



UNIVERSITAT DE BARCELONA
BUSINESS SCHOOL

MSc
International Business

THE IMPACT OF INSTITUTIONAL DISTANCE ON THE RELATIONSHIP BETWEEN HEADQUARTERS AND SUBSIDIARIES: THE EFFECTS OF INFORMAL INSTITUTIONS

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Date: 05.07.2024

ABSTRACT

Informal institutions have an impact on a lot of aspects of international business. This research focuses on the impact of informal institutions on the relationship between headquarters and their subsidiaries located in host countries. Informal institutions include societal norms, values, culture, language, communication style, and traditions. To comprehend the dynamics of this relationship, institutional theory, social exchange theory, and network theory are implemented. The study uses a systematic literature review, analyzing 43 articles. Findings emphasize that the HQ-Subsidiary relationship is greatly influenced by high informal institutional distance, having outcomes that are both positive and negative. The report offers advice to businesses on how to benefit from this distance and overcome the issues that may arise.

Keywords: HQ- subsidiary relationship, institutional distance, cultural distance, informal institutions

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1. INTRODUCTION

Multinational Corporations (MNCs) operating in different countries spread around the world, face both challenges and opportunities dealing with diverse cultural norms and institutional distance. They encounter different informal institutions: societal norms, values, culture, language, communication style, and traditions (De Soysa et al., 2006). Therefore, the existing differences over countries can greatly complicate the management and coordination of MNCs on a global scale.

MNCs are complex networks, with headquarters and subsidiaries located around the world. This global reach creates opportunities for growth and market diversification and also presents unique challenges for management and coordination. Fundamentally, there is a need for a delicate balance between the headquarters and its subsidiaries, each playing a crucial role in the organization's overall success. Even though these entities are often geographically distant, their interdependence forms the backbone of the MNC's ability to operate in a globalized marketplace. Informal institutions, also known as unwritten rules, have significant effects on the HQ-subsidiary dynamic. They have the potential to greatly influence the degree of control applied by the headquarters, the degree of collaboration between the headquarters and subsidiaries, the effectiveness of knowledge transfer, the creation of innovation, and eventually the MNC's overall performance.

The quality and effectiveness of the relationship between headquarters (HQ) and their subsidiary is influenced by the institutional differences between the parent home country and the subsidiary host country.

The existing literature does not sufficiently explore how the institutional distance affects the dynamics and relationship between headquarters and their subsidiaries (Li, 2016). Therefore, this paper has identified a research gap and poses the following **research question**: To what extent do informal institutions influence the HQ-subsidiary relationship?

The objective of this research is to examine the dynamics that arise between MNCs and their subsidiaries, with a particular focus on how institutional differences impact these relationships. The quality of these relationships is closely tied to how MNCs respond to cultural differences between their home and host countries. More specifically, this paper focuses on the informal institutional distance.

To achieve this objective the research does a systematic literature review, relying on current literature for guidance in its analysis. The focus lies in integrating the results from numerous articles to provide a thorough comprehension of the topic. Accordingly, this study examines articles published in well-known scholar databases such as Web of Science and Scopus. The paper relies on already published research and aims to provide insights into approaches to management that headquarters, and subsidiaries might employ to improve their relationship and address difficulties of the liability of foreignness. The study focuses on the organizational and management level to analyze the relationship and provide practical recommendations.

Moreover, this paper supports the United Nations Sustainable Development Goal 8: Decent Work and Economic Growth. This SDG focuses on promoting sustained, inclusive, and

sustainable economic growth, full and productive employment, and decent work for all. The study of the impact of institutional distance on the dynamics between headquarters and subsidiaries contributes to the continuing discussion regarding how to promote sustainable employment practices and economic success. The HQ-subsiary is closely tied to economic performance and job creation and understanding the dynamics of this relationship can help in advancing UN Goal 8. By analyzing the relationships, communication channels, and decision-making processes within MNCs, opportunities to enhance employment practices and promote economic growth can be identified.

Due to the current globalization trend, this topic is particularly interesting and can help to understand how to successfully manage cross-border partnerships. Understanding the relationship between HQ and its subsidiary can help in navigating and managing the disparities, leading to better organizational performance, and helping obtain a competitive advantage. Personally, being an international student seeking employment in MNC or global management, this topic aligns with my professional aspirations for the future.

2. LITERATURE REVIEW

2.1 Key theories

2.1.1 Institutional theory

Institutional theory, which can be traced back to the 1970s, examines the foundational components of social systems. It investigates how rules, norms, and routines guide social interactions within the organization. This theory explores which processes have an influence on these components, and what makes them emerge, spread, and evolve over time, or on the contrary, what leads to them potentially decline and become obsolete.

Institutional theory can be attributed to influential figures in the social sciences. Scholars such as Marx, Weber, Cooley, Mead, Veblen, Commons, and Hughes, all gave insight into the development of this framework. The latter highlighted the significance of institutional structures surrounding work activities, specifically emphasizing the role of professional associations in shaping organizations (Scott, 2005). In modern organizational research, institutional theory imbues a wide range of theoretical and empirical studies, unified by their shared focus on cultural differences and collective expectations. The theory is frequently used to elaborate on formal organizational structures, including written regulations or standard procedures (David et al., 2019). Diverse institutional systems have existed throughout history, offering different guidelines for social behavior, some of which support arbitrary behaviors. However, in the modern-day and age, there is a clear domination of rationality-based systems. According to Meyer and Rowan, norms of rationality are crucial to the development and existence of these organizations (as cited in Scott, 2005). The work of Meyer and Rowan significantly influenced institutional theory, the new insights developed by the authors are often referred to as "neo-institutional theory". The main idea of the scholars is the importance of understanding the cultural foundations of existing structures and processes. Moreover, the dynamics of organizational change should also be comprehended. The central principle of neo-institutional theory is the need to take social phenomena into account, rather than focusing on market demands for goods and services (David et al., 2019). Furthermore, the particular

archetype of the organization is closely linked with the institutional sphere, where the archetypes imply the different directions taken by collective objectives and the manner in which they should be achieved (Meyer et al., 2014).

Looking from an international business perspective, the institutional theory argues that best performing local firms in the MNC subunit environment will mimic the organizational practices of the MNC to improve its own performance (DiMaggio & Powell, 1983). Theory suggests that organizational legitimacy is impacted by the following three factors: characteristics of the institutional environment, characteristics and actions of the organization, and the legitimation process, which consists of the perception of the environment of the organization (Hybels, 1995). However, when the complexity in any of these 3 areas (institutional environments, organization, and legitimation process) is increased, it makes it difficult and challenging for MNCs to establish and sustain their legitimacy (Kostova & Zaheer, 1999). Based on three pillars of the institutional environment: regulatory, cognitive, and normative, Kostova & Zaheer (1999) identified a set of institutional domains. The first, regulatory, pillar includes laws and rules that ensure stability and order. Therefore, they require organizations to comply with these regulations to maintain legitimacy. The second, cognitive, pillar suggests that in order for a company to be legitimate, it must adhere to cognitive structures established in society. And last, the normative, pillar goes beyond rules and structures and suggests that the legitimacy of the organization is ensured when the organization's values align with societal values.

In analyzing the quality of the relationship between headquarters and subsidiaries of the MNCs, the theoretical framework of institutional theory is highly applicable. The theory emphasizes the organizational operating position in a broader institutional international environment, characterized by different shared norms and values. The disparity in these factors across various locations – that is, the institutional distance – creates challenges for collaboration between headquarters (HQ) and subsidiaries. From the perspective of the HQ, they need to be aware of the institutional distance in order to accommodate diverse cultural norms, negotiate the power dynamics within the relationship, and adopt a collaboration strategy.

2.1.2 Social exchange theory

Social exchange theory (SET), with roots that can be traced back to the 1920s, was first developed by Malinowski and Mauss. Even today it remains a key concept within the social sciences, having significance across different fields. The main concept is that of “exchange and power” and its influence on the dynamics of individual or group behavior. SET provides a framework for understanding workplace communications and relations (Ahmad et al., 2023). According to SET, human behavior is shaped by the exchange of rewards between individuals. Based on the concept of social interaction as a mutual exchange of tangible and intangible gains, SET views human behavior from the perspective of costs and rewards. This point of view highlights the exchange, where individuals offer something of greater value than it costs to them and vice versa (Zafirovski, 2005). In the 1960s, Blau stressed that social exchange calls for voluntary actions based on the anticipated rewards influencing the relationship (Ahmad et al., 2023). Modern SET is based also on principles from microeconomics, such as diminishing

marginal utility to non-market interactions. Moreover, the phenomena of group pressure and member conformity are explained by transactions involving the exchange of rewards (Zafirovski, 2005).

SET in an organizational context explains psychological exchange as a continuous process as opposed to single isolated events. Each exchange contributes to either positive or negative psychological resources, which has an influence on future interactions between individuals or groups. While positive psychological exchanges stimulate trust, loyalty, and commitment between the parties involved, negative ones stimulate rivalry and disagreements (Ahmad et al., 2023). However, due to shifts in the work environment, characterized by flexibility and virtuality in international contexts, the traditional manufacturing settings have been transformed into digital and business-oriented ones. Technological evolution and development facilitate easy information exchange between employees across different geographical locations through shared database platforms. This has fostered a culture of knowledge sharing. Work relationships in a constantly changing landscape now play a complex role, being an essential component of socialization within MNCs. They are the basis for social support and networking; moreover, they provide valuable information for successful performance and satisfaction. Given this consideration, variables such as trust, organizational commitment, or leader-member exchange, which are central to SET, are crucial in shaping workplace relationships. However, it should be stressed that the same type of exchange might lead to different results depending on the context, such as organization type or individual aspirations (Chernyak-Hai et al., 2018).

Social exchange theory provides a framework for comprehending how the effectiveness of the relationship between HQ and subsidiaries within MNCs is impacted by cultural and regulatory differences. Inside the organization, SET focuses attention on the importance of trust, perceived organizational support, and exchange of dynamics. Cultural and regulatory differences have an effect on the level of trust and support exchanged between HQ and subsidiaries. In order to create an effective collaboration, the same expectations of resources, guidance, or autonomy within local contexts are essential. Yet, any differences in these expectations are highly likely to lead to tension and conflict.

2.1.3 Network theory

Network theory has applications in many fields, however, when it comes to international business Ghoshal and Bartlett (1990) contributed significantly. They proposed an approach where a multinational corporation (MNC) with its foreign affiliates in countries A, B, and C, and a central headquarters (HQ) are all units engaged in a single business. Multinational network refers to the relationships and linkages among units of MNC (A, B, and C). Every single unit has specific exchange relationships with buyers, suppliers, etc., and operates in a unique context. The external network is defined as connections among local organization groups and characteristics of different host countries can be used to explain different attributes of the MNC. At the same time, there is an internal network within the MNC where resource exchange defines the interactions between multiple organizational units. Ghoshal and Bartlett (1990) also mention two essential attributes of the MNC, with the first one being the distribution of resources among its subsidiaries, and the second one being the structural characteristics that moderate internal exchange. Authors provide the term "network density" which refers to the

closeness among members of the network. Since different network structures result in different power distribution in HQ-subsidary relationships, high density has a negative impact on the HQ power, because subsidiaries get power from their own network connections (Ghoshal & Bartlett, 1990). The subsidiary is a semi-autonomous establishment with the freedom to manage both internal and external relationship exchange. It may have unique capabilities that the rest of MNC is dependent on. The weak connection between MNC networks allows the subsidiary to develop its own resource profile (Birkinshaw & Hood, 1998).

Network theory also applies when looking at the decision-making autonomy of subsidiaries, more specifically what impact country distance has on it (Andersson, 2007). Business network theory argues that in order to effectively respond to local environment changes, HQ need to grant decision-making autonomy to subsidiaries. Moreover, the likelihood of increased subsidiary autonomy in decision-making is explained by the greater distance between home and host countries since it will boost the local legitimacy. The bigger the distance between home and host countries, the more advantageous it is for HQ to trust subsidiaries. Trust in this situation helps to secure local resources. That is why the theory suggests that decision-making is more decentralized in more distant locations. Due to each subsidiary operating in a unique environment, managers must adapt to local rules, norms, and belief systems. (De Jong et al., 2015). Network theory suggests that being part of the relationship changes the motivation of parties involved in the network from only focusing on economic benefits to increasing trust and cooperation. Trust reduces transactional uncertainty and enables the exchange of goods and services (Uzzi, 1996). However, the exchange of resources in MNCs is traditionally seen from an economic perspective, which assumes that all the decisions regarding the resources are based on rational considerations. These considerations are made up of increasing profitability, minimizing costs, accessing new markets, and ensuring a competitive position (Buckley & Casson, 1985).

