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ABSTRACT

In recent years, shareholders, regulators, and academics have become increasingly interested in how multinational enterprises (MNEs) can ensure sound corporate governance throughout all entities within a firm. One important mechanism available to MNEs for improving their global governance is the subsidiary board of directors. However, to date scant academic research has focused on the roles of subsidiary boards and the factors that influence their involvement in different roles. Using survey data from a sample of MNE subsidiaries operating in Belgium with headquarters in 14 different countries, we find that a subsidiary board performs four roles: control, strategy, coordination, and service. Further, a subsidiary board is more involved in control, strategy, and service roles if the subsidiary operates only in the local market, independently from the headquarters (the local implementer subsidiary). In particular, the board of the local implementer subsidiary is more involved in strategy and coordination roles when more directors are headquarters country nationals. Our findings collectively suggest that the subsidiary board facilitates a subsidiary's pursuit of its strategic objective and helps to manage the headquarters–subsidiary agency problem. Moreover, subsidiary directors' characteristics influence the subsidiary board's ability to perform its roles.

Keywords: Corporate governance; Roles of subsidiary boards of directors; Multinational enterprise; Control mechanisms

1. Introduction

Over the last few decades, the corporate governance of foreign subsidiaries in multinational enterprises (MNEs) has drawn increasing interest from both academic researchers (Gillies & Dickinson, 1999; Filatotchev & Wright, 2011) and practitioners (Gibson, Elsdon, & Johnson, 2013). The subsidiary board can oversee the performance of subsidiary management on behalf of headquarters, review a subsidiary's strategic plans and internal policies, and ensure the sound governance at the subsidiary level (Kriger, 1988; Leksell & Lindgren, 1982). Moreover, the subsidiary board can help to integrate the subsidiary into the MNE, facilitating the subsidiary's access to critical resources and knowledge (Kriger, 1988; Leksell & Lindgren, 1982). As such a subsidiary board is a key internal governance mechanism available to the MNE.

Despite the usefulness of subsidiary boards, assigning various tasks to subsidiary boards may be less efficient or too costly, and the extent to which subsidiary boards engage in performing board roles can vary considerably (Reuer, Klijn, & Lioukas, 2014). In some cases, subsidiary boards are set up simply to fulfill local legal requirements (Gillies & Dickinson, 1999). This situation raises challenging questions for research and practice. What are the roles of subsidiary boards in MNEs beyond legal requirements? What are the factors that influence the subsidiary board's involvement in different roles? While the importance of subsidiary boards is known, little empirical research has examined these questions.

This study investigates the determinants of the roles of subsidiary boards in MNEs. Drawing upon the literature about boards of directors and international management, we first identify four different roles performed by subsidiary boards in MNEs; namely, control, strategy, coordination, and service. Second, we examine factors that influence the subsidiary board's involvement in each of these roles. Specifically, we focus on the subsidiary's strategy and the nationalities of the subsidiary directors.

International business research suggests that foreign subsidiaries possess distinct resources and knowledge, which creates information asymmetry and agency problems in headquarters–subsidiary relations (Roth & O'Donnell, 1996). To take advantages of each subsidiary's distinct capabilities and shape the optimal overall strategy, an MNC can implement different strategies in each of its subsidiaries (Bartlett & Ghoshal, 1989; Birkinshaw & Morrison, 1995; Ghoshal & Bartlett, 1990; Gupta & Govindarajan, 2000). Thus, headquarters must contend with the stress created by controlling a subsidiary's activities on the one hand, while facilitating its ability to achieve its strategic objectives on the other hand. Prior research suggests that headquarters use different control and coordination mechanisms to manage the underlying tension in the headquarters–subsidiary relationships. In the current study, we extend this literature and argue that a subsidiary board can help to manage the tension by performing various roles.

Further, the literature on boards in stand-alone firms suggests that firms adapt their board structure to heterogeneous needs for actions such as monitoring and advising (Boone et al., 2007; Linck, Netter, & Yang, 2008). Moreover, these boards' ability to perform a specific task is related to the directors' experience and knowledge (Carpenter & Westphal, 2001; Hillman & Daiziel, 2003; Kim & Cannella, 2008; Kroll, Walters, & Wright, 2008; Rindova, 1999) and their power to accomplish the task (Westphal, 1999; Westphal & Zajac, 1997). We assume that these findings can be extended to subsidiary boards. In the context of MNEs, a growing literature on board internationalization provides valuable insights into the antecedents (Oxelheim et al., 2013; Van Veen, Sahib, & Aangeenbrug, 2014) and consequences (Masulis, Wang, & Xie, 2012;

Oxelheim & Randøy, 2003) of recruiting foreign directors onto the corporate boards of MNEs. However, less is known regarding the usefulness of recruiting foreign directors as members of subsidiary boards in MNEs. From this literature, we identify an interesting class of subsidiary board members whose characteristics are unique for MNEs. Specifically, we focus on the presence of headquarters country nationals on subsidiary boards. Because they are representatives of headquarters in the subsidiary, headquarters country nationals on the subsidiary board can be expected to help monitor the subsidiary and ensure the transparency and accountability of the MNE's actions beyond the national context. Moreover, these directors' experience and knowledge of headquarters countries may help to integrate the subsidiary into the MNE group.

Using survey data from a sample of MNE subsidiaries operating in Belgium with headquarters in 14 different countries, we find that a subsidiary board is more involved in control, strategy, and service roles if the subsidiary is a local implementer, which operates only in the local market and carries out certain specific value-added activities independently from the headquarters (Birkinshaw & Morrison, 1995). This scenario suggests that given the difficulties faced by the headquarters in controlling the activities of a local implementer subsidiary centrally, the subsidiary board becomes a particularly important mechanism for watching over the actions and strategic decisions of the subsidiary. Moreover, while a local implementer subsidiary is tightly embedded in the local market, the subsidiary board may span boundaries to bring critical resources to the subsidiary.

Our results further reveal that the board of the local implementer subsidiary is more involved in strategy and coordination roles when more directors are nationals of the headquarters countries. This supports our argument that headquarters country nationals on a subsidiary board have the knowledge and authority to ensure that the subsidiary's strategy is in harmony with the MNE's overall goals. In addition, these directors' professional ties and experience in headquarters countries facilitate headquarters–subsidiary information processing and internal coordination within the MNE. Finally, results from our control variables are consistent with prior research. In particular, we find that Japanese MNEs' subsidiary boards are more active in strategy formulation and coordination tasks (Kriger, 1988).

