Sample Review by Macro Editor

This paper focuses on entrepreneurship of multinational companies’ (MNCs) subsidiaries and examines the impact of corporate and local environmental contexts. This topic is timely and important considering the increasing importance of overseas subsidiaries in MNCs’ strategy and growth. The paper is well written and easy to follow. The existing literature is well cited. I also applaud that the author/s measured the dependent variable and the independent variables in different time periods, which helps address the causality issue. Below I will discuss my main comments and suggestions, which hopefully can help the author/s improve the study.

Theoretical Issues:

1. The role of entrepreneurship in MNC subsidiaries. This paper is based upon the assumption that subsidiary entrepreneurship is good for MNCs and addresses the question of what factors can affect subsidiary entrepreneurship. While I concur that subsidiary entrepreneurship is becoming increasingly important for MNCs, not all subsidiaries need to be entrepreneurial. It depends upon the MNC’s strategic objectives in a particular subsidiary. For some subsidiaries, being innovative, risk-taking and proactive are key to success while in others implementing headquarters strategy as directed may be the most important. In other words, while examining subsidiary entrepreneurship, one needs to consider the subsidiary’s role (or mandate) in the MNC system. This is probably the key difference between entrepreneurship of a subsidiary and entrepreneurship of a standalone firm. Of course, the paper examines the impact of subsidiary mandate (global subsidiary mandate) on subsidiary entrepreneurship—which will be addressed later. But my point is that being entrepreneurial or not (or the degree of entrepreneurship) may be an important part of a subsidiary’s mandate instead of an outcome of its mandate.

2. The impact of local environmental contexts. The paper examines the effects of three local environmental dimensions: dynamism, hostility, and complexity (H5-H7). The logic leading to these hypotheses is clear. However, how are the effects of environment on subsidiary entrepreneurship different from the effects of environment on entrepreneurship as examined in previous studies (e.g., Zahra, 1991, 1993; Zahra and Covin, 1995)? In other words, how does the context of MNC subsidiaries contribute to our understanding of the relationship between environment and entrepreneurship? To make stronger contributions rather than replicating previous studies in the context of MNC subsidiaries, the author/s needs to more closely integrate the context of MNC subsidiaries into the arguments. Do local environmental contexts shape the subsidiary’s mandate or do they directly affect the subsidiary’s entrepreneurship, regardless its mandate?

3. The impact of corporate contexts. The impact of corporate contexts, or the headquarter-subsidiary relationships, are unique to subsidiaries and thus has great potentials to add new knowledge to our understanding of entrepreneurship. This study examines four corporate contexts: global subsidiary mandate, autonomy, strategic control, and financial control (H1-H4). As noted in my comment #1, the level of entrepreneurship may be a part of a subsidiary’s mandate rather than an outcome of its
mandate. A similar argument can be made regarding the relationship between autonomy and subsidiary entrepreneurship. For a subsidiary whose mandate includes a high level of entrepreneurship, it needs a certain level of autonomy. In summary, a subsidiary’s global mandate, autonomy, and entrepreneurship may all depend upon the MNC headquarters’ strategic objectives in the subsidiary. Therefore, even though we observe significant relationships among them, it does not necessarily mean that there are causal relationships between them.

**Empirical Issues:**

4. Overlaps in key measures. All the measures used in this study have been validated by previous studies. However, when put together, there are overlaps between the key measures. Specifically, innovation and new product introduction were included in the measures of global subsidiary mandate, autonomy, and subsidiary entrepreneurship (see the appendix on pages 45-46). The overlaps, which may partially drive the significant relationships between them, further reinforce my concerns on the theoretical relationships between them (as indicated in my comments #1 and #3). The author/s has tried to address this issue by measuring the independent variable and the dependent variable (subsidiary entrepreneurship) in two different time periods. Again, I applaud this effort. But considering organizational inertia, there may be considerable persistence in these dimensions over the three-year time period. It is not clear in the paper whether subsidiary entrepreneurship was measured in both 1995 and 1999. If it was measured in both time periods, one solution is to control for the prior level of subsidiary entrepreneurship or to use the difference in subsidiary entrepreneurship as the dependent variable in order to better capture the impact of environmental and corporate contexts on subsidiary entrepreneurship.

