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Sales to Centre Stage!

Determinants of the Division in Strategic Sales Decisions within the MNE

Harriet Reichstein-Scholz
Axèle Giroud*
Mo Yamin
Ulf Andersson

* Corresponding author. Email: axele.giroud@manchester.ac.uk

ABSTRACT

Extant international business (IB) literature on headquarters (HQ)-subsidiary relationships has long established that where decision-making occurs, it influences a firm’s performance. Recent studies propose that the degree of autonomy in decision-making at subsidiary level is not the same for all value chain activities, paying more attention to upstream activities. This paper contributes by exploring decision-making autonomy in downstream strategic sales activities, first, because without this ‘final’ step among the value chain activities performed, there is actually no financial pay-off from the earlier steps in the value chain. Second, sales has rarely been centre stage in IB investigations and we therefore lack thorough understanding of its role and importance within the MNE decision-making processes. Conducting an exploratory study in the fast-moving consumer goods (FMCG) sector by means of both face-to-face interviews and a postal survey with subsidiaries in Germany, we test for antecedents and outcomes of subsidiaries’ strategic sales decision-making autonomy. Results confirm external and internal embeddedness as antecedents, and the dominant role played by the local context, but provide insights into potential risks of internal embeddedness. Results challenge existing theory inasmuch as subsidiary importance is not a significant driver. Our results show that, in an era of globalisation of sales, and internationalisation of retailers, HQ managers must pay heed to the sharing of strategic sales decision-making with subsidiaries when consolidating the MNE’s global sales strategy.

KEYWORDS

MNEs, Subsidiary Networks, Subsidiary Performance, Strategic Sales Activities, Decision-making Structures, Subsidiary Importance
1 INTRODUCTION

The division of decision-making power in the multinational enterprise (MNE) is key to firm performance, which is why it features prominently in subsidiary management literature. Recent examples of relevant reviews focus on HQ–subsidiary relationships, in Kostova, Marano, and Tallman (2016); subsidiary autonomy, in Cavanagh, Freeman, Kalfadellis, and Herbert (2017); autonomy and performance, in Galli Geleilate, Andrews, and Fainshmidt (2020); and subsidiary management, in Meyer, Li, and Schotter (2020). Central decision-making power secures MNE strategy and produces efficiency throughout its international activities (Buckley & Casson, 1976; Rugman, Verbeke, & Nguyen, 2011), while subsidiary autonomy increases learning and development possibilities at unit level to respond to demands of local business partners (Andersson & Forsgren, 1996; Kogut & Zander, 1993). The division of decision-making authority reflects a firm’s organisational strategy and structure (Harzing, 2000). It is problematic because of the power dynamics that are at play between HQs and individual subsidiaries (Cuervo-Cazurra, Mudambi, & Pedersen, 2019; Verbeke & Yuan, 2020). Such power dynamics partly reflect changes in global strategies by MNEs with fragmented activities across firm and geographical boundaries and rising strategic significance of subsidiaries for specific value chain activities.

With the fine-slicing of value chain activities, some suggest that the debate on decision-making autonomy is best positioned on a functional level (de Jong, van Dut, Jindra, & Marek, 2015; Giroud & Mirza, 2015; Mudambi & Swift, 2011; Rugman et al., 2011; Schmid, Grosche, & Mayrhofer, 2016). The key argument is that HQs must retain key decisions and oversight over some activities, whilst for other value chain activities, subsidiaries should be in a position to take strategic decisions. It is almost universally assumed that it is the upstream functional areas, such as R&D and production, that are the primary sources of global transfer and integration for achieving scale, scope, and learning economies (Schmid et al., 2016). In particular, much attention is given to the (technical) innovation potential of subsidiaries, as this allows them to gain importance and increase their strategic role within the MNE, with a positive effect on firm performance (Ciabuschi, Holm, & Martin Martin,
Lacking in this debate are downstream functions and, in particular, the sales function (Panagopoulos & Avlonitis, 2010; Williams & Plouffe, 2007). Historically, managers perceived strategic sales as purely transactional selling relationships, and locally responsive customer management practices prevailed (Homburg, Schäfer, & Schneider, 2008; Storbacka, Ryals, Davies, & Nenonen, 2009). This has changed as customers operate globally and sectors are consolidated (Binckebanck, 2020; McKinsey, 2020), and a firm’s relationships with its customers is increasingly perceived as a key component of its competitive advantage, especially in rapidly changing environments (Binckebanck, 2020; Senn, Thoma, & Yip, 2013). Decision-making for strategic sales activities is broadly categorised into customer segmentation and prioritisation, customer relationship management as well as pricing and condition decisions (Becker, 2018; Homburg & Wieseke, 2011). We do know that some MNEs integrate global account management to coordinate relations with multinational customers (Birkinshaw, Toulan, & Arnold, 2001), but research is lacking to understand how this affects decision-making at the level of subsidiaries. This results in uncertainty regarding if traditional views on decision-making hold for strategic sales activities.

Extant international business knowledge relates to factors explaining subsidiary autonomy in upstream activities with substantial knowledge flow within the firm, including from the HQ to subsidiaries, ‘reverse transfer’ (subsidiaries to HQ) and lateral transfers (between subsidiaries) (Andersson, Dasi, Mudambi, & Pedersen, 2016). Importantly, it has been shown that when HQs have significant involvement in lateral innovation transfers, it is easier for HQ to evaluate subsidiary capabilities (Yamin, Tsai, & Holm, 2011). Thus, at least in terms of HQs’ knowledge of the capabilities of different subsidiaries, it is reasonable to suppose that downstream activities are a distinct context. It cannot be assumed that extant IB knowledge can be regarded as entirely applicable given the unique characteristics of strategic sales activities in the rapidly changing environments in which MNEs operate; this calls into question whether theory suitably explains decision-making. Theory is yet to determine whether our understanding of the mechanics behind decision-making within MNEs applies in rapidly evolving sales environments, and the unique characteristics of strategic sales. Given these new developments, it is surprising we still have scant knowledge about the division in decision-making for strategic sales in MNEs. This motivates our research question: What
are the antecedents and performance outcomes of strategic sales decision-making autonomy at the subsidiary level?

The empirical setting for this study is the fast-moving consumer goods (FMCG) industry in Germany. It provides fertile ground for research on strategic sales decision-making in MNEs. Decision-making complexity in the FMCG industry has increased due to recent structural changes of manufacturers and their need to demonstrate cross-country transparency (Fassnacht & Mahadevan, 2020). Germany is the second largest FMCG market worldwide (IGD, 2020), with high retailer consolidation, resulting in fierce competition at very low margins and an increasingly large share of international relationships, both through internationalisation of retailers (e.g. Aldi, Schwarz Group) or the participation of its largest retailers (e.g. EDEKA, REWE, Metro) in buying groups (e.g. Agecore, Eurelec, Coopernic). Such high competitive pressure (Eberenz & Schröer, 2019), explains why German FMCG manufacturers consider moving towards more centrally coordinated decision-making of the strategic sales function, for instance to facilitate cross-country negotiations with key customers (McKinsey, 2018; Swoboda, Schlüter, Olejnik, & Morschett, 2012). The FMCG industry case in Germany is thus well suited for studying the division of decision-making for strategic sales in MNEs.

To answer our research question in the case of the German FMCG industry, we conduct an exploratory study combining qualitative data collected by means of face-to-face interviews with quantitative data from a unique dataset collected through a survey amongst FMCG manufacturing subsidiaries.

Within the integrative model of the perspective on management of MNE subsidiaries (Meyer et al., 2020), we focus on the subsidiary activities, i.e. the functional areas. Our study’s first key contribution is exploring whether existing concepts drawn from HQ–subsidiary relationships, subsidiary management, and the business network perspective can explain the division of decision-making autonomy in the downstream sales function. The results from this study support the theoretical arguments for network embeddedness but not that of subsidiary importance as a determinant of subsidiary decision-making rights. Sales competencies tend to remain at the subsidiary level and not all sales activities are transferrable across business units and/or borders – with customer segmentation and pricing promotion showing limited transferability. The study further confirms the relationship
between strategic decision-making autonomy for the sales function and subsidiary performance. The second key contribution of this study is its emphasis on the neglected downstream functions in research on HQ–subsidiary relations, and the study contributes with increased conceptual understanding of the MNE’s division of decision-making for the sales function. Utilizing the highly developed German FMGC industry as the empirical “laboratory” adds to the study’s relevance and trustworthiness. The study further provides valuable insights for HQs and subsidiary practitioners. A well formulated and implemented sales strategy containing the strategic sales activities at local level is very advantageous, and it could be guided by a globally provided strategic framework pointing to these dimensions and containing standardised KPIs and terminologies to create transparency.

