Evaluation on the Influence Factors of Role Evolution of MNC Subsidiaries in China

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Abstract

The search innovatively incorporated the competitive strategy of MNCs into the study of the factors affecting the evolution of MNC subsidiary role in China, constructed a framework of the evolutionary influence mechanism of MNC subsidiary role in China. Through a questionnaire survey of 179 MNC subsidiaries in China, we used structural equation model (SEM) to accomplish the empirical research of MNC subsidiary role evolutionary mechanisms, the results shows that the evolution of MNC subsidiary role in China is influenced by the competitive strategy, the subsidiary’s initiative and the environmental factors of the host country, among which the environmental factors are most significant, the subsidiary’s initiative is the second and the competitive strategy is the third. Therefore, it is very important to improve the environmental advantage of Chinese market to guide the healthy development of MNC subsidiary.

Keywords: Competitive strategy of MNC, Subsidiary role, Influence factors.

1.INTRODUCTION

Since the reform and opening up, the investment environment of MNCs in China has undergone tremendous changes in terms of foreign investment policy, labor market, competition environment and high-tech development. In order to adapt to this change, the MNC subsidiary role must be adjusted. According to the literature review, in recent years, the subsidiary of MNC has become an important research object in management research, attracting widespread attention of scholars. Therefore, a thorough study of the changing roles of the subsidiaries of MNCs in China is of great significance to the theoretical development management of MNC in China.

2.LITERATURE REVIEW AND HYPOTHESES

Birkinshaw and Hood (1998) divided the factors that influence the role evolution of MNC subsidiaries into three aspects, namely, factors of parent company, factors of subsidiary and environmental factors of host country. Based on these, scholars further refined those factors, proposed the dimensions of those factors, and verified the significant influence of those factors on the subsidiary role evolution. However, this paper argues that the competitive strategy of MNC provides a new perspective for the analysis. In the past research, some scholars have realized the important role of strategies. Dörrenbächer and Gammelgaard (2006) regarded the strategy of the parent company as one of the important dimensions of the factors of parent company, and verified that it is an important factor in the role evolution of the subsidiary. Meanwhile, the advantage of the local market and the initiative of the subsidiary company are not that important compared to the strategies of MNCs.

However, other scholars believed that the impact of subsidiary factors and host country factors is significant (Stefan and Frank, 2007, Kim et al., 2011). The contradiction of these empirical results is mainly due to the fact that previous scholars’ researches on the factors influencing the evolution of subsidiaries’ role are not deep enough, ignoring the internal relations between different factors. In addition, according to the literature review, competitive strategy of MNC, as an important part of the management of MNC, is an important factor influencing the role evolution of subsidiaries, which, however, was ignored by the past researches. Therefore, on the basis of the past researches, this paper sets competitive strategy of MNC as an explanatory variable, and puts forward factors affecting the role evolution of MNC subsidiaries based on competitive strategies.
Table 1 Factors influence the role evolution of subsidiaries

<table>
<thead>
<tr>
<th>Influencing factors</th>
<th>Subdivisions of influencing factors</th>
<th>Main scholars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factors of parent company</td>
<td>Strategies of parent company</td>
<td>Dörrenbächer &amp; Gammelgaard(2006)</td>
</tr>
<tr>
<td>Factors of subsidiary</td>
<td>Initiative of subsidiary</td>
<td>Dörrenbächer &amp; Gammelgaard(2006); Ren et al. (2009); Kim, Rhee &amp; Oh(2011)</td>
</tr>
<tr>
<td></td>
<td>Tasks</td>
<td>Eckert &amp; Rossmeissl(2007)</td>
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<td></td>
<td>Equity pattern</td>
<td>Eckert &amp; Rossmeissl(2007)</td>
</tr>
<tr>
<td></td>
<td>Entry method</td>
<td>Eckert &amp; Rossmeissl(2007)</td>
</tr>
<tr>
<td>Factors of host country</td>
<td>Advantages of local market</td>
<td>Dörrenbächer &amp; Gammelgaard(2006); Eckert &amp; Rossmeissl(2007)</td>
</tr>
<tr>
<td>Regional economic integration</td>
<td>Parent company strategy, subsidiary initiative, host country environment</td>
<td>Filippov &amp; Duysters(2012)</td>
</tr>
</tbody>
</table>

Source: organized by the author according to the literature review.

