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CORPORATE PARENTING STYLE IN THE GLOBAL ECONOMY²

The paper provides a summary of the existing typologies of corporate parenting styles and discovers the missing elements in the theoretical constructs. New theoretical constructs fill the gaps. The paper presents a new typology of corporate parenting style by combining “adding value to subsidiaries by their corporate parent(s)” and “extracting value from subsidiaries by their corporate parent(s).” The four-type typology of corporate styles outlines the different levels of value addition and value extraction and various degree of reciprocity of both processes. This paper determines the most important factors that affect the selection of corporate parenting styles. It postulates that the multinational corporation should simultaneously exhibit different parenting styles towards their subsidiaries and should be ready to swiftly amend their parenting styles to reflect the changes in a subsidiary’s strategy and its motives for corporate ownership.

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Introduction

The relationship between the headquarters and the subsidiaries of a corporation is a pivotal topic in International Business (IB) literature as any multinational corporation (MNC) is a multi-business corporation. This relationship poses a classic control problem. However, in the case of MNCs, the problem is aggravated by institutional, mental, and physical distances between their headquarters (and subsidiaries in their home countries) and their overseas subsidiaries, as well as by differences in market conditions and physical infrastructure between the home country and particular host countries or areas of operations. Thus, subsidiary autonomy has become a critical issue in IB literature over the past three decades [Hedlund, 1981; Gates and Egelhoff, 1986; Forsgren and Pahlberg, 1992; Andersson and Forsgren, 1996; Taggart, 1997; Taggart and Hood, 1999; Young and Tavares, 2004; Männik et al., 2005]. This is the reason behind many specific problems faced by MNCs, such as capital allocation between subsidiaries [Rust, 1994; Pidun et al., 2011]; subsidiary initiatives (see an overview of the studies on subsidiary initiatives in Schmid et al.'s 2014 study); and power and conflict in headquarters-subsidiary relations [Dorrenbacher and Gammelgaard, 2011a; Dorrenbacher and Geppert, 2011; Piotti, 2012].

Too much autonomy could make subsidiaries uncontrollable and, therefore, will lead them to embark on opportunistic behavior. In contrast, strict parenting control would stifle creativity and entrepreneurship in subsidiaries, and endanger their integration with the local business environment. Subsidiary autonomy can be regarded as a balance between global corporate integration and local environmental responsiveness.

The attempts to find a plausible solution to the acute problem of the optimal level of subsidiary autonomy have been impeded for decades owing to the conflict between two theoretical perspectives – portfolio organization perspective and integrated organization perspective [de Wit and Meyer, 2010, pp. 156]. The first perspective proposes that the primary tasks of the corporate center (headquarters) are capital allocation and performance control (see Nippa et al., 2011 for appraising four decades of academic research in corporate portfolio management); and the key success factor of a multi-business corporation lies in the responsiveness of its subsidiaries. Thus, the subsidiaries should be autonomous “strategic” business units. The second perspective proposes that the primary tasks of the corporate center are setting directions and managing synergies, and the key success factor of a multi-business corporation is its multi-business synergy. Therefore, subsidiaries should be extremely interrelated.

In order to achieve the synthesis of these two extreme perspectives of corporate strategy, Goold and Campbell advanced a notion of corporate parenting for multi-business corporations [Goold and Campbell, 1987; Goold et al. 1994; Campbell et al., 1995; Goold and Luchs, 1996; Goold et al., 1998]. Human parents are expected to provide support and guidance to their children. In the same vein, corporate parenting is postulated to focus on adding value, and creating resources and the right environment to facilitate the growth of businesses. There were continuous attempts to make corporate parenting a rigorous conceptual model [Nilsson, 2000; Kruehler and Pidun, 2011; Kruehler et al., 2012]. Although these studies resulted in an improvement in the operationalization of the model, an assertive typology of corporate parenting styles is still missing.

