

Understanding local markets: How should parent companies manage rebel subsidiaries?

December 9 2014

What drives some subsidiaries to strive for so much autonomy that they are actually harming the parent company? A new study in the *Journal of International Marketing* shows that these dysfunctional business relationships can be understood and improved using basic psychology.

"A subsidiary's desire for autonomy is psychological in nature. The desire is for more decision making authority in marketing decisions, and the ability to make these decisions without interference from headquarters. Subsidiary employees want to work more independently even if this means risking conflicts with their headquarters," write authors Christian Homburg and Jana-Kristin Prigge of the University of Mannheim.

The study examined a broad range of international companies and subsidiaries to see what was driving the quest for freedom, how this quest contributed to a dysfunctional relationship, and how energy might be directed in healthier ways.

Researchers found that subsidiaries had a strong desire to influence their local markets, and that when the [parent company](#) took local decisions away, this led to a rebellious desire to achieve freedom from the parent company. The desire was particularly strong when the parent company was seen to lack knowledge on local issues.

The authors propose that applying knowledge from social sciences such as psychology can work as a groundbreaking strategy for understanding

the relationships between companies and their subsidiaries. The authors stress that it is vital for parent companies to carefully steer a subsidiary's desire for autonomy, and note that some of this power struggle can be avoided if parent companies are thoroughly competent when it comes to knowledge of a subsidiary's local market and culture. The authors also have a message for subsidiaries. The quest for freedom at all costs can backfire, resulting in such a dysfunctional business climate that revenue and jobs are lost at the local level.

"Subsidiary managers can instead resist in ways that do not harm the relationship, for example, by expressing a desire for more [autonomy](#) in a diplomatic dialogue with headquarters," the authors conclude.

More information: Christian Homburg and Jana-Kristin Prigge. "Exploring Subsidiary Desire for Autonomy." Forthcoming in the *Journal of International Marketing*.

Provided by American Marketing Association

Citation: Understanding local markets: How should parent companies manage rebel subsidiaries? (2014, December 9) retrieved 1 May 2024 from <https://phys.org/news/2014-12-local-parent-companies-rebel-subsidiaries.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--