or qualification at this or any other university or educational institution.

Second, this thesis received ethical clearance by completing the Research Ethics Checklist for Staff and Research Students at the University of Nottingham Ningbo China. This thesis does not involve human participants. The data used is secondary data obtained from databases and annual reports, as detailed in the methods section. There are no privacy or confidentiality concerns associated with the use of secondary data. The data management and research methods, including models and measurements, have been meticulously documented to ensure the rigour of the thesis. The signature page of the Research Ethics Checklist for Staff and Research Students is attached in the Appendix. The research ethics form dated May 2024 represents a revised version submitted before the resubmission of the thesis. This revision was necessary as the process of research was ongoing, and the initial submission did not fully encompass all aspects of the data collection. The process helps mitigate any potential concerns regarding the research's ethical foundation and supports the integrity of the findings.

Finally, in this thesis, this thesis has followed the Committee on Publication Ethics (COPE) guidelines for the use of Artificial Intelligence Generated Content tools, including ChatGPT and another large language model, Grammarly. It is affirmed that generative AI was not involved in the creation of ideas, theories, analyses, interpretations, or any other essential intellectual content of this thesis. Its use was limited to assisting with paraphrasing, proofreading, and enhancing the writing. Generative AI functioned as an advanced writing and editing aid, with all AI-generated content thoroughly reviewed, verified for accuracy, and further revised by the author. Therefore, I assume full responsibility for the thesis's content, ensuring its integrity and accuracy. The role of generative AI was strictly supplementary, supporting the writing process without contributing to the core scholarly outputs of the research.

Chapter 1. Introduction

As international environments become more complex, the role of foreign subsidiaries, being at the forefront of international business challenges, has become increasingly important (Meyer et al., 2020). The volatile, uncertain, complex, and ambiguous global context presents greater challenges for multinational enterprises (MNEs) operating overseas, particularly for EMNEs who face host country liabilities such as lower credibility, negative images, and poor governance. For instance, TikTok, a Chinese video-sharing social networking service platform, encountered challenges when expanding internationally. Along with 58 other China-based apps, TikTok was banned by the Indian government on 29th June 2020 due to privacy concerns. Despite TikTok's claims that no formal data requests were made by China and non-Chinese users' information would not be shared ("Sixty Seconds of Fame," 2020), concerns from host governments persisted. To address stakeholders' concerns, TikTok hired Kevin Mayer, a former Disney executive, to lead the company. Having an American in charge was expected to alleviate the US government's worries about Chinese apps ("Chip Wars," 2020). However, Kevin Mayer later left his position citing a changed political environment. Instead of appointing an expatriate manager from the Chinese headquarters, TikTok subsequently hired Shouzi Chew, a Singaporean, to assume Kevin's responsibilities. This anecdotal evidence illustrates that strategic governance of foreign subsidiaries is regarded as an effective means to ensure survival and gain legitimacy in host countries.

Within the field of MNE research, studies on the governance of foreign subsidiaries have steadily increased but remain limited. The international corporate governance literature and the literature on managing foreign subsidiaries reflect a neglect of research attention on the main actors at the subsidiary level. With the emergence of new forms of MNEs and subsidiaries, the governance of foreign subsidiaries poses challenges to traditional corporate governance models and theories (Aguilera, 2019; Luo, 2005). Moreover, as international environments become more complex, the role of foreign subsidiaries has grown in importance (Meyer, Li, & Schotter, 2020). This significance is particularly relevant for EMNEs, which face eagers to obtain strategic asset seeking in overseas markets to augment firm-specific advantages (Luo & Tung, 2018; Mathews, 2006; Wang, Luo, Lu, Sun, & Maksimov, 2013).

Subsidiary-level research receives comparatively little attention, with only a few studies recognising subsidiaries as entrepreneurially and strategically operated organisations rather than solely as headquarter-directed subunits (Meyer et al., 2020). Despite the importance of corporate governance within multinational enterprises (MNEs) acknowledged by researchers in the field of international business (IB) (Aguilera, 2019; Filatotchev & Wright, 2011), subsidiary governance generally does not receive much focus (Du, Deloof, & Jorissen, 2015; Gong, 2006). Moreover, compared to the extensive research on boards of directors in purely domestic firms, studies on subsidiary governance are cursory (Kiel, Hendry, & Nicholson, 2006) and limited (Du et al., 2015), with only a few exceptions exploring the roles (internal role, external role, legal role, service role, resource dependence role, etc.), composition and staffing (ratio of board members, top management team, and expatriates), and characteristics of subsidiary boards and top management teams (international experience, nationality, etc.) (e.g., Leksell and Lindgren, 1982; Kriger, 1991; Gong, 2006; and Du et al., 2015).

The composition of corporate boards and CEOs is a crucial research area as they significantly impact firm behaviour and strategy. At the foreign subsidiary level, boards and CEOs are particularly important because they need to fulfil a dual role in dealing with institutional challenges arising from both the home and host environments (Kostova & Zaheer, 1999; Wan & Hillman, 2005). Conflicts may arise due to these dual roles, creating a trade-off between headquarters control/standardisation and subsidiary autonomy/adaptation (Kostova & Roth, 2002). This has substantial implications for the structure and behaviour of subsidiary boards and CEOs, as there is tension regarding who should be seated as directors and top managers. Specifically, seating more expatriates from the headquarters emphasises the internal role and increases control, while having more independent directors and local CEOs emphasises the external role, which may be more effective in achieving localised strategy, obtaining critical resources and information, and gaining legitimacy.

A review of the literature on international corporate governance and managing foreign subsidiary governance (e.g., Aguilera, 2019; Meyer et al., 2020) reveals a notable lack of attention to subsidiary-level boards and CEO recruitment. A closer examination of the literature on foreign subsidiary governance highlights several critical gaps. These include the under-studied roles of subsidiary boards and CEOs, the significant oversight of antecedents in the headquarters-subsidiary relationship, the link between subsidiary governance and legitimacy, and the influence of emerging economies as the home countries of foreign subsidiaries. These gaps indicate fragmented literature on subsidiary governance, underscoring the need for a comprehensive understanding that addresses (1) the internal drivers shaping foreign subsidiary governance structures and (2) the impact of these structures on the legitimacy of EMNEs. Given the limited research solely focused on subsidiary governance, this thesis uses references in international corporate governance and managing foreign subsidiary literature as the supplementary source to identify key antecedents and consequences of subsidiary governance.

Following the review of the international corporate governance literature and the managing subsidiary governance literature, the systematic literature on subsidiary governance literature identifies 58 papers through keyword searching in Web of Science, followed by NVivo coding and qualitative analysis to identify research gaps. The literature underscores the significance of antecedents related to headquarters-subsidiary relationships, such as FDI motives, business relatedness, and ownership structure at the headquarters level. These factors play crucial roles in shaping subsidiary governance but have not received adequate attention in existing studies. Furthermore, legitimacy emerges as a critical resource for subsidiaries, essential for their survival and effective strategy implementation within EMNEs. Despite its importance, the impact of subsidiary governance on legitimacy has been surprisingly overlooked in the literature. Given these nuances, this thesis aims to address the following key research gaps: *(1) the understudied internal drivers of foreign subsidiary governance structure such as the FDI motives, business relatedness, and the parent firm's ownership; (2) the lack of understanding of the impact of foreign subsidiary governance structure on local legitimacy of EMNEs.*

Addressing these research gaps, a comprehensive research framework has been developed, encompassing key internal antecedents, subsidiary governance, and their respective consequences. To empirically test the hypotheses, this thesis has constructed a dataset comprising 116 listed foreign subsidiaries of Chinese multinational enterprises from 2005 to

2021, using data collected from CSMAR, ORBIS, BoardEx, and ProQuest. Listed subsidiaries typically adhere to more stringent formal governance structures compared to non-listed ones. They often have established governance mechanisms, such as formal boards of directors, audit committees, and compliance requirements mandated by stock exchanges and regulatory bodies. This formal structure provides clearer channels for examining governance practices and ensures a certain level of transparency and accountability. The first empirical study focusing on the impact of antecedents employs random effects models and logit models to explore the impact on the variation of subsidiary board structure. The second empirical study examines the consequence section. Media news from ProQuest is collected, and sentiment analysis is used for the measurement of legitimacy. Subsequently, 2SLS is employed to investigate the impact of subsidiary governance on obtaining legitimacy. Both empirical chapters undergo a series of robustness tests and prove to be robust in most of the main analyses.

This thesis makes contributions to several areas. Firstly, this thesis aims to echo Puck & Filatotchev (2020) to address the persistent lack of integration and multi-disciplinary approaches in corporate governance and strategic management in the process of firm internationalisation. Agency theory, resource dependence theory, and institutional theory are integrated and extended to the subsidiary level with adaptation and modification as suggested by Meyer et al (2020).

Secondly, it focuses on two main parameters: subsidiary boards and top management teams (specifically CEOs in empirical analysis), which are crucial carriers and implementers of MNEs' strategies but have received limited attention in the existing literature. This thesis contributes to this niche area by examining how key headquarter-subsidiary antecedents shape subsidiary governance and how subsidiary governance mechanisms can be utilised to obtain legitimacy in host countries.

Thirdly, while the literature often explores subsidiary governance from the perspective of developed countries multinational enterprises (DMNEs) as parent companies (e.g., Du et al., 2011; Du et al., 2015; Kriger, 1988; Leksell et al., 1982), this thesis challenges these assumptions in the context of emerging market multinational enterprises (EMNEs). The unique foreign direct investment motives of EMNEs, such as strategic asset seeking and institutional escape to enhance competitive advantages and overcome institutional deficiencies in their home countries, further impact subsidiary boards and CEO employment.

Finally, one of the novel contributions of this thesis lies in its empirical validation of the assumption that board composition and CEO hiring can significantly impact legitimacy—a hypothesis that, to the best of current knowledge, has not been directly tested. The conventional understanding of legitimacy in IB literature has often been theoretical, lacking concrete empirical validation. By leveraging advanced methodologies such as sentiment analysis coupled with machine learning techniques, this thesis bridges that gap by offering a systematic and data-driven approach to examining the relationship between board structure and legitimacy in international contexts.

In addition to its contribution to the literature, there are implications for practitioners. Practical and managerial implications derived from this thesis emphasise the importance of carefully selecting board members and CEOs for subsidiaries, aligning their expertise and strategic vision with local market dynamics and subsidiary-specific objectives. Customisation of governance structures is imperative, tailoring them to match the strategies and motives of each subsidiary. Specifically, when the emphasis is on establishing connections and acquiring resources from host countries, subsidiaries should adopt a higher external role in their structure. Conversely, when the focus is on exploiting resources overseas, a greater internal role is required for coordination and monitoring on behalf of the headquarters.

The remaining sections of this study are structured as follows: Chapter 2 presents the literature review, discusses structural findings and identifies key research gaps. Chapter 3 develops the theoretical framework and hypotheses, outlining how key antecedents influence subsidiary governance and how subsidiary governance affects consequences. Chapter 4 details the research methodology, including research philosophy, design, and justification of the methods chosen. Chapter 5 presents empirical study 1, analysing the impacts of key antecedents on subsidiary governance. Chapter 6 covers empirical study 2, exploring the impact of subsidiary governance on subsidiary legitimacy. Chapter 7 provides the discussion, while Chapter 8 presents the conclusion.

Chapter 2. Literature Review

2.1 Introduction

This chapter aims to review existing literature to develop a comprehensive foundational framework for exploring the pivotal factors influencing subsidiary governance, thereby enhancing subsidiary legitimacy. Subsidiary governance is an area that overlaps with both the management of subsidiaries and international/cross-national corporate governance literature. This thesis reviews both fields to gain a comprehensive understanding of existing knowledge and identify crucial gaps. In their study, Meyer et al. (2020) examined over 600 subsidiary management studies and highlighted the **relatively limited research on theory development from the perspective of subsidiaries compared to the headquarters' perspective.** Hence, this thesis begins by exploring the existing literature on managing foreign subsidiaries, examining the roles played by foreign subsidiaries, and highlighting the significance of key actors within these subsidiaries. Subsequently, this thesis incorporates relevant international corporate governance perspectives to discuss the roles and importance of these actors, particularly the board and CEOs. Furthermore, this thesis conducts a systematic literature review focusing on foreign subsidiary board/CEO dynamics and discovers that this area remains significantly underdeveloped. Finally, this thesis identifies the key research gaps that will be addressed in this thesis for the development of a theoretical framework.

2.2 Managing foreign subsidiaries.

Foreign subsidiaries are important organisations and operate at the forefront of complex international environments. The MNE subsidiaries, situated in a location other than the MNE's home country, integrate the unique strengths of the MNE (firm-specific advantages, FSAs) with the specific benefits of the local environment (country-specific advantages CSAs) (Buckley, 2016; Meyer et al., 2020).

MNE subsidiaries are foreign-owned companies that both compete and collaborate with local firms, but they have a unique position due to their multiple embeddedness (Meyer et al., 2011). This means they are part of both the MNE and the host economy. Internally, the MNE can be organised in various ways, from a traditional hierarchy (Kostova et al., 2016) to matrix or networked MNEs (Andersson et al., 2015; Wolf & Egelhoff, 2002), each defining decision-making processes that shape subsidiary governance and the scope for subsidiary managers to influence strategies and operations. In host countries, subsidiaries also interact with other organisations in the local environment through markets and networks to sell goods and services and attract resources such as human capital, marketing assets, and legitimacy in the host society (Meyer et al., 2020). Overall, multiple embeddedness highlights the complex nature of managing foreign subsidiaries, balancing the needs and expectations of both the MNE and the local environment.

Foreign subsidiaries play diverse roles depending on their purpose, responsibilities, and performance evaluation criteria. According to Meyer et al. (2020), key typologies include FDI motives, integration-responsiveness dynamics, subsidiary mandate types, knowledge contributions, and positions within the global value chain. The subsidiary roles would be critical to shape subsidiary strategies.

A central framework for understanding these motivations is John Dunning's influential FDI motive theory (1993), which categorizes motivations into four main types: market seeking, efficiency seeking, natural resource seeking, and strategic asset seeking. Among these, strategic asset seeking has gained increasing importance, especially for emerging market multinational enterprises (EMNEs). Research indicates that EMNEs face unique institutional challenges in host countries, often struggling more than developed market multinationals (DMNEs) to gain local legitimacy (Denk et al., 2012; Rathert, 2016). The acquisition of strategic assets abroad not only enhances EMNEs' firm-specific advantages but also serves as a platform for further growth (Cui & Jiang, 2010; Luo & Tung, 2018). Additionally, a notable yet often overlooked motive for FDI among EMNEs is institutional escape, where firms seek to evade restrictive home-country regulations by investing in more favourable institutional environments, such as tax havens (Buckley et al., 2015; Smith, 2014). The literature on managing subsidiaries of MNEs emphasizes the importance of subsidiary strategies that are informed by the roles driven by FDI motives.

Subsidiary strategies are also discussed. As noted by Meyer et al. (2020), managing subsidiaries involves formulating and executing strategies aimed at enhancing subsidiary performance through effective resource generation and utilisation. Foreign subsidiaries perform various functions related to markets, products, and technologies, creating and sharing knowledge that leads to subsidiary-specific advantages and competitive edges (Birkinshaw & Hood, 1998; Ciabuschi et al., 2012; Rugman & Verbeke, 2001). To thrive in local markets, subsidiaries must adopt both market strategies—customising products and practices to local needs—and non-market strategies, such as obtaining legitimacy within the host country (Luo & Tung, 2003; Conroy & Collings, 2016). These strategies help subsidiaries mitigate the liability of foreignness, address resource limitations, and enhance local competencies (Zaheer & Mosakowski, 1997). MNEs further support these strategies through effective staffing and human resource management, as well as corporate social responsibility initiatives.

However, the development and execution of these strategies are heavily influenced by the actions of key individuals within the subsidiary. Despite the complexity of decision-making processes at this level, there is a notable research gap, as only a limited number of studies have focused on the practices of these key subsidiary individuals and their impact on firm outcomes (Meyer et al., 2020). Understanding how personal characteristics and constraints affect their behaviours could provide valuable insights into the relationship between subsidiary strategies and overall performance. This thesis will explore this connection by reviewing relevant literature on international corporate governance.

2.3 International corporate governance literature

Aguilera et al. (2019) categorize international corporate governance literature into three main streams. The first, 'corporate governance of MNEs,' investigates how multinational enterprises (MNEs) distribute power, rights, and responsibilities among stakeholders at headquarters and subsidiaries, emphasizing the conflicting interests of owners, managers, and boards, and drawing primarily on agency theory alongside other perspectives like resource dependence and upper echelons theories. The second stream, 'MNE governance,' conceptualizes governance as the use of bureaucratic controls by MNEs to manage foreign

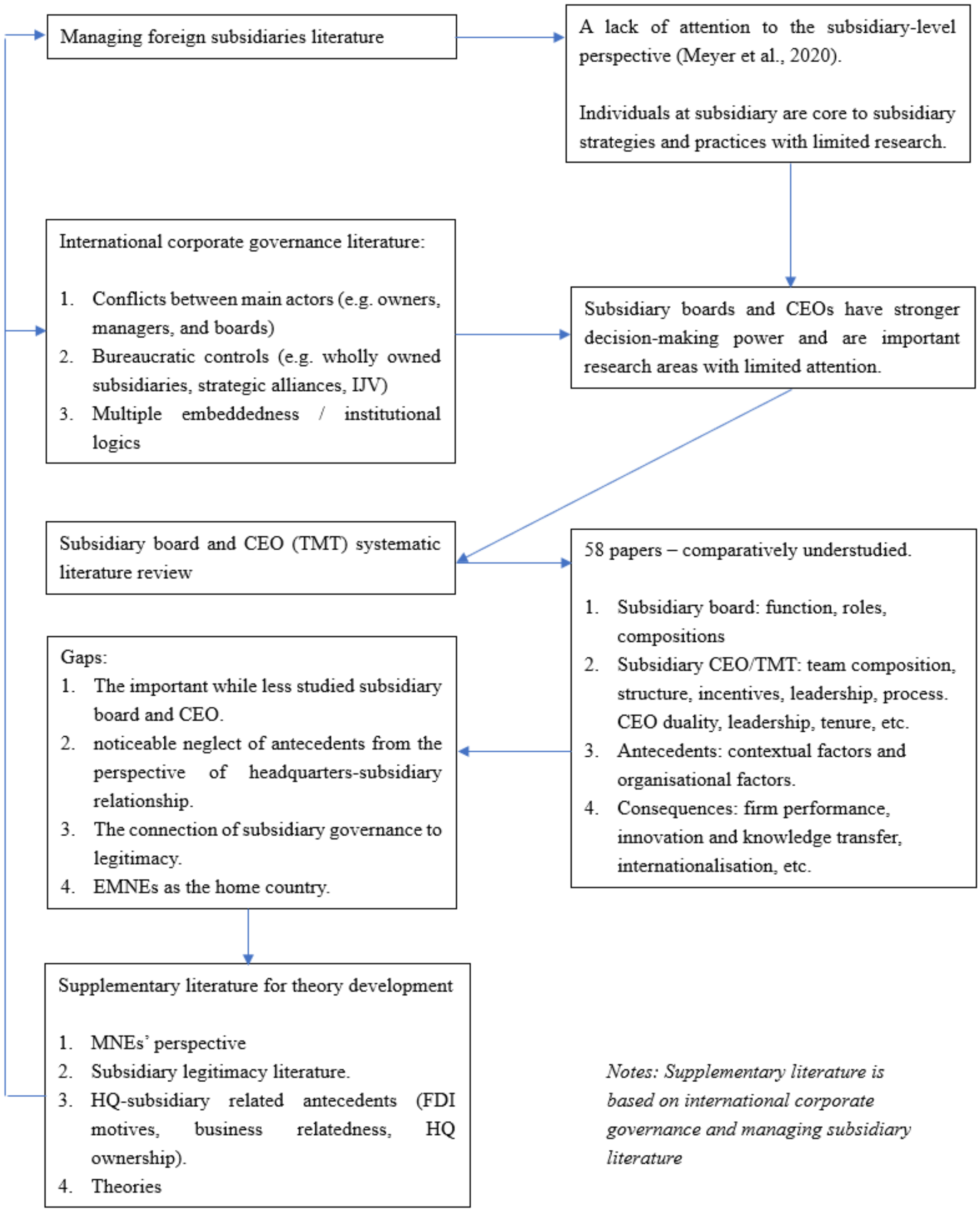

Figure 2.1 The process of literature review

operations effectively, relying on internalization theory to analyse various governance modes (e.g., wholly owned subsidiaries, joint ventures) based on risk assessments during international expansion, with the assumption that firms choose entry modes to minimize transaction costs. The third stream, 'comparative corporate governance in MNEs,' focuses on the institutional environment's role and multiple embeddedness, highlighting how governance mechanisms help

MNEs maintain institutional advantages while minimizing transaction costs, but often overlooks behavioural and strategic factors contributing to disputes among stakeholders and the impact of institutional factors on their relationships.

The need to examine the key individuals' roles and responsibilities at the subsidiary level leads to a focus on the first stream – the corporate governance of MNEs. Aguilera et al. (2019) identify owners, boards of directors, and TMT as primary stakeholders in MNEs, **but there has been scant attention given to the recruitment of these pivotal actors at the subsidiary level.** The three streams mentioned above are not isolated from each other, the interaction with different streams can generate interesting research questions to be studied (Aguilera et al., 2019). To design the composition of subsidiary governance, in addition to the understanding of the roles and functions of subsidiary-level main actors, it would be necessary to consider the impact of bureaucratic controls of MNEs such as headquarters controls and motives discussed in the second stream, as well as the specific context where subsidiaries are embedded in, such as the emerging economies discussed in the third stream.

Table 2.1 is the summary of three review papers on managing subsidiary and international corporate governance.

2.3.1 Key individuals at the subsidiary level (board and CEO)

Studies of corporate governance in MNEs examine the mechanisms and structures through which MNEs are directed and controlled. While there are various individuals/actors at the subsidiary level that are critical to MNEs' strategies, including leaders, expatriates, knowledge workers, boundary spanners (Meyer et al., 2020), TMT, owners, and board of directors (Aguilera, 2019), this thesis mainly focus on the subsidiary-level board of directors and CEO in this thesis because boards and CEOs are more strategically important and influential with stronger decision-making power (Daily and Johnson, 1997).

Structuring the board of directors is important for corporate governance mechanisms particularly to address managerial opportunism including monitoring (e.g., Fama & Jensen, 1983). Although the composition of the board and its primary roles have been a focus of corporate governance research (e.g., Hambrick et al., 2015; Hillman et al., 2009), there has been comparatively limited attention spent on MNE foreign subsidiary boards with

Table 2.1 Literature stream related to foreign subsidiary governance

	Managing foreign subsidiaries	**International corporate governance literature**	**Corporate governance literature**
Dominant theory	• Resource-based perspectives • Institution-based perspectives • Network-based perspectives • Behavioural theory • Knowledge-based view • Integration-responsiveness frameworks • FDI motives, etc.	1. 'Corporate governance of MNC' • Agency theory (dominant) • Resource-dependent theory • Upper echelons theory • Information processing theories 2. 'MNC governance' • Internationalisation theory • Transaction costs theory 3. 'Comparative corporate governance of the MNC' • Institutional theory	• Agency theory
Research focus	Subsidiary roles (FDI motives, integration responsiveness, subsidiary mandate types, knowledge contribution types, global value chain position, etc.)	• Conflicts among owners, managers and boards • Efficiently manage foreign operations (e.g. entry modes, transaction costs) MNEs' embeddedness	Conflicts between actors (Managers and shareholders)
Main gaps related to the thesis topic	• Research focus on the subsidiary perspective is comparatively less than the headquarters perspective. • The role and impact of individuals	• The ICG field remains segmented • MNE actors' roles and responsibilities • Influence of MNEs' multiple embeddedness across different institutional contexts • Ownership structure impacted by institutional contexts • Foreign subsidiary board of directors • Institutional duality and headquarter-subsidiary relationship • Comparison of corporate governance between advanced and emerging economies. • Integrating the above three main streams.	• The relationship and conflicts of cross-national comparison of corporate governance are shaped by different institutional contexts.
Source	Meyer et al. (2020)	Aguilera (2019)	Filatotchev et al. (2013)

rare exceptions (e.g., Cuypers et al., 2017; Du et al., 2011; Leksell and Lindgren, 1982). The subsidiary board roles, in addition to traditional roles, are expected to be more complicated as different institutions in home and host countries could modify the principal-agent relationship (Filatotchev et al., 2013). Additionally, the CEO plays a crucial role in managing the subsidiary's operations and implementing the parent company's strategic objectives. The CEO is often a member of the board of directors, especially at the subsidiary level. Both the board and CEO at the subsidiary level function more complicated to facilitate subsidiaries to act in different roles and implement strategies.

Despite an increasing research interest in subsidiary board and CEO staffing, the relevant area is still understudied (Aguilera, 2019; Meyer et al., 2020). The following section, therefore, adopts a systematic literature review method to collect relevant subsidiary board / CEO papers, to explore what has been done in the area.

Table 2.1 provides a summary of the key points from the relevant areas of literature.

2.4 Systematic literature review of subsidiary board / CEO papers

The process of conducting a systematic literature review is critical in identifying the foundational and pivotal works within the field of international corporate governance. This section will delve into the key coding results derived from the review, highlighting the most significant studies and theoretical frameworks that shape our understanding of the research area. By systematically reviewing the literature, essential contributions can be pinpointed that inform current practices and future research directions in international corporate governance.

2.4.1 Process of collecting papers

To gain a thorough understanding of subsidiary-level actors, this thesis reviewed not only articles on the subsidiary board and CEO but also those concerning subsidiary-level top management teams (TMT). This is because the factors influencing TMTs and their outcomes are likely to share similarities to those affecting the board, and the CEO is a key member of the TMT.

This thesis employed the bibliometric method, a recognized approach in management and business studies (Podsakoff, MacKenzie, Podsakoff, & Bachrach, 2008; Vogel, Hattke, & Petersen, 2017). VOSviewer and NVivo are used for bibliometric mapping in this paper. VOSviewer provides high-quality visual representations, while NVivo offers flexibility in organizing and analyzing data, simplifying the review process and providing a solid foundation for theorizing (Eck & Waltman, 2010; Sinkovics, 2016). Since the focus is on subsidiaries, three keywords related to company type were included in the search: 'subsidiary', 'international joint venture', and 'affiliated companies'. The search command includes both company-related keywords and those related to subsidiary boards or top management teams. The Web of Science database is used to identify relevant literature with the search query TS = (("subsidiar*" OR "international joint venture*" OR "affiliated compan*" OR "affiliated enterprise*" OR "affiliated firm*") AND ("TMT*" OR "top management team*" OR "board of director*" OR "corporate board*" OR "subsidiary board*" OR "CEO*")). This search yielded 100 articles, of which 97 were collected after filtering for English articles. This thesis further refined the selection using journal lists. Initially, this thesis adopted the approach and journal lists suggested by Aguilera (2019) and Meyer et al. (2020), but this yielded a very limited number of articles. Therefore, this thesis expanded the scope to include a broader range of journals observable in the ABS ranking. Following this expanded search, it was left with a total of 73 papers.

After a thorough review of all papers, this thesis excluded those that did not fit the research scope. Specifically, articles focused on local subsidiaries (within the home country) and those that primarily address headquarter-level governance rather than subsidiary-level governance had been removed. Consequently, there was a total of 58 papers.

The results were downloaded from the Web of Science and exported to VOSviewer for visualisation and template development. This thesis used a binary counting method, which counted only the presence or absence of a term in a document, not the total occurrences (Sinkovics, 2016). A minimum occurrence threshold of 2 was set for terms. VOSviewer provided an overview of potential clusters based on keywords and their interconnections. The network visualisation highlights concepts by their relative importance, with larger circles indicating more significant concepts (Sinkovics, 2016). Figure 2.2 shows two distinct clusters: the TMT-related cluster on the right and the board-related cluster on the left, distinguishable by colour. The green cluster, centred around the keyword ‘team,’ focuses on TMT, connecting topics like expatriates, incentives, and ideas. The red cluster connects corporate boards with equity, ownership, foreign partners, and respect.

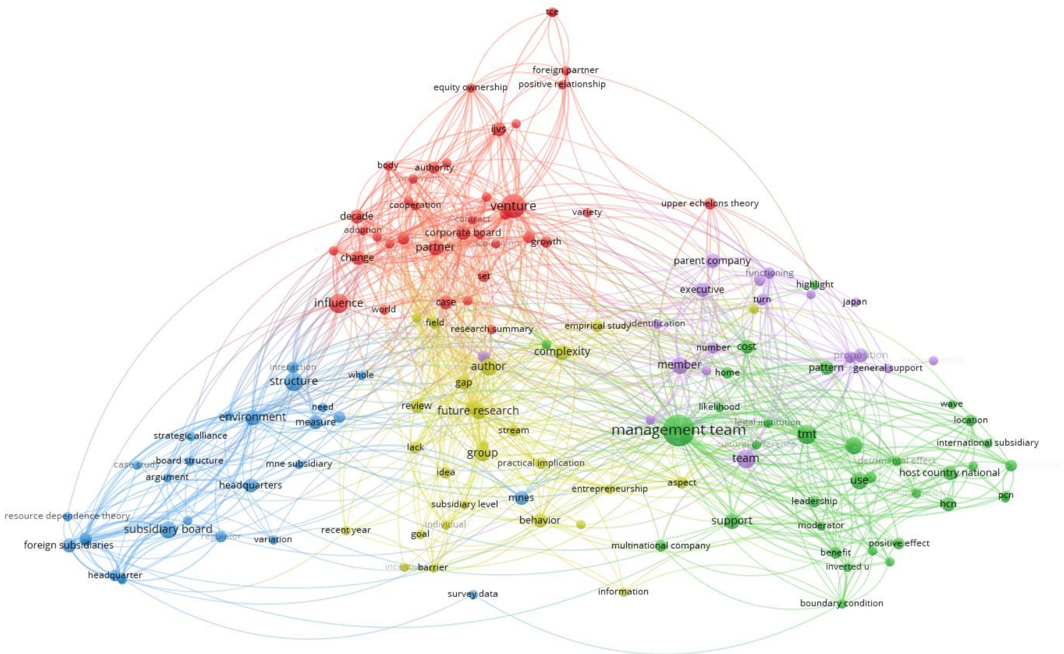

Figure 2.2 VOSviewer network visualisation

The abstracts of the papers were imported into NVivo via Endnote. Building on the VOSviewer network visualisation of abstracts (Figure 2.2) and performing a content analysis of the papers, key elements of foreign subsidiary governance were identified, leading to the development of a framework for contextualising foreign subsidiaries. Inspired by Strutzenberger and Ambos (2014)’s antecedents-implementation-outcome framework for subsidiary initiatives, the articles are categorised into three main themes: 1) antecedents of the foreign subsidiary board, CEO, and TMT structure, 2) characteristics of the foreign subsidiary board, CEO, and TMT, and 3) consequences of the foreign subsidiary board, CEO, and TMT structure. Antecedents refer to factors that directly influence or determine subsidiary governance, with a focus on the board, CEO, and TMT. Consequences include the various outcomes resulting from different governance mechanisms (see Figure 2.3).

Figure 2.4 illustrates the annual distribution of articles focusing on research related to foreign subsidiary boards and TMT. While the first paper in this area was published in 1982, articles were scarce before 2010, accounting for only 17.2% of the selected papers. The bulk of studies emerged after 2014, constituting 60.3% of our selected papers.

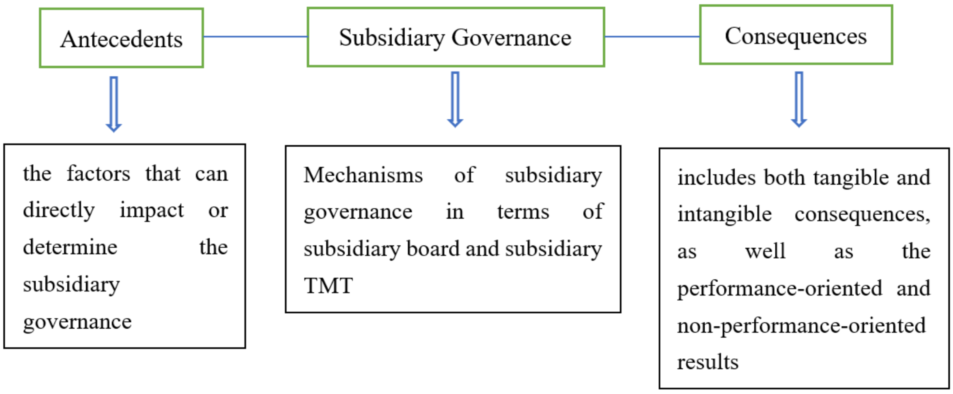

Figure 2.3 The subsidiary governance coding template (adapted from Strutzenberger and Ambos, 2014)

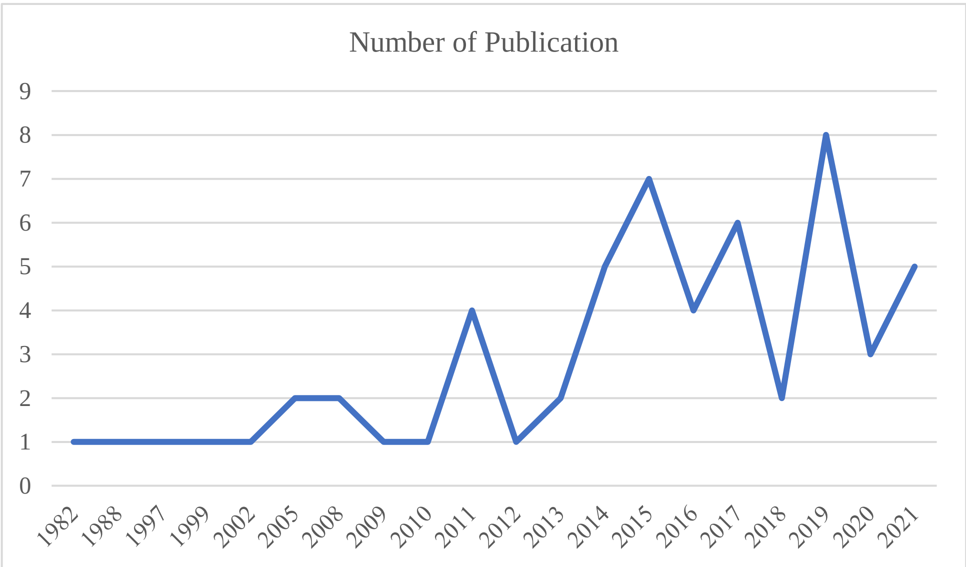

Figure 2.4 Number of publications by year

Additional descriptive findings are presented in Tables 2.2-2.5. Specifically, Table 2.2 shows the number of articles published in each journal. Most journals have only one or two articles in this area. The Journal of World Business has the highest number, with 6 papers, followed by the Journal of International Management with 5 papers, and the Journal of International Business Studies with 4 papers. Table 2.3 details the coding framework results for the board and TMT, revealing a focus primarily on the antecedents of the board and the consequences for TMT. Table 2.4 indicates that most studies use quantitative methods with archival data. Table 2.5 highlights that the research predominantly focuses on developed countries as the home country. The detailed analysis of the coding results for each antecedent, subsidiary governance characteristic, and consequence is provided in the following sections.

2.4.2 Structural findings of literature review and gaps identification

Foreign subsidiary governance structure

The comprehensive coding outcomes for the corporate governance component are divided into board-related (Table 2.6) and TMT and CEO-related (Table 2.7) categories. Since the CEO is typically the most influential member of the TMT, the coding results also encompass general TMT literature alongside CEO-specific studies to capture similar antecedents and consequences. Despite the critical roles of boards, CEOs, and TMTs as governance actors at the subsidiary level, and potential overlaps among them, the literature shows a disparity in research interests, likely due to the distinct functions of the subsidiary board, CEO, and TMT.

Board

The codes of the subsidiary board are typically categorised into function, board roles, and board composition. Studies explore various roles of foreign subsidiary boards, such as externally versus internally oriented roles or proactive versus symbolic roles (e.g., Bjorkman, 1994; Cuypers et al., 2017; Kriger, 1988; Kriger & Rich, 1987). One of the earliest and key foundation studies by Leksell & Lindgren (1982), based on Swedish MNEs, identifies three main roles: an external role in managing external relationships, an internal role focusing on control, coordination, and monitoring within MNEs' networks, and the legal role to meet structure requirements of host countries. The legal role suggests that the subsidiary board may not always function at the subsidiary level (Kriger, 1988; Leksell & Lindgren, 1982). To further examine these roles, some research examines factors influencing the activity of subsidiary boards. For instance, Du et al. (2011) examine the factors that drive the activeness of subsidiary

Table 2.2 Number of articles per journal

Journal Source	Sum	ABS Ranking
Academy of Management Annals	1	4
Academy of Management Journal	**1**	**4***
Accounting History	1	2
Asian Journal of Technology Innovation	1	1
Asian Review of Accounting	1	1
Corporate Governance-An International Review	3	3
European Business Review	1	2
European Management Journal	1	2
Global Strategy Journal	2	3
Human Resource Management	2	3
International Business Review	**1**	**3**
International Journal of Cross Cultural Management	1	1
International Journal of Emerging Markets	1	1
International Journal of Human Resource Management	4	3
International Journal of Management Reviews	1	3
International Journal of Technology Management	1	2
International Sociology	1	2
Japan and the World Economy	1	1
Journal of Business Research	1	3
Journal of Business Venturing	1	4
Journal of Contemporary Accounting & Economics	1	2
Journal of Family Business Strategy	1	2
Journal of International Business Studies	**4**	**4***
Journal of International Economics	1	4
Journal of International Management	**5**	**3**
Journal of Knowledge Management	1	2
Journal of Management	**2**	**4***
Journal of Management Studies	**1**	**4**
Journal of Strategy and Management	1	1
Journal of World Business	6	4
Leadership Quarterly	1	4
Management International Review	**1**	**3**
Organization Science	**1**	**4***
Organization Studies	**1**	**4**
Personnel Review	1	2
Strategic Management Journal	**3**	**4***

Sum	58

Note: Journals in bold letters are top tier journals recognised in Aguilera (2019) and Meyer et al. (2020)'s literature review methods.

Table 2.3 Coding framework results (adapted from Strutzenberger and Ambos, 2014)

	A, S	S, C	A, S, C	S	Association	Sum
Board	8	4	0	2	1	15
TMT	3	19	5	2	1	30
Board and TMT	1	4	0	0	0	5
Other mechanism	2	2	4	0	0	8
Sum	14	29	9	4	2	58

Note: A (antecedents), S (subsidiary governance), C (consequences), 58 papers.

Table 2.4 Methods and types of data of subsidiary governance literature

Method	**Specific type**	**Number**
Qualitative	Conceptual framework	4
	Case study	5
	Interview	1
	Review	5
Quantitative	Archival data	23
	Manually	1
	Database and manually	3
	Survey data	8
	Archival and survey data	5
Multi-method	Conceptual framework and database	1
	Questionnaire and interview	2
Sum		58

Table 2.5 Countries being examined in subsidiary governance literature

Company location	**Country/region**
Home country/region (23)	USA (6, D), South Korea (4, D), China (2, E), Germany (2, D), Taiwan (2, D), France (1, D), South Africa (1, E), Sweden (1, D), developed countries (3), mention several countries (1)
Host country/region (29)	China (6, E), USA (4, D), Belgium (2, E), Japan (2, D), Germany (2, D), Africa (1, E), Congo (1, E), Brazil (1, D), Irish (1, D), Korea (1, D), Spain (1, D), UK (1, D), mention developing countries (4), mention several countries (2)

Note: 'E' refers to developing countries, 'D' refers to developed countries. A total of 47 papers mentioned countries. The numbers in parentheses refer to the number of articles.

boards. They find that factors such as world mandate status, relative size, past performance, and local responsiveness are linked to active boards.

Table 2.6 shows the coding results of different board roles. The control role (Bensadon, 2015; Beuselinck & Du, 2017; Du et al., 2015; Reuer, Klijn, & Lioukas, 2014) and external role (Cuypers, Ertug, Reuer, & Bensaou, 2017; Hearn, 2015; Kriger, 1988; Leksell & Lindgren, 1982) receives most research attention, followed by monitoring role (Beuselinck & Du, 2017; Bhuiyan, 2015; Boivie, Bednar, Aguilera, & Andrus, 2016), internal role (Cuypers et al., 2017; Leksell & Lindgren, 1982), legal role (Kriger, 1988; Leksell & Lindgren, 1982), and decision-making role (Danisewicz, Reinhardt, & Sowerbutts, 2017; Leksell & Lindgren, 1982), among others.

The results suggest that the roles of subsidiary boards are more complex and distinct than those of purely domestic companies, as these boards act as intermediaries between headquarters and subsidiaries (Du et al., 2015) and between subsidiaries and the external environment (Cuypers et al., 2017; Leksell et al., 1982). This area of literature is foundational to this thesis, including works by Cuypers et al. (2017), Du et al., (2011, 2015), Kriger (1988), and Leksell & Lindgren (1982), which highlight the dual compliance requirements that subsidiaries face from both headquarters and host countries. These roles are further detailed through an internal-oriented and external-oriented framework. The internal role typically focuses on managing relationships within MNEs, encompassing interactions with both headquarters and other subsidiaries. While other subsidiaries also matter in terms of strategic purposes, the literature emphasises more on connections with respective headquarters. Under the category of internal roles, subsidiary boards monitor and evaluate subsidiary-level decisions and performance on behalf of headquarters, which mitigates the agency issues that arise when the subsidiary and headquarters have conflicting goals (Bensadon, 2015; Beuselinck & Du, 2017; Du et al., 2015; Reuer, Klijn, & Lioukas, 2014). They also perform as the intermediaries that connect headquarters and subsidiaries and facilitate coordination leading to effective transferring of knowledge and information (Du et al., 2015; Kriger, 1988; Leksell and Lindgren, 1982). The external role is relatively simpler, emphasising the connection to the host environment, to secure localised resources and establish legitimacy, despite being called differently among studies (e.g. service role by Du et al., 2015).

How a board is composed and who is hired determines board behaviour and what roles are emphasised (Adams, Hermalin, & Weisback, 2010). The literature has discussed various traits and characteristics of subsidiary boards, as well as the mechanisms behind them. Santacreu-Vasut et al. (2014) find that when the home country's dominant language marks gender more intensely, female participation on the subsidiary board is significantly lower. Having more females on board promotes overall diversity, which would be considered important to improve decision-making, and reflect stakeholder diversity and corporate social responsibility. Leksell et al. (1982) find that the proportion of inside to outside directors' links to whether subsidiaries emphasise more internal or external roles. The inside directors mostly hold positions for remuneration while the outside directors tend to appear more for companies that emphasise external relations. The study also discusses the experiences of outside directors including industrial, banking, government, and legal, and suggests that banker and lawyer directors are similar in number across subsidiaries, while for subsidiaries trying to emphasise external relations, individuals with higher status, greater influence and more connections seem more likely to be selected. Drawing upon the internal-external roles framework, Cuypers et al. (2017) find that the ratio of foreign partners is determined by equity structure, and such relationships are moderated by international joint ventures and host country characteristics. Overall, the research in the area is still very limited both in number and scope.

The existing literature provides a theoretical foundation for understanding the internal and external roles of foreign subsidiary governance structures. However, it falls short of addressing the factors that contribute to the heterogeneity of these governance structures and board roles (e.g., Cuypers et al., 2017; Du et al., 2011; Leksell and Lindgren, 1982; Zaharie et al., 2020). For example, Du et al. (2011) investigate and find that subsidiaries that are sizable, serve a worldwide responsibility, or poorly performing tend to have boards active in both monitoring and resource provisioning. However, they do not examine how the dual roles are associated with board composition. Moreover, Cuypers et al. (2017) suggest that the differential emphasis on specific roles influences board design in international joint ventures. They highlight how external conditions—such as host country environmental volatility, competitive overlap, and market growth—affect which board designs and associated roles are prioritized. Despite this insight, the literature does not adequately explore how particular board roles impact board design regarding the need for appointing expatriates, nor does it consider how the FDI motives of parent firms influence preferences for specific board roles. Additionally, while early empirical studies on joint venture and subsidiary boards have emphasized the significance of their internal and external roles (e.g., Cuypers et al., 2017; Leksell and Lindgren, 1982; Kriger, 1988), further development in this research area remains limited. This gap underscores the need for more comprehensive studies to elucidate these dynamics.

CEO and TMT

Subsidiary CEO and TMT, adapted from Hambrick (1994) and Li, Xin, Tsui, and Hambrick's (1999) studies, are categorised into team composition, structure, incentives, leaders' behaviour, process and others. According to Li et al. (1999),

> *Composition refers to the demographic characteristics and national cultural background of the leadership team members. Processes refer to communication flows, decision making process, interpersonal dynamics, and normative behaviors within the team. The structure of the team refers to the roles of the managers (i.e., team members) and relationship among those roles…. Incentives reflect the characteristics of the compensation structure and the career opportunities for managers in the team. The final element, leadership, highlights the particular importance of the joint venture general manager, who can have a disproportionate and sometimes nearly dominating influence on the team's dynamics and outcomes.*

Table 2.6 Coding results of subsidiary board in subsidiary governance literature

Function (4)	**Board roles (23)**	**Board composition (10)**
Board involvement (3) (Batra et al., 2021; Kao & Kuo, 2017; Reuer et al., 2014) **Active board** (2) (Aguilera, 2019; Du et al., 2011) **Board presence** (1) (Beuselinck & Du, 2017)	**Control role** (4) (Bensadon, 2015; Beuselinck & Du, 2017; Du et al., 2015; Reuer et al., 2014) **External role** (5) (Aguilera & Haxhi, 2019; Cuypers et al., 2017; Hearn, 2015; M. P. Kriger, 1988; Leksell & Lindgren, 1982) **Monitoring role** (4) (Beuselinck & Du, 2017; Bhuiyan, 2015; Boivie et al., 2016; Doo & Yoon, 2020) **Internal role** (3) (Aguilera, 2019; Cuypers et al., 2017; Leksell & Lindgren, 1982) **Legal role** (3) (Aguilera, 2019; Kriger, 1988; Leksell & U. Lindgren, 1982) **Decision-making role** (2) (Danisewicz et al., 2017; Leksell & Lindgren, 1982) **Advice role** (1) (Kriger, 1988) **Coordination role** (1) (Du et al., 2015) **Punctuated-even role** (1) (Boivie et al., 2016) **Resource provision role** (1) (Boivie et al., 2016) **Service role** (1) (Du et al., 2015) **Strategy role** (1) (Du et al., 2015)	**Independent director ratio** (5) (Bhuiyan, 2015; Chung & Kim, 2018; Debellis, De Massis, Petruzzelli, Frattini, & Del Giudice, 2021; Leksell & U. Lindgren, 1982; Li & Harrison, 2008) **Foreign partners' representation** (1) (Cuypers et al., 2017) **Family involvement** (1) (Kao & Kuo, 2017) **Affiliated board** (1) (Bhuiyan, 2015) **Gender** (1) (Santacreu-Vasut et al., 2014) **Elites** (1) (Hearn, 2015) **Experience** (1) (Leksell & U. Lindgren, 1982) Financial background (1) (Doo & Yoon, 2020) **Others** **Board size** (3) (Bhuiyan, 2015; Devarakonda, Klijn, Reuer, & Duplat, 2021; Ozbek & Boyd, 2020)

Note: The numbers in parentheses refer to the number of articles.

Like the subsidiary board, the roles of subsidiary CEOs and TMTs are more complex than those in purely domestic companies. Table 2.7 presents the coding results. The generic TMT literature suggests that team characteristics can influence firm outcomes (Li et al., 1999). Research on subsidiary TMTs underscores the importance of nationality and composition, particularly in the context of effective governance and performance. Studies highlight that nationality plays a crucial role, as managers from the home country are often better positioned to facilitate control and oversight from headquarters. In contrast, host country nationals excel at managing local responsiveness and communication within the local environment (Hyun et al., 2015). However, while national diversity can enhance perspectives and creativity, it may also introduce cognitive complexity and potential conflicts within the team (Mitchell et al., 2016). Therefore, achieving a balanced composition of subsidiary management teams is vital, as it has been shown to correlate with improved subsidiary performance (Hyun et al., 2015). Furthermore, team composition is often correlated with the discussion of certain types of executives' characteristics. For example, TMTs with international experience are instrumental in addressing the liabilities of foreignness that arise from institutional distance (Rickley, 2019). This experience enables them to identify, assess, and seize international opportunities more effectively (Milanov & Fernhaber, 2014), thereby influencing strategic decision-making processes such as acquisitions (Wang, 2019) and broader company-level outcomes like internationalization (Milanov & Fernhaber, 2014). Collectively, this literature highlights the critical role of nationality and TMT composition in shaping subsidiary effectiveness and overall organizational success.