2.1 Factors of Parent company: competitive strategies of MNCs

In previous studies, the factor of parent company mainly refers to the strategy of the parent company. According to Dörrenbächer and Gammelgaard (2006), the strategy of the parent company was divided into two types, namely, the pursuit of market and the pursuit of efficiency. Their study also shows that the strategy of the parent company is of great impact on the role evolution of the subsidiary. However, the division of the strategy is not specific enough. The pursuit of market and the pursuit of efficiency mainly reflect on the task of the subsidiary. According to the literature review, this paper finds that on the one hand competitive strategy influences the subsidiary factor, which is an influencing factor in the role evolution of traditional subsidiaries. On the other hand, the competitive strategy of MNC may act directly on the role evolution of subsidiary. Therefore, this paper chooses competitive strategy of MNC as one of the important factors that influences the role evolution of subsidiaries in China.

Integration and localization are the strategies adopted by MNCs in order to achieve maximum benefit (Prahalad and Doz, 1999; Luo, 2001). In order to deal with these two pressures and optimize the global revenue, headquarters of MNCs will adopt a series of global strategies. Global integration, localization and world learning are combined to achieve globalization (Bartlett and Ghoshal, 1995). Therefore, Bartlett and Ghoshal (1999), regarding the three strategic objectives, put forward three global business models and three strategies accordingly, namely, global strategy, multinational strategy and transnational strategy (Harvey et al., 1999; Bartlett and Ghoshal, 1999). Previous studies have shown that MNCs' competitive strategies affect the autonomy of subsidiaries (De et al., 2010). The subsidiaries usually strive to seek higher autonomy (Ambos et al., 2010; Chini et al., 2005), especially when the market strategy is of great importance, localized marketing activities should be adopted, and the subsidiary has the confidence to satisfy the local marketing needs. (Homburg and Prigge, 2014).

To be specific, when multinational strategy is adopted, the subsidiary needs more autonomy to meet the needs of the market or the laws and regulations of the host country; the innovation of the subsidiary will increase its influence on strategies and decisions of the headquarter. Subsidiaries with transnational strategy focus on learning and innovation of science and technology. In view of the degree of autonomy is based on the bargaining between the subsidiary and the parent company, therefore, subsidiaries with technological innovation capability tend to have more autonomy (Coff, 1999). Moreover, when subsidiaries in developing countries implement transnational strategy, higher autonomy can help the subsidiaries avoid the deficiencies in the management of parent companies and better take part in the local production and business activities (Wang et al., 2013). Therefore, the hypotheses of this paper can be seen as follows:

H1: multinational strategy is positively related to the autonomy of subsidiaries.

H2: transnational strategy is negatively related to the autonomy of subsidiaries.

In order to achieve global competitive advantage, multinational corporations allocate their strategic capabilities among different subsidiaries (Kogut and Zander, 1993). When implementing multinational strategies, subsidiaries of MNCs must change product structure to adapt to the local market demand and policy (Harzing, 2000), therefore, these subsidiaries need to improve their ability to adapt to the changing market environment of
the host country; When implementing transnational strategies, subsidiaries need to take both the global integration and the localization into account, and thus improve the flexibility of operational management (O Donnell, 2000; Luo, 1999). Therefore, the hypotheses of this paper can be seen as follows:

H3: multinational strategy is positively related to subsidiary capability.

H4: transnational strategy is positively related to subsidiary capability.

Subsidiaries of MNCs should not only meet the needs of the market of the host country, but also have to face the global market when engaging in export trade (Estrin et al., 2009). The product structure of subsidiaries with global standardized strategy is single, aiming at the global market; the product of subsidiaries with multinational strategy should be localized to meet the demands of local market, aiming at the market of the host country and the regional markets (Ghoshal, 1987). Therefore, the hypotheses can be concluded as follows:

H5: global standardized strategy is positively related to the range of the target market.

H6: multinational strategy is negatively related to the range of the target market.