5. The inter-rater reliability for the environmental variables is relatively low (page 23). In supplementary analyses, measures from the second respondents (even with a reduced sample size) may be used. If these analyses produce similar results, the concern of the low IRR may be reduced.

6. The effect of strategic control. In Table 2 (page 42), the correlation of strategic control and subsidiary entrepreneurship is not significant ($r = 0.12$, n.s.). However, in Table 3 (page 43), the coefficient of strategic control is highly significant ($r = 0.35$ in Model 2 and $r = 0.38$ in Model 3, $p < 0.001$). Is it because of multicollinearity between the independent variables? If other independent variables are not included, is strategic control still significant?

Overall, I think that MNC subsidiary entrepreneurship is an important and interesting topic. The author/s has clearly devoted a great deal of time and effort in this study. I hope that these comments can help improve this study.
Sample Review by Macro Editor

The manuscript addresses drivers of entrepreneurship in multinational subsidiaries, particularly taking into account how attributes of the environmental context and firm strategy influence entrepreneurial behavior.

The topic itself is of great importance, especially because multinational firms are now encouraging such dispersed rather than centralized entrepreneurship to allow organizational adaptation and sourcing of new opportunities for the global market. Having professed my general enthusiasm for the topic and its importance, I have some concerns that I feel are tractable but require substantive effort. Below are the major issues that I would encourage you to consider in further improving this manuscript.

1. The framing of a global subsidiary mandate (GSM) is interesting, but appears poorly grounded in a theoretical sense. I agree with you that the GSM gives the subsidiary greater prominence in its activities. What I found as a gap in logic is how this translates into entrepreneurial behavior. For instance, if a subsidiary has a mandate to develop advancements in washing machines (for example), we would anticipate more technological investment in that area. How does this translate to entrepreneurial behavior? Is it the underlying mechanisms such as network centrality that provide it access to global resources? Is it power to influence or lead decisions and investments? You will need to be more specific on the causal mechanisms.

2. Similarly, autonomy seems disjointed in a theoretical framework. I agree with you fully that autonomy encourages risk taking and entrepreneurial behaviors as you rightly acknowledge. I need some scaffolding where the logic connects from the prior hypothesis. As it stands, it feels like GSM, Autonomy, and Controls don’t really sit well together. There isn’t an overarching sense of framework that holds them together.

3. My suggestion is for you to consider Control, Autonomy, and GSM have in common or share. For example, can you potentially argue that entrepreneurship itself is suppressed in corporate contexts because of structural design, and that some elements of organizational design – let’s say, modularity -- has attributes that could create a better environment. In which case, you could argue that your corporate predictors are really structural / organizational design attributes? This is only a suggestion; you are much closer to the data / logic and can come up with better arguments. My point is simple – you need a more coherent theoretical logic for the choice of hypotheses/variables.

4. For the environmental context issues, I thought that they fit well with what was theoretically expected. As you can see from my points 1 and 2, you may want to more tightly connect with the theoretical logic / causal mechanisms.

5. I appreciated the significant effort in the sampling and the survey data collection waves – this is not often done, and is commendable. The data analysis though only takes into account the final sample of 227 firms. This could create a sampling bias and distort your analysis. There are two suggestions that I would expect that you consider in improving the paper.

First, the sample attrition from 2743 subsidiaries to 581 respondents to the first wave causes some concern. I wonder if you could do some kind of selection model as a two stage
econometric model? Do you have access to secondary data on the entire population? For example, if you knew whether some subsidiaries had a GSM while others didn’t, then that could be a good selection measure. I know that this is quite a bit of work, but just simple t-tests for non-response seems a watered down way of addressing this potential issue.

Second, the data attrition from 581 firms in the first wave and 227 in the second wave with measures of the Dependent Variable is a concern. Here, I think more could certainly be done along the lines of a selection model. Were there other variables that were left out from the study? Do you have secondary data sources that could be used here?

6. I found the second inter-rater reliability survey an excellent way to bolster your constructs. You don’t seem to report the results; I would encourage you to do so. This allows the reader to infer that your study design was more thoughtful than a simple survey with biases of cross-sectional data such as validity and reliability issues.

