Control and its perception in CEE parent companies and their developed market subsidiaries*

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Abstract

Our article examines control perceptions among Central and Eastern European (CEE) parent companies and their subsidiaries in developed markets based on human resource management and corporate social responsibility practices. Through a multiple case study approach, we identify the usage of impersonal and personal control mechanisms across three parent companies from the Czech Republic and their subsidiaries in Germany. We also identify perception gaps regarding the intensity of the asserted parental control of subsidiary practices. Due to isomorphic pressures, parental interference in practices with a high contextuality in the developed host market result in the perception of being tightly controlled in the subsidiary, which is in contrast to the parent's perception. Nevertheless, we demonstrate that close personal ties between parent and subsidiary managers alleviate the control perception on the subsidiary side and consequently the overall control perception gap.

Keywords: perception gaps, subsidiary practices, control, emerging markets, Central and Eastern Europe, parent-subsidiary relationship, south-north investment
JEL Codes: F23, M14, M16

Introduction

The control of subsidiary practices by the parent company presents a well-known area of tension within multinational enterprises (MNEs) (Andersson/Forsgren, 1996; Asakawa 1996; Kostova/Roth 2002; Ahworegba 2018). The dynamics of the parent-subsidiary relationship manifest themselves in perception gaps and subsidiary control issues (Andersson/Forsgren 1996; Birkinshaw et al. 1998; Paterson/Brock 2002). Current knowledge on perception gaps and subsidiary control originates from research on MNEs from advanced economies (Wang et al. 2014), where well-developed institutions present stable business environments (Dunning 1988). However, institutions in emerging economies are less stable and advantageous for doing business. This creates a situation in which emerging market firm (EMF) parents and their subsidiaries in developed countries are embedded in disparate institutional environments (Kostova/Roth 2002; Demirbag et al. 2007; Tempel/Walgenbach 2012; Wang et al. 2014). Such institutional duality has been identified as a source of organizational conflict (Asakawa 1996; Birkinshaw et al. 2000; Kostova/Roth 2002; Chini et al. 2005).

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Creating an obvious deficit, research on subsidiary control and perception gaps has mostly neglected EMFs and their foreign activities in developed markets, so far, even though EMFs have been rolling out control mechanisms to their subsidiaries abroad for more than 20 years (Nuruzzaman et al. 2020).

To fill this gap, we applied Harzing's (1999) typology of control in EMFs to detect whether perception gaps between the EMF and their developed market subsidiaries arise with regard to the control of subsidiary practices, specifically regarding headquarters (HQ) mandates on the execution of HR and CSR practices in the subsidiary. In that, we employ Chini et al.'s (2005) and Asakawa's (2001) findings regarding the influence of institutional context on perception gaps. To achieve a holistic view of the control relationship within EMFs and contextual determinism, we include the parent as well as the subsidiary perspective (see Seus 2021). We thereby aim to advance the research on control and perception gaps by extending its scope towards EMFs and their international activities. To expand the knowledge on the origins of perception gaps presented by Birkinshaw et al. (2000), we check whether perception gaps among the controlling and the controlled entities not only exist regarding the role but also regarding the asserted control of practices. We do so by answering two research questions:

1. *How is parent control perceived at the EMF headquarters and at the subsidiary and do control perception gaps arise?*
2. *How do institutional duality and market hierarchy influence control perceptions?*

We examine parental control of human resource management (HRM) and corporate social responsibility (CSR) practices in a qualitative manner by applying a case study approach to EMFs from Central and Eastern Europe (CEE) and their developed market subsidiaries in order to address institutional duality. We aim to identify the parent company interference at subsidiary level concerning HRM and CSR practices and whether that leaves a perception of being tightly or loosely controlled by the headquarters in the subsidiary, i. e. the subsidiaries' control perception. Comparative to the subsidiary's control perception, we check whether the parent's perception of how much they interfere with the subsidiary's practices, the headquarters' control perception, is aligned with the subsidiary's perception or whether a control perception gap arises. Thus, a control perception gap is defined as conflicting perceptions between parent and subsidiary in terms of how much the parent determines subsidiary practices.

Our study provides an overview of the concept of perception gaps and control followed by their contextualisation through a new-institutionalist framework based on institutional duality and Scott's pillars (2001). This leads to the methodology, which is based on the case study approach by Yin (2014), to identify control perceptions in the subsidiaries and parent companies. We find control perception gaps and strong contextual influence which we discuss based on the relevant literature. The paper closes with a conclusion, the study's limitations, and suggestions for further research.

Literature Review

Parent-subsidiary perception gaps

We follow Birkinshaw, Hood, and Jonsson (1998:224) in defining MNE subsidiaries as "any operational unit controlled by the MNE and situated outside the home country". While Taggart (1998:663) describes foreign subsidiaries as "ganglia to impulses sent downward through the bureaucratic nervous system", other scholars find that subsidiaries often act on their own behalf within certain constraints (see Birkinshaw et al. 1998, 2005; Tempel/Walgenbach 2012; Dörrenbächer/Gammelgaard 2011).

An important element of the parent-subsidiary relationship are the different roles the subsidiaries fulfil within the MNE (Schmid/Daniel, 2009). Subsidiaries with a strategic role are preferably given the power to make strategic and operating decisions on their own (Mellahi et al. 2005). In contrast, subsidiaries with a less important role tend to tolerate more control from the HQ (O'Donnell/Blumentritt 1999). Birkinshaw et al. (2000) treat the subsidiary's role as a construct emerging from constant negotiation between the HQ and the subsidiary. Actions and corresponding reactions send a strong signal about what the HQ and the subsidiary itself think about the role the subsidiary should be playing, constituting perception gaps between both. According to Birkinshaw et al. (2000), three forms of role perception gaps arise: subsidiary overestimation, where subsidiary management overestimates their role in relation to HQ, similar perceptions of the subsidiary role where there is no gap, and third, HQ overestimation, in which subsidiary management underestimates their strategic role in relation to the HQ. When HQ managers have limited knowledge of the subsidiary, it encourages them to increase the level of control over the subsidiary. Based on that, Birkinshaw and colleagues (2000) suggest a vicious circle of perception gaps leading to intense control, resulting in cooperation problems which create even greater perception gaps.