Corporate roles in the real world

The major cause of the low assertiveness of existing typologies of corporate parenting styles is the one-sided view of corporate strategy. Goold and Luchs [Goold and Luchs, 1996] argued that “all multi-business corporations need to be able to justify their ownership of their multiple businesses. ... The corporate-level strategy must show how the corporate parent adds value to its business, and must address issues such as allocation of resources between the businesses, the creation of synergy through linkages amongst the businesses, and choices concerning the businesses that should make up the corporate portfolio.” Although later Goold and Campbell [Goold and Campbell, 2002] distinguished between the “minimum corporate parenting role” (fulfilling legal and regulatory requirements and basic governance functions) and “value added parenting role” (providing the expertise to execute a subsidiary’s operations, securing access to financial resources or to preferred networks of suppliers, etc.), the latter role is evidently the main task of the contemporary corporation. However, “several key processes are at work in contemporary capitalism, which can be summed up as increasing financialization. This is the process by which businesses are increasingly orientated to the *extraction of value*³ and success is primarily assessed in terms of the rate of return to capital employed” [Murphy and Ackroyd, 2013].

Extracting value from subsidiaries is evident in business life. Moreover, we may distinguish several ways in which value is extracted from a subsidiary.

³ Italic is ours.

- First, relations between the corporation and the subsidiary are about *profit extraction* – which part of profits goes to the corporate treasuries and which part remains at the subsidiary level to finance subsidiaries’ initiatives. The sign of the net cash flow projection from a subsidiary (positive or negative) continues to be the main concern for corporate chief financial officers [Graham et al., 2010]. It is important to stress that the profit may not be received from the subsidiary itself, but from the next steps in the value chain (downstream business) that are under the control of the corporation, if the products (goods and services) of a subsidiary are purchased by other subsidiaries using “transfer pricing techniques” (usually simply setting artificially low prices).
- The second way of extracting value from subsidiaries is through *revenue extraction*. The business unit is forced to overpay for supplies (goods and services) from other corporate subsidiaries or for the use of their trademark. Nowadays, trademark-owning subsidiaries are often located in tax havens [Smith, 2013].
- The third way of extracting value from subsidiaries is *capital extraction*. A corporation may ask its subsidiaries to use their retained profits to pay dividends for the parent company (again not necessarily to the visible corporate headquarters, but to an invisible “holding company” hiding in tax havens) or to inject capital into the holding company by purchasing minority stakes in it (reverse ownership relations). Other tested ways of extracting value from a subsidiary in the form of capital extraction is to manage its initial public offer (IPO) or to force a financially stable subsidiary to borrow excessively (through bonds issues and bank loans) and subsequently transfer the money via “internal loans” to less financially sound sister-subsidiaries.
- The fourth way of extracting value is *knowledge extraction*. The wave of reverse innovations, including those from subsidiaries in emerging markets is growing [Hakanson and Nobel, 2001; Gupta and Govindarajan, 2000; Ambos, et al., 2006; Michailova and Jormalainen, 2011; Michailova and Mustaffa, 2012; Rabbiosi, 2012; Govindajaran and Trimble, 2012; Gurkov and Filippov, 2014]. A subsidiary’s knowledge (know-how and know-why) that is mostly developed via successful innovations is transferred to the “corporate pool of knowledge and solutions,” usually free of charge. Local innovators, in the very best case, receive moral recognition or symbolic prizes from the headquarters, and the subsidiary as a whole receives the illusive title of “corporate center of excellence” [Holm and Pedersen, 2000; Frost et al., 2002; Ambos and Reitsperger, 2004].
- Finally, besides the appropriation of financial resources or knowledge, real business life is fraught with stories about extracting value from subsidiaries in its “natural” form

(capacities extraction). There are such two forms: One is the relocation of the most capable employees (not necessarily top managers) to the headquarters or to other subsidiaries. This has been the common practice of MNCs since the 1970s, and it has been intensively studied [Edstrom and Galbraith, 1977; Harvey et al., 2000; Cactus Corporation, 2013]. If relocation to the headquarters is mostly viewed as a “vertical” promotion, relocation of employees between subsidiaries on a temporary, and especially, permanent basis is often considered as a “horizontal” promotion, i.e., not related to promotion. However, from the point of view of a subsidiary that serves as a source of manpower to a corporation, both types of employees’ transfer are considered just “bleeding” an organization, which may be dangerous. The other form of natural expropriation is the transfer of equipment and other production facilities between subsidiaries. Sometimes, whole factories are dismantled down to the “last bolt.” Such actions of MNCs have not been accurately presented in articles in top management journals, but can be easily retraced through the local business press in host countries. Between 1970 and the 1990s, corporations transferred used equipment from subsidiaries in developed countries to subsidiaries in developing and emerging economies. Recent business history demonstrates many examples of how newly acquired factories with advanced technologies and effective manufacturing capacities closed down with the subsequent dismantling. From a subsidiary’s point of view, this is an extreme case of value appropriation. From a corporation’s point of view, this is merely the elimination of excessive production capacities.