7. I found the discussion section could be improved a lot more. First, I would encourage you to consider effect sizes on the outcomes. This allows you to say that when GSM increases by one standard deviation from the mean, entrepreneurship increases 8% (for instance). This is a powerful way to describe the importance of your findings. Second, I would focus on the theoretical contribution a lot more. The underlying causal mechanisms that I suggested in points 1 and 2 could be an anchor to make this an interesting discussion. For instance, you can focus on contributions to organization design and governance in multinationals. In addition, you can enliven your discussion of what GSM means in theory and practice. How does it work, or show up as outcomes?

Minor Points

8. Interactions – Your theory is agnostic on how the variables interact. This may not be necessary, but something that could add nicely to your study. This could be a major point that could change your story as well. Please consider how you can enrich your analysis and the theoretical framing if you include interactions.

9. Table 3 – For your regression results, please report the standard errors.

10. Your discussion could include some contribution to the international business literature in addition to the entrepreneurship literature.

Overall, I see potential for this study to contribute to the literature. The topic and the data are interesting. The theorizing can be improved. The major work appears to be in the data attrition and data analysis. If you could bolster the data, it would add nicely to existing studies in this space.

Good luck!
Thank you for the opportunity to read your study in which the determinants of international subsidiary entrepreneurship are explored. Your work draws attention to the corporate and local environments, and through analysis of survey data, offers insight into the effects of these variables. Briefly, your findings suggest both the corporate mandate under which the subsidiary operates, as well as systems put in place to effect that charge shape entrepreneurial tendencies. So, too, do the underlying complexity and dynamism of the local environment.

There are several notable aspects to this investigation, including its international focus. Your study not only reminds us that entrepreneurship occurs globally, but also offers important insights of practical significance to multinational firms and their managers. Equally laudable is the joint focus on firm and environmental-level factors. Clearly, both play an important role in strategic outcomes, and your study’s simultaneous exploration affords a richer understanding of entrepreneurial activity than would result from isolated examination. Finally, the considerable care and attention devoted to survey design (pilot-testing, two-stage administration, etc.) are impressive.

At the same time, a few questions arose in my reading of the current draft:

1. An overarching concern relates to theoretical contribution. As noted earlier, your work demonstrates that both organizational and environmental factors affect entrepreneurial activity. While this is an important finding, it is somewhat unoriginal. Namely, extant work (much of which is cited in your manuscript) has ably demonstrated that these variables constitute significant determinants of entrepreneurial activity. Can you tell us then how your work extends established findings? Apart from original context (i.e., entrepreneurship within multinational subsidiaries), what new insights are uncovered into the processes surrounding, and practice of, entrepreneurship more generally?

2. I’m curious, and suspect other readers will be, as well, as to how you selected this particular set of organizational and environmental factors. For example, with regard to environment, your model focuses on dynamism and complexity while other potentially relevant factors such as growth or munificence are excluded. Also, given your study’s international perspective, one might expect that local resources, government incentives, etc. would be explored (e.g. Birkinshaw, *Strategic Management Journal*, 1997; Porter, 1990, *The Competitive Advantage of Nations*, New York, NY: The Free Press). The point here is not to suggest that every conceivable environmental (or organizational) dimension be included -- not by any means. Rather it is to say that the current draft lacks a compelling rationale for the specific variables examined. Ideally, a conceptual model that cogently integrates the complete set would be presented.

3. Some logical inconsistencies are also evidenced in the current draft. Perhaps the most pressing surrounds global subsidiary mandate (H1). As stated in your theoretical section, subsidiaries operating under a global charge are tightly integrated in the firm’s operating network. Concomitantly, they tend to endure stronger and more direct control by headquarters (a finding confirmed by your analyses). It is unclear, then, how these same units come to enjoy the discretion and autonomy essential to entrepreneurial activity (H2). For that matter, many of the characteristics and attributes attached in the manuscript to subsidiaries under global mandate are
more commonly associated with subsidiaries under local mandates (e.g., strong ties to local customers and suppliers, local manufacture and marketing, strong sensitivity to local environmental conditions). In sum, plainer, more systematic conceptualization of the global subsidiary mandate would help, as would a pass-through the manuscript aimed at ensuring apt, consistent treatment.