The paper unfolds as follows. First, we explore integration-responsiveness and business network theories as the foundation for our research. Next, building on these theories, we formulate our hypotheses about the role of external and internal embeddedness and the subsidiary’s importance in explaining subsidiaries’ decision-making autonomy in sales strategy and resulting performance. Then we introduce the research methodology, highlighting issues related to the collection of our qualitative and quantitative data and measurements adopted, before a presentation of our empirical evidence. The paper ends with a discussion and conclusion section, drawing on the research limitations and avenues for future research.

2 CONCEPTUALISING HQ–SUBSIDIARY DECISION-MAKING IN DOWNSTREAM ACTIVITIES

In recent decades, the business network approach has been explicitly applied to the MNE and has become very prominent in subsidiary-level research. Subsidiaries are key nodes in the MNE network, linking external and internal actors (e.g. Cantwell & Mudambi, 2005; Grabher, 1993) and acting as knowledge conduits (Andersson et al., 2016; Kostova et al., 2016). In fact, some studies empirically demonstrate that a balanced dual embeddedness is a prerequisite to subsidiary strategy development (Ciabuschi et al., 2014; Garcia-Pont, Canales, & Noboa, 2009; Ryan, Giblin, Andersson, & Clancy, 2018).
The MNE is widely viewed as network-based with a heterarchical configuration, where subsidiaries can not only gain autonomy in decision-making (Devinney, Midgley, & Venaik, 2000; Meyer & Su, 2015), but also gain the power to shape and influence the strategy of the MNE (Andersson, Forsgren, & Holm, 2002; Mudambi, Pedersen, & Andersson, 2014; Najafi-Tavani, Giroud, & Andersson, 2014), and division in decision-making between HQ and subsidiary can act as a source of distinct capability for the individual subsidiary (Cantwell & Mudambi, 2005). Thus, recent research goes beyond the understanding of where MNE strategic decision-making takes place, towards the rising positions and initiatives taken by subsidiaries, and entrepreneurial actions they engage in to gain greater autonomy (Cavanagh et al., 2017; Sarabi, Froese, Chng, & Meyer, 2020). These shifts in decision-making can result in tensions between HQs and subsidiaries (Ambos, Fuchs, & Zimmermann, 2020), and in some cases, HQs exercise their right to regain power (Verbeke & Yuan, 2020); illustrating why subsidiary power may be loaned, but not owned (Cuervo-Cazurra et al., 2019). Extant literature on HQ–subsidiary relationships shows that configuration of internal and external embeddedness, as well as subsidiary importance, are vital antecedents underlying the division of decision-making in MNEs, and the reason why this matters is that autonomy is closely related to firm performance.

There are a number of reasons why this is the case. From the subsidiary perspective, autonomy raises the intrinsic motivation of managers to develop and maintain close business relations with local buyers and enables them to react promptly to market demands, thereby increasing performance (e.g. Ryan et al., 2018). From the HQs’ perspective, one would expect that the degree of autonomy by individual subsidiaries is granted, and linked, to performance outcomes (Galli Geleilate et al., 2020); otherwise, the HQs may wish to regain control. It is surprising, therefore, that there is still scant research on subsidiary level performance in relation to the subsidiary business strategy interacting with the MNE’s international strategy (Tian & Slocum, 2014).

With increased fragmentation of activities across firm and geographic boundaries, decision-making power is defined in the context of increasing fine-slicing of activities along the value chain, and an MNE’s major dilemma is to balance decision-making “at all levels of the MNE” (Meyer &
Estrin, 2014: 1). MNEs adopt strategies at the level of individual functional strategic activities to enhance performance.

Subsidiaries can build unique advantages to enhance their position within the MNE network through competence creation (Narula, 2014), but this rarely occurs across all activities (Mudambi, 2008), meaning subsidiaries gain decision-making autonomy over specific value chain activities (de Jong et al., 2015). IB research has, to date, mainly focused on upstream functional activities, especially on how decision-making and cross-border knowledge transfer occurs for production and product development (Beugelsdijk & Jindra, 2018). Current trends towards globalisation, however, also point to MNEs dealing with customers on a global level, raising the need to understand how the division of decision-making for strategic sales activities is shifting and how subsidiary embeddedness and importance determine, or not, the subsidiary’s decision-making autonomy in strategic sales activities (Schramm-Klein, 2020; Venaik & Midgley, 2019).

Strategic sales activities are composed of a set of activities and decisions “regarding the allocation of scarce sales resources […] to manage customer relationships on the basis of the value of each customer to the firm” (Panagopoulos & Avlonitis, 2010: 48). To steer customers more strategically, three categories of strategic sales activities can be differentiated: (a) customer segmentation and prioritisation (how to build a sustainable and profitable customer portfolio); (b) customer relationship management strategy (how to differentiate between customers in response to their individual management and services); and (c) pricing strategy (such as price positioning, rebate and discounts for e.g. price promotions) (Homburg & Wieseke, 2011; Ingram, LaForge, & Leigh, 2002).

To date, there is insufficient research assessing the degree to which such strategic sales activities are decided upon at subsidiary and/or at HQ level. Yet, strategic sales activities are influencing an individual unit’s market performance and traditional sales models are changing due to the emergence of global buyers (Schramm-Klein, 2020). This means that IB scholars need to address these changes in the environment. Retailers are increasingly well organised and coordinated across countries (McKinsey, 2018; Swoboda et al., 2012), which means manufacturers increasingly resort to
a more central sales approach to allow for sophisticated negotiations. Consequently, manufacturers need to provide more transparency in the sales function internally, with enhanced sales-related HQ involvement. This implies a shift of decision-making autonomy from solely subsidiary level towards HQ.

In sum, in this research, we explore whether MNEs are shifting from traditional models of highly decentralised sales functions, and investigate antecedents and performance outcomes of subsidiaries’ sales decision-making autonomy, testing existing theoretical constructs of subsidiary embeddedness and importance in the specific case of this downstream function.

2.1 Subsidiary decision-making autonomy: the case of strategic sales activities

In this sub-section, we develop hypotheses relating to factors that explain decision-making autonomy by subsidiaries over strategic sales activities, focusing on subsidiary embeddedness and importance as antecedents, and how subsidiary decision-making autonomy affects its market performance.

Subsidiary embeddedness and decision-making autonomy in strategic sales activities

Subsidiary external embeddedness is defined as the depth of business-related activities in external relationships resulting in mutual adaptation; the degree and outcome of external embeddedness is linked to the knowledge absorption capacity of the subsidiary (Ciabuschi et al., 2014; Yamin & Andersson, 2011). Subsidiary external embeddedness results from business relationships outside the MNE that develop over time, through repeated interaction and growing interdependence amongst business partners which result in an increase in productivity (Forsgren, Holm, & Johanson, 2005). In the FMCG sector and particularly in Germany, relationships to retailers can be characterised as long-grown, locally-driven networks, with increasingly locally tailored strategic decision-making for those retailers. Differences in the depth of customer relationships influence strategic decision-making regarding the customer at the subsidiary level (Bouquet & Birkinshaw, 2008), which may make it difficult for HQ to both understand and centralise strategic sales activities to their subsidiaries. As a
result, customer prioritisation and the closely tied pricing management (trade terms and conditions) tend to be different at subsidiary level, which may even cause customer conflicts within (consolidation) and across countries (internationalisation) pointing to high levels of localisation (Swoboda et al., 2012). In our case, it can be assumed that the subsidiaries’ sales organisations have built sufficient expertise and capabilities to be able to lead local customer relationships effectively seemingly independent of the HQ. Thus, in order to allow individual subsidiaries to gain knowledge from and adapt to particular customers’ demands in host economies, strategic decisions regarding customer segmentation and prioritisation, customer relationship management, and trade terms are predominantly locally driven. This leads to the following hypothesis:

**H1**: A subsidiary’s external embeddedness in the German FMCG market leads to greater decision-making autonomy in strategic sales activities.