When evaluating the relationship between HQ and subsidiaries in the MNC, network theory provides a solid framework. Since the institutional distance presents complexities in the dynamic of these relationships, network theory helps in understanding how the network of relationships within the MNC helps in managing these issues. The theory assists in understanding how different institutional environments influence the exchange of resources and what impact it has on the degree of subsidiary autonomy. Furthermore, the theoretical framework also helps explain how across diverse institutional contexts HQ and subsidiaries build trust.

2.2 Key concepts

2.2.1 Headquarters-Subsidiary relationship

A MNC can be defined as a large company that consists of a collection of foreign units across multiple geographical locations, each having its own objective, including headquarters and subsidiaries. This establishment can be considered to be an inter-organizational network, that consists of a wider external and internal network including parties such as customers, suppliers, regulatory bodies, and internal units spread over different countries around the world (Bartlett, 1990). MNCs are entities that operate with subsidiaries located in various host countries, intending to achieve competitive advantage through economies of scale. These organizations

strategically choose markets with significant potential, access to raw materials, or cheap labor (Hansen, 2004). MNCs consist of headquarters and subsidiaries, with the former being defined as the main office or center of control of a company or organization¹. And latter is defined as a company owned or controlled by another larger company².

The HQ-Subsidiaries' relationship with the other MNC subsidiaries is essential for carrying out its core functions and leading to the overall success of the entire organization (Ambos et al., 2010). The headquarters play the role of the parent company, providing value-added benefits to its subsidiaries' performance. HQs do so by coordinating and offering necessary resources and taking the challenges of the subsidiaries into account to ensure their growth. In their turn, subsidiaries contribute to the overall performance and objectives of the MNC and help increase global competitiveness by using opportunities in external host environments. Subsidiary and its parent company are separate legal organizations, each responsible for its own taxes and debts. However, HQ still has the power to influence the operations of its subsidiary and has the authority to select the board of directors and control the business direction (Sackey, 2023). The HQ-subsidiary relationship can encompass tensions in areas such as autonomy and control, knowledge sharing, and isolation. These tensions can be avoided by defining distinct roles and responsibilities for subsidiaries. Peer subsidiaries must navigate complex local and global demands while negotiating with HQ (Ambos, 2020).

2.2.2 Informal institutions

Institutions consist of any type of limitations created by people to have an impact on their interactions. These limitations at the same time allow humans to participate in certain activities, while also restricting certain actions. In 1990 North was the first one to classify the institutions as formal and informal. With the latter having a more complex origin in the culture being passed from generation to generation (North et al., 1990). When engaging in activity, people need rules to keep harmony and control their behavior. Poorly functioning rules lead to social issues and reduce the effectiveness of institutions violence (De Soysa et al., 2006). Informal institutions are based on unwritten rules and can be defined as behavioral patterns based on those rules. The rules are shared and created outside of the official and formal channels or organizations (Helmke et al., 2003). Informal rules include extensions and modifications of the formal rules (outside the official framework). More importantly, they cover social norms of behavior, such as customs, traditions, attitudes, and taboos. They are also closely related to the culture, language, and communication styles. Informal rules also consist of self-enforcement mechanisms like gossiping, boycotting, shaming, and usage of violence (De Soysa et al., 2006).

To ensure the functioning of formal institutions, informal ones fill the gaps left and complement and support formal institutions. They tackle the problems that formal rules do not cover, while not violating the formal rules (Estrin et al., 2011). Informal institutions complement formal ones

¹ "Headquarter" (2024). In Cambridge Dictionary. Retrieved 14 May 2024 from <https://dictionary.cambridge.org/dictionary/english/headquarters#:~:text=Meaning%20of%20headquarters%20in%20English&text=the%20main%20offices%20of%20an,Fewer%20examples>

² "Subsidiary" (2024). In Cambridge Dictionary. Retrieved 14 May 2024 from <https://dictionary.cambridge.org/dictionary/english/subsidiary>

when the latter is effective and well-aligned. On the other hand, in situations where there is misalignment, informal institutions adopt an accommodating role. Even though the informal rules are unwritten, invisible, and hidden their influence on the behavior is very evident (Dau et al., 2022). Formal rules are created by official organizations like courts, judges, or police. Informal ones, on the contrary, are self-enforcing. They are generally not codified but are widely accepted as legitimate, which makes them rules in operation (De Soysa et al., 2006).

2.2.3 Psychic distance

The term psychic distance was first introduced in 1956 by Beckerman, who explained that trade between countries is not only influenced by geographic distance but also the subjective perception of the "psychic" distances between nations (Beckerman, 1956). The concept refers to the feeling of unfamiliarity due to the countries' differences such as cultural norms, language, or institutional structure (Liu et al., 2021). Now psychic distance is a crucial part of international business (IB) studies. The concept is widely used to clarify different IB phenomena, such as such as the potential effects on the management of the MNC with foreign affiliates spread around the world. The significance of the term in IB research is attributed to its theoretical and empirical input into the managerial perception of a certain foreign country and its impact on the company's international operations (Håkanson et al., 2010).

Psychic distance consists of several factors, with cultural disparities among countries being one of them. These differences have a potential influence on managerial perception. In fact, culture does not only shape managerial behavior but also influences communication styles and information interpretation. Therefore, cultural differences can contribute to increasing psychic distances between countries. However, geographical closeness is associated with decreased psychic distance. It influences the perception by facilitating social comparisons among nations (Ambos et al., 2019).

3. METHODOLOGY

The methodology used in the research is a systematic literature review. This method was selected because it is appropriate to answer the research question raised. Although the limitations of time and resources, this method works effectively and is useful for achieving the objectives posed. It allows to synthesize existing knowledge drawing from diverse perspectives and established sources, therefore contributing to the overall credibility of the study.

The selection of relevant articles followed a two-stage process (*see Figure 1*). Initially, a comprehensive search was conducted using databases, such as Scopus and Web of Science. This search utilized specific keywords, targeting studies where these terms appeared in the title, abstract, or keywords sections.

Search string used:

("HQ-Subsidiary relationship*" OR "Headquarters- subsidiary relationship" OR "Headquarters" OR "Subsidiar*") AND ("Cultural distance" OR "Institutional distance" OR "Psychic distance")
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Figure 1. Selected Articles for Review.

Database	Web Of Science	Scopus
Initial search		
Initial search string used	("HQ-Subsidiary relationship*" OR "Headquarters- subsidiary relationship" OR "Headquarters" OR "Subsidiar*") AND ("Cultural distance" OR "Institutional distance" OR "Psychic distance")	("HQ-Subsidiary relationship*" OR "Headquarters- subsidiary relationship" OR "Headquarters" OR "Subsidiar*") AND ("Cultural distance" OR "Institutional distance" OR "Psychic distance")
Initial count of results found after the search string application	533	297
Applying Filters		
Filter 1: Document type (Articles)	431	260
Filter 2: Database (Core Collection)	392	Not Applicable
Filter 3: Research Areas (Business Economics, International Relations, Behavioral Sciences, Cultural Studies, Business, Management and Accounting)	383	255
Filter 4: Language (English)	381	250
Filter 5: Access (Full Access)	140	82
Filter 6: Publication years (Last 10 years, 2024-2015)	124	73
Manual Scanning (Titles and Abstracts)		
Criteria for inclusion / exclusion	Focus on Informal Institutional Distance (culture, social norms, language, communication,	Focus on Informal Institutional Distance (culture, social norms, language, communication,

	values, informal networks, attitudes)	values, informal networks, attitudes)
Number of articles remaining	29	32
Duplicates	NO	YES
Number of articles excluded	0	18
FINAL NUMBER OF ARTICLES	29	14

Source: own elaboration

Next step was the implementing the following inclusion criteria:

Type of Document: Articles only. Narrowing down all the documents available to articles only allows to focus on high-quality research. Articles have been checked for accuracy and validity. Moreover, it provides consistency, since articles follow the same standardized format for reporting research methods and results. This format facilitates easier comparison of findings to draw the overall conclusions.

Research Areas: Business Economics, International Relations, Behavioral Sciences, Cultural Studies, Business, Management and Accounting. Limiting research areas to only the business field-related ones to make sure the literature will provide useful insights corresponding to the research question. However, not limited to one area only, to benefit from the interdisciplinary perspective. The selected areas align with the research objective and can address the key themes and concepts.

Language: English only. The whole research paper is written in English, so narrowing articles to English only helps to maintain consistency and make sure that all sources are available and accessible to a wider reach of readers.

Publication years: Last 10 years, published between 2015 and 2024. Including literature published in the last decade makes sure that the study focuses on the most up-to-date research and developments in the field. By their very nature, informal institutions are dynamic and constantly changing so recent literature enables to capture current trends, issues, and challenges. Research done more than ten years ago may still be insightful, but it is probably less applicable to the state of MNC management today.

Relevance to the research question: To ensure that the articles align with the research question and objectives, manual screening was executed. Selected articles address the main aspects such as informal institutional distance and HQ-subsidiary relationship, which helps to eliminate irrelevant literature. All articles that focused on formal institutional distance have been eliminated. Screening articles for specific keywords and concepts has guaranteed the quality and relevance of the literature used, increasing the credibility of the final findings. Some of the examples of the articles that have been eliminated are:

Konara, P. & Shirodkar, V. (2018). Regulatory Institutional Distance and MNCs' Subsidiary Performance: Climbing up Vs. Climbing Down the Institutional Ladder. *Journal of International Management*, 24 (4), 333-347.

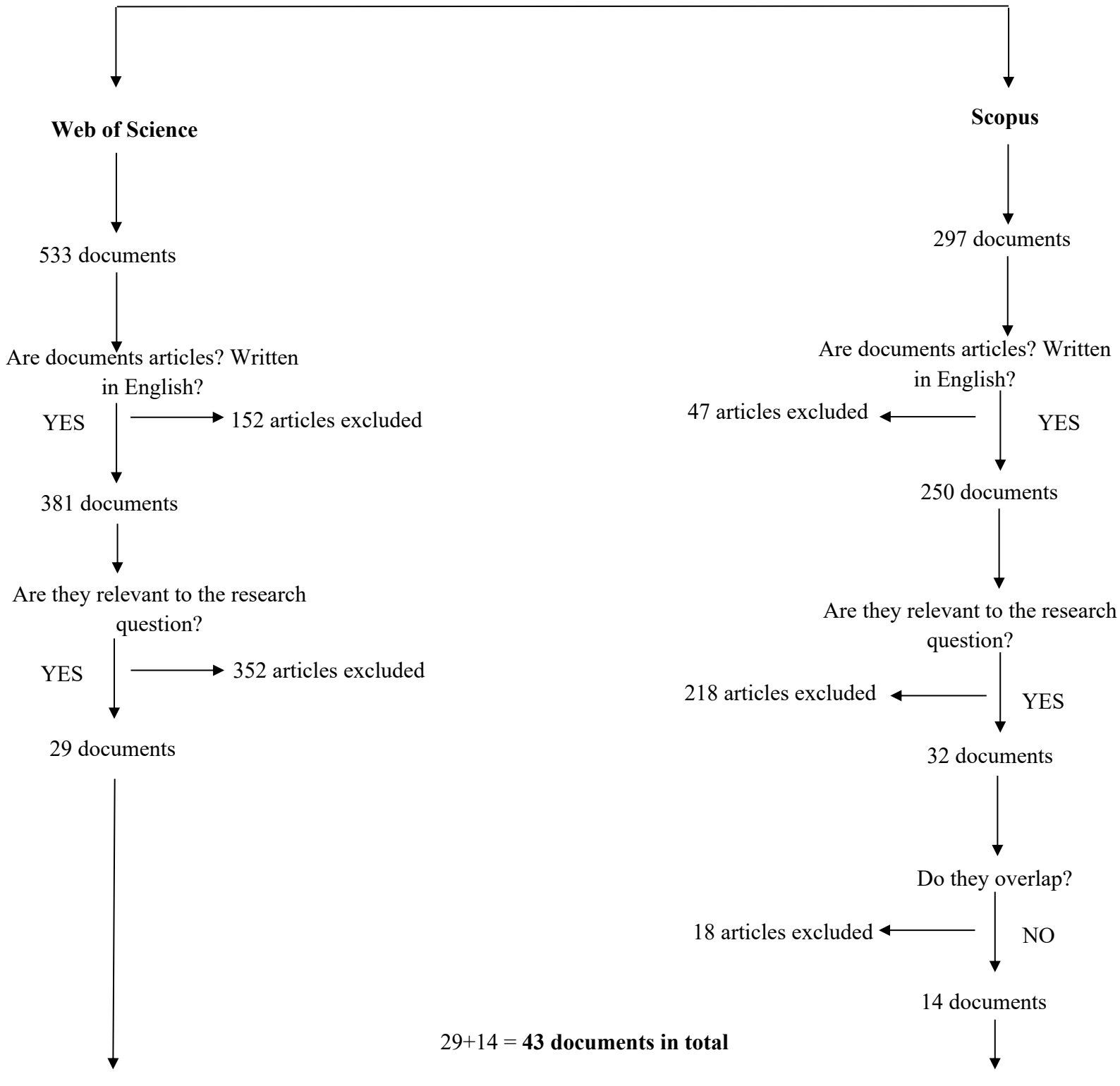
This article, despite meeting the previous criteria, explicitly examines the impact of regulatory institutional distance on MNC subsidiary performance, a concept related to formal rather than informal institutions.