Based on the two outlined processes (process of adding value and process of extracting value), we have derived a simple typology of corporate parenting styles towards subsidiaries (see Table 1).

Table 1. Typology of Corporate Parenting Styles

		Adding value to a subsidiary	
		High	Low
Extracting value from a subsidiary	Low	<i>Supportive style</i>	<i>Neglectful style</i>
		The subsidiary constantly demands and receives additional resources from the corporation, no clear return is demanded or even expected from a subsidiary.	The subsidiary puts no demands for additional resources from the corporation; the corporation does not expect return from a subsidiary.
	High	<i>Authoritative style</i>	<i>Exploitative style</i>
		The corporation provides support and additional resources to a subsidiary in exchange to an uninterrupted flow of profits and other benefits from a subsidiary to the headquarters.	The corporation constantly squeezes value from a subsidiary depriving the subsidiary from an access to the pool of corporate resources.

The model presented in Table 1 outlines the intensity of value expropriation and value creation and the reciprocity of relations between a corporation and its subsidiary. What is important to note in this model is that the value creation and value appropriation does not happen between the headquarters and subsidiaries, but between the corporation and subsidiaries, as it is more likely that value can be added and squeezed from the subsidiary by other subsidiaries (subsidiaries serving as R&D and engineering centers, “trademark owners” and other corporate treasures hidden in tax havens, sister-subsidiaries in upstream or downstream businesses, etc.).

This model can be easily operationalized through qualitative studies. In our ongoing qualitative study of MNCs [Gurkov and Filippov, 2013], we were able to recognize all the abovementioned parenting styles:

- In the majority of cases, we observed *the authoritative style*. The corporation provides access to a pool of corporate resources in exchange for net cash flows from the subsidiaries’ projects; in some cases, the corporation also absorbs knowledge from the subsidiary that has developed in terms of products and process innovations.

- We observed *the exploitative* style in several manufacturing subsidiaries that had managed to survive without any support from their parents – they borrowed credit from local banks to finance facilities development, found local or foreign suppliers of equipment and contractors for installation works, and struggled to maintain and expand their market share against tough competitors, without the use of the corporation’s trademarks. At the same time, the lion’s share of a subsidiary’s current profits was being appropriated by the corporation.
- We came across the *neglectful style* in one case where the parent had struggled for a decade to establish a considerable market share for its subsidiary. Finally, ready to exit the market, the parent attempted to give its subsidiary a second chance and appointed a new CEO to run it. The new CEO assembled a team of local engineers and marketers who successfully developed a new product suited to local tastes and managed to establish a significant market share in the local market. None of these achievements were expected by the corporation.
- Finally, we are able to observe *the supportive* style, not with regard to overseas subsidiaries, but with regard to the domestic subsidiaries of a major MNC.

More importantly, our four-style model corresponds well with the model of human parenting styles developed by Maccoby and Martin [Maccoby and Martin, 1983], who applied the comparable variables (support for the child and demands for the child behavior) to build their typology and derived comparable parenting types (authoritarian, authoritative, neglectful, and indulgent).

Factors shaping corporate parenting styles

The most interesting question, however, is what makes a corporation turn towards a particular parenting style. We can distinguish several factors that shape

- The intensity and reciprocity of the value transfer between a corporation and a particular subsidiary;
- the form of value appropriation conducted by the corporation.

The first factor that shapes both intensity and reciprocity of the value transfer between a corporation and a particular subsidiary is the *strategic orientation of a subsidiary*, namely, the typology strategic orientation proposed by Miles and Snow [Miles and Snow, 1978] – Prospector, Analyzer, Defender, or Reactor – which describes both the *strategic position* of a firm [Zahra and Pearce, 1990; Parnell and Wright, 1993; Engelland and Summey, 1999;

Hamrick, 2003; Pleshko and Nickerson, 2008; Zinn et al., 2008] and its *strategic intent* [Hamel and Prahalad, 1989; Dvir et al., 1993; Hamel and Prahalad, 2005; Kabanoff and Brown, 2008; Håkansson et al., 2012].

