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Jing'an Tang
Sacred Heart University, tangj2201@sacredheart.edu

Paul W. Beamish
University of Western Ontario

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JING'AN TANG
Richard Ivey School of Business
The University of Western Ontario
London, ON, N6A 3K7, Canada

PAUL W. BEAMISH
The University of Western Ontario

INTRODUCTION

A firm's network of relationships is a source of both opportunities and constraints (Gulati, Nohria, & Zaheer, 2000). Questions arise. What are the true impacts of network ties on the focal organization's outcomes? If both negative and positive effects exist, what are the boundary conditions and circumstances?

Following a contingency perspective, current network research has focused on three sets of contingencies: 1) firms' internal capabilities (Lee, Lee, & Pennings, 2001); 2) network contextual factors such as network structure (Bae & Gargiulo, 2004), network diversity (Goerzen & Beamish, 2005) and market or industry conditions (Gulati & Higgins, 2003; Rowley, Behrens, & Krackhardt, 2000); 3) nature of the network ties including content or type of the linkages (Gulati & Westphal, 1999), level of embeddedness (Uzzi, 1996), and direct/indirect ties (Ahuja, 2000). However, few studies have examined these contingencies simultaneously. In this study, we explore this void and investigate both the internal and contextual contingencies (when ties matter) meanwhile differentiating types of network linkage (which ties matter). We explore these questions in the context of international networks - the strategic impact of network linkages, specifically foreign or local ownership linkages, on the survival of foreign subsidiaries of multinational enterprises (MNEs).

In addition to enriching the network theory by specifying the conditions under which business networks affect firm performance, our study contributes to the international strategic alliances literature in answering the questions of when to ally and with whom to ally for managers dealing with international expansions.

CONCEPTUALIZATION AND HYPOTHESES DEVELOPMENT

Network Linkages in the MNE Foreign Subsidiary Context

A MNE can be viewed as a differentiated network of subsidiaries that are embedded in different local networks in the host countries (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997). Situated at the nexus between the MNE internal network and the host country network, a foreign subsidiary maintains unique and idiosyncratic patterns of network linkages. These linkages are considered network resources that are vital for foreign subsidiary success. Not all network linkages contribute equally to the success of a subsidiary. Studies have suggested, for instance, that subsidiary managers' personal ties are vital for social capital creation in the MNE context (Kostova & Roth, 2003); embedded business ties with host country suppliers or customers affect a foreign subsidiary's market performance (Andersson, Forsgren, & Holm, 2002). In this study, we focus on ownership ties – the linkages between the focal subsidiary and its various equity investors. A MNE foreign subsidiary can have multiple and diverse ownership ties (Makino & Beamish, 1998). In addition to its main MNE parent, a foreign subsidiary may have ownership ties with local firms in the host country and with foreign firms in other countries. We define the ownership ties connecting subsidiary with foreign parents as foreign linkages and those bridging subsidiary with local parents in the host country as local linkages.

Internal and External Contingencies

We focus on MNE internal network size and resource endowment as internal contingencies and the host country competition intensity and resource endowment as external contingencies.

MNE Internal Network Size. A MNE internal network constitutes the MNE headquarters and its various subsidiaries worldwide. A large (small) MNE internal network has large (small) number of subsidiaries worldwide. As the internal network grows larger, any single subsidiary faces stronger competition from its peers for opportunities and resource commitments from their headquarters. Under such circumstances, an additional ownership linkage can play a vital role in shouldering the internal selection pressures and contributing additional resources. In a small MNE internal network, an additional ownership linkage's role as a competition buffer will not benefit the subsidiary much since the internal selection pressure is relatively low. It may even hurt subsidiary performance due to increased costs of coordinating cooperation and resolving potential conflicts among different parents (Beamish & Kachra, 2004). Based on these arguments, we provide the following hypothesis.

> *Hypothesis 1. Additional ownership linkages will be more likely to increase a foreign subsidiary's survival chances when the MNE internal network is large; additional ownership linkages will not increase (or may even be detrimental to) a foreign subsidiary's survival chances when the internal network is small.*

MNE Internal Network Resource Endowment. A foreign subsidiary's success depends heavily on the linkage to its MNE internal network to acquire resources. When a foreign subsidiary has multiple ownership linkages (Makino & Beamish, 1998), the effectiveness of these "extra" linkages largely depends on whether the linkage to the main parent can do the job alone. When a parent MNE has few resources, the foreign subsidiary will be unlikely to receive sufficient survival support through the ownership linkage to its MNE parent. Under such conditions, additional ownership ties which channel in resources from other parents can fill the resource gaps and therefore increase the chances of success. When the resource endowment is rich in the MNE internal network, the foreign subsidiary can acquire plenty of support through its ownership linkage to the main parent. Additional ownership linkages may not only become redundant ties, but also introduce management complexities or even conflicts in the subsidiary. The costs of dealing with a large number of parents outweigh the benefits that these ownership ties can contribute, hence impair the survivability of the subsidiary. Therefore, the following hypothesis is expected.

Hypothesis 2. Additional ownership linkages will be more likely to increase a foreign subsidiary's survival chances when the resource endowment in the MNE internal network is poor; additional ownership linkages will not increase (or may even be detrimental to) a foreign subsidiary's survival when a MNE internal network resource endowment is rich.

Competition Intensity in the Host Country. Foreign subsidiaries are embedded in host country business networks (Andersson et al., 2002). When competition is intense in the host country, foreign subsidiaries face increasing pressures to exit. In this case, additional ownership linkages may help alleviate competition pressures by converting competitors into alliance partners. On the resources front, when competition is strong, each firm's resource base is tight. If the subsidiary has additional ownership linkages to channel in complementary resources, its survivability will increase. When competition is not so strong as to pose a threat to the foreign subsidiary, the additional ownership linkages will be deemed unnecessary. In the extreme, a large number of extra linkages may even increase the internal strife among parents. Therefore, we propose the following prediction.