To the best of our knowledge, our study is the first to provide empirical evidence on the factors that influence a subsidiary board's involvement in different roles. To date, the corporate governance research has looked at boards in stand-alone firms (for reviews see Adams, Hermalin, & Weisbach, 2010; Hermalin & Weisbach, 2003; Zahra & Pearce, 1989) and corporate boards in MNEs (Lai, Chen, & Chang, 2012; Oxelheim et al., 2013; Sanders & Carpenter, 1998; Sherman, Kashlak, & Joshi, 1998; Staples, 2007; Tihanyi & Ellstrand, 1998). Only a few studies have examined the roles of subsidiary boards, and they have provided inconclusive results (Björkman, 1994; Gillies & Dickinson, 1999; Kriger, 1988; Leksell & Lindgren, 1982). For example, Kriger (1988) and Björkman (1994) find that subsidiary boards often participate in the strategy formulation of subsidiaries, but Leksell and Lindgren (1982) find little evidence for this role. One possible explanation for the conflicting results could be that the studies look at the roles of the subsidiary board in isolation; none of these studies addresses the extent to which subsidiary boards perform the different roles. Du, Deloof, and Jorissen (2011) investigate the conditions under which foreign subsidiaries maintain active boards that perform tasks beyond fulfilling local legal requirements. Despite the valuable insight, Du et al. (2011) do not account for the various separate roles that boards of multinational subsidiaries actually play and the determinants of each role. We contribute to the emerging field in subsidiary governance by providing evidence that the involvement of the subsidiary board in each role depends on the strategy of the subsidiary and the characteristics of subsidiary directors. As such our study also complements the rich literature on management control in MNE subsidiaries (e.g., Andersson & Forsgren, 1996; Ghoshal & Nohria 1989; Jaussaud & Schaaper, 2006; Lin, 2014; Nohria & Ghoshal 1994; Yu, Wong & Chiao, 2006) by identifying the subsidiary board as a new control and coordinating mechanism available to MNEs for managing their foreign subsidiaries. Our results confirm that agency theory and resource dependence theory are useful in explaining the roles of subsidiary boards.

The remainder of this study is organized as follows. Section 2 first reviews the literature on board roles in stand-alone firms. It then discusses the roles of subsidiary boards and develops hypotheses on the factors related to these roles. The subsequent two sections present the research setting, variable measurements, research method, and results. The last section concludes the paper with implications, limitations, and directions for future research.

2. Literature review and hypothesis development

2.1. The roles of boards in stand-alone firms

The literature on boards in stand-alone firms is critical to the understanding of subsidiary boards. Drawing upon different theoretical perspectives, research has discussed three sets of roles performed by boards in stand-alone firms: control, strategy, and service (for reviews, see Adams et al., 2010; Hermalin & Weisbach, 2003; Minichilli, Zattoni & Zona, 2009; Zahra & Pearce, 1989). The control role includes the board tasks of evaluating top management and monitoring managerial behavior in the interests of shareholders, which is mainly explained by agency theory (Fama, 1980; Fama & Jensen, 1983; Nicholson & Kiel, 2007; Zahra & Pearce, 1989). The strategy role includes the board task of providing advice and counsel on strategic issues of the firm to top management. Different theories provide support for the strategy role (for review, see Pugliese et al., 2009). For example, resource dependency theory suggests that directors contribute to the strategy role by providing access to resources upon which firms depend (Pfeffer, 1972; Pfeffer & Salancik, 1978; Hillman & Dalziel, 2003). Meanwhile, agency theory posits that boards can ratify and monitor strategic decisions made by top management (Fama & Jensen, 1983). Finally, the service role includes board tasks of representing firms' interests in external communities, providing advice and counsel on environmental contingencies to top management, and linking firms to critical resources in the external environment. The service role is mainly based on resource dependence theory and on the resource-based view of the firm (Hillman & Dalziel, 2003; Lockett & Thompson, 2001; Nicholson & Kiel, 2007; Pearce & Zahra, 1992; Pfeffer, 1972; Pfeffer & Salancik, 1978; Pugliese et al., 2009).

Despite the dominant position of agency theory and resource dependence theory, the corporate governance literature suggests that other theoretical perspectives help elucidate board processes and dynamics. For example, social capital and network theories suggest that directors with more social relations and appropriate human capital can exert more influence on board decisions (Carpenter & Westphal, 2001; Stevenson & Radin, 2009). From a social cognitive and behavior perspective, directors with professional experience, knowledge, and strategic problem-solving expertise can make cognitive contributions to the firm's strategic decision-making (Carpenter & Westphal, 2001; Rindova, 1999).

2.2. The roles of subsidiary boards

The roles of subsidiary boards differ from those in stand-alone firms for several reasons. First, agency problems in MNCs are fundamentally different from those of stand-alone firms. Agency issues arise when subsidiary management pursues objectives that may contradict the goals of headquarters (Eisenhardt, 1985; Jensen & Meckling, 1976; Milgrom & Roberts, 1992). Subsidiary boards can therefore reduce agency problems by actively monitoring the performance of the subsidiary management and ensuring that the strategic decision-making of the subsidiary management suits the overall goals of the MNE. Moreover, holding an intermediary position between headquarters and the subsidiary management, a subsidiary board can reduce headquarters–subsidiary information asymmetry and help to integrate the subsidiary into the MNE. Second, foreign subsidiaries are often embedded in the local network and depend on local stakeholders (e.g., customers, suppliers, regulators) for key resources (Cantwell, 2009; Yu et al., 2006). A subsidiary board can reduce a foreign subsidiary's dependence on local resources by providing vital links to local stakeholders.

Drawing upon the literature on boards of directors and international management, we identify four different roles performed by subsidiary boards in MNEs; namely, control, strategy, service, and coordination. The control role refers to the board tasks of monitoring and ratifying important subsidiary-level decisions and evaluating the performance of a foreign subsidiary and its management (Alpay et al., 2005; Jaussaud & Schaaper, 2006; Kiel et al., 2006; Kriger, 1988; Leksell & Lindgren, 1982; Reuer et al., 2014). The strategy role is similar to that of boards in stand-alone firms and refers to the board tasks of participating in the formulation of a subsidiary's strategy, identifying its strategic directions, and debating its strategic plan (Alpay et al., 2005; Kiel et al., 2006; Kriger, 1988). The coordination role denotes the board tasks of transferring information and knowledge between headquarters and a foreign subsidiary (Leksell

& Lindgren, 1982; Kriger, 1988; Reuer et al., 2014). Finally, the service role of subsidiary boards concerns the board tasks of providing local knowledge to subsidiary management, communicating with local stakeholders, and facilitating access to local resources (Alpay et al., 2005; Leksell & Lindgren, 1982; Kiel et al., 2006; Kriger, 1988).

2.3. Subsidiary strategy and the roles of subsidiary boards

An MNE is an internally differentiated network consisting of headquarters and subsidiaries, in which each subsidiary obtains specific resources and knowledge in the environment where it operates (Ghoshal & Bartlett, 1990; Ghoshal & Nohria, 1989). The competitive advantage of an MNE can thus be generated from foreign subsidiaries' distinct knowledge (Gupta & Govindarajan, 2000; Monteiro, Arvidsson, & Birkinshaw, 2008). In the context of conflicting demands for global integration and local responsiveness, different typologies have been developed to describe the roles of subsidiaries (Bartlett & Ghoshal, 1986; Birkinshaw & Morrison, 1995; Gupta & Govindarajan, 2000). For example, Birkinshaw and Morrison (1995) propose three strategic types of foreign subsidiaries: local implementer, specialized contributor, and world mandate. The local implementer subsidiary operates only in the local market and carries out certain specific value-added activities independently from the rest of the MNE. In contrast, a world mandate subsidiary has responsibility for a broad scope of value-added activities and serves as a partner of headquarters in developing and implementing corporate strategy (Barlett & Ghoshal, 1986). Finally, a specialized contributor subsidiary performs relatively routine tasks and is highly integrated into MNE international operations (Birkinshaw & Morrison, 1995).