Burton et al. [Burton et al., 2011] presented four Miles and Snow's strategic types on a two-dimensional matrix of "exploration" and "exploitation." Prospectors are scored high on exploration and low on exploitation. Analyzers are scored high on both exploration and exploitation. Defenders are scored high on exploitation, but low on exploration. Finally, reactors are scored low on both exploration and exploitation. Obel and Gurkov clarified that both exploration and exploitation are situations of unequal exchanges of a company with its stakeholders (exploitation refers to providing an inadequately low return for stockholders' input; exploration refers to providing an inadequately high return for stakeholders' input) [Obel and Gurkov, 2013]. Therefore, it is easy to derive how the strategic orientation of a subsidiary affects a corporate's parenting style:

- if the subsidiary's strategy is based on exploitation (Defender), it is more likely that the additional value extracted from the stakeholders will be captured by the parent;
- if the subsidiary's strategy is based on exploration (Prospector), it is more likely that the corporation will need to inject more value into such a subsidiary;
- if the subsidiary's strategy is based on both exploration for some stakeholders and exploitation of other stakeholders (Analyzer), the parenting style will combine both adding value to the subsidiary and squeezing value from the same subsidiary.

Thus, we derive a strong correspondence between Miles and Snow's strategic types and outline parenting styles – Analyzers are likely to expect an authoritative style; for Defenders, it is wise for the corporation to exercise an exploitative style; for Reactors, it is rational to apply the neglectful style; and for Prospectors, the corporation is forced to apply the supportive style.

The second factor that affects both intensity and reciprocity of value transfer between a corporation and a particular subsidiary is *mutual dependency*. We may observe many facets of mutual dependency between the corporation and the subsidiary:

- legal dependency (restriction of the legal rights of one side by the other side);
- assets dependency (preferred rights for the use of specific assets);
- financial dependency (for both current expenses and capital expenditures);
- mental dependency (reproduction of the other side's mental models of perceiving and assessing reality);

- informational dependency (restrictions of the sources of information used by one side by the other side);
- behavioral dependency (narrowing the repertoire of behavior patterns and types of actions of one side to those proposed or exhibited by the other side);
- emotional dependency (sensitivity to the other's emotional state, empathy, and imitation of the other's emotional state, without stating clear objective reasons).

We can easily present all the identified elements of mutual dependency in the corporate parent-sub subsidiary relationship (see Table 2).

Table 2. Elements of mutual dependency in corporate parent -- subsidiary relationship in multinational corporations

Type of dependency	Dependency of subsidiary on corporate parent	Dependency of corporate parent on subsidiary
Legal	Restriction on participation in a subsidiary's equity by other firms, control over large contracts, appointment of subsidiary's top executives by the headquarters	Reverse participation of a subsidiary in parent's equity, limitations on partnering of a parent with its subsidiary's competitors, legal limitations on joint activities of a subsidiary with other subsidiaries of the corporation
Asset	The use of a corporation's trademarks and patents, preferred access to financial markets (banking consortiums, stock, and bond markets), worldwide pools of certified equipment suppliers, contractors, advertising and recruitment agencies, etc.	Inclusive non-transferrable rights of a subsidiary for specific assets (mining rights, proprietary technologies, governmental licenses for specific types of activities, quality certificates, etc.)