Manolopoulos, D; Bitzenis, A; Tatoglu, E (2020). The Impact of Governance Quality on Subsidiaries' Performance: A Survey Analysis from Turkey. *Journal of East-West Business*, 26(3), 269-292.

The abstract of this article clearly indicates a focus on formal institutional distance by analyzing factors such as political stability, government effectiveness, and regulatory quality, all of which fall under the umbrella of formal institutions.

Figure 2 summarizes the whole literature review process. As a result, a total number of 43 articles were selected and therefore analyzed.

Figure 2. Number of Selected Articles.



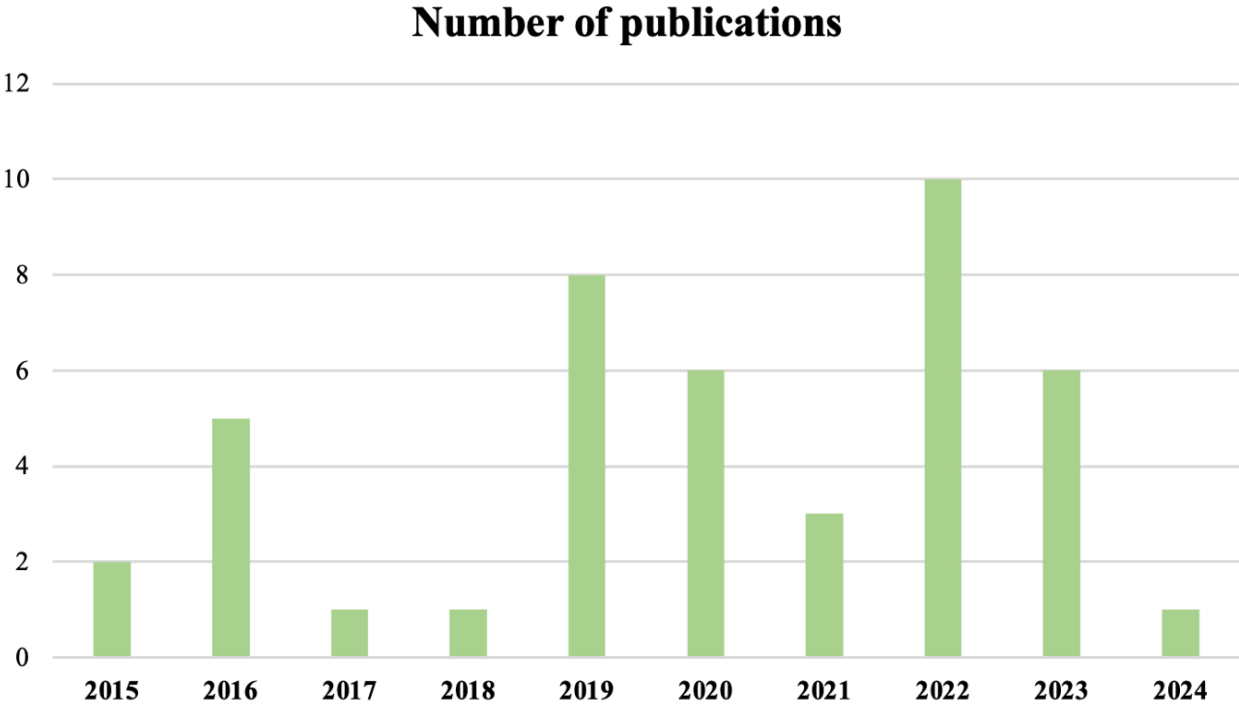
Source: own elaboration

4. DESCRIPTIVE RESULTS

4.1 Overview of the Years of publication in the filed

Given the dynamic and constantly evolving nature of informal institutions, the research was limited to articles published between 2015 and 2024. It ensures the research findings are relevant to the current understanding. Examining the distribution of the 43 publications selected over this period can help to understand the popularity and relevance of the topic. Looking at the years (*see Figure 3*), the topic of the HQ-subsiidiary relationship and the impact of the informal institutions on this relationship has been a study subject of interest. However, since the number of publications varies from year to year, there is not a clear pattern or trend in popularity.

Figure 3. Number of publications per year.



Source: own elaboration

In 2015, only 2 articles that fit the criteria were published, followed by an increase to 5 articles in 2016. Nevertheless, in the next two years 2017-2018, there was a big decline with only 1 publication each year. 2019, 2020, 2022, and 2023 mark the highest number of articles, suggesting the peak in academic interest and research on the topic. However, in 2024 the number dropped again, and so far in this year only 1 publication was made. All these fluctuations suggest that the topic continues to attract attention from the researchers.

4.2 Overview of Journals of publications

When it comes to the journals where the articles have been published, there is a wide distribution with most journals having only one article relevant to the research (*see Figure 4*). However, the Journal of International Business Studies and the Journal of International Management each feature 3 articles, which suggest that the topic is popular in the international business field.

Figure 4. Number of publications per journal.



Source: own elaboration

The majority of journals are management or business-related, however, there is a clear diversity, with articles being published in journals, that focus on cross-cultural communication, social studies, human resources, economics, marketing, and finance. This indicates that the topic of the HQ-subsiary relationship is in some way interdisciplinary and has broad relevance, attracting the interest of multiple fields. It also indicates the complexity and multiple implications of the dynamics of this relationship, which suggests the importance of looking at this from multiple perspectives to get a better understanding.

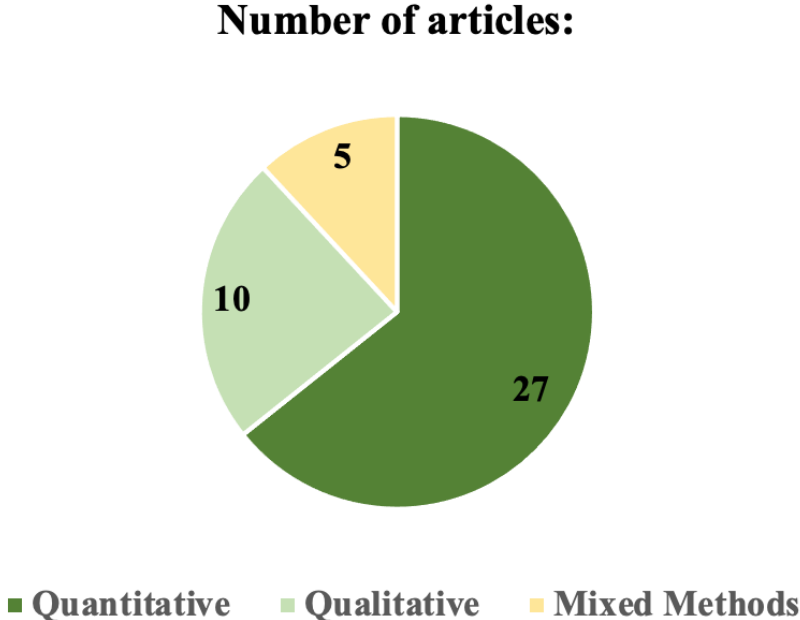
4.3 Overview of type of Research used in publications

Regarding the type of research, there is a clear dominance of empirical research, with 42 articles, while conceptual research is represented by 1 article only. It is also worth mentioning, that there is a lack of a literature review approach among the articles, so this confirms the need and contribution of the present research.

The number of empirical studies suggests that the topic relies on data-driven methods to gain an understanding of the complexity of the HQ-subsiary relationships. Empirical research is divided into three categories: quantitative, qualitative, and mixed methods. The majority of articles (64.2%) employ the quantitative methodology, with a total number of 27 articles (see Figure 5). It indicates a strong focus on statistical analysis to identify patterns and measure data. The surveys are implemented to get the data and later analyzed to test hypotheses. The preference for this methodology suggests the demand for objective results that can also help in practical recommendations for management. On the contrary, the qualitative approach was implemented by 10 articles (23.8%), emphasizing the in-depth analysis. For this method, the

interviews and case studies were used. This methodology suggests a more detailed and case-based understanding of the HQ-subsubsidiary relationships. Only 5 articles, 11.9%, employed mixed methods (a combination of both quantitative and qualitative approaches). All of the following indicates a trend of more evidence-based study of the topic.

Figure 5. Type of methodology used in empirical research.



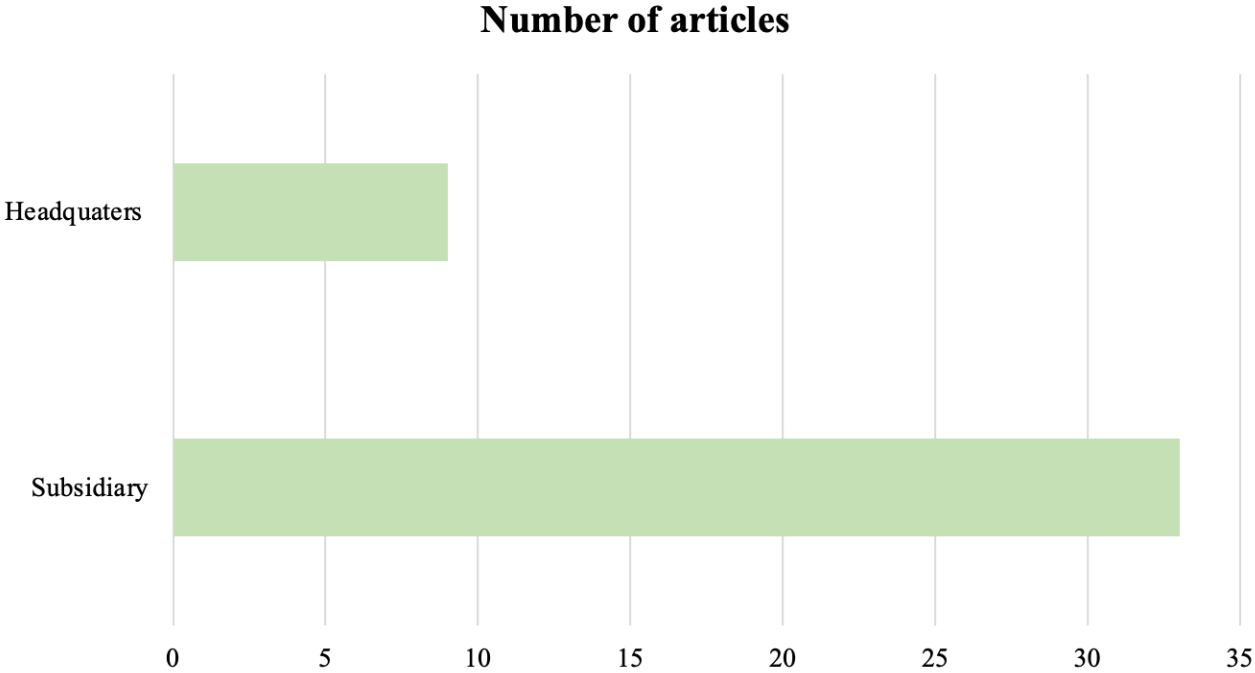
Source: own elaboration

4.4 Overview of Unit of analysis

The perception of the relationship may differ between two parties: HQ and subsidiary, therefore it is important to understand the organizational focus in the articles (applicable for empirical studies only).