The literature presents further studies on parent-subsidiary relationships focussing on perception gaps as their consequences. Holm et al. (1995) examined the perception gap between the HQs and subsidiaries regarding the development of technology and business knowledge arising through the influence of local business networks. Chen and Tsou (2020) find that subsidiaries need to focus on cooperation to incorporate their abilities into the MNE and to improve the parent-subsidiary relationship. Seus (2021) links perception gaps to team cognition and bases them on fundamental differences in the understanding of the task and the environment of teamwork.

Few other studies found external influences on the parent-subsidiary relationship. Asakawa (1996) examined foreign research and development managers and their Japanese HQ managers, focussing on autonomy and control tensions, specifically the discrepancy in the degree of subsidiary autonomy and control perceived by parents and subsidiaries (Asakawa 1996). According to Asakawa (1996, 2001), the autonomy-control tension is the result of tensions between the different institutional environments of parents and their foreign subsidiaries. Based on that, Chini et al. (2005) focus on the link between the subsidiary's strategic environment and perception gaps. They provide evidence that certain strategic environments bear a higher risk for perception gaps concerning the subsidiaries' autonomy.

Parent Control

As highlighted, control is a central element in the perception gap literature, either as the source (Asakawa 1996, 2001; Chini et al. 2005) or a result (Birkinshaw et al. 2000) of perception gaps. A long tradition of literature focussing on MNEs has produced various types of mechanisms of control. According to Ouchi (1977), behaviour and output are organisational phenomena, which can be monitored and evaluated well by the HQ. In his seminal work, Child (1973) claims that organisations may choose between direct personal control systems and indirect bureaucratic control systems to monitor output or behaviour. Harzing (1999), having aggregated the previous literature and categorised MNEs' control mechanisms, provides a more fine-grained typology than the most prominent threefold of output/performance control, behaviour control, and cultural control presented by Baliga and Jaeger (1984).

Table 1: Types of control according to Harzing (1999).

	Direct/Explicit	Indirect/Implicit
Personal/Cultural	Personal centralised	Socialisation and networks
Impersonal/Bureaucratic	Bureaucratic formalised	Output

Source: Harzing (1999).

Firstly, personal centralised control means that decisions are made at the HQ and their execution is ensured by direct personal control methods like surveillance and direct supervision. In the MNE context, the personal or direct type of control also involves placing trustworthy personnel from the HQ in key positions. Secondly, bureaucratic formalised control is aimed at controlling subsidiary employee behaviour through the formalisation of rules and procedures. Control through socialisation and networks, a third form of parent control, focusses on the transfer of the HQ norms and values. Lastly, there is output control, where outputs are contrasted with targets set by the HQ. Harzing's findings applied to several countries can be found in Table 2.

Table 2: Control types used by companies from selected developed markets.

	Japan	US	Germany	Sweden
Personal centralised	medium	medium	very high	low
Bureaucratic formalised	low	very high	medium-high	medium
Socialisation and networks	low	medium	medium	high
Output	very low	medium	high	medium
Expatriates	very high	very low	high	medium

Source: Harzing (1999)

Expatriates are often employed to execute behavioural and cultural controls, directly or indirectly (Harzing, 2001). Using Harzing's typology, Legewie (2002:909) finds that "Japanese MNCs (multinational companies) employ large numbers of expatriates in their overseas subsidiaries and strongly rely on them to control and coordinate their overseas activities". Applying Harzing's (1999) typology not only at the business unit level but also at the practice level, Schmid et al. (2016) find that MNEs from Germany centralise planning and the control of marketing activities and coordinate via direct personal supervision and informal communication. Harzing's typology has not been used within the emerging market and more specifically CEE research to our knowledge. Consequently, exploring the type of control EMFs assert on their developed market subsidiaries bears novelty.

Institutional context

In our paper, we treat multinational EMFs as a single dispersed entity whose constituent elements are embedded in multiple and shared contexts both internal and external to the organisation (cf. Kostova/Roth 2002; Cuervo-Cazurra et al. 2017). International Business literature has demonstrated that international operations of MNEs bring at least two institutional contexts into interaction (Bartlett/Ghoshal 2002). These are the institutions of the home and host countries of the MNE (Kostova/Roth 2002; Tempel et al. 2006). The resulting institutional duality leads to an exposition of MNE subsidiaries to dual institutional pressures stemming from the parent company and their home market pressures as well as the host country context. While the parent and its expectations are primarily influenced by the institutional home country context, the subsidiary's practices are also expected to gradually become homogenous or isomorphic with the host country context (Kostova/Roth 2002; Tempel et al. 2006; Ahworegba 2018). Consequently, institutional duality is a key management issue to sustain harmony in the relationship between the parent and their subsidiaries, as well as between the subsidiaries and their host countries (Ahworegba 2018).

Following Scott (2001), the institutional context is shaped by supra-individual social entities causing social as well as organisational phenomena which cannot be directly ascribed to individual attributes or actions, but to external controls on individual and organisational behaviour. Scott introduced the concept of social institutions in each country influencing organisational behaviour through a combination of cultural-cognitive, normative, and regulative factors (Scott 2001). According to Scott (2001), regulative institutions represent the rules of the game, which consist of written and unwritten codes like laws and regulations as well as enforcement mechanisms. Normative institutions are norms and values, which structure actions and societal aspirations and define legitimate means to accomplish them (Scott 2007). Cultural-cognitive institutions can be understood as conceptions shared throughout a social environment where meaning is constructed through interactions and subjective interpretations (Scott 2001). We use Scott's institutional pillars to determine whether an HRM and CSR practice implementation is influenced by institutional duality and how this relates to the subsidiaries' perception of control. Combing perception gaps, control, and institutional context we want to deduct several propositions for our subsequent study on control within EMFs from the current state of literature.