Internal embeddedness is defined as the depth of business-related activities the subsidiary has with internal counterparts such as its headquarters and sister subsidiaries. Internal embeddedness reflects the ability of a focused subsidiary to integrate and communicate its unique competencies to the MNE (Ciabuschi et al., 2014; Yamin & Andersson, 2011; Zeng, Grogaard, & Steel, 2018).

On the one hand, internal embeddedness can reflect a tight HQ control over the foreign subsidiary through corporate procedures and decisions, reducing the potential for the subsidiary to respond to local business needs and the local absorption of knowledge and competencies of customer management. Strong internal embeddedness is typically associated with competence exploiting subsidiaries (Cantwell & Mudambi, 2005; Narula, 2014), servicing the market operationally, but less likely to develop innovative sales solutions. In this case, the sales function is operating as an implementer, ensuring strategic coherence (Schmid et al., 2016), being forced into global pricing schemes or customer segmentation, with most likely less effective but just working customer relationships. On the other hand, internal embeddedness may, under certain conditions, help subsidiaries with successful implementation of locally driven strategic sales activities to shape the development of an integrated understanding of strategic sales activities. Some subsidiaries’ sales
function may thereby strengthen their customer relationships by an increased expertise in strategic sales activities.

On balance, internal embeddedness is strongly linked to the centralisation of decision-making activities at the HQ level, and we propose that the decision-making autonomy in strategic sales activities of foreign subsidiaries is lower when they exhibit a high level of internal embeddedness, as in this case; subsidiaries are more likely to conform with centrally developed strategic guidelines. Therefore:

\[ H2: \text{A subsidiary’s internal embeddedness in the German FMCG market leads to lower decision-making autonomy in strategic sales activities.} \]  

**Subsidiary embeddedness and subsidiary importance**

Subsidiaries are known to grow their knowledge and competencies through external relationships into special capabilities and expertise by their ability to absorb knowledge (Lane & Lubatkin, 1998) and upon having reached a relationship depth of mutual adaptation, which is a time consuming process (Forsgren et al., 2005).

A locally developed sales strategy and thus a structured approach to strategic sales activities may be of high interest to sister subsidiaries in less advanced and unconsolidated markets. A subsidiary with such expertise and knowledge can thus become important to the MNE, to the extent such specialised competence will be recognised by, and reveals itself to be useful to, the MNE. Subsidiaries with a high degree of importance to the MNE can therefore potentially exert influence on central efforts and strategic decisions to integrate the sales function globally (Mudambi et al., 2014). Conversely, subsidiaries with weaker external relationships, which may be mainly transactional in nature, are potentially unable to build transferable sales competencies and do not therefore add value to sister subsidiaries’ sales functions within the MNE.

Thus, a subsidiary’s external embeddedness enhances its importance through the generation of capabilities that may be perceived as superior to those of sister subsidiaries. By comparison, if
competencies are recognised as superior and value adding within the MNE, a subsidiary will be to a larger degree internally embedded. Subsidiaries with higher degrees of internal embeddedness are known to benefit from resource allocation or gaining HQ attention (‘voice’) through value added activities (Birkinshaw & Hood, 2000; Bouquet & Birkinshaw, 2008) such as specialised sales competencies, for example developing an effective local sales strategy, which would also be adaptable to global customers. Mudambi et al. (2014: 8) discuss the degree of internal embeddedness where “the greater the embeddedness within the MNE focuses the subsidiary’s efforts along lines that are most likely to be recognised by and relevant to other parts of the firm”.

It follows that with increased internal embeddedness, specialised competencies are more readily recognised by the MNE, hence the potential importance of the subsidiary may be perceived to be higher. Overall, extant literature suggests that both external and internal embeddedness tend to enhance, albeit for somewhat different reasons, a subsidiary’s importance within the MNE. Thus:

**H3: A subsidiary’s external embeddedness in the German FMCG market leads to greater importance within the MNE.**

**H4: A subsidiary’s internal embeddedness in the German FMCG market leads to greater subsidiary importance within the MNE.**

*Subsidiary importance and decision-making autonomy in strategic sales activities*

In the light of integration of strategic sales activities, subsidiary importance may play a decisive role regarding the ability to influence potential HQ decisions in the first place (Andersson, Forsgren, & Holm, 2007). A subsidiary is likely to impact strategic decisions, where the MNE recognises its importance regarding critical competencies. Sales competencies, particularly regarding strategic aspects, are critical in a competitive environment transforming towards more centralised strategic sales activities, where historically: a) operational management was outweighing strategic decisions (Arnold, Birkinshaw, & Toulan, 1999), and b) decisions were purely, almost autonomously taken locally.
MNEs are thus assumed to have a high interest in quickly developing sales competencies, ready for subsidiaries, where the customer environment is further consolidating and professionalising, eventually calling for a structured strategic approach to sales and customers. Subsidiaries with the competence to successfully implement the strategic sales elements, being recognised by the MNE (i.e. being important to the MNE), may exert more influence over where strategic sales decisions are taken. At best, subsidiaries of this kind will become centres of excellence developing into a central role for this particular part of the value chain.

Subsidiary importance is expected to have an influence on the subsidiary’s network relationships and the local decisions on sales activities between HQ and subsidiary. Therefore, theoretically, we expect there to be a relationship between subsidiary importance and the subsidiary’s role in strategic sales activities:

\( H5: \) In the German FMCG market, a subsidiary’s importance in the MNE leads to greater decision-making autonomy in strategic sales activities.

Subsidiary decision-making autonomy in strategic sales activities and market performance

Subsidiary market performance is observed to depend on its business relationships with other firms (Forsgren, Pedersen, & Foss, 1999), which reflects the importance of responsiveness (Venaik, Midgley, & Devinney, 2005). A subsidiary that is able to perform and decide on several strategic sales activities locally should deliver high market performance (ceteris paribus).

Aligning strategic activities locally offers maximum possibilities to respond to retailers’ needs. In rapidly changing environments, the effectiveness of central decision-making may be challenging, calling rather for subsidiary autonomy to explore the environment (Galli Geleilate et al., 2020). Those subsidiaries relying on strategic activities decided centrally regarding e.g., segmentation / prioritisation or customer relationship management strategy, may receive less favourable results, due to the lack of vicinity to the market from the HQ’s side. Retailers may respond with de-listings or other sanctions, which consequently directly affects their manufacturers’ subsidiary market performance.
Thus, having strategic sales activities decided locally, a retailer’s need would be covered to a better extent, due to the local expertise of the respective sales team and its involvement in the external relationship, and can therefore lead to higher market performance. Thus, it is hypothesised:

H6: A subsidiary’s decision-making autonomy in strategic sales activities in the German FMCG market leads to greater performance.

3 DATA, METHODS AND RESULTS

3.1 Sample and data collection

To answer the research questions, a mixed method approach is adopted, combining qualitative data collected by means of face-to-face interviews with quantitative data collected by means of a mail survey. The complexity of the study’s context as well as its explorative character, entering empirically the novel area of the sales function at subsidiary level, required deeper insight, which could best be gained from combining both qualitative and quantitative research methods (Birkinshaw & Morrison, 1995; Creswell, 2009; Michailova, 2011). The exploratory nature of our research (Birkinshaw & Morrison, 1995) is thus justified to develop in-depth knowledge on the German FMCG industry case, and to adapt measures to the specificity of the strategic sales function. Specifically, extant research on upstream activities has firmly established a subsidiary’s local embeddedness and the perception of its organizational ‘importance’ as central to its autonomy with respect to product and production development (see e.g. Ambos, Andersson, & Birkinshaw, 2010; Beugelsdijk & Jindra, 2018). Considering whether and to what degree the logic of subsidiary embeddedness and importance are applicable to sales functions in subsidiaries, it is necessary to take cognisance of radical changes in the global retail environment.