Based on the results, it is evident that the issue is more important for the subsidiary, with 33 articles (78.5%) focusing on subsidiaries as their unit of analysis, while only 9 (21.4%) examined it from the headquarters' perspective (see Figure 6). This difference suggests that the informal institutional impact on the relationship is more critical and problematic at the subsidiary level. Subsidiaries, operating in different institutional settings than its HQ face difficulties when dealing with cultural distance, and are under the influence and pressure of the local informal institutions. HQ, on the other hand, being the central decision-making body, are often assumed to operate in a more standardized and consistent manner standardized, therefore attracting less research attention. Nevertheless, this perspective is of high importance since the policies and strategic decisions are made by the headquarters. This result also indicates a gap, since the articles focus only on one side of the relationship, therefore for future research the combination of both perspectives might lead to more integrated and comprehensive results regarding the dynamics of the HQ-subsubsidiary relationship.

Figure 6. Number of articles per unit of analysis.



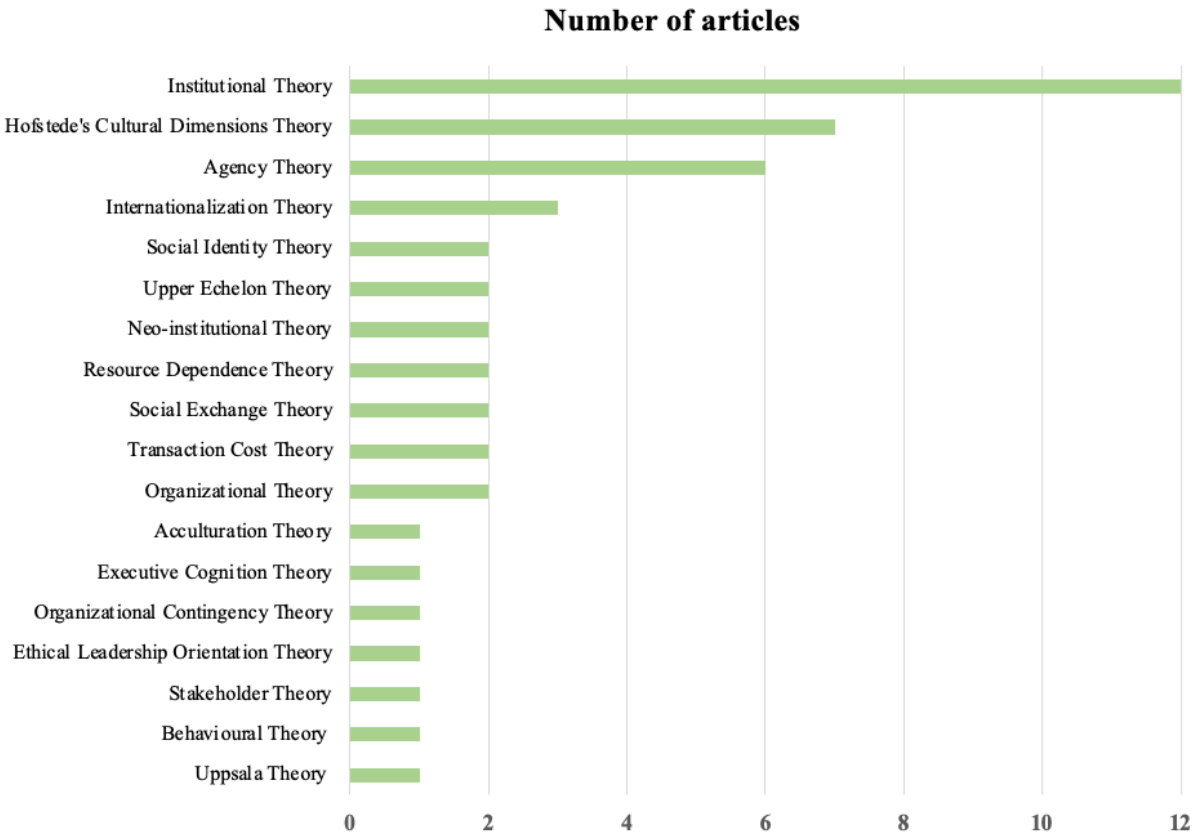
Source: own elaboration

5. CONTENT ANALYSIS

5.1 Overview of Theories used in publications

In the selected articles, 18 different theories were implemented (*See Figure 7*). While most of the articles explicitly state the theoretical framework that was employed, some articles implicitly integrate theory into their arguments and discussions. In these cases, the theoretical foundation was determined through careful analysis of the research design, methodology, and key arguments presented within the article. Moreover, it is essential to mention that some articles incorporated multiple theories within their research, providing a more complex understanding of the topic.

Figure 7. Number of articles focusing on each theory.



Source: own elaboration

A clear pattern emerges highlighting the relevance of Institutional Theory (DiMaggio & Powell, 1983; Hybels, 1995; Kostova & Zaheer, 1999) to this topic. This theory was employed by Puck et al. (2016), Abugre et al. (2019), Song (2021), Meuer et al. (2019), Nowinska et al. (2023), Kemper et al. (2019), Zhou & Wang (2020), Muellner et al. (2017), Borah et al. (2023), Verfürth (2022), Song (2022), and Gutierrez-Huerter et al. (2020). In the international business field, institutional theory has been widely applied to get an understanding of the pressures within home and host countries' institutional environments (Song, 2021). The theory also posits that host-country nationals might be perceived by MNC parent managers as less reliable. Such potential risks significantly influence subsidiary staffing decisions by foreign MNCs (Muellner et al., 2017).

Agency theory also received considerable attention, with six articles implementing it. It was applied by Be Jong et al. (2015), Cerar et al. (2022), Puck et al. (2016), Jankowska et al. (2020), Song (2021), and Ge et al. (2022). Agency theory suggests that MNCs are likely to control subsidiaries in unfamiliar contexts to avoid risks of opportunism and uncertainty. According to this theory, the greater the distance between HQ and subsidiary countries, the more likely agency problems will arise in the HQ-subsidary relationship, leading to increased control by the headquarters (Be Jong et al., 2015). Moreover, from an agency theory perspective, the information deficit for parent firms increases with distance, resulting in higher information asymmetry and agency costs (Puck et al., 2016).

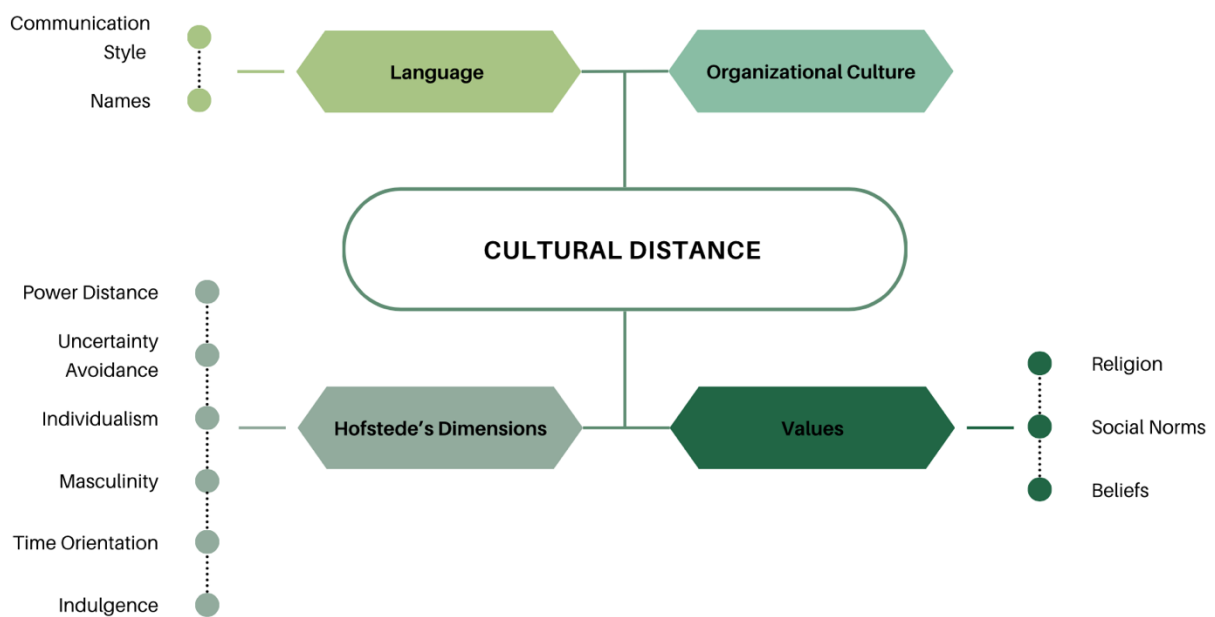
Social Exchange Theory’s perspective was implemented by Wang et al. (2020) and Raziq et al. (2021). Social exchange theory suggests that positive results from an activity encourage repetition of that activity. From this perspective, a subsidiary involved in reverse knowledge transfer will gain trust and confidence from the MNC, increasing its entrepreneurial initiatives (Raziq et al., 2021).

Network theory was not explicitly stated; however, it serves as an underlying framework for understanding the complex relationships between headquarters and subsidiaries. With its global network of subsidiaries operating in multiple countries, the basic idea of an MNC naturally reflects the principles of network theory. The way headquarters and subsidiaries are interdependent, the flow of resources, information, and knowledge between them align with the core concepts of network theory. Studies implicitly adopt its framework without explicitly mentioning it. The rest of the theories were only implemented once or twice, with the exception of Hofstede's cultural dimensions theory, which was more commonly applied. This suggests that the topic of HQ-subsidiary relationship can be looked at from various perspectives, which highlights the complexity of the topic. The usage of multiple theories underlines the multifaceted nature of the research area and the need for a comprehensive approach to understanding the dynamics between HQ and subsidiaries.

5.2 Overview of the cultural distance approach

All of the articles focus on cultural distance as part of the informal institution, however, within this concept, there are some differences. It can be divided into 4 groups or constructs (See Figure 8): Language, Hofstede’s Dimensions, Values, and organizational culture.

Figure 8. Informal factors mentioned in the articles.



Source: Own elaboration

5.2.1 Language

Since language is a crucial element of the culture, it has received a lot of attention from the researchers. Language as a cultural factor is analyzed by the multiple authors, including Cerar et al. (2022), Nielsen (2015), Konara et al. (2020), Besic et al. (2019), Contractor et al. (2016), Malul et al. (2016), and Verfürth (2022). Language is one of the biggest issues that can negatively influence the relationship between HQ and subsidiaries. Different frameworks can be implemented to measure the linguistic distance. Dow and Karunaratna's Country Distance Measures Database is one of them. It was applied by Konara et al. (2020). A wide range of variables, including linguistic distance, can be measured using this database to assess different elements of the country's distance. The database measures the linguistic distance based on the number of speakers of a common language using information from the Ethnologue language database. Another approach is implemented by Verfürth (2022) and Nielsen (2015), who have integrated shared language as an additional component of the classical Kogut and Singh's Cultural Distance Index.

5.2.2 Organizational culture

Organizational culture consists of the shared values, beliefs, assumptions, and behaviors that influence how people work within an organization. It includes management styles, decision-making processes, leadership approaches, and communication styles that are deeply embedded within organizational culture. Moreover, recruitment, training, performance management, and employee relations practices are all shaped by organizational culture. Organizational culture is researched by Fazal et al. (2023), Song, (2022), and Fazal et al. (2016).

5.2.3 Hofstede's Dimensions

Researching several cultural factors from the perspective of Hofstede's dimensions received the most attention. It was discussed by the following authors, such as Stor (2021), Da Cunha et al. (2023), Crespo et al. (2020), Antunes et al. (2019), Da Cunha et al. (2022), Da Cunha et al. (2023), Jankowska et al. (2020), Ge et al. (2019), Zhang et al., (2022), Weng & Cheng (2019), Kemper et al. (2019), Park et al. (2018), Flickinger & Zschoche (2023), Da Cunha et al. (2022), Muellner et al. (2017), Borah et al. (2023), Ge et al. (2022), Kim et al. (2022). Hofstede's framework uses 6 dimensions to understand the cultural differences between countries: Power Distance Index, Collectivism vs. Individualism, Uncertainty Avoidance Index, Femininity vs. Masculinity, Short-Term vs. Long-Term Orientation, and Restraint vs. Indulgence. However, in the articles found for this study, most authors focus only on the first four dimensions. This result indicates a gap, future research could analyze the effects of Short-Term vs. Long-Term Orientation, and Restraint vs. Indulgence regarding the dynamics of the HQ-subsidiary relationship.