Propositions

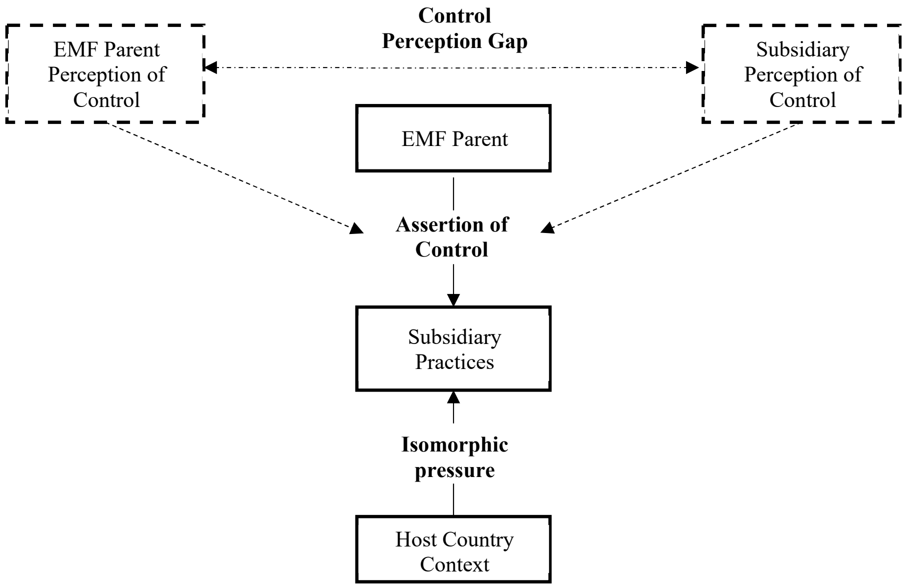
Research shows that MNEs from different contexts exert different types of control over their foreign business units (e. g., Chow et al. 1999; Van der Stede 2003). Nevertheless, the findings on control in EMFs and their contexts are still scarce. For example, Patel et al. (2018) found that Indian MNEs in Australia rely on the use of expatriates to transport their corporate culture as their main mechanism of control over their subsidiaries in developed countries. Chang et al. (2009) found that UK-based subsidiaries of EMFs from Taiwan are controlled intensely. Mellahi and colleagues (2016) found Brazilian EMFs to exert intense bureaucratic control via centralised and standardised performance management systems in their subsidiaries in a western business culture-style. Absent from these discussions are the experiences and conduct of CEE firms acting in developed economies; yet, understanding how they control their subsidiaries is of crucial importance to interpret the perceptions of that control.

Proposition 1: CEE EMFs control their developed market subsidiaries intensively via expatriates and bureaucratic control.

Perception gaps concerning parent control are likely to be tense when the parent intervention is frequent and intense, and the subsidiary does not have enough decision authority to adapt to local market demands (Chini et al. 2005). Host country institutions affect the level of uncertainty perceived by decision makers and shape the strategic approaches of investing firms (Van Hoorn/Maseland 2016). As described by Asakawa (1996, 2001), the perception gap and the resulting autonomy-control tension may be the result of differing institutional contexts. This may be observable on a practice-level as well and may be evident in EMFs controlling developed market entities (see Exhibit 1).

Proposition 2: Perception gaps between the EMF's HQ and their developed market subsidiaries arise when a controlled practice is highly contextual.

Exhibit 1: Proposed Model of Control Perception Gaps.



Source: own elaboration.

The third proposition in our paper is based on studies by Smith and Meiksins (1995), Ferner et al. (2005) and Wilkinson et al. (2014). They suggest that a socio-economic gap between countries forms dominance perceptions in firms from less advanced countries. The latter experience disadvantages because of perceived weakness and lack of global dominance of the home country's economy (Wilkinson et al. 2014). Consequently, they see a benefit in adopting managerial and business practices from more advanced dominant markets (Ferner et al. 2005). Similarly, Smith and Meiksins (1995) argue that the hierarchical order between national economies creates dominance effects whereby firms from countries lower in the hierarchy may perceive an interest in adopting practices from those based in more advanced economies. Their location in hierarchically higher positioned economies can ultimately give subsidiaries in highly developed markets a feeling of superiority in terms of managerial and technical knowledge over emerging market parent practices. This may lead the subsidiary to refuse to be controlled or to question the legitimacy and viability of managerial practices originating from the HQ based on its position in a hierarchically higher market .

Proposition 3: The hierarchy between home and host country of the EMF creates a reverse dominance effect where the developed market subsidiary rejects the parents' control of practices.

Methodology

The literature on perception gaps primarily applies quantitative methods (see Dzikowska 2019), while qualitative research methods are particularly suitable for investigating social relationships such as the parent-subsidiary dyad (Flick 2009; for a fruitful application see Seus 2021). Thus, we apply qualitative methods to assess the social reality within EMFs and their subsidiaries from the perspective of the actors to check the aforementioned propositions (Flick 2009). According to Yin (2014) the aim of case studies is to understand complex social phenomena and real-life events such as firm and managerial processes. Our methodological approach is consequently based on Yin (2014) and Mayring (2015) with content analysis being integrated into case studies. By that, a comprehensive understanding of the social reality across the investigated parent-subsidiary dyads is generated.

Sampling

Yin's (2014) research design comprises five components: the study's questions, propositions, units of analysis, the logic linking the data to the propositions, and the criteria for interpreting the findings. Based on our research questions, we have conducted an extensive literature review on perception gaps as well as subsidiary control as presented in the previous chapters which resulted in the presented propositions.