The literature on subsidiary staffing, particularly regarding CEO appointments, is critically important for understanding subsidiary strategies. These studies underscore the strategic role of subsidiary CEO staffing as a mechanism for effective governance and performance in foreign markets. Below are some foundational works on CEO staffing. According to Beuselinck and Du (2017), subsidiary boards and CEOs serve as essential control and monitoring mechanisms established by headquarters. This arrangement not only safeguards foreign cash holdings but also aligns with agency theory, ensuring that the interests of the parent company are represented at the subsidiary level. From a knowledge-learning perspective, the migration of CEOs across borders represents a vital opportunity for inter-organizational learning. Beuselinck and Du (2017) argue that when a subsidiary has both general and country-specific experiences, the presence of a knowledgeable CEO can significantly enhance the firm's acquisition decisions, thereby advancing its strategic objectives. Rickley and Karim (2018) contribute to this discussion by highlighting how subsidiaries adapt their CEO staffing in response to the challenges posed by the liability of foreignness. As institutional distance increases, there tends to be a shift from expatriate CEOs to local managers, which helps to bridge the gap between the subsidiary and the local environment. Furthermore, research by Davies et al. (2023) emphasizes the advantages of having a host country national as the subsidiary CEO, particularly one with inpatriate experience. Such leaders are shown to facilitate knowledge transfer and enhance financial performance by building strong relationships with headquarters actors. Overall, this body of literature illustrates the pivotal role of subsidiary CEO staffing in enhancing operational effectiveness, promoting knowledge transfer, and ultimately supporting successful internationalization strategies.

In the management hierarchy, the CEO plays a pivotal role, closely linked with the board of directors and the TMT. This arrangement provides a valuable context for testing theories like agency theory, which has been extensively examined in domestic firms (Busenbark, Krause, Boivie, & Graffin, 2016). CEO characteristics are crucial for subsidiary governance. Research shows that CEOs who employ a transformational leadership style and distribute their attention evenly among TMT members tend to boost teamwork effectiveness and company performance. In contrast, uneven attention can negatively impact outcomes (Zhang et al., 2015). Additionally, CEO tenure and compensation are found to influence the positive relationship between MNEs' R&D intensity and international joint venture equity ownership (Hou et al., 2013).

In comparison to team composition and staffing strategies, other factors such as structure, incentives, leaders' behaviour, and processes receive relatively less focus, though they are crucial to firm performance (Li et al., 1999). The structure category discusses issues like conflicts and identification, with many studies on conflicts being contributed by JT Li and his research group. For instance, Li and Hambrick (2005) find that significant demographic faultlines between groups or factions within an organisation often lead to conflicts related to tasks, emotions, and behaviour, which can adversely affect corporate performance. This occurs because TMT members from different factions—stemming from factors like cultural differences—may develop varying identities and loyalties toward different parent entities (e.g., joint ventures versus parent companies), resulting in substantial role conflicts.

Overall, the subsidiary TMT / CEO literature reflects a focus on managers' international experience and expatriate/inpatriate experiences, which seem to be a key component for local adaption, knowledge transfer, and the smooth operation of foreign subsidiaries. **The relative scarcity of studies on subsidiary boards and CEOs in comparison to the broader corporate governance literature underscores the need for further exploration**. The broader corporate

Table 2.7 Coding results of subsidiary TMT in subsidiary governance literature

Team composition (21)	Structure, Incentives, Leadership, Process	CEO (8)
Nationality including expatriates (9) (Dahms & Kingkaew, 2019; Hyun et al., 2015; Lee, Yoshikawa, & Harzing, 2021; Li et al., 1999; Mellahi & Collings, 2010; Mitchell et al., 2016; Muellner et al., 2017; Sekiguchi et al., 2011; Takeuchi, Qian, Chen, & Shay, 2021) **International experience** (5) (Li et al., 1999; Milanov & Fernhaber, 2014; Rickley, 2019; Wang, 2019; Wei et al., 2020) **Functional background** (2) (Li et al., 1999; Mitchell et al., 2016) **Gender** (2) (Morikawa, 2016; Santacreu-Vasut et al., 2014) **Work experience** (2) (Nuruzzaman et al., 2019; M. Rickley, 2019) **Education** (2) (Li et al., 1999; M. Rickley, 2019) **TMT-specific experience** (2) (Hutzschenreuter & Horstkotte, 2013; Q. Wei et al., 2020) **Age** (1) (Li et al., 1999) **Cultural background** (1) (Li et al., 1999) **Industry experience** (1) (Nuruzzaman et al., 2019)	**Structure (6)** **Conflicts** (4) (Elron, 1997; Li & Hambrick, 2005; Li et al., 2002; Li et al., 1999) **Identification** (2) (Li et al., 2002; Lomi et al., 2014) **Incentives (1)** **Compensation** (1) (Li et al., 1999) **Leadership (4)** **Team leadership style/dimension** (3) (Koch et al., 2016; Li et al., 1999; Song et al., 2018) **Self-serving mechanisms** (1) (Mellahi & Collings, 2010) **Process (4)** **Personal relationship** (2) (Li et al., 1999; Lomi et al., 2014) **Language barrier** (1) (Li et al., 1999) **Preferred decision-making approach** (1) (Li et al., 1999)	**CEO expatriating** (2) (Beuselinck & Du, 2017; Rickley and Karim, 2018) **CEO inpatriate experience** (Davies et al., 2023) **CEO leadership style** (1) (Zhang et al., 2015) **CEO tenure** (1) (Hou et al., 2013) **CEO compensation** (1) (Hou et al., 2013) **CEO migration** (1) (Wang, 2019) **Others (4)** **Bounded rationality** (1) (Mellahi & Collings, 2010) **Factionalism** (1) (Li et al., 2002) **Human capital** (1) (Hayton & Zahra, 2005) **Values** (1) (Garcia-Cabrera & Garcia-Soto, 2012)

Note: The numbers in parentheses refer to the number of articles.

governance literature generally covers a wide range of topics related to the systems and processes by which companies are directed and controlled. This includes issues such as board composition, executive compensation, shareholder rights, disclosure and transparency, risk management, and the overall accountability of management to stakeholders. While much of this literature area applies to subsidiaries as well, the nuances of subsidiary governance within the multinational enterprise context warrant more targeted research to address the unique challenges and opportunities inherent in subsidiary operations. Subsidiaries often operate within diverse cultural, regulatory, and competitive environments, requiring specific governance structures and mechanisms to effectively navigate these complexities. Given the distinct roles and responsibilities of subsidiary boards and CEOs within the larger multinational enterprise context, understanding their impact on subsidiary performance, decision-making, and strategic alignment is essential for enhancing governance practices tailored to the subsidiary's specific needs.

Antecedents

Given limited research attention in the area, the coding results for subsidiary board / CEO / TMT are comparatively fragmented. Overall, the factors can be categorised as contextual factors and organisational factors.

Cultural and institutional factors have received significant research attention in shaping subsidiary governance. Culture, as a form of informal institution, is explored for its role as both a contextual and organisational factor, influencing the composition and function of subsidiary TMTs. Greater cultural distance between subsidiaries and headquarters increases agency costs related to monitoring, control, and communication, and reflects an MNE's ability to understand local customs (Muellner et al., 2016). Research shows that larger cultural and institutional differences prompt headquarters to emphasise control over subsidiaries (Gaur et al., 2007). Subsidiary TMTs may include local nationals, home-country expatriates, and third-country expatriates (Elron, 1997), which can lead to conflicts from varying cognitive frameworks that affect CEO and team performance. Staffing decisions, whether expatriates or local managers, are strategies for managing cultural distance challenges (Shin et al., 2016). Gong (2003) finds that expatriate staffing positively impacts MNE affiliate performance in contexts of greater cultural distance, though this effect diminishes over time. Takeuchi et al. (2021) investigate how managers' cultural novelty, or the perceived distance between host and home cultures, moderates the relationship between leadership and job satisfaction among host country managers. Additionally, Elron (1997) reveals that cultural heterogeneity affects TMT processes and performance, thereby influencing overall firm performance.

Other institutional factors have also been explored in this context. The varying institutional environments are crucial for firms operating in global markets, as they influence investment decisions and the ability to secure commitments from partners. Different countries' institutions affect transaction costs (Coase, 1998; Williamson, 2000). Devarakonda et al. (2019) find that differences in legal traditions between partners' home countries increase the likelihood of international joint ventures opting for arbitration over litigation. Their additional analysis reveals that mechanisms such as equity sharing and board composition, which are commonly used in international joint ventures, are more effective in mitigating transactional opportunism than addressing institutional concerns. Hyun et al. (2015), studying Korean companies, find no evidence that host country institutional quality moderates the relationship between balanced subsidiary management team composition and subsidiary performance. However, they do find that higher institutional quality enhances the positive impact of a balanced subsidiary employee composition on firm performance. Muellner et al. (2017) observe that strong legal institutions can protect foreign MNEs from potential costs and encourage the hiring of host country nationals, thereby reinforcing the benefits.

Other antecedents being discussed are various organisational factors. For example, Du et al. (2011) find that larger subsidiary size, poorer past performance and a higher level of local responsiveness contribute to a more active subsidiary board. Du et al. (2015) examine the link between subsidiary roles and board roles. Local implementers, in comparison to world mandate subsidiaries, are more involved in strategy and coordination roles when there are more parent company country nationals. Exploring the board of international joint ventures, Reuer et al. (2014) find that the involvement of the board of international joint venture would be higher with more engagement in R&D activities, and lower when there are greater cultural differences and environmental uncertainty in the host country.

The literature on antecedents of subsidiary governance predominantly emphasises contextual and organisational factors, such as culture, institutional environment, and internal structures and characteristics. However, **there is a noticeable neglect of antecedents from the**

Table 2.8 Coding results of antecedents in subsidiary governance literature

The antecedents of subsidiary governance
Cultural factors (8) (Dahms & Kingkaew, 2019; Hyun et al., 2015; Lee et al., 2021; Li et al., 1999; Mellahi & Collings, 2010; Mitchell et al., 2016; Muellner et al., 2017; Sekiguchi et al., 2011; Takeuchi et al., 2021; Gong 2003)
Institutional factors (5) (Cooke et al., 2019; Devarakonda et al., 2021; Hyun et al., 2015; Muellner et al., 2017)
Local responsiveness (2) (Du et al., 2011; Leksell & Lindgren, 1982)
Crises (1) (Martins et al., 2019)
Language (1) (Santacreu-Vasut et al., 2014)
Environmental uncertainty (1) (Reuer et al., 2014)
Exchange characteristics (1) (Devarakonda et al., 2021)
Competition (2) (Leksell & Lindgren, 1982; Reuer et al., 2014)
Administrative system (1) (Leksell & Lindgren, 1982)
World mandate subsidiary, relative size, past performance (1) (Du et al., 2011)
Earlier investment (1) (Collings et al., 2008)
Market span (1) (Du et al., 2015)
Product scope (1) (Hutzschenreuter & Horstkotte, 2013)
R&D activities (1) (Reuer et al., 2014)
Dependence on host country (1) (Leksell & Lindgren, 1982)
Independence from headquarter (1) (Du et al., 2015)
Organisational interdependence and complexity (1) (Leksell & Lindgren, 1982)
Relative status and power of parents (1) (Li et al., 2002)
Demand for internal operation advice (1) (Kriger, 1988)
Demand to obtain external knowledge (1) (Kriger, 1988)
Demographic Faultline (1) (Li & Hambrick, 2005)
procedural justice and interactional justice (1) (Gomes et al., 2011)
Decision comprehensiveness (1) (Mitchell et al., 2016)
Directors' equity (1) (Cuypers et al., 2017)
Industry change (1) (Kriger, 1988)
Dispositional mechanism (1) (Lee et al., 2021)
Contextual mechanism (1) (Lee et al., 2021)
Corruption (1) (Muellner et al., 2017)

Note: The numbers in parentheses refer to the number of articles.

perspective of the headquarters-subsidiary relationship. Particularly, the headquarters-subsidiary relationship plays a critical role in shaping the governance dynamics within multinational enterprises. The relationship between the headquarters and subsidiaries significantly influences decision-making processes, strategic alignment, resource allocation, and overall performance. By understanding the factors that impact subsidiary boards and CEOs within this relationship, we can better comprehend how governance practices are shaped and implemented in the subsidiary context. Subsidiary boards and CEOs operate within a unique set of challenges and expectations within the headquarters-subsidiary relationship. They need to balance the interests of both the local subsidiary and the broader multinational enterprise, ensuring alignment with the strategic objectives and values of the headquarters while also addressing the specific needs and opportunities of the subsidiary. Therefore, studying the antecedents from the perspectives of headquarters-subsidiary relationships, such as FDI motives from headquarters, business relatedness with headquarters, and subsidiary equity held by headquarters, provides insights into the mechanisms of control, coordination, and communication utilised by multinational enterprises.

Consequences

Strategies and activities, such as appointing subsidiary board members and CEOs, not only produce results at the subsidiary level but also impact outcomes at the multinational enterprise (MNE) level. In subsidiary management and governance literature, subsidiary performance is frequently examined as the dependent variable when evaluating the effects of various subsidiary practices and strategies. This performance is a complex, multi-dimensional concept shaped by diverse mechanisms and influenced by both headquarters and the local environment (Meyer et al., 2020).

There is no consensus on the definition of subsidiary performance (Meyer et al., 2020). Various measurements are used to assess subsidiary performance, including return on assets (ROA), return on equity (ROE), return on sales (ROS) (e.g., Bhuiyan, 2015; Singh, Pattnaik, Lee, & Gaur, 2019), and labour productivity (Hyun et al., 2015; Sekiguchi et al., 2011). In particular, Singh et al. (2019) discovered a negative relationship between cultural friction and subsidiary performance (measured by ROA). This effect was found to be strongest at the TMT level, moderate at the middle management level, and weakest at the employee level. Hence, the composition of subsidiary staff, specifically the parent country nationals versus host country nationals, plays a critical role in impacting subsidiary performance. Elron (1997) found that cultural heterogeneity affects TMT performance through issue-based conflict and social cohesion, subsequently influencing subsidiary performance. To address the challenge of objectively measuring subsidiary performance, Elron (1997) posed a series of questions to TMT members and respondents, asking them to rate satisfaction levels on 13 factors, including sales growth rate, market share, cost reduction programs, and personnel development. Mitchell et al. (2016) found that TMT functional diversity and national diversity moderate the inverted U-shaped association between decision comprehensiveness and organizational performance. Their results suggest that when TMT national diversity is low, the inverted U-shape relationship is significant, but when the diversity level is high, the main effect becomes insignificant. Similar to Elron (1997), Mitchell et al. (2016) developed a scale to measure firm relative performance, asking the subsidiary CFO about return on total assets after tax, overall subsidiary performance, and subsidiary competitive position. Furthermore, Hyun et al. (2015) found a positive relationship between a balanced nationality composition of TMTs and subsidiary performance, as measured by labour productivity calculated by dividing total sales by the number of subsidiary employees. Overall, despite using different measurement methods, the assessment of subsidiary performance is consistently associated with financial performance.

Some studies focus on knowledge creation and transfer as key outcomes. Subsidiaries are often viewed as knowledge creators, with their innovative performance and knowledge creation being explored. Nuruzzaman et al. (2019) found a positive association between the subsidiary TMT's international experience or the CEO's industry experience and subsidiary innovation performance. Beuselinck and Du (2017) observed that multinational enterprises implement monitoring mechanisms like subsidiary boards and expatriate CEOs to protect foreign cash holdings, with the accumulated cash in foreign subsidiaries correlating with their innovation and knowledge transfer capabilities. The transmission of company-specific knowledge is crucial for multinational enterprises. Crowne (2009) suggests that fostering feedback-seeking behaviour and enhancing social networks involving TMT, expatriates, and repatriates can facilitate more effective knowledge transfer.

Other studies examine internationalisation strategies as outcomes. Lien and Filatotchev (2015) discovered a connection between the ownership structure of headquarters and the foreign direct investment (FDI) location choices made by subsidiaries. Their findings indicate that the ownership of block shareholders in parent companies, such as controlling families, non-family top management team members, and institutional investors, along with the subsidiary equity held by parent companies, positively influences FDI location decisions in less-explored and high-risk regions. Wang (2019) found that migrating executives influence multinational enterprises' decisions regarding the selection of host countries for international acquisitions. In their examination of domestic partners in international joint ventures, Milanov and Fernhaber (2014) revealed that domestic partners with significant international experience positively impact the international intensity of new ventures, measured by foreign sales relative to total sales.

While the above outcomes cover some important MNEs' strategies and assessment of subsidiary practices, the discussion in the area is far from complete. Particularly, **subsidiary governance literature largely ignores how governance mechanisms facilitate subsidiaries in obtaining legitimacy**. Legitimacy refers to the social perception of acceptance or appropriateness of organizational behaviours (Conroy & Collings, 2016; Suchman, 1995). Legitimacy enhances the foreign subsidiary's acceptance and support within the local business environment. By aligning with local norms, regulations, and societal expectations, the subsidiary can establish a credible and respected presence, which is essential for building relationships with local stakeholders, including customers, suppliers, and government entities. Obtaining legitimacy facilitates the reduction of regulatory and reputational risks, access to resources and opportunities, mitigating resistance and hospitality, and contributing to long-term viability and sustainability. However, the relevant literature often overlooks the crucial link between subsidiary governance and its role in helping subsidiaries achieve legitimacy—a key factor for ensuring their survival and business success.

EMNEs as the home country

Surprisingly, emerging markets have largely been neglected in subsidiary governance literature, with only a few papers carefully considering them as important contexts (e.g. Batra, Gupta, and Dhir, 2021; Hearn, 2015; Martins, Lucato, Vils, & Serra, 2019). According to the 2022 Statistical Bulletin of China's Outward Foreign Direct Investment, despite the

Table 2.9 Coding results of consequences in subsidiary governance literature

The consequences of subsidiary governance
Firm performance (16) (Batra et al., 2021; Bhuiyan, 2015; Dahms & Kingkaew, 2019; Elron, 1997; Hayton & Zahra, 2005; Hyun et al., 2015; Li & Hambrick, 2005; Li et al., 2002; Martins et al., 2019; Mitchell et al., 2016; Sekiguchi et al., 2011; Singh et al., 2019; Song et al., 2018; Wei et al., 2020; Zhang et al., 2015)
Innovation (4) (Beuselinck & Du, 2017; Hayton & Zahra, 2005; Nuruzzaman et al., 2019; Song et al., 2018)
Knowledge transfer (3) (Beuselinck & Du, 2017; Crowne, 2009; Lomi et al., 2014)
Internationalisation (2) (Kao & Kuo, 2017; Milanov & Fernhaber, 2014)
FDI location (2) (Lien & Filatotchev, 2015; Wang, 2019)
Growth rate (2) (Hutzschenreuter & Horstkotte, 2013; Hutzschenreuter et al., 2011)
Legitimacy (2) (Bensadon, 2015; Cooke et al., 2019)
Attract investment (1) (Hyun et al., 2015)
Competitive advantage (1) (Cooke et al., 2019)
Coordination (1) (Cooke et al., 2019)
Divestment (1) (Song & Lee, 2017)
Entry mode (1) (Kao & Kuo, 2017)
Equity ownership (1) (Hou et al., 2013)
Foreign cash holdings (1) (Beuselinck & Du, 2017; Zhang et al., 2015)
Governance effectiveness (2) (Li et al., 2002)
Firm success (2) (Debellis et al., 2021; Li et al., 1999)
International Acquisition (1) (Wang, 2019)
IPO (1) (Bensadon, 2015)
Manage the liability of foreignness (1) (Rickley, 2019)
Market valuation (1) (Ozbek & Boyd, 2020)
Leave position (1) (Garcia-Cabrera & Garcia-Soto, 2012)
Response of foreign affiliates (1) (Danisewicz et al., 2017)
Talent management failure (1) (Mellahi & Collings, 2010)
Job satisfaction (1) (Takeuchi et al., 2021)
Political hazard (1) (Wei et al., 2020)

Note: The numbers in parentheses refer to the number of articles.

significant decrease in the growth rate of global trade in goods, the Chinese economy was generally stable and the Outward Foreign Direct Investment (OFDI) flows reached 163.12 billion US dollars, ranking second in the world in terms of OFDI flows in 2022. Settling foreign subsidiaries is an important OFDI strategy, and the context of EMNEs as the home country of OFDI is both important and relevant, while literature has mainly discussed subsidiary governance from the perspective of MNEs from advanced economies (e.g. Leksell and

Lindgren, 1982; Kriger, 1991; Björkman, 1994; Reuer et al., 2014), with very little attention paid to exploring subsidiary governance from the perspective of EMNEs, particularly China.

Primarily, EMNEs' entry strategy can be distinctly different from MNEs in advanced economies (e.g. Luo and Tung, 2018; Meyer, Estrin, Bhaumik & Peng, 2009). Compared to MNEs from advanced markets, EMNEs might have different preferences in choosing entry modes in foreign markets (Luo & Tung, 2007). based on the LLL paradigm, the springboard perspective, and the institutional arbitrage perspectives, EMNEs possess unique FDI motives that are understudied. As the motivations and strategies of EMNEs can be very different, further examination is required to determine whether theories and arguments developed mainly in an advanced market context still hold (Cooke et al., 2019). Foreign subsidiary boards and TMTs would function differently in order to strategically seek resources from host countries.

Secondly, when entering emerging markets from advanced economies, MNEs often face significant challenges due to institutional differences and uncertainties in these markets (Elg, Ghauri, Child, & Collinson, 2017). These challenges can be wide-ranging, including political instability, unreliable distributors, rapid changes, and weaknesses in infrastructure. Subsidiary boards and TMTs will need to respond to local institutions and help subsidiaries become more resilient to environmental uncertainties. Furthermore, as emerging markets can also be institutionally distinct from each other, some research might need to take a closer look at specific contexts. Therefore, to offset the disadvantages of headquarters, foreign subsidiaries of EMNEs would need to exhibit good corporate governance practices by closely following local regulations, adopting certifications (Bansal & Hunter, 2003), demonstrating good corporate social responsibility (Zhou & Wang, 2020), and engaging in corporate philanthropy (Mithani, 2017). The representation and level of involvement of subsidiary boards and TMTs would then be adjusted to meet local requirements and gain legitimacy in host countries. Furthermore, existing corporate governance literature has historically and mainly focused on the perspectives of MNEs from advanced economies, particularly the UK, the USA, and continental European countries (Aguilera & Haxhi, 2019; Peng, Wang, & Jiang, 2008). this thesis also found a very similar trend in the database, with 16 of the 20 papers examining MNEs from advanced countries or regions.

2.5 Supplementary literature for framework development

2.5.1 Views on EMNEs

There are several main perspectives to analyse EMNEs' practices and strategies. One of the most influential ones is the LLL paradigm by Mathews (2006), which refers to using the linkage, leverage, and learning practices and strategies through which EMNEs can expand their global presence and competitiveness. Often lacking firm-specific advantages, Dunning's OLI paradigm might be less applicable to EMNEs. OLI paradigm assumes MNEs hold home-country advantages, they tend to invest abroad to exploit their firm-specific advantages. However, EMNEs may not necessarily possess the same level or type of ownership advantages as multinational enterprises from developed countries. In comparison, LLL shows that EMNEs can connect their home-country operations with international activities through linkages such as strategic alliances and partnerships. They can access superior resources via linkages in the host countries (Luo & Tung, 2018). Moreover, through the linkages they have made, they can leverage resources from the strengths of others, as well as leverage what is unique for EMNEs themselves (such as low-cost production) to obtain competitive advantages. The repeated process of linkage and leverage leads to the learning process which enables EMNEs to acquire knowledge, skills, and capabilities from their international experiences (Mathews, 2006). The LLL paradigm well explains EMNEs' internationalisation strategies and motivations that are distinct from conventional IB literature.

Springboard perspective (Luo & Tung, 2007) shares similar logic to the LLL paradigm in a way that both intents recognise the advantage logic for international expansion does not work for EMNEs. However, compared to the LLL paradigm, the springboard perspective focuses more on radical expansion to foreign markets to seek strategic assets (e.g. Cuervo-Cazurra & Genc, 2008; Li et al., 2022). Moreover, the springboard perspective is more concerned with the institutions in the home and host countries. When there is a need to avoid the restrictions in the home country and to benefit from host country institutions, MNEs tend to hold springboard intent for acquiring strategic assets overseas.

The springboard perspective emphasises the strategic asset-seeking and institutional arbitrage intents of EMNEs, excluding investments aimed at tax havens or those involving ‘round-tripping’ (Luo & Tung, 2007). Another strand of literature, focusing specifically on institutional arbitrage, analyses these firms’ behaviour (e.g., Buckley et al., 2015), often from an institutional escapism or exit perspective (Luo & Tung, 2018). For instance, Boisot & Meyer (2008) suggest that Chinese MNEs internationalise early when domestic border-crossing costs exceed international ones. Yamakawa et al. (2008) find that firms are more likely to internationalise to developed countries if their home countries lack necessary institutions. Cuervo-Cazurra and Genc (2008) show that disadvantages in the home country can become advantages in less developed countries, as EMNEs become adept at navigating weak home country institutions. These studies do not necessarily exclude investments in tax havens or offshore financial centres, as such investments can represent a form of institutional arbitrage by capitalising on advantageous regulatory environments.

Because of the relatively unique traits of EMNEs compared to DMNEs, literature has examined the behaviours of EMNEs and respective foreign affiliates’ strategy and governance. For example, Huang and Staple (2018) find that the main role of board members in Chinese Australian subsidiaries mainly perform the control role, and these firms tend to maintain the ‘Chinese colour’ in their overseas practices. Wang et al. (2014) examine the Chinese MNEs and find that subsidiaries exhibit greater autonomy delegation in firms that use foreign markets to acquire strategic assets. This tendency is particularly pronounced when headquarters’ top management perceives substantial domestic institutional constraints and when international expansion is independent of government assistance. Examining 90 EMNEs in 14 emerging economies, Banna et al. (2024) find that social innovation mitigates financial risk for EMNEs. Their findings also highlight the nuanced moderating role of institutional legitimacy in balancing social innovation, excessive social innovation, and EMNC financial risk. Moreover, by examining Polish firms, Trąpczyński, & Banalieva (2016) find that compared to MNEs from developed countries, EMNEs often have rich experience in their home markets, which can help them better cope with and leverage institutional differences in the host country. By reviewing the literature, they find that institutional distance between the home and host countries can have both positive and negative effects on the performance of foreign affiliates. Therefore, they discuss two types of organisational experience, similar experience (previous operating experience in similar institutions) and dissimilar experience (previous operating experience in dissimilar institutions), which would moderate the main effect differently. These studies suggest that EMNEs have relatively distinct FDI motives and overseas practices, which subsequently shape subsidiary-level governance.

In summary, the perspective of EMNEs is important because they exhibit distinct foreign direct investment motives and governance practices compared to DMNEs. Their unique traits influence how they manage subsidiaries, navigate institutional differences, and balance financial and social risks. This understanding helps clarify the distinct strategies and behaviours of EMNEs in their international operations.

2.5.2 Literature on subsidiary legitimacy

Recognising the research gap between subsidiary governance and legitimacy, this section reviews the literature on subsidiary legitimacy. Although legitimacy has received less attention than other aspects of subsidiary performance, it is crucial for a foreign subsidiary to gain local acceptance and support to secure essential resources. Legitimacy refers to the social perception of an organisation's actions as acceptable or appropriate (Conroy & Collings, 2016; Suchman, 1995). A legitimate subsidiary is perceived as more credible, meaningful, predictable, and reliable (Suchman, 1995). According to institutional theory, both environmental and organisational factors, along with the legitimation process, shape an organisation's legitimacy (Hybels, 1995; Kostova & Zaheer, 1999). In complex environments, foreign subsidiaries face challenges in establishing, maintaining, and restoring legitimacy. Despite its importance in influencing subsidiary performance and headquarters relations, there is limited understanding of how subsidiaries achieve legitimacy in host environments (Conroy & Collings, 2016), with only a few exceptions (Kostova et al., 2020). The significance of legitimacy should not be underestimated due to its impact on addressing information gaps, local biases, and increased operational and collaborative costs (Wu & Salomon, 2016).

Subsidiary legitimacy in the literature encompasses the compliance requirements imposed by both home and host environments (Gong, 2006; Kostova & Zaheer, 1999). This concept is often examined through the lenses of internal and external legitimacy, highlighting how organizations, such as international joint ventures and foreign subsidiaries, navigate the pressures and potential conflicts that arise from operating within dual institutional frameworks. In this thesis, the focus is specifically on external legitimacy, defined as the acceptance and approval of a foreign subsidiary by host-country institutions. Achieving external legitimacy can be particularly challenging for foreign subsidiaries, as they must navigate the complexities of adhering to the institutional rules and norms of the host environment, often in conflict with those of their headquarters or home country (Kostova & Zaheer, 1999; Lu & Xu, 2006). The external legitimacy is abbreviated as legitimacy in the following sections.

Where the legitimacy challenges come from

Legitimacy plays a crucial role in the survival and success of a foreign subsidiary. Firstly, legitimacy challenges come from the institutional distance between the home and the host environment. Subsidiaries operate in host countries with institutional characteristics that differ significantly from those in their home countries. The three pillars of institutions—regulatory, cognitive, and normative—define what a subsidiary can, should, and typically do (Scott, 2008; Yang, Su, & Fam, 2012). These institutional pillars vary between the host and home environments, presenting substantial challenges for subsidiaries in crafting their overseas strategies. Institutional distance, which refers to the differences in regulatory, cognitive, and normative institutions between the home and host countries (Tatiana Kostova & Zaheer, 1999), can negatively impact a subsidiary's ability to gain legitimacy (e.g., Yang et al., 2012). Specifically, regulatory distance may require subsidiaries to adapt to local rules and codes that differ from those in their home countries. Normative distance can affect a subsidiary's ability to adopt socially accepted standards and avoid public and professional sanctions (Kostova & Zaheer, 1999). Additionally, cultural-cognitive distance influences a subsidiary's social interactions and understanding of local cultural norms (Kostova & Zaheer, 1999; Scott, 2008).

Secondly, the characteristics of an organisation can significantly influence a subsidiary's ability to gain legitimacy, such as their typical business practices. Subsidiaries often encounter institutional duality, leading to potential conflicts. For instance, while Chinese multinational enterprises (MNEs) and other emerging market MNEs may excel in operational cost control and client responsiveness, these advantages can be viewed negatively in more advanced economies. An example is CITIC Pacific Mining's cost control measures, which were perceived as exploitation and even a human rights violation by Australian employees and media. Furthermore, specific organisational characteristics can affect external legitimacy. Lu & Xu (2006) noted that factors such as the age and size of the local parent company can influence the growth and survival of international joint ventures.

Thirdly, the process of legitimation, defined as the continuous testing and redefinition of legitimacy through interactions with the host environment (Baum & Oliver, 1991), affects subsidiary legitimacy due to two main complexities.

The first complexity arises from bounded rationality and the liability of foreignness, which challenge subsidiary legitimacy due to a limited understanding of the host environment and differing standards for assessing operations (Kostova & Zaheer, 1999). EMNEs face heightened legitimacy pressures because their specific characteristics often lead to greater liabilities of origin. Emerging economies typically have lower economic development, institutional quality, and living standards compared to developed economies (Hoskisson et al., 2000; Khanna & Palepu, 2010; Marano et al., 2017; Sullivan, 1994). Weak home-country institutions may drive EMNEs to seek investment abroad to avoid local constraints (Dunning, 2008). These enterprises often have weaker corporate governance and disclosure (Luo & Tung, 2007; Ghemawat, 2007), lower credibility (Bartlett & Ghoshal, 2000), and poorer product and service quality (Klein, 2002). Additionally, home country policies and subsidies designed to support foreign expansion can raise host country concerns, as seen with TikTok's national security issues in the US, where fears of data sharing with the Chinese government led to legitimacy challenges.

The second complexity involves legitimacy spillover from both external and internal sources within the MNEs (Kostova & Zaheer, 1999). Adverse spillovers occur through 'collective reputation,' where firms with similar traits are perceived to exhibit similar behaviours. This perception assumes that individuals and organisations from the same group behave uniformly. Thus, subsidiaries may suffer legitimacy challenges if their parent company or other firms from the same home country face legitimacy issues (Barnett & Hoffman, 2008;

Barnett & King, 2008; Kang & Chintakananda, 2019; Mayer, 2006). For example, Lu and Xu (2006) found that external legitimacy spillover primarily affects international joint ventures based on the local parent company.

Strategies of MNEs for managing legitimacy

Despite subsidiaries being subject to internal and external legitimacy, this thesis mainly focuses on managing external legitimacy which is particularly critical to EMNEs' survival and business success. Managing legitimacy is challenging as it heavily relies on communications with various stakeholders (Suchman, 1995). Subsidiaries have to deal with a more complicated environment and their legitimacy is impacted by political and economic nationalism in host economies (Lu & Xu, 2006; Murtha & Lenway, 1994), and cultural and other institutional distances between home and host environments (Kogut & Singh, 1988; Kostova & Zaheer, 1999; Lu & Xu, 2006).

A subsidiary can establish legitimacy through three strategies: (a) adapting to the host environment; (b) choosing between environments; and (c) influencing the environment (Suchman, 1995). However, a subsidiary may encounter the liability of foreignness, which can be exacerbated if it also faces the liability of origin. Specifically, the institutional gap (Kostova & Zaheer, 1999) amplifies the difficulties for a subsidiary to gain legitimacy due to limited or incomplete information, making it challenging to attract new supporters and persuade existing legitimate organisations to endorse (Suchman, 1995). Additionally, subsidiaries must address negative reputation spillovers based on their origins; for instance, a subsidiary of an EMNE may be perceived as less trustworthy and accountable, with relatively weaker corporate governance practices. Furthermore, maintaining legitimacy typically involves foreseeing future changes and safeguarding past achievements (Suchman, 1995). Strategies for repairing legitimacy are less explored in the literature (Suchman, 1995) due to the heightened challenges compared to the previous stages. Some overarching strategies for this phase include providing normalising explanations, restructuring, and maintaining composure (Suchman, 1995). While Suchman (1995) outlines and categorises various strategies for managing legitimacy across different phases, certain strategies can overlap; for example, Corporate Social Responsibility (CSR) initiatives, as discussed below, can serve both in acquiring and restoring legitimacy.

Adopting *conformist strategies* is among the most common approaches to managing legitimacy. Empirical studies demonstrate that adopting isomorphic strategies enhances legitimacy (Deephouse, 1996; Deephouse & Carter, 2005). This strategy involves a subsidiary adhering to the regulations and norms of the host institutions, as well as complying with moral standards. A subsidiary can emulate the behaviours of other legitimate organisations in the host country. When the institutional gap is greater, firms are more inclined to employ isomorphic strategies (Wu & Salomon, 2016). However, although initially beneficial for firm performance, the advantage of adopting isomorphism diminishes over time (Wu & Salomon, 2016). The selection of different types of isomorphic strategies is influenced by the prioritization of internal and external legitimacy concerns (Wei, Wang, Yang, 2016).

Organisations can strategically and *proactively choose approaches* that are tailored to the specific conditions of their host environment rather than simply mimicking the practices of established organizations. Wan and Hillman (2005) suggest that subsidiaries can enhance their legitimacy by adopting political strategies that are compatible with the host country's regulatory, normative, and cognitive frameworks. Various proactive approaches can involve aligning with the political environment, such as adopting information and incentive-based strategies in pluralist countries where multiple interest groups influence decision-making. By understanding and responding to these political contexts, subsidiaries can better navigate local regulations and cultural norms, thereby improving their legitimacy and operational success. Charpin, Powell, and Roth (2021) further support this by indicating that managers' perceptions of political risk significantly influence their choices in supplier development strategies. This implies that managers must anticipate and adapt to political risks by selecting strategies that mitigate these risks, ensuring effective supplier relationships and stability in their operations. Thus, proactively selecting strategies based on an understanding of both political frameworks and risk perceptions enables organizations to better align with the host environment and achieve competitive advantages.

A subsidiary can strategically employ *corporate social responsibility (CSR)* strategies to establish and maintain legitimacy in the host country. These strategies must consider the interests of various stakeholders (Yang & Rivers, 2009). From a stakeholder perspective, the subsidiary's actions are influenced by stakeholders' expectations regarding resource usage and flow (Frooman, 1999). Yang and Rivers (2009) propose a conceptual framework suggesting that subsidiaries are inclined to adopt local CSR practices to gain legitimacy when faced with high stakeholder demand, greater institutional divergence, a strong legal system in emerging economies, the influence of NGOs, adherence to industry codes of conduct, withholding power of different stakeholders, etc. Husted, Montiel, and Christmann (2016) observe that subsidiaries often imitate national CSR certifications from neighbouring firms to mitigate the liability of foreignness and enhance legitimacy in the host environment. Mithani (2017) finds that post-disaster philanthropy has a stronger performance impact for MNEs compared to local companies. However, CSR strategies do not always achieve their intended goals; for instance, Bansal and Hunter (2003) note that early adoption of ISO 14001 tends to reinforce rather than redirect company strategies, indicating that early adopters are already perceived as environmentally responsible organisations. This suggests that CSR strategies may be more effective in acquiring rather than restoring legitimacy. Additionally, CSR reporting is seen as a tool for corporate image management (e.g., Zhao, 2012). Subsidiaries can strategically use CSR reporting to convey information about their social and environmental responsibility to various stakeholders to obtain and maintain legitimacy (Zhao, 2012).

Another approach considered an extension of traditional CSR strategies employed by multinational enterprises (MNEs), is the concept of political CSR, which views the state as a key stakeholder (Zhao, 2012) and MNEs as political entities (Detomasi, 2015). Political CSR is an emerging area of study (Detomasi, 2015), focusing on CSR activities with political implications, such as MNEs providing community services like education and healthcare, traditionally within the purview of government (Boddewyn & Doh, 2011). Zhao (2012) classifies political CSR into three types: (1) policy exploration strategy, aimed at influencing current policy frameworks on social and environmental issues, (2) capacity exploration strategy, offering innovative solutions to enhance the nation's capabilities in addressing social and environmental challenges, and (3) capacity exploitation strategy, seeking state resources by implementing conventional approaches that support and strengthen the state's existing capacity to tackle social and environmental issues. While political CSR strategies are recognised as a means of gaining legitimacy for MNEs, their effectiveness for subsidiaries in host countries remains uncertain, as subsidiaries may struggle to act as effective political actors.

Moreover, *ownership* is crucial to a subsidiary's legitimacy as the ownership is sometimes sacrificed in exchange for legitimacy in the host country (Chan & Makino, 2007; Yiu & Makino, 2002). The ownership structure is an important topic in IB literature and is often accompanied by the question of whether to enter a country with a wholly owned mode or international joint venture (Chan & Makino, 2007; Kogut & Singh, 1988). The ownership structure is connected with control power, resource commitment, the protection of dissemination of headquarters firm-specific knowledge, resource access channel, and negotiation power among parties (Chan & Makino, 2007), which are crucial issues for foreign subsidiaries to consider. Cui and Jiang (2010) integrate resource-based and institution-based views and suggest that the perceived level of host country restrictions of FDI would lead to the preference of the company to choose an international joint venture rather than a wholly-owned mode. Peng (2012) finds that FDI legitimacy would lead to the selection of ownership structure, they also find the subsidiary size and expatriate staffing level would moderate the main effects. Overall, a subsidiary ownership structure can be regarded as the result of a foreign subsidiary's efforts to gain legitimacy by conforming to both external and internal institutional pressure (Chan & Makino, 2007).

Subsidiary staffing is another key strategy for subsidiaries to obtain legitimacy. As such strategy is highly relevant to the thesis, articles from international corporate governance and management are further reviewed and discussed in the next section.

Despite literature exploring how different strategies would facilitate a foreign subsidiary to gain legitimacy, as key carriers of legitimacy strategies, board and TMT members at the subsidiary level receive very limited attention. Their functions and roles would be more complicated than stand-alone or purely domestic companies, therefore, respective compositions would be the consideration of different sets of elements and environments.

2.5.3 Subsidiary staffing and expatriation

Staffing and expatriation strategy reflects the result of balancing the internal and external institutional pressures and is adopted to gain legitimacy in the host environment. The anecdotal evidence of TikTok hiring an American CEO, Kevin Meyer, indicates that staffing is considered by the foreign subsidiary as the strategy to gain legitimacy. Compared to expatriate CEOs, local and non-expatriate CEOs facilitate a foreign subsidiary to better align with the local market by isomorphic adaptation (Marketa Rickley & Karim, 2018; Rosenzweig & Nohria, 1994; Rosenzweig & Singh, 1991). Having a non-expatriate CEO can improve the acceptance and legitimacy in the host country as they are familiar with the host country's demand and possess local networks (Bartlett & Ghoshal, 1989; Marketa & Karim, 2018; Tung, 1982). Overall, this approach emphasises utilising local talent to operate the subsidiary, leveraging their knowledge of the local market, language, culture, and connections. By hiring non-expatriate staff, the subsidiary can benefit from their understanding of local business practices, consumer preferences, and regulatory requirements. This approach can help the subsidiary integrate more effectively into the local business environment and adapt to specific market conditions. In general, the research attention on hiring non-expatriate CEOs is scarce.

In comparison, even though not only limited to expatriating board and CEO, the literature on subsidiary expatriation offers a stronger theoretical foundation and receives relatively more research attention (e.g., O'Donnell, 2000; Harvey et al., 2001). A foreign subsidiary's expatriates are those who are often assigned from headquarters (Farah et al., 2022) and thus can facilitate internal knowledge transfer and monitoring of headquarters (Rickley & Karim, 2018). Rather than gaining external legitimacy, expatriates promote internal legitimacy by acting as the link with headquarters. Expatriates are regarded as the informal governance mechanisms especially since a majority of them occupy important positions in subsidiaries (Farah et al., 2022).

Specifically, from the perspective of headquarters control, expatriate subsidiary managers are expected to be more inclined than local managers to act in the principals/headquarters' best interest for at least two reasons. Firstly, expatriates' future career advancement is often significantly influenced by headquarters' assessment of how well the subsidiary contributes to the overall corporation's performance. Secondly, as expatriates typically have stronger ties to the parent company rather than the subsidiary (Lubatkin et al., 2001), they may be less likely to adopt a narrow subsidiary-focused perspective when making decisions about subsidiary activities. Therefore, expatriating directors on the board facilitates the monitoring of headquarters.

Moreover, knowledge transfer occurs within the framework of interpersonal relationships between the sending and receiving units. There are several reasons why expatriates are more likely than locals to actively engage in the knowledge transfer process. Firstly, expatriates often have stronger and longer-standing social connections with managers at headquarters and other units within the multinational corporation (Gupta and Govindarajan, 2000). Secondly, expatriate managers may be perceived as more reliable than local managers in the eyes of headquarters, thus encouraging managers in receiving units to participate in knowledge transfer processes with expatriate-led subsidiaries. Thirdly, expatriate managers are better positioned to recognise the subsidiary's knowledge base's added value for other parts of the multinational corporation. Lastly, there may be fewer communication barriers between expatriate managers and their colleagues in other units within the multinational corporation (Gupta and Govindarajan, 2000). However, the studies are mixed in terms of whether expatriate managers facilitate knowledge transfer. For example, Bjorkman et al. (2004) find no empirical support for knowledge transfer from subsidiaries to respective other parts of MNEs. Rickley and Karim (2018) find that with the increase of institutional distance, foreign firms' CEO staffing strategies shift from employing local managers, who offer insights into the host market, to expatriates who possess knowledge transfer and coordination capabilities because they possess firm-specific advantages. The mixed results might be because of the type of knowledge being transferred. For example, Hsu et al. (2021) find that expatriates are more likely to be effective in transferring knowledge when the senders' knowledge is valuable, when they are motivated to transfer knowledge, and when the receivers are likely to be motivated to receive such knowledge.

The presence of expatriates is expected to be associated with the success and survival of subsidiary businesses due to the headquarters resources, knowledge transfer, and attention they bring. For example, Farah et al. (2021) find that expatriates positively impact foreign subsidiary survival. Although the costs associated with expatriates are high, a higher presence of expatriates is linked to increased attention from headquarters toward subsidiary needs. This attention allows for remedial action to be taken, resulting in improved profitability and survival.

2.5.4 HQ-subsidiary related antecedents

According to Table 8, while the current body of subsidiary governance literature predominantly discusses the institutional and cultural factors influencing MNEs (e.g. Cooke et al., 2019; Devarakonda et al., 2021; Hyun et al., 2015; Muellner et al., 2017), the research shifts the focus towards exploring headquarter-subsidiary related antecedents. Specifically, this thesis aims to investigate the internal rationales to drive MNEs to establish subsidiaries, resources flow between headquarters and subsidiaries, and control and monitoring needs from headquarters, which shape subsidiaries' strategic decisions in hiring boards and CEOs at the subsidiary level.

FDI motives

The motivation behind a parent firm's FDI informs how its overseas subsidiary tailors strategies and business practices within the host country. This further shapes which aspect of the board's role, internal or external, is emphasized due to the varied needs linked to the FDI's purpose.

Dunning's (2008) typology of four FDI motives - resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking - is well-recognized in IB literature (e.g. Cui and Jiang, 2010; Meyer, 2015; Pan, 2017). Luo and Tung (2018) note that EMNEs and DMNEs may pursue different FDI motives due to their distinct economic and institutional home contexts. Given our emphasis on EMNEs, this thesis concentrates specifically on the two predominant FDI motives attributed to EMNEs: (1) gaining access to strategic resources and (2) institutional escape, often to tax havens. EMNEs often aggressively venture into foreign markets to acquire strategic assets, such as advanced technology and brands, aiming to enhance their competitive position (e.g., Li et al., 2022). Additionally, institutional escape occurs when firms invest in regions that offer favourable regulations or lower tax burdens (e.g., Boisot and Meyer, 2008; Buckley et al., 2007; Cuervo-Cazurra and Genc, 2008). Although Dunning's original FDI motive framework does not explicitly categorize institutional escape, he acknowledged its significance, particularly noting its prevalence among Chinese MNEs (Dunning, 2008).

Despite the critical role of institutional escape, it remains relatively underexplored in IB research, especially considering the substantial FDI flowing into tax havens. Buckley et al. (2015) highlight the literature's void in addressing 'why average national OFDI shares to these jurisdictions are markedly higher for many large emerging economies compared to developed ones.' Specifically, regarding Chinese FDI, data revealed that by 2011, '74% of all mainland Chinese OFDI stock was located in three tax havens' (MOFCOM, NBS, and SAFE, 2012). More recent figures indicate that, in 2022, three out of the top ten destinations for China's outward FDI were tax havens (2022 Statistical Bulletin of China's Outward FDI). We posit that a comprehensive understanding of these two strategies is crucial, hence our focus on these motives.

Strategic asset seeking

Compared to DMNEs, EMNEs focus less on exploiting firm-specific advantages and more on acquiring strategic assets abroad to offset competitive disadvantages and boost global competitiveness (Mathews, 2006; Luo and Tung, 2018). EMNEs often acquire technology and brands, a tactic that aligns with the Linking, Learning, and Leveraging (LLL) framework, which encourages setting up foreign subsidiaries to form linkages, leverage resources, and learn adaptively (Dunning, 2000; Mathews, 2006).

Facing significant post-entry challenges due to a lack of firm-specific advantages such as technology and managerial expertise, EMNEs are keen to build capabilities and relationships in host markets (Cui and Jiang, 2010; Meyer, 2015) and thus have a strong reliance on the host country environments. Since EMNEs often face severe post-entry challenges due to the lack of firm-specific advantages including technologies, brands, critical international experience, and managerial expertise, they need to acquire new knowledge and build connections in host countries. Furthermore, as EMNEs come from relatively weak home country institutions, they are faced with greater liabilities of foreignness (Zaheer, 1995).