Some researchers argue that the cultural distance is not the most controlling factor. The HQ-subsidiary relationship is influenced by the cultural profile of the host country rather than just the cultural distance. HQ cannot rely solely on cultural distance metrics to predict subsidiary performance. And a firm's history and traditions play a crucial role in adapting to cultural distance, often more than cultural similarities between home and host countries (Da Cunha et al., 2022). However, the majority believes otherwise, arguing that cultural distance impacts the relationship between HQ and its subsidiaries. When the culture distance is bigger there is a

pattern for a more controlling HQ-subsiary relationship in such contexts (Stor, 2021). Moreover, increasing cultural distance in an MNC hinders HQ's understanding of subsidiary activities, reduces trust, and disrupts information flow and knowledge transfer. The tacit nature of culture makes it difficult for HQ to transfer home-country expertise to subsidiaries, which affects the efficiency of HQ-subsiary relationships (Da Cunha et al., 2022). Knowledge, innovation, and strategic autonomy of foreign subsidiaries are crucial for reverse knowledge transfer. High cultural distance hinders resource and competence transfer and control of operations (Jankowska et al., 2020). Greater cultural distance leads to more information asymmetry, making it harder for HQ to predict subsidiary behavior and increasing reliance on expatriates (Ge et al., 2019). Cultural differences significantly influence the strategy and organizational culture of subsidiaries. It can hinder goal achievement and negatively impact performance, necessitating adaptations in the subsidiary's organizational culture to align with local values and attitudes (Antunes et al., 2019).

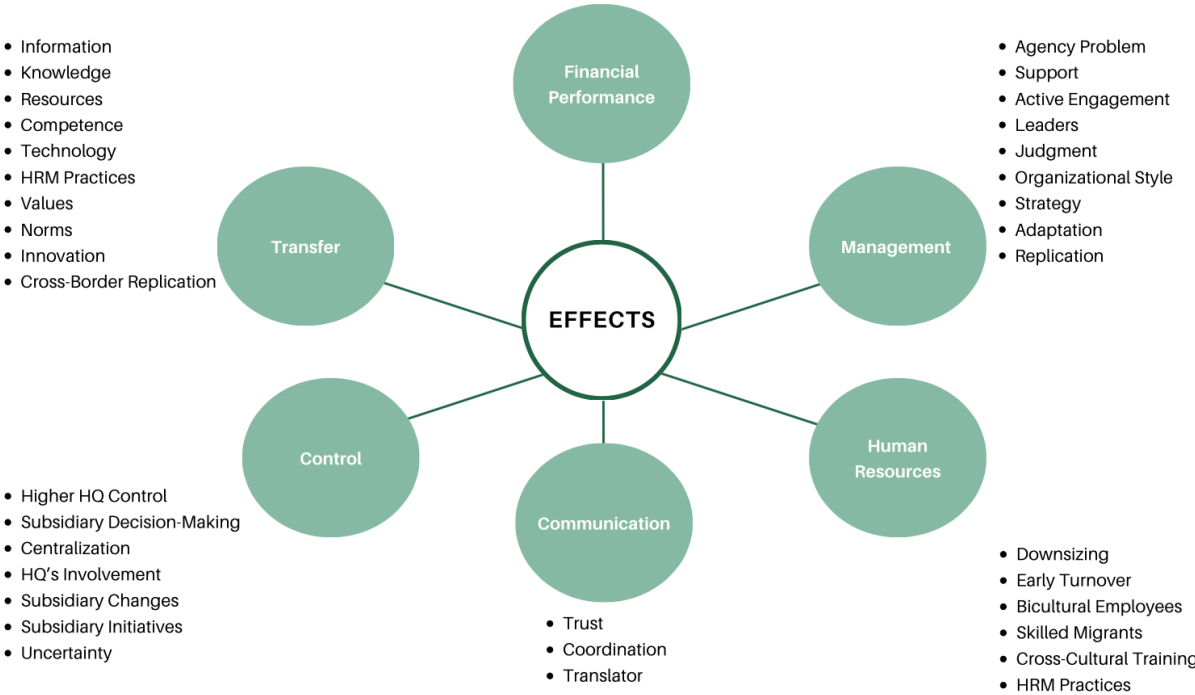
5.2.4 Values

Values encompass several factors, including social norms, beliefs, and religion. Social norms are unwritten rules that govern the behaviour within the society. They establish what is acceptable and appropriate. Beliefs are assumptions that individuals and groups have about the world. A set of practices and ideas about morality, ethics, and the meaning of life are collectively referred to as religion. The influence of values on the HQ-subsiary relationship is explored by numerous scholars such as Raziq et al. (2021), Puck et al. (2016), Wang et al. (2020), Fortwengel et al. (2016), Abugre et al. (2019), Song (2021), Dau et al. (2022), Lu et al. (2024), Verfürth (2022), Nowinska et al. (2023), Rickley (2019), Takeda et al. (2022), Besic et al. (2019), Be Jong et al. (2015).

5.3 Overview of the effects of informal institutions on HQ-subsiary relationship

The effects of informal institutions on HQ-subsiary relationship can be divided into 6 groups: Transfer, Control, Communication, Employees, Management, and Financial Performance (*See Figure 9*). Remarkably, most articles address more than one outcome, reflecting the multifaceted impact of cultural distance on the relationship. Cultural differences introduce complexities and challenges that call for careful management and strategic interventions.

Figure 9. Effects of Informal Institutions in HQ-subsubsidiary relationships.



Source: Own elaboration

5.3.1 Effects on Transfer

Knowledge Transfer effect on the HQ-subsubsidiary relationship has received the most attention and is researched by Nielsen (2015), Crespo et al. (2020), Cerar et al. (2022), Puck et al. (2016), Contractor et al. (2016), Wang et al. (2020), Jankowska et al. (2020), Malul et al. (2016), Fazal et al. (2023), Fortwengel et al. (2016), Song (2021), Ge et al. (2019), Meuer et al. (2019), Park et al. (2018), Da Cunha et al. (2022), Fazal et al. (2016), Takeda et al. (2022), Verfürth (2022), Song (2022), Kim et al. (2022). The articles highlight that cultural distance complicates the transfer of technology, knowledge, resources, etc., with information transfer being the most difficult. Language barriers and different norms significantly impact how the information is perceived and exchanged, influencing the effectiveness of the transfer process. Differences in languages in home and host countries create informational disadvantages for foreign subsidiaries. This complicates the transfer of intangible assets from the HQ and increases monitoring, oversight, and coordination costs. Language is crucial in international business for understanding foreign cultures, communication, operations, and marketing adaptation. Furthermore, research proves that MNC parents can even reduce involvement in countries with greater language differences due to miscommunication fears (Contractor et al., 2016). Language, more specifically the country origin of the names of the managers, also influences the resource exchange. Proposals from expatriate managers receive fewer resources compared to those from local managers. This suggests that HQ trusts expatriates but finds them less effective in understanding distant markets. Consequently, HQ allocates more resources to expatriates in nearby countries and fewer in distant ones (Cerar et al., 2022). Greater distance in terms of social norms hinders subsidiaries' capability development and innovation efforts. This distance negatively impacts subsidiary initiatives and MNC-subsubsidiary collaboration.

However, subsidiaries deeply embedded in their external networks are less affected by this distance. Subsidiaries in host environments that differ significantly from the home environment in informal aspects are least likely to receive HQ resource support for their initiatives (Raziq et al., 2021). On top of that, MNCs struggle to transfer practices successfully due to the context-dependent nature of institutionalized practices. Home country practices often do not fit well with the host country's context, risking failure. Successful practice transfer between HQ and subsidiaries requires adapting to local contexts and collaborating with local partners to influence institutional frameworks and ensure the practices are effectively integrated (Fortwengel et al., 2016). In 2023 Fazal et al., examined that the organizational distance actually has a positive effect on intra-firm technology transfer. This applies to the technology transfer and organizational sustainability among MNC subsidiaries in Malaysia. Cultural similarities between home and host countries facilitate the adoption of innovative technologies between HQ and their subsidiaries (Fazal et al., 2023).

Highly skilled migrant professionals play a crucial role in facilitating cross-border knowledge transfers within MNCs, particularly in bridging the gap between HQ and subsidiaries. Their expertise, cultural knowledge, and language proficiency enable them to establish social connections and navigate institutional differences, enhancing communication and collaboration between HQ and subsidiaries (Verfürth, 2022). High cultural distance challenges expatriate managers in knowledge transfer, increasing adaptation costs. Effective control by HQ is ensured through expatriates, but subsidiaries gain power when HQ depends on their resources, leading to asymmetric power distribution. Over time, subsidiaries may overcome cultural distance challenges, reducing the need for expatriates (Ge et al., 2022). Expatriates have the authority to influence subsidiary employees through resource control and decision-making. Their choices, influenced by HQ's business culture, affect employee treatment and organizational outcomes. While HQ's control aims to achieve business objectives, cultural conflicts with local employees can undermine these goals (Zhang et al., 2022). Nevertheless, they often struggle with the liability of foreignness and lack host-country knowledge. They must navigate conflicting interests between the MNC parent and the host country, leading to a complex dynamic. Host-country nationals are viewed with suspicion by HQ because their strong ties to local interests might cause them to prioritize these over the MNC's goals. Despite the advantages they can offer, such as local knowledge, HQs underutilize these benefits, showing a cautious and mistrustful HQ-subsidiary relationship driven by concerns over reliability and alignment of interests (Muellner et al., 2017).

5.3.2 Effects on Control

Subsidiary control and monitoring is the second most essential effect and has been analyzed by Be Jong et al. (2015), Stor (2021), Antunes et al. (2019), Besic et al. (2019), Puck et al. (2016), Contractor et al. (2016), Malul et al. (2016), Ge et al. (2019), Zhang et al. (2022), Nowinska et al. (2023), Kemper et al. (2019), Weng & Cheng (2019), Zhou & Wang (2020), Ge et al. (2022), Takeda et al. (2022), Gutierrez-Huerter et al. (2020), Kim et al. (2022). The studies highlight how the informal distance leads to a higher level of control implemented by the HQ due to the high level of uncertainty. Increased control is a measure to mitigate risks and ensure that the subsidiary is aligning with organizational objectives. Greater differences in country contexts restrict subsidiary decision-making autonomy, which impacts the HQ-subsidiary relationship

by necessitating a higher level of control and oversight from headquarters. This is particularly evident in CEE countries, where HQs must carefully balance control with the need to adapt to local contexts (Be Jong et al., 2015). This is also evident in the Chinese market, where cultural distance increases uncertainty and complicates verifying claims from both external and internal stakeholders. It also intensifies agency problems by increasing information asymmetries between the HQ and the subsidiary (Puck et al., 2016).

However, for example Scandinavian HQs value gender equality highly, reflecting low masculinity in their culture, while Japan's high masculinity culture emphasizes traditional gender roles. This cultural distance allows subsidiary executives significant decision autonomy, as HQ uses limited pressure on gender issues. Most executives in the study supported gender diversity and equality, actively fostering these values in their subsidiaries (Kemper et al., 2019).

5.3.3 Effects on Communication

Communication issues are analyzed by Nielsen (2015), Crespo et al. (2020), Konara et al. (2020), Malul et al. (2016), Muellner et al. (2017), Fazal et al. (2016), Borah et al. (2023), Verfürth (2022), Kim et al. (2022). Communication between HQ and the subsidiary suffers from the cultural distance which leads to distrustful interactions. Language barriers increase these issues, to overcome this translator might be implemented (Gutierrez-Huerter et al., 2020). Effective communication is a significant area of concern since it is crucial for operational success. As noted by the Japanese subsidiaries of Scandinavian MNCs, language (both formal and informal), damages communication. These subsidiaries report issues such as differing norms, misinterpreted information, lack of skills, and discomfort with uncertainty, primarily noted by expatriates (Nielsen, 2015). Moreover, language differences can also negatively impact the overall performance of the subsidiary. HQ managers' or expatriates', who lack proficiency in the host country's language undermine their authority and leadership in the eyes of subsidiary employees. Language differences also hinder communication and interaction within the MNC, distancing the subsidiary from HQ and reducing the benefits the subsidiary gains (Konara et al., 2020). Furthermore, linguistic distances when it comes to addressing women's issues might cause misunderstandings and conflicts. Two linguistic gaps exist in MNCs: between the grammatical gender markings of home and host countries, and between languages spoken officially and informally at HQ and the subsidiary. To overcome that training on gender norms can help bridge these gaps, enhancing integration and performance (Malul et al., 2016). Nevertheless, when there is a large organizational culture distance, subsidiaries face challenges in aligning with local norms, also regarding initiatives like gender equality. Subsidiaries with more autonomy from HQ have greater flexibility to adapt to local conditions, while those under strong HQ control struggle to adapt to local expectations and must align more with home country practices (Song, 2022).