Table 2. (continued)

<p>Financial</p>	<p>The share of current expenses and capital expenditures of a subsidiary covered by the corporation, the type of financial subsidies (unrestricted internal grants, conditional grants, credits from the corporate treasury or sisters-subsidiaries to a subsidiary, guarantees by the corporation for the subsidiary's loans from foreign and local banks, etc.)</p>	<p>The share of free cash flow generated from a subsidiary within the total free cash flow of the corporation, the share of ongoing investment projects within a subsidiary as a percentage of the net assets of the corporation, the share of the increase of corporate-wide sales and net profits generated by the subsidiary's activities</p>
<p>Mental</p>	<p>Corporate-wide mental models used as the common background for situation assessment, business planning, and decision-making (mental monopolistic situation)</p>	<p>Identification of alternative mental models (both in terms of thinking and decision-making) that are useful <i>beyond</i> the boundaries of the host country (mental diversity situations)</p>
<p>Informational</p>	<p>The preferred access to corporate market databases, pools of patents and technologies, lists of suppliers and contractors, worldwide industrial information networks (conferences, seminars, industry associations, trade fairs, etc.)</p>	<p>Access to key decision-makers in the host country and secret information about market or economic conditions in the host country granted only for local companies or for citizens of the host country</p>
<p>Behavioral</p>	<p>Development of procedure manuals, performance standards, code of conduct that make the day-to-day activities of a subsidiary robust and efficient</p>	<p>Development of sets of efficient deviant practices, imitation and reproduction of such practices by sister-subsidiaries</p>
<p>Emotional</p>	<p>Creation and maintaining an organizational climate conducive for a subsidiary, trust and personal empathy of a subsidiary's employees towards a corporation's top management</p>	<p>Personal empathy and devotion of top corporate executives to a specific host country or to a specific subsidiary</p>

We should make two very important notes regarding information in Table 2. First, both the headquarters and subsidiaries may view some types of dependency as being more or less acceptable. For example, a subsidiary may easily accept financial dependency on a corporate parent if its current expenses and, in particular, its investment demands are sufficiently covered. On the other hand, preserving mental independence seems to be very important for both the headquarters (“saving the corporate soul”) and overseas subsidiaries (“requesting to pay respect to national identity and country traditions”). Second, they can reinforce one another. For example, top corporate executives who are passionately devoted to a particular host country, will be inclined to increase asset and financial dependence of the corporation on the subsidiary in that country, as this will simply increase the opportunities for him/her to visit that country.

The third factor that affects both intensity and reciprocity of value transfer between a corporation and a particular subsidiary is the *manner in which a subsidiary is included into the corporation (greenfield, brownfield, or acquisition)*. It is obvious that greenfield and brownfield investment projects require a lot of corporate resources and attention before they reach the projected level of sales or capacity utilization; they may request additional resources from the corporation for a long time after they have reached the projected level of sales or capacity utilization. In addition, a long period of support of such subsidiaries from the corporation increases behavioral and, in particular, emotional dependency of the corporation on the subsidiaries. Overseas subsidiaries developed by greenfield and brownfield investment projects are perceived as “long-cherished children,” and the top management of the corporation clearly remember the milestones faced during the development of these subsidiaries, such as their “childhood diseases,” etc. This increases the opportunity of such subsidiaries to exploit the corporation, and decreases the possibilities of the corporation to squeeze value from such subsidiaries. It is not uncommon to see situations where foreign subsidiaries created by greenfield investments have negative net cash flows for decades, despite the considerable increase of capital employed and the volume of sales.

At the same time, a corporation often considers subsidiaries created through acquisitions as “stepchildren.” In addition, such “stepchildren” in most cases are not “cute babies,” but “adolescents” or “adults with strange, sometimes detrimental habits.” There is low, if any, mental, behavioral, and especially emotional dependency of the corporation on such subsidiaries. Thus, the intensity of value extraction from such subsidiaries is relatively higher, especially if they are quickly “integrated” into the corporation, i.e., are made dependent on the new parent legally, financially, information-wise, and behaviorally.

A special case is value transfer between parents and subsidiaries in joint ventures and investment consortiums. Thus far, we have dealt with the relationship between one corporate parent and its subsidiaries. However, subsidiaries with double parents (joint ventures) or multiple parents (investment consortiums) are common in many industries (e.g., the oil industry). Here, the subsidiary usually puts up additional obstacles to appropriating value using the contradictions between the parents, but strives to use resources of two or several corporate parents. In addition, joint ventures and investment consortiums are created mostly for brownfield and especially for greenfield projects. This further decreases the chance for corporate parents to appropriate value.