To mitigate these issues, EMNEs often rely on connections with government officials and powerful stakeholders to maintain access to critical home country resources (Khanna and Palepu, 2000). As their foreign subsidiaries require a fair amount of flexibility to establish new relationships to manage their operations in foreign markets, the functioning of subsidiary boards is critical (Prahalad and Doz, 1981; Wang et al., 2014). The higher flexibility/adaptation associated with the subsidiary board, the more effectively the foreign subsidiaries can acquire strategic assets from the host countries for developing competitive advantages.

Numerous studies have explored the strategies related to strategic asset seeking EMNEs. While the literature identifies various motives for FDI, strategic asset seeking frequently emerges as a central motive in the top 20 influential papers on the internationalisation of Chinese enterprises, as measured by average local citations per year (Alon et al., 2018). For instance, Deng (2009), using institutional theory, suggests that Chinese MNEs pursue cross-border acquisitions to acquire strategic assets and enhance their competitive advantages. Similarly, Rui and Yip (2008) find that Chinese firms leverage cross-border acquisitions to gain strategic resources and mitigate competitive disadvantages. Additionally, Lu et al. (2011) demonstrate that government support facilitates MNEs' strategic asset seeking and market seeking motives. Cui and Jiang (2009) observe that Chinese firms tend to favour wholly-owned subsidiaries when their motive is strategic asset seeking, when they implement a global strategy, and when facing significant competition in the host countries.

EMNEs driven by strategic asset seeking are generally motivated to acquire critical assets, pursue long-term strategic benefits, and enhance their global competitiveness (Meyer, 2015; Wang et al., 2013). These enterprises often encounter post-entry disadvantages such as limited international experience, managerial expertise, and professional capabilities. To address these challenges, their key foreign subsidiaries may be granted significant autonomy to manage operations in foreign markets (Prahalad & Doz, 1981; Wang et al., 2013). This increased autonomy is often linked to the external roles of subsidiary boards and CEOs, enabling foreign subsidiaries to more effectively acquire strategic assets essential for developing competitive advantages. Emphasising external roles, these subsidiaries are more likely to appoint non-expatriate CEOs and maintain a higher ratio of independent directors, reflecting a stronger adherence to host country regulations and a closer consideration of local stakeholders.

Institutional escape

While strategic asset seeking is well-documented in the literature, institutional escape—defined here as FDI in tax havens and offshore financial centres primarily for institutional arbitrage—is notably overlooked. For instance, Luo & Tung (2007) explicitly exclude tax haven investments aimed at 'tax evasion or reverse/round-tripping.' This omission is understandable given that traditional studies suggest these investments are largely for tax-induced regulatory arbitrage and do not yield significant productive activity (Beugelsdijk et al., 2010; Sjoerd Beugelsdijk et al., 2010; Fung et al., 2011). However, recent literature on EMNEs' investments in such destinations indicates that other potential advantages remain underexplored (Buckley et al., 2015; Smith, 2014) and warrant further investigation.

The 2022 Statistical Bulletin of China's outward FDI reveals that three of the top ten destinations for Chinese FDI were tax havens, including the British Virgin Islands, Hong Kong, and the Cayman Islands. Buckley et al. (2015) note a gap in the literature regarding why large emerging economies, including China, India, and Brazil, allocate a higher share of their OFDI to these jurisdictions compared to developed economies. Specifically, by 2011, 74% of all mainland Chinese OFDI stock was registered in three tax havens (MOFCOM, NBS, and SAFE, 2012). This underscores the importance of addressing this FDI motive when analysing the internationalisation strategies of Chinese MNEs.

Beyond the well-recognised tax benefits, other advantages drive direct investment into tax havens (Smith, 2014). For instance, the Enterprise Income Tax Law in mainland China, effective January 2008, stipulates that Chinese enterprises with actual operations in the mainland are considered domestic for tax purposes. Although this law harmonised tax rates and reduced the benefit of tax arbitrage, foreign subsidiaries in tax havens remained common, suggesting other available benefits. Overall, the literature lacks an explanation for why large developing countries allocate a higher share of outward FDI to tax havens compared to developed countries (Buckley et al., 2015).

Given the substantial outward FDI to tax havens and offshore financial centres, institutional escape is a significant motive for EMNEs. However, the discourse on EMNEs' FDI in these locations is relatively sparse. Buckley et al. (2015) are among the exceptions to examine why EMNEs allocate a large share of their FDI to tax havens and offshore financial centres. EMNE investments in tax havens offer several advantages. Foreign subsidiaries can avoid home-country institutional imperfections and leverage beneficial host-country institutions not available domestically (Buckley et al., 2015; McCann, 2011; Wang et al., 2013). To address market imperfections at home, subsidiaries might use market arbitrage to transfer funds, achieve higher risk-adjusted returns, and access new financial resources (Shapiro, 2014). They can also exploit tax arbitrage by benefiting from differential tax rates (Buckley et al., 2015; Fung et al., 2011). Additionally, investments in tax havens can enhance corporate financing, capital structure, and institutional benefits, as well as improve corporate governance (Buckley et al., 2015). Beyond market and tax arbitrage, tax havens mitigate sovereign risks and offer robust asset protection mechanisms, including corporate and financial secrecy (Smith, 2014). For example, Chinese firms invest in Hong Kong due to its superior security, economic freedom, and lack of investment constraints (Xia, 2009). As one of the world's largest financial centres, Hong Kong's mature financial market and extensive product offerings meet diverse financing needs and offer competitive investment costs (Liu, 2022). Its straightforward tax system, which only taxes income sourced within Hong Kong, further simplifies investment (Liu, 2022). Consequently, these institutional benefits make investment easier and more effective, instilling greater confidence in both MNEs and investors.

Tax havens and offshore financial centres differ significantly in their institutional frameworks. In 2000, the IMF's International Financial Stability Forum identified 42 jurisdictions with notable offshore financial activities and categorised them into three levels. The first level includes jurisdictions that largely adhere to international standards and implement cooperative regulatory measures. Examples are Dublin, Hong Kong, Singapore, and Switzerland. The second level comprises jurisdictions that have implemented some regulatory measures and engaged in international cooperation in certain areas, though their collaborative regulatory standards are still below international norms and require improvement. This group includes Bermuda, Macau, and Andorra. The third level features jurisdictions with non-collaborative regulations that fall significantly short of international standards, such as the British Virgin Islands, the Cayman Islands, and Anguilla (Wang, 2016).

Research on the link between FDI motives for investing in tax havens and offshore financial centres and subsidiary governance is limited with some exceptions. For instance, Hearn (2022) studies MNEs on Caribbean offshore islands and finds that increased ownership is used to enhance property rights security, though it also introduces the challenges of foreignness. As a result, subsidiaries often depend more on external contracting for resources, leading to a higher demand for legal services and a reduced reliance on accounting services. Moreover, Hearn et al. (2023) investigate 171 Caribbean financial MNEs within an inter-island business group framework. They find that the level of control exerted by business groups over their constituent firms highlights the importance of internal financing and intermediation within the group network. Additionally, they discover that the expertise of lawyers plays a crucial role in providing these firms with a competitive edge. While these studies show that institutional escape strategies are linked to governance structures within subsidiaries, the nuances of how the motive impacts subsidiary operations and governance remain underexplored.

Business relatedness

Business relatedness plays a crucial role in shaping the strategic alignment, coordination, and synergies between different units within MNEs, making it a critical consideration in the headquarter-subsidiary relationship. According to Pehrsson (2006), relatedness is a fundamental concept in corporate strategy. The degree of relatedness between a subsidiary and its headquarters is particularly significant when establishing a foreign subsidiary (Li, 1995). A key reason for this is that when resources are allocated to a related business unit, any minor drawbacks are generally outweighed by the benefits the unit gains from leveraging these resources (Barney, 1997).

The literature on business relatedness often draws from organisational learning and transaction cost theory. It is widely accepted that a subsidiary benefits more from its parent company's firm-specific advantages, such as technology and management expertise, when there is a high degree of relatedness between them (Tang & Rowe, 2012). This benefit is particularly significant for foreign subsidiaries, as the firm-specific advantages of the parent company can help mitigate the challenges associated with operating in a foreign market (Birkinshaw, Hood, & Jonsson, 1998; Dunning, 2008). Research by Li (1995) shows that a higher level of product relatedness between headquarters and subsidiaries increases the likelihood of the subsidiary's survival. Pehrsson (2008) finds that MNEs with greater product and resource relatedness are more prone to adopting sole-ownership modes, while Pehrsson (2012) indicates that strong product-market relatedness can alleviate the negative effects of competitive barriers on subsidiary performance. Business relatedness is also connected to transaction costs, as the transfer of knowledge—which addresses uncertainty and bounded rationality—can make transactions more costly (Anders, 2019). High business relatedness enhances the efficiency of knowledge transfer, reducing transaction costs and influencing subsidiary strategies. For instance, Pehrsson (2017) demonstrates that a foreign subsidiary's adoption of a cost leadership strategy is positively associated with its product and skills relatedness to the parent company's core business.

Therefore, the degree of business relatedness links to subsidiary strategies, indicating to what extent the headquarters may have sufficient knowledge to understand and monitor the foreign subsidiaries' operations and consequently shapes foreign subsidiary governance.

Headquarter ownership

Agency theory suggests that the interests of a principal (an owner) and an agent (a manager) can diverge, necessitating monitoring mechanisms to align incentives (Jensen & Meckling, 1976; Yang & Meyer, 2019). In the context of foreign subsidiaries, headquarters act as the principal and significantly influence subsidiary strategies. Conflicts between headquarters and foreign subsidiaries can be severe and complex, as headquarters often struggle to monitor subsidiaries effectively and ensure they act in the parent company's best interests (Gaur & Lu, 2007; Yang & Meyer, 2019). Typically, higher ownership stakes are linked to stronger monitoring incentives and a greater ability to promote beneficial strategies (Jensen & Meckling, 1976). This control mechanism helps mitigate misaligned strategies and differing risk preferences (Anderson & Gatignon, 1986; Geringer & Hebert, 1989; Hill et al., 1990). Ownership is also associated with resource commitment and allocation to subsidiaries (Vernon, 1983; Anderson & Gatignon, 1986) and serves to protect firm-specific knowledge from leaking to partners (Caves, 1996; Davidson & McFetridge, 1985; Hill et al., 1990).

Ownership is widely recognised as a key governance mechanism in corporate governance literature (Aguilera & Haxhi, 2019; Yang & Meyer, 2019). A central question in IB research is why firms choose equity versus non-equity entry modes for international expansion (Yang & Meyer, 2019), yet there is limited focus on the relationship between ownership structure and subsidiary governance, with few exceptions. Luo and Zhao (2004) suggest that entry mode moderates the impact of headquarters-subsidiary links on subsidiary strategies, with a stronger effect for wholly-owned subsidiaries compared to partially-owned ones. Cui and Jiang (2010) identify factors such as FDI motives, technology, government restrictions, cultural barriers, and financial support as influencing entry modes. Lo (2016) examines how factors at both subsidiary and headquarters levels affect subsidiary ownership structures. The most relevant discussion comes from Cuyper et al. (2017), who explore foreign partners' representation in the board composition of international joint ventures with respect to equity distribution, recognising the internal and external roles that the subsidiary board plays. This study collects survey data from Asia, a region with numerous substantial recipients of foreign investments, and focuses specifically on partner representation rather than other board structures. Building on this, the thesis extends the research by examining EMNEs' investments in foreign countries using archival data and including hypotheses related to independent directors. This approach aims to complement existing literature by exploring ownership in a new context.

Existing literature extensively explores the differences between wholly-owned subsidiaries and international joint ventures, particularly in terms of equity distribution (Canabal & White, 2008). In emerging economies, ownership concentration is common due to severe principal-agent conflicts arising from weak institutions, which increase the likelihood of managerial opportunism (Yang & Meyer, 2019). To mitigate risks associated with weak governance, shareholders often increase their holdings, leading companies to adopt concentrated ownership structures (Dharwadkar, George, & Brandes, 2000; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). Chinese MNEs, with their control-based corporate governance practices (Huang & Staples, 2018; Liu, 2006), are likely to extend these practices to their subsidiaries, preferring higher ownership to enforce control mechanisms.

2.5.5 Cultural distance

In the systematic review of subsidiary governance literature, it is found that cultural factors have garnered significant research interest due to their dual role as both a contextual backdrop and an organisational determinant. Cultural distance, in particular, is recognised as a key factor influencing the composition and functioning of subsidiary TMTs. The stream of literature frequently explores the direct effects of cultural distance on subsidiary board composition and CEO appointments, noting that greater cultural distance between home and host environments results in higher agency costs associated with monitoring, control, and communication. This is because increased cultural distance complicates headquarters' ability to manage and communicate with foreign subsidiaries, leading to a greater emphasis on control (Gaur et al., 2007; Gong, 2003).

Moreover, cultural distance serves as an indicator of an MNE's capacity to understand and interpret local customs, which affects the structure of subsidiary staffing. Hyun et al. (2015) discovered that having a higher proportion of Korean managers (host country nationals) in a foreign subsidiary is particularly advantageous when the cultural distance is greater. This is because Korean managers can utilise their cultural and institutional knowledge to better navigate the local environment and coordinate with the parent company.

Cultural distance also shapes subsidiary dynamics, priorities, and strategies. Muellner et al. (2016) found that when cultural distance is high, host country managers may act as 'Trojan Horses,' prioritising local interests over the MNE's global strategy due to their stronger local ties and weaker identification with the parent company. Conversely, with lower cultural distance, host country managers are more likely to act as 'local allies' who can balance local and global interests and assist the subsidiary in navigating the local business environment. Additionally, Li and Harrison (2008) argue that cultural differences should be considered in board structure, as national culture—reflected in dimensions like uncertainty avoidance, individualism/collectivism, masculinity/femininity, and power distance (Hofstede, 1980)—significantly influences the outsider ratio and CEO duality in boards.

Given the limited focus on subsidiary-level boards and CEO staffing, the role of cultural distance is less examined in subsidiary governance compared to its consideration in international corporate governance literature. Hofstede's (1980) cultural dimensions framework (power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, indulgence) is frequently used to understand and measure cultural distance between countries. Research has explored how variations in these dimensions influence corporate governance, board dynamics, and firm performance in cross-border contexts (e.g., Li & Harrison, 2008). From an agency perspective, cultural distance can worsen agency problems between headquarters and subsidiaries due to differing norms, values, and communication styles, leading to increased monitoring costs, information asymmetry, and conflicts. This necessitates more control and oversight from headquarters (Gaur et al., 2007). Resource dependence theory suggests that cultural distance can hinder the parent firm's ability to utilise subsidiary resources effectively, impacting integration and coordination. The institutional theory posits that cultural distance can create institutional distance by affecting formal (e.g., laws, regulations) and informal (e.g., norms, values) institutions, complicating the transfer of governance practices and alignment with the parent firm's institutional environment.

Based on the above arguments and theories, cultural distance is anticipated to influence strategic dynamics at the subsidiary level. Thus, it is expected to be a critical boundary condition in subsidiary governance literature. Greater cultural distance between headquarters and subsidiaries results in notable differences in norms, values, and behavioural expectations, necessitating adaptive governance structures to accommodate local cultural contexts. This distance complicates coordination between headquarters and subsidiaries, impacting communication, mutual understanding, and the alignment of goals and strategies. However, existing literature provides limited insights into how cultural distance moderates these boundary conditions, highlighting the need for further research.

2.5.6 Main theories (agency theory, resource dependence theory and institutional theory)

The study of foreign subsidiary governance has seen limited rigorous theory development. As shown in Table 2.10, only 24 of 58 studies (41.4%) explicitly state the theories they use. Among these, agency theory is most frequently applied, followed by resource-based perspectives, upper-echelons theory, and institution-based views.

Given the limited focus on theory development in subsidiary governance research, the theories are discussed from a wider research domain, encompassing studies on international corporate governance and subsidiary management. The overarching theories being used in this include agency theory, resource dependence theory and institutional theory.

Applying *agency theory* to subsidiary governance research is appropriate because, from a simplified hierarchical perspective, headquarters formulates strategies for subsidiaries, creating a principal-agent relationship between them (Bjorkman, Barner-Rasmussen, & Li, 2004; Meyer et al., 2020). Classic agency theory emphasises the need to monitor opportunistic managers (Jensen & Meckling, 1976), which is relevant at the foreign subsidiary level, where the board of directors scrutinises the behaviour of subsidiary managers. Headquarters and subsidiaries often have divergent objectives, and their strategies and risk preferences may differ (Du et al., 2011). To control and monitor subsidiary operations, headquarters utilize the board of directors (Du et al., 2011), ownership structure (Lien & Filatotchev, 2015), and expatriates (Beuselinck & Du, 2017; Singh et al., 2019).

The application of agency theory should consider at least two modifications. Firstly, headquarters and subsidiaries are organisations with distinct logics, rather than individuals as discussed in standard agency theory (Meyer et al., 2020). Since organisational outcomes are influenced by collective behaviours, subsidiary governance should be designed to effectively achieve subsidiary objectives, for example, through strategic staffing, expatriation, or ownership structure. Secondly, the different contextual embeddedness of headquarters and subsidiaries affects their bounded rationality and bounded reliability (Alain & Nathan, 2009; Meyer et al., 2020).

Resource dependence theory is also relevant to subsidiary management research. Specifically, subsidiaries and headquarters possess valuable resources for each other (Meyer et al., 2020). Resource dependence theory emphasises that organisations rely on critical resources from the external environment to achieve business success. In subsidiary-related studies, understanding these resource dependencies is crucial for effective resource allocation. The theory highlights power dynamics within organisations, particularly regarding resource control. Power asymmetries often exist between headquarters and subsidiaries, and resource dependencies describe the bargaining process and outcomes based on the resources controlled (Ambos et al., 2010; Andersson, Forsgren, & Holm, 2007; Cuervo-Cazurra, Mudambi, & Pedersen, 2019). If subsidiaries control significant resources, they gain higher bargaining power, enabling them to influence strategies and attract attention from headquarters (Meyer et al., 2020).

If subsidiaries control critical resources within the overall MNE network, they are regarded as valuable and hold stronger bargaining power. These resources include technologies (e.g., Mudambi, Pedersen, & Andersson, 2014), strong host-country links, supply chains, and markets (e.g., Andersson et al., 2007). Empirical studies have demonstrated how resource dependence impacts the bargaining power of subsidiaries relative to their headquarters (Ciabuschi et al., 2012; Mudambi & Navarra, 2004; Najafi-Tavani et al., 2014). As subsidiaries gain more control over resources, they find it easier to attract attention from headquarters. Additionally, it is crucial for EMNEs to establish a presence to acquire resources from the external environment. EMNEs often lack critical resources in host countries, so by setting up subsidiaries with the needed resources, MNEs can control production inputs and distribution channels, enhancing their overall strategic position in global markets. Furthermore, establishing a subsidiary in a foreign country allows MNEs to rely on intermediaries and directly control essential resources.

Subsidiary governance literature also lacks a comprehensive understanding of resource dependence theories. These studies use a wider range of resource-based perspectives such as resource dependence theory, the resource-based view, and the knowledge-based view. These studies show that the board of directors plays a strategic advisory and supportive role (Filatotchev et al., 2013; Kim & Ozdemir, 2014). These roles are particularly critical to facilitate the overseeing of strategic decisions related to resource allocation. With specific expertise, subsidiary boards and CEOs can facilitate subsidiaries to identify opportunities and establish connections with local stakeholders such as local suppliers and customers. The board of directors itself often possesses crucial skills and knowledge that are highly relevant within MNEs' networks. This expertise and knowledge in industries, local markets, and cultures would mitigate subsidiaries' reliance on the external environment. For example, with specific knowledge of local formal and regulatory institutions, subsidiary directors and CEOs would be able to offer advice and guidance to ensure compliance with local laws and regulations, which consequently mitigate uncertainties.

The consequences section discussing the impact of subsidiary governance on legitimacy also integrates *institutional theory*. Institutional theory addresses why organisations in the same area exhibit similar behaviours. DiMaggio and Powell (1983) introduced an important study on institutional theory, exploring concepts of institutional isomorphism and collective rationality. Institutional isomorphism refers to how organisations increasingly resemble each other in structure and practices. Collective rationality describes strategies organisations employ to enhance their legitimacy. The study identifies three mechanisms driving institutional isomorphism: coercive, mimetic, and normative. Coercive pressures arise from legal and regulatory requirements, normative pressures from professional or ethical standards, and mimetic pressures from imitating successful peers (Kostova & Roth, 2002). Institutional theory argues that organisations actively seek legitimacy because it grants access to critical resources such as capital, favourable regulations, customer loyalty, and a positive public image. The differing contextual environments of headquarters and subsidiaries can influence organisational behaviour through bounded rationality and reliability (Alain & Nathan, 2009; Meyer et al., 2020). For example, a foreign subsidiary located in a different national context inevitably faces pressures to conform to local institutional norms through coercive, mimetic, and normative isomorphism (DiMaggio & Powell, 1983).

Institutional theory is often used to explain why organisations need legitimacy and how they obtain it. For example, Deephouse (1996) and Deephouse and Carter (2005) argue that adhering to institutional norms can enhance legitimacy. Mithani (2017) finds that post-disaster philanthropy improves the local perception of foreign subsidiaries more than that of local companies. Foreign subsidiaries operate within the institutional environment of the host country,

Table 2.10 Coding results of theory/perspectives in subsidiary governance literature

Theory	Articles	Number
Agency theory	Aguilera, Marano, & Haxhi (2019); Batra et al. (2021); Beuselinck & Du (2017); Du et al. (2011); Hou et al. (2013); Lien & Filatotchev (2015); Mellahi & Collings (2010); Singh et al. (2019)	8
Upper echelons theory	Hou et al. (2013); Nuruzzaman et al. (2019); Sekiguchi et al. (2011); Zhang et al. (2015)	4
Resource dependence theory	Du et al. (2011); Ozbek & Boyd (2020)	2
Transaction cost economics perspective	Hou et al. (2013); Kao & Kuo (2017); Q. Wei et al. (2020)	2
Resource-based view	Hutzschenreuter & Horstkotte (2013); Hutzschenreuter et al. (2011)	2
Knowledge-based view	Sekiguchi et al. (2011)	1
Institutional theory	Li & Harrison (2008); Muellner et al. (2017); Wei et al. (2020)	3
Dynamic capability theory	Batra et al. (2021)	1
International staffing theory	Collings et al. (2008)	1
Cognition theory	Rickley (2019)	1
Organisational learning theory	Milanov & Fernhaber (2014)	1
Social identity theory	Li et al. (2002)	1
Stewardship theory	Ozbek & Boyd (2020)	1
Bounded rationality theory	Mellahi & Collings (2010)	1
Resource allocation theory	Mitchell et al. (2016)	1
Stewardship theory	Ozbek & Boyd (2020)	1
Leadership contingency theory	Takeuchi et al. (2021)	1
Total		24

Note: Because some studies use more than one theory, the total number of articles which mention theories (24) is less than the sum of theories (35) being used.

which often differs from their home countries in terms of regulatory, cognitive, and normative institutions (Scott, 2008; Yang, Su, & Fam, 2012), leading to significant legitimacy challenges. Moreover, the literature examines institutional theory in the context of subsidiary staffing. Muellner et al. (2017) use institutional theory to elucidate subsidiary staffing decisions, arguing that foreign subsidiaries face institutional duality and must hire local managers with critical local knowledge despite potential conflicts of interest. However, there is limited research on the impact of subsidiary staffing on legitimacy acquisition, where institutional theory provides valuable insights.

Overall, the existing literature on subsidiary governance does not thoroughly address conventional management and international business theories. Subsidiaries are subjected to the tension between headquarters control/standardisation and subsidiary autonomy/adaptation (Kostova & Roth, 2002). Therefore, the roles of subsidiary board members and CEOs can be illustrated by integrating agency theory and resource dependence theory, with an extension to the subsidiary level. When analysing subsidiary governance's impact on legitimacy, institutional theory is used in line with the literature.

2.6 Summary

Despite that the foreign subsidiary board and CEO, reflecting the subsidiary-level corporate governance, play critical roles in managing the global strategy journey of MNEs, there is a lack of studies as to what influences subsidiary-level governance as shown in the relevant literature. This lacuna is particularly substantive in the context of EMNEs. Unlike DMNEs, EMNEs often face serious institutional challenges arising from both the home and host country and are under severe pressure to build legitimacy in the host countries.

In this chapter, this thesis starts by reviewing the foreign subsidiary management literature and international corporate governance literature. These two areas of literature show that subsidiary boards and CEOs are key actors with stronger decision-making power, while this niche area receives surprisingly little attention. To obtain a better understanding of the literature, this thesis did a systematic literature review of 58 subsidiary governance literature. The studies of subsidiary boards and CEOs cover their function, roles, composition, and characteristics. These studies explore various aspects such as the functions, roles, composition, and characteristics of subsidiary boards and CEOs. They also delve into antecedents like contextual and organisational factors, such as institutional and cultural distances. The impacts of subsidiary governance, including firm performance, innovation, knowledge transfer, and internationalisation, are also examined. Through the review chapter, several gaps emerge. Firstly, compared to general corporate governance literature, subsidiary governance studies remain relatively limited. Secondly, while existing literature emphasises contextual and organisational factors, there is a dearth of research on the headquarter-subsidiary relationship's antecedents. Thirdly, despite the significant legitimacy challenges faced by subsidiaries operating abroad, there is a lack of examination on how governance mechanisms can address these challenges. Lastly, existing studies predominantly focus on DMNEs, overlooking the unique legitimacy challenges encountered by EMNEs due to their liability of origin and differing internal mechanisms, such as FDI thesis motives, business relatedness and headquarters ownership.

The literature review motivates this thesis and identifies two key research areas: (1) the understudied internal drivers of foreign subsidiary governance structures, such as FDI motives, business relatedness, and the parent firm's ownership; and (2) the lack of understanding of how foreign subsidiary governance structures impact the local legitimacy of EMNEs. According to the literature, the subsidiary board and CEO fulfil two main roles: internal and external (e.g., Cuypers et al., 2017; Kriger, 1988). Conflicts may arise due to this dual role, leading to a trade-off or varying emphasis between headquarters control/standardisation and subsidiary autonomy/adaptation (Kostova & Roth, 2002). The internal role, focused on managing the relationship with headquarters, is informed by agency theory and resource dependence theory, which recognise agency costs and resource dependencies between headquarters and subsidiaries. Subsidiaries emphasising the internal role typically have a higher ratio of expatriate directors to monitor the subsidiary and facilitate communication. The external role, which manages relationships with host countries, is also informed by resource dependence theory, as the structure of the subsidiary board and CEO mitigates resource dependence on the external environment (Pfeffer, 1987; 2003). Institutional theory is used to examine subsidiary governance, with the internal and external roles, facilitating subsidiaries to obtain legitimacy.

Overall, the literature review chapter offers a theoretical foundation for the theoretical framework and hypotheses development for this thesis.

Chapter 3. Theoretical Framework and Hypotheses Development

3.1 Introduction

The lack of a systematic examination underscores the importance of developing a comprehensive research framework for subsidiary governance. Chapter 3 of the thesis develops the framework by addressing: (1) how foreign subsidiary governance structures are influenced by key internal antecedents, (2) how attributes of subsidiary governance structure enable corresponding governing roles, and (3) what results from differential subsidiary governing roles. The overall theoretical framework is not merely about dissecting the boards and CEOs of subsidiaries in isolation but understanding the intricate relationships that shape these structures—from their antecedents to their consequences. By highlighting these interconnected dynamics, the chapter aims to underscore the need for a comprehensive approach to studying foreign subsidiary governance, one that goes beyond surface-level configurations to reveal the broader impact of governance choices on organisational performance and strategy implementation.

3.2 Framework development

Previous sections of this thesis reviewed the subsidiary governance literature and identified several research gaps: (1) the understudied roles of subsidiary boards and CEOs despite their importance, (2) the lack of attention to internal antecedents, (3) the insufficient exploration of the link between subsidiary governance and legitimacy, and (4) the perspectives of MNEs from emerging economies. In response, this thesis has developed a theoretical framework aimed at addressing these gaps. The existing literature on subsidiary governance is fragmented and lacks depth, particularly in examining board and CEO structures at the subsidiary level. Therefore, the goal is to offer a more comprehensive understanding by integrating essential internal antecedents, perspectives on subsidiary governance, and their potential impacts on legitimacy.

Firstly, subsidiary governance is the primary focus of this thesis, an area that is relatively underexplored compared to general corporate governance literature. Focusing on subsidiary governance allows for an analysis of the mechanisms, structures, and processes through which MNEs control and coordinate their subsidiaries. Building on existing literature (Cuypers et al., 2017; Leksell et al., 1982), the framework of this thesis examines board composition and CEO selection, considering their internal and external roles, particularly their management of relationships with both headquarters and host countries. The theoretical framework developed in this chapter provides insights into how subsidiaries are managed and how strategic objectives are pursued.

Secondly, including key internal antecedents allows me to examine the factors that precede or influence subsidiary governance decisions. To supplement the subsidiary governance literature, which primarily focuses on contextual factors (e.g., Cooke et al., 2019; Devarakonda et al., 2021; Hyun et al., 2015; Muellner et al., 2017), this thesis investigates internal factors such as FDI motives, HQ-subsidiary relatedness, and ownership structures. Understanding these antecedents provides context and helps explain why certain governance practices are adopted in different scenarios. Specifically, the motives behind FDI shape the strategic intent and operational behaviour of EMNEs, which in turn influence subsidiary governance practices. Moreover, the level of relatedness between headquarters and subsidiary operations affects decision-making autonomy, resource allocation, knowledge transfer requirements, and alignment of goals within the MNE (Bettis & Prahalad, 1995; Fang et al., 2013; Lane, Salk, & Lyles, 2001; Lyles, 1991). Headquarters' ownership determines the distribution of control and influence within MNEs (Gaur & Lu, 2007; Yang & Meyer, 2019), serving as a baseline hypothesis in this thesis.

Thirdly, understanding the consequences allows us to assess how different governance structures and practices influence the performance of subsidiaries. While existing literature mainly focuses on financial performance, innovation capability, and knowledge transfer (e.g., Batra et al., 2021; Beuselinck & Du, 2017; Crowne, 2009), there is limited understanding of how governance practices can enhance legitimacy in host countries. Legitimacy is critical as it is closely related to transparency, accountability, and ethical conduct, thereby fostering trust and confidence among stakeholders such as customers, investors, employees, and regulatory authorities. This, in turn, facilitates improved performance and survival of subsidiaries.

Lastly, cultural distance serves as a moderator in establishing boundary conditions for both the relationship between antecedents and subsidiary governance and the relationship between subsidiary governance and legitimacy. Its significance lies in its capacity to shape and impact the connection between primary antecedents and subsidiary governance. Recognising the moderating influence of cultural distance is essential for enhancing theoretical frameworks and managerial strategies related to subsidiary governance.

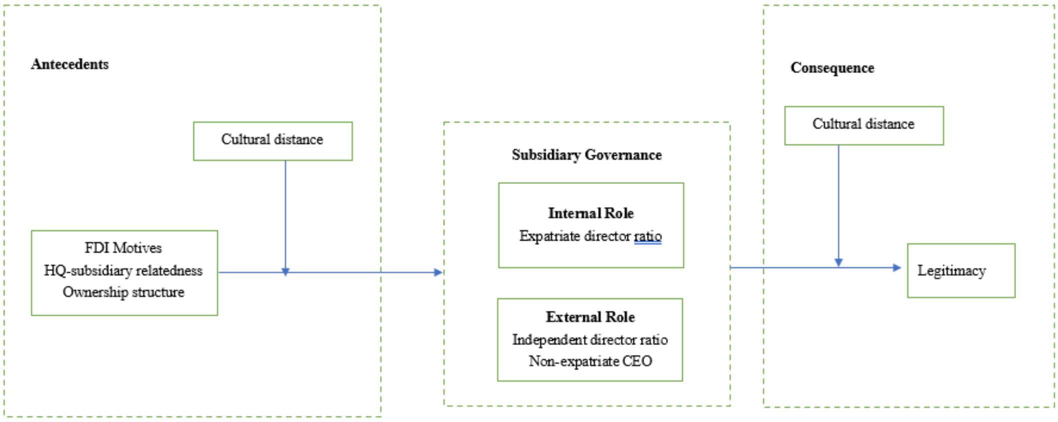

Figure 3. The general framework of the thesis

3.3 Roles of subsidiary board and CEO

Research examining the relationship between parent MNEs and their foreign subsidiaries has grown over time. One body of research explores the trade-off between headquarters control/standardisation and subsidiary autonomy/adaptation (Kostova & Roth, 2002), focusing on the optimal balance of control versus autonomy granted to the foreign subsidiary and examining the roles of these subsidiaries. This stream of literature also considers the extent to which a subsidiary relies on headquarters or the external environment. These studies primarily emphasise the relationship between subsidiaries and either headquarters or the external host environment, categorising the roles of subsidiaries as either internal or external in nature (e.g., Cuypers et al., 2017; Leksell et al., 1982; Wang et al., 2013).

Another body of research focuses on human resource management practices related to the appointment of CEOs and directors of foreign subsidiaries, including the use of expatriates (e.g., Farah, Chakravarty, Dau, & Beamish, 2022; Gong, 2003; Gong, 2006; Singh, Wood, Alharbi, & Darwish, 2016; Zaharie, Poór, Ratiu, & Osoian, 2020). These two research streams are intertwined, as the governance structure of foreign subsidiaries, including CEO and board composition, largely depends on the level of control or autonomy desired by the parent MNE. Foreign subsidiaries are subjected to compliance pressures and dual embeddedness within both home and host institutions. Overall, if headquarters desire more control and coordination, the foreign subsidiary's internal role is emphasised. Conversely, if more subsidiary autonomy is provided and there is a high demand to acquire resources in host countries, the external role is emphasised. This dual role ultimately influences subsidiary board and CEO hiring strategies.

3.3.1 Foreign subsidiary governance: internal role

Foreign subsidiaries often rely on their headquarters for critical resources, which necessitates control, monitoring, and coordination between the two entities. Building on the work of Cuypers et al. (2017) and Leksell et al. (1982), this thesis defines the ***internal role*** of the board of directors and CEOs of foreign subsidiaries as managing and maintaining a close relationship with the headquarters.

The internal role of the foreign subsidiary board supports the monitoring and control functions of the parent company. According to ***agency theory***, conflicts can arise because the subsidiary (the agent) and the headquarters (the principal) may have differing desires, goals, or risk-sharing attitudes, and the headquarters might struggle to monitor the subsidiary's actual operations (Eisenhardt, 1989). To address potential agency problems, parent MNEs may seek to strengthen their control over foreign subsidiaries by appointing home country CEOs and directors. Over the past two decades, agency theory has been employed to explain organisational structures, including the headquarters-subsidiary relationship (Shapiro, 2005). The core of the principal-agent model involves 'contractual settings,' 'hidden information,' and 'hidden action' (Arrow, 1984), which can lead to issues such as adverse selection—where the agent misrepresents their ability ex-ante—and moral hazard—where the agent exhibits a lack of effort ex-post (Eisenhardt, 1989; Hoenen & Kostova, 2015).

Agency theory is well-suited for examining governance at the subsidiary level, as subsidiaries inherently act as agents of the headquarters. This is due to: (a) the delegation of decision-making authority from the headquarters to the subsidiaries; (b) the headquarters' limited ability to fully observe how subsidiaries exercise this authority; and (c) the potential for divergent motivations between the two parties, which may result in subsidiaries not acting in the best interest of the parent company (Hoenen & Kostova, 2015). Without strong oversight and accurate assessment of subsidiary leadership capabilities, foreign subsidiaries might leverage their informational advantages to make decisions that do not align with the parent companies' interests. While agency theory applies to headquarters-subsidiary relationships, it requires some adaptation. Unlike individuals in traditional agency theory, both headquarters and subsidiaries are organisations with their own internal processes and institutional logics (Meyer et al., 2020). Additionally, these entities are embedded in different institutional environments, which can exacerbate agency conflicts, particularly since subsidiaries often need to seek approval from headquarters (Lunnan, Tomassen, Andersson & Benito, 2019).

The subsidiary board and CEO play a key internal role in facilitating the flow of resources between headquarters and the subsidiary. ***Resource dependence theory*** posits that companies depend on their environments for survival and must respond to these environments (Pfeffer, 1987; 2003). Thus, responsiveness to parent companies, which are significant internal stakeholders, is crucial. Resource flow between headquarters and foreign subsidiaries is reciprocal. Subsidiaries rely on headquarters for resources like patents, technological expertise, brand image, and governance structures to gain competitive advantages abroad. Conversely, foreign subsidiaries provide valuable resources for strategic purposes, as EMNEs often use them to enhance overall competitive advantages (Luo & Tung, 2018; Mathews, 2006; Meyer, 2015; Wang et al., 2013). The interdependence between headquarters and foreign subsidiaries is essential for MNEs to develop effective strategies and achieve their goals (Pfeffer, 2003). Therefore, both the internal role and the appropriate board structure are vital for facilitating resource and knowledge flow between headquarters and subsidiaries.

To strengthen the internal role, a foreign subsidiary is likely to rely on home-country ***expatriate directors*** on its board. Expatriating employees from headquarters is an effective strategy to overcome overseas boundaries and assist headquarters in managing their dispersed subsidiaries (Bird & Mendenhall, 2016; Chang et al., 2012; Gaur et al., 2007; Harzing et al., 2016; Meyer et al., 2020; Yang, Wen, Volk, & Lu, 2022). Although expatriate directors may play various roles and perform different functions, it is anticipated that their internal role will be predominant because (1) expatriates are more likely to be heavily influenced by the headquarters' performance evaluation; (2) compared with local hires, expatriate directors tend to identify less with the subsidiary and socialise more with the parent company (Cooke, Liu, Liu, & Chen, 2019); and (3) they generally maintain strong ties with headquarters (Dana, Torben, Ingmar, Carl, & Hyeon Jeong, 2014; Fang, Wade, Delios, & Beamish, 2013; Heather, 2015). These characteristics lead expatriates to act on behalf of headquarters and likely monitor subsidiary practices on its behalf. Given that headquarters are often distanced from the day-to-day operations of foreign subsidiaries (Björkman, 1994), expatriates are expected to ensure that the subsidiary aligns well with the parent company's goals, mission, and vision, and facilitate headquarters' control (Björkman, Barner-Rasmussen, & Li, 2004), thereby potentially reducing agency costs.

Additionally, expatriate directors are crucial for resource and knowledge transfer between headquarters and the subsidiary because (1) they often have close relationships with headquarters; (2) they are typically perceived as more trustworthy than local hires; (3) they are better positioned to understand the subsidiary's value-creating role; and (4) they face fewer communication barriers with headquarters (Dana, Torben, Ingmar, Carl, & Hyeon Jeong, 2014; Fang, Wade, Delios, & Beamish, 2013; Heather, 2015). On the one hand, expatriates are more likely to attract attention from headquarters (Conroy & Collings, 2016), which helps subsidiaries compete for valuable resources from the parent company. On the other hand, expatriates facilitate mutual resource flow due to their trustworthy position and reduced communication barriers.

3.3.2 Foreign subsidiary governance: external role

In addition to support from headquarters, foreign subsidiaries rely on the host country's environment for business development. They must make adaptations to meet the requirements of local stakeholders who provide essential resources. Following Leksell et al. (1982) and Cuypers et al. (2017), this thesis defines the subsidiary board and CEO's ***external role*** as managing the connections between a foreign subsidiary and its host country environment. A foreign subsidiary is on the front line in implementing the parent company's strategy and must gain legitimacy from the external environment to achieve business success.

Based on ***resource dependence theory***, organisations need to take action to manage organisations' dependence on the external environment (Pfeffer, 1987; 2003). To obtain critical resources, foreign subsidiaries figure to obtain legitimacy, referring to the social perception of acceptance or appropriateness of the organisational behaviours (Conroy & Collings, 2016; Suchman, 1995), in host countries. A foreign subsidiary with higher local legitimacy would be regarded as more trustworthy (Suchman, 1995), and thus is more likely to be supported by the local key stakeholders with critical resources.

Conventionally, organisations could manage their relationships with the external environment by conforming to the host country's environment, selecting a suitable environment, or manipulating the local environment (Suchman, 1995). For example, Deephouse (1996) and Deephouse and Carter (2005) argue that conformists can obtain legitimacy; Mithani (2017) finds that post-disaster philanthropy improves the local perception of the foreign subsidiary more than that of local companies. Foreign subsidiaries are exposed to the host country's institutional environment which is often distinct from home countries in terms of regulatory, cognitive and normative institutions (Scott, 2008; Yang, Su, & Fam, 2012), and thus face greater legitimacy challenges.

Directors and CEOs of foreign subsidiaries are crucial carriers and implementers of corporate practices and strategies, yet they are often overlooked in subsidiary governance literature (Du et al., 2015). Consistent with resource dependence theory, directors and managers can mitigate environmental uncertainty and decrease an organisation's reliance on its external environment (Hillman, Withers, & Collins, 2009). Literature highlights board size and composition as important indicators of a board's ability to secure critical resources (Hillman et al., 2009). It is reasonable to assume that subsidiary boards and CEOs play even more strategic and important roles for foreign subunits, which heavily rely on the external environment for business success.

Board and CEOs can be beneficial to an organisation by offering advice and counsel, channels of information flow, preferential access to resources, and legitimacy (Hillman et al., 2009; Pfeffer, 2003; Pfeffer & Salancik, 1978). ***Independent directors***, usually recognised as non-executive directors (NED) who are "free from any personal or economic association with the firm and its management" (Eugene & Michael, 1983), is an important research topic in international corporate governance literature (e.g. Aguilera & Cuervo-Cazurra, 2004; Kang & Chintakananda, 2019). Independent directors mainly associate with subsidiaries' external roles because they possess ties to better access to more high-quality information (Tian, Haleblian, & Rajagopalan, 2011), extend external resources, bring diversified resources, and start new partnerships that are essential for growth (Kor & Sundaramurthy, 2009). Corresponding to the concept of resource dependence theory, independent directors possess board social capital which enables them to get access to resources and valuable knowledge (Hillman & Dalziel, 2003; Tian, Haleblian, & Rajagopalan, 2011) which facilitates organisations to manage preferred relationship external environment and mitigate environment uncertainty (Chen, Hsu & Chang, 2016). Moreover, corporate governance literature addresses how board structure is intended to show conformity to institutional norms (e.g. Westphal and Graebner, 2010; Westphal and Zajac, 1998) to achieve legitimacy. Despite the governance codes varying across different countries, to ensure transparency and accountability of board practices, the ratio of independent directors is expected to be higher (Aguilera & Cuervo-Cazurra, 2004; Kang & Chintakananda, 2019) representing a better monitoring mechanism and consideration of various stakeholders. Since EMNEs often suffer from the perception of low accountability and poor governance practices, the appearance of a higher independent director ratio could be especially important for their foreign subsidiaries to gain legitimacy from various stakeholders who hold critical resources to the survival and business success of foreign subsidiaries. Therefore, when foreign subsidiaries rely heavily on external resources in host countries, the external role will be more emphasised, and the independent director ratio will be higher.

CEOs play critical roles in firms' internationalisation strategies (e.g. Herrmann & Datta, 2006; Laufs, Bembom, & Schwens, 2016), and the roles could be more strategic and complicated considering the conflicts arising from home and host environments. When hiring a ***non-expatriate CEO***, a foreign subsidiary's dependence on the external environment would be more critical than the dependence on parent companies. Non-expatriate CEOs hold deeper insight into host country features and engage in distinctive actions to adopt in the host country, together with connections that other expatriate managers might not have, facilitating foreign subsidiaries to better get access to valuable resources and knowledge in host countries. The employment of a non-expatriate CEO also reflects the consideration to conform to the host country environment and various stakeholders in host countries, better facilitating the legitimation process of foreign subsidiaries (Rickley & Karim, 2018). Therefore, it is suggested that when a subsidiary emphasises more the external role, it would be more likely to show a higher independent director ratio and recruit non-home country expatriate CEOs.

It should be noted that the focus on home country expatriate directors, independent directors, and non-expatriate CEOs does not mean that other types of board composition are not important. Indeed, CEO duality, female member ratio, cross-national diversity, educational background, and international experience of the board or CEO are also relevant but are beyond the scope of the current study.

3.4 Antecedents of subsidiary governance

Foreign subsidiaries face complexities due to the dual embeddedness in both home and host environments and their interdependence with parent companies (Bai, 2018). While existing literature explores various aspects of internal factors—such as motivations for resource and knowledge seeking (Kriger, 1988), headquarters-subsidiary relationships and interdependence (Du et al., 2015; Leksell et al., 1982), and subsidiary characteristics and operations (Boivie et al., 2016; Collings et al., 2008; Du et al., 2011)—the impacts and mechanisms of these antecedents may differ for EMNEs. EMNEs often have distinct FDI motives and internationalisation strategies that influence subsidiary governance. This thesis focuses on three main factors: FDI motives (strategic asset seeking and institutional escape), business relatedness between headquarters and subsidiaries, and subsidiary equity held by headquarters. FDI motives illustrate the strategies behind establishing subsidiaries abroad, with strategic asset seeking and institutional escape being crucial for EMNEs (e.g., Buckley, 2015; Luo & Tung, 2007; Mathews, 2006). Business relatedness and headquarters ownership highlight the link and interdependence between headquarters and subsidiaries, which are recognised as vital factors (e.g., Du et al., 2015; Leksell et al., 1982). Additionally, external factors significantly impact subsidiaries, with cultural distance being a particularly crucial external factor and boundary condition explored in this thesis. Cultural distance is examined as a boundary condition, meaning it sets the parameters within which other internal factors interact with and influence subsidiary governance.

3.4.1 FDI motives

The motivation behind a parent firm's FDI shapes how its foreign subsidiary adapts its strategies and operations in the host economy. If the goal is to tap into local resources, the subsidiary is likely to adapt more and make strategic decisions independently to enhance learning (Peng and Beamish, 2019). Conversely, if the parent firm's motive is to ensure internal consistency between subsidiaries and headquarters, it may restrict the subsidiary's decision-making power. For example, U.S. MNEs often standardise practices and employ many expatriates (Edwards et al., 2010). Therefore, understanding FDI motives clarifies the expected role of foreign subsidiaries.

Dunning's (2008) four FDI motives—resource-seeking, market-seeking, efficiency-seeking, and strategic asset-seeking—are well-recognised in IB literature (e.g., Cui and Jiang, 2010; Meyer, 2015; Pan, 2017). Luo and Tung (2018) note that EMNEs and DMNEs may pursue different FDI motives due to their distinct economic and institutional home contexts. EMNEs often expand aggressively abroad to acquire strategic assets like technology and brands, enhancing their competitive edge (e.g., Li et al., 2022). Another motive, institutional escape, occurs when firms invest in regions with favourable regulations or lower taxes (e.g., Boisot and Meyer, 2008; Cuervo-Cazurra and Genc, 2008).

Listed subsidiaries generally follow stricter formal governance structures than their non-listed counterparts. They usually implement established governance mechanisms, including formal boards of directors, audit committees, and compliance requirements set by stock exchanges and regulatory authorities. This formal framework facilitates clearer channels for assessing governance practices and promotes a higher level of transparency and accountability. Therefore, this thesis focuses on listed subsidiaries with formal governance structures, primarily driven by two main FDI motives: gaining access to strategic resources and institutional escaping to tax havens. Other motives account for a minimal percentage of the dataset. For example, due to competitive pressures in home markets and sensitivity to host country regulatory efficiency (Lu et al., 2010; Pan et al., 2017), Chinese MNEs are less likely to pursue market-seeking motives when establishing foreign listed subsidiaries, given their liability of origin, significant regulatory barriers, and cost-efficiency considerations. Moreover, a majority of host countries are advanced economies or offshore financial centres, where subsidiaries are also unlikely to pursue efficiency-seeking motives due to cost and operational agility considerations. While some subsidiaries invest in Australia for natural resource-seeking, this accounts for only a small fraction (7.7%) of the dataset. Therefore, this thesis concentrates on strategic asset-seeking and institutional escape as the primary and distinctive FDI motives for EMNEs in this study.