Data collection took place amongst subsidiaries in the German FMCG industry, and additional information was collected amongst HQs to verify the reliability of the data, overcome potential bias
and compare results. Data collection followed two key steps. First, semi-structured face-to-face interviews were conducted with eight (sales) managers and two subject matter experts (see Table 1) prior to conducting the survey; this allowed the researchers to address concerns that sales show a traditional resistance to transparency (Homburg & Wieseke, 2011), and this also allowed to refine the survey questions and measurements used.

[INSERT TABLE 1 HERE]

Second, the database analysed was collected by means of a mail survey, administered amongst 253 subsidiaries based in the German FMCG sector. The sample composition was developed identifying subsidiaries in the industry, using the following sources: (1) the German Brand Association’s (“Markenverband”) members, (2) the AMADEUS database, and (3) the German “wer-zu-wem” firm database. In order to increase the response rate, we obtained professional endorsement of the GfK (Gesellschaft für Konsumforschung) and of Markenverband. The use of known professional institutions’ support aims to increase the credibility of the research and increase response rates.

The questionnaire was pre-tested via a pilot study amongst a group of 11 academic experts (fields: IB, sales and marketing) and 12 senior managers representing the FMCG sector in Germany, to ensure clarity, content validity and relevance of key constructs. The questionnaire was revised based on the feedback received before the final survey was conducted. Respondents had the choice of responding to an English or German version of the questionnaire. The questionnaire was initially developed and pilot tested in English. Once consolidated, it was translated, and back-translated from English to German. The final versions were edited, ensuring semantic equivalence.

Initial telephone contact with each manager helped raise the respondents’ interest in the research and identify their preferred means of answering. Subsequently, we sent the questionnaires in two ways: an online version was sent via email (to a total of 98 managers), and a physical version was sent via snail mail (to a total of 155 managers).
A total of 52 responses were received – an overall effective response rate of 20.6% (response rates were 30.6% (30 out of 98) through the online method, 14.2% (22 out of 155) through snail mail). The respondents are employed at well-established MNEs (71% of those were founded before 1950, and a further 17% before 1980). Over two-thirds of the subsidiaries are representing MNEs with up to 15,000 employees. As depicted in Figure 1, the subsidiary sizes measured by the number of employees of our sample are well in accordance with the overall industry distribution of firm sizes (Destatis, 2019).

Some 46% of subsidiaries had their HQ outside Germany, notably the US (12%), Switzerland, France, Japan (6% each), the UK, Spain (4% each), and others. The relatively high proportion of subsidiaries also headquartered in Germany stems from the significance of this market on the global stage and the related size of the locally operated food segment. The sample reflects the FMCG industry in Germany also regarding the firm composition. In sales terms, our respondents represent 41% of the top 10 and 22% of the top 100 consumer goods manufacturers in Germany (Lebensmittelzeitung, 2017) as well as 45% of the top 10 FMCG firms world-wide (OC&C, 2017) including some of the largest brand manufacturers globally. This representation also explains the slightly higher number of subsidiaries with over 1,000 employees.

Our respondents are managers of German subsidiaries and operate as separate entities, sometimes in different locations, recognising the economic weight of the country. Firms without a separate German subsidiary, typically smaller or medium-sized internationally operating firms, have been excluded from the study.

To test for non-response bias, we compared early and late respondents through \( t \)-test analyses; and found no significant differences between both groups. Great care was also taken to address the risk of common method bias. First, we adopted methodological systematic ex-ante steps in the research design to overcome this risk (as suggested by Podsakoff, MacKenzie, & Lee, 2003). When developing the questionnaire, we incorporated results from face-to-face interviews to ensure clarity.
and unambiguousness of the measurement scales. In addition, to overcome the common rater effect (Podsakoff et al., 2003), we used different scale anchors for different questions, items for each construct were placed together, and we carefully considered the order of constructs to avoid respondents predicting relationships (essentially between the dependent and independent variables). Secondly, confidentiality was confirmed to minimise apprehension in the evaluation process. Thirdly, we performed ex-post statistical tests to explore direct effects and multi-item construct measurements (Robson, Katsikeas, & Bellow, 2008). We tested common-method bias using the Harman’s single factor test and found the potential bias to be very low. Finally, we compared results with an additional sample of useable answers received from 13 HQs, and considering five HQ–subsidiary dyads. As a result, we conclude that the risk of common-method bias is minimised.

3.2 Operationalisation of the variables

Decision-making autonomy in strategic sales activities

We used three steps to measure the focal construct of this research, decision-making autonomy in strategic sales activities. First, we adapted the core construct used in existing studies of a questionnaire item on the extent to which decision-making with regards to a specific strategy is taken by the subsidiary or the HQs (Birkinshaw & Hood, 2000; de Jong et al., 2015; O’Donnell, 2000) to the specific case of strategic sales activities. We identified a list of existing indicators of sales strategy following definitions adopted by Cavusgil and Zou (1994) and Panagopoulos and Avlonitis (2010), and existing categories identified in the literature (e.g. Homburg et al., 2008; Homburg & Wieseke, 2011; Ingram et al., 2002, see Table 2). Second, we included five items in the questionnaire, excluding the sales channel dimension (because the study was conducted within a single stable, consolidated market, where indirect selling dominates clearly throughout the market), the pricing (base price strategy) and the interrelated issues of discounts (because of the sensitive nature of pricing and the risk associated with potential bias in answers). After managers were asked to provide answers to all questions, we needed to conclude with the third step, as two of the five indicators did not demonstrate sufficiently high internal validity and were not included in the final construct. As a result, the decision-
making autonomy in the strategic sales activity construct used for the dependent variable is computed from three items as indicated in Table 3: promotion pricing, customer segmentation and prioritisation, and customer relationship management strategies. Comparing the results received from the subsidiaries and HQs, there is a small but significant (p=0.026) difference in the answers. This may reflect HQs’ unawareness of some sales decisions taken by subsidiaries or result from HQs exercising different types of controls.

[INSERT TABLES 2 & 3 HERE]

Market performance

To measure market performance, we use established indicators from Hult et al. (2008). Managers were asked to assess the current performance of the subsidiary in the market, financial (sales growth), operational performance (market share) and overall effectiveness (perceived performance relative to competitors). Managers were specifically asked to provide an answer “based on the current market share” of the company, e.g. at one specific point in time that would reflect previous and current levels of autonomy, as opposed to providing answers on the potential for future performance. Andersson, Forsgren, and Pedersen (2001: 7) demonstrate that perceptual data on performance “tends to have high correlation to objective accounting-based measures”. The use of perceptual data is also due to the fact that, depending on the organisational form, subsidiaries in Germany do not need to report their results, especially those being part of larger organisations. Additionally, the context of this study explains our use of perceptual data. Market performance is directly impacted when strategic sales activities are decided at subsidiary level due to the large customer sizes in a consolidated market, and the sheer market size of Germany in relation to the larger MNE may impact on the overall MNE performance. Finally, we compared responses from HQs with those of subsidiaries, and found no significant differences in managers’ assessment of market performance, confirming the robustness of the construct.
**Internal and external embeddedness**

Established indicators (see Table 3) were adapted to the context of the sales function. A comparison between the HQ and subsidiary samples found no significant differences for external embeddedness; however, HQs tend to report a degree of internal embeddedness that is significantly higher than that reported by subsidiaries. This may reflect the increased attention by HQs towards the downstream sales function, and HQs’ closer attention to cooperation and communication towards integration.

**Subsidiary importance**

Our construct for *Subsidiary Importance* is based on items from Yamin and Andersson (2011), adapted to the sales function at subsidiary level; and on Garcia-Pont et al. (2009) best practice management. Questions referring to the transfer of best practices are used as these are also pointing to the extent to which a subsidiary is able to share valuable knowledge that is important for and desired by other subsidiaries. After conducting a factor analysis, our final construct is composed of four items (see Table 3). The t-test comparison between subsidiaries’ and HQs’ samples shows no significant differences in answers, and HQs view subsidiaries’ importance as slightly higher than subsidiaries do themselves (4.32 in the subsidiaries’ sample against 4.92 in the HQs’), adding further support to the validity of our measurement.