In 2016 Fazal et al. analyzed that greater organizational culture distance between the HQ and its subsidiary leads to increased differences in values and norms, which complicates the operations and reduces communication effectiveness. It causes misunderstandings and conflicts, hindering learning, and therefore creating a barrier to technology transfer. Effective communication is crucial for successful technology transfer and increased distance can damage the collaboration needed for this exchange (Fazal et al., 2016).

Cultural distance between HQ and subsidiary, measured through Hofstede dimensions, raises information costs and disrupts communication, complicating integration, and routine application for subsidiaries. Greater cultural distance increases reliance on parent country national expatriates due to the uncertainty and information asymmetry it creates (Kim et al., 2022). It complicates communication and trust, leading HQ to prefer expatriates in culturally distant subsidiaries due to distrust of local managers' information. However, expatriates are not typically sent to culturally and institutionally distant subsidiaries unless it is to serve global customers, indicating a selective use of expatriates (Nowinska et al., 2023).

MNCs should implement a common corporate language to avoid misunderstandings (Malul et al., 2016). MNCs should place subsidiary executives with extensive and varied international experience to deal with communication issues that arise between the HQ and subsidiaries (Rickleby, 2019).

5.3.4 Effects on Management

When it comes to management practices it is analyzed by Antunes et al. (2019), Puck et al. (2016), Da Cunha et al. (2022), Wang et al. (2020), Fazal et al. (2023), Fortwengel et al. (2016), Abugre et al. (2019), Song (2021), Ge et al. (2019), Dau et al. (2022), Zhang et al. (2022), Meuer et al. (2019), Lu et al. (2024), Rickleby (2019), Ge et al. (2022), Stor (2021), Song (2022). The studies show informal distance affects managerial practices and the overall effectiveness of management. When it comes to reputation risk, due to the direct management by the HQs that creates a strong visible connection, stakeholders are likely to judge the subsidiary based on the parent's actions during a crisis. However, institutional distance reduces parent firm control and weakens the perceived link between the HQ and the subsidiary (Zhou & Wang, 2020). When a local subsidiary is in a country with higher power distance, lower individualism, lower masculinity, higher uncertainty avoidance, shorter time orientation, and lower indulgence compared to its HQ: there are weaker correlations between HRM subfunctions and subsidiary performance, more centralization of local practices by the HQ, and reduced importance of knowledge and skills transfer from the subsidiary to the HQ (Stor, 2021). In less developed countries with high power distance, subsidiaries from emerging markets effectively use their expertise to manage cultural distance effects positively. Power distance is a dimension that firms can manage by adjusting authority styles based on cultural context. Developed country firms perform well in both high and low-power-distance countries, while Latin American subsidiaries excel in high-power-distance countries but struggle in low-power-distance settings. HQs from developed countries are better equipped to support their subsidiaries across diverse cultural contexts, while HQs from Latin American countries need to improve their understanding and management of cultural differences within their own region (Da Cunha et al., 2022). HQs can enhance subsidiary performance by tailoring their management styles to the host country's cultural characteristics, particularly favoring feminine over masculine cultural traits for smoother practice transfers (Da Cunha et al., 2023). The HQ-subsidiary relationship is shaped by how well HQ can manage the challenges posed by institutional distance. Greater institutional distance often leads to difficulties in coordination and legitimacy, as subsidiaries face the liability of foreignness. Informal distance negatively affects Chinese multinational Corporations' cross-border replication. However, this effect is moderated by culturally transmitted information, such as social norms and cooperation. The study shows that

subsidiary operating years and managerial experience significantly moderate cultural distance. MNCs adjust to local norms through socialization, where managers internalize local cultural traits, norms, and values. This shared understanding strengthens corporate relationships and reduces cultural distance, enhancing HQ-subsidiary cooperation and integration (Wang et al., 2020).

5.3.5 Effects on Performance

The impact of the informal institutions on the financial performance of the subsidiary is analyzed by Da Cunha et al. (2023), Konara et al. (2020), Raziq et al. (2021), Da Cunha et al. (2022), Da Cunha et al. (2023), Park et al. (2018), Flickinger & Zschoche (2023). The masculinity vs. Femininity dimension affects the financial performance of subsidiaries, moderated by formal institutional distance towards less developed host countries. (Da Cunha et al., 2023). Subsidiaries from emerging markets are better at navigating institutional voids in culturally distinct host countries, such as those in Latin America (Da Cunha et al., 2022). The results show a positive link between high or low Power Distance Index scores in the host country and subsidiary performance, indicating that firms can adapt well by using appropriate management styles. Moreover, results indicate that subsidiaries perform better in more feminine cultures, as these environments facilitate easier transfer of managerial practices from HQ to subsidiaries (Da Cunha et al., 2023). Park et al. (2018) state that cultural distance positively impacts the financial performance of foreign subsidiaries. Cultural similarities between HQ and a foreign market do not guarantee success; instead, companies can find opportunities in markets with greater cultural differences. While it can increase costs and communication problems, it also fosters knowledge creation and organizational learning. For instance, the subsidiaries in Korea, which were analyzed in the study, perform better when there is a significant cultural distance from their HQ far away from Korea, as this distance encourages adaptation and learning. Cultural differences between HQ and subsidiaries lead to better performance through enhanced learning and innovation (Park et al., 2018). Cultural distance affects how HQ decision-makers perceive the performance of their subsidiaries. Specifically, in culturally closer subsidiaries, performance outcomes are interpreted more favorably, leading to fewer workforce downsizing. On the contrary, in culturally distant subsidiaries, performance outcomes are judged more harshly, resulting in more workforce downsizing. This suggests that HQ decision-makers are likely to have a more positive view of performance in culturally similar subsidiaries due to social identification and in-group favoritism. Thus, the lower the cultural distance, the more likely HQ is to interpret performance favorably (Flickinger & Zschoche, 2023).

5.3.6 Effects on Human Resources

And finally, the impact of the informal distance on Human Resources is researched by Besic et al. (2019), Flickinger & Zschoche (2023), Borah et al. (2023), Verfürth (2022), Takeda et al. (2022). MNCs influence the cultural values of their local employees in foreign subsidiaries. Employees in collectivistic cultures tend to align their ethics-related values with those of the MNCs' home cultures, indicating a form of cultural assimilation driven by the HQ. This acculturation process is more pronounced when there is a greater distance between the MNCs' home and host cultures, suggesting that the HQ's cultural influence impacts subsidiary operations (Takeda et al., 2022). Informal institutional distance between an MNC's home and host country creates challenges in the HQ-subsidiary relationship. Subsidiaries often adopt the

organizational values of the parent company, which may not align with the host country's cultural environment. This misalignment can lead to discomfort among subsidiary employees, causing early turnover and short tenures, particularly for R&D employees (Borah et al., 2023). Furthermore, cultural distance influences how employees perceive their leaders (Zhang et al., 2022). HQs play a critical role, as their resistance often leads to unsuccessful initiatives due to cultural and institutional differences, which may result in HQs not fully understanding subsidiary issues. (Weng & Cheng, 2019).

The study of Meuer et al. (2019) emphasizes management strategies of the subsidiary workforce. The interaction between the HQ and its subsidiaries is crucial to customizing approaches to coordinate employment practices effectively within diverse institutional frameworks. The institutional environment of the HQ plays a crucial role in shaping HRM practices in the subsidiaries. Moreover, when the institutional environments align closely between the HQ and the subsidiary's location, MNCs tend to minimize the use of expatriate managers due to the associated costs (Meuer et al., 2019).

IKEA Japan, for instance, struggled to get Japanese employees to understand the corporate culture. In contrast, IKEA Korea managed these differences relatively well (Song, 2021). To solve the issues arising from different values, the studies highlight the importance of cross-cultural training, support, and understanding local values to ensure expatriates can effectively adjust and perform in subsidiary locations (Abugre et al., 2019; Lu et al., 2024). It is essential to understand the importance of adaptation. While the HQ's standardized HRM practices are essential, local adaptations and strategies are necessary to address institutional and cultural differences (Song, 2021). Greater institutional distances between home and host countries make it harder to understand the local environment, increasing the need for adaptation (Dau et al., 2022).

Expatriates help maintain control over subsidiaries and transfer knowledge from HQ to subsidiaries. However, they might struggle with adjusting to the host country's environment. HQ uses expatriates to manage cultural differences and ensure effective subsidiary management but must balance this with developing local talent and reducing reliance on expatriates over time (Ge et al., 2019). Japanese multinationals, for instance, initially rely on expatriates to transform subsidiaries into Japanese-style firms, especially in culturally distant host countries. This reliance decreases as they gain international experience. HQ control through expatriates helps transfer organizational practices and maintain strategic alignment, but it can also limit local responsiveness and adaptability (Lu et al., 2024). Besides expatriates, corporate socialization mechanisms can help align corporate values between HQ and subsidiaries and mitigate the negative effects of cultural distance. (Crespo et al., 2020).

6. DISCUSSION

6.1 Impact of Informal institutions on the HQ-Subsidiary relationship

The relationship between a HQ and its subsidiaries can be defined as a multifaceted and dynamic correlation, that involves the flow of resources, knowledge, and strategic direction. This relationship links the parent firm, which is frequently based in its country of origin, with its subsidiaries, which are based abroad. The main conflict in this relationship is

trying to achieve a balance between the need to provide subsidiaries the autonomy to adjust to local conditions and HQ's demand for control and alignment with overall strategy. This balance is greatly impacted by informal institutional distance.

Figure 10 illustrates how institutional distance has a significant effect on the relationship between the parent company and its subsidiaries. According to the research, negative outcomes outweigh the positive ones. Language, cultural norms, and communication style differences can make it difficult for headquarters and subsidiaries to communicate effectively, which can result in miscommunications and conflicts (Nielsen, 2015; Konara et al., 2020; Malul et al., 2016; Nowinska et al., 2023; Fazal et al., 2016; Borah et al., 2023). Information asymmetry and decreased innovation can interfere with knowledge transfer and resource allocation (Raziq et al., 2021; Cerar et al., 2022). Headquarters may find it difficult to exchange resources and expertise with subsidiaries located in nations with diverse cultural contexts, which could lead to a lack of coordination and alignment. A high institutional distance may result in more control from headquarters over the subsidiaries, limiting their autonomy and capacity to implement changes (Be Jong et al., 2015; Stor, 2021; Contractor et al., 2016; Zhang et al., 2022). Furthermore, employees of subsidiaries may quit their positions early and have short tenure as a result of cultural differences. High turnover rates and a decline in organizational commitment might result from employees from their home country finding it difficult to adjust to the cultural and social norms of the host nation (Borah et al., 2023). And lastly, institutional distance can have an impact on the organizational culture of subsidiaries, enhancing agency problem, and raise coordination concerns (Puck et al., 2016). Headquarters struggle to manage subsidiaries in countries with different institutional environments.