From an agency theory perspective, a local implementer subsidiary is more vulnerable to potential agency problems than a world mandate subsidiary or a specialized contributor subsidiary. Operating independently from the rest of an MNE, a local implementer subsidiary obtains private information about the local market that is often not available to headquarters (Birkinshaw & Morrison, 1995; Ghoshal & Nohria, 1989; Gupta & Govindarajan, 1991; Martinez & Jarillo, 1989). Moreover, a local implementer subsidiary has the autonomy to make strategic and operational decisions and ensure a quick response to the demands of the local market (Birkinshaw & Morrison, 1995). Thus, it becomes more difficult for headquarters to monitor and control the management of a local implementer subsidiary (Kiel et al., 2006; Kim, Prescott & Kim, 2005; O'Donnell, 2000).

A subsidiary board can help to control a local implementer subsidiary and mitigate potential agency problems by being actively involved in different board roles. First, a subsidiary board can closely monitor the operations of a local subsidiary and ensure the appropriate use of local assets and resources by playing a control role. This setup is consistent with Kiel et al. (2006) who indicate that a local board that closely monitors a subsidiary and avoids the opportunistic behavior of subsidiary management is appropriate when considerable local responsiveness is required. Second, a subsidiary board can help the local management to anticipate strategic changes, and it can ensure that the subsidiary's strategies and actions are consistent with the MNE's overall goals by playing a strategy role (Beatty & Zajac, 1994; Fama & Jensen, 1983; Pugliese et al., 2009). This role is particularly important for local implementer subsidiaries in which strategic decision choices are decentralized to subsidiary management (Harzing, 2000; Roth & Morrison, 1991). Finally, a subsidiary board can reduce headquarters–subsidiary information asymmetry and align the goals of a local implementer subsidiary with those of headquarters by playing a coordination role. Since a local implementer subsidiary needs to adapt the MNE's products or services to local preferences (Lin, 2014; Birkinshaw & Morrison, 1995), the coordination role of the subsidiary board can be valuable in helping headquarters understand the local conditions so that it can allocate the MNE's capital and resources efficiently. In addition, it is also a form of social control in which the subsidiary board brings corporate culture and shared values to a subsidiary and integrates it with the MNE (Leksell & Lindgren, 1982; Kriger, 1988). The above discussion leads to the following hypotheses:

Hypothesis 1a. The subsidiary board is more involved in the control role in local implementer subsidiaries than in world mandate and specialized contributor subsidiaries.

Hypothesis 1b. The subsidiary board is more involved in the strategy role in local implementer subsidiaries than in world mandate and specialized contributor subsidiaries.

Hypothesis 1c. The subsidiary board is more involved in the coordination role in local implementer subsidiaries than in world mandate and specialized contributor subsidiaries.

Based on upon resource dependence theory, firms depend on their external environment for survival, and they alter their behavioral patterns to best acquire and maintain needed resources (Hillman, Withers & Collins, 2009; Lockett & Thompson, 2001; Pfeffer & Salancik, 1978). Among the three strategic types of subsidiaries, the local implementer subsidiary is the most tightly embedded in the local business network (Birkinshaw & Morrison, 1995; Martinez & Jarillo, 1989; Andersson et al., 2007). A local implementer subsidiary is oriented to promptly adapt an MNE's products or services to local preferences and conform to local government regulations and business practices. Thus, it is crucial for a local implementer subsidiary to maintain relations with local stakeholders who provide key resources and build legitimacy in the local market. The subsidiary board can span boundaries to help provide local knowledge to subsidiary management, build networks with local stakeholders, and facilitate preferential access to key resources (Alpay et al., 2005; Hillman et al., 2009; Kiel et al., 2006; Kriger, 1988; Leksell & Lindgren, 1982; Pearce & Zahra, 1992). Thus, we formulate the following hypothesis:

Hypothesis 1d. The subsidiary board is more involved in the service role in local implementer subsidiaries than in world mandate and specialized contributor subsidiaries.

2.4. Subsidiary strategy, headquarters country directors, and the roles of subsidiary boards

While local implementer subsidiaries are more vulnerable to potential agency problems, subsidiary board members who are headquarters country nationals can help to mitigate such problems in several ways. First, the literature on board internationalization suggests that foreign directors improve board monitoring by contributing independent thinking, raising controversial issues, and consequently reducing managerial entrenchment (Masulis et al., 2012; Ruigrok, Peck, & Tacheva, 2007; Van Veen et al., 2014). Empirical evidence supporting this argument shows that the presence of outsider Anglo-American board membership enhances the market value of listed firms (Oxelheim & Randøy, 2003), and international returnees as outside directors reinforce corporate restructuring efforts (Lee & Roberts, 2014). Extending this argument to the context of MNEs, when headquarters country nationals are present on the board of a local implementer subsidiary, they are likely to be independent and have the requisite power and incentives to control the subsidiary management. Moreover, the experience and knowledge of these directors in the headquarters countries and their professional ties with headquarters enable them to review the subsidiary’s strategic plans, assess their risks, and evaluate the managerial performance in following the overall strategy of the MNE (Beatty & Zajac, 1994; Carpenter & Westphal, 2001; Fama & Jensen, 1983). Thus, one can expect that the board of a local implementer subsidiary is more active in the control and strategy roles when more subsidiary board members are headquarters country nationals.

In addition to their actions in control and strategy roles, subsidiary directors who are headquarters country nationals can contribute to the coordination role. The international management literature suggests that expatriate managers in foreign subsidiaries help to coordinate subsidiaries' activities and make sure that they act in accordance with the overall goals of the MNE (Gaur, Delios, & Singh, 2007; Gong, 2003). This argument could be extended to the use of headquarters country nationals on a subsidiary board. Subsidiary directors who are headquarters country nationals often have a good understanding of the business environment in which the headquarters operates, and these directors can consequently provide valuable international expertise and advice to a subsidiary, while also transferring subsidiary information to the headquarters. While it is more difficult for the headquarters to control the local implementer subsidiary centrally, headquarters country nationals on the subsidiary board can facilitate information processing between the headquarters and subsidiary management, and coordinate the activities of subsidiaries with those of headquarters. Based on the above discussion, we formulate the following hypotheses:

Hypothesis 2a. The board of the local implementer subsidiary is more involved in the control role when more subsidiary directors are headquarters country nationals.

Hypothesis 2b. The board of the local implementer subsidiary is more involved in the strategy role when more subsidiary directors are headquarters country nationals.

Hypothesis 2c. The board of the local implementer subsidiary is more involved in the coordination role when more subsidiary directors are headquarters country nationals.