In the following we define our units of analysis. EMFs often suffer from high levels of environmental uncertainty in developed markets due to unfamiliarity with local customs and regulations, and a lack of legitimacy in the host country associated with perceptions of weak institutions in the home-market (Hoskisson et al. 2000, Thomas, et al. 2007). While recent findings from China opened up the perception gap literature to emerging markets (Chen/Tsou 2020), knowledge on the diverse field of EMFs is still lacking, especially regarding EMFS global activities in developed markets. The Czech Republic is consistently labelled an emerging market in CEE across various rating agencies (MSCI Inc. 2022; S&P Dow Jones Indices 2022; FTSE Russell 2022). We consequently opted for EMFs from the Czech Republic with established subsidiaries in its neighbouring developed market Germany to answer the research questions in a theoretical sampling process (MSCI Inc. 2022; S&P Dow Jones Indices 2022). To access primary empirical sources in both countries, we used the Markus Database to find 111 Czech companies with registered entities in Germany as the developed target market. Following Birkinshaw et al. (1998) as well as Meyer et al. (2020), we focus on wholly owned subsidiaries. We were left with 35 parent companies whose contact information was given in the database to which we sent interview enquiries via email addressed to the managing directors and spokespeople of the subsidiaries. Three companies were selected based on the condition to conduct interviews with foreign subsidiary representatives and parent company spokespeople to obtain a balanced picture on the parent-subsidiary relationship and granted access to additional company information. On the one hand, the three selected cases are based in different industries and of different sizes and backgrounds to create enough heterogeneity to possibly create variance among our cases. On the other hand, through the parent company location, as well as their established presence in Germany, they are similar enough to account for a theoretical replication and we were able to link our data to the propositions. By focussing on three cases, we aim to draw a holistic picture of the social reality of the objects of investigation and their dual contexts (Yin 2014). The following cases of Czech companies with subsidiaries in Germany were examined for the paper:

Case 1

The first case company was founded in 2012 in Prague and offers consulting services and business software solutions. It comprises 15 subsidiaries in total, has about 250 employees, and achieved a total revenue of 13 million Euros in 2019 by conducting business in Austria, Switzerland, Czech Republic, Germany, Finland, Hungary, Poland, and Sweden. The market entry to Germany was achieved via greenfield investment, culminating in the foundation of the subsidiary in 2019 as an addition to existing subsidiaries in Hungary and Poland. The firm faces much higher competitive pressure in Germany with 36 competitors whereas in the Czech Republic, they only rival six competitors and enjoy a leading market position.

Case 2

The second case company was founded in Prague in 1993 as a family business. It is a specialised wholesaler and producer of chemical and electronic car accessories, barbecue equipment, and machinery fluids. During its early years, their activities were focused on the distribution of major European brands throughout the Czech Republic. At the end of the 1990s, the firm started to source products in Asia and distribute them via local channels with its own branding. Sales are conducted primarily via gas stations, hardware stores, supermarkets, and online. In 2010 and 2016 the company integrated two brands in upwards integration moves. Case company 2 has six subsidiaries in their corporate family and employs a total of around 100 employees across the Czech Republic, Slovakia, and Germany, and achieved a revenue of approximately 30 million Euro in 2019. The German market was entered via a greenfield investment through a sales subsidiary in 2015; this was the company's second international expansion after entering Slovakia in 2015.

Case 3

The third case study was conducted at a Central European investment group established in 1994. The group reported assets of 11.2 billion Euros in 2019 and the total comprehensive income was 270 million Euros in 2019. They specialise in long-term investments in healthcare, media, manufacturing, retail, and financial services and are also active in the real estate branch as well as in greenfield and brownfield investments. The Group established the HQ in the Czech Republic in 2001, and since then has acted as a Czech-Slovak governed firm. Company 3 employs around 200 people in the HQ and almost 37,000 worldwide through its portfolio of companies. They entered Germany in 2012 through the acquisition of a 75 % stake in an automotive company, which was founded in 1926. The stake was subsequently increased to become a wholly owned subsidiary. While the production and global HQ of the German subsidiary are based in Germany, they own subsidiaries in the US, Mexico, China, India, France, the UK, and Italy. The subsidiary itself currently employs around 800 people worldwide, 530 work in Germany. By the end of 2020 the bankrupt subsidiary was sold to a competitor.

Data collection

Yin (2014) recommends that case study research should be based on multiple sources of evidence, which converge in a triangulating manner. He suggests that researchers utilise different evidentiary sources like documentation, archives, interviews, direct and participant observation, as well as physical artefacts, as each have their specific disadvantages and advantages. Based on these suggestions, we chose to triangulate by applying different data collection methods, i. e., semi-structured interviews and document analysis, as well as data sources, i. e., spokespeople from the parent company and the subsidiary as well as company publications and media sources. We collected data in through the Markus Database, corporate communication, press reports and in-depth interviews facilitating an in-depth view of the three HQ-subsidiary dyads (see Appendix). Interview partners were selected according to their ability and openness to provide information on the research questions. We conducted interviews with four executive managers of the German subsidiaries and in the Czech parent company we interviewed market managers or the chief executive officer (CEO) to receive a holistic view of the dyadic nature of the research objects and their independent, but interdependent interests (Seus 2021). The interviews took place in the period from September 2019 to February 2020, with a duration of between 35 to 70 minutes, and were conducted in person as well as via video conferencing. We relied on semi-structured interviews to increase replicability and objectivity. We asked questions regarding general socio-demographic characteristics of the interview subjects such as gender, family status, and nationality as well as biographic information such as education, company tenure, position, and international experience. Of primary interest were HRM practices regarding employee empowerment, training measures, quality management tools, and diversity and inclusion practices and we included questions on CSR practices, all of which focused implicitly on parental practice control. Additionally, questions on perceived cultural differences as well as the overall control relation were asked. To avoid linguistic hurdles, the interviews were conducted in English, Czech or German depending on the interviewee's preferences. All interviews were recorded and translated by the respective interviewers from German or Czech into English if applicable and then paraphrased and transcribed via NVIVO to facilitate discussion and analysis.