Hypothesis 3. Additional ownership linkages will be more likely to increase a foreign subsidiary's survival chances when the competition intensity is high in the host country network; additional ownership linkages will not increase (or may even be detrimental to) a foreign subsidiary's survival when competition intensity is low in the host country network.

Resource Endowment in the Host Country Network. Similar to the internal network resource endowment argument, when resources are abundant, foreign subsidiaries do not need to invest much in searching for opportunities. Building normal business linkages will enable subsidiaries to survive while saving additional coordination costs in managing multiple ownership linkages. In addition, abundant resources create a large market domain in which adaptation and flexibility become essential for the subsidiary to achieve better performance than its competitors. Multiple parents in a subsidiary will require additional coordination, which slows the decision process and therefore results in the firm forgoing the pursuit of opportunities. If the resources are scarce, firms in a market will have to invest to find market opportunities, specifically in a foreign country. Under these circumstances, the information benefits (including access to more business opportunities) of a network linkage become critical (Burt, 1992). Additional ownership linkages to other investors will bring in new information and opportunities to increase the chances of survival. The above analysis leads to the following hypothesis.

Hypothesis 4. Additional ownership linkages will be more likely to increase a foreign subsidiary's survival chances when the resource endowment in the host country network is poor; additional ownership linkages will not increase (or may even be detrimental to) a foreign subsidiary's survival when resources are abundant.

Foreign Linkage versus Local Linkage

Differentiating between foreign and local linkages allows us to consider the question, "Which ties matter". Additional foreign parents are likely to bring in similar international resources, which have the potential to overlap with the main MNE parent's contribution. The local parents usually contribute the local knowledge. While this is likely to complement the main MNE parent's contribution, the value of its contribution hinges upon the circumstances in the host country environment. In other words, the value of additional foreign linkages will be contingent on the MNE internal network characteristics, while local linkages' contribution to the foreign subsidiary will primarily depend on the attributes of the host country network. Therefore, we hypothesize:

> *Hypothesis 5. The effects of foreign ownership linkages on subsidiary survival will be primarily moderated by MNE internal network attributes, whereas, the effects of local linkages on subsidiary survival will be primarily moderated by host country network attributes.*

METHODS AND RESULTS

The above hypothesized relationships were tested using a sample of 16,768 subsidiaries formed by 1,280 Japanese MNEs between 1985 and 2001. Since the contingent effects were our main research interests, we focused on the interactions between the network contingencies (internal network size and resources; competition intensity and resource endowment in the host country) and the number of (foreign/local) ownership linkages. Subsidiary survival as the main dependent variable was estimated using the survival analysis implemented in Cox proportional hazard model. A number of control variables known to affect subsidiary survival are also included.

Contingent effects of ownership linkages under conditions of MNE internal network contingencies (Hypotheses 1, 2 and 5). The empirical results suggest that the positive effects of foreign ownership linkages on subsidiary survival are amplified by larger internal networks and by poor internal resource endowment. This provides support to hypotheses 1 and 2. In addition, the results that internal contingencies interact significantly with foreign linkages but not with local linkages lends support to hypothesis 5, which predicts that foreign linkages matter when internal network contingencies are considered.

Contingent effects of ownership linkages under conditions of host country contingencies (Hypotheses 3, 4 and 5). The interactions with local linkages are significant and in the hypothesized directions, which support hypotheses 3 and 4. Meanwhile, both the competition intensity and resource endowment in the host country interact significantly with the number of local linkages but not with that of foreign linkages. This provides additional support to hypothesis 5, which predicts that the value of local linkages hinges upon the host country contingencies.

CONCLUSION AND IMPLICATIONS

In this study, we followed the network view and the contingency perspective to examine the value of network linkages in a cross-border network setting. The empirical results strongly support our theoretical model. We found that the benefits of having additional foreign ownership linkages are most prominent when the MNE internal network is large or the internal resource endowment is poor. The value of local ownership linkages is greatest when MNE foreign subsidiaries face strong market competition or resource scarcity in the host country business network. Otherwise, the benefits that additional ownership ties contribute can be offset by the costs of maintaining multiple linkages.

Our study contributes to network research in two ways. First, our results support the contingent view of network ties. Network linkages are not all good or bad. There are always benefits and costs involved in connection with other firms. More network connections do not automatically mean more benefits for the focal firm. This study identifies the contingent factors and therefore defines some of the boundary conditions of the value of network linkages. We also contribute to international management research by presenting a fuller picture of cross-border networks and their moderating role in assessing the value of network linkages. Current research in international networks has mainly focused on interpersonal linkages and dealt with MNE internal network and external networks separately. We focused on both. By considering the ownership linkages to both the MNE internal network and the external networks, we provide a better understanding of international networks and their influence on foreign subsidiary performance.

Although our analysis is at the foreign subsidiary level, the results shed new light on international strategic alliances research. When and with whom to ally (or compete) are important questions for firms going international. From a parent's perspective, whether and how to team with other firms in their international expansions are critical for the venture success. Our study contributes to this literature by systematically examining some boundary conditions in this international arena.

The study also has practical implications for managers. Our study provides clues for managers in dealing with the complex coopetition situation in the international arena. Building additional linkages in establishing foreign subsidiaries means sharing markets, knowledge and resources with potential competitors; going alone may mean head-on competition with potential foreign or local business partners. This study points out some boundary conditions between competition and cooperation which will help managers to make better decisions in expanding internationally.

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