From a resource dependence perspective, a local implementer subsidiary is embedded in the local business network and depends on local stakeholders for key resources (Birkinshaw & Morrison, 1995; Martinez & Jarillo, 1989; Andersson et al., 2007). Subsidiary directors who are headquarters country nationals can impair the service role of the board monitoring because of a lack of local knowledge. Prior studies suggest that foreign directors are often isolated from the local network, which can provide valuable soft information (Masulis et al., 2012). Following these arguments, subsidiary directors who are headquarters country nationals are generally less familiar with the local business environment and do not have adequate knowledge about local environmental and sociopolitical conditions. Moreover, these directors are not connected to local stakeholders (suppliers, buyers, providers of finance). Thus, it is difficult for them to contribute to the service role of the board. This leads to the following hypothesis:

Hypothesis 2d. The board of the local implementer subsidiary is less involved in the service role when more subsidiary directors are headquarters country nationals.

3. Research methods

3.1. Sample selection and data description

Our research population consists of foreign subsidiaries operating in Belgium. Belgium is an appropriate setting for this study since Foreign Direct Investment has played a pivotal role in Belgium's economy (see United Nations Conference on Trade and Development [UNCTAD], 2010). By choosing only one host country, we can control for the influence of host country factors. According to Belgian company law, a foreign subsidiary must register as a separate legal entity under the legal form of the *Naamloze Vennootschap* (NV) or the *Besloten Vennootschap met Beperkte Aansprakelijkheid* (BVBA). The subsidiary is legally obliged to install a board of directors in either an NV or a BVBA. The board in an NV must consist of at least three directors unless the firm has only two shareholders, in which case the board should have two directors. A BVBA should have at least one director. Belgian company law does not impose other conditions of board roles on nonlisted companies.

We identify our research population through the Bel-first database following four criteria. First, each subsidiary is located in Belgium and the global ultimate owner is domiciled outside Belgium. This criterion limits our attention to majority-owned and wholly owned foreign subsidiaries operating in Belgium, where headquarters are able to rely on the ownership position to delegate a specific role to subsidiary boards. Second, if an MNE has several subsidiaries registered in Belgium, we select only the largest subsidiary to participate in the survey. This criterion ensures that our results will not be biased because headquarters is likely to emphasize similar board roles in all its subsidiaries (as is indicated in interviews prior to the survey). Third, we exclude subsidiaries with fewer than 50 employees. Smaller subsidiaries often have fewer resources and attract less attention from local stakeholders (Johnston & Menguc, 2007; Luo, 2001). Accordingly, subsidiary boards are more likely to simply rubber stamp decisions in small subsidiaries. Last, we exclude subsidiaries operating in financial industries because they operate under different regulations and can have different motivations for using subsidiary boards. Application of these criteria results in a sample of 428 foreign subsidiaries. We collect data through a questionnaire survey distributed to the CEOs of the 428 foreign subsidiaries. The names of CEOs and addresses are obtained through the Trends Top 2008 database, which provides financial and economic data of Belgian companies. If the name of a CEO is not available, we send the questionnaire to another member of the top management team (CFO, chair of the subsidiary board, member of the subsidiary board). We examine whether the CEOs' answers are different from those of other managers and do not find any significant differences.

We design the questionnaire by following Dillman (2000) to improve the content validity of the questionnaire.[1] In the initial questionnaire survey (conducted December 2008) and three follow-ups, 87 (21%) questionnaires are returned. We delete four responses with a large number of missing values, which yields 83 responses. We check the nonresponse bias by comparing the size, industry, and headquarters country of our respondent subsidiaries with the research population. Results from a *t*-test show that, on average, the size of our respondent subsidiaries is not significantly different from that of the research population (t = .73, p = .46). Chi-squared tests indicate that the industry representation of our sample is not significantly different from that of the research population (χ^2 = 37.05, p = .69). Moreover, the headquarters country representation of our sample is not significantly different from that of the research population (χ^2 = 31.71, p = .20). Next, we compare whether answers from earlier respondents differ from those of later respondents by conducting a series of *t*-tests on all variables and the demographic information of respondents. The results show no significant differences. In sum, our data do not appear to suffer from a nonresponse bias. Among the 83 sample subsidiaries, respondents from 23 subsidiaries answer that there is no subsidiary board in their subsidiary. While every company

[1] In addition, we use various methods to control for common method biases, following the suggestions of Podsakoff et al. (2003). First, we did not ask the respondents directly whether the subsidiary board is effective. Instead, we asked the respondents to rate a list of 21 board tasks. This list is developed based on the existing instrument (Kriger, 1988; Wan & Ong, 2005), and none of the 21 items tasks is likely to reflect socially desirable behavior. Second, in the cover letter of the questionnaire, we promise the respondents complete confidentiality and states that their answers to the questionnaire will only be used for our research. There is no right and wrong answer, and they should answer as honestly as possible. Applying these methods reduces the likelihood that our respondents conform to socially desirable standards and provide biased answers.

operating in Belgium is obliged to have a board of directors, the subsidiary boards of these 23 subsidiaries are in place simply to fulfill local legal requirements. Moreover, our sample subsidiaries are located in 14 different countries, mainly the United States (18 subsidiaries), France (18 subsidiaries), and the Netherlands (13 subsidiaries). The majority of these subsidiaries have the legal form of an NV (73 subsidiaries). Additionally, these subsidiaries operate across 25 two-digit Standard Industrial Classification (SIC) codes, with some concentration in chemicals and wholesale trade-durable goods. None of these subsidiaries is listed on a stock market.

3.2. Measures

3.2.1. Dependent variables

We measure the roles of subsidiary boards using multi-item Likert scales ranging from -3 ("not at all") to +3 ("to a great extent"). We develop these items based on the work of Kriger (1988) and Wan and Ong (2005). The questionnaire asks the respondents whether their subsidiary has a board of directors. If they answer yes, we ask them to rate the extent to which the board performs a list of 21 items, from -3 (not at all) to +3 (to a great extent). *Control role* consists of eight items that describe the board tasks of monitoring, evaluating, and appraising subsidiary management. *Strategy role* encompasses three items pertaining to the board tasks of participating in the formulation of the subsidiary's strategic plan. *Service role* includes five items that describe the board tasks of providing local knowledge and connecting the subsidiary to local stakeholders. *Coordination role* comprises five items that relate to the board tasks of informal communication between headquarters and subsidiary management.

3.2.2. Independent variables

Similar to Birkinshaw and Morrison (1995), we ask the respondents whether the foreign subsidiary currently sells finished products/services in the market outside Belgium. If they answer no, we consider the subsidiary a local implementer. The variable *Local implementer* is a dummy equal to one if the subsidiary is a local implementer subsidiary, and zero otherwise. We conduct two analyses to test the validity of this measure. First, we ask the respondents the extent to which their foreign subsidiary adapts its activities to the needs of the Belgian market. Consistent with the literature, we find that our local implementer subsidiaries need to adapt activities to the needs of the local market to a greater extent than the other two types of foreign subsidiaries (t = -2.65, p = .01). Second, we ask respondents to indicate the extent to which the activities and outcomes of their subsidiaries affect or are affected by the activities of other subsidiaries within the MNE, using a seven-item Likert scale ranging from -3 (not at all) to +3 (to a great extent), according to O'Donnell (2000). Consistent with the literature, we find that our local implementer subsidiaries have lower levels of interdependence with other subsidiaries in the MNE than the other two types of foreign subsidiaries (t = 2.83, p = .01). In sum, these additional analyses confirm the validity of our classification of the local implementer subsidiary. Next, our moderating variable *Headquarters country directors* is the proportion of subsidiary directors who are headquarters country nationals, obtained from the Bel-first database.