The implementation of the global strategy increases the internal trade among multinational corporations. It not only enhances the strategic coordination and knowledge flow between the parent and subsidiary corporations, but also enhances the knowledge flow among subsidiaries (Meyer and Su, 2015). Specifically, the multinational companies need to coordinate the activities of subsidiaries in different operating environment to obtain competitive advantages (Andersson et al., 2007). Therefore, the knowledge accumulated in host countries should be transferred to parent company and other subsidiaries in the network. (Gnyawal and Singal, 2009; Almeida and Phene, 2004). Therefore, this paper proposes a hypothesis:

H7: transnational strategy is positively related to knowledge flow.

2.2 Subsidiary Factors - Subsidiary Initiative

The initiative of subsidiary company is mainly reflected by the accumulation and the study of the daily operation and management which improve its management. According to Dörrenbächer and Gammelgaard (2006), the capability of the subsidiary mainly includes production capacity, R & D capability and enterprise capability; Ren et al. (2009) divided the capability of the subsidiary into the ability to obtain resources, R & D and innovation ability, market ability and internal management capacity of four. According to Kim, Rhee and Oh (2011) the capability of the company can be divided into operation, purchase, marketing and R & D.

Among them, control interests are reflected in the ability of subsidiaries to influence and control the behavior of other members in the network organization. One of the important objectives of the global strategy of transnational corporations is the world learning (Bartlett and Ghoshal, 1995), which refers to get local knowledge and technology through foreign investment. Therefore, the pursuit of the interests can be regarded as one of the aims of the foreign direct investment of transnational corporations, which also reflects the corporations’ competitive strategies.

At the same time, the traditional view believes that the internal resources and capabilities will guide the business strategy; a business strategy must be established on the basis of its unique ability, the formation of which depends on its unique natural resources (Li, 2010). Therefore, the ability of the MNC subsidiary gradually improves along with the daily business, which inevitably influences the choice and the implementation of the local strategies as well as the competitive strategies of the transnational company, thus affecting the role evolution of the subsidiary. Therefore, based on the important role of the initiatives of the subsidiaries, this paper chooses it as one of the important dimensions influencing the competitive strategies and the role evolution of subsidiaries.

Initiative of the subsidiary is usually accompanied by a relatively low level of integration and a high level of autonomy (Krishnan, 2006). The level of autonomy can be improved by the subsidiaries taking active actions (Raziq et al., 2014; Ambos et al., 2010). Specifically, the decision-making autonomy of the subsidiary company is achieved because the subsidiary is an innovative independent entity in the multinational corporation, especially in terms of the accumulation of technological capabilities (Pearce, 1999). Only when the subsidiary
can prove its ability to the parent company, the parent company's control level will be reduced (Roth and Morrison, 1992). Meanwhile, the initiative of the subsidiary helps to improve its position in multinational companies in the internal network (Phelps and Fuller, 2000) and improve its strategic importance (Delany, 2000), thus improving the advantage in the bargaining with the parent company. Therefore, the hypothesis is as follows:

H8: There is a positive correlation between the initiatives and the autonomy of subsidiaries.

According to the "(behavior) proactive tendency" proposed by Lumpkin and Dess (2001), if the initiative is high and is put into practice, this initiative will eventually transfer into real performance. The autonomous behavior of subsidiary contributes to the company's own technology and management ability (Sargent and Matthews, 2006). Every successful autonomous activity is of great help to the growth of the subsidiaries (Birkinshaw, 1999). Therefore, the hypothesis is:

H9: There is a positive correlation between the initiative of subsidiary and the capability of the company.

Subsidiary autonomy and autonomous behavior can enhance its reaction on the local market, which is conducive to the realization of strategic objectives (Hu, 2012). The implementation of the strategy and the realization of the goal depend on the business process composition, therefore, the higher the initiative, the more intense the subsidiary’s willing to improve its value chain. The research results show that subsidiaries with high initiatives are not willing to be engaged in production activities at the lower end of the value chain (Pananond, 2013). They strive to move to the upper chain and to achieve industrial upgrading (Sargent and Matthews, 2006). Therefore, the hypothesis is:

H10: the initiative of the subsidiary is positively related to the added value of the value chain of the subsidiary company.