**Control variables**

Several controls were included. *Subsidiary age* – the year of establishment – is useful when assessing external embeddedness, which tends to increase with the length of operation in the market (Forsgren et al., 2005). *Subsidiary size* captures subsidiaries’ relative turnover in relation to the MNE (Meyer & Estrin, 2014) and the number of employees both at the local subsidiary level and at the global MNE level (Ciabuschi et al., 2014; Xu, Cavusgil, & White, 2006). We control for *Regional HQs* (RHQs) (e.g. whether subsidiaries are directly managed by an RHQ or not, and if so, the location of the
RHQs). Our final control variable is *Overall strategic orientation*, which was measured using existing scales on local responsiveness and global integration (Harzing, 2000).

### 3.3 Data analysis method and model testing

The PLS SEM method is used due to the exploratory character of the study and the relatively small sample size (Reinartz, Haenlein, & Henseler, 2009). Following Hair, Hult, Ringle, and Sarstedt (2014), the sample size was successfully evaluated for its statistical meaningfulness by the following three techniques recommended by the authors. Minimum 30 observations are needed, applying the “ten-times rule” to the “decision-making” construct with max. number of paths – three in our case (Hair et al., 2014). According to Cohen (1992), we needed sample sizes between 59 and 38 for detecting a minimum $R^2$ of 0.25 and 0.50 respectively at a 5% significance level with three arrows pointing to the construct. Finally, the applied G*Power test (http://www.gpower.hhu.de) also suggests statistical power given a sample size of n=52 in connection with the model specifications. We followed the rigorous application of the assessment procedures (Henseler, Ringle, & Sinkovics, 2009). First, the outer model was measured, the model’s reliability and validity assessed, then the actual structural (inner) model was assessed with collinearity analysis, path coefficient determination and the model’s predictive relevance. Cronbach’s alpha and composite reliability measures items’ consistency and alpha values are all above the 0.7 threshold (see Table 4). The composite reliability (CR) shows high values, and the convergent validity is measured by the average variance extracted (AVE), and shows that all constructs explain above 60% of the variance of the observed indicators.

[INSERT TABLE 4 HERE]

Collinearity was tested using the variance inflation factor (Hair et al., 2014). The predictor constructs (subsidiary importance, subsidiary decision-making autonomy in strategic sales activities and subsidiary market performance) show values below the threshold of 5 for both the constructs themselves and their associated indicators. Therefore, multicollinearity is not an issue.
Finally, Table 5 shows the correlation coefficients between latent variables, and Table 6 indicates the results and highlights the effect sizes of the independent constructs on the dependent constructs. Our model shows predictive relevance, though the effect sizes of the constructs on the endogenous constructs (subsidiary decision-making autonomy in strategic sales activities and market performance) vary. We analyse the results in the following section.

[INSERT TABLES 5 & 6 HERE]

3.4 Analysis of the results

The PLS-SEM algorithm in SmartPLS was employed to estimate the structural path model. The critical $t$-value at 5% two-tailed significance level is 1.96. The $p$-values where $p < 0.01$, $p < 0.05$ and $p < 0.10$ demarcate the 1%, 5% and 10% probability of error at which the path coefficient is significant.

Table 7 shows the relationships between various factors and the two dependent variables, subsidiary decision-making autonomy in strategic sales activities, and subsidiary performance.

[INSERT TABLE 7 HERE]

External embeddedness has a path coefficient value of 0.460 ($t = 1.977$, $p = 0.049$), hypothesis 1 is supported, and this represents the strongest relationship within the model. High external embeddedness (e.g. the strength of long grown and potentially mutually adaptive customer relationships) leads to higher strategic sales decision-making autonomy by the subsidiary. This result supports existing findings in the literature (Andersson & Forsgren, 1996). Results from the qualitative interviews support this result. One subsidiary sales director mentioned: “...we do see, that upon early customer involvement and offering here and there tailor-made solutions ...we will get ahead. [in relation to market performance] The customer is the overall measure of all things that count...”.

Our model shows a significant negative relationship between internal embeddedness and subsidiary decision-making autonomy in strategic sales activities, with a path coefficient of -0.324 ($t = 19$)
Hypothesis 2 is supported: the higher the subsidiary’s internal embeddedness within the MNE, the lower the subsidiary’s decision-making, locally, on strategic sales activities. This supports the idea that internal embeddedness can be a critical factor for MNEs working towards a more integrated sales strategy. One HQ sales director explained: “...the biggest challenge we experience is the fact that it is a major change process...” which he closely related to a difficult mindset towards change. From the subsidiaries’ perspective, managers provided the following explanations: “the HQ needs to be careful to not destroy locally grown, respected and trustful customer relationships”; “the HQ could provide a framework of action, but should leave the rest to the subsidiary...”; and “the HQ could negotiate broad contracts potentially leaving some conditions empty; but then it is the subsidiary that should take this forward to fulfil the conditions with something customers can achieve locally”. In addition, we have found from a descriptive analysis on a question regarding the availability and transparency of a sales strategy at subsidiary level, a still relatively unstructured approach to the otherwise widely exercised strategic sales activities.

The relationship between external embeddedness and subsidiary importance, reflecting hypothesis 3, is very weak (path coefficient 0.108) and shows no significance ($t = 0.713, p = 0.476$), therefore $H3$ is rejected. This contrasts with other studies that found direct and strong relationships between (technical) embeddedness and subsidiary importance or use external embeddedness as a “predictor of the variation in influence between subsidiaries” (Andersson et al., 2007: 816). Typically, a subsidiary’s external relationships are seen as a vital source of distinctive capabilities evolving from specific market knowledge as well as providing special resources for the MNE. However, results show that this differs in the case of sales activities, and high external relationships with customers is not statistically linked to high subsidiary importance in the case of German subsidiaries. By contrast, high internal embeddedness is strongly (path coefficient 0.385) and positively ($t = 2.628, p = 0.009$) related to high subsidiary importance, therefore hypothesis 4 is confirmed.

Critically, our model shows a non-significant and negative relationship between subsidiary importance and subsidiary decision-making autonomy in strategic sales activities (with path coefficient = -0.027, $t = 0.197, p = 0.844$). Hypothesis 5 is rejected. This represents a key novel finding. One subsidiary manager postulated that (country) sales managers best keep their solutions for
themselves, “so says one manager to another: ‘listen, I have a procedure, which works very well...’ most of the managers would say: ‘yes, but not in my country / area’”. This provides some insights into the uniqueness of the sales strategic function, and explains why subsidiary importance is not statistically significant in explaining subsidiaries’ decision-making autonomy in sales activities.

Finally, subsidiary decision-making autonomy in strategic sales activities is strongly and positively related to subsidiary market performance (with a path coefficient of 0.3456; $t = 3.611$, $p = 0.000$). Hypothesis 6 is supported, meaning a high level of local decision-making in strategic sales activities by the subsidiary leads to stronger market performance.

Additional tests were conducted to check for potential heterogeneity in sub-groups of the sample. Sub-models were run to compare industry sub-sectors (food, non-food); subsidiary size; RHQ and country of origin (German subsidiaries with German HQ vs all others). In all cases, control variables do not significantly alter the model’s results, delivering no significant differences between the groups. With regards to RHQs, subsidiaries with an RHQ showed higher internal embeddedness, a higher level of subsidiary importance and slightly lower subsidiary decision-making autonomy. This suggests that RHQs are closer to their local business partners, and better able to adapt to local differences while adjusting to centrally proposed strategic directions. It is also likely that closer geographical proximity between the subsidiary and the RHQ lowers potential conflicts, which could explain why subsidiaries are less reluctant to integrate sales activities in this case.

3.5 Key findings and discussion

Our results provide useful insights into subsidiaries’ decision-making in strategic sales activities with regards to network embeddedness, subsidiary importance, and confirm the link between decision-making and performance. Below we discuss the significance of the results.