3.2.3. Other variables

Subsidiary size. Studies on boards in stand-alone firms show that larger firms have a greater need for board monitoring and building external linkages since they often perform broad-based, complex activities (Boone et al., 2007; Linck et al., 2008; Pearce & Zahra, 1992). Therefore, we control for *Subsidiary size*, which is measured by the subsidiary's total number of employees at the end of 2008, obtained from the Bel-first database.

Wholly owned. Agency problems between majority shareholders and minority shareholders can influence the roles of subsidiary boards. Studies find that boards in partly owned subsidiaries are more active in control and coordination roles than the boards in wholly owned subsidiaries, because they serve as a major forum where different owners coordinate the activities of the subsidiaries and resolve conflicts (Leksell & Lindgren, 1982). In contrast, boards in wholly owned subsidiaries have more local directors because these subsidiaries often need more local resources (Leksell & Lindgren, 1982). Accordingly, we include a dummy variable (*Wholly owned*) equal to one if the subsidiary is a wholly owned subsidiary, and zero otherwise. Ownership information was obtained from the Bel-first database.

CEO tenure. Studies on boards in stand-alone firms show that long-tenured CEOs gain considerable influence and bargaining power in the boardroom and develop personal relations with directors (Linck et al., 2008). If this finding holds in foreign subsidiaries as well, we expect the subsidiary board to be less active in performing the control role when the subsidiary CEO has longer tenure. *CEO tenure* is the number of years the subsidiary CEO has been in the CEO position; which information is obtained from the questionnaire.

Headquarters country. Prior research indicates that the country of the MNE's headquarters influences the type of control it exerts over its foreign subsidiaries. Studies find that Anglo-Saxon MNEs emphasize outcome control while Continental European MNEs emphasize behavioral control (Chang & Taylor, 1999; Chung et al., 2000). Further, the country of an MNE headquarters influences the tasks of the subsidiary board (Alpay et al., 2005; Kriger, 1988). Thus we control for the influence of the country where the headquarters is located by including two dummy variables: *Anglo-Saxon headquarters* and *Japanese headquarters*. *Anglo-Saxon headquarters* (*Japanese headquarters*) equals one if the subsidiary has its headquarters in an Anglo-Saxon country (Japan), according to the Bel-first database.

4. Empirical results

4.1. Descriptive statistics

To empirically identify the four roles of subsidiary boards, we conduct a factor analysis using principal axis factoring on the 21 board task items for the 60 sample subsidiaries whose boards perform tasks beyond legally mandated activities.[2] The factor analysis reveals four latent factors with eigenvalues greater than one; namely, the control, strategy, service, and coordination roles. Moreover, since no single factor can be extracted, our data are less likely to be subject to common method bias (Harman, 1967). The four latent factors explain 71% of total variance. Table 1 presents the description and factor loading of each item, as well as each construct's eigenvalue and Cronbach alpha score.

…Insert Table 1 about here…

As shown in Table 1, the Cronbach alpha scores for the control role, strategy role, service role, and coordination role are .91, .94, .92 and .90, respectively, which demonstrates the scale

[2] When using the full sample of 83 subsidiaries, we find two latent factors with eigenvalues greater than one. The first factor encompasses all items related to our control, strategy, and coordination roles (Eigenvalue = 12.73), and the second factor encompasses the service role items (Eigenvalue = 2.57). Since the purpose of the factor analysis is to identify the roles actively performed by subsidiary boards, beyond fulfilling local legal requirements, we report here only the factor analysis results from the 60 subsidiaries whose boards are not just for form's sake.

reliability of our measurement instrument (Hair, Anderson, Tatham, & Black, 1998; Nunally, 1978). Moreover, the items are loaded highest on their own construct, ranging from .53 to .97, except the last item of the control role (factor loading = .38). To ensure that the estimates of the parameters linking the constructs are not biased due to the low loading, we exclude this item in further analyses (Hair et al., 1998). The remaining items appear to be well explained by linear regressions of the latent constructs and the measurement errors. Thus our measurement instrument exhibits a satisfactory level of convergent validity and discriminant validity. We compute the scores of the four subsidiary board roles by summing and averaging the standard scores of their correspondent items.[3]

…Insert Table 2 about here…

Table 2 presents the descriptive statistics of all variables used in the study. Table 2 shows that, on average, the boards of our sample subsidiaries have little activity. Among the four board roles, our sample subsidiaries' boards seem to perform the coordination role to the greatest extent, followed by the control role, the strategy role, and the service role. This pattern is consistent with the MNE literature, which emphasizes the importance of coordination (Ambos & Schlegelmilch, 2007; Nohria & Ghoshal, 1994; Jaussaud & Schaaper, 2006; O'Donnell, 2000). Around 32% of our sample subsidiaries are local implementers, and 19% of subsidiary directors are headquarters country nationals.

…Insert Table 3 about here…

[3] Alternatively, we use the scores generated from factor analysis to compute the four subsidiary board roles. The results are similar to those reported in this study.

Table 3 presents the Pearson correlations. We find that the four roles are interrelated, which is consistent with previous studies that support the interrelationships among the roles of subsidiary boards (Leksell and Lindgren, 1982). Moreover, consistent with our hypotheses, the board of the local implementer subsidiary is more involved in control and strategy roles. However, the subsidiary board is less active in all roles when more subsidiary directors are headquarters country nationals. Finally, consistent with prior studies, the subsidiary board is more involved in the service role in larger subsidiaries, and Japanese MNEs use subsidiary boards more for control and coordination purposes.

4.2. Regression results

To examine the associations between subsidiary strategy and the roles of subsidiary boards, we conduct OLS regression analyses with robust standard errors to correct for possible heteroskedasticity (White, 1980). The results are presented in Table 4. We find that the board of a local implementer subsidiary performs control, strategy, and service roles more than a board in subsidiaries of other strategic types, which confirms hypotheses 1a, 1b, and 1d. Hypothesis 1c is not supported because the subsidiary board of the local implementer subsidiary is not significantly more active with respect to the coordination role (see Model 4).[4]

…Insert Table 4 about here…

[4] The results in Table 4 are based on our full sample (83 subsidiaries). In addition, we conduct the regressions only for the 60 subsidiaries whose boards are not just for form's sake. We find that the board of the local implementer subsidiary is more active in control role ($\beta = .84$, $p < .10$), strategy role ($\beta = 1.29$, $p < .01$), and service role ($\beta = .96$, $p < .05$).