The higher the initiative of the subsidiary, the greater contribution it makes to the parent company and other subsidiaries within the network of transnational corporations (Delany, 2000). Specifically, the ability of subsidiaries can be acquired through the knowledge flow, and can be studied by the parent company and other subsidiaries within the internal so as to achieve win-win situation between the parent company and the subsidiary (Birkinshaw et al, 1998; Rugman and Verbeke, 2001). Based on this, the hypothesis is concluded as:

H11: the initiative of subsidiary is positively related to the company knowledge flow.

2.3 Factors of Host Countries

More and more scholars recognize the host country is of great importance to the success of the subsidiary (Malhotra and Gaur, 2013; Dai et al., 2013; Cantwell, 2009). The environment of the host country significantly affects the development of subsidiaries (Asmussen et al, 2009; Frost et al., 2002). In the past researches on the evolution role of the subsidiary, scholars mainly analyzed the impact of advantages of the local market. The advantages of the local market include the economy and the competition of the local market (Dorrenbacher and Gammelgaard, 2006; Stefan and Frank, 2007). The advantage of the local market is one of the important factors to be considered by transnational companies when making foreign investment strategies. In view of the importance of the advantage of the local market and the previous researches on the role evolution of subsidiaries, the paper regards the factors of host countries as the important factors affecting the subsidiaries.

The autonomy of the subsidiary will be affected by the host environment (De et al., 2010). Technological innovation is the key for transnational companies to establish its dominant role in foreign markets (Young and Lan, 1997), when the technology is developing rapidly and is difficult to predict, the level autonomy is usually high (Kawai and Strange, 2014). Andersson et al. (2002) argued that technology inflow from the host country will improve the performance of subsidiaries, while the improvement of subsidiary performance often enables subsidiaries to gain more autonomy. Therefore, the hypothesis is:

H12: the environmental advantages of the host countries have positive correlation with the autonomy of subsidiaries.
The improvement of the technological capability of the subsidiary company is influenced by the parent company as well as the host country's environment, especially the quality of the supply chain of the host country (Tseng and Chen, 2014). Moreover, improving the competitiveness of enterprises needs specialized complementary assets. Subsidiary can be more competitive if it is in a host country with sufficient resources (Benito et al., 2003), which means the environmental advantage has an important influence on the competition ability of subsidiary (Andersson et al., 2014). In addition, the level of competition in the host country also has a positive impact on the knowledge management capability of the subsidiaries (Cui et al., 2005). Therefore, the hypothesis in this paper is:

**H13:** the environmental advantages of host countries have positive correlation with the capability of subsidiaries.

If the value chain activities of a transnational corporation are all in the place where the subsidiary is, it means the subsidiary is of great importance in the local market. Moreover, the more importance the subsidiary is, the higher the added value of subsidiary’s value chain activities. Therefore, the hypothesis is:

**H14:** environmental advantages of host countries have positive correlation with added value of the activities of the value chain.

The knowledge of the host country plays an important role in the production and management of the MNCs’ subsidiaries (Dunning, 1993). When the advantages of the resources or auxiliary industries in a country are obvious and the market scale is large with perfect system, the subsidiary of the MNC tends to use local market opportunities (Shroff et al., 2013), and is prone to get the knowledge of the host country. Therefore, the hypothesis is:

**H15:** there is a positive correlation between the environmental advantages of host countries and the knowledge flows of subsidiaries.

### 3. QUESTIONNAIRE DESIGN AND DATA COLLECTION

#### 3.1 Questionnaire Design

This passage will sort out primary documents published in recent years to gradually determine the measuring indicator of each dimension. The measurement of transnational company’s competitive strategies in China adopted a global strategic scale. According to the definition of this passage, the initiative of subsidiary mainly contains its ability and spontaneous behavior. Therefore, in order to overcome endogenous of the model, it is subsidiary’s spontaneous behavior’s influence on the evolving role of subsidiaries that has been investigated in the empirical research. The scale developed by Filippov and Duysters (2012) was applied to investigate the subsidiary’s initiative and the scale has been modified on the basis of Birkinshaw (1999). Managers of these subsidiaries shall answer following five questions about how greatly their companies have changed in the past; the subsidiaries developed new products and sold them around the world. Due to the management, new commercial function, new cooperation and investment have been attracted. New global commercial activities of the transnational companies start from its subsidiary. Competing for the leading position in the market, subsidiary shall launch a challenge on its primary competitors. According to Port’s theories of national competition’s strength, factors from host countries, which is the advantage of local market, includes five aspects: availability of talents and of raw materials, the quality of suppliers, customers’ demands and the competition degree in local market (Birkinshaw, 1996; Pedersen, 2006).