Strategic Asset-Seeking Motive

Compared to DMNEs, EMNEs focus less on exploiting firm-specific advantages and more on acquiring strategic assets abroad to offset competitive disadvantages and improve global competitiveness (Luo and Tung, 2018; Mathews, 2006). EMNEs often acquire technology and brands, a tactic that aligns with the Linking, Learning, and Leveraging (LLL) framework, which encourages setting up foreign subsidiaries to form linkages, leverage resources, and learn adaptively (Dunning, 2000; Mathews, 2006).

When subsidiaries are established with an asset-seeking motive, an emphasis on learning from the host environment and building local competencies by forming and maintaining key stakeholder relationships is necessary to align with this objective (Alpay et al., 2005; Cui et al., 2017). Moreover, EMNEs often encounter significant post-entry challenges, such as a lack of firm-specific advantages and managerial expertise, which are exacerbated by liabilities of foreignness associated with weaker institutional frameworks in their home countries (Cui and Jiang, 2010; Meyer, 2015; Zaheer, 1995). These challenges underscore the importance of addressing external challenges that arise within the host environment.

Consequently, subsidiaries under such FDI motives are inclined to prioritize external roles over internal roles to effectively build operational capabilities and forge relationships in host markets. This strategic focus is consistent with the principles of RDT, which holds that firms must adapt their organizational structures and behaviours to acquire and maintain the resources necessary for survival and success from their external environment (Hillman et al., 2009; Pfeffer and Salancik, 1978). This perspective posits that firms must manage their dependency on external entities by aligning their strategies with the need to secure essential resources, which, in the case of EMNEs, includes the acquisition of strategic assets and the development of local market capabilities. Therefore, the governance structures and executive roles within subsidiaries are expected to reflect this external orientation, facilitating the pursuit of strategic asset acquisition and the adaptation to the host market’s conditions (Kiel et al., 2006; Leksell Lindgren, 1982).

RDT further indicates that the selection of directors is critical for bridging the gap between the firm and its external environment, offering access to vital resources such as local market knowledge and strategic partnerships (Hillman and Daziel, 2003; Pfeffer and Salancik, 1978). In this context, the subsidiary’s board of directors can act as a boundary spanner as well as a conduit for establishing valuable business relationships and legitimacy within the local market (Barney et al., 2001; Lockett and Thompson, 2011).

Local directors, non-expatriates with local expertise and networks, are well-positioned to execute the subsidiary’s external role. Using staff expatriates to increase subsidiary legitimacy and survival has been noted in international HR literature (Edman, 2016; Peng and Beamish,

2019) because of expatriates' familiarity with the host country's culture and market dynamics. In a similar vein, local directors also provide the advantage of knowledge of the local legal framework as well as their ability to engage in non-market strategies (Prahalad and Doz, 1981; Wang et al., 2014). Such expatriate directors are known to positively affect subsidiaries' legitimacy in the host country and their survival (Forstenlechner and Mellahi, 2011; Luo et al., 2022).

Additionally, strategic asset-seeking FDI frequently takes the form of acquisitions where EMNEs aim for marginal change and integration of the acquired firm, now a subsidiary. This light-touch integration approach in such acquisitions avoids major upheavals and is inclined to retain top management and the board of the acquired firm (Madhok and Keyani, 2012; Tang and Zhao, 2023). This approach is consistent with the asset-seeking motive in that existing management and directors who are non-expatriates are adept at fulfilling the parent firm's strategic objective. Consequently, this leads to a smaller representation of expatriate directors on the board of the subsidiary.

As subsidiaries place greater emphasis on their external role and integration within the local market, there tends to be a reduced focus on the internal functions that are typically managed by expatriate directors from headquarters. Therefore, this thesis proposes the following:

Hypothesis 1a: There is a negative relationship between the strategic asset-seeking motive of foreign subsidiaries of EMNEs and the expatriate director ratio.

Strategic asset-seeking subsidiaries of EMNEs are characterized by a pronounced focus on their external role, driven by the imperative to navigate local market challenges and to accrue strategic assets that are critical for global competitiveness. This external orientation often overshadows the emphasis on internal governance challenges, as the pursuit of strategic assets requires engaging with the host country's environment to a greater extent (Khanna and Palepu, 2000).

RDT informs us that the flexibility and adaptability of subsidiary boards are essential for the effective acquisition of strategic assets from the host country (Hillman and Daziel, 2003).

Independent directors, being non-executive members of the board, contribute to this adaptability by bringing a wealth of external resources, diverse viewpoints, and experiences that foster strategic responsiveness and innovation (Hillman et al., 2009; Pearce and Zahra, 1992).

While independent directors may include non-expatriates, the two categories are not synonymous, nor are they mutually exclusive. For instance, a chairman of the board could be a non-expatriate yet still an insider to the firm as a CEO, whereas an independent director might be an expatriate living in the host country. Independent directors with human and social capital often contribute a distinct knowledge base and expertise, which can help prevent groupthink and introduce diverse perspectives to the decision-making process (Chen et al., 2016; Hillman et al., 2009; Pearce and Zahra, 1992). Their diverse knowledge base and external networks serve as diversifying assets that allow subsidiaries to respond to local competitive pressures, thereby crafting a local strategy attuned to the host country's dynamics in achieving their FDI motive. This distinction underlines the unique value that independent directors offer to the board, beyond the contributions of non-expatriate or expatriate members.

Moreover, RDT suggests that the presence of independent directors on subsidiary boards is instrumental in mitigating uncertainties and managing external dependencies (Chen et al., 2016; Hillman et al., 2009). Their independent status ensures that they provide unbiased advice and counsel, which is not coerced by standard decision-making processes, thereby enhancing the board's capability to make strategic decisions aligned with strategic asset acquisition objectives (Hillman and Dalziel, 2003; Tian et al., 2011).

Furthermore, the role of independent directors also intersects with corporate governance norms that underscore transparency and legitimacy (Westphal and Graebner, 2010; Westphal and Zajac, 1998). A higher ratio of independent directors is perceived as an indicator of good governance norms that resonate with institutional expectations for legitimacy and stakeholder consideration, regardless of variations in governance codes across countries (Aguilera and Cuervo-Cazurra, 2004; Kang and Chintakananda, 2019; Witt et al., 2022).

Considering the need for strategic asset-seeking subsidiaries to engage with external environments effectively, this thesis proposes the following hypothesis:

Hypothesis 1b: There is a positive relationship between the strategic asset-seeking motive of foreign subsidiaries of EMNEs and the independent director ratio.

Expanding on the discussion of strategic asset-seeking motive on subsidiary governance, this thesis further considers the role and characteristics of the subsidiary CEO. The CEO's role is central in guiding the subsidiary to align with its strategic objectives (Harzing, 2001). For EMNEs that establish subsidiaries with the aim of seeking strategic assets, selecting the appropriate CEO becomes a key strategic decision that influences the subsidiary's ability to realize its FDI motive.

Consistent with the earlier points, the strategic asset-seeking motive necessitates a focus on the external challenges of subsidiary management to effectively address the local environmental needs. RDT underscores the importance of the subsidiary CEO in navigating the business environment of the host country to secure strategic resources and mitigate the liabilities of foreignness (Rickley and Karim, 2018). A CEO who is a local national, having an in-depth understanding of the local market and culture, is instrumental in cultivating strong relationships with local stakeholders, enabling the transfer of knowledge, and obtaining access to essential local resources. Moreover, a non-expatriate CEO possesses established networks and a nuanced understanding of the local regulatory and economic frameworks, which are vital for strategic asset acquisition and integration into the subsidiary's operations. Their expertise in the local context enables them to identify market opportunities, and risks and address the liability of foreignness with greater effectiveness (Rickley and Karim, 2018). This CEO capability is especially significant for subsidiaries with a strategic asset-seeking objective, where the ability to leverage local capabilities is a key determinant of success.

Furthermore, the CEO's position as a prominent representative of the firm also carries symbolic significance. Employing a non-expatriate CEO demonstrates a commitment to conforming to the host country's environment and stakeholder expectations, which helps in the legitimation process and strengthens the subsidiary's integration and acceptance in the local market (Rickley and Karim, 2018).

Additionally, as EMNEs frequently pursue strategic asset-seeking endeavours through acquisitions, they often keep the current management team in place, which also serves the need for executing the external role (Madhok and Keyani, 2012; Tang and Zhao, 2023). This approach typically results in a higher likelihood of the presence of non-expatriate CEOs.

In light of the need for executing the external role, appointing a non-expatriate CEO can substantially improve the subsidiary's potential to fulfil its strategic objectives. Therefore, in line with RDT and the reasoning set forth, this thesis proposes the following hypothesis:

Hypothesis 1c: There is a positive relationship between the strategic asset-seeking motive of foreign subsidiaries of EMNEs and the likelihood of appointing non-expatriate CEOs.

Institutional escape

Foreign subsidiaries pursuing institutional escape investment motives are typically established to circumvent weak home institutions (Buckley et al., 2015; Denk et al., 2012). In this study, this thesis defines institutional escape investment as the practice of FDI in tax havens primarily for financial and institutional benefits, aligning with Cuervo-Cazurra et al. (2018). Often strategically located in tax havens such as the Caribbean, these subsidiaries exploit financial benefits while avoiding stringent regulations (Hearn, 2021, Witt and Lewin, 2007). This institutional escape to tax havens is relevant for firms from both developing and emerging markets that seek more favourable institutional frameworks (Buckley et al., 2007; 2015). However, EMNEs, in particular, demonstrate a higher propensity of OFDI directed to offshore jurisdictions compared to DMNEs, which necessitates customized governance structures in these locations (Allred et al., 2017; Buckley et al., 2015). Tax havens offer a mix of high-quality institutional frameworks, but there are also potential agency challenges with significant impact on parent firms, which increases the need for monitoring and control in these regions (Hearn, 2021; Hearn, 2022; Hines, 2010).

Considering the subsidiary is established for institutional escape purposes, the internal role of subsidiary boards becomes crucial. Tax havens not only offer tax arbitrage opportunities but also feature sophisticated, stable financial systems, foreign corporate financing, and improved capital structures (Huang, 2003; Zhan, 1995). Furthermore, they help mitigate risks like sovereign threats, restrictive legislation, political instability, economic volatility, and contentious home-country relations (Schoppa, 2006; Vernon, 1998). this thesis notes there are some escape motives that involve seeking resources abroad or protecting intellectual property (Hearn, 2022; Hines, 2010). However, these do not typically apply to tax havens (Jones et al., 2023; Luo and Tung, 2007). Cuervo-Cazurra et al. (2018) differentiate between institutional and competitive escape motives; our focus is on the former, emphasizing financial benefits and stability.

Agency theory suggests that principals, headquarters, must implement governance mechanisms to align the interests of their agents, subsidiaries, to ensure that subsidiaries act in the best interest of the principals (Jensen and Meckling, 1976). The internal role of the subsidiary board becomes central in mitigating the agency problem by closely monitoring subsidiary activities to prevent self-serving behaviour and ensure compliance with financial regulations (Boone et al., 2007).

For institutional escape motives to tax havens, the protection of the parent firm's wealth is the essential objective. Tax havens offer robust asset protection and favourable capital structures, making these jurisdictions appealing, yet they also present risks of expropriation that necessitate strict monitoring and control over accounting practices (Hearn, 2021; Jones et al., 2023). Thus, effective subsidiary governance is vital to ensure incentives are aligned with headquarters. Also, in such cases, effective communication and coordination between the parent firm and subsidiary is of utmost importance (Paik and Sohn, 2004).

Expatriate directors, with their strong allegiance to the headquarters, serve as a direct conduit for the headquarters' oversight and control mechanisms (Dana et al., 2014; Fang et al., 2013). Their understanding of the parent firm's strategic objectives and operational norms enables them to effectively monitor the subsidiary, ensuring that it operates within the defined strategic and corporate governance framework. Expatriate directors also have close relationships with headquarters and are perceived as more trustworthy, and better understand that the subsidiary's role is to ensure accounting transparency serving the parent firm's objective (Dana et al., 2014; Fang et al., 2013; Heather, 2015). Therefore, a higher use of expatriate directors helps ensure effective governance and alignment of incentives between subsidiaries and their headquarters (Dana et al., 2014; Fang et al., 2013; Heather, 2015).

Furthermore, the external role of subsidiaries in tax havens is minimal, as their primary motive revolves around institutional escape, rather than seeking to acquire critical resources or markets. Such subsidiaries often show neglect of strategic activities, indicating that real operations in host countries are less significant for those motivated by institutional escape (Beugelsdijk et al., 2010; Fung et al., 2011). Consequently, local learning and strategic knowledge acquisition are less relevant, reducing the need for local non-expatriate directors and CEOs.

Considering the heightened need for executing the subsidiary board's internal role when a subsidiary is established with an institutional escape motive, this thesis proposes the following hypothesis:

Hypothesis 2a: There is a positive relationship between the institutional escape investment motive of foreign subsidiaries of EMNEs and the expatriate director ratio.

Agency theory also addresses the need for proper board structures, in terms of board independence, to reduce the risks associated with agent opportunism and information asymmetry (Fama and Jensen, 1983). In subsidiaries operating in tax havens, where the focus is on financial transactions rather than market operations, the subsidiary board's role shifts from responding to external challenges to strict internal transparency and information flow between the parent firm and subsidiary (i.e. the internal role) (Beugelsdijk et al., 2010; Fung et al., 2011).

While independent directors are traditionally valued for their monitoring role in curbing potentially opportunistic behaviour of managers within a single firm (Hambrick et al., 2008; Shleifer and Vishny, 1997), their role may be different and unnecessary in subsidiaries situated in tax havens. These subsidiaries often adopt a lean management structure focused predominantly on compliance, reporting obligations, and financial management as opposed to everyday strategic operations. As a result, the primary duty of subsidiary management revolves around compliance with the parent firm's policies and risk management, potentially reducing the necessity for independent directors who are usually tasked with broader managerial oversight. With parent firms having already instituted stringent integration and communication protocols with the management of subsidiaries, the traditional monitoring function of independent directors may be less critical. Although incorporation laws might mandate the presence of independent directors, their influence on decision-making could be nominal, serving more to satisfy legal requirements than to provide substantial governance. This restrained involvement is possibly by design, reflecting a preference by headquarters to avoid extensive independent oversight that might impinge upon the protection of the parent firm's interests.

Governance within such subsidiaries might be more efficiently administered through expatriate directors, who are positioned to ensure a seamless flow of information and maintain transparency between the subsidiary and the headquarters. Furthermore, expatriate directors are deemed more trustworthy, have aligned interests, and ensure commitment to the objective of protecting the parent firms' wealth (Dana et al., 2014; Fang et al., 2013; Heather, 2015). An overabundance of board independence could inadvertently introduce obstacles to communication with the parent firm (Harzing, 2001) and potentially create a misalignment with its strategic aims (Ferner et al., 2012). Therefore, the governance structure of subsidiaries in tax havens could be specifically tailored to favour expatriate directors to align more closely with the parent firm's control and oversight requirements

A lower ratio of independent directors may be more suitable for subsidiaries that prioritize the board's internal role. Therefore, this thesis proposes the following hypothesis:

Hypothesis 2b: There is a negative relationship between the institutional escape investment motive of foreign subsidiaries of EMNEs and the independent director ratio.

Expanding on the discussion of the impact of institutional escape motive on subsidiary governance, this thesis further considers the role and characteristics of the CEO. The CEO's role is vital in ensuring that the subsidiary's strategies are in line with the overarching objectives of the parent firm. For EMNEs that establish subsidiaries with the aim of escaping investment in tax havens, the selection of an appropriate CEO is a key strategic decision that centres on the CEO's ability to protect the parent firm's wealth, as opposed to creating wealth for the subsidiary within the local market.

Aligned with our previous arguments, the institutional escape motive necessitates a focus on the internal governance challenges of managing the subsidiary, with the aim of ensuring financial integrity and facilitating transparent communication and information flows between the parent firm and the subsidiary. Agency theory emphasizes the expatriate CEO's role as a steward of the parent firm, acting in line with parent objectives and minimizing opportunistic behaviours (Gong, 2003). This is particularly so for a subsidiary CEO in tax havens as the key purpose is to protect and enhance the wealth of the parent firm. Thus a CEO with shared identity features and a high degree of trustworthiness is likely to face fewer communication barriers with the headquarters, and be suitable in dealing with the internal challenges between the subsidiary and parent firm (Dana et al., 2014; Fang et al., 2013; Heather, 2015).

Agency theory would suggest that an expatriate CEO, who is often selected by the headquarters and shares its cultural and operational understanding, would be better equipped to mitigate agency risks associated with information asymmetry and moral hazard (Eisenhardt, 1989). The expatriate CEO acts as an extension of the headquarters, facilitating stringent internal controls and ensuring that the subsidiary's financial practices are consistent with the parent firm's expectations. While non-expatriate CEOs are valuable for subsidiaries seeking to engage with local markets and stakeholders, subsidiaries with institutional escape motives prioritize different aspects of governance (Rickley and Karim, 2018). These subsidiaries are more concerned with internal stability and compliance, focusing on managing tax and regulatory issues rather than on local market integration and resource acquisition. Given the subsidiary's limited need for a non-expatriate CEO, who would typically be engaged in external roles, such a CEO is less relevant in the context of institutional escape motive.

Therefore, this thesis proposes the following hypothesis:

Hypothesis 2c: There is a negative relationship between the institutional escape investment motive of foreign subsidiaries of EMNEs and the likelihood of appointing non-expatriate subsidiary CEOs.

The dominant views on EMNEs, including the LLL paradigm, springboard perspective, and institutional arbitrage (Luo & Tung, 2007), suggest that EMNEs tend to focus on aggressively acquiring strategic assets to catch up with competitors, institutional escape the constraints of their home country, and benefit from home country institutions. Additionally, this thesis focuses on listed subsidiaries that have formal governance structures. These listed subsidiaries often have two main FDI motives: gaining access to strategic resources and accessing international capital markets. Other motives account for only a very small percentage of the dataset. Chinese MNEs are less likely to pursue market-seeking motives by establishing foreign-listed subsidiaries due to their liability of origin, significant regulatory barriers, and cost and efficiency considerations. Furthermore, the majority of host countries are in advanced economies, tax havens, and financial offshore centres. Consequently, subsidiaries are also less likely to pursue efficiency-seeking motives because of cost considerations and operational agility. Although some subsidiaries invest in Australia for natural resource seeking, these observations constitute only a very small proportion.

While this thesis highlights strategic asset seeking and institutional escapes as two comparatively unique and critical FDI motives for EMNEs, as suggested by the main views on EMNEs, this does not imply that other motives are unimportant. Foreign subsidiaries can also pursue market-seeking motives to exploit overseas technologies and establish a physical presence in foreign markets, efficiency-seeking motives to benefit from lower labour costs, especially in less developed countries, and resource-seeking motives in countries rich in natural resources, such as Africa and Australia. However, only a small number of observations within the database reflect these motives, and they are not the primary focus of this thesis.

3.4.2 Business relatedness

For EMNEs, business relatedness might have different implications than for DMNEs. The latter is more likely to exploit competitive advantages abroad whereas the former often aims at augmenting FSAs. In other words, no matter to what extent the foreign subsidiaries of EMNEs are related to the parent companies, they are often mandated to leverage strategic resources from overseas. This thesis follows the prior literature and defines *business relatedness* as to what extent a foreign subsidiary is related to the core business of the parent company (Sharma & Kesner, 1996; Tang & Rowe, 2012) and categorises business relatedness into *closely* *related*, *moderately related* and *remotely related*, as the impact of business relatedness on foreign subsidiary board composition may be nonlinear.

The greater the business relatedness, the more significant the internal role of the subsidiary. On one hand, from the agency perspective, closer business relatedness allows the headquarters to better comprehend the practices of foreign subsidiaries, as both sides are more likely to follow the same dominant logic, and tackle similar problems and issues (Bettis & Prahalad, 1995; Fang et al., 2013; Lane, Salk, & Lyles, 2001; Lyles, 1991). With improved information and understanding, headquarters are better positioned to mitigate agency problems. Consequently, the internal role of the subsidiary board is highlighted, as headquarters' monitoring becomes more effective due to a relatively better understanding of the subsidiary's domain.

On the other hand, while literature generally views foreign subsidiaries as relying on resources from headquarters, resource interdependence can be mutual for EMNEs. Specifically, business relatedness often enhances knowledge transfer between the foreign subsidiary and the parent company, provided that the sender's knowledge is valuable and the recipient can absorb it (Fang et al., 2013; Gupta & Govindarajan, 1991, 2000). When business relatedness is high, EMNEs benefit from two-way resource flows between headquarters and subsidiaries, a situation often not seen with DMNEs. For instance, AIER Eye Hospital, a Chinese MNE, reported in its annual report that it acquired Clinica Baviera Sa (a closely related subsidiary in Spain) and ISEC Healthcare Ltd (a moderately related subsidiary in Singapore) to 'share global ophthalmic wisdom' and complementary advantages, as well as to gain from high-quality medical teams and leading ophthalmic experience. From the subsidiary's perspective, there is strong motivation to learn from headquarters, as the related knowledge and resources are expected to be valuable (Fang et al., 2013). From the headquarters' perspective, resources obtained from foreign subsidiaries can bolster competitive advantages and support the parent company's global platforms, making the resource flow from these subsidiaries crucial. Consequently, when business relatedness is high, expatriate directors are more likely to be assigned the task of acquiring technologies in the host country, diminishing the role of non-expatriate CEOs who may struggle with internal communication. Along with other noted benefits, the internal role becomes more attractive, and the proportion of expatriate directors is likely to be higher when business relatedness is close.

In contrast, as business relatedness decreases, the focus on internal roles diminishes. Competitive advantages from the headquarters become less relevant to the foreign subsidiaries, making it challenging for the headquarters to evaluate the subsidiaries' capabilities and the viability of their practices. Consequently, the functions of expatriate directors—such as monitoring, control, resource and knowledge flow, and resource acquisition—become less desirable and effective. This leads to greater autonomy for the foreign subsidiary in managing its operations within the host country.

When business relatedness is remote, the parent company and the foreign subsidiary are often situated in different segments of the global value chain. For instance, AVIC International Holding (HK) Ltd, a wholly-owned subsidiary of AVIC Capital Co Ltd, focuses on manufacturing, while AVIC Capital Co Ltd is involved in transportation and public utilities. In such cases, the subsidiary board and CEO are expected to take on a more external role, with a higher ratio of independent directors and a non-expatriate CEO, reflecting strong corporate governance practices suited to the host country environment.

The above reasoning leads to the following hypotheses.

Hypothesis 3a. There is a positive relationship between HQ-subsidiary business relatedness and the expatriate director ratio.

Hypothesis 3b. There is a negative relationship between HQ-subsidiary business relatedness and the independent director ratio.

Hypothesis 3c. There is a negative relationship between HQ-subsidiary business relatedness and the likelihood of appointing non-expatriate subsidiary CEOs.

3.4.3 Headquarter ownership

According to agency theory, the conflicts between a principal (an owner) can be divergent from an agent (a manager), which leads to the incentives of monitoring mechanisms (Jensen & Meckling, 1976; Yang & Meyer, 2019). Thus, as the important shareholder of foreign subsidiaries, the headquarters naturally becomes the principal of the foreign subsidiary and plays an important role in impacting subsidiary strategies. The conflicts between headquarters and respective foreign subsidiaries are often severe and complicated as headquarters are less likely to monitor subsidiaries in detail (Gaur & Lu, 2007; Yang & Meyer, 2019). Generally, ownership is always linked to the control mechanism and a higher level of ownership usually leads to higher incentives for monitoring and a bigger impact to promote beneficial strategies to respective shareholders (Filatotchev & Wright, 2011). Ownership structure helps to align the interests of shareholders and directors (Connelly, Hoskisson, Tihanyi, & Certo, 2010; Dalton, Daily, Ellstrand, & Johnson, 1998), and thus, poses strong impacts on capability advancement, managerial control, resource dependence in the host environment, and headquarter-subsidiary relationship (Luo & Zhao, 2004; Yang & Meyer, 2019). Existing literature underscores the importance of ownership structure, analysing the differences between wholly-owned subsidiaries and international joint ventures, variations in equity levels, and the consequences of these differences (Canabal & White, 2008).

Ownership concentration is prevalent in emerging economies which usually face severe principal-agent conflicts due to the weak institutions which result in a higher possibility of managers' opportunist behaviours (Yang & Meyer, 2019). Under weak institutions, shareholders are prone to internalise potential risks by gaining more shareholdings, and companies would hold concentrated ownership to offset the liability of weak governance (Dharwadkar, George, & Brandes, 2000; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). However, MNEs' entry from emerging economies receives comparatively less attention.

Generally, the higher ownership by the headquarters links to more internal role over external role. Wholly-owned subsidiaries are usually culturally and geographically distant from the headquarters (Yang & Meyer, 2019). Despite wholly-owned subsidiaries can also recruit local managers and executives, the key positions are often occupied by expatriate directors (Luo & Zhao, 2004) indicating a high level of internal role to monitor if subsidiaries are behaving as expected by headquarters. The corporate link of wholly-owned subsidiaries is often tighter than the international joint ventures, as the wholly-owned subunits are unable to secure support from local partners (Luo & Zhao, 2004), and as the core resources would be leveraged and transferred from headquarters to subsidiaries, the subsidiary governance would be structured with less important external role. Moreover, due to the tight headquarter-subsidiary link, the coordination role of subsidiary governance is of vital importance in the exchange of core resources and information.

In contrast, when a subsidiary is not wholly owned, multiple independent firms must collaborate under an incomplete contract, driven by implicit resource exchanges, alliance development, and imperfect information about each other's interests and benefits (Reuer et al., 2014). This situation can lead to potential conflicts and exchange hazards due to the involvement of more than one independent company. Additionally, lower headquarters ownership increases the subsidiary's need to respond to other shareholders. Consequently, international joint ventures must strategically align with partners to access resources and engage with local stakeholders, emphasising the external role and diminishing the focus on internal roles as headquarters ownership decreases.

Therefore,

Hypothesis 4a. There is a positive relationship between headquarter ownership and the expatriate director ratio.

Hypothesis 4b. There is a negative relationship between headquarter ownership and the independent director ratio.

Hypothesis 4c. There is a negative relationship between headquarter ownership and the likelihood of appointing non-expatriate subsidiary CEOs.

3.4.4 Cultural distance (moderator)

In this thesis, cultural distance is chosen as the primary moderator. It acts as a significant boundary condition by shaping and influencing the relationship between key antecedents and subsidiary governance. As the cultural gap between headquarters and subsidiary locations increases, the effects of governance mechanisms and practices may be intensified or diminished. For example, cultural differences can impact the effectiveness of communication between headquarters and subsidiaries, the level of autonomy given to subsidiary managers, or the alignment of goals and strategies between the two entities.

Institutions encompass regulatory, cognitive, and normative pillars (Kostova & Zaheer, 1999), and culture is typically situated within the cognitive pillar. The cultural-cognitive distance between home and host countries affects the subsidiary's social interaction capabilities, influencing governance and managerial decision-making by shaping individuals' perspectives, preferences, and actions through their beliefs and values (Kostova & Zaheer, 1999; Scott, 2008; Cumming, Filatotchev, & Knill, 2017). This cultural distance can impact cross-border investment decisions by increasing transaction costs (Veen, Sahib, & Aangeenbrug, 2014), thereby influencing the subsidiary's function and governance mechanisms. Li and Harrison (2008) argue that cultural differences, including factors such as uncertainty avoidance, individualism/collectivism, masculinity/femininity, and power distance (Hofstede, 1980), should be considered as they significantly affect board structure, including outsider ratio and CEO duality. Additionally, cross-national collaboration and resource exchange often result in incomplete information between directors and managers at headquarters and subsidiaries regarding goals, mandates, contextual situations, and challenges. This lack of familiarity with regulations and policies can slow down decision-making, lead to errors, and increase governance costs (Gatignon & Anderson, 1988).

Despite IB literature has explored the impact of cultural distance on FDI location, investment sequences, entry mode choices, affiliate success, expatriate staff, and board structure (Li & Harrison, 2008; Manev & Stevenson, 2001; Shenkar, 2012; van Veen et al., 2014), its moderating effects of FDI motives on subsidiary governance mechanisms are not well understood. Understanding the moderating role of cultural distance is crucial for refining theoretical frameworks and managerial practices related to subsidiary governance. By recognising how cultural distance interacts with other factors, such as organisational structures or strategic orientations, researchers and practitioners can better tailor governance mechanisms to suit the specific cultural contexts in which subsidiaries operate. This nuanced understanding can lead to more effective governance practices and ultimately contribute to improved subsidiary performance and overall organisational success. Despite distances (Li & Harrison, 2008; Manev & Stevenson, 2001; Shenkar, 2012; Veen et al., 2014) having been well explored in IB literature, I know little about the moderating effect and how they interact with other antecedents in shaping subsidiary governance.

Cultural distance affects how strategic asset seeking motives influence subsidiary governance by enhancing internal roles. As previously noted, strategic asset seekers typically focus more on external roles and less on internal ones. With significant cultural distance, the internal roles of directors and CEOs become more pronounced, meaning that the negative relationship between strategic asset seeking and internal role is mitigated. Effective knowledge transfer largely depends on the recipient's ability to absorb and utilise the information (Fang et al., 2013; Gupta & Govindarajan, 1991, 2000). Increased cultural distance introduces challenges such as language barriers, differing communication styles, and varying cultural norms, which reduce the efficiency of transferring knowledge and tacit resources back to the parent company. This results in a higher demand for expatriate directors on subsidiary boards for communication. Additionally, headquarters may face greater difficulty in governing subsidiaries due to a limited understanding of the host environment, where conditions can differ significantly from the home country. As cultural distance grows, agency problems can become more pronounced, as differing risk-sharing attitudes and strategic goals between headquarters and subsidiaries necessitate stronger monitoring mechanisms to address the limited understanding of business operations in culturally distant environments.

Additionally, with the increase of cultural distance, the external role of subsidiary boards in strategic asset-seeking becomes less emphasised, meaning that the negative relationship between strategic asset seeking and external role is mitigated. As cultural distance increases, strategic resources obtained from host countries become less valuable to headquarters, as differences in cognitive-cultural institutions and communication styles impede the absorption and transfer of tacit knowledge. Greater cultural distance also complicates the subsidiary's efforts to gain legitimacy in the host country due to challenges in overcoming entry barriers and adapting to local culture (Kostova, 1999). These cultural-cognitive differences hinder conformity to local norms, reducing the likelihood of achieving a 'taken for granted' status. Consequently, the effectiveness of the external role in strategic asset-seeking is diminished.

Based on the above arguments,

Hypothesis 5a. Cultural distance will mitigate the negative relationship between strategic asset seeking and expatriate director ratio, leading to a higher expatriate director ratio.

Hypothesis 5b. Cultural distance will mitigate the positive relationship between strategic asset seeking and independent director ratio, leading to a lower independent director ratio.

Hypothesis 5c. Cultural distance will mitigate the positive relationship between strategic asset seeking and the likelihood of hiring non-expatriate CEOs, leading to a lower likelihood of hiring non-expatriate CEOs.

Since the institutional escape typically involves institutional and financial arbitrage, with most firms investing in tax havens and offshore financial centres, cultural distance is not anticipated to significantly affect board composition. Consequently, the moderating effects of cultural distance on the impact of institutional escape are not addressed here.

Next, this thesis analyses how business relatedness influences subsidiary governance, with cultural distance serving as a moderating factor. As previously discussed, business relatedness is typically linked more with internal roles and less with external roles. When there is a higher degree of business relatedness between headquarters and subsidiaries, EMNEs are likely to use foreign subsidiaries to acquire resources that enhance competitive advantages. This increased business relatedness necessitates greater knowledge transfer and communication, leading to a rise in the internal role of subsidiaries. Consequently, subsidiaries are more likely to employ additional expatriate directors. In comparison, when business relatedness is remote, the parent company and the foreign subsidiary are often situated in different segments of the global value chain. The usage of resources from headquarters would be less valuable, and subsidiaries would be granted more autonomy and focus on leveraging resources from host countries without intensive control from headquarters. Therefore, they would be structured with a higher independent director ratio and non-expatriate CEOs.

As the cultural distance between headquarters and subsidiaries increases, the likelihood of higher agency costs escalates due to inherent challenges such as language barriers and different communication styles. Subsidiaries facing these hurdles need to bolster their internal roles to ensure the efficient transfer of resources to headquarters. This requires a stronger monitoring mechanism to align subsidiary actions with the interests of the headquarters and a closer connection between the two entities for effective resource flow. In comparison, subsidiaries may be granted less autonomy because the transfer of knowledge from distant locations is even less valuable to headquarters. Therefore, with the cultural distance, the internal role of subsidiaries becomes more pronounced while the external role diminishes. This implies that cultural distance positively moderates the relationship between business relatedness and the ratio of expatriate directors, while negatively moderating the relationship between business relatedness and the ratio of independent directors, as well as the likelihood of hiring a non-expatriate CEO.

Closer business relatedness facilitates greater resource and communication flow between headquarters and subsidiaries. With greater cultural distance, closely related subsidiaries require even less external engagement and more internal connection, as differences in cultural values and norms can lead to divergent business practices. This divergence means that headquarters and subsidiaries are likely to focus more on aligning their operations based on shared cultural perspectives rather than adapting to the host country's culture. As a result, headquarters and subsidiaries may prefer to rely on familiar practices and relationships within the company rather than extensively engaging with the host country, the internal role is emphasised and the expatriate director ratio is likely to be higher. Resources from the host country become less relevant for MNEs due to differing cognitive contexts.

Therefore, when business relatedness and cultural distance are both high, subsidiaries have lower ratios of independent directors and the likelihood of non-expatriate CEOs. Independent directors and non-expatriate CEOs typically provide access to high-quality information, extend external resources, diversify resources, and foster new partnerships crucial for growth. Such an external role is less pronounced. However, with increased cultural distance, especially for subsidiaries with close business relatedness, the need for such external inputs is reduced as these subsidiaries depend more on resources from headquarters rather than the host country.

Therefore,

Hypothesis 6a. Cultural distance will strengthen the negative relationship between business relatedness and the expatriate director ratio, leading to a lower expatriate director ratio.

Hypothesis 6b. Cultural distance will strengthen the positive relationship between business relatedness and the independent director ratio, leading to a higher independent director ratio.

Hypothesis 6c. Cultural distance will strengthen the positive relationship between business relatedness and the likelihood of hiring non-expatriate CEOs, leading to a higher likelihood of hiring non-expatriate CEOs.

This thesis further examines the moderating effect of cultural distance on the relationship between the headquarters' ownership and internal/external roles. As explained earlier, the ownership structure is often associated more with control and monitor mechanisms (e.g. Filatotchev et al., 2011; Mjoen and Tallman, 1997), therefore, higher parental ownership attaches to a higher internal role and lower external role.

With the increase in cultural distance, subsidiaries with higher ownership seem to emphasise a greater internal role. Cultural distance amplifies the challenges associated with coordination and communication between headquarters and subsidiaries. In response, headquarters often seek to exert greater control over subsidiary operations when parental ownership is high. Higher ownership gives headquarters more influence over decision-making processes and allows for tighter control from headquarters to mitigate potential agency costs between headquarters and subsidiaries, ensuring the alignment between headquarters and subsidiary objectives.

In comparison, as cultural distance increases, the external role weakens, and the negative effects between ownership and the external role are amplified. This results in a lower independent director ratio and a higher likelihood of hiring non-expatriate CEOs. Specifically, higher ownership levels are associated with a stronger inclination by headquarters to exert control over subsidiary operations, potentially limiting the subsidiaries' ability to engage externally, leading to less emphasis on the subsidiaries' external role. Given the more control and monitoring by headquarters (e.g. Filatotchev et al., 2011; Mjoen and Tallman, 1997), subsidiaries with higher headquarters ownership may have more centralised decision-making processes, leading to a lower connection to the local host country's needs and preferences. With the increase of cultural distance, headquarters seek greater control to mitigate the agency costs arising from increasing information asymmetry and potential conflict of interests, leaving even less autonomy to subsidiaries. Moreover, subsidiaries with more headquarters ownership may rely heavily on resources and strategies dictated by the headquarters, limiting their ability to adapt to the local market and establish strong connections. Such a situation becomes more severe with the increase of cultural distance as the resources would be less applicable in a cultural distance context.

Therefore, this thesis put forward the following hypotheses,

Hypothesis 7a. Cultural distance will strengthen the negative relationship between headquarter ownership and the expatriate director ratio, leading to a lower expatriate director ratio.

Hypothesis 7b. Cultural distance will strengthen the positive relationship between headquarter ownership and the independent director ratio, leading to a higher independent director ratio.

Hypothesis 7c. Cultural distance will strengthen the positive relationship between headquarter ownership and the likelihood of hiring non-expatriate CEOs, leading to a higher likelihood of hiring non-expatriate CEOs.

3.5 Consequences of Foreign Subsidiary Governance – Obtaining Legitimacy

Legitimacy is essential for the survival and success of foreign subsidiaries. These subsidiaries operate in complex environments and face significant challenges as they must align with both host country expectations and those of their MNE when adopting organisational practices or strategies (Hillman & Wan, 2005). While legitimacy can be internal (acceptance within the MNE) or external (acceptance by the external environment, particularly host countries), this thesis primarily focuses on external legitimacy. For subsidiaries of MNEs, external legitimacy is crucial for effectively accessing and leveraging resources from host countries. A subsidiary that is perceived as legitimate is seen as reliable and trustworthy, facilitating the development of trust and credibility with stakeholders. This is particularly important for EMNE subsidiaries that rely on strategic assets and resources from their host countries.

As discussed in Chapter 3, the institutional theory has been notably underutilised in the literature on subsidiary governance (Filatotchev, Jackson, & Nakajima, 2013), even though the concept of legitimacy is deeply connected to institutional theory. Moreover, conventional theories, while valuable, often fall short in explaining the full range of practices adopted by MNEs abroad, therefore, this thesis tries to incorporate institutional theory with conventional management theory including agency theory and resource dependence theory.

To be more specific, institutional theory answers why organisations in the same field are similar (DiMaggio & Powell, 1983) and examines how organisations conform to or are divergent from institutional pressures and seek legitimacy in their environment. According to institutional theory, organisations engage in legitimacy-seeking behaviour by conforming to institutional norms, rules, and expectations. Legitimacy can be regarded as a valuable resource for subsidiaries, as it can enhance reputation, trustworthiness, and credibility in the eyes of stakeholders. Institutional theory argues that organisations strive to acquire and maintain legitimacy because it provides them with resources, such as access to capital, favourable regulations, customer loyalty, and a positive public image. The different contextual embeddedness of headquarters and subsidiaries can impact bounded rationality and bounded reliability (Alain & Nathan, 2009; Meyer et al., 2020) which further influence organisational behaviour. A foreign subsidiary located in a different country would be inexorably pushed towards homogenisation to host institutions by coercive, mimetic and normative isomorphism (DiMaggio & Powell, 1983). Specifically, coercive pressures arise from legal and regulatory requirements, normative pressures arise from professional or ethical standards, and mimetic pressures occur when organisations imitate successful peers (Kostova & Roth, 2002). Therefore, when the subsidiaries are institutionally far from headquarters, the subsidiaries' operations which align to headquarters and host countries at the same time would be especially challenging, the legitimacy is becoming more difficult to obtain. The differences in regulatory, cognitive and normative institutions between the two countries (Tatiana Kostova & Zaheer, 1999), exacerbate agency problems between headquarters and subsidiaries because the different embeddedness of headquarters from subsidiaries makes hidden information more difficult to bridge, which increases the control and monitoring cost. Headquarters would find it challenging to assess the actual ability of subsidiaries that operate in a different environment and have limited knowledge of whether subsidiaries are operating on behalf of the headquarters.

The legitimacy perspective proposes the strategies and behaviours of legitimacy seeking and maintenance, such as conformist strategy to host countries, involving CSR practices in host countries, using ownership structures, etc. This thesis typically links to the staffing strategies of how subsidiaries use governance mechanisms, essentially board and CEO hiring, to obtain and maintain legitimacy in host countries. Subsidiary directors and CEOs, consisting of both local and expatriate directors, reflect the extent to which subsidiaries rely external environment. Subsidiary directors and CEOs, with their expertise and knowledge, enable foreign subsidiaries to navigate the local institutional landscape more effectively and make informed decisions that align with local norms, regulations, and expectations. They also can act as the bridge between the subunits and local stakeholders with proper interactions and dialogues. As exemplified by TikTok, the employment of host country or third country CEOs to mitigate government concerns over the practices of TikTok in terms of national security, boards and CEOs are expected to address concerns, build relationships, gain trust through legitimate practices and gain acceptance from various stakeholders in host countries.

3.5.1 Subsidiary governance and legitimacy

Subsidiaries are expected to employ governance mechanisms to achieve legitimacy, especially in the context of EMNEs. EMNEs frequently encounter issues such as a weak country image, diminished credibility (Bartlett & Ghoshal, 2000), inadequate corporate governance practices, and lower accountability (Luo & Tung, 2007). Consequently, their foreign subsidiaries must invest additional effort to establish legitimacy within the host country. Although gaining legitimacy is vital for the performance of EMNEs' subsidiaries, the role of subsidiary governance in facilitating this process, particularly in overcoming the liabilities of foreignness, remains underexplored.

Legitimacy refers to the social perception of acceptance or appropriateness of organisational behaviour (Conroy & Collings, 2016; Suchman, 1995). Legitimacy is of great importance to MNEs in achieving business success as it enhances stability and comprehensibility (Suchman, 1995). When a subsidiary is legitimate, it would be regarded as more desirable, proper, or appropriate by stakeholders who are more willing to offer resources (Suchman, 1995). Legitimacy affects stakeholder perception and the way people understand whether organisations are meaningful, predictable, and trustworthy (Suchman, 1995). When organisations possess a low level of legitimacy, they are vulnerable especially when they are exposed to uncertain environments.

Literature explores a series of corporate strategies to acquire legitimacy by conforming to the host environment, selecting among the environment, and manipulating the environment (Suchman, 1995). Subsidiaries can implement conformist strategies to host environment and more legitimate organisations (e.g. Deephouse, 1996; Deephouse and Carter, 2005; Wu and Salomon, 2016), pay more attention to corporate social responsibilities by adapting to local CSR requirements and strategic reporting to stakeholders (e.g. Yang and Rivers, 2009; Mithani, 2017; Zhao, 2012), adjusting proper ownership structure (e.g. Chan, Isobe, and Makino, 2008; Chan and Makino, 2007), specific political strategies (e.g. Wan and Hillman, 2005), and strategic engagement of stakeholders such as government and media (e.g. Li and Sun, 2020). Despite these insightful studies, we know little about how subsidiaries use staffing strategies to obtain legitimacy in host countries.

Anecdotal evidence suggests that subsidiaries often focus on board and TMT hiring as a strategy to enhance legitimacy. For instance, to address concerns from the US government regarding Chinese MNEs, TikTok appointed Kevin Mayer, a former Disney executive, as CEO ("Chip Wars," 2020). Following Mayer's departure, TikTok further emphasised its staffing strategy by hiring Vanessa Pappas as COO and then Shouzi Chew as CEO. This case illustrates that the strategy for staffing at the subsidiary level is crucial for its survival, performance, and legitimacy. The composition of a subsidiary's board and the selection of its CEO have become increasingly significant for MNEs as they develop and execute their international strategies. These factors are expected to play a key role in helping subsidiaries gain acceptance and legitimacy within their host countries. While literature pays little attention to this phenomenon how subsidiary governance facilitates obtaining legitimacy.

According to the LLL paradigm and the springboard perspective, seeking strategic assets is one of the most important FDI motives for EMNEs to expand internationally. EMNEs are typically driven by the desire to acquire essential assets, pursue long-term strategic advantages, and enhance their global competitiveness (Meyer, 2015; Wang et al., 2013). To effectively leverage these strategic assets abroad, EMNEs must achieve a high level of legitimacy in their host countries.

Legitimacy may vary across different stakeholders, and subsidiaries are exposed to the host country environments which MNEs are often unfamiliar with. During the legitimation process, a subsidiary makes strategies by identifying key stakeholders they should be aware of. As discussed earlier, the hiring of subsidiary boards and CEOs reflects both internal and external governance roles. These roles help subsidiaries manage relationships with parent companies and host environments. Strategic asset seekers tend to emphasise external roles over internal ones to gain legitimacy. Foreign subsidiaries of EMNEs, driven by the need to leverage resources in host countries, often increase their external roles to connect with various stakeholders. Consequently, they are likely to have a higher ratio of independent directors and hire local rather than expatriate CEOs to enhance their legitimacy. A higher ratio of independent directors signifies stronger corporate governance to stakeholders. Their resources and expertise enhance this governance, facilitating to securing greater legitimacy from the host environment. Similarly, hiring a non-expatriate CEO would reflect better consideration and understanding of local stakeholders' demands and requirements, and facilitate subsidiaries to gain legitimacy in host countries. In comparison, subsidiaries would need less internal role to obtain legitimacy. Despite agency problems also existing, when leveraging resources from host countries is the main focus, subsidiaries rely more on the external environment and less on headquarters resources, the internal role would be less efficient as headquarters have less understanding especially since they rely on scant resources from host countries. Therefore, to obtain legitimacy in host countries strategic asset seekers would need to have fewer expatriate directors who facilitate headquarters control and resource flow but have little function to manage stakeholders with host countries.

Therefore,

Hypothesis 8a. There is a negative relationship between the expatriate director ratio and subsidiary legitimacy.

Hypothesis 8b. There is a positive relationship between the independent director ratio and subsidiary legitimacy.

Hypothesis 8a. There is a positive relationship between the likelihood of appointing expatriate subsidiary CEOs and subsidiary legitimacy.

3.5.2 Cultural distance (moderator)

As previously discussed, cultural distance reflects differences in uncertainty avoidance, individualism/collectivism, masculinity/femininity, and power (Hofstede, 1980). Cultural-cognitive distance affects subsidiaries' social interaction capabilities, as it influences cultural understanding (Kostova & Zaheer, 1999; Scott, 2008), leading to variations in the fulfilment and effectiveness of internal and external roles. Specifically, cultural distance can result in additional transaction costs that hinder information sharing and coordination within organisations (e.g., Hennart & Reddy, 1997; Li & Guisinger, 1992), and increase agency costs due to information asymmetry and potential conflicts of interest between headquarters and subsidiaries. To mitigate agency costs, with the increase in cultural distance, subsidiaries would prefer to send more expatriate directors to monitor subsidiaries' overseas practices. As a result, the negative impact of the expatriate director ratio on legitimacy is expected to be mitigated. In comparison, to achieve better legitimacy, subsidiaries are likely to count on their external roles to build strong relationships with local stakeholders who control critical resources. Subsidiaries may increase the number of independent directors to ensure robust corporate governance and attract resources from host countries. As cultural distance increases, obtaining legitimacy becomes more challenging due to the reduced applicability of home-country resources in the host country, therefore, the external role would be less salient and the independent director ratio and the likelihood of hiring a non-expatriate CEO would be less necessary.

Therefore,

Hypothesis 9a. Cultural distance will mitigate the negative relationship between expatriate directors and subsidiary legitimacy.

Hypothesis 9b. Cultural distance will mitigate the positive relationship between independent directors and legitimacy.

Hypothesis 9c. Cultural distance will mitigate the positive relationship between the likelihood of hiring non-expatriate CEOs and legitimacy.

3.6 Summary

This chapter presents a theoretical framework that addresses gaps identified in the literature. The foundational theories employed include agency theory, resource dependence theory, and institutional theory. It outlines a comprehensive structure comprising antecedents, subsidiary governance, and consequences.

The antecedent encompasses significant internal factors such as FDI motives, business relatedness, and headquarters ownership. Subsidiary governance is delineated into internal roles focused on managing relationships with headquarters, and external roles addressing connections with external environments. Three governance mechanisms are explored: expatriate director ratio, independent director ratio, and non-expatriate CEO. Then, the chapter explores how these mechanisms influence subsidiary legitimacy.