Next, we include the proportion of subsidiary directors who are headquarters country nationals in the regressions. Table 5 Panel A presents the direct effects of the presence of headquarters country directors on the roles of subsidiary boards. As shown in Models 5 to 8, the subsidiary board is less active in all roles when more subsidiary directors are headquarters country nationals. Prior research on board internationalization suggests that foreign directors may impair the effectiveness of board monitoring because of geographic distance and language issues (Masulis et al., 2012; Van Veen et al., 2014). Our finding seems to support this viewpoint. Headquarters country nationals on a subsidiary board are often less familiar with the local business environment and have less access to local networks. Thus, these directors may be less able to stay well informed about the subsidiary's activities and strategic plans, making it difficult for them to be active in different board roles. However, Panel B shows that in local implementer subsidiaries, headquarters country nationals on the subsidiary board facilitate the strategy and coordination roles, which supports hypotheses 2b and 2c. Combined, our results indicate that the board of the local implementer subsidiary is more actively involved in different board tasks beyond just fulfilling the legal requirement. Moreover, headquarters country nationals on the board of a local implementer subsidiary help to coordinate the subsidiary's activities and ensure that its strategy is in harmony with the overall goal of the MNE.

…Insert Table 5 about here…

The results in Tables 4 and 5 with regard to the other subsidiary contextual elements are generally consistent with prior studies. First, the subsidiary board is more active in coordination and service roles in larger firms. Given the scope and complexity of the activities of larger subsidiaries, it is important for MNEs to coordinate and integrate them into the group and to facilitate their access to local resources. Second, if a subsidiary CEO has a longer tenure, the subsidiary board is less active in control and strategy roles. This finding is consistent with the literature that long-tenured CEOs gain considerable influence and bargaining power in the boardroom. Third, if a subsidiary is wholly owned by headquarters, the subsidiary board is less active in the strategy role. This supports Leksell and Lindgren (1982) and indicates that the boards in partly owned subsidiaries are the major forum in which majority and minority shareholders discuss the future strategy of the subsidiary. Therefore, board strategic activity increases when minority shareholders are present in the subsidiary. Finally, a subsidiary board is more involved in the strategy role if its headquarters are in Japan, which is consistent with Kriger (1988) and other studies indicating that the headquarters country of an MNE influences controls deployed in foreign subsidiaries.

4.3. Additional analyses

…Insert Table 6 about here…

We conduct several robustness checks to examine the factors related to the roles of subsidiary boards. First, in the main analysis, we identify four roles of subsidiary boards, based on the prior literature on boards in stand-alone firms and in MNEs. Our factor analysis using the 60 sample firms that have an active board confirms the four roles identified. However, our factor analysis using the full sample (including those firms that only exist for form's sake) suggests two latent variables. The first variable incorporates the control, strategy, and coordination roles used in our main analysis (Eigenvalue = 13.77). The second latent variable is the service role used in the main analysis (Eigenvalue = 2.76). Thus, we proxy subsidiary board roles using the two-factor solution and rerun all regressions. The results with respect to the significant variables are consistent with our main analysis reported in Tables 4 and 5.

Second, prior research suggests that firm age and past performance influence the role and composition of boards in stand-alone firms (Björkman, 1994; Boone et al., 2007; Linck et al., 2008). Moreover, international business studies suggest that MNEs often use expatriate managers to control the operations of foreign subsidiaries (Gaur et al., 2007; Gong, 2003). One can expect that the use of expatriate managers may substitute or complement the control and coordination roles of the subsidiary board. Therefore, we include several additional controls (firm age, past performance, expatriate manager) in all regression models. The results with respect to the significant variables are in general consistent with our main analysis reported in Tables 4 and 5.

5. Conclusions and discussion

5.1. Contributions and implications

Although both academic researchers (Gillies & Dickinson, 1999; Filatotchev & Wright, 2011) and practitioners (Gibson et al., 2013) have a growing interest in the issue of subsidiary governance, empirical evidence is lacking on the roles subsidiary boards actually perform and, further, on the factors that affect these roles. Therefore, this study addresses two research questions: What are the roles of subsidiary boards? What are the factors that influence the subsidiary board's involvement in each role?

Through examining these questions, this study contributes to the literature in different ways. First, to the best of our knowledge, we are among the first to examine the factors that influence a subsidiary board's involvement in different roles. Our findings suggest that the theoretical insights from corporate governance in stand-alone firms can be extended to the setting of foreign subsidiaries, yet the specific characteristics of foreign subsidiaries need to be taken into account to understand subsidiary board roles. For example, the literature on boards in stand-alone firms suggests that firms structure their boards in response to heterogeneous needs for actions such as monitoring and advising (Boone et al., 2007; Linck et al., 2008). Our results support this observation for subsidiary boards as well. We find that a subsidiary board is more involved in control, strategy, and service roles if the subsidiary is a local implementer, which often has specific information unknown to the headquarters and at the same time, depends on local stakeholders for key resources. Thus, a subsidiary's strategy generates specific needs for the extent to which subsidiary boards are engaged in performing different roles.

Moreover, we find that the board of a local implementer subsidiary is more involved in the strategy and coordination roles when more directors are headquarters countries' nationals. These findings are consistent with the literature on boards in stand-alone firms which support that boards' ability to perform a specific task is related to the directors' experience and knowledge (Carpenter & Westphal, 2001; Hillman & Daiziel, 2003; Kim & Cannella, 2008; Kroll, Walters, & Wright, 2008; Rindova, 1999). Further, we extend the literature on board internationalization (Masulis, Wang, & Xie, 2012; Oxelheim & Randøy, 2003; Oxelheim et al., 2013; Van Veen, Sahib, & Aangeenbrug, 2014) to the context of foreign subsidiaries. Our findings suggest that recruiting foreign directors onto the subsidiary boards of MNEs has important implications for the roles of these subsidiary boards.

Finally, our study complements the rich literature on management control in MNE subsidiaries (e.g., Andersson & Forsgren, 1996; Ghoshal & Nohria, 1989; Jaussaud & Schaaper, 2006; Lin, 2014; Nohria & Ghoshal, 1994; Yu et al., 2006) by identifying the subsidiary board as a new control and coordinating mechanism available to MNEs for managing their foreign subsidiaries.

In addition, this study provides useful insights for managers of MNEs. Compared with domestic firms, the operation of MNEs is more complicated. MNEs encounter tension in controlling their overseas subsidiaries while simultaneously facilitating each subsidiary's ability to achieve its strategic objectives (e.g., to access important local resources). Appropriate use of subsidiary boards could help the MNE to monitor and coordinate the activities of each subsidiary, ensure the consistency of its strategic plans with the MNE's overall goals, and facilitate access to local resources. Despite the usefulness of subsidiary boards, our results indicate that the extent to which they are engaged in performing board roles depends on the strategic objective of the subsidiary and the headquarters–subsidiary agency problem. This finding indirectly suggests that it may be less efficient or too costly to assign different roles to subsidiary boards in some cases. Therefore, international managers need to rethink corporate governance in foreign subsidiaries. Which role(s) should the headquarters assign to the subsidiary board, other than a legal requirement? Moreover, similar to boards in stand-alone firms, headquarters needs to adapt the composition of a subsidiary board to the role(s) assigned to the board. In particular, our findings indicate that headquarters country nationals sitting on the subsidiary board are strongly committed to the headquarters in ensuring that the subsidiary's strategy is in harmony with the MNE's overall goals. In addition, these directors' professional ties and experience in headquarters countries facilitate headquarters–subsidiary information processing and communication. Thus, international managers who wish to engage the subsidiary board in different tasks need to appoint directors who have the experience, knowledge, and capability to perform these tasks.