Transnational company’s role in domestic subsidiary refers to its tasks and roles in the operation of transnational companies’ globalization. According to precious researches of the author, it’s suggested that the roles of subsidiaries mainly contain five dimensions, which are the initiative, ability, scope of targeted market and the added value of value chain involved by the subsidiary and knowledge inflow. The investigation for subsidiary’s initiative adopted Vachani’s (1999) scale of enterprise’s degree of autonomy, which measured the subsidiary’s autonomy from marketing, human resources, finance, production and R&D; the investigation for subsidiary’s ability mainly based on the scale of ability measurement put forward by Jiang Yanfu(2009), which measured the company’s ability from its cost ability and market ability; the scope of targeted markets for the subsidiary contain local market, regional market and global market (WhiteandPointer, 1984 ; Manopolous, 2002); the measurement for the subsidiary's value chain took its added value as an object, adopting the dividing standard of Hogenbirk and Van Kranenburg (2006), dividing activities of value chain into marketing/sales, production of
products and service, procurement, R&D, after-sale service and regional center. The add value created by these value-chain activities ranked in turn; the dimension of knowledge inflow refers to the degree of knowledge inflow and outflow between transitional companies and parent companies and between other subsidiaries (Gupta and Govindarajan, 1991; Moacir de Miranda and Felipe, 2012).

3.2 Data Collection

Data were collected from domestic subsidiaries of transnational companies with over 5-year establishments as respondents by distributing online questionnaires and paper questionnaires, in the form of 5 point Likert Scale. 1 means that this indicator can reflect the situation of transnational companies’ subsidiaries in China while 5 represents that this indicator could totally reflect the situation. Respondents are required to answer questions according to three timings, which are the early stage of the company’s establishment, current stage and the expectation of ten years later respectively.

4. DATA ANALYSIS AND DISCUSSION OF THE RESULT

4.1 Model Construction

Before conducting structural equation analysis, correlativity of SPSS 20.0 to each item was utilized firstly to have an analysis on statistic. The result showed that, there was a correlativity among these items, with no multicollinearity. Then the AMOS21.0 was used to test the theoretical model and paint a recognizable model figure of structural equation through this software.

4.2 Model Assessment

(1) Model Fitting Test

Based on the construction of structural equation model, related data was introduced to conduct a fitting. The result of fitting indicator test could be seen as below. The structural equation fits well generally, which could reflect the interactive mechanism among these variables.
Table 2 Fitting test of the measurement model of the relationship between the role evolution factors and the role of the subsidiary

<table>
<thead>
<tr>
<th>Fit index</th>
<th>Index value</th>
<th>Fitting requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>χ²/df</td>
<td>1.523</td>
<td>1–3</td>
</tr>
<tr>
<td>GFI</td>
<td>0.788</td>
<td>&gt;0.9</td>
</tr>
<tr>
<td>TLI</td>
<td>0.915</td>
<td>&gt;0.9</td>
</tr>
<tr>
<td>CFI</td>
<td>0.923</td>
<td>&gt;0.9</td>
</tr>
<tr>
<td>RMR</td>
<td>0.049</td>
<td>&lt;0.05</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.054</td>
<td>&lt;0.08</td>
</tr>
</tbody>
</table>

(2) Path Coefficient Test

Assessment on the structural equation model was needed to have a test of statistical significance with the help of path coefficients. By calculating introduced data, loading coefficient and significance of each path in the structural equation model could be seen from following figure.