Drawing on these theories, the chapter examines how internal factors affect subsidiary governance and, consequently, influence legitimacy. The section also discusses the boundary condition of cultural distance in this context.

Chapter 4. Research Methodology

4.1 Introduction

This chapter explains the research methodology adopted to fulfil the research objectives. Firstly, this section includes the research philosophy, justifies the chosen models, outlines the sequence, and provides details on the data analysis methods employed. Following this, the overall research design, sample, and data collection process are introduced. Subsequently, the justification of the methods and models being chosen, the measurements of the antecedents, subsidiary governance, and consequences are presented. Finally, descriptive statistics of the sample are presented.

4.2 Research philosophy

Research philosophy encompasses a set of beliefs and assumptions that guide knowledge development (Saunders, 2007). To effectively advance knowledge in various research fields, researchers must carefully consider the philosophical framework chosen to address research questions and underlying assumptions. A clear understanding of ontology (the nature of reality) (Holden & Lynch, 2004; Rowland, 1995), epistemology (how knowledge is acquired) (Dobson, 1999; Hughes, 1997), and axiology (values or moral beliefs) (Duffy & Chenail, 2008; Saunders, 2007) enables scholars to gain deeper insights into the phenomena under study, select appropriate methodologies to explore assumptions, and interpret their findings effectively (Crotty, 1998). Although positivism historically aligns its philosophical stance with the natural sciences (Saunders, 2007), since the 1950s, positivist research has extended beyond philosophical science to encompass both natural and social sciences (Caldwell, 1980).

The research philosophy adopted in this thesis is positivism, chosen for its emphasis on testing hypotheses, quantitatively measuring variables, and establishing causal relationships through empirical evidence. Positivists' ontology is characterised by a belief in a single, objective reality, indicating that they hold a universalist view and perceive reality as external and real. The aim of this thesis is to examine how key antecedents influence subsidiary board and CEO structures, ultimately impacting subsidiary legitimacy. Following typical positivist principles, this thesis draws upon established theories such as agency theory, resource dependence theory, and institutional theory to formulate hypotheses for testing.

The thesis uses a structured methodology, such as regression analyses on archival data, to maintain objectivity and minimise the impact of personal biases on the results. From an epistemological standpoint, this thesis views facts as measurable and observable. Causal explanations and predictions derived from systematic and scientific analysis can be generalised within similar contexts, contributing to practical applications like structuring boards to achieve specific corporate performance outcomes. Additionally, the large-sample data collection and model development emphasise the research's objectivity and value-neutrality. Overall, this thesis is an objective, deductive, and quantitative study grounded in existing theories and empirical evidence, making positivism an appropriate choice for this research.

4.3 Overall research design, sample, and data collection

The overall research design applied to both empirical studies. The research design aimed to address theprimary research questions: (1) examining the impact of key internal drivers on subsidiary governance and, (2) how subsidiary governance contributes to local legitimacy. Specifically, this thesis constructed a dataset comprising publicly listed foreign subsidiaries with Chinese parent firms from 2005 to 2021. Choosing China as the home country is appropriate to address the research gap of EMNEs' foreign governance mechanism as (1) China is a top country for outward FDIs among emerging countries, with relatively unique FDI motives and faces more severe legitimacy challenges in recent years (Buckley et al., 2015; Luo and Tung, 2018; Mathews, 2006; Wang et al., 2013); (2) Chinese MNEs face salient legitimisation problems (Luo et al., 2022; Witt et al., 2023), and legitimacy is the consequence of governance mechanisms being discussed in this thesis. Additionally, listed subsidiaries possess the formal governance structure which facilitates the examination of board structure and CEO appointment. This thesis chose the beginning date of 2005 because the majority of FDI data is available only after year 2005 despite China's accession to WTO at the end of 2001.

First, this thesis compiled the list of foreign subsidiaries using data from the Overseas Affiliated Firm and Overseas M&A and Restructuring Events in the China Stock Market & Accounting Research Database (CSMAR). Next, the data was cross-checked with the BvD ORBIS database to identify publicly listed foreign subsidiaries. The BoardEx was used to collect board and CEO-level information, and the World Bank's Doing Business indicators and Heritage Foundation's 2020 report on the Index of Economic Freedom were used to capture country-level institutional characteristics. CSMAR and BvD ORBIS databases were used to collect information about parent firms and their subsidiaries. Then, data on subsidiary age, headquarters ownership, whether a parent firm is a state-owned enterprise and FDI entry mode were collected.

4.4 Justification for the chosen methodology

4.4.1 Justification for the choice of regression models

To adhere to the positivist research philosophy, quantitative research methods and empirical models were appropriate for hypothesis testing (Bryman, 1984; Creswell, 1994). Using regression models for empirical analyses allows us to make predictions about a dependent variable based on one or more independent variables. This predictive capability is valuable in many research and applied settings (Snee, 1977). Moreover, regression models can help us understand the relationships between variables and the relative importance of different independent variables in explaining the dependent variable. This provides insights into the underlying processes and mechanisms (Snee, 1977). Utilising well-validated regression models allows for generalising results to similar situations and contexts, facilitating practitioners' adoption of research findings. Moreover, regression models, known for their flexibility and robustness in handling various data types and assumptions, prove widely applicable across diverse research domains (Snee, 1977).

In the main analyses of *antecedents' impact*, given that some main variables, such as FDI motives and business relatedness, are time-invariant, employing fixed effect models poses challenges since they cannot estimate the covariates absorbed by individual effects. Random effects models offer a potential solution and were adopted for the main analyses. Although the assumption of orthogonality between the error term and the individual effects is challenging, random effects estimation is appropriate to evaluate the covariates of time-invariant variables (e.g., Kock, 2016).

For the main variable which is time-varying (e.g. headquarter ownership), after conducting Hausman tests, the fixed effects model was chosen due to its superior performance. Fixed effects regressions have become widely recognised and powerful tools for mitigating unwanted variation in observational accounting studies. By eliminating unwanted variation, fixed effects models mitigate concerns regarding omitted variables bias in the estimates and enhance the statistical power of the tests (Breuer & Dehaan, 2024).

For the binary dependent variables (e.g., 0 and 1), when the independent variables were time-invariant, this thesis used the random logit regression model; when the independent variable was time-varying, this thesis used the general logit regression model. The logit regression model was designed to handle binary outcomes where each observation falls into one of the two categories - in this thesis, whether the CEO was non-expatriate or not.

Considering random effect models rely on the assumption of orthogonality between the error term and the individual effects, which is often hard to satisfy, therefore, following prior research (e.g. Gao et al., 2021; Li et al., 2018), the robustness tests also used the Hausman-Taylor model (Hausman and Taylor, 1981), which enabled the inclusion of the time-invariant variables and model unobserved individual heterogeneity.

The robustness tests also used random probit models and general probit models when the dependent variable was binary. Although probit and logit regressions generally yield similar results, disparities can arise with smaller sample sizes.

In the main analyses consequence part, considering the potential endogeneity between subsidiary governance and legitimacy, this thesis used two-stage least square (2SLS) regression. 2SLS is a statistical method used to estimate causal relationships in situations where ordinary least squares OLS regression may produce biased and inconsistent estimates due to endogeneity (Shaver, 2005). Endogeneity often arises when there is a possibility of reverse causality in research. For instance, while investigating the influence of subsidiary governance structures on subsidiary legitimacy, it is plausible that legitimacy could lead to changes in board composition and CEO appointments. In such scenarios, 2SLS provides a robust and valuable method for estimating the causal relationship from subsidiary governance to legitimacy.

4.4.2 Justification for using sentiment analysis

Sentiment analysis was adopted to measure subsidiary legitimacy in this thesis. Legitimacy, in this context, refers to the social perception of acceptance or appropriateness of organisational behaviours (Conroy & Collings, 2016; Suchman, 1995). It is the perceived validity or acceptance of a subsidiary within its environment, influenced significantly by public perception.

Traditionally, legitimacy has been measured using news media, accreditation bodies, and surveys (Etter, Colleoni, Illia, Meggiorin, & D'Eugenio, 2018; Vergne, 2011). News media, in particular, is noted as the most extensively explored source for measuring legitimacy due to its influence on public attitudes towards organisations (e.g. Deephouse, 1996; Deephouse and Carter, 2005; Vergne, 2011). While previous studies manually coded news media to measure legitimacy, recent advancements in Natural Language Processing (NLP) have enabled sentiment analysis of textual data.

Sentiment analysis with software, such as Python, provides a systematic and automated way to gauge the sentiment or tone of news articles towards specific companies (e.g. Yiu et al. 2022). The rationality behind using software for sentiment analysis lies in its ability to analyse a large volume of textual data efficiently. This approach leverages well-developed NLP techniques and corpora, ensuring a sophisticated analysis of the sentiments expressed in news media over a period (2005 to 2021, in this thesis). The decision to adopt sentiment analysis aligns with existing literature that recognises the effectiveness of NLP in content analysis and sentiment detection (e.g. Yiu et al., 2022). The literature supports the application of sentiment analysis as a robust method for understanding public attitudes and perceptions as reflected in news media.

Therefore, sentiment analysis of news articles is justified in this context because it offers a systematic, automated, and sophisticated approach to measuring the legitimacy of companies based on public sentiment expressed in media coverage. This method builds upon established literature and leverages technological advancements in NLP, enhancing the rigour and depth of the thesis's research findings.

4.4.3 Justification for robustness tests

The robustness tests were implemented subsequent to the primary analyses to maintain the integrity and rigour of the research.

In the first empirical study, firstly, Variance Inflation Factor (VIF) tests were adopted as assessing multicollinearity is crucial when interpreting multiple regression results, as high levels of correlation between independent variables can distort the estimated coefficients and inflate standard errors (Hair et al., 2005). This could lead to inaccurate conclusions regarding the relationships between variables. By calculating VIF scores for each predictor, the analysis ensured that the model's estimates were reliable and that each variable contributed uniquely to explaining the dependent variable.

Secondly, Husman-Taylor Estimation for robustness tests were used when the independent variables were time-invariant. Given that the primary variables of interest, such as FDI motives, were time-invariant, traditional fixed-effects models would be ineffective, as they cannot estimate covariates that do not change over time. Conversely, random-effects models, while capable of including time-invariant variables, rely on the assumption that individual effects are orthogonal to the error term, an assumption that is often violated in practice. By employing the Hausman-Taylor approach, the analyses benefited from its ability to handle both time-invariant and time-varying variables while controlling for unobserved individual heterogeneity (Hausman and Taylor, 1981).

Thirdly, winsorisation was adopted. It served as a crucial robustness check by addressing the potential distortion caused by extreme values (outliers) in the dataset. This technique is particularly relevant in management and business research, as noted in studies by Chen et al. (2017) and Desender et al. (2013). In the context of this thesis, the variables of interest—specifically the expatriate director ratio and independent director ratio—exhibit extreme values that may not accurately reflect the underlying trends or relationships being studied.

Finally, this thesis used probit regression as a methodological tool to analyse the binary dependent variable of non-expatriate CEO status. This approach is particularly suited for modeling outcomes that are dichotomous, allowing for a clear interpretation of how independent variables influence the probability of a subsidiary having a non-expatriate CEO. While traditional probit and logit models can yield similar results, the choice of probit regression is especially justified in scenarios with smaller sample sizes (such as the dataset of the thesis), where it may provide more reliable estimates.

In the second empirical study, additional robustness tests were taken mainly to address the rigour of using Two-Stage Least Squares (2SLS). Hausman tests were used to determine if there were significant differences between the estimators obtained from OLS and instrumental variable methods, specifically 2SLS. Often, a significant result (e.g. at the 0.01 level) indicates potential endogeneity, suggesting that one or more independent variables may be correlated with the error term, which violates OLS assumptions.

Moreover, the Durbin-Wu-Hausman (DWH) test further evaluated the consistency of OLS estimates in the presence of endogeneity. Usually, a significant DWH result (indicating bias in OLS estimates) suggests that the instrumental variable estimates are preferred over OLS estimates due to their robustness against endogeneity.

Including robustness tests in the thesis is essential for validating the findings and enhancing the credibility of the research. These tests help ensure that the results are not overly sensitive to specific assumptions, model specifications, or sample choices, addressing potential issues like endogeneity and bias. By demonstrating that the conclusions hold under various conditions, this thesis strengthens the overall argument and showcases a rigorous approach to the analysis.

4.5 Measurements

4.5.1 Foreign subsidiary governance

Table 4.1 summarises the measurements of the thesis. The subsidiary governance variables include the home country's expatriate director ratio, independent director ratio, and whether a CEO is non-expatriate. *The expatriate director ratio,* following existing literature such as

Harzing (2001), Heather (2015), Gong (2003), etc, was measured by the percentage of Chinese mainland nationals to foreign subsidiary board size. Directors' nationalities were coded based on the spelling of their names. Although this approach aligns with existing literature, it cannot distinguish between Chinese nationals and individuals with Chinese heritage but different nationalities. To address this limitation, this thesis excluded directors who have Chinese surnames but non-Chinese given names from being classified as Chinese mainland nationals. Moreover, Additionally, it was able to distinguish between Chinese mainlanders and individuals from Hong Kong or Taiwan, as the English spelling of the same characters differs (e.g. Li vs. Lee). *Independent director ratio* was calculated as the percentage of non-executive directors to foreign subsidiary board size. *Non-expatriate CEO* was coded as 1 if the CEO is not an expatriate from the parent company and 0 if the CEO is appointed from the host or a third country. Similarly, whether a CEO was non-expatriate was decided based on the name spelling. When there was not an official CEO on board, the president, managing director, and general manager are regarded as equivalent to the CEO.

4.5.2 Antecedents

The two main FDI motives in this thesis include strategic asset seeking and institutional escape. The two main independent variables in the thesis are the FDI motives of strategic asset-seeking and institutional escape. This thesis assessed parent firms' annual reports over three years post-establishment of the foreign subsidiary to consistently identify these motives. For *strategic asset-seeking*, keywords were detected in the reports indicating intent to acquire overseas strategic assets (Pan 2017). For example, Lu et al. (2011) identify the motive by asking the respondents to what extent FDIs (1) obtain advanced technology, (2) acquire high-quality brands and (3) attract high-end human resources. Cui et al. (2014) also used the questionnaire to ask whether there is an intention to (1) seek foreign technology, (2) acquire foreign brand assets, (3) acquire management know-how, and (4) obtain global business information. A subsidiary was coded as 1 for strategic asset-seeking if reports mentioned seeking substantial resources like novel technologies, management skills, or global business insights, and 0 otherwise. For *institutional escape*, following Buckley et al. (2015), this thesis first selected foreign subsidiaries that were registered or listed in tax havens or offshore financial centres as they were most likely to hold institutional escapes, and then ruled out a few exceptions. For example, the subsidiaries in Hong Kong (as offshore financial centres) were not always set up with institutional escape. This thesis links two types of Hong Kong-based subsidiaries to institutional escape: (1) subsidiaries listed in Hong Kong while incorporated in tax havens; and (2) subsidiaries incorporated and listed in Hong Kong with the operations remaining in the Chinese mainland. It should be noted that the subsidiaries listed and operated in Hong Kong, such as Cathay Pacific Airlines, and Bank of China HK (BOCHK) were not counted as institutional escape investors. Parent firms' annual reports were then cross-checked to ensure the intents of these subsidiaries were largely not related to other specific strategic purposes (e.g., strategic asset-seeking, efficiency-seeking, natural resource-seeking), as subsidiaries rarely hold an institutional escape and other strategic motives at the same time.

Parent company-foreign subsidiary *business relatedness* was based on the SIC codes of a parent company and its foreign subsidiary. The SIC codes were collected from ORBIS. If the data span was over five years, a further check was conducted to ensure that the SIC code hadn't changed over time. Following literature (e.g. Tang & Rowe, 2012), business relatedness was categorised as closely related if the 3-digit SIC code of the parent company and that of the foreign subsidiary were the same, moderately related if the parent company and subsidiary belonged to the same categories of 2-digit SIC code; and remotely related otherwise.

The *headquarter ownership* was retrieved from CSMAR where the affiliated company ownership structure was available. Missing data was complementarily retrieved from ORBIS and the headquarters annual report. The headquarter ownership was measured by the percentage of subsidiaries equity held by headquarters.

4.5.3 Consequences

Legitimacy was measured by the coefficient of imbalance (Deephouse, 1996; Janis & Fadner, 1943). Then coefficient of media endorsement could be calculated according to the following formula.

$$Legitimacy = \frac{(e^2 - ec)}{t^2} \ if \ e > c$$

$$Legitimacy = \frac{(ec - c^2)}{t^2} \ if \ c > e$$

Where

e = number of endorsing recording units in a given year

c = number of challenging recording units in a given year

$t = e + c$

Source: Deephouse (1996), Janis and Fadner (1943)

4.5.4 Other variables and control variables

The measurement of the moderator, cultural distance, was based on Hofstede's (1980) six cultural dimensions and is calculated using Kogut and Singh's index (1988). Greater cultural distance increases the difficulties for headquarters in controlling foreign subsidiaries and complicates communication (Gong, 2003). Foreign subsidiaries may be registered in different locations from the 'real' host country where the main business operations are based. Both locations are relevant to this thesis. All tax haven-registered subsidiaries have a different 'real' host country where their main business operations occur. Therefore, this thesis used data on the 'host country' retrieved from BoardEx to calculate cultural distance. Since the primary focus of this study is on the governance structure of foreign subsidiaries, utilising cultural distance between the home country and the host country (instead of the registration place) was more appropriate. This approach provided valuable insights into the challenges faced by individuals relocating and enabled targeted support for cultural adaptation and integration efforts.

This thesis control for a series of variables. *Subsidiary age* was controlled because it reflected a subsidiary's experience of operating in the host country and is measured by the years since the subsidiary's incorporation. It was measured by subtracting the year of incorporation from the year of observation. The *entry mode* of a foreign subsidiary was coded as 1 if it was set up through mergers and acquisitions, and 0 through greenfield investment. State ownership was expected to shape OFDI practices of emerging economies (Xia, Ma, Lu & Yiu, 2014). *Whether the parent company was state-owned* also influences the subsidiary governance and was coded as 1 for state-owned enterprises, and 0 otherwise. This thesis finally controlled the *Economic Freedom Index* of the host country.

Table 4.1 Measurement of variables

Variable	**Measurement**
Subsidiary governance	
Expatriate director ratio	The ratio of Chinese directors to board size
Independent director ratio	Percentage of number of non-executive directors to board size
Non-expatriate CEO	Coded as 1 if the CEO hold non-Chinese nationalities
Antecedents	
Strategic asset seeking motive	When foreign subsidiaries are listed in advanced economies and cross-checked with headquarters annual reports, coded as 1, or 0 otherwise.
Institutional escape	When a foreign subsidiary is incorporated in tax havens. For HK subsidiaries, when • listed in HK while incorporated in tax havens and • listed in HK and incorporated in HK while main operations are in mainland China. When subsidiaries hold institutional escape is coded as 1 or 0 otherwise.
Business relatedness	Closely related: when headquarters and subsidiaries belong to the same categories according to the 3-digit SIC code. Moderately related: when headquarters and subsidiaries belong to the same categories according to the 2-digit SIC code. Remotely related: when headquarters and subsidiaries do not belong to the same categories according to the 2-digit SIC code.
Headquarter ownership	The percentage of subsidiaries' equity held by headquarters
Consequences	
Legitimacy	Based on machine learning of the titles of media news of given subsidiaries, then measured by the coefficient of imbalance (Deephouse, 1996; Janis & Fadner, 1943)
Moderator	
Cultural distance	Hofstede's (1980) cultural dimensions and Kogut and Singh's (1988) measurement. It is measured by the distance between the host country and China.
Other Control variables	
Board size	The number of directors on board
Subsidiary age	The years since the subsidiaries' incorporation
Entry mode	Coded as 1 when entered through mergers and acquisition, 0 through greenfield investment
Whether headquarters are SOE	Coded as 1 if headquarters are state-owned enterprises, and 0 otherwise
Economic freedom index	Economic freedom of nations around the world

Industry	Dummy variables according to subsidiary industries, based on Fama-French 12 industry categories.
Year	Dummy variables according to years

4.6 Descriptive data

Tables 4.2 and 4.3 display the descriptive data of the sample, detailing the distribution of registration countries/regions and industries for a total of 754 subsidiaries. The sample includes all firms available in BoardEx that contain detailed information about firms and their board of directors. It has global coverage and has been used extensively in prior international and comparative corporate governance research (e.g., Kim and Ozdemir, 2014; Ponomareva et al., 2022). The Heritage Foundation scores countries according to 10 different criteria that cover economic, social, and cultural institutions pertaining to economic freedom within a country. The final sample has 116 Chinese foreign subsidiaries from 24 industries in 20 countries and regions across 16 years totalling 754 firm-year observations.

According to Table 4.2 which reports the registration place of subsidiaries, the Cayman Islands and Hong Kong emerged as the most prevalent locations, comprising 22.3% and 22.7% of registration places respectively, reflecting their popularity as jurisdictions for business incorporation. Bermuda follows closely behind, representing 21.8% of registrations. Other notable locations include Australia with 9.8%, Singapore with 4.8%, and Canada with 2.4%. Smaller percentages are attributed to various countries such as Germany, South Africa, and the United States, each contributing between 1.9% to 2.9%. The data shows that 44.1% of the sample are registered in tax havens, and thus, institutional escape is one key FDI motive of Chinese MNEs. The sample is in line with the overall FDI destination of Chinese MNEs. As suggested by the 2022 Statistical Bulletin of China's outward FDI, three of the top ten China's outward FDI destinations were tax havens and offshore financial centres.

Table 4.3 reports the industries of subsidiaries across 10 sectors according to the Fama and French 12-sector portfolio. Money/Finance, Manufacturing, and Business Equipment hold significant positions, comprising 21%, 11%, and 7% respectively. This is also generally in line with the 2022 Statistical Bulletin of China's outward FDI, that leasing and business service, manufacturing and finance are the top three industries of outward FDI flow.

Table 4.4 reports the correlation of variables. The cultural distance, board size, subsidiary age, and economic freedom have been standardised by setting their means to 0. For variables in each model, the correlation between variables is below 0.7, indicating that multicollinearity is less likely to be a concern.

Table 4.2 Observations according to registration location

Registration Country/Region	n	%
Australia	74	9.8%
Austria	6	0.8%
Bermuda*	164	21.8%
Canada	18	2.4%
Cayman Islands*	168	22.3%
Chile	4	0.5%
Germany	22	2.9%
Hong Kong*	171	22.7%
India	5	0.7%
Israel	1	0.1%
Japan	4	0.5%
Jersey	8	1.1%
Korea (South)	3	0.4%
New Zealand	9	1.2%
Singapore	36	4.8%
South Africa	21	2.8%
Spain	4	0.5%
United Kingdom	11	1.5%
United States	14	1.9%
Virgin Islands*	11	1.5%
Total	754	100%

*Note: * refers to the registration locations that are tax havens or offshore financial centres.*

Table 4.3 Observations according to industries

Industry	n	%
Consumer Nondurables	46	6%
Consumer Durables	44	6%
Manufacturing	85	11%
Energy	38	5%
Chemicals and Allied Products	29	4%
Business Equipment	53	7%
Telephone and Television Transmission	33	4%
Wholesale, Retail, and Some Services	37	5%
Healthcare, Medical Equipment, and Drugs	29	4%
Money Finance	162	21%
Others	198	26%
Grand Total	754	100%

Notes: Industry classification based on Fama and French 12 Industry Portfolios (available at Dartmouth website). Of the 12 industry classifications, 10 industries were presented in the sample. Consumer nondurables include food, tobacco, textiles, apparel, leather, and toys; Consumer durables include cars, TVs, furniture, and household appliances; Manufacturing includes machinery, trucks, planes, office furniture, paper, and computer printing; Energy includes oil, gas, coal extraction and products; Business equipment includes computers, software, and electronic equipment; Others include mines, constructions, buildings and materials, transportation, hotels, business service and entertainment.

Table 4.4 Correlation table of variables (N=754)

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Legitimacy	1.000														
(2) Expatriate director ratio	-0.175***	1.000													
(3) Independent director ratio	0.059	-0.281***	1.000												
(4) Non-expatriate CEO	0.111***	-0.744***	0.338***	1.000											
(5) Strategic asset seeking	0.187***	-0.342***	0.301***	0.334***	1.000										
(6) Institutional escape	-0.146***	0.603***	-0.436***	-0.651***	-0.500***	1.000									
(7) SIC closely related	0.058	-0.015	0.081**	0.033	0.115***	-0.012	1.000								
(8) SIC moderately related	0.001	0.078**	0.012	-0.058	-0.051	0.024	-0.339***	1.000							
(9) Entry mode	0.049	-0.412***	0.226***	0.478***	0.196***	-0.535***	0.189***	-0.153***	1.000						
(10) Cultural distance	0.098**	-0.601***	0.338***	0.557***	0.341***	-0.671***	0.117***	-0.070*	0.508***	1.000					
(11) Ownership	-0.071*	0.394***	-0.178***	-0.324***	-0.128***	0.290***	-0.098***	0.069*	-0.298***	-0.363***	1.000				
(12) Board Size	0.087**	-0.052	0.060*	0.020	-0.023	-0.044	-0.135***	0.229***	-0.169***	-0.193***	0.016	1.000			
(13) Subsidiary age	0.116***	-0.193***	-0.031	0.158***	0.074**	-0.203***	-0.029	0.226***	0.157***	0.095***	-0.102***	0.463***	1.000		
(14) HQ SOE status	-0.013	0.064*	-0.050	-0.071**	-0.146***	0.074**	-0.063*	0.135***	-0.058	-0.031	0.124***	0.151***	0.024	1.000	
(15) Economic Freedom Index	-0.074*	0.052	-0.282***	-0.143***	-0.101***	0.106***	-0.041	-0.049	-0.095***	-0.113***	0.147***	0.051	0.009	0.225***	1.000
Mean	0.181	0.504	0.660	0.381	0.143	0.642	0.135	0.423	0.420	0.000	0.479	0.000	0.000	0.626	0.000
SD	0.572	0.286	0.166	0.486	0.351	0.480	0.342	0.494	0.494	1.000	0.241	1.000	1.000	0.484	1.000
Max	1.000	1.000	0.947	1.000	1.000	1.000	1.000	1.000	1.000	2.162	1.000	3.804	4.705	1.000	0.720
Min	-1.000	0.000	0.125	0.000	0.000	0.000	0.000	0.000	0.000	-0.752	0.011	-1.695	-0.851	0.000	-2.492

*Standard errors are in parentheses (*** p<.01, ** p<.05, * p<.1)*

Note: cultural distance, board size, subsidiary age and economic freedom have been standardized with mean as the centre.

4.7 Summary

This chapter provides an overview of the research methodology employed in this thesis. It begins by delineating the primary philosophical paradigm, positivism. Subsequently, it discusses various aspects including research design, approaches, methods, and data sources used for data collection. The rationale behind the chosen methodology is justified, and details regarding the measurements for empirical analyses are presented. Lastly, descriptive data of the sample are provided.

Chapter 5. Antecedents and Subsidiary Governance (Empirical Study 1)

5.1 Introduction

This chapter examines the first half of the theoretical framework, assessing how crucial internal antecedents influence the selection of subsidiary board members and CEOs. In Chapter 3, this thesis illustrates the dual roles of foreign subsidiary boards and CEOs: an internal role involving the management of relationships with the headquarters, and an external role focused on navigating interactions with the local environment. Drawing on agency theory and resource dependence theory, the internal role emphasises monitoring subsidiary operations and resource flows with the parent firm; meanwhile, the resource dependence theory underscores the external role's aim to enhance local operational effectiveness.

The principal internal factors include the FDI motives of EMNEs, business relatedness between headquarters and subsidiaries, and parental ownership. As detailed in Chapter 3, theoretical frameworks suggest that according to resource dependence theory, the strategic asset-seeking motive would amplify the external role, focusing on connecting with the host environment and enhancing local operational effectiveness. This dynamic would lead to a higher emphasis on the external role and a decreased emphasis on the internal role, resulting in an increased ratio of independent directors, a higher probability of hiring non-expatriate CEOs, and a reduced ratio of expatriate directors. Comparatively, under agency theory and resource dependence theory, subsidiaries would emphasise the internal role—focused on monitoring, control, and resource flows between headquarters and subsidiaries—when EMNEs pursue the institutional escape, exhibit higher business relatedness, or maintain greater parental ownership. In such contexts, there would be a heightened emphasis on the internal role and a reduced focus on the external role, resulting in a higher ratio of expatriate directors, a lower ratio of independent directors, and a decreased likelihood of hiring non-expatriate CEOs.

The subsequent sections include the estimation method and empirical results tested for the developed hypotheses regarding the impact of antecedents. This is followed by robustness tests and a discussion of the findings.

5.2 Estimation method and empirical results

The first empirical study examined the impact of antecedents on subsidiary governance. Given that two of the main antecedents, FDI motives and business relatedness, are time-invariant, fixed effect models could not estimate the covariance of these variables, as the effects would be absorbed by individual effects. Therefore, I used random effects models for hypotheses related to expatriate director ratio and independent director ratio, and a random effects logit model for hypotheses related to non-expatriate CEO appointment. Although meeting the assumption of orthogonality between the error term and individual effects poses challenges, researchers still employ random effects estimation to assess the covariates of time-invariant variables (e.g., Kock, 2016). Regarding the baseline hypotheses related to headquarter ownership, I used fixed effect models and logit regression, which were shown to be more effective by the Hausman tests.

The results of the random effects regression analyses for the full sample are presented in Table 5.1. Models 1-3 were used to test hypotheses 1a-1c, with the main predictor being the strategic asset seeking FDI motive. Hypotheses 1a-1c proposed that the strategic asset seeking FDI motive is positively related to the external role and would thus reduce the ratio of expatriate directors (H1a), increase the ratio of independent directors (H1b), and be associated with a higher likelihood of non-expatriate CEO appointment (H1c). Model 1 tested H1a, and the coefficient of strategic asset seeking was negative ($ß = -0.175$) and statistically significant ($p<0.01$). The effect of the FDI motive being strategic asset seeking reduced the ratio of expatriate directors by 17.5 percent, holding other variables constant. Hence, the thesis found support for hypothesis 1a. Model 2 tested H1b, and the coefficient of strategic asset seeking was positive ($ß = 0.11$) and statistically significant ($p<0.01$). The strategic asset seeking motive increased the ratio of independent board members by 11 percent, keeping all other variables constant. Hence, the thesis found support for hypothesis 1b. Model 3 tested H1c, and the coefficient of strategic asset seeking was positive (ß = 17.707) and statistically significant ($p<0.05$). The corresponding odds ratio (contingency table, OR = 5.47) indicated that firms with a strategic asset seeking FDI motive were 5.47 times more likely to hire non-expatriate CEOs compared to companies without this motive.

Next, Models 4-6 in Table 5.1 were used to test hypotheses 2a-2c, with the main predictor being the institutional escape motive. Hypotheses 2a-2c proposed that institutional escape would increase the ratio of expatriate directors (H2a), decrease the ratio of independent directors (H2b), and link to a lower likelihood of non-expatriate CEO appointment (H2c). Model 4 tested H2a, and the coefficient of institutional escape was positive (ß =0.231) and statistically significant ($p<0.01$). The institutional escape increased the ratio of expatriate directors by 23.1 percent, keeping other variables constant. Hence, the thesis found support for hypothesis 2a. Model 5 tested H2b, and the coefficient of institutional escape was negative (ß = -0.088) and statistically significant ($p<0.01$). The institutional escape reduced the ratio of independent directors by 8.8 percent, keeping other variables constant. Hence, the thesis found support for hypothesis 2b. Model 6 tested H2c, and the coefficient of institutional escape was negative (ß = -21.533) and statistically significant ($p<0.01$). The corresponding odds ratio (corresponding table, OR = 0.04) indicated that having a non-expatriate CEO in firms with an institutional escape FDI motive was approximately 0.04 times the odds of having a non-expatriate CEO in firms without this motive. In other words, the likelihood of having a non-expatriate CEO among institutional escapes was significantly lower than among non-institutional escapes when compared to expatriate CEOs.

The set of hypotheses 3 proposed that when business relatedness is higher, the foreign subsidiary board and CEO would be mandated with more internal role and less external role (Table 5.2). As business relatedness is measured by categorical variables and categorized into three dummy variables, the thesis first treated remotely related as the reference group (Model 1-3) and then treated moderately related as the reference group (Model 4-6) and ran random effect models and a random effect logit model. The results were only partially significant for

Table 5.1 Random effects regression and random effects logit regression results for predicting the impact of FDI motives on board composition and CEO appointment (N = 754).

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	H1a Expatriate director ratio	H1b Independent director ratio	H1c Non-expatriate CEO	H2a Expatriate director ratio	H2b Independent director ratio	H2c Non-expatriate CEO
Strategic asset seeking	-.175*** (.063)	.11*** (.041)	17.707*** (2.526)			
Institutional escape				.231*** (.056)	-.088** (.039)	-21.533*** (2.282)
HQ Ownership	.249*** (.044)	-.004 (.032)	-11.065*** (2.741)	.251*** (.043)	-.005 (.032)	-11.599*** (3.152)
Common law Origin	-.097 (.072)	.022 (.049)	15.414*** (3.284)	-.033 (.069)	-.023 (.049)	9.479** (3.856)
Board Size	.038*** (.009)	-.009 (.007)	-1.03* (.56)	.039*** (.009)	-.01 (.007)	-1.278** (.588)
Subsidiary age	0 (.02)	.021 (.013)	-1.914** (.767)	.006 (.02)	.022 (.014)	-3.331*** (.906)
Entry mode	-.055 (.047)	.011 (.031)	4.574*** (1.563)	-.006 (.048)	-.005 (.033)	3.633* (1.889)
Cultural distance	-.108*** (.024)	.028* (.016)	4.541*** (1.277)	-.08*** (.025)	.023 (.017)	2.958** (1.183)
Economic Freedom Index	.005 (.025)	-.024 (.018)	-5.521*** (1.23)	-.009 (.024)	-.012 (.018)	-3.674** (1.501)
HQ SOE status	.031 (.024)	.047*** (.018)	2.817** (1.249)	.028 (.024)	.051*** (.018)	2.901* (1.548)
Industry (control)	Yes	Yes	Yes	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes	Yes	Yes	Yes
_cons	.565*** (.113)	.594*** (.074)	-17.15*** (3.59)	.309*** (.114)	.719*** (.079)	4.148 (4.525)
Model	Random	Random	xtLogit	Random	Random	xtlogit

Sigma u	0.204	0.130	12.104	0.200	0.136	13.563
Sigma e	0.091	0.070		0.091	0.070	
Wald Chi2	149.87	41.09	159.01	163.43	37.96	234.33

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

The impact of business relatedness on non-expatriate CEOs was examined. In model 3, compared to remotely related subsidiaries, the coefficient of institutional escape was negative (ß = -6.116) and statistically significant ($p<0.01$). In model 6, with moderately related subsidiaries as the reference group, the coefficient of institutional escape remained negative (ß = -5.631) and was statistically significant ($p<0.01$). This suggests that closely related subsidiaries are much more likely to hire non-expatriate CEOs for more external roles than other groups, thus partially supporting hypothesis H3c. However, H3a was not supported, indicating that the variance of subsidiaries' internal roles was not significant relative to the variance of business relatedness. A possible explanation is that when business relatedness is closer, expatriate directors are mainly used for knowledge transfer and coordination, whereas when business relatedness is distant, these directors are used for monitoring subsidiary operations and reducing agency costs. H3b was also not supported, suggesting that the variance of independent directors was not significant in response to different levels of business relatedness. A potential reason is that the external role of independent directors is more about meeting the legal requirements of host countries.

The set of Hypotheses 4 proposed that higher headquarters ownership would lead to a higher internal role and a lower external role (Table 5.3). Model 1 tested H4a, and the coefficient of ownership was positive (ß =0.189) and statistically significant ($p<0.01$). An increase of 1 percent in parent ownership led to a 0.189 percent increase in the use of expatriate directors, holding other variables constant. Therefore, hypothesis H4a was supported. While the signs of H4b and H4c were as expected, their coefficients were not statistically significant, and thus, H4b and H4c were not statistically supported.

The set of Hypotheses 5 proposed that cultural distance moderates the impacts of strategic asset seeking on subsidiary governance (Table 5.4). The cultural distance was standardized with a mean of 0 and a standard deviation of 1. Model 1 tested H5a, and the coefficient of the interaction between strategic asset seeking and cultural distance was positive (ß =0.127) and statistically significant ($p<0.05$). This coefficient implies that for subsidiaries with a strategic asset seeking motive, an increase in cultural distance by one unit would lead to a 12.7 percent increase in hiring expatriate directors. Hence, hypothesis H5a was supported. Model 3 tested

Table 5.2 Random effects regression and random effects logit regression results for predicting the impact of business relatedness on board composition and CEO appointment (N = 754).

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	H3a Expatriate director ratio	H3b Independent director ratio	H3c Non-expatriate CEO	H3a Expatriate director ratio	H3b Independent director ratio	H3c Non-expatriate CEO
SIC closely related	.05	.041	-6.116***	.045	.045	-5.631**
	(.067)	(.045)	(2.166)	(.069)	(.046)	(2.403)
SIC moderately related	.017	-.005	-.074			
	(.05)	(.033)	(1.636)			
SIC remotely related				.005	.003	-1.573
				(.051)	(.034)	(1.841)
HQ ownership	.06***	-.001	-2.335***	.06***	-.001	-2.309***
	(.011)	(.008)	(.505)	(.011)	(.008)	(.595)
Board Size	.036***	-.009	-.751	.037***	-.009	-.943*
	(.01)	(.007)	(.514)	(.01)	(.007)	(.529)
Subsidiary age	-.003	.031**	-1.652**	-.001	.031**	-1.451
	(.021)	(.014)	(.705)	(.021)	(.014)	(.951)
Entry mode	-.069	.014	5.348***	-.071	.014	5.258***
	(.049)	(.033)	(1.487)	(.049)	(.033)	(1.725)
Cultural distance	-.133***	.042***	7.131***	-.132***	.042***	7.925***
	(.024)	(.016)	(.795)	(.024)	(.016)	(.826)
Economic Freedom Index	-.014	-.012	-3.362***	-.014	-.012	-3.344***
	(.025)	(.018)	(1.048)	(.025)	(.018)	(1.057)
HQ SOE status	.029	.053***	2.867**	.029	.053***	2.703**
	(.025)	(.018)	(1.308)	(.025)	(.018)	(1.338)
Industry effect (control)	Yes	Yes	Yes	Yes	Yes	Yes
Year effect (control)	Yes	Yes	Yes	Yes	Yes	Yes
_cons	.565***	.641***	-13.741***	.571***	.637***	-12.943***
	(.115)	(.077)	(4.207)	(.116)	(.077)	(3.758)
Model	Random	Random	xtLogit	Random	Random	xtlogit
Sigma u	0.211	0.140	12.490	0.211	0.140	13.115
Sigma e	0.091	0.070		0.091	0.699	
Wald Chi2	136.77	33.17	352.64	136.77	0.032	391.68

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Table 5.3 Fixed effect regression and logit regression results for predicting the impact of ownership on subsidiary governance (N=754).

	Model 1	Model 2	Model 3
	H4a Expatriate director ratio	H4b Independent director ratio	H4c Non-expatriate CEO
Ownership	.189***	.003	-.728
	(.038)	(.026)	(.474)
Board Size	-.049***	.048***	.508***
	(.01)	(.007)	(.129)
Subsidiary age	-.015	-.033***	.041
	(.009)	(.006)	(.113)
Entry mode	-.057***	.034**	1.288***
	(.02)	(.013)	(.244)
Cultural distance	-.155***	.065***	1.302***
	(.01)	(.007)	(.158)
Economic Freedom Index	-.02**	-.039***	-.077
	(.008)	(.006)	(.11)
HQ SOE status	.039**	.011	-.197
	(.018)	(.012)	(.246)
Industry effect	Yes	Yes	Yes
Year effect	Yes	Yes	Yes
_cons	.108	.424***	-.316
	(.216)	(.147)	(.667)
Model	Fixed	Fixed	Logit
R^2	0.486	0.253	
Pseudo R^2			.388

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Hypothesis 5c was tested, and the coefficient of the interaction between strategic asset seeking and cultural distance was negative (ß = -9.988) and statistically significant ($p<0.01$). The result indicated that cultural distance mitigates the negative relationship between strategic asset seeking and the likelihood of hiring non-expatriate CEOs. In other words, as cultural distance increases, strategic asset seeking subsidiaries are significantly less likely to hire non-expatriate CEOs. Therefore, hypothesis H5c was supported. However, hypothesis H5b was not statistically significant, implying that there is no significant variance in hiring independent directors of strategic asset seeking subsidiaries with the increase of cultural distance.

The set of Hypotheses 6 proposed that cultural distance moderates the impacts of institutional escape on subsidiary governance (Table 5.5). In models 1, 2, 4, and 5, the coefficient of the interaction between business relatedness and cultural distance was not statistically significant, hence, hypotheses H6a and H6b were not supported. In model 3, which used remotely related subsidiaries as the reference group, the coefficient of the interaction of closely related subsidiaries and cultural distance was negative (ß =-4.631) and statistically significant ($p<0.01$). In model 6, which used moderately related subsidiaries as the reference group, the coefficient of the interaction of moderately related subsidiaries and cultural distance was also negative (ß =-4.55) and statistically significant ($p<0.01$). These two models suggest that cultural distance strengthens the negative relationship between closely related subsidiaries and the likelihood of hiring non-expatriate CEOs. That is, with the increase in cultural distance, closely related subsidiaries tend to hire fewer non-expatriate CEOs compared to the other two groups. In comparison, the impact of moderate relatedness on non-expatriate CEO hiring was not significant. However, the interaction term was significant, indicating that with the increase of cultural distance, moderately related subsidiaries tend to hire fewer non-expatriate CEOs than remotely related subsidiaries. While the moderating effect of moderate relatedness was not supported, the cultural distance was shown to be a boundary condition that matters for these subsidiaries. Therefore, hypothesis H6c was partially supported. The results imply that the moderating effect of cultural distance is not linear and requires further research – there is a higher probability of hiring a non-expatriate CEO initially when the business is moderately related, but this likelihood decreases as the business becomes more remotely related.

Table 5.4 Random effect regression and random effect logit regression results for predicting the moderating effects of cultural distance on the impact of FDI motives (N=754)

	Model 1	Model 2	Model 3
	H5a	H5b	H5c
	Expatriate director ratio	Independent director ratio	Non-expatriate CEO
Strategic asset seeking	-.268***	.109**	22.363***
	(.073)	(.048)	(2.617)
inter_str_cul	.127**	.001	-9.988***
	(.054)	(.036)	(2.493)
Ownership	.244***	-.004	-11***
	(.043)	(.032)	(3.303)
Board Size	-.085	.021	12.54***
	(.071)	(.049)	(3.636)
Subsidiary age	.037***	-.009	-.987*
	(.009)	(.007)	(.598)
Entry mode	.004	.021	-1.956**
	(.02)	(.014)	(.824)
Cultural distance	-.028	.011	4.435**
	(.048)	(.032)	(1.765)
Economic Freedom Index	-.141***	.028	7.488***
	(.028)	(.018)	(1.022)
HQ SOE status	.005	-.024	-5.239***
	(.025)	(.018)	(1.371)
Industry (control)	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes
_cons	.551***	.594***	-16.026***
	(.111)	(.074)	(5.503)
Model	Random	Random	xtLogit
Sigma u	0.199	0.130	12.927
Sigma e	0.091	0.070	
Wald Chi2	160.02	40.93	332.59

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Table 5.5 Random effect regression and random effect logit regression results for predicting the moderating effects of cultural distance on the impact of business relatedness (N=754)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	H6a Expatriate director ratio	H6b Independent director ratio	H6c Non-expatriate CEO	H6a Expatriate director ratio	H6b Independent director ratio	H6c Non-expatriate CEO
SIC closely related	.045	.039	-7.042**	.027	.044	-4.514**
	(.068)	(.045)	(3.208)	(.069)	(.046)	(2.102)
inter_close_cul	.029	.015	-4.631***	.029	.015	-4.55***
	(.056)	(.038)	(1.753)	(.056)	(.038)	(1.579)
SIC moderately related	.018	-.004	-2.824			
	(.05)	(.033)	(1.819)			
inter_moderate_cul	-.022	-.005	6.202***			
	(.047)	(.031)	(2.012)			
SIC remotely related				-.018	.004	2.596
				(.05)	(.033)	(1.799)
inter_remote_cul				-.022	-.005	5.701***
				(.047)	(.031)	(1.981)
Ownership	.245***	-.005	-8.748***	.245***	-.005	-8.496***
	(.044)	(.033)	(2.15)	(.044)	(.033)	(2.097)
Board Size	.038***	-.009	-.821	.038***	-.009	-.821
	(.01)	(.007)	(.577)	(.01)	(.007)	(.558)
Subsidiary age	-.004	.032**	-1.058	-.004	.032**	-1.053*
	(.021)	(.014)	(.663)	(.021)	(.014)	(.635)
Entry mode	-.065	.014	4.815***	-.065	.014	4.597***
	(.049)	(.033)	(1.628)	(.049)	(.033)	(1.444)
Cultural distance	-.132***	.039	7.438***	-.132***	.039	7.412***
	(.037)	(.024)	(1.011)	(.037)	(.024)	(.984)
Economic Freedom Index	-.018	-.016	-1.445**	-.018	-.016	-1.493**
	(.019)	(.013)	(.702)	(.019)	(.013)	(.593)
HQ SOE status	.025	.052***	3.465**	.025	.052***	3.588**
	(.025)	(.018)	(1.502)	(.025)	(.018)	(1.483)
Industry dummy (control)	Yes	Yes	Yes	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes	Yes	Yes	Yes
_cons	.419***	.628***	1.116	.438***	.623***	-1.991
	(.101)	(.068)	(3.3)	(.105)	(.07)	(3.272)
Model	Random	Random	xtLogit	Random	Random	xtLogit
Sigma u	0.141	0.141	11.686	0.212	0.141	11.564
Sigma e	0.070	0.070		0.091	0.070	
Wald Chi2	137.13	33.21	303.19	137.13	33.21	306.89

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

The set of hypotheses 7 proposed that cultural distance moderates the impact of ownership on subsidiary governance (Table 5.6). Model 1 tested hypothesis H7a, which suggested that cultural distance strengthens the relationship between ownership and subsidiary governance. The coefficient of the interaction of strategic asset seeking and cultural distance was positive (ß =0.113) and statistically significant ($p<0.01$). This implies that with an increase in cultural distance by one unit, a one percent increase in parental ownership would lead to a 0.168 percent increase in the recruitment of expatriate directors. Therefore, hypothesis 7a is supported. While the main effects were not significant, the interaction effects showed that the relationship between ownership and the ratio of independent directors/likelihood of hiring non-expatriate CEOs is moderated by cultural distance. Ownership alone does not have a direct or consistent impact on these ratios. However, the positive and statistically significant coefficient for the interaction between cultural distance and ownership (ß = 0.39, $p < 0.1$) suggests that while ownership appears ineffective or even detrimental on its own, its impact becomes positive as cultural distance increases. Thus, hypothesis 7b is not supported due to the unexpected sign of the coefficient. In contrast, the negative and significant coefficient for the interaction between cultural distance and the likelihood of hiring non-expatriate CEOs (-2.255, $p < 0.01$), combined with the non-significant main effect, indicates that ownership alone does not affect the hiring of non-expatriate CEOs, but as cultural distance increases, the likelihood of hiring non-expatriate CEOs decreases. Therefore, hypothesis 7c is supported under specific conditions.

One possible explanation for the lack of support for hypothesis 7b could be that as cultural distance increases, subsidiaries with higher parental ownership may require more independent directors to address legitimacy concerns in the host countries and to enhance their access to key resources through the expertise of these independent directors.