This study also yields implications for policy makers. Corporate governance regulators have issued different codes of good governance, which provide principles and recommendations to improve existing corporate governance across countries (Aguilera & Cuervo-Cazurra, 2004, 2009). Since most of these codes focus on large public listed firms, the issue of subsidiary governance is often ignored. This situation is remarkable because foreign subsidiaries are likely to be far more numerous and to play important roles in MNEs (Bartlett & Ghoshal, 1986; Birkinshaw & Morrison, 1995; Gupta & Govindarajan, 2000). Thus, can sound corporate governance for stand-alone firms be extended to foreign subsidiaries? What are the challenges faced by MNEs in managing their overseas subsidiaries, and how can MNEs utilize subsidiary boards, which are already legally mandated, to manage those challenges? Our study reveals the different roles of subsidiary boards, beyond fulfilling a legal requirement. Corporate governance regulators may develop guidelines that clearly articulate the roles of subsidiary boards and recommend the composition of subsidiary directors, which help MNEs influence their governance at the subsidiary level.

5.2. Limitations and future research

This study has some limitations which open up opportunities for future research. First, while this study provides some evidence on the factors influencing the roles of subsidiary boards, we cannot rule out the possibility that we omit a variable that is correlated with our explained and explanatory variables in the model. For example, the international management literature suggests that foreign subsidiaries' language competence plays an important role in knowledge transfer within MNEs (Peltokorpi, 2015; Schomaker & Zaheer, 2014) and in the implementation of foreign subsidiary control (Björkman & Piekkari, 2009). Recently, Piekkari, Oxelheim & Randøy (2015) extend this literature to the setting of corporate boards and provide evidence that language diversity at the boardroom can reduce the effectiveness of board functioning. If this finding can be transferred to the context of subsidiary boards, one can expect that a subsidiary board is less active in performing board tasks when board members speak different languages. In this study, we are not able to examine the impact of language diversity on board's involvement in different roles, since we lack information on directors' mother tongues as well as on the working language used in the subsidiary. In Belgium there are three official languages: Dutch, French and German. Quite often in foreign subsidiaries the working language is English, which is different from the national languages. Thus, future research is needed to examine the impact of language diversity at the subsidiary boardroom on the board's involvement in various roles.

Second, prior research suggests that MNEs use a wide range of mechanisms to control their foreign subsidiaries (e.g., Andersson & Forsgren, 1996; Gaur et al., 2007; Ghoshal & Nohria 1989; Gong, 2003; Peng, 2012; Yu et al., 2006), and that the control of a foreign subsidiary is a complex multidimensional phenomenon (Jaussaud & Schaaper, 2006; Martinez & Jarillo, 1989). This study adds to the literature by providing evidence that the subsidiary board can be a control mechanism available to MNEs for managing their foreign subsidiaries. However, we are not able to test the interactions between different control mechanisms due to data availability. Thus, future research could extend this study and examine whether various control mechanisms act as substitutes or complements in addressing goal alignment between headquarters and foreign subsidiaries.

Third, despite using various procedural and statistical techniques to control for common method bias (Podsakoff et al., 2003), our study is subject to usual limitations associated with a questionnaire-based survey. For example, our cross-sectional data from the survey could not test causality in the models. Moreover, the small sample size may limit our ability to identify statistically significant relations. Thus, longitudinal research and case studies on subsidiary boards can further extend this study’s findings. In particular, while this study reveals the importance of headquarters country nationals on the subsidiary board, it would be valuable to conduct field research to examine the specific ways in which different subsidiary board members (e.g., directors from headquarters countries vs. local directors) interact and how they affect the involvement of the board in different roles.

Finally, while this study focuses on the determinants of the board’s involvement in majority-owned and wholly owned foreign subsidiaries, future research could investigate the roles of boards of directors in different organizational forms in the international setting. For example, a growing literature on international management provides valuable insights into the factors influencing governance mechanisms used in international joint ventures (Dutta & Beamish, 2013; Hsieh, Rodrigues, & Child, 2010; Liu, Vredenburg, & Steel, 2014; Reuer et al., 2014) and in international franchise firms (Jell-Ojobor & Windsperger, 2014). In such businesses, boards are likely to be used to facilitate monitoring and coordination between partner firms because of contractual incompleteness. Thus, it would be interesting to do a comparative study on governance of foreign entities in both intra-firm and inter-firm organizational forms in the international setting.

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Table 1
Factor analysis identifying subsidiary board roles

Survey items	Control role	Strategy role	Coordination role	Service role
Monitor subsidiary's CEO in decision-making	**.56**	.29	.03	-.05
Evaluate subsidiary CEO's performance	**.87**	-.27	.22	-.14
Evaluate subsidiary's performance	**.77**	-.05	.14	.14
Appraise subsidiary CEO's compensation	**.95**	-.11	-.16	-.11
Take part in the selection of subsidiary's new top managers	**.64**	.25	-.15	-.02
Review subsidiary's financial information for important issues	**.58**	.01	.27	.13
Engage in subsidiary CEO's succession planning	**.74**	.20	-.26	.01
Providing advice and counsel to subsidiary's CEO	**.38**	.20	.37	.09
Take part in the formulation of subsidiary's strategic plan	-.03	**.79**	.17	.11
Identify subsidiary's strategic direction	.04	**.93**	.03	-.08
Debate subsidiary's strategic plan	.13	**.69**	.20	-.07
Facilitate headquarters subsidiary interactive	.01	-.06	**.84**	.14
Advise headquarters on subsidiary issues	-.10	.09	**.87**	.07
Informally communicate with subsidiary's CEO	.04	.06	**.78**	-.05
Informally communicate with headquarters	.05	-.08	**.85**	-.08
Bring corporate culture into subsidiary	-.23	.15	**.74**	-.16
Provide knowledge of local economic, political, and social conditions to subsidiary's CEO	.18	.27	-.05	**.53**
Represent subsidiary's interests in local communities	.02	.02	-.04	**.86**
Communicate with local stakeholders	-.02	-.13	-.07	**.97**
Facilitate access to local resources	-.07	.06	-.04	**.92**
Serve as a link to local government agencies	-.08	-.10	.07	**.92**
Eigenvalue	9.44	1.00	3.91	1.65
Percentage of variance	44%	4%	17%	6%
Cronbach's alpha	.91	.94	.90	.92

Principal axis factoring with oblique rotation is used. $N = 60$.