Similar concern extends to entrepreneurial activity. In the initial pages of the current draft, entrepreneurship is defined as encompassing risk-taking, innovation, and proactiveness. In subsequent passages, this emphasis is exchanged for one centered on (strategic) adaptation. Unfortunately, the two are not synonymous – a point underscored by your own arguments. Namely, in developing hypotheses specific to environmental factors, a reactive response is argued -- not the proactive, innovative one suggested at the outset. Again, a pass-through aimed at consistency would be helpful.

4. As noted earlier, the time and attention devoted to survey design, pre-testing, etc. are admirable. A question arises, however, as to the fit of particular constructs with your theoretical model. Namely, subsidiaries are based in the U.S. and environmental attributes are specific to the U.S. context. Per description, however, these subsidiaries are foreign-owned and part of a large, international network of operations. Based on a reading of the current draft, it’s unclear how it was ascertained that reported entrepreneurial activity was in fact initiated in the U.S. – i.e., directly linked to conditions resident within the U.S. environment (rather than other markets or territories in which the subsidiary operates).

A question also arises as to the levels at which variables are gauged. The subsidiary is the focal unit. Yet performance, for instance, is measured relative to industry norms, presumably at the firm level. (This inference is based in part on statements that financial information was often lacking at the subsidiary level.) While firm-level factors are important (again, central to your thesis), these constructions/levels appear at odds with your arguments.

5. Please provide additional background regarding your sample. What industries are included? How many firms? Were individual firms repeatedly sampled – i.e., several subsidiaries of the same firm(s) included? What efforts, if any, were taken to verify respondent’s title/knowledge of the firm’s strategy and performance?

6. Your reporting of inter-rater reliability is appreciated. Can you also provide background on tests of discriminant validity (e.g., results of factor analysis, preferably confirmatory)?

7. For the most part, the results for your control variables prove non-significant. This is surprising in light of the large volume of research showing these variables tend to be significant predictors of entrepreneurial activity. Can you speak to these findings? What explains the general pattern of non-significance for previously-established determinants?

8. Another strength of your study is the array of headquarter countries captured. Your sample subsidiaries/managers are affiliated with firms based in a variety of locations and cultures – several of which prove significant predictors in hypothesis tests. Have you considered exploring these findings further? It strikes me you have an opportunity to uncover whether entrepreneurial advantage arises from home country factors – culture and values, expertise, or perhaps some other factor.
In closing, again, I appreciate the opportunity to have read your work. I look forward to seeing more of it in the future. Best of luck!
Sample Review by Macro Editor

General Comments

I think you have the potential to tell a really interesting story here. You have interesting data that - with one major exception I will get to - was collected pretty rigorously, on a population that's somewhat difficult to study. You are also considering a topic that has the potential to offer some novel theoretical insights. However, at the moment I don't think your study makes a particularly significant theoretical contribution, although it could. I also think you face a major issue in that your theorizing about local context does not match your data collection and measurement along this dimension. There are also some definitional issues that need to be addressed. Below I discuss these and a few other issues in detail, and I offer some suggestions regarding how you might address them. I hope you find my comments helpful as you continue to revise your manuscript.

Theory

1. I'm struggling with your theoretical contribution, which as you know is a major requirement for publication in AMJ. My understanding is essentially that your claimed contributions are to look at the simultaneous main effects of both corporate context and local national context on the entrepreneurial behavior of MNC subsidiaries. Although I am not an expert on MNCs and their influence on subsidiaries, it seems to me there is quite a large literature on this subject. Similarly, it also seems there has been a great deal of work on the effects of local country context on corporate activities and behavior (e.g., Crossland & Hambrick, 2007). Thus, just including them both in a single study doesn't strike me as a particularly novel theoretical contribution. Further, while some of the actions studied in previous work may not have been labeled "entrepreneurial," my sense is they could be cast that way. One thought experiment I sometimes use to assess the theoretical contributions of my own work is ask myself if I'm actually studying new processes or new phenomena where the outcomes are likely to be different. So, in this case, I would ask: (1) If I were to substitute other subsidiary actions for entrepreneurial actions, is the fact that corporate and local context affect these behaviors in particular ways a new insight (i.e., are there effects on entrepreneurial behavior different than they are on other actions)?; and (2) Even if entrepreneurial behaviors are distinct and different from other behaviors that have been studied (a claim you don't really make our support), are we learning anything new by studying the effects of corporate and local context on this type of action, as opposed to all the others studied (i.e., are we just adding one more action to the list that will be affected in the same ways as all the rest)? Right now my sense is that the answer to both of these questions is no.