We also gathered data from annual reports, company newsletters, the company websites in Czech, German, and English, as well as different media outlets such as local print media articles from Germany (Case 3) and LinkedIn profiles of the companies and the interview partners. We specifically gathered information on the parent-subsidiary-relationship and analysed media data, e. g. local newspapers and business networks reporting on the acquisition of a German company.

Content analysis

A qualitative content analysis of the data was applied to structure manifest and latent content into categories (Mayring 2015). By that, we filter and assess the material via previously defined classification criteria (Mayring 2015). A structuring deductive categorisation of the gathered contents based on Harzing's (1999) types of control and Scott's (2001) pillars of institutions was applied. We did not explicitly ask for perceptions of control, but implicitly asked for different managerial practices and who was driving them and how the footprint of the subsidiary was evaluated. From those questions, deductive categories were designed upfront to include statements regarding the central latent concepts of control and control perception, in order to be able to answer the research questions and to increase the transferability of the results. Additionally, deductive categories of executive characteristics based on the corresponding questions from the guided interviews (*Age, Sex, Country of Origin, Family Status, Educational Background, Migration background, Current Position, Company Tenure, Tenure current position, Study abroad, Work abroad*) for sociodemographic information were applied.

The information gathered through interviews and additional sources was structured according to the resulting theory- and question-based categorisation with the help of relevant sample quotes. To ensure intersubjectivity and to increase objectivity, this was done by one author from a German background before the other author from the Czech background checked the material and its coding. The structured segments, in our case, the basis of analysis was at sentence-level, were then interpreted together to ensure objectivity and to extract the main messages of the categories in order to able to answer the research questions.

Results

Sociodemographic information

Across all three parent companies, the people responsible for the subsidiary are home country nationals, and the German business unit executives are host country nationals. The subsidiary managers were all 45 years or older and married with children while two HQ market managers were under 45 and single without children, with one older than 45 and married with children.

Control of HRM and CSR practices

In the following we describe parent interferences regarding HRM and CSR practice. In the cases 1 and 3, both parent companies required their subsidiaries to introduce employee quality management tools to keep track of performance even though the HQ had not implemented them at home. In the second case, in contrast, they did not implement quality management tools in either the HQ or the subsidiary due to the direct reporting of the subsidiary manager to the CEO as well as their personal connection, which left no need for institutionalised employee quality management.

Being able to use CSR as a reflection of parent–subsidiary relations, depends on whether we refer to values or practice. All HQs and their subsidiaries claimed to support CSR. The subsidiaries in Case 1 and 2 lacked CSR measures, and the HQ felt no need to engage with the local community before the subsidiary yields more revenue, despite having CSR measures in place at the HQ level (Interviews 1, 2, 4, 5). The subsidiary in Case 2 expressed the wish to engage in local CSR measures. The subsidiary in Case 1 stated that they are urged to focus on revenue and do not have time to worry about CSR. In Case 3, CSR measures were in place in the subsidiary until they were repealed due to pressure from the parent company. CSR measures are applied at HQ-level, though. This induced frustration at subsidiary level due to the loss of established local connections.

Employee training measures in the Case 3 subsidiary were abolished by the parent despite being a vital component at HQ level, where each employee can spend 6 % of their salary on training. "*For many years we had a leadership and talent management program, but now we have to focus on numbers so much that we don't have anything like that anymore*" (Interview 7). Similarly, in Case 2, the German subsidiary does not offer training, while the headquarter does. In Case 1, the local subsidiary does not offer its own training, but each employee must go to the HQ to receive training (Interview 2).

Regarding staffing decisions, Case 3 has made changes to the top management team of the German subsidiary several times. "*In terms of the manager, his style or something, we don't impose anything, the vision for the company we have, of course, he goes through an interview process. If we like him overall, then, of course, we select him. Their own manager has failed as he has tried to change. We rather changed the CEO himself or herself.*" (Interview 6). The parent in Case 3 confirms that it would like to exercise full control over its subsidiaries abroad to reach its profitability goals, and they did not trust the local management, which was in place before the acquisition. When they acquired their German subsidiary, it publicly claimed in a local German newspaper that the acquisition would not affect employees and strategy. Nevertheless, a firm-wide value-raising programme was rolled out, resulting in a new leadership structure and personnel one year after the acquisition (Newspaper Coverage). The HQ claimed to not interfere with staffing decisions in the subsidiary apart from top-level management. However, the subsidiary claims that HQ staffs every key position. The subsidiary CEO was replaced one year after acquisition. In Case 2 it was stated that their goal was to "*create and stabilise a local structure through a close control and personal relationship, despite hiring local employees*" (Interview 4). Additionally, across all three cases, the usage of information and communication technology (ICT) is highly encouraged to nurture close contact. "*They want us to use everything with regard to modern communication and that can measure the processes, customer relationship management tools, SharePoint, Weflow, everything you can imagine*" (Case 3 subsidiary, Interview 7). At Case 2 the subsidiary manager said, "*The owner really likes to use things like Skype, WhatsApp and WeChat even though I prefer the classic telephone calls or meeting in person*" (Interview 5).