Table 2
Descriptive statistics

	Median	Mean	S.D.	Max	Min
Control role	-0.430	-0.560	2.033	3	-3
Strategy role	-0.670	-0.562	2.229	3	-3
Coordination role	0.400	-0.354	2.085	3	-3
Service role	-2.000	-1.525	1.649	2.400	-3
Local implementer	0	0.325	0.471	1	0
Headquarters country directors	0	0.191	0.242	1	0
Subsidiary size	2.212	2.290	0.441	3.654	1.505
CEO tenure	3	4.077	3.435	18	0
Wholly owned	0	0.434	0.499	1	0
Anglo-Saxon headquarters	0	0.301	0.462	1	0
Japanese headquarters	0	0.060	0.239	1	0

N = 83 for all variables except *HQ country director* (which is based on N = 60). In this table, *Control role*, *Strategy role*, *Coordination role*, and *Service role* are computed by summing and averaging the standardized scores of their correspondent items. *Local implementer* is a dummy equal to one if the respondent defines the subsidiary as a local implementer in the questionnaire, and zero otherwise. The variable *Headquarters country directors* is the proportion of subsidiary directors who are nationals of headquarters country; *Subsidiary size* is the logarithm of the total number of employees; *CEO tenure* is the number of years the subsidiary CEO has worked in the CEO position; *Wholly owned* is a dummy variable equal to one if the subsidiary is wholly owned by headquarters, and zero otherwise; and *Anglo-Saxon headquarters* (*Japanese headquarters*) is a dummy variable equal to one if the subsidiary is headquartered in an Anglo-Saxon country (Japan), and zero otherwise.

Table 3
Pearson correlations

Variables	1	2	3	4	5	6	7	8	9	10	11
1.Control role	1.00										
2. Strategy role	0.81***	1.00									
3.Coordination role	0.81***	0.84***	1.00								
4. Service role	0.47***	0.64***	0.61***	1.00							
5. Local implementer	0.18*	0.18*	0.10	0.13	1.00						
6. Headquarters country directors	-0.34***	-0.41***	-0.30**	-0.28**	-0.06	1.00					
7. Subsidiary size	0.08	0.18	0.22*	0.35***	-0.16	-0.12	1.00				
8.CEO tenure	-0.19*	-0.21*	-0.14	-0.04	-0.08	0.14	-0.06	1.00			
9. Wholly owned	-0.09	-0.17	-0.09	-0.08	0.07	0.10	-0.08	0.07	1.00		
10. Anglo-Saxon headquarters	-0.17	-0.09	-0.16	0.02	-0.23*	-0.07**	-0.01	0.01	-0.15	1.00	
11. Japanese headquarters	0.22**	0.26**	0.23**	-0.02	-0.07	-0.24*	-0.12	-0.01	-0.02	-0.17	1.00

N = 83 for all variables except *Headquarters country directors* (which is based on *N* = 60). **p* < .10; ***p* < .05; ****p* < .01 (two-tailed test). See Table 2 for variable definitions.

Table 4
Subsidiary strategy and the roles of subsidiary boards

Variables	Control role	Strategy role	Coordination role	Service role
	Model 1	Model 2	Model 3	Model 4
Local implementer	0.769*	1.091**	0.561	0.729**
	(1.52)	(2.11)	(1.14)	(1.75)
Subsidiary size	0.533	1.149**	1.193**	1.439***
	(1.04)	(2.15)	(2.09)	(3.22)
CEO tenure	-0.095**	-0.108*	-0.063	0.001
	(-2.01)	(-1.83)	(-1.20)	(0.03)
Wholly owned	-0.365	-0.654	-0.338	-0.166
	(-0.82)	(-1.44)	(-0.75)	(-0.47)
Anglo-Saxon headquarters	-0.477	-0.036	-0.458	0.230
	(-0.94)	(-0.07)	(-0.89)	(0.59)
Japanese headquarters	1.877***	2.783***	2.198***	0.350
	(3.09)	(4.35)	(3.33)	(0.87)
R^2	0.146	0.221	0.164	0.165
F-value	4.45***	7.39***	3.83***	2.38**

N = 83. **p* < .10; ***p* < .05; ****p* < .01 (one-tailed test for hypothesized variable and two-tailed test for other variables). This table reports the results of regression analysis with robust standard errors using Huber–White standard estimation for each of the subsidiary board roles. The estimated standardized coefficients are reported in the table and the *t*-values are reported in parentheses. See Table 2 for variable definitions.

Table 5
Headquarters country directors, subsidiary strategy and the roles of subsidiary boards

Panel A: direct effects

Variables	Control role	Strategy role	Coordination role	Service role
	Model 5	Model 6	Model 7	Model 8
Headquarters country directors	-1.883***	-2.154**	-1.309**	-1.576**
	(-2.60)	(-2.30)	(-1.71)	(-1.91)
Local implementer	0.699	1.128**	0.505	0.846*
	(1.56)	(2.41)	(1.24)	(1.94)
Subsidiary size	-0.226	0.662	0.701	1.434***
	(-0.48)	(1.37)	(1.61)	(2.85)
CEO tenure	-0.090*	-0.130*	-0.050	0.027
	(-1.89)	(-1.78)	(-1.04)	(0.45)
Wholly owned	-0.551	-0.893**	-0.433	-0.035
	(-1.35)	(-2.06)	(-1.11)	(-0.09)
Anglo-Saxon headquarters	-0.488	0.118	-0.377	0.418
	(-1.06)	(0.24)	(-0.78)	(1.04)
Japanese headquarters	0.358	1.385*	0.846	-0.448
	(0.56)	(1.93)	(1.18)	(-0.88)
R^2	0.260	0.361	0.205	0.276
F-value	3.18***	5.89***	2.29**	2.68**

Panel B: interaction effects

Variables	Control role	Strategy role	Coordination role	Service role
	Model 9	Model 10	Model 11	Model 12
Headquarters country directors	-2.126**	-2.864***	-1.879**	-1.982**
	(-2.34)	(-2.65)	(-1.83)	(-2.05)
Local implementer	0.519	0.601	0.082	0.544
	(1.04)	(1.18)	(0.16)	(1.00)
Headquarters country directors × local implementer	1.023	2.996**	2.406**	1.716
	(0.65)	(1.87)	(1.71)	(1.00)
Subsidiary size	-0.207	0.716	0.745*	1.465***
	(-0.43)	(1.48)	(1.68)	(2.89)
CEO tenure	-0.101*	-0.164**	-0.077	0.008
	(-1.77)	(-2.31)	(-1.43)	(0.14)
Wholly owned	-0.566	-0.937**	-0.468	-0.060
	(-1.37)	(-2.16)	(-1.20)	(-0.16)
Anglo-Saxon headquarters	-0.453	0.222	-0.294	0.477
	(-0.97)	(0.45)	(-0.61)	(1.14)
Japanese headquarters	0.360	1.390**	0.850	-0.444
	(0.58)	(2.14)	(1.27)	(-0.87)
R^2	0.264	0.386	0.231	0.249
F-value	3.04***	5.66***	2.12**	2.87**

N = 60. *$p < .10$; **$p < .05$; ***p < .01 (one-tailed test for hypothesized variables and two-tailed test for other variables). This table reports the results of regression analysis with robust standard errors using Huber–White standard estimation for each of the subsidiary board roles. The estimated standardized coefficients are reported in the table and *t*-values are reported in parentheses. See Table 2 for variable definitions.