So what can be done? One option would be to look at the effects of potential interactions between the corporate and local contexts, and develop some theory about when certain aspects of the corporate context are more or less likely to facilitate entrepreneurial action as a function of characteristics of the local context. For example, might certain aspects of the corporate context matter more in complex, hostile and dynamic environments than in more stable, friendly, and simple local environments? An alternative would be to consider if the effects are linear or non-linear. For example, is there a point after which hostility overwhelms the effects of corporate
context on entrepreneurial behavior? Thinking in these terms instead of just linear, main effect terms can yield some more interesting and novel theory.

2. This leads me to an important, related issue, which ultimately is another big problem for your theorizing. As I discuss in more detail in point 1 under Methods and Data, empirically you aren't really studying international context because you have no variance in the international location. Although the parent MNCs are non-U.S., the national local context is only the U.S. The variance in your sample across local contexts is principally based on industry, not nationality. The only measure related to nationality is hostility. Thus, there is a fundamental mis-fit between your theory and data. Although I'm guessing one of your primary interests is in international business, I'm afraid this study has pretty limited potential to speak to this literature. Other than when talking about the level of hostility to international competitors within different industry contexts in another country, you can't speak to any of the issues you use in developing your local context hypotheses. This isn't a fatal flaw, but it means you have to change what is figure and what is ground in your framing and hypothesis development. If you focus on aspects of the local industry context, with hostility towards international competitors as one component, I think can be okay.

3. You use terms like entrepreneurial activities and entrepreneurial intensity to describe the actions of MNC subsidiaries, but you don't provide an explicit definition of entrepreneurship or entrepreneurial actions. Instead you appear to essentially treat it as synonymous with "innovation" in the introduction and theorizing. While on page 6 you equate entrepreneurial activity with innovation, risk taking and proactiveness, this is not a definition of entrepreneurship (although it captures some of the elements of Lumpkin & Dess's [1996 AMR] definition of entrepreneurial orientation). You have to be very careful on this front, because definitions of entrepreneurship can take on aspects of a religious war, particularly when you are distinguishing between the activities of start-ups (what some would consider the only "real" entrepreneurship) and corporate entrepreneurship, or intrapreneurship. Right now I don't think you give this issue sufficient attention. I personally am not a big fan of the corporate entrepreneurship literature; most of the theorizing is pretty sloppy, as it conflates different constructs (like entrepreneurship and innovation) and is based in part on assertions that haven't been empirically supported (like the notion that entrepreneurs are more risk taking). However, I recognize that there is a substantial literature in this area you can draw on and within which you can situate your study. Since you are using the Miller and Friesen (1982) measure of corporate entrepreneurship as your DV, I suggest that you expressly present their definition of corporate entrepreneurship as the definition you use in this study and then hew closely to it in your language throughout the paper. Don't use innovation as a synonym, because it is in fact a distinct theoretical construct. I think you should also note, either in a footnote or in the discussion section, that there are different definitions of entrepreneurship, and that you have chosen this one because you are focusing specifically on a corporate context. You should also be clear that your theorizing and conclusions only apply to this context, and not to the entrepreneurial actions of start-ups. Then make sure you adhere to this statement throughout the paper.

4. So to build on my first point, with respect to H1, how might differences in the local context affect the relationship between a global strategic mandate and the level of subsidiary entrepreneurship? Given that all subsidiaries within a firm are subject to the same corporate context, unless you expect all subsidiaries to exhibit identical levels of entrepreneurship as a
result of a GSM, then local context has to matter in generating variations in the outcome. How might this vary if hostility is greater, or uncertainty and complexity are higher? I’m not going to go through each hypothesis and ask this same question, but it does apply across the board. Rather than hypothesizing your main effects for local context, I suggest you drop these hypotheses and develop a set of interactions (perhaps a,b,c hypotheses) for each corporate context construct.