Decision-making in strategic sales activities and embeddedness

From an IB perspective, our results confirm the significance of internal and external embeddedness in explaining the division in decision-making in sales strategy, but point to challenges faced by MNEs to
create and deepen internal (and external) embeddedness across individual functions (e.g. in this case, the sales function).

External embeddedness is strongly and positively related to subsidiary decision-making autonomy in strategic sales activities but shows a negative relationship with internal embeddedness. Relating this finding back to the IB literature, authors argue both internal and external embeddedness influence strategic decisions at MNE level (Andersson et al., 2007; Yamin & Andersson, 2011), and internal embeddedness acts as a predictor of the level of influence a subsidiary can exert within the MNE (Ciabuschi et al., 2014). Independent from our German context, though valid for the sales function, the negative relationship on internal embeddedness may result from the existing resistance to transparency by sales managers, and resistance towards central decision-making. Historically, the sales function in the FMCG sector was characterised by little HQ involvement in sales-related decisions. However, “sales strategies have implications for the sales process and for the interface of sales not just with customers but also within the organisation” (Storbacka et al., 2009: 892), and – in the light of the increased customer demand for global/international transparency – the level of internal embeddedness should increase to ensure effectiveness in internal communication. In line with previous research (Birkinshaw & Pedersen, 2009), internal embeddedness can therefore have a more ‘balancing effect’ on predominantly local decision-making (Andersson & Forsgren, 1996), once it has reached higher levels of depth and particularly in the case of existing high-level external business embeddedness.

Galli Geleilate et al. (2020) relativize the effect of autonomy towards integration and also posit a coexistence of being autonomous and integrated with its HQ at the same time for important issues. Maybe it points to the relevance of a potential co-creation of subsidiary roles and thus decision-making with HQ, as discussed by Ambos et al. (2020) contrasting with the more rigid view of “assigned” by HQ or “assumed” by subsidiary roles as discussed in Cavanagh et al. (2017).

Decision-making in strategic sales activities, subsidiary importance, and embeddedness

Critically, our model shows a subsidiary’s strategic decision-making not being driven by its importance in special sales capabilities for other subsidiaries. Several explanations are plausible. The
driving forces for strategic decision-making in sales activities seem to rest in the functional and country-specific contexts.

From a functional perspective, it could be that the sales function is still in its transition phase towards a global approach, where, so far, solutions for country-spanning customers are being introduced (e.g. international key account managers (IKAMs), or global account managers (GAMs) (Swoboda et al., 2012)) and MNEs are still struggling for the most appropriate and efficient sales structure. Furthermore, the organisation may not perceive the knowledge and capabilities built through external relationships as relevant. Sales knowledge seems to be perceived as highly country-specific, such as customer relationship management or pricing schemes, and therefore seen as being potentially less valid for sister subsidiaries. From the perspective of subsidiary roles, the concept of subsidiary special competencies or even subsidiaries potentially evolving into centres of excellence is, in contrast to other functions, as typically researched in IB (Andersson & Forsgren, 1996; Holm & Pedersen, 2000), such as R&D, seemingly not relevant to the sales function. The absence of HQs’ interest in this function leads to country-specific approaches, which are only disrupted by the advent of international customers and therefore the increased demand for HQ involvement. Another explanation could be, according to Mudambi et al. (2014), that strategic power is typically developed from upstream functions, such as R&D, whereas business-related power is typically related to downstream functions (e.g. sales) – which can explain why the concept of “subsidiary importance” is not significant in the division of decisions on strategic sales activities between HQ and subsidiary.

Concerning the uniqueness of the local context of this study, a lack of subsidiary importance may result from the sheer size and level of sophistication of the German market. Germany is a vital market for FMCG manufacturers, which can potentially lead to a different perceived role within the MNE network and in relation to the HQ. A subsidiary’s role regarding the sales strategy may not stem from its organisational performance – capabilities being recognised and valued by the larger MNE – but may be driven predominantly by its relationships to and in the German market. Our finding may therefore not necessarily be generalisable to other contexts or downstream functions.

Focusing on the links between embeddedness and subsidiary importance, our results do not confirm the relationships between (technical) embeddedness and subsidiary importance or use external
embeddedness as a “predictor of the variation in influence between subsidiaries” (Andersson et al., 2007: 816). Our results do however confirm the relationship between internal embeddedness and subsidiary importance. This finding is in line with Yamin and Andersson (2011). The higher the degree of internal embeddedness, the higher the degree of subsidiary importance.

**Decision-making in strategic sales activities and performance**

Our results show that the higher the local decision-making autonomy in strategic sales activities, the higher the subsidiary market performance. Thus, the relationships between decision-making autonomy and performance (as demonstrated in earlier studies, e.g., Beugelsdijk and Jindra (2018); Galli Geleilate et al. (2020); Venaik et al. (2005)) are confirmed in the case of the sales strategy. Extant IB literature discusses the significance of external relationships for a subsidiary’s market performance through the ability to access and absorb special resources or knowledge (Andersson et al., 2007; Ciabuschi et al., 2014; Forsgren et al., 1999). In the case of the sales downstream function, strong external embeddedness and deep relationships, suggesting a deep level of knowledge of customer requirements, explains subsidiary decision-making autonomy; this is particularly true for customer relationship management and price promotion strategies, both critical to market performance.

4 **CONCLUSIONS**

This study investigates the theoretical and managerial implications of the increasing strategic position of the sales function within FMCG MNEs, studying the division of strategic sales activities between the HQ and the subsidiary, and further how this division influences the subsidiary’s market performance. The industrial and country context as well as the sales function seem to have some significant impact on our results. Nevertheless, the study largely confirms the relation between often employed IB concepts such as external and internal embeddedness, and subsidiary role outcome, in relation to subsidiary market performance in the rarely researched sales function, distinctive industry sector – the FMCG industry – and in a focal country context, Germany. As such, one of the study’s contributions is the partial replication of established IB theoretical developments in a new area, the downstream activities
of a subsidiary’s value chain, and the corroboration of earlier studies’ results. Although not all of the
developed relationships are corroborated in this study, many of them are, showing the soundness in
accounting for relationship strengths in the subsidiary’s unique network when subsidiary autonomy and
performance is studied.

The study confirms that external embeddedness, the role of the subsidiary’s knowledge
acquisition capability as well as the ability to respond to local customers are key determinants of
decision-making autonomy and performance outcomes at the functional level. The research also
confirms that a higher degree of internal embeddedness contributes to competence development within
the MNE. In the case of sales strategy, however, the concept of subsidiary importance does not explain
the division of strategic decision-making between HQ and subsidiaries. This finding probably reflects
the localised nature of subsidiary knowledge and skills relating to sales strategies and hence
limited/low transferability to other subsidiaries. As noted previously, in upstream functions, such as
the development of technology and production, subsidiary importance has enabled the HQ to promote
lateral knowledge transfer whereby the ‘important’ subsidiary has been mandated (e.g., as a ‘centre of
excellence’) to help enhance technological production capabilities of sister subsidiaries. In this way,
the identification of an ‘important’ subsidiary provides the HQ with an organisationally focused way
of guiding other subsidiaries in adopting new strategic imperatives and reduces the need for it to
interact with individual subsidiaries directly. From this perspective, it may reduce the option/
flexibility available to the HQ in guiding the subsidiary network to adapt or upgrade their sales
strategy skills in line with the more globally scaled sales environment.

Thus, our study demonstrates how context is relevant in IB research, from the functional and
the locational perspectives. From a functional perspective, our paper provides a bridge between the
sales literature and IB concepts. With the confirmation of the elements of a sales strategy, this research
contributes to the sparse research in this field. Linking the sales function and the strategic activities to
the IB field adds knowledge to the sales literature, and in particular, adds the perspective of the very
peculiar industry, the FMCG sector, where the sales function deals predominantly with intermediaries
(Business to Business to Consumer). In sum, bringing strategic sales to centre stage in MNEs
operating in the FMCG sector means theory must address tensions in HQ-subsidiary relationships across all functional activities. Although sales activities are locally embedded, and as such, a degree of decision-making must remain at subsidiary-level, HQs need to acknowledge their increasing strategic role in sales – perceived otherwise as a typically transactional, local downstream function. The task for HQs is to adjust their strategic role, clarifying tasks that can be centralised without compromising subsidiaries’ business relationships by providing a strategic framework to ensure MNE performance, globally and locally. From a locational / country perspective, this study focuses on a large key market, Germany, and shows external business relationships are seemingly more influential to strategic decision-making within the MNE than the role of the subsidiary stemming from its special competencies.