Figure 2: The function path of the relationship between role evolution factors and the role of the subsidiary

Table 3 Coefficient estimation results of the function path of the role evolution factors and the role of the subsidiary

<table>
<thead>
<tr>
<th></th>
<th>Estimation of non-standardized coefficients</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Estimation of standardized coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>autonomy&lt;---multinational strategies</td>
<td>0.180</td>
<td>0.072</td>
<td>2.489</td>
<td>0.013</td>
<td>0.158</td>
</tr>
<tr>
<td>capability&lt;---multinational strategies</td>
<td>0.140</td>
<td>0.050</td>
<td>2.813</td>
<td>0.005</td>
<td>0.185</td>
</tr>
<tr>
<td>autonomy&lt;---transnational strategies</td>
<td>0.085</td>
<td>0.020</td>
<td>4.154</td>
<td>***</td>
<td>0.173</td>
</tr>
<tr>
<td>capability&lt;---transnational strategies</td>
<td>0.032</td>
<td>0.014</td>
<td>2.313</td>
<td>0.021</td>
<td>0.097</td>
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<tr>
<td>knowledge flow&lt;---transnational strategies</td>
<td>0.070</td>
<td>0.021</td>
<td>3.347</td>
<td>***</td>
<td>0.186</td>
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<tr>
<td>autonomy&lt;---initiative</td>
<td>0.216</td>
<td>0.051</td>
<td>4.206</td>
<td>***</td>
<td>0.301</td>
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<tr>
<td>capability&lt;---initiative</td>
<td>0.132</td>
<td>0.035</td>
<td>3.789</td>
<td>***</td>
<td>0.278</td>
</tr>
<tr>
<td>knowledge flow&lt;---initiative</td>
<td>0.261</td>
<td>0.054</td>
<td>4.803</td>
<td>***</td>
<td>0.476</td>
</tr>
</tbody>
</table>
4.3 Analysis on Model Result

According to the result of model test, in general, host country plays the most significant effect in evolving subsidiaries’ role. And subsidiary’s initiative comes follow while its strategy for competition has less impact on the evolution Detailed analysis could be conducted from various dimension of the subsidiary. Taking the initiative as an example, the environment of host country has the most significant effect, with a standardized coefficient of 0.560; subsidiary’s initiative ranks the second, with an influence coefficient of 0.301; and transnational strategies of subsidiaries shares a coefficient of 0.173 while multinational strategy has a lowest effect on it, only 0.158. With regard to the ability of the subsidiary, the environment of host country and its initiative still have great impact on it. Different from the subsidiary’s initiative, the influence coefficient of transnational strategy is much higher than that of multinational strategies; as for the scope of targeted market, there is a positive correlation between global standardized strategy and the scope of targeted market while there is a negative correlation between multinational strategy and targeted market, which verifies the previous hypothesis; with regard to the added value brought by value-chain activities of subsidiary, multinational strategy has a positive effect on it, with an influence coefficient of 0.075 while the company’s initiative has little impact on the added value of value-chain activities; as for knowledge inflow in subsidiaries, the environment of host country still has a highest influence coefficient; the initiative ranks the second and the competitive strategy has a lowest one. Above all, the model basically verified the previous hypothesis.

The research result showed that, competitive strategies of transitional companies' subsidiary play an obviously significant effect on the evolving role of subsidiaries. Different competitive strategies adopted by domestic subsidiaries of transnational companies require different roles played by subsidiaries to match. By analyzing investigated data, the passage found out these subsidiaries didn’t adopt some competitive strategy, but a combination of these strategies, which needs subsidiaries to flexibly cope with its role and position to ensure the successful implementation of the company’s competitive strategies. Specifically, when transnational companies are adopting global standardized strategy in domestic subsidiary, subsidiary will have larger scope of targeted market.

When transnational companies adopting multinational strategies, the decision-making power and ability of subsidiary are relatively better while has a smaller scope of targeted market; when domestic subsidiaries of transnational companies adopting transnational strategies, the decision-making power and ability of subsidiaries are relatively better as well as have a high level in knowledge inflow. When these subsidiaries adopt different competitive strategies, it will generate different impacts of each dimension in the evolution of subsidiary’s roles. Taking the dimension of decision-making power as an example, transnational strategies adopted in subsidiary have more significant impact on the company’s decision-making power than multinational strategies do while the dimension of the companies’ ability has an opposite effect; besides, same competitive strategy adopted by the transnational company will have different influence on different dimensions of the subsidiary’s role. Multinational strategy has the most significant impact on the subsidiary’s ability; the impact of decision-making power ranked the second; when subsidiary applies a transnational strategies, it will generate the most significant effect on targeted market; the impact of knowledge inflow and decision-making power ranked the second, which have least effort on the company’s ability; the global standardized strategies of the subsidiaries will have more impact on the company’s targeted market scope than its influence on role dimensions.