Besides the factors that determine the intensity and reciprocity of value transfer between the corporation and its subsidiaries, we may outline the factors shaping the *forms of value appropriation* by the corporation. The preferred form of value extraction largely depends on the motives of the corporate ownership of particular assets. According to the classical internationalization theory [Dunning, 1981; Dunning, 1992], companies start foreign operations keeping in mind one or several motives:

- gaining access to specific resources – (“resource-seeking”);
- gaining access to new markets – (“market-seeking”);
- increasing efficiency of operations (the possibility to launch new, more efficient capacities in another country or to increase the overall efficiency of a corporation’s operations by the economy of scale or economy of scope) – (“efficiency seeking”);
- gaining access to unique knowledge and skills (“knowledge-seeking”).

Of course, the motives to retain control over particular sets of foreign assets may evolve over time [Birkinshaw and Hood, 1998]. For example, a corporation may start its operations in a particular country under the guise of seeking new markets; subsequently, as the initially targeted market matures or stagnates, while the subsidiary improves in terms of efficiency or operations and produces reverse innovations, the corporation may substitute its initial motive with the “efficiency-seeking” or “knowledge-seeking” motive. In cases of “headquarters-driven subsidiary chartering losses in foreign subsidiaries” [Dorrenbacher and Gamelgaard, 2011b], the initial motives of ownership evaporates, and the corporation is unable to find a substitute motive to justify the costs of owning a particular set of assets.

There is a concordance between specific motives of overseas investments and the preferred types of value appropriation:

- The motive of resource seeking is satisfied mostly by *profit extraction* – either from a subsidiary or from the next link in the value chain (downstream businesses). A common trick followed by vertically-integrated corporations active in natural resources’ extraction is capturing resources “at source” at minimal prices (hardly covering the operating costs) and subsequently transferring these prices to the next link in the value chain under a corporation’s control.
- The motive of market seeking is satisfied by both *profit and revenue extraction*. In competitive markets, revenue extraction is more likely as the margins are usually lower. In monopolistic and oligopolistic markets, profit extraction is more likely as the margins are usually higher.
- The motive of seeking efficiency is satisfied *by profit, revenue, and capital extraction*. A higher efficiency of operations leads to higher retained earnings that are appropriated from time to time by the corporation. In addition, efficient subsidiaries are more likely to go in for an IPO and implement other forms of cash injection into the corporation (e.g., an efficient and sound subsidiary may borrow at more beneficial terms than a highly indebted corporation). Relocation of productive assets from one subsidiary to another, or the complete closing down of particular factories is often attributed to efficiency reasons.
- The motive of knowledge seeking is obviously satisfied by the extraction of knowledge and the holders of knowledge (the second form of capacity extraction), i.e., the relocation of the most capable and talented employees from the subsidiary to sister-subsidiaries, the headquarters, or even close to the business partners of a corporation.

“Protean” parenting style of the modern multinational corporation

Our speculations suggest that the modern MNC that operates in many countries and in different markets would necessarily exhibit simultaneously different parenting styles towards its subsidiaries. First, even in the same line of business, the pressure of local stakeholders (customers, suppliers, employees, and local authorities) varies from country to country. The pressure of stakeholders is the main factor that shapes the strategic orientation of a firm [Obel and Gurkov, 2013]. Thus, an MNC is forced to apply different parenting styles to their subsidiaries belonging to different strategic types (Prospector, Analyzer, Defender, or Reactor). This is also an important factor that may explain why foreign-owned subsidiaries are usually more innovative than their local competitors. There is a strong motive for subsidiaries to increase the level of “exploration” (to move from positions of Defender or Reactor towards those of Analyzer or Prospector), as this serves as a ploy to amend the corporate parenting style from

purely “exploitative” or “neglectful” to “authoritative” or even “supportive.”

The second cause that leads to varied parenting styles within a multinational corporation is the different forms of overseas expansion. Nowadays, an MNC cannot use a single form of overseas expansion (greenfield, brownfield, or acquisition), but is forced to use all possible forms of expansion, depending on legal restrictions of operations in particular countries, availability of resources, etc.