This study offers managerial contributions as it places the spotlight on the need to achieve balance whilst ensuring coordination and striving for standardisation. Our results help in formulating recommendations for managers working for MNEs in the FMCG sector who are keen to explore the ‘best way’ to approach a global sales strategy. A properly formulated and implemented sales strategy, including the mind-set of a sales strategy being advantageous in customer relationships, is essential to withstand upcoming challenges in the industry.

Purely operational and transactional management of the sales force and customers is clearly becoming a competitive disadvantage for the future. FMCG MNEs need to be prepared to have clearly structured, somewhat standardised strategic managerial guidelines throughout their subsidiaries for gaining transparency on the trade terms and conditions spent in case of retailer consolidation or buying group formation. The findings also suggest that HQs should not apply rigid global strategies, but rather aim to provide a managerial framework towards a global sales strategy (see also elements in Table 2) with standardized KPIs and terminology creating transparency. As the research results imply, long-grown customer relationships in the respective countries are fundamental to trusting relationships with high levels of exchange and adaptation between retailer and manufacturer. Thus, a global strategic management framework must allow subsidiaries flexibility and room for local adaptation. This is because some strategic sales elements, such as customer relationship management strategy and price promotions, are better decided at the local, i.e. subsidiary, level (see Table 8).
As with other studies, this research shows a number of limitations and leads to future research avenues. In order to investigate whether the industry and country contexts are overly relevant, research projects should be run in further countries as well as industries. In this paper, FMCG presents a unique structure as a B-B-C market; whilst the broader consumer goods industry may benefit from the results, further research will be needed to ascertain the strength of the recommendations for other sectors. Second, the focus on one industry and one country means the sample size is relatively small. Broadening the research to other sectors would help in gaining access to a larger pool of firms. Adopting a dyadic approach would deepen insights in the division between HQs and subsidiaries in sales strategic decision-making. Third, the perception gap between HQs and subsidiaries could be explored further, together with the potential tensions arising from the strategic decision by HQs to regain some control over the sales function. Adopting a dynamic approach in data collection, exploring how relationships evolve over time, would further enable researchers to investigate how the relationship between autonomy and performance changes, particularly when performance outcomes are not met. This would also help in understanding the longer-term impact of retailers’ internationalisation on the decisions by HQs to centralise some of the strategic sales decision-making processes, and in time, the concept of subsidiary importance may show itself to be significant. Finally, future research could focus on the new sales channel online and explore subsequent impact on decision-making within MNEs.
5 BIBLIOGRAPHY


### Table 1 – Overview of interviewees

<table>
<thead>
<tr>
<th>Data Set</th>
<th>Industry Sector</th>
<th>HQ Location</th>
<th>Nationality</th>
<th>Positioned at</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUB 1</td>
<td>Food</td>
<td>USA</td>
<td>German</td>
<td>Subsidiary</td>
<td>General Manager Sales</td>
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<td>SUB 2</td>
<td>Food</td>
<td>USA</td>
<td>German</td>
<td>Subsidiary</td>
<td>Sales Director</td>
</tr>
<tr>
<td>SUB 3</td>
<td>Food</td>
<td>France</td>
<td>German</td>
<td>Subsidiary</td>
<td>General Manager</td>
</tr>
<tr>
<td>SUB 4</td>
<td>Near Food</td>
<td>Germany</td>
<td>German</td>
<td>Subsidiary</td>
<td>Sales Director</td>
</tr>
<tr>
<td>HQ 1</td>
<td>Food</td>
<td>USA</td>
<td>German</td>
<td>RHQ</td>
<td>VP Sales</td>
</tr>
<tr>
<td>HQ 2</td>
<td>Near Food</td>
<td>Germany</td>
<td>German</td>
<td>HQ</td>
<td>VP Sales</td>
</tr>
<tr>
<td>HQ 3</td>
<td>Food</td>
<td>Germany</td>
<td>Dutch</td>
<td>HQ</td>
<td>COO</td>
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<tr>
<td>HQ 4</td>
<td>Near Food</td>
<td>Germany</td>
<td>German</td>
<td>HQ</td>
<td>COO</td>
</tr>
<tr>
<td>CON 1</td>
<td>Consulting</td>
<td>USA</td>
<td>Austrian</td>
<td>Consultancy</td>
<td>Partner – FMCG Expert</td>
</tr>
<tr>
<td>CON 2</td>
<td>Consulting</td>
<td>USA</td>
<td>Dane</td>
<td>Consultancy</td>
<td>Partner – FMCG Expert</td>
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### Table 2 – Elements of a Sales Strategy

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Elements</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>Customer Segmentation and Prioritization</td>
<td>Aiming at efficiently allocated resources to develop trusting relationships</td>
</tr>
<tr>
<td></td>
<td>Customer Relationship Management</td>
<td>Need for differentiation among customers in regard to their management</td>
</tr>
<tr>
<td>Sales Channels</td>
<td>- Direct vs. indirect selling</td>
<td>Once fundamentally decided to operate with direct and/or indirect sales channels, subsidiaries decide in market</td>
</tr>
<tr>
<td></td>
<td>- One channel or multichannel</td>
<td></td>
</tr>
<tr>
<td>Pricing</td>
<td>Price positioning</td>
<td>Need for international pricing strategy (harmonisation)</td>
</tr>
<tr>
<td></td>
<td>Discount, Terms and Conditions</td>
<td>Terms and conditions describing criteria for granting conditions and bonuses; need to be comparable and defendable.</td>
</tr>
</tbody>
</table>

Source: Own findings based on the main categories of strategic sales activities by Homburg et al. (2008); Homburg and Wieseke (2011); Ingram et al. (2002)
### Table 3 – Constructs and indicators

<table>
<thead>
<tr>
<th>Construct</th>
<th>Indicators used</th>
<th>Scale</th>
<th>References</th>
</tr>
</thead>
</table>
| Division of strategic sales activities | Decision on customer segmentation and prioritisation at subsidiary level  
Decision on customer relationship management strategies at subsidiary level  
Decision on price promotions at subsidiary level | a     | Cavusgil and Zou (1994)  
Panagopoulos and Avlonitis (2010) |
| Market performance         | Judgement of subsidiary’s achievement for increasing sales turnover  
Judgement of subsidiary’s achievement for expanding its market share  
Judgement of past 5y firm’s sales growth compared to main competitors in Germany | b     | Andersson et al. (2001); Hult et al. (2008) |
| External embeddedness      | Close Business Relationship in terms of sales of goods & services  
Adaptation of resources and activities to counterpart  
Counterpart importance to business for a very long time | d     | Ciabuschi et al. (2014); Garcia-Pont et al. (2009); Yamin and Andersson (2011) |
| Internal embeddedness      | HQ supports subsidiary sales strategy development  
Cooperation with HQ through frequent interaction  
Business activities are closely linked between HQ and subsidiary | d     | Ciabuschi et al. (2014); Garcia-Pont et al. (2009); Yamin and Andersson (2011) |
| Subsidiary importance      | Subsidiary is important for KAM / orga development for other subsidiaries  
Subsidiary is important for sales strategy development for other subsidiaries  
Subsidiary is important for exchange of best practices for other subsidiaries  
Subsidiary consulted to provide input to global sales strategy | b     | Yamin and Andersson (2011)  
Garcia-Pont et al. (2009) |

The following 7-point Likert scales have been utilised:

- **Scale a:** 1 “not at all” to 7 “to a great extent”
- **Scale b:** 1 “very small” to 7 “very high”
- **Scale c:** 1 “much more negative” to 7 “much more positive”
- **Scale d:** 1 “totally disagree” to 7 “totally agree”
Table 4 – Descriptive statistics and measurement of constructs