<table>
<thead>
<tr>
<th>autonomy</th>
<th>environment of host country</th>
<th>capability</th>
<th>environment of host country</th>
<th>knowledge flow</th>
<th>environment of host country</th>
<th>target market</th>
<th>global standardization</th>
<th>target market</th>
<th>multinational strategies</th>
<th>value chain</th>
<th>initiative</th>
<th>value chain</th>
<th>environment of host country</th>
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<tr>
<td>0.532</td>
<td>0.088</td>
<td>6.037</td>
<td>***</td>
<td>0.560</td>
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<tr>
<td>0.366</td>
<td>0.061</td>
<td>6.099</td>
<td>***</td>
<td>0.581</td>
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<tr>
<td>0.373</td>
<td>0.074</td>
<td>5.010</td>
<td>***</td>
<td>0.513</td>
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<tr>
<td>1.321</td>
<td>0.350</td>
<td>3.769</td>
<td>***</td>
<td>0.567</td>
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<tr>
<td>-0.739</td>
<td>0.204</td>
<td>3.628</td>
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<td>-0.443</td>
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<tr>
<td>0.136</td>
<td>0.225</td>
<td>0.605</td>
<td>0.545</td>
<td>0.075</td>
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<td>0.835</td>
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</table>

Note: *** presents significance on level 0.01.
It could be seen from the research, subsidiary’s initiative will play an important factor in the evolving role of domestic companies, which has a coefficient higher than the influence coefficient of competitive strategy from the subsidiary. Result showed that, the initiative’s influence on the evolving role mainly reveal in the decision-making power, ability and knowledge. Ability of subsidiary has the biggest effect on the knowledge flow while the decision-making power ranked the second, which has relative lowering influence coefficient; through the examination of the model, the passage found out that initiative doesn’t have significant influence on the added value from value-chain activities of the subsidiaries. Therefore, subsidiary with high initiative tends to own more decision-making power, ability and the level of knowledge inflow.

Besides, the research result of the passage shows that the environment of host country has the most significant effect in the evolving roles of the company. The environmental strength mainly reveals in the decision-making power, the ability, added value brought by value-chain activities and knowledge inflow, among which the environmental strength has the highest coefficient and the decision-making power ranks the second while it has lowest impact on the added value of value-chain activities. And, in general, the advantage of host country’s environment has far more impact on the evolving roles of subsidiaries than initiative and competitive strategies do.

5. CONCLUSION

Based on previous researches, the passage innovative concluded the factor of competitive strategies of transnational effect into the influence factors of subsidiaries’ roles and put forward a role evolving model based on transnational companies’ competitive strategies. The result of empirical research found out that transnational companies leave a great influence in its evolution Besides, the passage also realized that the environment of host country has the most significant effect on the research; initiative ranked the second; competitive strategies has weakest influence. This result is different from previous researches: when scholars conducted the research of influence factors of subsidiary’s evolving roles in developed countries, they suggested that appointment from the headquarter may generate the most significant effort while the environmental factor has the weakest effect, which was not even obvious in statistic (Dorrenbacher and Gammelgaard, 2006; Filippov and Duysters, 2012).

This comparison indicates that same influence factor may impact the evolving role of subsidiaries of transnational companies in developed country and developing country (this passage will take China as an example), especially the factor of host country. The reason of this empirical result is that compared with China, developed countries has a more perfect economic environment, with more suppliers, talents and related infrastructures. Therefore, the evolution of subsidiary’s roles is mainly influenced by the parent companies and subsidiaries. But it remains further construction of market economy in China, with a low availability of suppliers and talents. Hence, the evolving effect for these domestic subsidiaries is influenced by parent companies and subsidiaries on one hand and influenced by the Chinese environment on the other. To improve the environmental advantages in China may be contribute to lead domestic subsidiaries of transnational companies to enhance their decision-making power, ability and the level of knowledge inflow. It will also be beneficial for these companies to transfer it value-chain activities from low end to high end.

REFERENCES