EMF headquarters' type of control

As seen above, most implementation decisions regarding HRM and CSR practices across all three cases are made at the HQ or require consultation with the HQ. The methods used to control the subsidiaries were also not subtle but rather direct and outspoken. Nevertheless, we noted an absence of expatriates across all three cases. Yet, personal direct control is depicted through employee hiring and firing decisions and well as the placement of trusted key host country personnel as subsidiary CEOs in Case 2 and 3. In Case 1 this was not detectable. In contrast, because all bonification is based on KPIs, a high extent of output control is visible there. Output control is also executed to a high extent through weekly all-hands meetings with HQ, where targets are set and practices are discussed. Additionally, socialisation through compulsory training is planned and executed at HQ (Interview 2 & 3). The intensive use of ICT even before the COVID-19 pandemic can be interpreted as a preference for the exercise of impersonal control in Case 1. Consequently, all three companies were found to engage in impersonal control mechanisms. Firstly, output control through a very strong focus on key performance indicators in order to align subsidiary processes with targets set by the HQ is apparent across all three companies. Due to the abolishment of CSR practices in Case 3 and the strict focus on the subsidiaries' revenue and core tasks, output control can be attested across all dyads.

Control perceptions

In Case 1 the HQ claims that the subsidiary has its own footprint. In contrast, the subsidiary claimed they were made to follow practices and guidelines of the HQ very strictly and that there is "*no error culture, errors are failures and result in consequences by the HQ*" (Interview 2) resulting in the feeling they had to fight for anything done their way, manifesting a perception gap.

The HQ in Case 3 claimed to let the managers make decisions on their own and that they would not interfere with daily business and merely steer strategic decisions of the subsidiary to ensure the targets are reached. However, CSR and local training measures were abolished, despite opposition from the subsidiary's CEO, who was subsequently removed from his position. *"We did a lot, sponsoring half-marathons, renovating the local church organ, different things. In the last years [*after takeover*] we did virtually nothing."* (Interview 7). Additionally, the HQ conducts budgeting, and monthly budget tracking, which is a clear sign of the great extent of output control. Overall, it leads to the subsidiary perception of limited power, high centralisation, and the feeling of being a mere puppet of the parent company (Interview 7). The subsidiary revealed that any practices not streamlined as required by HQ were cancelled in line with strict budgeting and financial statement rules. "*Small things like you know, changing some employees or accepting some small projects or something, they are fully responsible for the business, and we manage them mostly through the annual budget. So, they have to make the plan for the next year, which change and then* *we are tracking on monthly basis, how the business is performing. So, this is the kind of management to which we control the business. So, they cannot make anything which is outside your control framework.*" (Interview 6). While the parent company claims there is high subsidiary autonomy in daily business, the opposing viewpoints create a steep perception gap.

In Case 2, the subsidiary executive stated that "*the exchange is very tight, and I inform him [the parent company CEO] daily about what's going on, he's informed about every decision, […] he's the owner, he's the decider*" (Interview 5) and that he must pitch his own ideas regarding management practices, which are mostly accepted (Interview 5). The decisive power is always in the hands of the CEO, resulting in a perception of high personal-direct control. The subsidiary executive is in constant and direct contact with the CEO about the sales figures as they count the most, indicating a high extent of output control. The parent side states that the HQ does not make the decisions on management practices. (Interview 4). The subsidiary executive does not perceive to be excessively controlled compared to the other cases, which is attributed to the close personal relationship of the subsidiary executive with the company CEO. "*It's a question of trust and trust is given on both sides and that's an important basis to work together*" (Interview 5). Hereby the personal relationship affects the control perception of the subsidiary.

Table 3: Subsidiary perspective on EMF control type.

	Case 2	Case 1	Case 3
Personal centralised	Medium-high	Medium	Medium-high
Bureaucratic formalised	Low	Medium-High	Medium-High
Socialisation and networks	Low	Medium	Medium
Output	High	Very high	Very high

Source: own elaboration

Table 4: Parent perspective on EMF control type.

	Case 2	Case 1	Case 3
Personal centralised	Low	Low	Medium
Bureaucratic formalised	Low	Low	Medium
Socialisation and networks	Low	Medium	Low
Output	Medium	Medium	High

Source: own elaboration

Manifestations of institutional duality

Case 1 HQ named the strict employment protection regulations in Germany as a problem. They despise German regulations and attempt to avoid those regulations ("*We Germans have a rule and mostly stick to it, the Czechs aim to find a way to "interpret" each rule in their favour.*" (Interview 2)), which according to the German subsidiary's CEO hinders business. General data rights protection, for example, is viewed as a significant obstacle by the Czech parent company. Case 1 HQ is trying to circumvent those guidelines since they are uncommon in the Czech Republic and are seen as overprotective and strict (Interview 2). To be able to deliver a good performance regarding key performance indicators (KPI), the German subsidiary deviates from the HQ's stance, since in Germany, it is impossible to conduct business without adhering to the data regulations as well as German business law (Interview 2). The German business unit's deviation from the HQ's stance leads to conflicts as it is perceived as a lack of cooperation and having to adhere to the HQ creates a loss of power on subsidiary side. German law's prohibition of cold calls creates a specific area of conflict between the HQ of Case 1 and Case 2 and the subsidiary's host country (Interview 1). The HQs have expressed frustration at the loss of potential revenue because of this prohibition since "*outcomes should precede the rules*" (Interview 4), whereas the subsidiary managers see them as an unethical and illegal way of conducting business and felt forced to behave unethically resulting in a perception of being controlled (Interview 2).

Additionally, sick leave is paid for only three days in the Czech Republic, while German law requires continued payment for six weeks (Interview 3). The HQs have expressed disbelief, and the subsidiaries had to fight to adhere to local regulation because otherwise they either would get in trouble or would not be able to find any suitable personnel (Interview 2).