5.3 Robustness tests (empirical tests 1)

5.3.1 VIF tests for main hypotheses

This thesis further tested the Variance Inflation Factors (VIF) for each model in the main analyses. The VIF scores of all variables were below the commonly accepted threshold of 5.3

Table 5.6 Fixed effect regression and logit regression results for predicting the impact of ownership on subsidiary governance cultural distance as the moderator of headquarter ownership's effects

	Model 1	Model 2	Model 3
	H7a Expatriate director ratio	H7b Independent director ratio	H7c Non-expatriate CEO
Ownership	.168***	-.004	-.737
	(.038)	(.026)	(.495)
inter_own_cul	.113***	.039*	-2.255***
	(.033)	(.022)	(.567)
Board Size	-.054***	.046***	.562***
	(.01)	(.007)	(.133)
Subsidiary age	-.013	-.032***	0
	(.009)	(.006)	(.117)
Entry mode	-.052***	.035***	1.168***
	(.019)	(.013)	(.25)
Cultural distance	-.199***	.05***	2.351***
	(.016)	(.011)	(.336)
Economic Freedom Index	-.018**	-.038***	-.087
	(.008)	(.006)	(.111)
HQ SOE status	.037**	.01	-.189
	(.018)	(.012)	(.25)
Industry (control)	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes
_cons	.071	.411***	-.501
	(.215)	(.147)	(.694)
Model	Fixed	Fixed	Logit
R^2	0.494	0.289	
Pseudo R^2			0.407

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Table 5.7 VIF tests for main hypotheses

	H1	H2	H3	H4	H5	H6	H7
Strategic asset seeking	1.67				1.76		
Institutional escape		1.65					
SIC closely related			1.19			1.23	
SIC moderately related			1.26			1.26	
Subsidiary age	1.43	1.43	1.45	1.42	1.39	1.47	1.40
Entry mode	1.29	1.64	1.52	1.59	1.58	1.50	1.45
Board Size	1.53	1.57	1.47	1.56	1.46	1.47	1.48
HQ ownership	1.22	1.23	1.21	1.38	1.22	1.25	1.23
HQ SOE status	1.21	1.20	1.11	1.23	1.12	1.12	1.09
Cultural distance	1.53	1.55	1.57	1.77	2.13	3.17	4.19
Economic freedom index	1.44	1.46	1.36	1.15	1.08	1.10	1.08
Interaction term					2.22	1.58/2.21	3.31

Note: The VIF tests are done for H1-H7, as H8 and H9 use the two-stage least square model where VIF tests are inappropriate. In H6, there are two interaction terms: the interaction of cultural distance with SIC closely related, and the interaction of cultural distance with SIC moderately related.

(Hair et al., 2005). The VIF tests were conducted for hypotheses H1-H7. Overall, the results indicated that multicollinearity was not a concern in these analyses.

5.3.2 Hausman-Taylor estimation for main analysis of time-invariant variables.

Since the primary variables, the FDI motives, remained constant over time, a fixed-effects model was unable to estimate covariates that did not vary. Although a random-effects model allows for the inclusion of time-invariant variables in the analysis, it relies on the assumption of orthogonality between the error term and the individual effects, which can be difficult to satisfy in many circumstances. Therefore, in the robustness tests, following extant literature (e.g. Gao et al., 2021; Li et al., 2018), this thesis used the Hausman-Taylor regression (Hausman and Taylor, 1981), which enabled the inclusion of the time-invariant variables and unobserved individual heterogeneity. This thesis used Hausman tests to determine the Economic Freedom Index as a time-varying exogenous variable in the Hausman-Taylor regression. While two other variables, board size and headquarters/parental ownership, are also exogenous according to the Hausman tests, they are firm-level variables and can be potentially endogenous, so this thesis only kept the Economic Freedom Index as the instrumental variable.

The results of the models related to FDI motives are presented in Table 5.8. To control for the impact of the independent director ratio, this thesis further controlled the independent director mandate for models with the independent director ratio being the dependent variable. In the database, stock exchanges have three main mandates for hiring independent directors: one-third (e.g. Hong Kong Stock Exchanges, KOSDAQ), the majority (e.g. Australian Securities Exchange, New York Stock Exchange), and no specific requirements (e.g. Toronto Stock Exchange, Singapore Exchange). The average percentage of each group was 61.59%, 79%, and 72.48% in the database, indicating that the hiring of independent directors goes beyond merely meeting regulatory requirements. The results of the Hausman-Taylor models were consistent with the main analysis, with the level of significance being slightly lower, from the level of 99 percent to the level of 95 percent. Therefore, the results remained largely consistent.

This thesis also ran the Hausman-Taylor model for hypotheses of business relatedness. However, the results were not significant for the main analysis, and thus, this thesis does not present the tables below.

5.3.3 Winsorisation and probit regression

This thesis applied winsorisation as a robustness check. Winsorisation is widely used in management and business disciplines (e.g. Chen et al., 2017; Desender et al., 2013) to mitigate the influence of extreme values by replacing them with less extreme values, while still preserving the overall distribution of the data. Winsorisation is useful and sensible in the context as subsidiaries may have varying levels of expatriate or independent directors assigned to them, and this could result in some extreme values that could potentially distort the analysis, particularly for expatriate director ratio, where I have 0 and 1 as two extremes. Additionally, a few data points had less than a 30 percent independent director ratio, which does not align with the requirements of all Stock Exchanges in the dataset; and some had over 90 percent, which is unlikely as Chinese MNEs typically emphasize greater control over their foreign subsidiaries (Huang & Staples, 2017). Moreover, when there are limited news reports on constructing legitimacy, the coefficient of imbalance leads to extreme values of 0 and 1. Winsorisation was applied to restrict the values of the two dependent variables, expatriate director ratio and independent director ratio, to the [5%, 95%] range. The adjusted ranges were [0, 0.89] for the expatriate director ratio and [0.125, 0.89] for the independent director ratio. This procedure mitigates the influence of extreme values (outliers) on the variables.

Since the non-expatriate CEO status is a binary dependent variable, winsorization is not applicable. Therefore, this thesis employed random probit models for conducting robustness tests on hypotheses H1c and H2c. Although probit and logit regressions produce similar results, the results could be different when the sample size is small. The results from using winsorisation and probit were very similar to the main analysis. For the dependent variable non-expatriate CEO, which is a binary variable, this thesis used the probit regression as a robustness test. Although probit and logit regressions produce similar results, the outcomes could differ when the sample size is small.

The results from using winsorisation to check the main hypotheses and probit regressions (presented in tables 5.9, 5.10, and 5.11) were very similar to the main analysis, including hypotheses H1 and H2 in predicting the impact of FDI motives on subsidiary governance, and hypothesis H4 in predicting the impact of ownership on subsidiary governance. The robustness tests of hypothesis H3 in predicting the impact of business relatedness on subsidiary governance were generally better than the main analysis in terms of significance level, especially in supporting the positive relationship between business relatedness and expatriate director ratio, and partially supporting the negative relationship between business relationship and non-expatriate CEOs. Therefore, the results of the main hypotheses are overall robust.

Table 5.8 Hausman-Taylor Model Results for Predicting Board Composition and CEO Appointment (N = 754).

	(1) H1a	(2) H1b	(3) H1c	(4) H2a	(5) H2b	(6) H2c
	Expatriate director ratio	**Independent director ratio**	**Non-expatriate CEO**	**Expatriate director ratio**	**Independent director ratio**	**Non-expatriate CEO**
Main variables (TI exogenous)						
Strategic asset seeking	-.278***	.137**	.351**			
	(.086)	(.064)	(.151)			
Institutional escape				.320***	-.147***	-.550***
				(.06)	(.049)	(.103)
TV exogenous						
Economic Freedom Index	.050***	.005	-.037	.053***	.003	-.046*
	(.014)	(.011)	(.026)	(.014)	(.011)	(.025)
TV endogenous						
Subsidiary age	-.004	.007	-.003	.000	.004	-.007
	(.008)	(.005)	(.013)	(.007)	(.005)	(.012)
Subsidiary ROA	.001	.000	-.003	.001	.000	-.003
	(.004)	(.003)	(.008)	(.004)	(.003)	(.008)
HQ SOE status	.059**	.090***	.090*	.056**	.089***	.090*
	(.027)	(.021)	(.049)	(.027)	(.021)	(.049)
Board Size	.021***	-.002	-.029***	.021***	-.002	-.029***
	(.003)	(.002)	(.006)	(.003)	(.003)	(.006)
HQ ownership	.208***	-.001	-.456***	.205***	.003	-.449***
	(.047)	(.036)	(.085)	(.047)	(.036)	(.085)
Entry mode	-.138	.069	.211	.010	.006	-.021
	(.088)	(.06)	(.156)	(.081)	(.057)	(.14)
TI exogenous						
Common law Origin	.055	.095	-.082	.082	.050	-.048
	(.110)	(.074)	(.194)	(.093)	(.065)	(.160)
Cultural distance	-.036	.018	-.002	-.021	.009	-.019
	(.037)	(.026)	(.065)	(.033)	(.024)	(.057)
Independent director mandate		Yes			Yes	
Year effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes
_cons	.092	.621***	.839**	-.340*	.586***	1.399***
	(.196)	(.139)	(.347)	(.193)	(.147)	(.337)

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Note: *TV refers to time-varying, and TI refers to time-invariant.*

Table 5.9 Winsorisation of the random effects and random effect logit models for predicting the impact of FDI motives on subsidiary governance (N=754)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	H1a Expatriate director ratio	H1b Independent director ratio	H1c Non-expatriate CEO	H2a Expatriate director ratio	H2b Independent director ratio	H2c Non-expatriate CEO
Strategic asset seeking	-.131**	.105***	4.133***			
	(.059)	(.036)	(1.059)			
Institutional escape				.202***	-.102***	-15.035***
				(.052)	(.034)	(1.31)
Ownership	.228***	-.004	-4.052***	.232***	-.007	-5.878***
	(.042)	(.03)	(1.248)	(.041)	(.03)	(2.142)
Board Size	.056***	.001	-.596*	.055***	0	-1.763***
	(.01)	(.007)	(.362)	(.009)	(.007)	(.503)
Subsidiary age	-.064***	-.008	.797**	-.055***	-.01	1.538***
	(.022)	(.014)	(.353)	(.021)	(.014)	(.515)
Entry mode	-.049	.021	2.459***	-.002	-.001	3.416***
	(.045)	(.028)	(.681)	(.044)	(.029)	(1.156)
Cultural distance	-.111***	.035**	2.106***	-.081***	.024	3.151***
	(.022)	(.014)	(.456)	(.023)	(.015)	(.783)
Economic Freedom Index	-.027	-.019	-.146	-.024	-.02*	-.588
	(.018)	(.012)	(.288)	(.017)	(.012)	(.478)
HQ SOE status	.057**	.049***	.062	.053**	.051***	.204
	(.017)	(.011)	(.139)	(.017)	(.011)	(.144)
Industry (control)	Yes	Yes	Yes	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes	Yes	Yes	Yes
_cons	.329**	.462***	-3.332	.159	.559***	4.317
	(.134)	(.093)	(2.135)	(.133)	(.095)	(3.21)
Models	Random	Random	xtprobit	Random	Random	xtprobit
Sigma u	.202	.122	5.191	.187	.119	10.868
Sigma e	.088	.067		.088	.067	
Wald Chi2	214.44	78.27	123.07	237.54	79.83	359.10

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Notes: winsorisation is applied to restrict the values of the two dependent variables, expatriate director ratio and independent director ratio, to the [5%, 95%] range. The adjusted ranges are [0, 0.89] for the expatriate director ratio and [0.125, 0.89] for the independent director ratio. This procedure mitigates the influence of extreme values (outliers) on the variables. Since the non-expatriate CEO status is a binary dependent variable, winsorization is not applicable. Therefore, I employ random probit models for conducting robustness tests on hypotheses H1c and H2c. The following winsorisation process is applied in a similar manner.

Table 5.10 Winsorisation of the models predicting the impact of business relatedness on subsidiary governance (N=754)

	Model 1	Model 2	Model 3
	H3a Expatriate director ratio	H3b Independent director ratio	H3c Non-expatriate CEO
SIC closely related	.038	.029	-2.939**
	(.067)	(.042)	(1.343)
SIC remotely related	-.015	-.004	.168
	(.049)	(.031)	(1.013)
Ownership	.249***	-.001	-5.965***
	(.043)	(.031)	(1.409)
Board Size	.038***	-.008	-.653*
	(.009)	(.007)	(.341)
Subsidiary age	.001	.03**	-2.398***
	(.02)	(.013)	(.698)
Entry mode	-.069	.015	4.852***
	(.048)	(.03)	(1.002)
Cultural distance	-.132***	.042***	6.215***
	(.023)	(.014)	(.644)
Economic Freedom Index	-.009	-.017	-1.815***
	(.018)	(.012)	(.445)
HQ SOE status	.028	.043**	1.511
	(.024)	(.017)	(.951)
Industry (control)			
Year (control)			
_cons	.429***	.639***	-2.222
	(.102)	(.065)	(2.427)
Model	Random	Random	xtprobit
Sigma u	.208	.131	10.391
Sigma e	.088	.067	
Wald Chi2	139.39	34.05	464.76

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Table 5.11 Winsorisation of the models predicting the impact of ownership on subsidiary governance (N=754)

	Model 1	Model 2	Model 3
	H4a Expatriate director ratio	H4b Independent director ratio	H4c Non-expatriate CEO
Ownership	.188***	.188***	-.41
	(.037)	(.037)	(.265)
Board Size	-.047***	-.047***	.29***
	(.009)	(.009)	(.073)
Subsidiary age	-.014	-.014	.023
	(.009)	(.009)	(.067)
Entry mode	-.056***	-.056***	.748***
	(.019)	(.019)	(.136)
Cultural distance	-.153***	-.153***	.741***
	(.01)	(.01)	(.082)
Economic Freedom Index	-.018**	-.018**	-.04
	(.008)	(.008)	(.061)
HQ SOE status	.041**	.041**	-.112
	(.017)	(.017)	(.138)
Industry (control)	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes
_cons	(.017)	(.017)	(.138)
	.104	.104	-.225
Model	Fixed	Fixed	Probit
R^2	0.49	0.49	
Pseudo R^2			.383

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

5.4 Discussion and conclusion

5.4.1 Summary of the results

This chapter represents the first empirical study of the thesis, testing the impact of key internal factors on the structure of subsidiary governance.

The first internal factor being discussed is FDI motives, particularly strategic asset seeking and institutional escape that are vital to EMNEs. Existing literature on strategic asset seeking motives is scant, mainly delves into how this FDI motive enables subsidiaries to acquire strategic assets and competitive advantages such as technologies, as well as the selection of majority-owned or minority-owned subsidiaries (Cui & Jiang, 2010; Pan, 2017; Yu et al., 2015). However, this body of literature overlooks an important aspect: how EMNEs go about selecting subsidiary-level boards and CEOs to fulfil these strategic motives, and the thesis contributes to filling this gap. In the antecedent section, the empirical findings support hypotheses (H1) suggesting that the motive of strategic asset seeking places greater emphasis on external roles and less on internal roles. This is evidenced by a lower expatriate director ratio, a higher independent director ratio, and a greater likelihood of hiring non-expatriate CEOs. The empirical results support H2 in predicting that institutional escape is positively associated with the board's internal role, as evidenced by a higher number of expatriate directors, fewer independent directors, and a decreased likelihood of appointing non-expatriate CEOs. This aligns well with the strategic intent and implementation of parent firms. The literature discussing EMNEs' institutional escapes, defined as FDIs in tax havens and offshore financial centres primarily for institutional arbitrage, is often overlooked, particularly regarding how subsidiaries, primarily driven by institutional escapes, structure subsidiary boards and CEOs. Some studies find that investing in these destinations would lead to a strategic subsidiary board and CEO structure, such as Hearn's (2022) study showing that the lawyers' expertise is critical to the competitive advantages of these firms. Different from existing limited research attention on industrial experiences, this thesis explores how expatriates and independent directors are structured with institutional escape. Given that the primary objectives of institutional escape for EMNEs are to capitalise on institutional arbitrage and facilitate tax-driven decision-making, the mitigation of agency costs, such as information asymmetry and conflicts of interest, becomes paramount to secure investments and property. This underscores the importance of emphasising internal roles to facilitate communication and coordination, hence the higher expatriate director ratio. Conversely, since the operational presence is often lower for EMNEs investing in tax havens, the need for local connectivity is reduced, resulting in a lower level of independent director ratio and a decreased likelihood of hiring non-expatriate CEOs. The examination of the impact of institutional escape reveals that while IB literature largely overlooks investments in these destinations due to lower operational presence, subsidiary-level governance remains crucial in facilitating specific strategies.

The second internal factor under discussion is business relatedness. The literature on subsidiary business relatedness often emphasises how subsidiaries rely on resources from their parent companies. It is generally accepted that greater relatedness between a subsidiary and its parent company allows the subsidiary to benefit more from the parent's firm-specific advantages, such as technology and management expertise (Tang & Rowe, 2012). The closer business relatedness facilitates effective knowledge transfer and reduces transaction costs (Anders, 2019), which can enhance subsidiary performance and survival (e.g., Li, 1995; Pehrsson, 2012). The degree of business relatedness influences subsidiary strategies, reflecting the extent to which headquarters can understand and monitor the operations of foreign subsidiaries, thereby shaping subsidiary governance. However, there has been limited focus on how business relatedness affects subsidiary board and CEO hiring.

The empirical support for business relatedness is limited, with the findings only partially supporting its impact on hiring non-expatriate CEOs. The main analysis shows that hypotheses related to expatriate director ratio (H3a) and independent director ratio (H3b) are not statistically significant. Hypothesis H3c is partially supported, with a notable non-linear pattern observed in the effect of business relatedness on the likelihood of hiring a non-expatriate CEO. Specifically, subsidiaries with close business relatedness are significantly less likely to hire non-expatriate CEOs compared to those with moderate relatedness, and also show a lower tendency than those with remote relatedness. However, no significant difference is observed between moderately related and remotely related subsidiaries, highlighting the non-linear impact of business relatedness. These findings suggest a potential threshold effect, wherein moderately related businesses represent a critical threshold that must be surpassed for notable changes in subsidiary roles. Once the level of business relatedness surpasses the moderate threshold, there is a significantly lower likelihood of hiring non-expatriate CEOs. Although H3a is unsupported in the main analysis, it finds support in robustness tests, revealing a higher expatriate director ratio with increased business relatedness. Given the relatively small sample size of this thesis, future research with a larger sample size could provide more robust insights and potentially uncover significant relationships of the relationship between business relatedness and expatriate director ratio. Overall, while the main analysis provides only partial support for the hypotheses, the results highlight a non-linear relationship between business relatedness and subsidiary governance, indicating a need for further research.

The baseline hypotheses of the thesis revolve around the influence of ownership on subsidiary governance. The empirical results only see a positive impact of ownership structure on the subsidiary expatriate director ratio but not statistically significant on the other two parameters. Although ownership has been extensively discussed in corporate governance literature (Aguilera & Haxhi, 2019; Yang & Meyer, 2019), it has received relatively scant attention in subsidiary governance literature. An exception to this is Cuypers et al. (2018), who investigated the correlation between parent representation and board representation using the internal-external role framework. Differing from their approach of examining international joint ventures in Asia using survey data, the research focuses on Chinese MNEs' foreign subsidiaries across various countries and regions, including tax havens. In addition to analysing headquarters representation, this thesis also explores the independent director ratio, which reflects an external role. This aspect is consistent with subsidiaries' endeavours to adhere to good corporate governance codes (Aguilera & Cuervo-Cazurra, 2004; Kang & Chintakananda, 2019) and to facilitate access to high-quality resources and information (Tian, Haleblian, & Rajagopalan, 2011). However, contrary to expectations, the relationship between ownership and the independent director ratio is not statistically significant. One possible explanation is that foreign subsidiaries, especially those that are publicly listed, invest considerable effort in showcasing their adherence to global corporate governance codes. The ratio of independent directors, compared to other governance mechanisms, is more visible and likely to be employed to enhance acceptance in host countries regardless of other firm-level traits such as ownership structure. Moreover, the impact of ownership on non-expatriate CEO is also not supported. Overall, the impact of ownership seems to be more salient for internal role rather than external role.

Additionally, this thesis discusses an important boundary condition—cultural distance on the relationship between key internal factors and subsidiary governance. In EMNEs, cultural distance between parent companies and subsidiaries can significantly influence decision-making processes, such as board composition and CEO selection. This thesis examines cultural distance as a moderator to assess how these differences impact the effectiveness of antecedents in shaping subsidiary governance practices. While cultural distance is frequently discussed in subsidiary governance literature as an antecedent shaping subsidiary board and CEO hiring, its moderating effect between antecedents and governance receives scant attention. Existing literature, such as Gong (2003), has found a positive impact of expatriate staffing on MNE affiliate performance when cultural distance is greater; Shin et al. (2016) find that the choice between staffing expatriates or local managers is a strategic approach used to address the challenges arising from cultural differences. Most of the literature discusses the direct impact of cultural distance on subsidiary governance as well as other types of subsidiary-level strategies.

Overall, an increase in cultural distance leads to a greater demand for monitoring and control, as headquarters find it more difficult to oversee subsidiary practices. This, in turn, results in a lower level of autonomy for subsidiaries, with a stronger emphasis on the internal monitoring role and a reduced external role. The trend is generally supported by the impact of strategic asset seeking and parental ownership on subsidiary governance. Interestingly, while ownership alone does not significantly affect the external role of subsidiary governance, its impact becomes more pronounced in the presence of cultural distance. A noteworthy observation is that subsidiaries often have a higher ratio of independent directors and a lower likelihood of hiring non-expatriate CEOs, even though both practices pertain to the external role. This counterintuitive result may be explained by the use of independent directors for symbolic purposes, helping subsidiaries project strong corporate governance to local stakeholders. Increased cultural distance may lead to a limited understanding of local stakeholders about EMNEs, and a higher ratio of independent directors could mitigate perceptions of weak corporate governance practices by EMNEs. However, the moderating effects of cultural distance are largely unsupported, primarily due to the poor performance of the main effect.

5.4.2 Contribution to key studies in the literature

The results have contributed to the literature from several perspectives. The existing literature establishes a theoretical framework for understanding the internal and external roles of governance structures in foreign subsidiaries. While these studies are foundational to the research in this area, they do have certain limitations. Consequently, this thesis aims to address these gaps and contribute to this important field of study.

Firstly, prior literature has examined under which conditions varying parental control over subsidiaries is needed, so as to determine appropriate internal and external roles of subsidiary boards. However, key internal factors from both agency and resource perspectives remain underexplored. For instance, Du et al. (2011) found that subsidiaries that are large, have a global mandate, or are underperforming tend to have boards that actively engage in both monitoring and resource provisioning. Their perspectives primarily focus on subsidiary-level characteristics instead of key internal drivers, such as the motives for establishing a foreign subsidiary, the degree of business relatedness to headquarters, and the influence of headquarters ownership on subsidiary board roles and compositions. This thesis highlights that these internal antecedents are essential for understanding subsidiary governance structures. By highlighting their significance, the research underscores the need for further investigation into how these factors influence governance structures within foreign subsidiaries. Understanding these internal dynamics is essential, as they can shape decision-making processes, resource allocation, and overall performance of the subsidiaries, making them a vital area of study in the field of international business.

Furthermore, while the connection between board roles and composition is commonly explored in corporate governance literature, it is rarely addressed in subsidiary governance studies. Du et al. (2011) examine key subsidiary-level characteristics but do not investigate the relationship between these dual roles and board composition. Similarly, Cuypers et al. (2017) suggest that a differential emphasis on specific roles can shape board design in international joint ventures. They note that external factors—such as host country environmental volatility, competitive dynamics, and market growth—affect the focus on particular board designs and associated roles. However, they fail to address how specific board roles impact the need for appointing expatriates or how the foreign direct investment motives of parent firms influence preferences for certain board roles. This chapter, therefore, explores how board composition—such as the ratio of independent directors and the likelihood of hiring non-expatriate CEOs—emphasizes external roles, while the ratio of expatriate directors is more closely linked to internal roles, drawing on key management theory, resource dependence theory, and agency theory.

Moreover, the findings of this research contribute valuable insights to the literature from the perspective of EMNEs. One of the foundational studies in this area, conducted by Leksell and Lindgren (1982) on Swedish MNEs, identifies three primary roles of subsidiaries: an external role focused on managing relationships outside the organisation, an internal role that emphasises control, coordination, and monitoring within the MNE's networks, and a legal role aimed at fulfilling the structural requirements of host countries. While this work laid important groundwork, it primarily examines the experiences of DMNEs, leaving a gap in understanding how these dynamics apply to EMNEs. In contrast, this thesis explores key antecedents such as strategic asset seeking and institutional escape—two crucial motives for FDI among EMNEs—and how they shape subsidiary board composition and CEO hiring practices. By focusing on these specific motivations and their implications, the research provides a nuanced understanding of how EMNEs operate and adapt their governance structures in a global context. Consequently, the results are not only relevant but also essential for addressing the unique perspectives of EMNEs, thereby supplementing and expanding the existing literature in this field.

Table 5.12 The results summary of hypotheses of the antecedents

Hypotheses	Effects	Whether supported	External role	Internal role
H1a	Strategic asset-seeking motive (-) → expatriate director ratio	Yes		-
H1b	Strategic asset-seeking motive (+) → independent director ratio	Yes	+	
H1c	Strategic asset-seeking motive (+) → non-expatriate subsidiary CEOs	Yes	+	
H2a	Institutional escape (+) → expatriate director ratio	Yes		+
H2b	Institutional escape (-) → independent director ratio	Yes	-	
H2c	Institutional escape (-) → non-expatriate subsidiary CEOs	Yes	-	
H3a	Business relatedness (+) → expatriate director ratio	No		+
H3b	Business relatedness (-) → independent director ratio	No	-	
H3c	Business relatedness (-) → non-expatriate subsidiary CEOs	Partially	-	
H4a	HQ ownership (+) → expatriate director ratio	Yes		+
H4b	HQ ownership (-) → independent director ratio	No	-	
H4c	HQ ownership (-) → non-expatriate subsidiary CEOs	No	-	
H5a	Cultural distance (+) → (Strategic asset-seeking motive (-) → expatriate director ratio)	Yes		+
H5b	Cultural distance (-) → (Strategic asset-seeking motive (+) → independent director ratio)	No	+	
H5c	Cultural distance (-) → (Strategic asset-seeking motive (+) → non-expatriate CEO)	Yes	+	
H6a	Cultural distance (+) → (Business relatedness (+) → expatriate director ratio)	No		+
H6b	Cultural distance (-) → (Business relatedness (-) → independent director ratio)	No	+	
H6c	Cultural distance (-) → (Business relatedness (-) → non-expatriate subsidiary CEOs)	Partially (*)	+	
H7a	Cultural distance (+) → (HQ ownership (+) → expatriate director ratio)	Yes		+
H7b	Cultural distance (-) → (HQ ownership (-) → independent director ratio)	No (*)	+	
H7c	Cultural distance (-) → (HQ ownership (-) → non-expatriate subsidiary CEOs)	Yes (*)	+	

*Note: * refers to the new findings. For example, H7c is supported while its main effect (H4c) is not significant. This indicates that the impact of ownership is significant only with the presence of cultural distance.*

Chapter 6. Subsidiary Governance and Consequence (Empirical Study 2)

6.1 Introduction

This chapter empirically investigates how subsidiary governance contributes to enhancing subsidiaries' legitimacy. As argued in Chapter 3, subsidiaries would highlight the external role and reduce the internal role to obtain legitimacy. Specifically, according to resource dependence theory, subsidiaries that emphasise an external role are more inclined to connect effectively with external environments. Drawing from institutional theory, subsidiaries seeking legitimacy tend to adopt governance practices aligned with the expectations and requirements of their host countries or regions. To enhance legitimacy, subsidiaries often increase their ratio of independent directors. These directors are valued for their adherence to globally recognised corporate governance standards (Aguilera & Cuervo-Cazurra, 2004) and their expertise, which reduces the reliance on external environments. Moreover, subsidiaries may prefer to appoint non-expatriate CEOs who demonstrate long-term commitment to the host country, possess deep knowledge of the local environment, and often have established connections with stakeholders there. In comparison, given obtaining legitimacy and being perceived as appropriate are the key focus for them, there is a reduced emphasis on internal roles within subsidiaries, resulting in a lower ratio of expatriate directors. Overall, these governance mechanisms are expected to bolster subsidiaries' legitimacy by aligning their operations more closely with local expectations and enhancing their credibility in the host country or region.

Building upon the theoretical arguments presented in Chapter 3, this chapter empirically tests the hypotheses of the impact of subsidiary governance on legitimacy. The following sections contain details on data collection, processing of sentiment analysis, results from the two-stage least squares model, robustness tests, and the discussion and conclusion.

6.2 Sentiment analysis of legitimacy

The second empirical study examined how subsidiary governance mechanisms, particularly board composition and CEO selection, affected subsidiary-level legitimacy. The research design was detailed in the methods section. For this study, additional data, including news articles from ProQuest, had been collected.

One significant contribution of this thesis was the measurement of legitimacy, which relied on novel and meticulous approaches to search for and retrieve the relevant data. Conventionally, three main sources are chosen to measure the legitimacy of companies: news media, accreditation bodies, and surveys (Etter, Colleoni, Illia, Meggiorin, & D'Eugenio, 2018; Vergne, 2011). More recently, social media has also received increasing attention for sentiment analysis (e.g. Yiu, Wan, Chen, and Tian, 2022). However, news media is the most extensively explored source to measure legitimacy (e.g. Deephouse, 1996; Deephouse and Carter, 2005; Vergne, 2011) as news media is a major influencer of the public attitudes towards organizations; it is rational and valid to be regarded as a source to measure legitimacy (Carroll & McCombs, 2003; Etter et al., 2018). Following the literature, this thesis adopted sentiment analysis on news titles of subsidiaries from 2005 to 2021 from the ProQuest database. While literature manually codes media news to measure corporate legitimacy (e.g. Deephouse, 1996; Deephouse and Carter, 2005), the development of Natural Language Processing (NLP) enables researchers to do sentiment analysis with the well-developed corpus. Based on the knowledge and logic of computer science and computational linguistics, sentiment analysis is documented as a sophisticated approach to textual analysis (Yiu et al., 2022).

6.3 Process of data collection and sentiment analysis

There were three main steps involved in sentiment analysis. First, this thesis searched for keywords of subsidiary names in the ProQuest database and collected relevant news for given years. Compared to Nexis Lexis, ProQuest generally contains more data for foreign subsidiaries of Chinese MNEs. The sources of news included newspapers, news wires, magazines, trade journals, etc. A commonly accepted threshold of 25 percent news coverage is considered representative of the entire population (Deephouse, 1996; Deephouse and Carter, 2005).

However, due to varying visibility among subsidiaries, some attract significant news coverage while others receive minimal attention. To ensure the retention of the most relevant articles and to include subsidiaries with limited news coverage, after the pilot research, a threshold of an average of 200 news articles per year was set. The threshold was set because too much news about a subsidiary in a year can lead to irrelevant information, potentially due to search keywords capturing details about other firms. Based on the pilot research, a reasonable frequency was about one news item every two days. Specifically, if the number of news articles exceeded 200 in a given year for a particular subsidiary across all years in the dataset, 25 percent of the remaining articles were retained. For example, if a company had 1500 news articles over 5 years, then this thesis kept 200 * 5 + (1500 – 200 * 5) * 0.25 = 1125 pieces of news. ProQuest enables users to download 500 pieces of news at once. During the process, 378 files with 233712 news articles were collected.

Second, using Python packages, this thesis preprocessed text data to break down sentences and phrases. This process included removing stopwords (the, an, a, in, etc.), extending contractions (you're to you are), tokenization (to break down sentences into pieces according to similar characteristics), and tagging words into different word classes (adjectives, nouns, verbs, and adverbs).

Third, after breaking down sentences, this thesis chose about 30 percent of the titles and did a frequency analysis (174 files with 73662 titles). This thesis then checked whether the words that appeared over 20 times were correctly weighted by Vader's initial corpus. Vader, also known as the Valence Aware Dictionary and sEntiment Reasoner, is a well-classified training corpus for Python for sentiment analysis. Vader is a lexicon and rule-based sentiment analysis tool. There were several main advantages for adopting Vader: (a) despite it working well with social media text, it can be generalized to multiple other domains, such as movie reviews and opinion news articles; (b) it does not require training data; (c) it is fast in running speed; (d) it does not severely suffer from the speed-performance trade-off (Hutto & Gilbert, 2014). Despite being most prevalently used in computer science, Vader has also been widely used for sentiment analysis in other domains including tourism (Alaei, Becken, & Stantic, 2019), communication (Yang et al., 2019), and even healthcare, which is especially relevant during the pandemic period (Chandrasekaran, Mehta, Valkunde, & Moustakas, 2020; Cui & Lee, 2020). As Vader is more efficient with media news analysis, the weight of each word was adjusted according to the media news context. For example, the word 'share' used to be coded as a positive word, while in contexts where 'share' is often regarded as stock share (for example, 'Agriculture, Food Companies in Demand Down Under; Deal Volumes, Share Prices on the Rise'), the weight of the word was reduced to 0. The weight of the Vader corpus ranged from -4 to 4, this thesis preliminarily set 1.3 for positive words and -1.3 for negative words (median of the corpus) and then tested in context. Table 6.1 reported the adjustment of the original VADER corpus.

Fourth, following the literature, this thesis tested the validity of the models by checking the correctness of the correctness rate (e.g. Yiu et al., 2022). The adjusted dictionary was applied to all the news collected, and 2337 untrained titles (about 1 percent of the sample) were selected to test the correctness rate (or accuracy by some literature, e.g. Yiu et al., 2022). This process checked the validity and reliability of the predicting model. The accuracy rate was 84.5, much higher than the accuracy rate (0.7) found in extant studies using text mining and sentiment analysis (Yiu et al., 2022). The correctness rate was calculated as follows: TP is the number of true-positive documents, FP is the number of false-positive documents, TN is the number of true-negative documents, and FN is the number of false-negative documents.

$$Correctness\ rate = \frac{TP + TN}{TP + FP + TN + FN}$$

Five, to keep relevant articles, this thesis only kept news with the title mentioning the company name. This thesis also excluded China-based news outlets (e.g. China Daily, People's Daily) to avoid including noises of sentiment from the home country's perspective. This step left 41,728 pieces of news. Results from Vader for the news ranged from -1 to 1, with the pieces of news coded as endorsing this thesis when the score was above 0 and coded as challenging (c), and neutral when the polarity was 0.

6.4 Estimation method and empirical results

Table 6.2 displays the relationship between subsidiary governance and legitimacy. These

Table 6.1 Amending VADER corpus in the context of news

Negative words	Neutral	Neutral	Positive words
coronavirus	share	wealth	high
covid-	actives	vwp	increases
covid	top	greater	rises
decreases	energy	legal	rise
drops	shares	bl	highs
falls	smart	play	rising
fall	limited	profits	climbs
volatility	asset	extends	patent
slipping	grand	backs	soars
sinks	securities	diamond	gainer
tumbles	robust	beauty	bullish
loss	trust	comfort	upgrade
underperforming	profit	moody	raise
trailing	strong	security	surges
sliding	value	join	grow
plummets	beating	ready	raises
decline	significant	spark	wins
underperforms	gross	care	uptrend
downtrend	substantial	growing	expansion
downgrade	interest	joy	upgrades
plunges	united	extend	surge
delist	solutions	party	rose
concerns	assets	huge	partnership
court	credit	withdrawal	rebound
alert	debt	fresh	aid
delisting	stable	liberty	recovery
downgrades	special	determination	patents
costs	reach	holiday	trademark
fell	clean		outperforming
halt	demand		outperforms
plunge	entertainment		lifts
rivals	noble		lift
sanctions	exploration		jumps
slows	active		jump
lows	great		list
retreat	kfy		listing
abnormals	safety		listings
slump	worth		
delistings	natural		
bottom	jp		

Notes: Positive words = 1.3, Neutral words = 0, negative words = -1.3. Neutral words are initially weighted positive or negative in Vader, while are erased with weights given context is different.

six models propose that the expatriate director ratio, independent director ratio, and non-expatriate CEOs can facilitate subsidiaries in obtaining legitimacy, and such effects can be moderated by the boundary conditions of cultural distance. Because of endogeneity concerns, particularly the potential reverse causality between subsidiary governance and legitimacy, the two-stage least square model was used. In this context, the instrumental variable of strategic asset seeking was particularly relevant and exogenous.

Firstly, strategic asset seeking is a key motive for EMNEs when establishing subsidiaries in foreign markets. In addition, legitimacy is particularly relevant and crucial for subsidiaries with strategic asset seeking that need to obtain critical resources, beyond other motives such as simply exploiting overseas opportunities or seeking efficiency. EMNEs often pursue strategic asset seeking to acquire valuable resources, technologies, or market access through their foreign investments. This motive influences the selection of subsidiary board members and CEOs, as they play pivotal roles in strategizing and executing asset-seeking initiatives. Thus, strategic asset seeking serves as a plausible instrumental variable, reflecting the underlying motivations driving subsidiary governance decisions.

Secondly, the exogeneity of strategic asset seeking as an instrumental variable can be established through theoretical and empirical reasoning. Exogeneity implies that the instrumental variable is unrelated to the error term in the regression model and is determined outside of the model. In the context of subsidiary governance and legitimacy, strategic asset seeking is typically determined before the selection of board members and CEOs. Strategic asset seeking is a strategic FDI motive made by the parent company based on factors like market opportunities, technological advancements, or competitive pressures, which are independent of the characteristics of subsidiary governance. Therefore, strategic asset seeking is considered exogenous to the subsidiary governance-legitimacy relationship, satisfying the instrumental variable assumption.

Furthermore, the relevance of strategic asset seeking as an instrumental variable is supported by its ability to capture unobservable heterogeneity and endogeneity concerns in the relationship between subsidiary governance and legitimacy. By focusing on the strategic motives underlying subsidiary establishment and operation, strategic asset seeking helps address potential omitted variable bias and endogeneity issues that may arise from unobserved factors influencing both subsidiary governance decisions and legitimacy outcomes.

The series of tests to deny the weak instrumental variable, as well as the Hausman tests and Durbin-Wu-Hausman (DWH) to test whether endogeneity exists between subsidiary governance and legitimacy, were implemented in the robustness tests. These tests confirmed the appropriateness of the instrumental variable selection.

In Table 6.2, Model 1 tested H8a, which proposed a negative relationship between expatriate director ratio and legitimacy. The coefficient of the expatriate director was negative (β =-1.239) and statistically significant ($p<0.01$). This implies that the increase of 1 percent in the expatriate director ratio leads to a decrease of 1.239 percent in legitimacy, which ranges from -1 to 1. Model 3 tested H8b, which proposes a positive relationship between independent director ratio and legitimacy. The coefficient of the independent director ratio was positive (β = 2.689) and statistically significant ($p<0.05$). The result implies that the increase of 1 percent in the independent director ratio increases by 2.689 percent in legitimacy. Model 5 tested H8c, which suggests a positive relationship between hiring non-expatriate CEO and legitimacy. The coefficient of hiring a non-expatriate CEO was positive (β = 0.91) and statistically significant ($p<0.05$). This suggests that hiring a non-expatriate CEO would increase by 91 percent in legitimacy. Therefore, H8a, H8b, and H8c are supported.

Models 2, 4, and 6 tested the moderating effects of cultural distance. The results showed that only Model 4 was statistically significant, with the coefficient of the interaction between cultural distance and independent director ratio being negative (β = -0.482) and statistically significant ($p<0.05$). The results supported hypothesis 9b that cultural distance mitigates the positive effects of independent director ratio on subsidiary legitimacy. However, the other two hypotheses, H9a and H9c, were not supported.

6.5 Robustness tests

this thesis used Hausman tests and Durbin-Wu-Hausman (DWH) to test whether endogeneity exists between subsidiary governance and legitimacy. The Hausman test assesses whether the difference between the instrumental variable and OLS estimators is statistically

Table 6.2 Two-stage least square (2SLS) regressions for predicting the impact of subsidiary governance on legitimacy (N=540)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	H8a	H9a	H8b	H9b	H8c	H9c
	Legitimacy	Legitimacy	Legitimacy	Legitimacy	Legitimacy	Legitimacy
Expatriate director ratio	-1.239***	-1.117**				
	(.428)	(.477)				
inter_cul_exp		.119				
		(.111)				
Independent director ratio			2.689**	2.616**		
			(1.273)	(1.244)		
inter_cul_ind				-.482**		
				(.226)		
Non-expatriate CEO					.91**	.999**
					(.406)	(.437)
inter_cul_ceo						.051
						(.073)
Ownership	.216	.158	-.013	.016	.133	.179
	(.164)	(.16)	(.136)	(.136)	(.156)	(.173)
Board Size	.015	.015	-.056	-.046	-.011	-.014
	(.031)	(.036)	(.065)	(.063)	(.046)	(.048)
Subsidiary age	-.024	-.016	.126**	.128**	-.001	-.007
	(.033)	(.042)	(.061)	(.06)	(.042)	(.044)
Entry mode	-.039	-.026	-.093	-.103	-.136	-.157
	(.068)	(.067)	(.091)	(.091)	(.098)	(.105)
Cultural distance	-.085	-.116	-.048	.331**	-.068	-.11
	(.057)	(.081)	(.064)	(.168)	(.068)	(.092)
Economic Freedom Index	-.057*	-.061**	.033	.044	-.014	-.008
	(.029)	(.029)	(.052)	(.054)	(.036)	(.037)
HQ SOE status	.011	.006	-.042	-.044	.021	.022
	(.058)	(.056)	(.071)	(.07)	(.061)	(.063)
Industry (control)	Yes	Yes	Yes	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes	Yes	Yes	Yes
_cons	.734***	.716***	-1.555*	-1.466*	-.157	-.211
	(.221)	(.269)	(.832)	(.806)	(.215)	(.234)
Value of 1st stage						
F value	27.900	29.05	9.8	10.60	29.69	28.62
Strategic asset seeking	-.156***	-.168***	0.072***	0.072***	0.212***	.210***

*Standard errors are in parentheses, *** p<.01, ** p<.05, * p<.1* significant. The Hausman test for H8b and H8c was significant at the 0.01 level of significance (Table 6.3), indicating that there were systematic differences between the coefficients estimated by OLS and 2SLS. This often suggested the presence of endogeneity in the model, where one or more explanatory variables were correlated with the error term. The DWH test further specifically examined whether the OLS estimator was consistent in the presence of endogeneity. A significant DWH test (Table 6.3) indicated that the OLS estimates were biased due to endogeneity, whereas the instrumental variable estimates were not. A significant DWH test indicated that the instrumental variable estimates were preferred over the OLS estimates. As shown in Table 6.3, the DWH tests for H8b and H8c were significant at the 0.1 level, while the test for H8a was not significant. This lack of significance suggested there was no systematic difference between the two estimators, implying that the OLS was consistent and efficient even in the presence of endogeneity. Despite OLS potentially providing consistent estimations, 2SLS was chosen due to theoretical concerns about endogeneity between governance mechanisms and subsidiary legitimacy. In other words, a non-significant Hausman test supports the use of instrumental variable estimation (2SLS in this case) and indicates that there was no need to prefer OLS over 2SLS, and employing 2SLS enhanced the robustness of the results. Therefore, it was generally considered that an endogeneity issue existed in OLS models, and using 2SLS was more appropriate than using OLS.

Table 6.3 Hausman tests and Durbin-Wu-Hausman comparing 2SLS and OLS regressions

Hypotheses	Hausman tests	Durbin-Wu-Hausman tests
H8a	P = 0.237	Durbin (score) chi2(1) = 3.880 (p = .049)
		Wu-Hausman F (1,513) = 3.713 (p = .055)
H8b	P=0.082	Durbin (score) chi2(1) = 7.044 (p = .008)
		Wu-Hausman F (1,513) = 6.780 (p = .010)
H8c	P=0.061	Durbin (score) chi2(1) = 5.410 (p = .020)
		Wu-Hausman F (1,513) = 5.192 (p = .023)

Other robustness tests had been conducted regarding whether strategic asset seeking is a strong instrumental variable. Table 6.2 presents the results of the first stage regression at the end. The F values were all above 10 except Model 3 which was marginally less (F = 9.80).

Table 6.4 Two-stage least square (2SLS) regression results for the impact of subsidiary governance on legitimacy (N = 540)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	H8a Legitimacy	H9a Legitimacy	H8b Legitimacy	H9b Legitimacy	H8c Legitimacy	H9c Legitimacy
Expatriate director ratio	-1.312***	-1.377***				
	(.401)	(.439)				
inter_cul_exp		-.056				
		(.109)				
Independent director ratio			3.053**	3.024**		
			(1.246)	(1.221)		
inter_cul_ind				-.669***		
				(.23)		
Non-expatriate CEO					.872***	1.048***
					(.321)	(.353)
inter_cul_ceo						.102
						(.071)
Ownership	.298**	.325**	-.056	-.031	.201	.276**
	(.119)	(.136)	(.136)	(.133)	(.123)	(.139)
Board Size	-.021	-.021	-.118*	-.109	-.037	-.043
	(.032)	(.036)	(.071)	(.069)	(.041)	(.043)
Subsidiary age	-.092***	-.096**	.063	.062	-.068*	-.079**
	(.032)	(.038)	(.056)	(.055)	(.036)	(.039)
Entry mode	-.101	-.11	-.162	-.199*	-.216*	-.277**
	(.076)	(.081)	(.113)	(.118)	(.118)	(.129)
Cultural distance	-.129**	-.116	-.119*	.397***	-.11*	-.199**
	(.053)	(.074)	(.069)	(.153)	(.059)	(.086)
Economic Freedom Index	-.016	-.014	.08*	.093**	.034	.042
	(.029)	(.027)	(.042)	(.043)	(.029)	(.031)
HQ SOE status	-.009	-.007	-.034	-.039	-.024	-.026
	(.054)	(.054)	(.062)	(.062)	(.056)	(.059)
Industry (control)	Yes	Yes	Yes	Yes	Yes	Yes
Year (control)	Yes	Yes	Yes	Yes	Yes	Yes
_cons	.721***	.733***	-1.896**	-1.845**	-.223	-.335*
	(.213)	(.237)	(.833)	(.81)	(.174)	(.197)
Value of 1st stage						
F value	26.800	28.05	5.7	13.70	30.26	22.52
Strategic asset seeking	-.135***	-.155***	0.036***	0.055***	0.464***	.350***

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

Table 6.5 The results summary of consequence hypotheses

Hypotheses	Effects	Whether supported	External role	Internal role
H8a	Expatriate director ratio (-) → legitimacy	Yes		-
H8b	Independent director ratio (+) → legitimacy	Yes	+	
H8c	Non-expatriate CEO (+) → legitimacy	Yes	+	
H9a	Cultural distance (+) → (Expatriate director ratio (-) → legitimacy)	No		-
H9b	Cultural distance (-) → (Independent director ratio (+) → legitimacy)	Yes	-	
H9c	Cultural distance (-) → (Non-expatriate CEO (+) → legitimacy)	No	-	

When the F value exceeds 10, and the coefficients of instrumental variables are all significant ($p<0.01$), there were no serious concerns about weak instrumental variables.

Winsorisation was also applied as the robustness test for H8 in predicting the impact of subsidiary governance on legitimacy. The results were generally consistent with the main analysis, and the significance levels of H8c, H9a, H9b, and H9c increased from 95 percent to 99 percent. Therefore, the results of the main analyses were robust. Table 6.5 reports the summary of the consequences-related hypotheses.

6.6 Discussion and conclusion

6.6.1 Summary of the results

This chapter examines the impact of board roles and composition impact subsidiary legitimacy obtaining. Using 2SLS and a series of robustness tests, the results show that when there is a higher external role, reflected by the higher independent director ratio and the likelihood of hiring non-expatriate CEOs, as well as the lower internal role, reflected by the lower expatriate director ratio, subsidiaries would likely to have a higher level of legitimacy. Moreover, cultural distance is often explored in the literature on subsidiary governance as a factor influencing subsidiary board composition and CEO selection. However, its role as a moderator in the relationship between governance practices and legitimacy has been underexamined. The empirical results have shown that cultural distance moderates the positive influence of independent director ratios on legitimacy, but it does not moderate the negative impact of expatriate director ratios or the positive impact of non-expatriate CEOs on legitimacy. One possible explanation would be the visibility and the stakeholder perception. Specifically, independent directors often have a visible role in governance practices, making their actions and decisions more transparent to local stakeholders. Cultural distance could moderate how these actions are perceived—when culturally distant, their actions might be scrutinised more closely or interpreted differently. In contrast, the impact of expatriate director ratios or non-expatriate CEOs may depend less on visible governance actions and more on operational performance or strategic decisions that are less culturally contingent. Additionally, the less significant results might be due to the measurement issue. Measuring cultural distance accurately and comprehensively poses inherent challenges, with Hofstede's framework often critiqued in literature for oversimplifying this complex concept (Beugelsdijk et al., 2018). Future research would benefit from employing a multi-dimensional approach to measure cultural distance instead of relying on a single indicator.