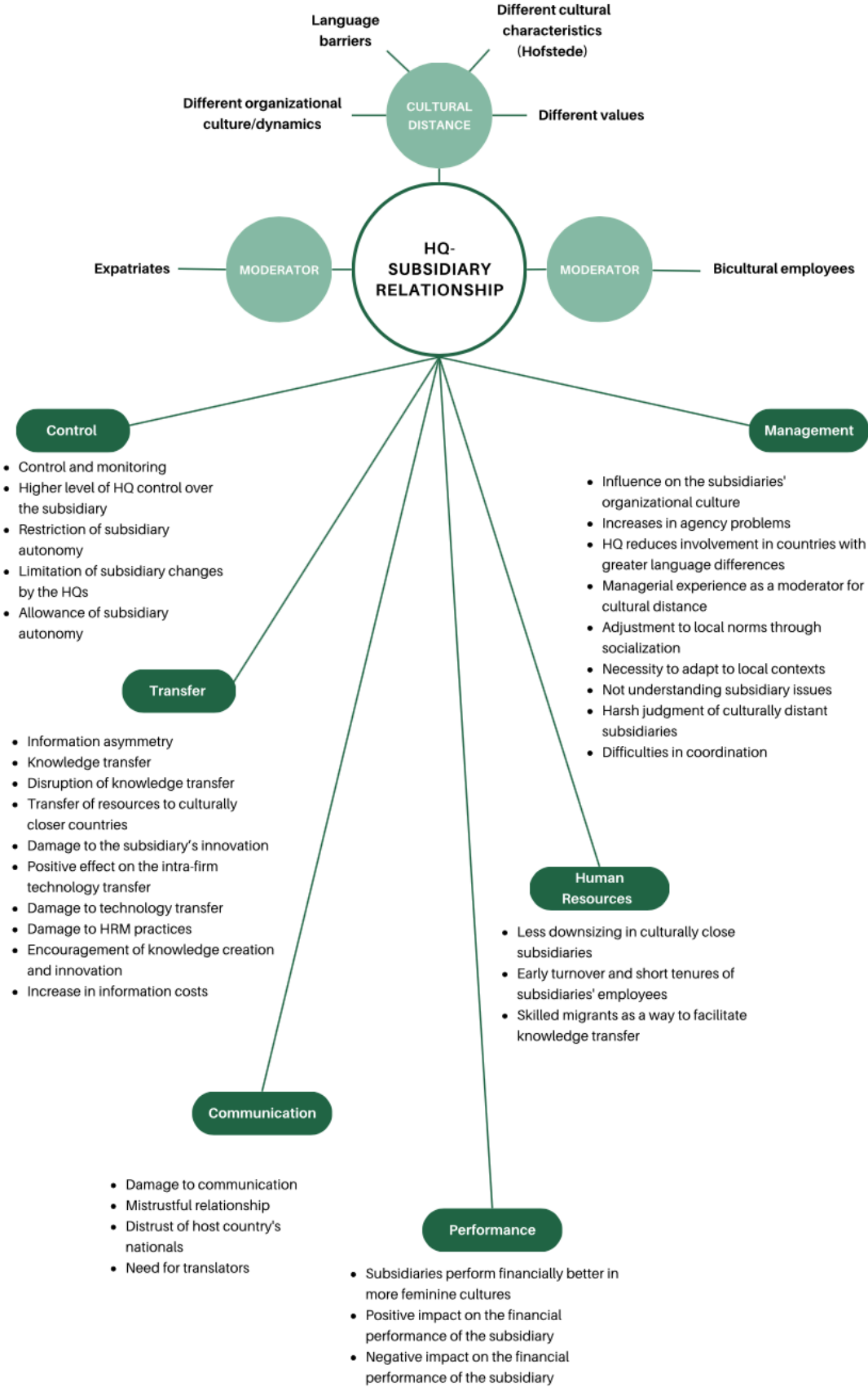
Contradictory findings, however, also indicate that informational institutions may benefit this relationship. High institutional distance countries might provide their subsidiaries more freedom to adjust to local market conditions, which might encourage more innovation and value creation (Antunes et al., 2019; Kemper et al., 2019). By exchanging experiences in various institutional contexts, headquarters and subsidiaries can promote cross-cultural understanding and the adoption of best practices. Moreover, it can foster innovation and knowledge creation (Fazal et al., 2023; Park et al., 2018).

The financial performance of subsidiaries operating in environments characterized by high institutional distance presents a multifaceted picture. On one hand, such subsidiaries may exhibit positive financial performance due to their adaptability to local market dynamics and their ability to effectively cater to the specific requirements of the local consumer base (Park et al., 2018). This advantage comes from their deep understanding of consumer preferences, and established business practices. However, on the other hand, significant informal institutional differences can negatively impact subsidiary financial performance (Konara et al., 2020). These informal differences can hinder effective communication and coordination between headquarters and the subsidiary, potentially leading to misinterpretations and reducing operational efficiency.

Moderator: Expatriates serve as a moderating factor between inputs and outputs since they are used as a control measure by the HQ to make sure that the subsidiaries match with

organizational practices. Articles analyzing the role of expatriates are Basic et al. (2019), Malul et al. (2016), Ge et al. (2019), Nowinska et al. (2023), Lu et al. (2024), Ge et al. (2022), Kim et al. (2022). To mitigate several of the negative effects of cultural distance, expatriates can help bridge cultural gaps, maintain alignment with HQ plans, and allow improved communication. In addition, they are essential for knowledge transfer and corporate culture reinforcement, which helps deal with cultural differences and improve HQ-subsiary relationships. Moreover, bicultural employees and skilled migrant workers can act as moderators since they are aware of cultural nuances of both home and host countries and can help to increase communication effectiveness

Figure 10. HQ-Subsidiary relationship.



Source: Own elaboration

6.2 Linkage with Institutional Theory

The institutional theory is supported by the findings. According to this theory, the legitimacy of the organization is affected by the institutional environment's characteristics. The institutional environment for MNCs is made up of three pillars: normative, cognitive, and regulatory. The findings illustrate how language barriers, cultural norms, and communication styles can make it challenging for headquarters and subsidiaries to communicate effectively. This aligns with the cognitive pillar, which argues that an organization must follow socially established cognitive structures in order to be accepted. In this case, MNCs must create legitimacy in their host nations through effective communication. Institutional distance complicates transfer knowledge and resources allocation. This is consistent with the regulatory pillar, which suggests that for an organization to remain legitimate, it must comply with laws and regulations. In this situation, MNCs must allocate resources and comply with regulations in order to remain legitimate in their host nations. And lastly, significant institutional distance means that HQ has more control over subsidiaries, which would restrict their autonomy and capacity to make changes. This is aligned with the normative pillar of the institutional environment, which argues that when an organization's values coincide with those of society, the organization's legitimacy is guaranteed. In this situation, MNCs' legitimacy depends on how well they accord with the ideals of their host nations. MNCs must deal with the highly complex institutional contexts of their host countries and match their activities with local norms and values in order to establish and maintain their legitimacy.

6.3 Linkage with Social Exchange Theory

The Social Exchange Theory argues that human behavior is shaped by the exchange of rewards. In terms of MNCs, the relationship between HQ and their subsidiaries can be understood as an exchange of resources, guidance, and autonomy. Cultural differences impact the degree of trust and support that are shared between the headquarters and subsidiaries. It is essential that both headquarters and subsidiaries have the same expectations regarding resources, guidance, and autonomy within the local context in order to maintain an effective working relationship. Tension and conflict are likely to occur when these expectations are not met. This is consistent with the idea of social exchange theory, which holds that while negative exchanges promote competition and conflicts, positive exchanges promote commitment, trust, and loyalty. Effectively addressing and resolving expectations gaps and ensuring positive resource and support exchanges are essential for the establishment and maintenance of a successful collaboration between headquarters and subsidiaries.

6.4 Linkage with Network Theory

The importance of efficient coordination and communication within a the MNC is argued by network theory. Language barriers and cultural norms provide communication and coordination issues between headquarters and subsidiaries. These issues correspond with network theory's focus on the importance of strong relationships and effective information flow. According to network theory, a network's well-connected nodes are more likely to promote resource allocation and knowledge transfer. Moreover, the concept of centrality—which measures a node's significance within a network—is explored by network theory. The centrality perspective of network theory helps to explain how institutional distance affects the connection

between headquarters and subsidiaries. The performance of the whole system is positively impacted by the central subsidiaries, that have a deep understanding of local markets and can meet local needs. Furthermore, the distribution of control and power is analyzed by the theory. The difficulties in controlling subsidiaries in countries with different informal institutional frameworks correspond to the concentration of network theory on power relations inside the networks. Decision-making processes and power dynamics can be shaped by network structures. According to network theory, knowing power dynamics in the HQ-subsidiary relationship can assist manage conflicts and guarantee a fair distribution of resources.

7. CONCLUSIONS

7.1 Summary and Main Conclusion

The HQ-subsidiary relationship is complex and dynamic, it involves the transfer of knowledge, information, resources, and strategic direction. Where the main responsibility of the HQ is to set the strategic direction, making crucial decisions, and giving subsidiaries the necessary support and resources. Subsidiaries, in return, are responsible for carrying out the objectives and guidelines established by the HQ and adapting to accommodate the unique characteristics of the local market and generating revenue. Finding a perfect balance between HQ control and subsidiary autonomy is difficult yet necessary. This relationship is greatly influenced by informal institutional distance, having outcomes that are both positive and negative. In order to guarantee efficient coordination and communication with subsidiaries, headquarters must achieve an equilibrium between centralization and decentralization. In order to achieve this balance, a strong governance frameworks and management practices that encourage collaboration, information transfer, and subsidiary decision-making autonomy are crucial for this. MNCs need to optimize subsidiaries' potential to foster economic growth and create job opportunities by implementing efficient governance and management. It includes providing subsidiaries with resources and flexibility to adapt to local markets. Building trust can significantly improve collaboration, which highlights how crucial it is to have excellent interpersonal and leadership skills while managing the HQ-subsidiary relationship.

The main findings correspond to the United Nations Sustainable Development Goal 8: Decent Work and Economic Growth. Goal 8 aims to achieve productive employment, decent work for all, inclusive and sustainable economic growth. In order to achieve this goal, the relationship between the headquarters and its subsidiaries is essential since it directly affects the economic performance and job creation of multinational organizations. High institutional distance complicates efficient communication and coordination between the HQ and its subsidiaries. This might have a negative impact on the subsidiary' financial performance and result in limited job creation or job losses. On the other hand, subsidiaries can support economic growth and generate employment opportunities when they have the autonomy to innovate and adapt to local market conditions. Innovation and knowledge creation can be encouraged by transferring experiences across different institutional contexts. This aligns with the focus of Goal 8 on entrepreneurship and innovation as drivers of economic growth and job creation. MNCs can promote full employment, sustainable economic growth, and decent work opportunities by understanding the details of this relationship and addressing the issues created by informal institutional distance.

7.2 Practical Recommendations

There are multiple recommendations that can be put into practice in order to improve the relationship between headquarters and subsidiaries. One of the most crucial is to provide cross-cultural training for employees at all organizational levels. It can improve communication and promote understanding between the HQ and its subsidiaries by bridging cultural gaps. Employees will be better equipped to collaborate by obtaining a common understanding of cultural norms and values. Next recommendation is to create an exchange program that allows employees to work in various locations for a certain period of time. This will help subsidiaries and headquarters to share best practices and experience with each other. Through experiencing diverse work approaches, employees can foster mutual learning and acquire new skills. Building a stronger relationship between headquarters and subsidiaries can also be achieved through the employment of expatriates. Enterprises can establish closer ties between various divisions within the company by assigning employees from headquarters to work in subsidiaries, and vice versa. Additionally, expatriates can provide a link between headquarters and subsidiaries and support the information and experience transfer. A further essential component of maintaining a strong relationship between is a regular communication. Frequent meetings, video calls, and other tools can help to achieve this. Employees at the corporate office and its subsidiaries will be able to exchange information and remain informed about significant changes by maintaining communication with each other.

7.3. Limitations and future research

The published literature could contain biases that might affect the understanding of the subject as a whole. Publication bias, which refers to a certain tendency of researchers to publish studies that show more significant results, is another limitation of the systematic literature review. Even though, one of the selection criteria is articles published in the last ten years, the methodology may not capture the most recent developments in the field since it relies on previously published works. Since articles have been limited to English, it might have eliminated significant and relevant studies published in another language. Moreover, some papers might be excluded due to the limits of databases and access to certain sources. The manual selection of articles might be considered subjective, and there is a possibility of missing relevant studies. These limitations open up new opportunities for research in the future, enabling a more comprehensive understanding of the influence of informal institutions on HQ-subsidary relationships. For a more detailed analysis, future research could look at the impact of informal institutions within a specific industry sector or geographical region. Moreover, with the rising technological advancements, future research could also analyze how digitalization is changing the impact on the dynamics of the relationship.