In the Czech Republic, working long hours and being available to the company anytime means being grateful for a good job, which all employees of Case 1 and 2 were expected to feel like (Interview 1 & 5). In contrast, free time is valued a lot more in Germany, which creates a normative difference (Interview 3 & 5). Vacation is seen as a right and is sought after in Germany. When the HQ wanted to offer subsidiaries only the bare minimum of holidays required by law, the German business units strongly opposed against the control for a raise to hinder the lack of employer attractiveness since "*60 % of the companies offer 30 days or more, […] it starts with the wage and ends with benefits*" (Interview 2). Stricter German labour law provides more free time and vacation to employees, resulting in a regulative struggle. German employees expect time for self-actualisation and high salaries in comparison to HQ level. "*The topic work-life-balance is something the Czechs haven't heard about apparently […], which is something the younger generation wants in Germany and what companies need to advertise here*" (Interview 3). Those expectations are paired with a significant amount of vacation time and lower working hours, which generally causes irritation in the Czech HQ and a fight for power in the subsidiaries. In general, all subsidiary executives named the cultural differences and the ignorance of HQ regarding the local way of doing things to be the main cause of conflict in the HQ-subsidiary relationship, whereas the HQ representatives saw many cultural similarities.

Discussion

To answer the first research question, we found that in all three investigated cases, the overall perceived EMF parent control in the subsidiaries of the Czech companies in Germany is high. In the HQs in the Czech Republic, the perceptions include an acknowledgement of high control of strategic matters and the feeling of little interference with daily business. This results in a significant perception gap on the extent of control affecting the perceived subsidiary decision-making power or hinders the relationship between HQ and subsidiary.

We find that the Czech EMFs control differently compared to Harzing's findings in developed markets with a stronger focus on output than developed markets do, no expatriates who developed markets and EMFs relied on, overall, a low bureaucratic control and only medium socialisation and networks as well as medium personal control on average. Our results demonstrate that the subsidiary feels it is being controlled very intensively, while HQ thinks they are doing what is necessary to keep business moving. Interestingly, these findings coincide the most with German MNEs in Harzing's (1999) sample, indicating that the case EMFs employ control mechanisms similar to the target market companies. This suggests a subconscious adaptation to local control practice since no conscious adaption measures to local practice were detected.

We also find that Proposition 1 holds partially true since CEE EMFs control their developed market subsidiaries quite intensely from the subsidiaries' perspective, while the parents' perception indicates a lot less controlling interference. Our findings coincide with results from Taiwanese MNEs' UK-based subsidiaries (Chang et al. 2009) confirming extensive control by EMFs. In contrast, the findings by Mellahi et al. (2016) on bureaucratic control by EMFs do not fit to our case companies. The findings of Patel et al. (2018) on the EMFs' use of expatriates can also not be supported and thus the latter part of the first proposition does not fit our findings. Along the same lines, our findings also do not coincide with the employment of expatriate control of developed market Japanese companies identified by Legewie (2002). Constituting the notions that CEE EMF control of developed market subsidiaries is very particular in nature.

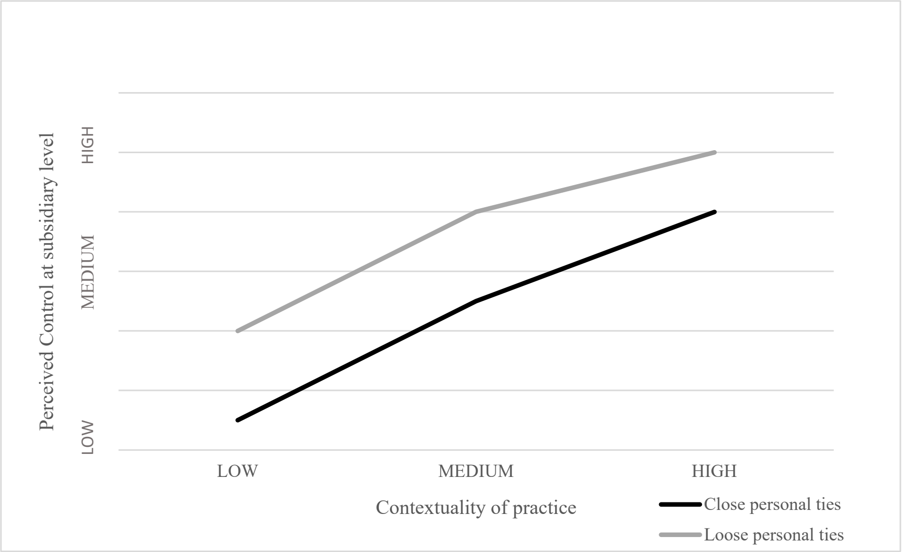
We also find great control perception gaps between the HQ and its subsidiaries in Germany regarding HR and CSR practices. Birkinshaw and colleagues' (2000) forms of perception gaps can be applied to the identified control perception gaps in our paper as well. Subsidiary overestimation with regard to control would mean that the subsidiary perceives to be controlled more strongly than the parent who perceives to control the subsidiary less strongly. This form of perception gap has been identified across all three cases in our study. The second form would be similar perceptions of subsidiary control where there is no gap, which cannot be supported in our cases, since the subsidiary reports a stronger control perception than the HQ perceives. The third form, when the parent overestimates the amount of control it asserts while the subsidiary does not feel controlled intensively, also does not occur in our cases. Birkinshaw et al.'s (2000) forms of gaps which are based on the subsidiary role perceptions can be transferred to control perception gaps as well.

As described by Asakawa (1996, 2001), the perception gap and the resulting tension may be the result of differing institutional contexts, i. e. institutional duality where HQ control aspirations clash with isomorphic demands for localization in the host market, and the subsidiaries are struggling to handle the duality of pressures (Ahworegba 2018). On the one hand, the institutional duality thus triggers the development of subsidiary-specific agendas, providing further evidence for Birkinshaw et al.'s (2005), Tempel and Walgenbach's (2012) as well as Dörrenbächer and Gammelgaard's (2011) claims on subsidiary struggle for power. On the other hand, it creates a struggle in the parent company to abide by stricter rules in the developed host market against the more liberal and less regulated home market environment.