5. If you follow my advice in point 4, I don't think the relationships would be the same for all four corporate context dimensions. Specifically, I think financial controls would significantly diminish corporate entrepreneurship activities when complexity, hostility and dynamism are high, and strategic controls would enhance corporate entrepreneurship under these conditions. Although this is more of a methods issue, if you explore these relationships you may want to consider using a spline function (i.e., create two measures that are zero above (below) some cutoff and have the values for the measure below (above) the cutoff) to operationalize the local context constructs. This would allow the slope of the interaction to vary across different parts of the range, or for the moderator to matter over only part of the range of values. Thus, for example, you could develop theory to argue that financial controls will limit entrepreneurial activity for high levels of dynamism, complexity and hostility, but won't have any effect for low levels of these constructs. This would suggest an important boundary condition missing from prior work.

6. In your hypotheses you should refer to the outcome as corporate entrepreneurship. Also, are you talking about the level, frequency or what? Be specific in the hypotheses.

**Data and Methods**

7. As mentioned above, in your theorizing I was led to believe that local context referred to that nation in which the subsidiary was located, not the location of the parent. Since you surveyed foreign subsidiaries in the U.S., there is no variance on the local context dimensions for this direction. Thus, your sample doesn't really match your theory. I then assumed that the local context you were referring to must be the home country, but you are controlling for country of origin separately. Then I was really confused. How can you have variance in the local context measures if they are all referring to the same country? Since you are using perceptual measures I would expect a little variance, but not enough to generate significant results. Finally it occurred to me that your effects may be based on the different industries the firms are in. However, this means your measures don't have much to do with local national context. This is a major issue you need to address; not only must you justify your decision, you have to make sure your theorizing in the front end is consistent with your operationalization.

8. Other than the issue raised above, in general I think your approach to conducting the survey was well-conceived and executed, and your sample seems reasonable. I have a couple of clarification questions, though. First, how many different corporate parents did the 227 subsidiaries for which you had complete information represent? For the comparison of those that responded in '95 but not '99 with those that responded both times, what measures did the chi-square test? All of the items they answered the first time? For the t-tests, it sounds like you compared the parent companies, not the subsidiaries. Is there any way to compare the subs, since these can vary within company in whether they would respond and why?
9. Although you don't say specifically, I'm assuming that in at least some instances you have more than one subsidiary from a single company in your sample, or do you only have one subsidiary per MNC because you are only looking at subsidiaries in the U.S.? Either way you need to clarify this issue. If you have multiple subs from the same company, then your observations aren't independent, in which case you need to calculate robust standard errors, and/or use random or fixed effects regression, depending on how frequently this occurs. If you only have one subsidiary per MNC, then how are we to assess the difference between company effects in general and subsidiary-specific characteristics with respect to the effects of local context? Typically this would be done by seeing if subsidiaries of the same company in two different countries behaved differently. Either way, you need to provide some more discussion of this issue.

10. How frequently did the same person who completed the survey in '95 also complete it in '99? For those cases where it was the same person, was there consistency in their response on SUBENT? How about for those that were completed by different people across the two time periods?

11. Simple correlations are not typically considered adequate for assessing interrater reliability, because they do not take agreement based on random chance into account. Other measures that do, and that are typically employed to assess interrater reliability include Cohen's Kappa (Cohen, 1968), Krippendorff's alpha (Krippendorff, 2004) and Intraclass correlation coefficients (McGraw & Wong, 1996). You need to employ one of these other measures in your assessments.

12. You never address the fact that all of your data are perceptual measures based on self-reports. The fact that you collected your IVs and DVs at different points in time certainly helps, as does your getting multiple raters for both periods. I personally think that the limitations associated with these kinds of data are frequently way-overblown. Nonetheless, you should acknowledge this issue as a potential limitation in your discussion section, and explain why it is not likely to be a problem here.

References