**Outer Model Measurements**

<table>
<thead>
<tr>
<th>Constructs and Indicators</th>
<th>Mean</th>
<th>SD</th>
<th>Outer Loading</th>
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</thead>
<tbody>
<tr>
<td><strong>Internal Embeddedness</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>HQ supports subsidiary sales strategy development</td>
<td>4.42</td>
<td>1.775</td>
<td>0.888</td>
</tr>
<tr>
<td>Cooperation with HQ through frequent interaction</td>
<td>4.46</td>
<td>1.697</td>
<td>0.788</td>
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<tr>
<td>Business activities are closely linked between HQ and subsidiary</td>
<td>4.62</td>
<td>1.586</td>
<td>0.789</td>
</tr>
<tr>
<td>(C's =0.765, CR=0.862, AVE=0.677)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>External Embeddedness</strong></td>
<td>5.93</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>Close Business Relationship in terms of sales of goods &amp; services</td>
<td>6.17</td>
<td>1.004</td>
<td>0.687</td>
</tr>
<tr>
<td>Adaptation of resources and activities to counterpart</td>
<td>5.35</td>
<td>1.235</td>
<td>0.785</td>
</tr>
<tr>
<td>Counterpart importance to business for a very long time</td>
<td>6.27</td>
<td>1.087</td>
<td>0.897</td>
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<td>(C's =0.722, CR=0.834, AVE=0.623)</td>
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<tr>
<td><strong>Subsidiary Importance</strong></td>
<td>4.32</td>
<td>1.49</td>
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<tr>
<td>Subsidiary is important for KAM / orga development for other subsidiaries</td>
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<td>1.965</td>
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<tr>
<td>(1= not at all, 7=to a great extent)</td>
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<td></td>
<td></td>
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<tr>
<td>Subsidiary is important for exchange of best practices for other subsidiaries</td>
<td>4.90</td>
<td>1.537</td>
<td>0.784</td>
</tr>
<tr>
<td>Subsidiary consulted to provide input to global sales strategy</td>
<td>3.67</td>
<td>1.700</td>
<td>0.798</td>
</tr>
<tr>
<td>(C's =0.853, CR=0.899, AVE=0.690)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subsidiary Decision-Making Autonomy</strong></td>
<td>6.23</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td>Decision on customer segmentation and prioritisation at subsidiary level</td>
<td>6.02</td>
<td>1.213</td>
<td>0.746</td>
</tr>
<tr>
<td>Decision on customer relationship management strategies at subsidiary level</td>
<td>6.25</td>
<td>0.988</td>
<td>0.845</td>
</tr>
<tr>
<td>Decision on price promotions at subsidiary level</td>
<td>6.42</td>
<td>0.776</td>
<td>0.893</td>
</tr>
<tr>
<td>(C's =0.775, CR=0.869, AVE=0.689)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market Performance</strong></td>
<td>4.97</td>
<td>1.17</td>
<td></td>
</tr>
<tr>
<td>Judgement of subsidiary's achievement for increasing sales turnover</td>
<td>5.02</td>
<td>1.407</td>
<td>0.817</td>
</tr>
<tr>
<td>Judgement of subsidiary's achievement for expanding ist market share</td>
<td>4.79</td>
<td>1.333</td>
<td>0.696</td>
</tr>
<tr>
<td>(1= much more negative, 7=much more positive)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judgement of past 5y firm's sales growth compared to main competitors in G</td>
<td>5.12</td>
<td>1.517</td>
<td>0.914</td>
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</tbody>
</table>
Table 5 – Latent variables correlation coefficients

<table>
<thead>
<tr>
<th></th>
<th>External Embeddedness</th>
<th>Internal Embeddedness</th>
<th>Subsidiary Market Performance</th>
<th>Subsidiary Decision-Making Autonomy</th>
<th>Subsidiary Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Embeddedness</td>
<td>1.000</td>
<td>0.100</td>
<td>0.252</td>
<td>0.424</td>
<td>0.147</td>
</tr>
<tr>
<td>Internal Embeddedness</td>
<td>0.100</td>
<td>1.000</td>
<td>-0.041</td>
<td>-0.288</td>
<td>0.396</td>
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<tr>
<td>Subsidiary Market Performance</td>
<td>0.252</td>
<td>-0.041</td>
<td>1.000</td>
<td>0.346</td>
<td>0.214</td>
</tr>
<tr>
<td>Subsidiary Decision-Making Autonomy</td>
<td>0.424</td>
<td>-0.288</td>
<td>0.346</td>
<td>1.000</td>
<td>-0.087</td>
</tr>
<tr>
<td>Subsidiary Importance</td>
<td>0.147</td>
<td>0.396</td>
<td>0.214</td>
<td>-0.087</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Table 6 – Assessing effect sizes $f^2$ on dependent constructs’ $R^2$ values

<table>
<thead>
<tr>
<th></th>
<th>$R^2$</th>
<th>$f^2$</th>
<th>Evaluation Effect Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary Importance</td>
<td>0.17</td>
<td>0.014</td>
<td>small</td>
</tr>
<tr>
<td>External Embeddedness</td>
<td></td>
<td>0.014</td>
<td>small</td>
</tr>
<tr>
<td>Internal Embeddedness</td>
<td></td>
<td>0.176</td>
<td>medium</td>
</tr>
<tr>
<td>Subsidiary Decision-Making Autonomy</td>
<td>0.29</td>
<td>0.291</td>
<td>high medium</td>
</tr>
<tr>
<td>External Embeddedness</td>
<td></td>
<td>0.291</td>
<td>high medium</td>
</tr>
<tr>
<td>Internal Embeddedness</td>
<td></td>
<td>0.125</td>
<td>small medium</td>
</tr>
<tr>
<td>Subsidiary Importance</td>
<td>0.001</td>
<td>0.001</td>
<td>very small</td>
</tr>
<tr>
<td>Division of strategic sales activities</td>
<td>0.12</td>
<td>0.136</td>
<td>small medium</td>
</tr>
</tbody>
</table>

Table 7 – Summary of structural model path coefficient results

<table>
<thead>
<tr>
<th>Paths</th>
<th>Standardized Coefficient</th>
<th>t-statistics</th>
<th>p-statistics</th>
<th>Hypothesis supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Ext. Embeddedness ➔ Subs. Decision-Making Autonomy</td>
<td>0.460</td>
<td>1.977</td>
<td>0.049</td>
<td>Yes</td>
</tr>
<tr>
<td>H2 Int. Embeddedness ➔ Subs. Decision-Making Autonomy</td>
<td>-0.324</td>
<td>2.548</td>
<td>0.011</td>
<td>Yes</td>
</tr>
<tr>
<td>H3 Ext. Embeddedness ➔ Subsidiary Importance</td>
<td>0.108</td>
<td>0.713</td>
<td>0.476</td>
<td>No</td>
</tr>
<tr>
<td>H4 Int. Embeddedness ➔ Subsidiary Importance</td>
<td>0.385</td>
<td>2.628</td>
<td>0.009</td>
<td>Yes</td>
</tr>
<tr>
<td>H5 Subsidiary Importance ➔ Subs. Decision-Making Autonomy</td>
<td>-0.027</td>
<td>0.197</td>
<td>0.844</td>
<td>Yes</td>
</tr>
<tr>
<td>H6 Subs. Decision-Making Autonomy ➔ Market performance</td>
<td>0.346</td>
<td>3.611</td>
<td>0.000</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Table 8 – Some considerations for managers in sales decision-making

<table>
<thead>
<tr>
<th>Illustrations of division of strategic sales activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration activities</td>
</tr>
<tr>
<td>Discounts, trade terms &amp; conditions</td>
</tr>
<tr>
<td>Customer segmentation / prioritisation</td>
</tr>
<tr>
<td>Target &amp; resource allocation</td>
</tr>
<tr>
<td>Market responsive activities</td>
</tr>
<tr>
<td>Customer relationship management strategy</td>
</tr>
<tr>
<td>Price promotions</td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration

Figure 1 – Size of subsidiaries in our sample vs. German FMCG industry

Share of subsidiaries measured by number of employees grouped by size cluster
Source: Own research and Destatis (2019)