6.6.2 Contribution to key studies in the literature

The literature on legitimacy reveals that subsidiaries employ a variety of strategies to establish and maintain their legitimacy within their host environments. A seminal study by Suchman (1995) highlights that firms have the capacity to adapt to, select from, and manipulate their environments in pursuit of legitimacy. More specifically, various strategies identified in the literature include conformist approaches, corporate social responsibility (CSR) initiatives, and ownership structures, all aimed at enhancing legitimacy.

However, the role of subsidiary boards and CEOs—key individuals responsible for implementing and executing these strategies—has been notably underexplored. While these leaders are crucial for facilitating the adoption of such strategies, there is insufficient research on how their composition and decision-making affect their effectiveness. Understanding how subsidiary boards and CEOs contribute to legitimacy acquisition is essential, as they align subsidiary practices with corporate objectives and local institutional expectations. This gap highlights the need for investigation into the relationship between governance structures and legitimacy strategies in foreign subsidiaries. Therefore, this chapter aims to fill this gap by *being among the first* to directly examine the impact of subsidiary governance on subsidiary legitimacy, an important yet largely understudied area.

Another important contribution of the chapter to the literature lies in its empirical testing of legitimacy. While some scholars, such as Suchman (1995), have pointed to the challenges—or even the impossibility—of measuring legitimacy empirically, there are notable exceptions. Deephouse (1996) and Deephouse and Carter (2005) have made strides in this area by empirically assessing legitimacy through the analysis of positive and negative news coverage. They employed a method that involved coding news articles and calculating a coefficient of imbalance to indicate levels of legitimacy.

However, the limitations of their studies are evident; they relied exclusively on articles from The New York Times and The Washington Post, resulting in a very small dataset of fewer than ten articles per year. While these constraints can be understood given the time frame of their research, the challenge of manually coding news articles also raises questions about the rigour of their methodologies in the context of contemporary research. Today, with the vast amount of data available and advanced technological tools, researchers can approach the measurement of legitimacy more effectively. Utilising well-developed Python modules for text analysis allows for efficient processing and analysis of large datasets, thus providing a more robust framework for empirical research in the legitimacy domain. This thesis aims to leverage these advancements, offering a more comprehensive examination of legitimacy that addresses the shortcomings of previous studies and sets a new standard for future research in this area.

Chapter 7. Further Discussion and Future Research

7.1 Introduction

After presenting and discussing the detailed findings of each empirical study in earlier chapters, this chapter explores discrepancies such as unsupported hypotheses and intriguing findings and offers potential explanations for these observations. Following this, it provides managerial implications based on the findings, highlights the contributions of the study to the field, acknowledges its limitations, and outlines avenues for further research. This chapter helps to contextualise the research within the broader academic discourse and offers actionable insights for practitioners while identifying areas for future investigation.

7.2 Implications, unsupported hypotheses and intriguing findings

Overall, the empirical results indicate that foreign subsidiaries face compliance pressure and the challenge of being embedded in both home and host institutions. Conflicts can arise due to the dual roles they play, where a trade-off exists between headquarters control and standardisation, and subsidiary autonomy and adaptation (Kostova & Roth, 2002). This has significant implications for the structure and behaviour of the subsidiary board and CEO, as it creates tension regarding the composition of directors and top managers. To be more specific, if more expatriates from the headquarters are seated on the board, it emphasises the internal role and increases control. On the other hand, having more independent directors and local CEOs emphasises the external role, which can be advantageous for achieving localised strategies, acquiring critical resources and information, and gaining legitimacy.

7.2.1 The trade-off between internal and external role

As suggested by the literature, there is often a trade-off between the internal and external roles (Leksell et al., 1982). Higher emphasis on the internal role tends to be associated with lower emphasis on the external role. For instance, having more expatriate directors is typically accompanied by increased control and resource dependence from the headquarters, which in turn may result in limited autonomy, adaptation, and reliance on resources from host countries. This trade-off is reflected in the often-contradictory relationship between the ratio of expatriate directors (representing the internal role) and the ratio of independent directors and non-expatriate CEOs (representing the external role) in empirical analysis.

Empirical results and literature (e.g., Leksell et al., 1982) highlight a trade-off between internal and external roles. Theoretically, however, both roles can be emphasised simultaneously depending on the context. The internal role focuses on connectivity with headquarters, reflecting MNEs' global integration strategy, while the external role emphasises local connections for operational effectiveness, indicating a focus on local responsiveness. While conflicts may arise, the Bartlett and Ghoshal matrix (1989) suggests that high levels of both global integration and local responsiveness are achievable through a transnational strategy. This thesis finds that, with other conditions constant, the internal role often conflicts with the external role. Yet, in certain scenarios, such as when examining the moderating effect of cultural distance on the impact of headquarter ownership on subsidiary governance, both roles can either strengthen or weaken based on company strategies. For example, increased cultural distance often strengthens the internal role by raising monitoring needs and the expatriate director ratio, while the external role both strengthens and weakens, as indicated by the higher independent director ratio and the lower likelihood of hiring a non-expatriate CEO. This suggests that subsidiaries can balance global integration and local responsiveness, and may choose to adjust specific external roles, such as increasing symbolic practices to various stakeholders while decreasing the autonomy given to subsidiaries. This interesting phenomenon merits further research.

While this thesis does not provide definitive answers, future research could explore comparative studies to elucidate scenarios where both roles strengthen or weaken, and the resulting impact on subsidiary governance would be interesting to examine.

7.2.2 limited external role of independent directors

An intriguing finding is the limited external role of independent directors in foreign subsidiaries. As hypothesised, independent directors primarily fulfil the external role due to their anticipated possession of board social capital, enabling them to access resources and valuable knowledge (Hillman & Dalziel, 2003; Tian, Haleblian, & Rajagopalan, 2011). They can extend external resources, bring diverse resources, and initiate new partnerships crucial for growth (Kor & Sundaramurthy, 2009). A higher ratio of independent directors is often associated with good governance codes (Aguilera & Cuervo-Cazurra, 2004; Kang & Chintakananda, 2019), which increases investor confidence. Therefore, independent directors are expected to facilitate effective management of foreign subsidiaries' relationships with stakeholders in the host country.

However, despite some significant empirical evidence (e.g. the relationship between FDI motives and the ratio of independent directors, and the relationship between the ratio of independent directors and subsidiary efforts to obtain legitimacy), many hypotheses regarding the ratio of independent directors lack statistical support. Specifically, in the case of more closely related foreign subsidiaries of EMNEs, where these subsidiaries assist headquarters in obtaining resources from host countries, the presence of independent directors, who primarily serve an external role, would be expected to facilitate subsidiaries in gaining support from host countries. However, statistically, the relationship between business relatedness and the ratio of independent directors is not significant. This suggests that at the subsidiary level, independent directors may have a more symbolic function, and their ability to mitigate dependence on host countries may be limited. This limited external role is also reflected in the insignificant moderating effects of cultural distance. Similarly, subsidiaries engaging in strategic asset seeking tend to emphasise the external role and have higher ratios of independent directors. However, the moderating effect of cultural distance is not significant, indicating that the emphasis on the external role remains unchanged or unaffected by increased cultural distance. This finding further supports the notion of the symbolic function of independent directors at the subsidiary level. It is consistent with research by Huang and Staples (2018) on the role of independent directors in Chinese MNEs' foreign subsidiaries. Their study, based on interviews with eight Australian subsidiaries of Chinese MNEs, found that the average ratio of independent directors was 39.6%, significantly lower than the average ratio of independent directors (68.5%) among ASX 300 companies in 2010. The authors explain that Chinese parent companies tend to assign a less significant role to independent directors in acquiring critical resources.

7.2.3 Limited empirical support for business relatedness

In the main analyses, only a subset of hypotheses concerning business relatedness were found to be supported. Specifically, business relatedness, as measured by the proximity of SIC codes, although following literature such as Tang & Rowe (2012), did not show statistically significant impacts on the ratios of expatriate directors and independent directors. The lack of empirical significance may indicate that using SIC codes to assess business relatedness might not effectively capture the strategic alignment between headquarters and subsidiaries. For instance, consider a scenario where the headquarters specialises in manufacturing while the subsidiary focuses on sales. Despite their different position within the supply chain, both entities may still be considered closely or moderately related, albeit they are industrially distant from each other in terms of their SIC classifications. This complexity highlights the challenge of relying solely on SIC codes to measure the nuanced relationships that influence corporate governance decisions. Future research should therefore explore alternative proxies for business relatedness that better reflect the actual strategic ties between different parts of multinational corporations. This could include measures that account for shared market strategies, joint product development efforts, or integrated supply chain activities. By adopting more precise or diverse indicators of strategic alignment, researchers can potentially uncover deeper insights into how business relatedness influences the composition of corporate boards.

Despite the limitations in measuring business relatedness using SIC codes, the analysis did find partial support for the influence of business relatedness on the likelihood of hiring a non-expatriate CEO. Specifically, the empirical results indicate that closely related subsidiaries, as measured by SIC proximity, are less likely to appoint a non-expatriate CEO compared to moderately related subsidiaries. This suggests a higher propensity for closely related subsidiaries to opt for an expatriate CEO. However, the variance in the likelihood of hiring a non-expatriate CEO between moderately related and remotely related subsidiaries was not found to be statistically significant. This implies that the impact of business relatedness on subsidiary governance may not follow a linear pattern. These findings suggest a potential threshold effect, wherein moderately related businesses represent a critical threshold that must be surpassed for notable changes in subsidiary roles. Once the level of business relatedness surpasses the moderate threshold, there is a significantly lower likelihood of hiring non-expatriate CEOs. Moreover, closely related subsidiaries often benefit from stronger operational and strategic alignment with the headquarters. This alignment might necessitate the appointment of an expatriate CEO who can effectively implement global strategies and maintain cohesion with the parent company's objectives. In contrast, moderately related and remotely related subsidiaries may strike a balance where local expertise combined with corporate oversight is sufficient, thus not significantly altering the CEO appointment dynamics. To strengthen future research in this area, it would be beneficial to delve deeper into qualitative aspects such as corporate culture, specific operational dependencies, or strategic imperatives that could further elucidate the nuanced relationships between business relatedness and CEO appointments in multinational contexts. This approach could provide a richer understanding of how governance decisions are shaped by varying degrees of business relatedness within multinational corporations.

7.2.4 Further contributions to the literature

Firstly, the thesis helps to clarify the dual roles of subsidiary boards. It empirically demonstrates how different antecedents influence the internal and external roles of subsidiary boards, thereby filling a vital gap identified in the literature. Existing studies, such as those by Cuypers et al. (2017) and Du et al. (2011), highlight the importance of these roles but often lack empirical analysis on how specific internal factors, like FDI motives, shape these roles. By showing that FDI motives influence dual roles, the thesis provides a nuanced understanding of how board composition and director characteristics are influenced by the strategic objectives of parent firms. The thesis also facilitates the understanding of governance structure heterogeneity. While prior studies outline the varying roles of subsidiary boards, the findings elucidate the underlying factors contributing to this heterogeneity. For instance, the results indicate that FDI motive and headquarter ownership correlate strongly with board composition, suggesting that subsidiaries facing institutional challenges, MNEs' strategies, and interdependence with headquarters may prioritize different board structures. This insight adds depth to the discussion initiated by previous researchers (e.g., Cuypers et al., 2017; Du et al., 2011; Leksell and Lindgren, 1982; Zaharie et al., 2020) and highlights the need for a more tailored approach to governance structures based on contextual factors.

The second empirical study establishes a direct correlation between the external role of the subsidiary board and its legitimacy, which is an area that has received limited attention in the literature. While earlier works (e.g. Deephouse, 1996; Deephouse & Carter, 2005) have acknowledged the significance of legitimacy in international business, the approach using sentiment analysis and regression techniques provides a contemporary perspective on how governance roles translate into organisational legitimacy. This novel viewpoint enhances the theoretical framework surrounding legitimacy and governance in foreign subsidiaries. At the same time, the thesis addresses the gaps in board composition research. The findings regarding the impact of board composition—such as the ratio of independent to expatriate directors—contribute to the understanding of how governance structures can be optimised to achieve both internal efficiency and external legitimacy. This addresses the limitations highlighted in previous literature, particularly the lack of studies linking board roles and compositions directly to subsidiary-level legitimacy.

By linking the findings back to the existing theories on subsidiary governance, this thesis provides empirical validation to theoretical propositions. The work can serve as a foundation for future research exploring the interactions between subsidiary governance structures and strategic goals, encouraging scholars to further investigate these relationships in diverse contexts.

7.3 Managerial implications

In addition to its scholarly contributions, this thesis highlights significant practical implications for practitioners, particularly for EMNEs. To effectively align their subsidiary board directors and CEOs with their FDI motives, business relatedness level and headquarter ownership, EMNEs must adopt strategic approaches tailored to their organizational objectives, in order to better obtain legitimacy in the host country for business success and survival.

Subsidiaries can customise their board and CEO structure considering the key antecedents being discussed. Considering the key FDI motives for EMNEs, when the primary aim is to garner resources from host countries, subsidiaries should focus on serving an external role. This necessitates the appointment of more independent directors who can provide objective insights and facilitate connections within the local market. Independent directors often bring diverse perspectives and expertise that can enhance a subsidiary's ability to navigate regulatory landscapes and cultural nuances, ultimately fostering stronger relationships with local stakeholders. Additionally, employing non-expatriate CEOs—who possess intrinsic knowledge of the local business environment—can significantly improve operational effectiveness and adaptability. These leaders are typically better equipped to understand local consumer behaviours, negotiate with domestic suppliers, and respond to regional challenges, thereby maximizing the subsidiary's potential in resource acquisition.

Conversely, when the goal is to strengthen connectivity between headquarters and subsidiaries, it becomes essential for subsidiaries to adopt a more internal role. In this context, the focus shifts toward coordinating and monitoring local operations to ensure alignment with the overarching corporate strategy. Appointing directors and managers who can bridge the gap between local practices and corporate expectations is crucial. This may involve designating individuals with extensive experience in both the local market and the parent company's operational ethos. Such leaders can facilitate effective communication, ensuring that subsidiaries are not only aligned with headquarters' strategic goals but also responsive to local market dynamics. For similar reasons, EMNEs should consider how to tailor their board and CEO structures based on other key antecedents, such as business relatedness and headquarter ownership structure. When there is a higher need for an internal role (e.g. when business relatedness is closer and when headquarter ownership is higher), a subsidiary may better structure a higher expatriate director ratio; in comparison, the external role would be mitigated, resulting in the lower independent director ratio and the less likelihood of hiring a non-expatriate CEO.

In navigating the challenges of legitimacy often faced by EMNEs due to the liability of foreignness, strategic decision-making in subsidiary governance becomes paramount. Practical and managerial implications derived from this thesis emphasise the importance of carefully selecting board members and CEOs for subsidiaries, aligning their expertise and strategic vision with local market dynamics and subsidiary-specific objectives. Customisation of governance structures is imperative, tailoring them to match the strategies and motives of each subsidiary. By examining headquarters-subsidiary related antecedents, EMNEs can adapt governance structures accordingly, ensuring they effectively balance internal integration with external adaptation. This equilibrium is vital for leveraging corporate resources internally while responding adeptly to local market dynamics and fostering legitimacy with stakeholders. Continuous monitoring of subsidiary performance and strategic alignment is essential to maintain governance effectiveness and achieve both integration and adaptation goals over time. Through these practical insights, EMNEs can enhance their subsidiary governance frameworks, mitigate legitimacy challenges, and ultimately improve their performance and acceptance in host countries.

7.4 Contributions

First, this thesis addresses the persistent lack of adequate integration and multidisciplinary approaches in corporate governance and strategic management during firm internationalisation, as highlighted by Puck and Filatotchev (2020). By bridging corporate governance and international business literature, I extend conventional management theories to the level of foreign subsidiaries. Although integrating corporate governance and international business theories is not uncommon (e.g., Hillman et al., 2003), traditional theories need to be revisited in light of institutional duality and the headquarters-subsidiary relationship (Meyer et al., 2020). For example, whereas standard agency theory focuses on individuals, it can be extended to view headquarters and subsidiaries as distinct organisations with their own internal processes and institutional logic (Meyer et al., 2020). Therefore, rather than focusing on individual behaviour, agency theory should consider the collective behaviour of the organisation. Another modification arises from the different contextual embeddedness of headquarters and subsidiaries, which affects their bounded rationality and reliability (Alain & Nathan, 2009; Meyer et al., 2020).

Second, this thesis contribute to the subsidiary governance literature by examining it from the perspective of EMNEs, as opposed to the dominant view of DMNEs. Existing literature frequently explores subsidiary governance with DMNEs as the parent companies (e.g., Du et al., 2011; Du et al., 2015; Kriger, 1988; Leksell et al., 1982). However, EMNEs' FDI strategies differ markedly, as they typically invest abroad to address home market limitations—such as restricted access to advanced technologies, managerial expertise, or capital—by seeking strategic assets or institutional escaping domestic constraints (Luo & Tung, 2018). In contrast, DMNEs usually pursue market-seeking or efficiency-seeking investments leveraging their competitive advantages in stable environments. These differing FDI motives influence the governance of subsidiaries and the role of the CEO. Furthermore, EMNEs often operate from less developed institutional contexts, facing significant legitimacy challenges abroad, particularly in developed markets. This thesis investigates the relatively distinctive FDI motives and business contexts of EMNEs and compares these with the baseline hypothesis of headquarters ownership as outlined in the existing literature. The empirical findings offer novel insights and contribute to the broader understanding of the area.

Third, this thesis complements the literature by exploring the roles and structures of subsidiary governance and CEO recruitment which are largely overlooked while are important parameters and implementers of MNEs' strategies at the subsidiary level. Limited research in subsidiary board structure, such as Du et al (2011), Du et al (2015), Kriger (1988) and Leksell et al (1982), despite establishing theoretical frameworks for further studies, needed to be revisited as the board roles might change over time (Kriger 1988) and might be more strategic given a changing global environment. In this research, this thesis discusses expatriate directors, independent director ratio and non-expatriate CEOs as key subsidiary governance parameters fulfilling internal and external roles in addition to solely meeting the legal requirements of the host countries.

Fourth, a novel contribution of this thesis is to empirically validate an assumption that board composition/appearances will impact legitimacy which, to the knowledge, has not yet been directly tested. The conventional understanding of legitimacy within IB literature has often been theoretical, lacking concrete empirical validation. By leveraging advanced methodologies such as sentiment analysis coupled with machine learning techniques, this research bridges that gap by offering a systematic and data-driven approach to examine the relationship between board structure and legitimacy. The utilisation of sentiment analysis by Python, a natural language processing technique, allows IB researchers to extract and quantify the underlying sentiments expressed in news. By applying machine learning algorithms to analyse large datasets encompassing diverse industries and regions, this research goes beyond mere qualitative assessments and provides robust empirical evidence supporting the hypothesised link between board composition and legitimacy.

7.5 Limitations

Despite these contributions, this thesis has limitations. While strategic asset-seeking and institutional escape are primary FDI motives, EMNEs also pursue other motivations such as natural resource-seeking, market-seeking, and efficiency-seeking. For instance, Chinese MNEs often seek markets or efficiencies in less developed countries to access technologies, establish a physical presence, or benefit from lower labour costs. However, these motives are underrepresented in the dataset, which focuses on listed subsidiaries with formal governance structures. Thus, future research could explore how different FDI motives of EMNEs affect subsidiary governance.

Moreover, although this thesis develops theoretical arguments with EMNEs as a broader context, this thesis empirically tests the arguments with Chinese data. This would limit generalisability to some extent, for example, the institutional escape to tax havens and offshore financial centres often registered in Cayman Island, British Virgin Island, and listed in the Hong Kong Stock Exchange, while MNEs from other emerging economies might have different location choice and thus have variance in terms of the impact of subsidiary governance and leadership structure. It would be interesting for future research to test the hypotheses in other emerging economies.

Additionally, this thesis focuses on listed foreign subsidiaries because these entities typically require a structured board or CEO at the subsidiary level. When these organisations are listed, they are highly likely to have a formal governance structure. Yet, this thesis recognises the limitation of ruling out other unlisted observations. For instance, there are very few observations in the database registered or located in the Belt and Road countries, where Chinese MNEs exploit advanced technologies, expand markets, and seek efficiencies with low labour costs. Therefore, it would be interesting to discuss how EMNEs implement FDI in countries with weaker institutions compared to home countries.

Furthermore, this thesis is unable to capture more detailed characteristics of foreign subsidiary governance. For instance, the ratio of expatriate directors could reflect the degree of internal roles and the ratio of independent directors primarily assumes external roles. However, these ratios serve as indirect parameters for the dual roles played by these directors. It is important to note that these directors may also fulfil other roles in addition to their dominant ones. Hence, future research would benefit from employing interview or survey approaches to explore the nuances in board compositions and senior management roles.

Finally, although sentiment analysis by machine learning offers advantages in various aspects, such as efficiency and scalability that allow researchers to analyse large volumes of data in a timely manner, there are also limitations. Generally, sentiment analysis aims to understand the context, tone, and subjective nature of language. However, the same words or phrases can change meaning in different contexts. Therefore, machine learning models need to be improved and adjusted according to the specific context. However, the adaptation process may lack sufficient support from the literature, limiting the rigour of the method. Moreover, while Deephouse (1996) and Deephouse & Carter (2005) have demonstrated the appropriateness of using sentiment analysis for assessing legitimacy based on news, it is important to consider that foreign subsidiaries may manage the content of information disclosure as part of their reputation management strategies. As a result, the news reflecting public perception and acceptance of subsidiary companies may need further justification and supporting evidence. Other factors, such as sacrificing parental ownership, which can be a strategy for foreign subsidiaries to gain legitimacy (e.g., Chan & Makino, 2007), received insignificant empirical support in additional tests not reported in this thesis. Hence, future research should incorporate assessments of legitimacy from other dimensions.

7.6 Future research agenda

The identification of these previous limitations presents opportunities for future research. Firstly, while China as the home country is an appropriate setting for this thesis, a promising avenue for future research would be to explore whether these findings hold across other emerging economies, or if there are notable distinctions in developed markets. This comparative approach could shed light on how subsidiary governance mechanisms, such as board composition and CEO selection, interact with local market dynamics and regulatory environments. Such insights would not only enhance our understanding of subsidiary-level operations across diverse global contexts but also inform strategic decisions in multinational corporations operating in various economic landscapes.

Secondly, while listed subsidiaries typically possess formal governance structures, the lack of data from unlisted entities restricts a comprehensive understanding of EMNEs' operations. Acquiring data for unlisted subsidiaries can be challenging; however, future research could leverage alternative methodologies, such as surveys, to address these gaps. This approach could illuminate in greater depth the strategies employed by EMNEs to manage operations, mitigate risks, and optimise performance in challenging environments, thereby enhancing our understanding of EMNEs' overseas operations. Additionally, survey-based studies could provide nuanced insights into governance practices, decision-making processes, and adaptation strategies tailored to diverse local contexts. Surveys can also provide granular data on the composition of boards and senior management roles that may not be fully captured through existing datasets or secondary sources. By directly querying board members, executives, or key stakeholders, surveys can reveal nuances such as the actual roles played by expatriate directors versus independent directors, including any additional functions they may fulfil beyond their primary roles.

While Hofstede's (1980) framework of cultural dimensions (power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, indulgence) and Kogut & Singh's (1988) approach are commonly used to measure cultural distance between countries, other methods may offer a more comprehensive analysis. According to Beugelsdijk et al. (2018), Hofstede's measurement has limitations, as a simple composite score can be overly reductive due to the distinct nature of the dimensions involved, leading to an imprecise index. Additionally, cultural distance is a multi-dimensional concept, encompassing cultural, institutional, geographical, economic, and other factors. Future research should consider adopting a multi-dimensional measurement approach instead of relying on a single indicator. Furthermore, Hofstede's original data dates back to the 1960s and 1970s, and culture evolves over time. Researchers should therefore focus on the dynamic nature of cultural distance.

Finally, subsidiary governance literature is significantly less developed compared to general corporate governance. Building on this thesis and existing research, several intriguing questions arise for future study. For instance, how do challenging institutional conditions in host countries affect headquarters' willingness to delegate substantial decision-making authority to subsidiary boards and CEOs? How do subsidiary boards manage the balance between local adaptation and global integration of governance practices, considering both formal regulations and informal norms? In what ways do varying regulatory environments across host countries impact the structure and function of subsidiary boards? How do subsidiaries select board and CEO members to address conflicts between global governance standards and local regulatory requirements? Additionally, what are the effects and the mechanisms of board diversity (e.g., gender, expertise, duality) on performance and decision-making within foreign subsidiaries?

7.7 Summary

Chapter 7 provides an extended discussion of the thesis, building on the empirical results presented in the preceding chapters. While discussion of empirical results has been presented in previous chapters, this chapter delves deeper into the implications, explores unsupported hypotheses, and highlights intriguing findings.

First, the chapter articulates the theoretical importance of the board internal and external roles reflecting foreign subsidiary governing mechanisms, noting that these roles might not always conflict with each other. It also discusses the limited external role of independent directors and the lack of empirical support for certain hypotheses such as the impact of business relatedness.

The chapter further discusses the practical implications of these findings, showing that the key antecedents and consequences discussed in the thesis facilitate practitioners to have a better understanding of subsidiary board and CEO hiring.

Next, the contributions of the thesis are outlined. This includes the integration of research areas, the extension and integration of the relevant theories, and a focus on EMNEs as the context. It also highlights subsidiary governance as a relatively underdeveloped field and presents the novel contribution of quantitatively examining how the foreign subsidiary board and CEO hiring directly impacts local legitimacy.

Several limitations are acknowledged, which suggests directions for future research. These include the use of different research methods, such as surveys, to capture detailed subsidiary governance mechanisms and re-examination of unsupported hypotheses using alternative measurements (e.g., cultural distance, business relatedness).

Chapter 8. Conclusion

Based on a comprehensive literature review, this thesis explores the relationship between critical antecedents and subsidiary governance, and how this governance impacts subsidiaries' efforts to gain legitimacy. The thesis contains 8 chapters, including the introduction, literature review, theoretical framework and hypotheses development, research methodology, two empirical chapters (antecedents and consequences, respectively), discussion and conclusion. The thesis aims to offer a comprehensive framework for the understanding of subsidiary governance, particularly subsidiary board and CEO hiring.

Primarily, the literature review begins with a broad examination of international corporate governance and subsidiary management literature, identifying a significant research gap in foreign subsidiary governance: the scant research attention on a holistic understanding of subsidiary board and CEO hiring. A systematic review of 58 relevant articles in subsidiary governance further highlights additional key gaps.

The theoretical framework explains the dynamics of subsidiary governance, highlighting how subsidiary boards and CEOs fulfil both external roles—managing relationships with host countries—and internal roles—overseeing connections with home countries. The two empirical chapters then analyse a sample of foreign subsidiaries, investigating how critical antecedents influence subsidiary board and CEO hiring, and how these governance mechanisms contribute to the subsidiaries' legitimacy efforts. By analysing archival data from 116 publicly listed subsidiaries of Chinese MNEs between 2005 and 2021, this thesis provides evidence supporting the hypotheses.

Empirical results reveal that key internal factors, including FDI motives, business relatedness, and headquarters ownership, influence subsidiary board and CEO appointments, with these effects moderated by external factors like cultural distance. Additionally, the thesis finds that subsidiaries actively structure their boards and CEO roles to gain legitimacy in host countries. When the external role is emphasised, subsidiaries are likely to have a higher ratio of independent directors and a greater likelihood of hiring non-expatriate CEOs. In contrast, an emphasis on the internal role typically results in a higher ratio of expatriate directors.

The thesis offers theoretical and empirical insights into how Chinese MNEs, considering both internal and external antecedents, structure their subsidiary boards and CEOs to achieve legitimacy, which is crucial for business success and growth. The findings are anticipated to be applicable to other EMNEs with similar contexts and characteristics.

References

Adams, R. B., Benjamin E., and Michael S. (2010). The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of Economic Literature, 48* (1), 58-107.

Aguilera, R. (2019). International corporate governance: A review and opportunities for future research. *Journal of International Business Studies, 50*(4), 457-498. doi:10.1057/s41267-019-00232-w

Aguilera, R. V., & Cuervo-Cazurra, A. (2004). Codes of good governance worldwide: What is the trigger? *Organization Studies, 25*(3), 415-443. doi:10.1177/0170840604040669

Aguilera, R. V., & Haxhi, I. (2019). *Corporate governance in emerging markets*. Oxford University Press.

Aguilera, R. V., Marano, V., & Haxhi, I. (2019). International corporate governance: A review and opportunities for future research. *Journal of International Business Studies, 50*(4), 457-498. doi:10.1057/s41267-019-00232-w

Alaei, A. R., Becken, S., & Stantic, B. (2019). Sentiment analysis in tourism: capitalizing on big data. *Journal of Travel Research, 58*(2), 175-191.

Alain, V., & Nathan, S. G. (2009). The end of the opportunism vs trust debate: Bounded reliability as a new envelope concept in research on MNE governance. *Journal of International Business Studies, 40*(9), 1471. doi:10.1057/jibs.2009.44

Alon, I., Anderson, J., Munim, Z.H. & Ho, A. (2018). A review of the internationalization of Chinese enterprises. *Asia Pacific Journal of Management, 35,* 573–605. https://doi.org/10.1007/s10490-018-9597-5

Ambos, T. C., & Birkinshaw, J. 2010. Headquarters' attention and its effect on subsidiary performance. *Management International Review, 50*(4), 449–469.

Anderson, E., & Gatignon, H. (1986). Modes of foreign entry: a transaction cost analysis and proposition. *Journal of International Business Studies, 17*, 1.

Anderson, P. (2019). Business relatedness in international diversification: Achievements, gaps, and propositions. *European Business Review, 31*(2), 197–217. https://doi.org/10.1108/EBR-03-2018-0069

Andersson, U., Gaur, A., Mudambi, R., & Persson, M. (2015). Unpacking interunit knowledge transfer in multinational enterprises. *Global Strategy Journal, 5*(3), 241–255.

Andersson, U., Forsgren, M., & Holm, U. (2007). Balancing subsidiary influence in the federative MNC: A business network view. *Journal of International Business Studies, 38*(5), 802–818.

Ando, N. (2014). The effect of localization on subsidiary performance in Japanese multinational corporations. *International Journal of Human Resource Management, 25*(14), 1995-2012. doi:10.1080/09585192.2013.870289

Arrow, K.J. (1984). The economics of agency. *Stanford University. Institute for Mathematical Studies in the Social Sciences Technical Report. 451*, 1-30.

Armour, J., Deakin, S., Sarkar, P., Siems, M., & Singh, A. (2009). Shareholder protection and stock market development: An empirical test of the legal origins hypothesis. *Journal of Empirical Legal Studies*, 6, 343–380.

Bai, T. (2018). Performance of foreign subsidiaries 'in' and 'from' Asia: A review, synthesis and research agenda. *Asia Pacific Journal of Management, 35*, 607-638.

Banna, H, Mostafiz, M. I., Ahmed, F. U., & Tarba, S. Y. (2024). Social innovation and the financial risk of EMNCs - The contingent role of institutional legitimacy. *Management International Review, 64*(3), 489–525.

Bansal, P., & Hunter, T. (2003). Strategic explanations for the early adoption of ISO 14001. *Journal of Business Ethics, 46*(3), 289-299. doi:10.1023/A:1025536731830

Barnett, M. L., & Hoffman, A. J. (2008). Beyond corporate reputation: Managing reputational interdependence. *Corporate Reputation Review, 11*(1), 1-9. doi:10.1057/crr.2008.2

Barnett, M. L., & King, A. A. (2008). Good fences make good neighbors: A longitudinal analysis of an industry self-regulatory institution. *Academy of Management Journal, 51*(6), 1150-1170. doi:10.5465/amj.2008.35732609

Barney, J. (1997), *Gaining and sustaining competitive advantage,* Pearson.

Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology, 51*, 1173-1182

Bartlett, C., & Ghoshal, S. (2000). Going global lesson from late movers. *Harvard Business Review, 78*(2), 132-142.

Bartlett, C. A., & Ghoshal, S. (1989). *Managing across borders: The transnational solution* (Vol. 2), Taylor & Francis.

Batra, I., Gupta, M., & Dhir, S. (2021). Antecedents of international joint ventures' past, present and future: a meta-analytical review. *International Journal of Emerging Markets, 16*(7), 1430-1453. doi:10.1108/ijoem-01-2020-0053

Baum, J. A. C., & Oliver, C. (1991). Institutional linkages and organizational mortality. *Administrative Science Quarterly, 36*(2), 187-218. doi:10.2307/2393353

Baum, J. A. C., & Oliver, C. (1991). Institutional linkages and organizational mortality. *Administrative Science Quarterly, 36*, 187-218.

Bensadon, D. (2015). The adoption of an accounting innovation in France: The case of consolidated financial statements at Pechiney (1956-1971). *Accounting History, 20*(3), 288-309. doi:10.1177/1032373215585821

Bettis, R. A., & Prahalad, C. K. (1995). The dominant logic: Retrospective and extension. *Strategic Management Journal, 16*(1), 5-14. doi:10.1002/smj.4250160104

Beugelsdijk, S., Ambos, B. & Nell, P.C. (2018). Conceptualizing and measuring distance in international business research: Recurring questions and best practice guidelines. *Journal of International Business Studies, 49,* 1113–1137. https://doi.org/10.1057/s41267-018-0182-4

Beugelsdijk, S., Hennart, J. F., Slangen, A., & Smeets, R. (2010). Why and how FDI stocks are a biased measure of MNE affiliate activity. *Journal of International Business Studies, 41*(9), 1444-1459. doi:10.1057/jibs.2010.29

Beugelsdijk, S., McCann, P., & Mudambi, R. (2010). Introduction: Place, space and organization—economic geography and the multinational enterprise. *Journal of Economic Geography, 10*(4), 485-493. doi:10.1093/jeg/lbq018

Beuselinck, C., & Du, Y. (2017). Determinants of Cash Holdings in Multinational Corporation's Foreign Subsidiaries: US Subsidiaries in China. *Corporate Governance-an International Review, 25*(2), 100-115. doi:10.1111/corg.12176

Bhuiyan, B. U. (2015). Do problem directors affect firm operating performance? *Asian Review of Accounting, 23*(2), 170-185. doi:10.1108/ara-12-2013-0078

Bird, A., & Mendenhall, M. E. (2016). From cross-cultural management to global leadership: Evolution and adaptation. *Journal of World Business, 51*(1), 115–126. https://doi.org/10.1016/j.jwb.2015.10.005

Birkinshaw, J. (1996). How multinational subsidiary mandates are gained and lost. *Journal of International Business Studies, 27*(3), 467–495.

Birkinshaw, J., Hood, N., & Jonsson, S. (1998). Building firm-specific advantages in multinational corporations: the role of subsidiary initiative. *Strategic Management Journal, 19*(3), 221-242. doi:10.1002/(SICI)1097-0266(199803)19:3<221::AID-SMJ948>3.0.CO2-P

Björkman, I. (1994). Managing Swedish and Finnish multinational corporations: the role of the board of directors in French and Norwegian subsidiaries. *International Business Review, 3*(1), 47-69. doi:10.1016/0969-5931(94)90014-0

Bjorkman, I., Barner-Rasmussen, W., & Li, L. (2004). Managing knowledge transfer in MNCs: the impact of headquarters control mechanisms. *Journal of International Business Studies, 35*(5), 443-455. doi:10.1057/palgrave.jibs.8400094

Björkman, I., Barner-Rasmussen, W., & Li, L. (2004). Managing knowledge transfer in MNCs: The impact of headquarters control mechanisms. *Journal of International Business Studies, 35*(5), 443-455. doi:10.1057/palgrave.jibs.8400094

Black, J. S. (2021). The strategic challenges of decoupling: navigating your company's future in China. *Harvard Business Review, 99*(3), 49-54.

Boddewyn, J., & Doh, J. (2011). Global strategy and the collaboration of MNEs, NGOs, and governments for the provisioning of collective goods in emerging markets. *Global Strategy Journal, 1*, 345-361. doi:10.1002/gsj.26

Boisot, M., & Meyer, M. W. (2008). Which way through the open door? Reflections on the internationalization of Chinese firms. *Management and Organization Review, 4*(3), 349–365.

Boivie, S., Bednar, M. K., Aguilera, R. V., & Andrus, J. L. (2016). Are boards designed to fail? The implausibility of effective board monitoring. *Academy of Management Annals, 10*(1), 319-407. doi:10.1080/19416520.2016.1120957

Bouquet, C., & Birkinshaw, J. (2008). Weight versus voice: How foreign subsidiaries gain attention from corporate headquarters. *Academy of Management Journal, 51*(3), 577-601. doi:10.5465/amj.2008.32626039

Boyd, B. K. (1995). CEO duality and firm performance: A contingency model. *Strategic Management Journal, 16*(4), 301-312. doi:10.1002/smj.4250160404

Breuer, M. & Dehaan, E. (2024). Using and interpreting fixed effects models. *Journal of Accounting Research, 62*(4), 1183–1226.

Bryman, A. (1984). The debate about quantitative and qualitative research: A question of method or epistemology? *The British Journal of Sociology, 35*(1), 75-92.

Buckley, P. J., Sutherland, D., Voss, H., & El-Gohari, A. (2015). The economic geography of offshore incorporation in tax havens and offshore financial centres: the case of Chinese MNEs. *Journal of Economic Geography, 15*(1), 103-128. doi:10.1093/jeg/lbt040

Buckley, P. J. (2016). The contribution of internalisation theory to international business: New realities and unanswered questions. *Journal of World Business, 51*(1), 74–82.

Busenbark, J. R., Krause, R., Boivie, S., & Graffin, S. D. (2016). Toward a configurational perspective on the CEO: A review and synthesis of the management literature. *Journal of Management, 42*(1), 234-268. doi:10.1177/0149206315618448

Caldwell, B. (1980). Positivist philosophy of science and the methodology of economics. *Journal of Economic Issues, 14*(1), 53-76. doi:10.1080/00213624.1980.11503723

Canabal, A., & White, G. O. (2008). Entry mode research: Past and future. *International Business Review, 17*(3), 267-284. doi:10.1016/j.ibusrev.2008.01.003

Carroll, C. E., & McCombs, M. (2003). Agenda-setting effects of business news on the public's images and opinions about major corporations. *Corporate reputation review, 6*(1), 36-46. doi:10.1057/palgrave.crr.1540188

Caves, R. E. (1996). *Multinational enterprise and economic analysis,* Cambridge University Press.

Chan, C. M., Isobe, T., & Makino, S. (2008). Which country matters? Institutional development and foreign affiliate performance. *Strategic Management Journal, 29*(11), 1179-1205.

Chan, C. M., & Makino, S. (2007). Legitimacy and multi-level institutional environments: implications for foreign subsidiary ownership structure. *Journal of International Business Studies, 38*(4), 621-638. doi:10.1057/palgrave.jibs.8400283

Chang, Y. Y., Gong, Y., & Peng, M. W. (2012). Expatriate knowledge transfer, subsidiary absorptive capacity, and subsidiary performance. *Academy of Management Journal, 55*(4), 927–948. https://doi.org/10.5465/amj.2010.0985

Chandrasekaran, R., Mehta, V., Valkunde, T., & Moustakas, E. (2020). Topics, trends, and sentiments of tweets about the COVID-19 pandemic: Temporal infoveillance study. *Journal of medical Internet research, 22*(10), e22624.

Charpin, R., Powell, E. E., & Roth, A. V. (2021). The influence of perceived host country political risk on foreign subunits' supplier development strategies. *Journal of Operations Management, 67*(3), 329-359. doi:10.1002/joom.1127

Chip wars. (2020, May 23). *The Economist, 435*, 9. Retrieved from https://search.proquest.com/docview/2405889106?accountid=16676

Chung, C. N., & Kim, Y. C. (2018). Global institutions and local filtering: Introducing independent directors to Taiwanese corporate boards. *International Sociology, 33*(3), 292-314. doi:10.1177/0268580918762059

Ciabuschi, F., Dellestrand, H., & Kappen, P. (2012). The good, the bad and the ugly: Technology transfer competence, rent seeking and bargaining power. *Journal of World Business*, 47(4): 664–674.

Cieślik, A., & Goczek, Ł. (2018). Control of corruption, international investment, and economic growth – Evidence from panel data. *World Development, 103*, 323-335. doi:10.1016/j.worlddev.2017.10.028

Coase, R. (1998). The new institutional economics. *The American Economic Review, 88*(2), 72-74.

Collings, D. G., Morley, M. J., & Gunnigle, P. (2008). Composing the top management team in the international subsidiary: Qualitative evidence on international staffing in US MNCs in the Republic of Ireland. *Journal of World Business, 43*(2), 197-212. doi:10.1016/j.jwb.2007.11.008

Connelly, B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. (2010). Ownership as a form of corporate governance. *Journal of Management Studies, 47*(8), 1561-1589. doi:10.1111/j.1467-6486.2010.00929.x

Conroy, K. M., & Collings, D. G. (2016). The legitimacy of subsidiary issue selling: Balancing positive & negative attention from corporate headquarters. *Journal of World Business, 51*(4), 612-627. doi:10.1016/j.jwb.2016.03.002

Contractor, F., Yang, Y., & Gaur, A. (2016). Firm-specific intangible assets and subsidiary profitability: The moderating role of distance, ownership strategy and subsidiary experience. *Journal of World Business, 51*(6), 950. doi:10.1016/j.jwb.2016.09.002

Cooke, F. L., Liu, M. W., Liu, L. A., & Chen, C. C. (2019). Human resource management and industrial relations in multinational corporations in and from China: Challenges and new insights. *Human Resource Management, 58*(5), 455-471. doi:10.1002/hrm.21986

Crotty, M. J. (1998). *The foundations of social research: Meaning and perspective in the research process (1st ed.).* SAGE Publications.

Crowne, K. A. (2009). Enhancing knowledge transfer during and after international assignments. *Journal of Knowledge Management, 13*(4), 134-147. doi:10.1108/13673270910971888

Creswell, J. (1994). *Research design: qualitative and quantitative approaches.* Sage Publications.

Cuervo-Cazurra, A., & Genc, M. (2008). Transforming disadvantages into advantages: Developing-country MNEs in the least developed countries. *Journal of International Business Studies, 39*(6), 957–979.

Cuervo-Cazurra, A., Mudambi, R., & Pedersen, T. (2019). Subsidiary power: Loaned or owned? The lenses of agency theory and resource dependence theory, *Global Strategy Journal, 9*(4), 491–501.

Cui, L., & Jiang, F. 2009. FDI entry mode choice of Chinese firms: A strategic behavior perspective. *Journal of World Business, 44*(4), 434–444.

Cui, L., & Jiang, F. (2010). Behind ownership decision of Chinese outward FDI: Resources and institutions. *Asia Pacific Journal of Management, 27*(4), 751-774. doi:10.1007/s10490-009-9136-5

Cui, L., & Lee, D. (2020). Coaid: Covid-19 healthcare misinformation dataset. *arXiv preprint arXiv:2006.00885*.

Cumming, D., Filatotchev, I., & Knill, A. (2017). Law, finance, and the international mobility of corporate governance. *Journal of International Business Studies, 48*(2), 123-147. doi:10.1057/s41267-016-0063-7

Cuypers, I. R. P., Ertug, G., Reuer, J. J., & Bensaou, B. (2017). Board representation in international joint ventures. *Strategic Management Journal, 38*(4), 920-938. doi:10.1002/smj.2529

Dabic, Moeller, M., & Stoermer, S. (2021). Knowledge exchange between expatriates and host country nationals: an expectancy value perspective. In *Knowledge Sharing and Its Management in an International Work Environment (Vol. 4).* Emerald Publishing Limited.

Dahms, S., & Kingkaew, S. (2019). A configurational perspective on subsidiary top management team national diversity and performance. *Personnel Review, 48*(6), 1507-1529. doi:10.1108/pr-10-2018-0389

Daily, C., & Johnson, J. (1997), Sources of CEO power and firm financial performance: A longitudinal assessment, *Journal of Management, 23*(2), pp. 97-117.

Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998). Meta-analytic reviews of board composition, leadership structure, and financial performance. *Strategic Management Journal, 19*(3), 269-290. doi:10.1002/(SICI)1097-0266(199803)19:3<269::AID-SMJ950>3.3.CO2-B

Dana, M., Torben, P., Ingmar, B., Carl, F. F., & Hyeon Jeong, P. (2014). MNC knowledge transfer, subsidiary absorptive capacity and HRM. *Journal of International Business Studies, 45*(1), 38. doi:10.1057/jibs.2013.43

Daniel, S. J., Cieslewicz, J. K., & Pourjalali, H. (2012). The impact of national economic culture and country-level institutional environment on corporate governance practices. *Management International Review, 52*(3), 365-394. doi:10.1007/s11575-011-0108-x

Danisewicz, P., Reinhardt, D., & Sowerbutts, R. (2017). On a tight leash: Does bank organizational structure matter for macroprudential spillovers? *Journal of International Economics, 109*, 174-194. doi:10.1016/j.jinteco.2017.09.004

Davidson, W. H., & McFetridge, D. G. (1985). Key characteristics in the choice of international technology transfer mode. *Journal of International Business Studies, 16,* 5-21.

Davies, Froese, F. J., Chng, D. H. M., & Portniagin, F. (2023). Improving subsidiary performance via inpatriate assignments: The role of host country national subsidiary CEOs' social ties and motivational cultural intelligence. *Journal of World Business, 58*(5), 101460

Debellis, F., De Massis, A., Petruzzelli, A. M., Frattini, F., & Del Giudice, M. (2021). Strategic agility and international joint ventures: The willingness-ability paradox of family firms. *Journal of International Management, 27*(1). doi:10.1016/j.intman.2020.100739

Deephouse, D. L. (1996). Does isomorphism legitimate? *Academy of Management Journal, 39*(4), 1024-1039. doi:10.2307/256722

Deephouse, D. L., & Carter, S. M. (2005). An examination of differences between organizational legitimacy and organizational reputation. *Journal of Management Studies, 42*(2), 329-360. doi:10.1111/j.1467-6486.2005.00499.x

Deng, P. (2012). The internationalization of Chinese firms: A critical review and future research. *International Journal of Management Reviews, 14*(4), 408–427.

Denk, N., Kaufmann, L., and Roesch, J.-F. (2012), Liabilities of foreignness revisited: A review of contemporary studies and recommendations for future research. *Journal of International Management, 18*(4), pp. 322-334.

Detomasi, D. (2015). The multinational corporation as a political actor: 'Varieties of capitalism' revisited. *Journal of Business Ethics, 128*(3), 685-700. doi:10.1007/s10551-014-2099-6

Devarakonda, S., Klijn, E., Reuer, J., & Duplat, V. (2021). Institutional differences and arbitration mechanisms in international joint ventures. *Global Strategy Journal, 11*(2), 125-155. doi:10.1002/gsj.1351

Dharwadkar, R., George, G., & Brandes, P. (2000). Privatization in emerging economies: An agency theory perspective. *The Academy of Management Review, 25*(3), 650-669. doi:10.5465/AMR.2000.3363533

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*(2), 147-160. doi:10.2307/2095101

Dobson, P. J. (1999). *Approaches to theory use in interpretive case studies–a critical realist perspective.* Paper presented at the Australasian Conference on Information System, Wellington, New Zealand.