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ANNEXES

Annex A Descriptive results

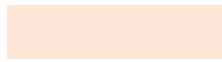
Explanatory note:

In type of research section:



- Conceptual methodology, the rest – Empirical

In methodology section:



- Quantitative



- Mixed Methods



- Qualitative

In unit of analysis section:



- Headquarters



- Subsidiary

In moderator section:

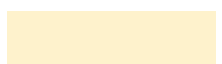


- Moderator is applicable, the rest not applicable

In outputs section:



- Positive effect on the relationship



- Negative effect on the relationship

Year of publication	Journal	Type of the research	Methodology	Unit of analysis	Theory	Focus of the research	Measure of the distance	Input	Moderator	Output
2015	International Business Review	Empirical	Quantitative	Subsidiary	Agency Theory	Cultural distance	Dow and Kaminami's country distance measures database	Language / Religion	Not applicable	Restriction of the subsidiary decision-making autonomy / higher level of control from HQ
2015	European Journal of International Management	Empirical	Mixed Methods	Subsidiary	Organizational Theory	Cultural distance	Kogut and Singh's cultural distance index	Language	Not applicable	Mismanaged information / damage of communication between subsidiaries and HQ
2016	Asia Pacific Journal of Management	Empirical	Quantitative	Headquarters	Agency Theory / Institutional Theory	Cultural distance	Hofstede	Social norms / Values	Not applicable	Increase in uncertainty / increases in agency problems / information asymmetries
2016	Journal of World Business	Empirical	Quantitative	Subsidiary	Internationalization Theory	Cultural distance	Håkanson and Årbo's psychic distance measure	Language	Not applicable	Informational disadvantages for subsidiaries / hinder knowledge transfer / higher level of control from HQ / HQ reduce control with subsidiaries with greater language differences
2016	International Journal of Human Resource Management	Empirical	Quantitative	Headquarters	Transaction Cost Theory	Cultural distance	Hofstede	Language / Masculinity	Expatriates	Language hinders communication and control / complication of information gathering / Expatriates as a control measure by HQ
2016	Journal of World Business	Empirical	Qualitative	Headquarters	Organizational Theory	Cultural distance	Berry, Guillen & Zhou's institutional distance measure	Beliefs / Values / Norms	Not applicable	Damage of transfer practices / necessity to adapt to local contexts
2016	Asian Social Science	Empirical	Quantitative	Subsidiary	Organizational Contingency Theory	Cultural distance	Simon's national culture distance	National Culture / Organizational Culture	Not applicable	Complication of operations / reduction of communication effectiveness / damage of information flow and learning / technology transfer
2017	Journal of International Management	Empirical	Quantitative	Subsidiary	Institutional Theory	Cultural distance	Berry, Guillen & Zhou's institutional distance measure / Hofstede	Power Distance / Individualism / Masculinity / Uncertainty Avoidance	Not applicable	Distress of host-country nationals by HQ / international HQ-subsidary relationship in culturally distant countries
2018	Organizations and Markets in Emerging Economies	Empirical	Quantitative	Subsidiary	Hofstede's Cultural Dimensions Theory	Cultural distance	Hofstede	Power Distance / Individualism / Masculinity / Uncertainty Avoidance	Not applicable	Positive impact on the financial performance of the subsidiary / encouraging of knowledge creation, organizational learning, and innovation

10	2019	Review of International Business and Strategy	Empirical	Quantitative	Subsidiary	Transaction Cost Theory / Behavioral Theory	Cultural distance	Hofstede	Power Distance/ Masculinity	Not applicable	Influence on the subsidiaries' strategy and organizational culture / HQ grant more autonomy to their subsidiaries
11	2019	European Management Review	Empirical	Qualitative	Headquarters	Resource Dependence Theory	Cultural distance	Whitley Framework	Language / Religion	Expatriates	Expatriates as a control measure by HQ / bicultural employees are beneficial
12	2019	Thunderbird International Business Review	Empirical	Mixed Methods	Subsidiary	Institutional Theory	Cultural distance	Not Applicable	Beliefs / Values / Norms	Not applicable	Expatriate adjustment essential for subsidiary performance / Importance of cross-cultural training
13	2019	Management International Review	Empirical	Quantitative	Subsidiary	Neo-institutional Theory	Cultural distance	Hofstede	Power Distance / Individualism / Masculinity / Uncertainty Avoidance	Expatriates	Expatriates as a control measure by HQ / Information asymmetry / necessity to adapt to local contexts
14	2019	European Journal of International Management	Empirical	Qualitative	Subsidiary	Institutional Theory	Cultural distance	Not Applicable	National Culture	Not applicable	Necessity to adapt to management strategies / minimization of the usage of expatriates / importance of subsidiary local experience / HQ practices provided in HRM practices
15	2019	Personnel Review	Empirical	Qualitative	Subsidiary	Institutional Theory / Upper Echelon Theory	Cultural distance	Hofstede	Masculinity	Not applicable	Allowance of the subsidiary decision-making autonomy
16	2019	Long Range Planning	Empirical	Mixed Methods	Subsidiary	Social Identity Theory	Cultural distance	Keegan and Stimp's cultural distance index	Power Distance / Individualism / Masculinity / Uncertainty Avoidance	Not applicable	HQs not understanding subsidiary issues / unsuccessful subsidiaries' initiatives due to cultural distance
17	2019	Journal of Management	Empirical	Quantitative	Subsidiary	Executive Cognition Theory	Cultural distance	Berry, Guillén & Zhao's institutional distance measure	Values / Communication Style	Not applicable	HQ place subsidiary executives with relationship due to inaccurate choice of management
18	2020	Journal of International Management	Empirical	Quantitative	Headquarters	Hofstede's Cultural Dimensions Theory	Cultural distance	Keegan and Stimp's cultural distance index / Hofstede	Power Distance / Individualism / Masculinity / Uncertainty Avoidance / Time Orientation / Indulgence	Not applicable	Reduction of trust / disruption of information flow and knowledge transfer
19	2020	International Marketing Review	Empirical	Quantitative	Subsidiary	Hofstede's Cultural Dimensions Theory	Cultural distance	Dow and Kamaiah's country distance measure database	Language	Not applicable	Negative impact on subsidiary performance / damage of communication between subsidiaries and HQ
20	2020	Forum for Social Economics	Empirical	Quantitative	Headquarters	Social Exchange Theory	Cultural distance	Hofstede	Social norms / Values	Not applicable	Negative effect on cross-border replication / managerial experience as a moderator for cultural distance / adjustment to local norms through "reverse transfer" strategy
21	2020	Journal of Intellectual Capital	Empirical	Quantitative	Subsidiary	Agency Theory	Cultural distance	Keegan and Stimp's cultural distance index	Power Distance / Individualism / Masculinity / Uncertainty Avoidance	Not applicable	Language and information barriers reduce HQ's control
22	2020	Journal of International Business Studies	Empirical	Quantitative	Headquarters	Institutional Theory	Cultural distance	Simone's national culture distance	National Culture	Not applicable	HQ limits subsidiaries' changes / middle management as a translator / need of subsidiaries to replicate HQ / increase in uncertainty
23	2020	Journal of International Business Studies	Empirical	Qualitative	Subsidiary	Institutional Theory	Cultural distance	Not Applicable	Language	Not applicable	More centralization of local practices by the HQ / High level of control from HQ
24	2021	International Journal of Cross-Cultural Distance	Empirical	Quantitative	Headquarters	Hofstede's Cultural Dimensions Theory	Cultural distance	Hofstede	Power Distance / Individualism / Masculinity / Uncertainty Avoidance / Time Orientation / Indulgence	Not applicable	

25	2021	European Management Review	Empirical	Quantitative	Subsidiary	Social Exchange Theory / Resource Dependence Theory	Cultural distance	Berry, Guillot & Zhou's institutional distance measure	Knowledge/ Societal norms	Not applicable	Damage to subsidiaries' home values effort/ subsidiary initiatives are less likely to receive resources from HQ
26	2021	Journal of International Management	Empirical	Qualitative	Subsidiary	Institutional Theory / Agency Theory	Cultural distance	Forstweng's institutional distance	Values / Norms	Not applicable	Active engagement in the community by HQ/ subsidiaries / damage of HRM practices transfer / necessity to adapt to local contexts
27	2022	Journal of Management Studies	Empirical	Mixed Methods	Headquarters	Agency Theory	Cultural distance	Håkansson and Amboy's psychic distance measure	Language/ Names	Not applicable	Allocation of more resources to subsidiaries and fewer in distant ones by HQ
28	2022	International Journal of Cross Cultural Management	Empirical	Quantitative	Subsidiary	Internationalization Theory	Cultural distance	Hofstede	Power Distance	Not applicable	Developed country firm perform well in emerging markets / HQs from developed countries are better equipped to support their subsidiaries
29	2022	Journal of International Business Studies	Conceptual	Not Applicable	Not Applicable	Neo-institutional Theory	Cultural distance	Heineke and Levinsky's institutional distance	Societal norms	Not applicable	Necessity to adapt to local contexts / influence of the HQ on the subsidiary
30	2022	International Journal of Organizational Analysis	Empirical	Qualitative	Subsidiary	Ethical Leadership Orientation Theory	Cultural distance	Hofstede	Power Distance/ Individualism/ Masculinity/ Uncertainty Avoidance/ Time Orientation/ Indulgence	Not applicable	Perceptions of leaders / higher level of control from HQ
31	2022	Economics	Empirical	Quantitative	Subsidiary	Hofstede's Cultural Dimensions Theory / Internationalization Theory	Cultural distance	Kogut and Singh's cultural distance index / Hofstede	Power Distance/ Individualism/ Masculinity/ Uncertainty Avoidance	Not applicable	Importance of the cultural profile of the host country / damage of home-country expertise transfer
32	2022	Asia Pacific Journal of Human Resources	Empirical	Quantitative	Subsidiary	Agency Theory	Cultural distance	Hofstede	Power Distance/ Individualism/ Masculinity/ Uncertainty Avoidance	Expatriates	Expatriates as a control measure by HQ / subsidiaries organizational style / HQs from developed countries depends on subsidiaries' resources
33	2022	Cross Cultural and Strategic Management	Empirical	Quantitative	Subsidiary	Acculturation Theory	Cultural distance	GLOBE Cultural Dimensions	Institutional Collectivism/ Values	Not applicable	Strong impact of the HQ on the subsidiary operators / alignment of collectivistic cultures to the HQs values
34	2022	Global Networks	Empirical	Qualitative	Subsidiary	Institutional Theory	Cultural distance	Kogut and Singh's cultural distance index	Values/ Norms/ Language	Migrants	Facilitation of knowledge transfer through skilled migrants / enhancement of communication and collaboration through skilled migrants' connections
35	2022	Management International Review	Empirical	Qualitative	Subsidiary	Institutional Theory	Cultural distance	Whitley Framework	Organizational Culture	Not applicable	Challenges in aligning with local norms by subsidiaries / subsidiaries under strong HQ control struggle to adapt to local expectations

36	2022	Sustainability (Switzerland)	Empirical	Quantitative	Subsidiary	Hofstede's Cultural Dimensions Theory	Cultural distance	Kogut and Singh's cultural distance index / Hofstede	Power Distance / Individualism / Masculinity / Uncertainty Avoidance	Expatriates	Increase in inter-organizational trust / change of communication / expatriates as a control measure by HQ / strong impact of the HQ on the subsidiary operations / financial performance depends on the host country's cultural characteristics
37	2023	International Journal of Financial Studies	Empirical	Quantitative	Subsidiary	Uppasala Theory	Cultural distance	Hofstede	Power Distance / Masculinity	Not applicable	
38	2023	International Journal of Cross Cultural Management	Empirical	Quantitative	Subsidiary	Hofstede's Cultural Dimensions Theory	Cultural distance	Hofstede	Power Distance / Masculinity	Not applicable	Subsidiaries perform financially better in more feminine cultures / HQs enhance subsidiary performance by tailoring their management styles
39	2023	Transnational Corporations Review	Empirical	Quantitative	Subsidiary	Stakeholder Theory	Cultural distance	Simons's national culture distance	National Culture / Organizational Culture	Not applicable	Positive effect on intra-firm technology transfer / positive effect on organizational variability
40	2023	Journal of Global Mobility - the Home of Expatriate Management Research	Empirical	Mixed Methods	Subsidiary	Institutional Theory	Cultural distance	Boysenigler's model	Values	Expatriates	Expatriates as a control measure by HQ / damage of communication and trust
41	2023	Schmalzerbach Journal of Business Research	Empirical	Quantitative	Subsidiary	Social Identity Theory	Cultural distance	Kogut and Singh's cultural distance index	Power Distance / Individualism / Masculinity / Uncertainty Avoidance	Not applicable	Positive perception of culturally close subsidiaries' performance by the HQ / harsh judgment of culturally distant subsidiaries leading in culturally close subsidiaries
42	2023	R and D Management	Empirical	Quantitative	Subsidiary	Institutional Theory	Cultural distance	Hofstede	Power Distance / Individualism / Masculinity / Uncertainty Avoidance / Time Orientation	Not applicable	Misalignment of organizational values between HQ and subsidiaries lead to early turnover and short tenures of subsidiaries / hinder effective communication and coordination
43	2024	Humanities and Social Sciences Communications	Empirical	Quantitative	Subsidiary	Upper Echelons Theory	Cultural distance	Kogut and Singh's cultural distance index	Values / Norms	Expatriates	Difficulties in coordination and legitimacy / Expatriates as a control measure of cross-cultural training