The third cause that leads to varied parenting styles within an MNC is the variety and, especially, quick mutation of initial motives of overseas investments in a particular country. This is applicable to MNCs from both developed and developing countries. In the case of MNCs from developed countries, formerly it was possible to consider subsidiaries in some countries as “resource-generating” centers, subsidiaries in other countries as “market-capturing” centers, and subsidiaries in home countries as “knowledge-creating centers.” Over the past 20 years, many subsidiaries of MNCs from developed countries that are located in emerging markets have mutated from “resource centers” or “market-capturing centers” to corporate centers of excellence [Govindarajan and Trimble, 2012; Gurkov and Kossov, forthcoming], i.e., the “efficiency centers.” Such mutations should cause corresponding amendments in parenting styles.

With respect to MNCs from developing and transition economies that captured a 39% share of global foreign direct investment outflows and a 56% share of global mergers and acquisitions (M&As) [UNCTAD, 2014] in 2013, the mutation of parenting styles is even more spectacular. As MNCs from developing countries rapidly extracted knowledge from their recent purchases in both developed and developing countries (a third of cross-border M&As by South MNCs in 2013 were acquisitions of foreign affiliates from developed countries), they swiftly downgraded such subsidiaries from “knowledge-creating centers” into “efficiency centers” or simply “market-capturing centers.” Thus, the parenting style exhibited towards such subsidiaries is also changing.

The demand for the parenting style of the modern MNC to be “protean” (diverse and constantly changing) puts forth a new challenge to headquarters – they would be required to simultaneously apply different parenting styles to different subsidiaries, while keeping the overall integrity of the subsidiaries’ performance benchmarking within the corporation. On one hand, the variety of parenting styles within a corporation provides a strong impetus for increasing the efficiency of operations of a particular subsidiary as this gives the subsidiary the chance to respond to a more

supportive corporate parenting style. On the other hand, the co-existence of multiple parenting styles within the corporation may be the cause of conflicts between sister-subidiaries. Such conflicts cannot be productively resolved without the headquarters quickly amending its corporate parenting style towards a particular subsidiary.

Conclusions

We presented a new typology of corporate parenting styles that supplement the parameter “adding value to subsidiaries by their corporate parent(s)” with the second parameter – “extracting value from subsidiaries by their corporate parent(s).” Thus, we derived a four-type typology of corporate styles that outlines the different levels of value addition and value extraction and various degree of reciprocity of both processes. We also outlined different forms of value extractions that can be currently observed in the business world.

We were able to sketch out the essential factors that affect the selection of a particular corporate parenting style towards a particular subsidiary or groups of subsidiaries – the type of strategy of a subsidiary (intensity of exploration and exploitation of its business environment); the level of mutual dependency between the corporation and its subsidiary; the manner in which a subsidiary is included in a corporation (greenfield, brownfield, or acquisition); and the motive of a corporate to maintain ownership of a particular sets of assets. We also postulated that owing to the variety of the abovementioned factors, the modern MNC would simultaneously exhibit different parenting styles towards its subsidiary. In addition, the corporation should be ready to rapidly amend its parenting style towards specific subsidiaries to reflect the changes in order to reflect the changes in a subsidiary’s strategy and its motives for corporate ownership.

Our study has profound practical implications. First, it provides a new impetus to empirical studies on corporate parenting, as there is scope for our theoretical constructions to be further validated and developed through intensive empirical studies. Three directions of studies seem to be very promising. First, as we postulated the dependency of corporate parenting style on the strategic type of a subsidiary, operationalization, and the strategic type of the firm. Although a great deal of work has been done in this field, further studies are still needed to easily recognize the strategic type of the firm. The second promising direction of these empirical studies is the

relationship between the selected important factors that shape parenting style. We assumed that all the selected factors are closely interrelated. A lot of work has been done on the relationship between motives of overseas investments and modes of market entry and further subsidiary development (greenfield, brownfield, or acquisition). At the same time, the mechanisms of the relationship between the type of strategy and mutual dependence are not very clear, and much work needs to be done on this topic.

Our study also calls for the development of new instruments in corporate management. Since we postulated that a corporation should simultaneously exhibit varied corporate styles and must be capable of quickly adjusting its corporate style towards a particular subsidiary, several ready-to-use solutions are needed to quickly “assemble” a particular corporate parenting style, i.e., the specific forms of value addition and value extraction. This applies to both corporations and consulting firms. In general, the proposed typology should bring academic studies in IB closer to reality and serve as a theoretical framework for the enrichment of the tools of corporate management in MNCs.

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