Doo, S., & Yoon, S. S. (2020). Tax-motivated income shifting and board structure: Evidence from Korean business groups. *Journal of Contemporary Accounting & Economics, 16*(3). doi:10.1016/j.jcae.2020.100221

Doshi, Dowell, G. W. S., & Toffel, M. W. (2013). How firms respond to mandatory information disclosure. *Strategic Management Journal, 34*(10), 1209–1231. https://doi.org/10.1002/smj.2055

Dörrenbächer, C., & Gammelgaard, J. (2011). Subsidiary power in multinational corporations: the subtle role of micro-political bargaining power. *Critical Perspectives on International Business, 7*(1), 30-47. doi:10.1108/17422041111103822

Dreher, A., & Herzfeld, T. (2005). The economic costs of corruption: A survey and new evidence. *Available at SSRN 734184*.

Du, Y., Deloof, M., & Jorissen, A. (2011). Active boards of directors in foreign subsidiaries. *Corporate Governance-an International Review, 19*(2), 153-168. doi:10.1111/j.1467-8683.2010.00844.x

Du, Y., Deloof, M., & Jorissen, A. (2015). The roles of subsidiary boards in multinational enterprises. *Journal of International Management, 21*(3), 169-181. doi:10.1016/j.intman.2015.05.001

Duffy, M., & Chenail, R. J. (2008). Values in qualitative and quantitative research. *Counseling and Values, 53*(1). doi:10.1002/j.2161-007X.2009.tb00111.x

Dunning, J. H. (2008). *Multinational enterprises and the global economy* (2nd ed.). Edward Elgar Publishing Limited.

Eck, N. J., & Waltman, L. (2010). Software survey: VOSviewer, a computer program for bibliometric mapping. *Scientometrics, 84*(2), 523-538. doi:10.1007/s11192-009-0146-3

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *The Academy of Management Review, 14*(1), 57-74. doi:10.2307/258191

Elg, U., Ghauri, P. N., Child, J., & Collinson, S. (2017). MNE microfoundations and routines for building a legitimate and sustainable position in emerging markets. *Journal of Organizational Behavior, 38*(9), 1320-1337. doi:10.1002/job.2214

Elron, E. (1997). Top management teams within multinational corporations: Effects of cultural heterogeneity. *Leadership Quarterly, 8*(4), 393-412. doi:10.1016/s1048-9843(97)90021-7

Etter, M., Colleoni, E., Illia, L., Meggiorin, K., & D'Eugenio, A. (2018). Measuring organizational legitimacy in social media: Assessing citizens' judgments with sentiment analysis. *Business & Society, 57*(1), 60-97. doi:10.1177/0007650316683926

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics, 26*(2), 301–325.

Fang, Y., Wade, M., Delios, A., & Beamish, P. W. (2013). An exploration of multinational enterprise knowledge resources and foreign subsidiary performance. *Journal of World Business, 48*(1), 30-38. doi:10.1016/j.jwb.2012.06.004

Farah, B., Chakravarty, D., Dau, L., & Beamish, P. W. (2022). Multinational enterprise parent-subsidiary governance and survival. *Journal of World Business, 57*(2), 101271. doi:10.1016/j.jwb.2021.101271

Filatotchev, I., Jackson, G., & Nakajima, C. (2013). Corporate governance and national institutions: A review and emerging research agenda. *Asia Pacific Journal of Management, 30*(4), 965-986. doi:10.1007/s10490-012-9293-9

Filatotchev, I., & Wright, M. (2011). Agency Perspectives on Corporate Governance of Multinational Enterprises. *Journal of Management Studies, 48*(2), 471-486. doi:10.1111/j.1467-6486.2010.00921.x

Frooman, J. (1999). Stakeholder influence strategies. *The Academy of Management Review, 24*(2), 191-205. doi:10.2307/259074

Fung, H.-G., Zhang, G., & Yau, J. (2011). Reported trade figure discrepancy, regulatory arbitrage, and round-tripping: Evidence from the China—Hong Kong trade data. *Journal of International Business Studies, 42*(1), 152-176. doi:10.1057/jibs.2010.35

Gao, Y., Cheng, G., and Ma, Y. (2021), An analysis of the comprehensive efficiency and its determinants of China's National Champions: Competition Neutrality vs. Ownership Neutrality, *Structural Change and Economic Dynamic*s, 59, pp. 320-329.

Garcia-Cabrera, A. M., & Garcia-Soto, M. G. (2012). Organizational commitment in MNC subsidiary top managers: antecedents and consequences. *International Journal of Human Resource Management, 23*(15), 3151-3177.

Gatignon, H., & Anderson, E. (1988). The multinational corporation's degree of control over foreign subsidiaries: An empirical test of a transaction cost explanation. *Journal of Law, Economics, and Organization, 4*(2), 305-336.

Gaur, A. S., Delios, A., & Singh, K. (2007). Institutional environments, staffing strategies, and subsidiary performance. *Journal of Management, 33*(4), 611–636. https://doi.org/10.1177/0149206307302551

Gaur, A. S., & Lu, J. W. (2007). Ownership Strategies and Survival of Foreign Subsidiaries: Impacts of Institutional Distance and Experience. *Journal of Management, 33*(1), 84-110. doi:10.1177/0149206306295203

Gereffi, G. (2005). The global economy: Organization, governance and development. *The Handbook of Economic Sociology (2nd ed.).* Princeton University Press.

Geringer, J. M., & Hebert, L. (1989). Control and performance of international joint ventures. *Journal of International Business Studies, 20,* 235-254.

Ghemawat, P. (2007). *Redefining global strategy: crossing borders in a world where differences still matter*. Harvard Business School Press.

Gomes, E., Cohen, M., & Mellahi, K. (2011). When two African cultures collide: A study of interactions between managers in a strategic alliance between two African organizations. *Journal of World Business, 46*(1), 5-12. doi:10.1016/j.jwb.2010.05.012

Gong, Y. (2003). Subsidiary staffing in multinational enterprises: Agency, resources, and performance. *Academy of Management Journal, 46*(6), 728-739. doi:10.2307/30040664

Gong, Y. (2006). The impact of subsidiary top management team national diversity on subsidiary performance: Knowledge and legitimacy perspectives. *Management International Review, 46*(6), 771-790. doi:10.1007/s11575-006-0126-2

Greenstone M, Oyer P, Vissing-Jorgensen A. (2006). Mandated disclosure, stock returns, and the 1964 Securities Acts Amendments. *Quarterly Journal of Economics 121*(2), 399-460.

Gubbi, S. R., Aulakh, P. S., Ray, S., Sarkar, M., & Chittoor, R. (2010). Do international acquisitions by emerging-economy firms create shareholder value? The case of Indian firms. *Journal of International Business Studies, 41*(3), 397-418.

Gupta, A. K., & Govindarajan, V. (1991). Knowledge flows and the structure of control within multinational corporations. *The Academy of Management Review, 16*(4), 768-792. doi:10.2307/258980

Gupta, A. K., & Govindarajan, V. (2000). Knowledge flows within multinational corporations. *Strategic Management Journal, 21*(4), 473-496.

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., Tatham, R. L. (2005), *Multivariate data analysis (6th ed.)*, Prentice-Hall.

Hambrick, D. C. (1994). Top management groups: A conceptual integration and reconsideration of the 'team' label. *Research in Organizational Behaviour, 16,* 171-213.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review, 9*(2), 193-206.

Hambrick, D.C., Misangyi, V.F. and Park, C.A., (2015), The quad model for identifying a corporate director's potential for effective monitoring: Toward a new theory of board sufficiency, *Academy of Management Review, 40*(3), pp. 323-344.

Harzing, A. W. (2001). Who's in charge? An empirical study of executive staffing practices in foreign subsidiaries. *Human Resource Management, 40*(2), 139-158. doi:10.1002/hrm.1004

Harzing, A.-W., Pudelko, M., & Sebastian Reiche, B. (2016). The bridging role of expatriates and inpatriates in knowledge transfer in multinational corporations. *Human Resource Management, 55*(4), 679–695. https://doi.org/10.1002/hrm.21681

Harvey, M., Speier, C. and Novecevic, M.M. (2001). A theory based framework for strategic human resource staffing policies and practices, *International Journal of Human Resource Management 12*(6), 898–915.

Hausman, J. A., and Taylor, W. E. (1981), Panel data and unobservable individual effects, Econometrica. *Journal of the Econometric Society, 49*(6), pp. 1377-1398.

Hayton, J. C., & Zahra, S. A. (2005). Venture team human capital and absorptive capacity in high technology new ventures. *International Journal of Technology Management, 31*(3-4), 256-274. doi:10.1504/ijtm.2005.006634

Hearn, B. (2015). Institutional influences on board composition of international joint venture firms listing on emerging stock exchanges: Evidence from Africa. *Journal of World Business, 50*(1), 205-219. doi:10.1016/j.jwb.2014.04.006

Hearn, B. (2022). The determinants of foreign multinational enterprise firms' board governance in Caribbean offshore island economies. *Journal of International Management, 28*(4), 100936. https://doi.org/10.1016/j.intman.2022.100936

Hearn, B., Oxelheim, L., & Randøy, T. (2023). The influence of business groups on board composition in offshore financial multinational enterprises. *International Business Review, 32*(3), 102084. https://doi.org/10.1016/j.ibusrev.2022.102084

Heather, B. (2015). Knowledge inheritance in global industries: the impact of parent firm knowledge on the performance of foreign subsidiaries. *Academy of Management Journal, 58*(5), 1438-1458. doi:10.5465/amj.2013.0724

Hennart, J. F., & Reddy, S. (1997). The choice between mergers/acquisitions and joint ventures: The case of Japanese investors in the United States. *Strategic Management Journal, 18,* 1–12.

Hill, C. W., Hwang, P., & Kim, W. C. (1990). An eclectic theory of the choice of international entry mode. *Strategic Management Journal, 11*(2), 117-128.

Hillman, A. J., & Wan, W. P. (2005). The determinants of MNE subsidiaries' political strategies: evidence of institutional duality. *Journal of International Business Studies, 36*(3), 322. doi:10.1057/palgrave.jibs.8400137

Hillman, A. J. Withers, M. C. Collins, B. J. (2009), Resource dependence theory: A review, *Journal of Management, 35*(6), pp. 1404-1427.

Hoenen, A. K., & Kostova, T. (2015). Utilizing the broader agency perspective for studying headquarters-subsidiary relations in multinational companies. *Journal of International Business Studies, 46*(1), 104-113. doi:10.1057/jibs.2014.31

Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-related Values*, Sage Publications.

Holden, M. T., & Lynch, P. (2004). Choosing the appropriate methodology: Understanding research philosophy. *The Marketing Review, 4*(4), 397-409.

Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in Emerging Economies. *Academy of Management Journal, 43*(3), 249-267. doi:10.2307/1556394

Hou, W. R., Li, S. L., & Priem, R. L. (2013). How do CEOs matter? The moderating effects of CEO compensation and tenure on equity ownership in international joint ventures. *Journal of International Management, 19*(2), 138-151.

Huang, & Staples, W. (2018). Do Chinese corporations take their governance practices abroad? Evidence from Chinese mining subsidiaries in Australia. *Thunderbird International Business Review, 60*(4), 619–632.

Hughes, J. A. (1997). *The philosophy of social research* (3rd ed.). Longman.

Husted, B. W., Montiel, I., & Christmann, P. (2016). Effects of local legitimacy on certification decisions to global and national CSR standards by multinational subsidiaries and domestic firms. *Journal of International Business Studies, 47*(3), 382-397. doi:10.1057/jibs.2016.3

Hutto, C., & Gilbert, E. (2014). *Vader: A parsimonious rule-based model for sentiment analysis of social media text.* Paper presented at the Proceedings of the international AAAI conference on web and social media.

Hutzschenreuter, T., & Horstkotte, J. (2013). Managerial services and complexity in ‘ firm’s expansion process: An empirical study of the impact on the growth of the firm. *European Management Journal, 31*(2), 137-151. doi:10.1016/j.emj.2012.02.003

Hutzschenreuter, T., Voll, J. C., & Verbeke, A. (2011). The impact of added cultural distance and cultural diversity on international expansion patterns: A Penrosean perspective. *Journal of Management Studies, 48*(2), 305-329. doi:10.1111/j.1467-6486.2010.00966.x

Hybels, R. C. (1995). On legitimacy, legitimation, and organizations: A critical review and integrative theoretical model. *Academy of Management Journal*, 241.

Hyun, H. J., Oh, C. H., & Paik, Y. (2015). Impact of nationality composition in foreign subsidiary on its performance: a case of Korean companies. *International Journal of Human Resource Management, 26*(6), 806-830. doi:10.1080/09585192.2014.949819

Janis, I. L., & Fadner, R. H. (1943). A coefficient of imbalance for content analysis. *Psychometrika, 8*(2), 105-119.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360. doi:10.1016/0304-405X(76)90026-X

Kang, E., & Chintakananda, A. (2019). Mitigating negative spillovers from categorization of foreign-listed firms: The role of host-country independent directors. *Management and Organization Review, 15*(4), 773-807. doi:10.1017/mor.2018.50

Kao, M. S., & Kuo, A. (2017). The effect of uncertainty on FDI entry mode decisions: The influence of family ownership and involvement in the board of directors. *Journal of Family Business Strategy, 8*(4), 224-236. doi:10.1016/j.jfbs.2017.09.003

Kaufmann, D., Kraay, A., & Mastruzzi, M. (2005). Governance matters IV: governance indicators for 1996-2004. *World Bank Policy Research Working Paper Series*(3630).

Kedia, B. L., & Mukherjee, D. (2009). Understanding offshoring: A research framework based on disintegration, location and externalization advantages. *Journal of World Business, 44*(3): 250–261.

Khanna, T., & Palepu, K. (2000), The future of business groups in emerging markets: Long-run evidence from Chile. *Academy of Management Journal, 43*(3), pp. 268-285.

Khanna, T., & Palepu, K. G. (2010). *Winning in emerging markets: A road map for strategy and execution*. Harvard Business Press.

Kiel, G. C., Hendry, K., & Nicholson, G. J. (2006). Corporate governance options for the local subsidiaries of multinational enterprises. *Corporate Governance: An International Review, 14*(6), 568-576. doi:10.1111/j.1467-8683.2006.00531.x

Kim, Y. U., & Ozdemir, S. Z. (2014). Structuring corporate boards for wealth protection and/or wealth creation: The effects of national institutional characteristics. *Corporate Governance, 22*(3).

Klein, J. G. (2002). Us versus them, or us versus everyone? Delineating consumer aversion to foreign goods. *Journal of International Business Studies, 33*(2), 345-363. doi:10.1057/palgrave.jibs.8491020

Koch, P. T., Koch, B., Menon, T., & Shenkar, O. (2016). Cultural friction in leadership beliefs and foreign-invested enterprise survival. *Journal of International Business Studies, 47*(4), 453-470. doi:10.1057/jibs.2016.16

Kock, A. (2016), Oracle inequalities, variable selection and uniform inference in high-dimensional correlated random effects panel data models, *Journal of Econometrics, 195*(1), pp. 71-85

Kogut, B., & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies, 19*(3), 411. doi:10.1057/palgrave.jibs.8490394

Kostova, T. (1997). Country institutional profiles: concept and measurement. *Best papers - Academy of Management proceedings, 8*(1), 180-184. doi:10.5465/AMBPP.1997.4981338

Kostova, T., Beugelsdijk, S., Scott, W. R., Kunst, V. E., Chua, C. H., & van Essen, M. (2020). The construct of institutional distance through the lens of different institutional perspectives: Review, analysis, and recommendations. *Journal of International Business Studies, 51*(4), 467-497. doi:10.1057/s41267-019-00294-w

Kostova, T., & Roth, K. (2002). Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. *Academy of Management Journal, 45*(1), 215-233. doi:10.2307/3069293

Kostova, T., & Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *The Academy of Management Review, 24*(1), 64-81. doi:10.2307/259037

Kostova, T., Nell, P. C., & Hoenen, A. K. (2016). Understanding agency problems in headquarters-subsidiary relationships in multinational corporations: A contextualized model. *Journal of Management, 44*(7), 2611–2637.

Kriger, M. (1991). The importance of the role of subsidiary boards in MNCs: Comparative parent and subsidiary perceptions. *Management International Review, 31*(4), 317.

Kriger, M. P. (1988). The increasing role of subsidiary boards in MNCs – an empirical study. *Strategic Management Journal, 9*(4), 347-360. doi:10.1002/smj.4250090405

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2000). Investor protection and corporate governance. *Journal of Financial Economics, 58*(1), 3-27. doi:10.1016/S0304-405X(00)00065-9

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy, 106*(6), 1113-1155. doi:10.1086/250042

La Porta, Lopez-de-Silanes, F., & Shleifer, A. (2008). The economic consequences of legal origins. *Journal of Economic Literature, 46*(2), 285–332. https://doi.org/10.1257/jel.46.2.285

Lane, P. J., Salk, J. E., & Lyles, M. A. (2001). Absorptive capacity, learning, and performance in international joint ventures. *Strategic Management Journal, 22*(12), 1139-1161. doi:10.1002/smj.206

Lee, H. J., Yoshikawa, K., & Harzing, A. W. (2021). Cultures and institutions: Dispositional and contextual explanations for country-of-origin effects in MNC ‘ethnocentric’ staffing practices. *Organization Studies*. doi:10.1177/01708406211006247

Leksell, L., & Lindgren, U. (1982). The board of directors in foreign subsidiaries. *Journal of International Business Studies, 13*(1), 27.

Li, J. (1995). Foreign entry and survival: Effects of strategic choices on performance in international markets. *Strategic Management Journal, 16*(5), 333-351. doi:10.1002/smj.4250160502

Li, J., & Guisinger, S. (1992). The globalization of service multinationals in the triad regions: Japan, Western Europe, and North America. *Journal of International Business Studies, 23,* 675–696.

Li, J. T., & Hambrick, D. C. (2005). Factional groups: A new vantage on demographic faultlines, conflict, and disintegration in work teams. *Academy of Management Journal, 48*(5), 794-813. doi:10.5465/amj.2005.18803923

Li, J. T., & Harrison, J. R. (2008). National culture and the composition and leadership structure of boards of directors. *Corporate Governance-an International Review, 16*(5), 375-385. doi:10.1111/j.1467-8683.2008.00697.x

Li, J. T., Xin, K., & Pillutla, M. (2002). Multi-cultural leadership teams and organizational identification in international joint ventures. *International Journal of Human Resource Management, 13*(2), 320-337. doi:10.1080/09585190110103043

Li, J. T., Xin, K. R., Tsui, A., & Hambrick, D. C. (1999). Building effective international joint venture leadership teams in China. *Journal of World Business, 34*(1), 52-68. doi:10.1016/s1090-9516(99)00007-3

Li, L., & Sun, S. L. (2020). Untangling legitimacy complexity: Huawei’s engagement with government and media. In *Huawei Goes Global* (pp. 271-297). Springer.

Li, Prashantham, S., Zhou, A. J., & Zhou, S. S. (2022). Compositional springboarding and EMNE evolution. *Journal of International Business Studies, 53*(4), 754–766. https://doi.org/10.1057/s41267-020-00391-1

Li, P. L., Lewin, A. Y., Witt, M. A., & Valikangas, L. (2021). De-globalization and decoupling: A luck of the draw for India? *Management and Organization Review, 17,2*, 389-393.

Li, Y., Arora, S., Youtie, J., and Shapira, P. (2018), Using web mining to explore Triple Helix influences on growth in small and mid-size firms, *Technovation, 76*, pp. 3-14.

Lien, Y. C., & Filatotchev, I. (2015). Ownership characteristics as determinants of FDI location decisions in emerging economies. *Journal of World Business, 50*(4), 637-650. doi:10.1016/j.jwb.2014.09.002

Liu, Q. (2006). Corporate governance in China: Current practices, economic effects and institutional determinants. *Cesifo Economic Studies, 52*(2), 415-453.

Liu, Z. (2022). Chinese enterprises leverage the Hong Kong platform to explore avenues for overseas investment. *Modern Business, 2022*(17), 175-178. [刘震. 中资企业利用香港平台进行境外投资的路径探索. 2022(17), 175-178].

Lo, F.-Y. (2016). Factors leading to foreign subsidiary ownership: A multi-level perspective. *Journal of Business Research, 69*(11), 5228-5234. doi:10.1016/j.jbusres.2016.04.117

Lomi, A., Lusher, D., Pattison, P. E., & Robins, G. (2014). The focused organization of advice relations: A study in boundary crossing. *Organization Science, 25*(2), 438-457. doi:10.1287/orsc.2013.0850

Lu, J. W., & Xu, D. (2006). Growth and survival of international joint ventures: An external-internal legitimacy perspective. *Journal of Management, 32*(3), 426-448. doi:10.1177/0149206305281399

Lu, J., Liu, X., & Wang, H. (2011). Motives for outward FDI of Chinese private firms: Firm resources, industry dynamics, and government policies. *Management and Organization Review, 7*(2), 223–248.

Lubatkin, M.H., Lane, P.J. and Schultze, W.S. (2001). A strategic management model of agency relationships in firm governance, in *M.A. Hitt, R.E. Edwards and J.S. Harrison (eds.) The Blackwell Handbook of Strategic Management, Blackwell Business,* 229–258.

Luo, Y. (2005). Toward coopetition within a multinational enterprise: a perspective from foreign subsidiaries. *Journal of World Business, 40*(1), 71-90. doi:10.1016/j.jwb.2004.10.006

Luo, Y., & Tung, R. (2018). A general theory of springboard MNEs. *Journal of International Business Studies, 49*(2), 129-152. doi:10.1057/s41267-017-0114-8

Luo, Y., & Tung, R. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies, 38*(4), 481. doi:10.1057/palgrave.jibs.8400275

Luo, Y. (2003). Market-seeking MNEs in an emerging market: How parent–subsidiary links shape overseas success. *Journal of International Business Studies, 34*(3), 290–309.

Luo, Y., & Witt, M. A. (2022). Springboard MNEs under de-globalization. *Journal of International Business Studies, 53*.

Luo, Y., Xue, Q., & Han, B. (2010). How emerging market governments promote outward FDI: Experience from China. *Journal of World Business, 45*(1), 68-79. doi:10.1016/j.jwb.2009.04.003

Luo, Y., & Zhao, H. (2004). Corporate link and competitive strategy in multinational enterprises: a perspective from subsidiaries seeking host market penetration. *Journal of International Management, 10*(1), 77-105.

Lyles, M. A. (1991). A study of the interaction of firm business area relatedness and the propensity to joint venture. *Journal of Global Marketing, 5*(1-2), 91-106. doi:10.1300/J042v05n01_07

Malhotra, S., & Gaur, A. S. (2013). Spatial geography and control in foreign acquisitions. *Journal of International Business Studies, 45*(2), 191-210. doi:10.1057/jibs.2013.50

Manev, I. M., & Stevenson, W. B. (2001). Nationality, cultural distance, and expatriate status: Effects on the managerial network in a multinational enterprise. *Journal of International Business Studies, 32*(2), 285. doi:10.1057/palgrave.jibs.8490953

Marano, V., Tashman, P., & Kostova, T. (2017). Institutional escaping the iron cage: Liabilities of origin and CSR reporting of emerging market multinational enterprises. *Journal of International Business Studies, 48*(3), 386-408. doi:10.1057/jibs.2016.17

Martins, F. S., Lucato, W. C., Vils, L., & Serra, F. A. R. (2019). The effects of market and entrepreneurial orientation on the ambidexterity of multinational companies' subsidiaries. *European Business Review, 32*(1), 4-25. doi:10.1108/ebr-05-2018-0110

Mathews, J. (2006). Dragon multinationals: New players in 21st century globalization. *Asia Pacific Journal of Management, 23*(1), 5-27. doi:10.1007/s10490-006-6113-0

Mayer, K. J. (2006). Spillovers and governance: An analysis of knowledge and reputational spillovers in information technology. *Academy of Management Journal, 49*(1), 69-84. doi:10.5465/amj.2006.20785502

McCann, P. (2011). International business and economic geography: knowledge, time and transactions costs. *Journal of Economic Geography, 11*(2), 309-317. doi:10.1093/jeg/lbq035

Mellahi, K., & Collings, D. G. (2010). The barriers to effective global talent management: The example of corporate elites in MNEs. *Journal of World Business, 45*(2), 143-149. doi:10.1016/j.jwb.2009.09.018

Meyer, K. E., Estrin, S., Bhaumik, S. K., & Peng, M. W. (2009). Institutions, resources, and entry strategies in emerging economies. *Strategic Management Journal, 30*(1), 61-80. doi:10.1002/smj.720

Meyer, K. E., Mudambi, R., & Narula, R. 2011. Multinational enterprises and local contexts: The opportunities and challenges of multiple embeddedness. *Journal of Management Studies, 48*(2), 235–252.

Meyer, K. E., Li, C., & Schotter, A. P. J. (2020). Managing the MNE subsidiary: Advancing a multi-level and dynamic research agenda. *Journal of International Business Studies, 51*(4), 538-576. doi:10.1057/s41267-020-00318-w

Milanov, H., & Fernhaber, S. A. (2014). When do domestic alliances help ventures abroad? Direct and moderating effects from a learning perspective. *Journal of Business Venturing, 29*(3), 377-391. doi:10.1016/j.jbusvent.2013.05.004

Millar, C., Eldomiaty, T., Choi, C., & Hilton, B. (2005). Corporate governance and institutional transparency in emerging markets. *Journal of Business Ethics, 59*(1), 163-174. doi:10.1007/s10551-005-3412-1

MOFCOM, NBS, and SAFE (2012), Statistical Bulletin of China's Outward FDI, *China Commerce and Trade Press.*

MOFCOM, NBS, and SAFE (2022), Statistical Bulletin of China's Outward FDI, *China Commerce and Trade Press.*

Mitchell, R., Boyle, B., Nicholas, S., Maitland, E., & Zhao, S. M. (2016). Boundary conditions of a curvilinear relationship between decision comprehensiveness and performance: The role of functional and national diversity. *Journal of Business Research, 69*(8), 2801-2811. doi:10.1016/j.jbusres.2015.12.049

Mithani, M. (2017). Liability of foreignness, natural disasters, and corporate philanthropy. *Journal of International Business Studies, 48*(8), 941-963. doi:10.1057/s41267-017-0104-x

Mjoen H, Tallman S. 1997. Control and performance in international joint ventures. *Organization Science, 8*(3), 257–274.

Mohammed, R., Rawashdeh, J., & Abdullah, M. (2020). *Machine learning with oversampling and undersampling techniques: overview study and experimental results.* Paper presented at the 2020 11th International Conference on Information and Communication Systems (ICICS).

Morikawa, M. (2016). What types of companies have female directors? Evidence from Japan. *Japan and the World Economy, 37-38*, 1-7. doi:10.1016/j.japwor.2015.09.001

Mudambi, R., & Navarra, P. 2004. Is knowledge power? Knowledge flows, subsidiary power and rent-seeking within MNCs. *Journal of International Business Studies, 35*(5), 385–406.

Muellner, J., Klopf, P., & Nell, P. C. (2017). Trojan horses or local allies: Host-country national managers in developing market subsidiaries. *Journal of International Management, 23*(3), 306-325. doi:10.1016/j.intman.2016.12.001

Murtha, T. P., & Lenway, S. A. (1994). Country capabilities and the strategic state: How national political institutions affect multinational corporations' strategies. *Strategic Management Journal, 15*(S2), 113-129. doi:10.1002/smj.4250151008

Nachum, L., & Zaheer, S. (2005). The persistence of distance? The impact of technology on MNE motivations for foreign investment. *Strategic Management Journal, 26*(8), 747-767. doi:10.1002/smj.472

Najafi-Tavani, Z., Giroud, A., & Andersson, U. (2014). The interplay of networking activities and internal knowledge actions for subsidiary influence within MNCs. *Journal of World Business, 49*(1), 122–131.

Narula, R., & Verbeke, A. (2015). Making internalization theory good for practice: The essence of Alan Rugman's contributions to international business. *Journal of World Business, 50*(4),612–622.

Nicholson, R. R., & Salaber, J. (2013). The motives and performance of cross-border acquirers from emerging economies: Comparison between Chinese and Indian firms. *International Business Review, 22*(6), 963-980. doi:10.1016/j.ibusrev.2013.02.003

Nie, Q. (1993). Zhongguo qiye zai xianggang shangshi wenti de yanjiu. *Guanli Shijie, 3*, 88-91 [聂庆平(1993).中国企业在香港上市问题的研究.管理世界. *3,* 88-91.]

North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*, Cambridge University Press.

Nuruzzaman, N., Gaur, A. S., & Sambharya, R. B. (2019). A microfoundations approach to studying innovation in multinational subsidiaries. *Global Strategy Journal, 9*(1), 92-116. doi:10.1002/gsj.1202

O'Donnell, S.W. (2000). Managing foreign subsidiaries: agents of headquarters, or an interdependent network?, *Strategic Management Journal 21*(5), 525–548.

Ozbek, O. V., & Boyd, B. (2020). The influence of CEO duality and board size on the market value of spun-off subsidiaries The contingency effect of firm size. *Journal of Strategy and Management, 13*(3), 333-350. doi:10.1108/jsma-03-2019-0039

Pan, Y. (2017). Strategic motives, institutional environments, and firm's FDI ownership. *Multinational Business Review, 25*(4), 307-327. doi:10.1108/MBR-11-2016-0041

Pearce, R. D. (1992). World product mandates and MNE specialization. *Scandinavian International Business Review, 1*(2), 38–59.

Pehrsson, A. (2006). Business relatedness and performance: a study of managerial perceptions. *Strategic Management Journal, 27*(3), 265-282. doi:10.1002/smj.516

Pehrsson, A. (2008), Strategy antecedents of modes of entry into foreign markets, *Journal of Business Research, 61*(2), 132-140.

Pehrsson, A. (2012), Competition barriers and strategy moderations: impact on foreign subsidiary performance, *Global Strategy Journal, 2*(2), 137-152.

Pehrsson, A. (2017), Foreign subsidiary's competitive strategy: the impact of corporate support and local competition, *European Business Review, 29*(6), 606-627.

Peng, G. Z. (2012). FDI legitimacy and MNC subsidiary control: from legitimation to competition. *Journal of International Management, 18*(2), 115-131. doi:10.1016/j.intman.2011.12.001

Peng, M. W., Wang, D. Y. L., & Jiang, Y. (2008). An institution-based view of international business strategy: a focus on emerging economies. *Journal of International Business Studies, 39*(5), 920-936. doi:10.1057/palgrave.jibs.8400377

Pfeffer, J. (2003). *The external control of organizations: a resource dependence perspective*, Stanford Business Books.

Plourde, Y., Parker, S. C., & Schaan, J.-L. (2014). Expatriation and its effect on headquarters' attention in the multinational enterprise. *Strategic Management Journal, 35*(6), 938-947. doi:10.1002/smj.2125

Podskoff, P. M., MacKenzie, S. B., Podsakoff, N. P., & Bachrach, D. G. (2008). Scholarly influence in the field of management: A bibliometric analysis of the determinants of university and author impact in the management literature in the past quarter century. *Journal of Management, 34*(4), 641-720. doi:10.1177/0149206308319533

Prahalad, C. K., & Doz, Y. L. (1981). An approach to strategic control in MNCs. *Sloan Management Review, 22*(4), 5.

Ragozzino, R. (2009). The effects of geographic distance on the foreign acquisition activity of U.S. firms. *Management International Review, 49*(4), 509-535. doi:10.1007/s11575-009-0006-7

Ragozzino, R., & Reuer, J. J. (2011). Geographic distance and corporate acquisitions: signals from IPO firms. *Strategic Management Journal, 32*(8), 876-894. doi:10.1002/smj.914

Rathert, N. (2016), Strategies of legitimation: MNEs and the adoption of CSR in response to host-country institutions, *Journal of International Business Studies, 47*(7), pp. 858-879.

Reuer, J. J., Klijn, E., & Lioukas, C. S. (2014). Board involvement in international joint ventures. *Strategic Management Journal, 35*(11), 1626-1644. doi:10.1002/smj.2173

Rickley, M. (2019). Cultural generalists and cultural specialists: Examining international experience portfolios of subsidiary executives in multinational firms. *Journal of Management, 45*(2), 384-416. doi:10.1177/0149206317748745

Rickley, M., & Karim, S. (2018). Managing institutional distance: Examining how firm-specific advantages impact foreign subsidiary CEO staffing. *Journal of World Business, 53*(5), 740-751. doi:10.1016/j.jwb.2018.05.002

Rosenzweig, P., M., & Nohria, N. (1994). Influences on human resource management practices in multinational corporations. *Journal of International Business Studies, 25*(2), 229. doi:10.1057/palgrave.jibs.8490199

Rosenzweig, P. M., & Singh, J. V. (1991). Organizational environments and the multinational enterprise. *The Academy of Management Review, 16*(2), 340-361. doi:10.2307/258865

Rowland, G. (1995). Archetypes of systems design. *Systems Practice, 8*(3), 277-288. doi:10.1007/BF02250476

Rugman, A. M., & Bennett, J. (1982). Technology-transfer and world product mandating in Canada. *Columbia Journal of World Business, 17*(4), 58–62.

Rugman, A. M., & Verbeke, A. 2001. Subsidiary-specific advantages in multinational enterprises. *Strategic Management Journal, 22*(3), 237–250.

Rui, H., & Yip, G. S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective. *Journal of World Business, 43*(2), 213–226.

Sanchez, J., Spector, P., & Cooper, C. (2000). Adapting to a boundaryless world: A developmental expatriate model. *The Academy of Management Executive, 14*(2), 96-106. doi:10.5465/ame.2000.3819309

Santacreu-Vasut, E., Shenkar, O., & Shoham, A. (2014). Linguistic gender marking and its international business ramifications. *Journal of International Business Studies, 45*(9), 1170-1178. doi:10.1057/jibs.2014.5

Saunders, M. (2007). *Research methods for business students (4th ed.)*. Financial Times Prentice Hall.

Schmid, D., & Morschett, D. (2020). Decades of research on foreign subsidiary divestment: What do we really know about its antecedents? *International Business Review, 29*(4). doi:10.1016/j.ibusrev.2019.101653

Scott, W. R. (2008). *Institutions and organizations: ideas and interests (3rd ed.).* Sage Publications.

Sekiguchi, T., Bebenroth, R., & Li, D. H. (2011). Nationality background of MNC affiliates' top management and affiliate performance in Japan: Knowledge-based and upper echelons perspectives. *International Journal of Human Resource Management, 22*(5), 999-1016. doi:10.1080/09585192.2011.556774

Shapiro, A. C. (2014). *Multinational financial management (10th ed.).* Wiley.

Shapiro, S. P. (2005). Agency theory. *Annual Review of Sociology, 31*(1), 263-284. doi:10.1146/annurev.soc.31.041304.122159

Sharma, A., & Kesner, I. F. (1996). Diversifying entry: Some ex-ante explanations for post-entry survival and growth. *The Academy of Management Journal, 39*(3), 635-677. doi:10.2307/256658

Shaver. (2005). Testing for mediating variables in management research: Concerns, implications, and alternative strategies. *Journal of Management, 31*(3), 330–353. https://doi.org/10.1177/0149206304272149

Shenkar, O. (2012). Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences. *Journal of International Business Studies, 43*(1), 1. doi:10.1057/jibs.2011.40

Shin, D., Hasse, V., Schotter, A., (2016) Multinational enterprises within cultural space and place: Integrating cultural distance and cultural tightness-looseness. *Academy of Management Journal*.

Snee, R. D. (1977). Validation of regression models: Methods and examples. *Technometrics*, 19(4), 415–428.

Singh, D., Pattnaik, C., Lee, J. Y., & Gaur, A. S. (2019). Subsidiary staffing, cultural friction, and subsidiary performance: Evidence from Korean subsidiaries in 63 countries. *Human Resource Management, 58*(2), 219-234. doi:10.1002/hrm.21947

Sinkovics, N. (2016). Enhancing the foundations for theorising through bibliometric mapping. *International Marketing Review, 33*(3), 327-350. doi:10.1108/imr-10-2014-0341

Sixty seconds of fame. (2020, Jul 25). *The Economist, 436*, 51-52. Retrieved from https://search.proquest.com/docview/2426765612?accountid=16676

Smith, F. (2014), Asset protection in multinational enterprises – where to now? *Multinational Business Review, 22*(4), pp. 351-371.

Song, S., & Lee, J. Y. (2017). Relationship with headquarters and divestments of foreign subsidiaries: The hysteresis perspective. *Management International Review, 57*(4), 545-570. doi:10.1007/s11575-017-0317-z

Song, Y., Park, Y. R., & Kwak, J. (2018). How the parent-subsidiary relationship encourages subsidiary-driven innovation and performance in Korea: the perspective of subsidiary autonomy. *Asian Journal of Technology Innovation, 26*(1), 1-23. doi:10.1080/19761597.2018.1434006

Strutzenberger, A., & Ambos, T. C. (2014). Unravelling the subsidiary initiative process: A multilevel approach. *International Journal of Management Reviews, 16*(3), 314-339. doi:10.1111/ijmr.12022

Suchman, M. (1995). Managing legitimacy: Strategic and institutional approaches. *The Academy of Management Review, 20*(3), 571. doi:10.2307/258788

Sullivan, D. (1994). Measuring the degree of internationalization of a firm. *Journal of International Business Studies, 25*(2), 325-342. doi:10.1057/palgrave.jibs.8490203

Takeuchi, R., Qian, C. L., Chen, J. Y., & Shay, J. P. (2021). Moderating effects of decision autonomy and culture novelty on the relationship between expatriate manager leadership styles and host country managers' job satisfaction: Evidence from the global hotel industry. *International Journal of Cross Cultural Management, 21*(2), 285-305. doi:10.1177/14705958211013408

Tang, J., & Rowe, W. G. (2012). The liability of closeness: Business relatedness and foreign subsidiary performance. *Journal of World Business, 47*(2), 288-296. doi:10.1016/j.jwb.2011.04.016

Trąpczyński, & Banalieva, E. R. (2016). Institutional difference, organizational experience, and foreign affiliate performance: Evidence from Polish firms. *Journal of World Business, 51*(5), 826–842. https://doi.org/10.1016/j.jwb.2016.07.013

Tung, R. L. (1982). Selection and training procedures of U.S., European, and Japanese multinationals. *California Management Review, 25*(1), 57-71. doi:10.2307/41164993

Van Veen, K., Sahib, P. R., & Aangeenbrug, E. (2014). Where do international board members come from? Country-level antecedents of international board member selection in European boards. *International Business Review, 23*(2), 407-417. doi:10.1016/j.ibusrev.2013.06.008

Verbeke, A., & Greidanus, N. S. 2009. The end of the opportunism vs trust debate: Bounded reliability as a new envelope concept in research on MNE governance. *Journal of International Business Studies, 40*(9), 1471–1495.

Vergne, J.-P. (2011). Toward a new measure of organizational legitimacy: Method, validation, and illustration. *Organizational Research Methods, 14*(3), 484-502. doi:10.1177/1094428109359811

Vernon, R. (1983). Organizing and institutional responses to international risk. *Managing International Risk,* Cambridge University Press, 191–216.

Vogel, R., Hattke, F., & Petersen, J. (2017). Journal rankings in management and business studies: What rules do we play by? *Research Policy, 46*(10), 1707-1722. doi:10.1016/j.respol.2017.07.001

Wan, W. P., & Hillman, A. J. (2005). The determinants of MNE subsidiaries' political strategies: Evidence of institutional duality. *Journal of International Business Studies, 36*(3), 322-340. doi:10.1057/palgrave.jibs.8400137

Wang, S. L., Luo, Y., Lu, X., Sun, J., & Maksimov, V. (2013). Autonomy delegation to foreign subsidiaries: An enabling mechanism for emerging-market multinationals. *Journal of International Business Studies, 45*(2), 111. doi:10.1057/jibs.2013.40

Wang, Y. H. (2016). The study on China's outward FDI's structure and driving factors and macro impact factors. PhD Dissertation. [王羽涵，2016. "中国对外直接投资的结构，驱动因素与宏观影响因子研究]

Wang, Y. K. (2019). Executive migration and international mergers and acquisitions. *International Business Review, 28*(2), 284-293. doi:10.1016/j.ibusrev.2018.10.001

Wei, J., Wang, S., Yang, Y. (2016). Which environment to be isomorphic with? Responses of Sino-MNCs' foreign subsidiaries to institutional duality. *Management World, 2016*(10).

Wei, Q., Li, W. H., De Sisto, M., & Gu, J. L. (2020). What types of top management teams' experience matter to the relationship between political hazards and foreign subsidiary performance? *Journal of International Management, 26*(4). doi:10.1016/j.intman.2020.100798

Weil D, Fung A, Graham M, Fagotto E. (2006). The effectiveness of regulatory disclosure. *Journal of Policy Analysis and Management 26*(1), 155-181.

Westphal, J. D., & Graebner, M. E. (2010). A matter of appearances: how corporate leaders manage the impressions of financial anlysis about the conduct of their board. *Academy of Management Journal, 53*(1), 15-44. doi:10.5465/amj.2010.48036721

Westphal, J. D., & Zajac, E. J. (1998). The symbolic management of stockholders: Corporate governance reforms and shareholder reactions. *Administrative Science Quarterly, 43*(1), 127-153. doi:10.2307/2393593

Xia, Ma, X., Lu, J. W., & Yiu, D. W. (2014). Outward foreign direct investment by emerging market firms: A resource dependence logic. *Strategic Management Journal, 35*(9), 1343–1363. https://doi.org/10.1002/smj.2157

Williamson, C. R., & Kerekes, C. B. (2011). Securing private property: Formal versus informal institutions. *The Journal of Law & Economics, 54*(3), 537-572. doi:10.1086/658493

Williamson, O.E. (2000) The new institutional economics: Taking stock, looking ahead. *Journal of Economic Literature, 38*(3), 595-613.

Witt, M. A. (2019). De-globalization: Theories, predictions, and opportunities for international business research. *Journal of International Business Studies, 50*(7), 1053-1077. doi:10.1057/s41267-019-00219-7

Witt, M. A., Lewin, A. Y., Li, P. P., & Gaur, A. (2023). Decoupling in international business: Evidence, drivers, impact, and implications for IB research. *Journal of World Business, 58*.

Witt, M. A., Li, P. P., Välikangas, L., & Lewin, A. Y. (2021). De-globalization and decoupling: Game changing consequences? *Management and Organization Review, 17*(1), 6-15. doi:10.1017/mor.2021.9

Witt, M. A, and Lewin, A. Y. (2007). Outward foreign direct investment as an institutional escape response to home country institutional constraints. *Journal of International Business Studies, 38*(4), pp. 579-594.

Wolf, J., & Egelhoff, W. G. 2002. A reexamination and extension of international strategy–structure theory. *Strategic Management Journal, 23*(2), 181–189.

Wu, Z., & Salomon, R. (2016). Does imitation reduce the liability of foreignness? Linking distance, isomorphism, and performance. *Strategic Management Journal, 37*(12), 2441-2462. doi:10.1002/smj.2462

Xia, B. (2009). Policy recommendations on using Hong Kong platforms to promote outward investment by Chinese enterprises. *Journal of Chongqing Institute of Technology, 23*(3): 38-52 [夏斌. 2009. 利用香港平台促进中国企业境外投资的政策建议. 重庆工学院学报（社会科学版）. 23(3)]

Xu, D., & Shenkar, O. (2002). Institutional distance and the multinational enterprise. *Academy of Management Review, 27*(4), 608-618. doi:10.2307/4134406

Yamakawa, Y., Peng, M. W., & Deeds, D. L. (2008). What drives new ventures to internationalize from emerging to developed economies? *Entrepreneurship Theory and Practice, 32*(1), 59–82.

Yang, S., Shu, K., Wang, S., Gu, R., Wu, F., & Liu, H. (2019). *Unsupervised fake news detection on social media: A generative approach.* Paper presented at the Proceedings of the AAAI conference on artificial intelligence.

Yang, W., & Meyer, K. E. (2019). How does ownership influence business growth? A competitive dynamics perspective. *International Business Review, 28*(5). doi:10.1016/j.ibusrev.2018.02.009

Yang, Wen, L., Volk, S., & Lu, J. W. (2022). Temporal boundaries and expatriate staffing: Effects of parent–subsidiary work-time overlap. *Journal of World Business, 57*(6), 101367. https://doi.org/10.1016/j.jwb.2022.101367

Yang, X., & Rivers, C. (2009). Antecedents of CSR practices in MNCs' subsidiaries: A stakeholder and institutional perspective. *Journal of Business Ethics, 86*(2), 155-169. doi:10.1007/s10551-009-0191-0

Yang, Z., Su, C., & Fam, K.-S. (2012). Dealing with institutional distances in international marketing channels: Governance strategies that engender legitimacy and efficiency. *Journal of Marketing, 76*(3), 41-55. doi:10.1509/jm.10.0033

Yiu, D., & Makino, S. (2002). The choice between joint venture and wholly owned subsidiary: An institutional perspective. *Organization Science, 13*(6), 667-683. doi:10.1287/orsc.13.6.667.494

Yiu, D. W., Wan, W. P., Chen, K. X., & Tian, X. C. (2022). Public sentiment is everything: Host-country public sentiment toward home country and acquisition ownership during institutional transition. *Journal of International Business Studies*. doi:10.1057/s41267-020-00380-4

Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate governance in emerging economies: A review of the principal–principal perspective. *Journal of Management Studies, 45*(1), 196-220. doi:10.1111/j.1467-6486.2007.00752.x

Yu, J., Lee, S.-H., & Han, K. (2015). FDI motives, market governance, and ownership choice of MNEs: A study of Malaysia and Thailand from an incomplete contracting perspective. *Asia Pacific Journal of Management, 32*(2), 335-362. doi:10.1007/s10490-015-9412-5

Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management Journal, 38*(2), 341-363. doi:10.5465/256683

Zaheer, S., & Mosakowski, E. 1997. The dynamics of the liability of foreignness: A global study of survival in financial services. *Strategic Management Journal, 18*(6), 439–463.

Zhang, X. A., Li, N., Ullrich, J., & van Dick, R. (2015). Getting everyone on board: The effect of differentiated transformational leadership by CEOs on top management team effectiveness and leader-rated firm performance. *Journal of Management, 41*(7), 1898-1933. doi:10.1177/0149206312471387

Zhao, M. (2012). CSR-based political legitimacy strategy: Managing the state by doing good in China and Russia. *Journal of Business Ethics, 111*(4), 439-460. doi:10.1007/s10551-012-1209-6

Zhou, N., & Wang, H. (2020). Foreign subsidiary CSR as a buffer against parent firm reputation risk. *Journal of International Business Studies, 51*(8), 1256-1282. doi:10.1057/s41267-020-00345-7

Appendix

The signature page of research ethics approval by the University of Nottingham Ningbo China

If you have ticked any shaded boxes **you will need to describe more fully how you plan to deal with the ethical issues raised by your research.** Issues to consider in preparing an ethics review are given below. Please send this completed form to the Research Ethics Officer who will decide whether your project requires further review by the UNNC Research Ethics Sub-Committee and/or whether further information needs to be provided.
Please note that it is your responsibility to follow the University's ***Research Code of Conduct*** and any relevant academic or professional guidelines in the conduct of your study. **This includes providing appropriate information sheets and consent forms, and ensuring confidentiality in the storage and use of data. For guidance and UK regulations on the latter, please refer to** the *Data Protection Policy and Guidelines* of the University of Nottingham:

Policy and guidelines - https://www.nottingham.ac.uk/governance/records-and-information-management/data-protection/data-protection-policy.aspx

Any significant change in the project question(s), design or conduct over the course of the research should be notified to the School Research Ethics Officer and may require a new application for ethical approval.

Signature of Principal Investigator/Researcher: Yuxue Luo

Signature of Supervisor (where appropriate):

Date May 30 2024

Research Ethics Panel response

☒ the research can go ahead as planned

☐ further information is needed on the research protocol (see details below)

☐ amendments are requested to the research protocol (see details below)

Unit REO... Jinan Shao ...... Jin Chen ...... Date ...30 May 2024....................

A. LIST OF POINTS TO CONSIDER WHEN SUBMITTING AN ETHICS REVIEW (taken from ESRC (2012) *Framework for Research Ethics*).

Risks

1. Have you considered risks to:
    - the research team?
    - the participants? *Eg harm, deception, impact of outcomes*
    - the data collected? *Eg storage, considerations of privacy, quality*