However, we did not find evidence of a hierarchy effect proposed by Smith and Meiksins (1995), Ferner et al. (2005) and Wilkinson et al. (2014) between the home and host country despite the more liberal EMF home market. Thus, Proposition 3 cannot be supported from our data. Nowhere in the material the subsidiary tried to impose the German-way onto the parent or stated that the EMF parent is coming from an inferior market position. The subsidiaries struggled for decision-making power in order to be able to meet the local institutional demands since their isomorphism was contested by the parents' control and precepts, not to impose their practices onto the EMF parent in a reverse dominance effect. This leads to the deduction that isomorphic institutional pressure in the host country leads to a defiance of HQ control and the implementation of localized practices (Kostova/Roth 2002), which creates a host-country institutional coherence and increased autonomy as opposed to intra-organisational coherence (Li 2005; Schotter/Beamish 2011).

Host country institutions consequently matter a lot. We see this especially where isomorphic pressures in the host country are inflicted on practices of the subsidiary and where parent mandates would have caused a deviance from the localized developed host market practice. Then, strong expressions of perceived control at subsidiary level are detectable which support our Proposition 2 since the parents did not state a perception of strong control in that regard. Yet, the closeness of personal ties between CEO or market manager and the subsidiary manager, as in Case 2, is an inductive element that moderates the effect of control on perceived autonomy but does not rule out the effect of contextuality (see Exhibit 2 below).

Exhibit 2: Perceived Control and Contextuality of practices with and without personal ties.



Source: own elaboration.

Conclusion

We find that Czech EMFs control their developed country subsidiaries in Germany rather extensively via impersonal and personal control mechanisms. Nevertheless, isomorphic pressure in the developed host market calls for a struggle for power to decide on their own behalf in the subsidiaries, risking intra-organisational conflicts. This becomes apparent when we look at the opposing perceptions between the HQ and subsidiaries regarding the control of HR and CSR practices, which are especially stark when the controlled practices are highly contextual i. e. subject to isomorphic pressure. Yet, well-established personal relationships are a possible means of moderating the feelings of constraint at the subsidiary level. We suggest that the Harzing (1999) typology is a suitable way to research control relations between EMFs and their subsidiaries despite our deviating findings from developed markets due to its more fine-grained level of analysis.

The study contributes to theory on parent-subsidiary relationships in general and of control and power relations within MNEs in particular by depicting how CEE EMF parents assert control on subsidiaries in developed countries and which perceptions are triggered by that. We advance the concept of perception gaps by widening the scope of its applicability towards control perceptions. In contrast to Birkinshaw et al. (2000) we find that perception gaps do not only exist on an overall level regarding the subsidiary's role but also exist on the level of the control of practices. Additionally, the relevance of institutional duality and the influence of personal ties and trust is showcased, supporting and advancing the findings of Asakawa (1996) and Chini et al. (2005).

Despite the small geographic distance, personal ties and trust have proven beneficial in Case 2 through a decreased control perception on subsidiary side and a decreased control perception gap overall. This constitutes a relevance of further research and practical focus on relationship building and highlights the relevance of interpersonal connections in cross-border management in general, and for CEE EMFs who are trying to enter developed markets especially.

Limitations and Future Research

The limitations of this article relate to the fact that the two-country-study only offers a glimpse into EMF management control in a certain country dyad and their institutional surroundings. Additionally, the case study approach provides insight into rather specific configurations of parent-subsidiary relations. Thus, caution is necessary with regard to generalisations. Consequently, our findings may be transferred to a broader scale through an increase in sample size and quantitative research in subsequent studies to test our findings. Future research may resort to the application of mixed methods to keep the thoroughness while increasing the generalisability of the results. A fruitful approach would also be multi-country and comparative approaches to even out country-specific effects and to generate regional consistency for example across CEE. Our findings regarding Czech EMFs' entry into developed markets with less liberal employee protection standards may resonate in other emerging markets with very liberal market economy structures across CEE.

Research building on our findings could dig deeper into other types of practices. It may be fruitful to examine emerging market companies with subsidiaries in developed markets as it is an under-researched topic in International Human Resource Management. Further research is necessary on the role of discourse and sense-making in the perceptions of control and the perception gaps between HQ and subsidiary. Additionally, personal trust and conflict within parent-subsidiary relationships of EMFs in developed markets present a research opportunity. Another path of research could focus on the location choices of CEE MNEs in developed markets since all companies in this study stem from the Czech capital area but chose to reside in small towns across Germany. The paper subsequently concludes that EMF parent control subsidiary practices presents a plethora of unanswered questions., despite our interesting findings, constituting a necessity for control perception research.

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Appendix

Appendix A: Summary of conducted interviews.

Interview Number	Organisation	Industry	Location	Data sources (No. of Documents)	Position of interviewee
1	Case 1 HQ	IT Services	Prague (CZ)	MARKUS database, homepages (3), press releases (2), LinkedIn (2)	Account Manager in HQ (Male)
2 & 3	Case 1 Subsidiary	IT Services	Erding (DE)	LinkedIn (2)	1. Executive Manager (Male) 2. Executive Assistant (Female)
4	Case 2 HQ	Automotive Retail	Prague (CZ)	MARKUS database, homepages (3), LinkedIn (1), press releases (3)	CEO (Male)
5	Case 2 Subsidiary	Automotive Retail	Lobberich (DE)		Executive Manager (Male)
6	Case 3 HQ	Private Equity	Prague (CZ)	MARKUS database, homepages (3), annual report (2), LinkedIn (2)	Investment manager responsible for the German subsidiary (Male)
7	Case 3 Subsidiary	Automotive Components	Ostfildern (DE)/ Naumburg (DE)	Newspaper (2), Press releases (2), LinkedIn (2)	Executive Manager (Male)

Source: own elaboration.