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Performance of foreign subsidiaries “in” and “from” Asia: A review, synthesis and research agenda

(Submitting for consideration of special review issue of APJM)

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Determinants of foreign subsidiary performance “in” and “from” Asia: A review, synthesis and research agenda

Abstract The performance of foreign subsidiaries (FS) has been the topic of studies since the beginning of the international business field. However, research findings are contradictory because of the disparate foci of individual studies. In this review paper, we first identify key determinants of the performance of FS through a structured content analysis of 73 articles and 679 relationships since the year 2000. Second, we explain the effects of each determinant, and perform meta-analyses to determine which relationships are statistically meaningful. Third, we compare the effects of determinants across different combinations of home and host contexts, based on which, we provide possible explanations of previous inconsistent findings. We conclude by offering new theoretical directions to better understand determinants of the performance of FS.

Keywords foreign subsidiaries, outward foreign direct investment, review, performance, Asia
The growing trend of foreign direct investment (FDI) has been well recognized in recent decades. Within this trend, Asia,1 “with its FDI flows surpassing half a trillion US dollars, remains the largest FDI recipient region in the world, accounting for one third of global FDI flows” (UNCTAD, 2016). Many foreign subsidiaries (FS) are established and operate in Asia, and FDI outflows from Asia have been sufficiently substantial to attract the attention of academic researchers (e.g., Chittoor, Sarkar, Ray, & Aulakh, 2009; Elango & Pattanaik, 2007; Luo & Zhang, 2016) and policy makers (e.g., the Foreign Investment Commission in the United States and the Ministry of Commerce in China). Thus, Asia provides an ideal context for investigating FDI activity.

Understanding what determines the performance of FS is fundamental to FDI research because it relates to one of the “big questions” in international business about the determinants of the international failure and success of firms (Peng, 2004). The performance of FS is also a major concern of managers of multinational enterprises (MNEs) because it directly relates to the appropriateness of their international strategy and has a profound influence on their global operations. Although often offering important insight, the focus of the extant literature is dispersed among several domains, with many inconsistencies in the findings remaining unresolved. This fragmentation of research may be partially due to the complexities FS confront in external (e.g., dually embedded in the home and host countries) and internal (e.g., interdependencies of the parent MNEs and peer subsidiaries) environments (Kostova, Roth, & Dacin, 2008; Phene & Almeida, 2008). Although previous studies have examined many different determinants, particular determinants are found to have inconsistent effects on FS performance. For example, the effect of cultural distance between home and host countries on

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1 Although a universally accepted definition of the term “Asia” has not yet been reached, a broad view of geographic Asia is the region that is bounded on the east by the Pacific Ocean, on the south by the Indian Ocean, and on the north by the Arctic Ocean. In Bruton and Lau’s (2008) review article on Asian management research, they exclude the Middle East, the Caucasus, Russia and Turkey to avoid confounding findings. For the purposes of our review, we follow Bruton and Lau’s (2008) understanding of Asia, with the exception that we include Russia.
FS performance has been found to be positive (e.g., Gaur, Delios, & Singh, 2007; Riaz, Rowe, & Beamish, 2014), negative (e.g., Fang, Jiang, Makino, & Beamish, 2010; Luo & Park, 2001), and non-significant (e.g., Peng & Beamish, 2014). The same is true of the effect of parent MNE’s technological resources. While researchers such as Delios and Beamish (2001), Fang et al. (2010), and Kim, Lu, and Rhee (2012) have observed a positive relationship between the technological resources of parent MNEs and the survival and performance of FS, others have found a negative (e.g., Demirbag, Apaydin, & Tatoglu, 2011; Lavie & Miller, 2008), or non-significant relationship (e.g., Belderbos & Zou, 2007; Nguyen & Rugman, 2015).

To identify and resolve the inconsistencies in the literature, this study combines content analysis and meta-analysis. First, using content analysis, we identify the key determinants of FS performance examined by previous studies. Second, where empirically feasible, we conduct a meta-analysis to find the overall effect of each determinant. Based on these findings, our analyses further reveal that different home-host-country contexts have good potential to explain the inconsistent effects of the same antecedent. For example, while the effect of institutional development in the host country on FS performance is negative for FDI from Asia, it is non-significant for FDI within Asia.²

Our review not only helps define the boundaries of several theory-predicted relationships, but also opens avenues for future research. We provide possible explanations for the inconsistencies in the extant literature, and new research opportunities for future studies. This study also serves as a good reference for MNE managers because it provides an extensive summary of all potential drivers of the success of their foreign investments.

² We refer to Western MNEs investing in Asia as “investment to Asia”, Asian MNEs investing in Asia as “investment within Asia”, and Asian MNEs investing outside of Asia as “investment from Asia”.
Methodology

We use a combination of content analysis and meta-analysis to conduct our literature review. Content analysis allows us to identify key information about the relationship between specific determinants and FS performance examined by previous studies, while meta-analysis provides empirical evidence for the identified relationships, as well as opportunities to explore moderating effects.

In the first step, we conducted a structured content analysis of a set of articles in prominent management and international business journals published from 2000 to October of 2017. In this step, we first searched for articles empirically examining FS-related questions using the following keywords: “foreign subsidiary”, “foreign affiliate”, “international joint venture”, “international M&A”, “green-field investment” and “entry mode”. We collected 424 articles through this search. We then manually checked each article to determine the following three issues: (1) whether the article was empirical; (2) whether the dependent variable was performance related; (3) whether the study included an Asian country as the destination or source country of FDI.

We narrowed the selection of our dependent variable to the three most commonly-used measures of FS performance: economic metrics including ROA, ROS, profitability among others (e.g. Chan, Makino, & Isobe, 2010; Zhang, Li, Hitt, & Cui, 2007), survival of the subsidiary (e.g., Song, 2014), and satisfaction measures (e.g., Fey, Morgulis-Yakushev, Park, & Björkman, 2009; Luo, Shenkar, & Nyaw, 2001; Hsieh & Rodrigues, 2014). For each article, we coded the independent and dependent variables, the home and host countries of the sampled FS, and the effect size and significance of the relationships under investigation. Our final sample comprised 73 articles, with a total of 679 relationships assessed. Of the three authors

3 The following journals were reviewed: Academy of Management Journal; Journal of Management; Journal of Management Studies; Organization Science; Strategic Management Journal; Asia Pacific Journal of Management; International Business Review; Journal of International Management; Journal of International Business Studies; Journal of World Business; Management International Review; Management and Organization Review.
of the present paper, two performed the necessary coding activities and the third reviewed all
the articles. Any discrepancies in coding were discussed among the authors until consensus
was reached. Table 1 presents the summary of our content analysis.

Insert Table 1 about here

In the second step, we conducted meta-analysis. Meta-analysis is particularly appropriate
when empirical findings yield inconsistent results (Wijk, Jansen, & Lyles, 2008). Although
review studies based on content analysis can map previous studies, they are subject to several
of limitations: (1) they can discuss only the key findings the authors report; (2) they are subject
to sampling bias (Dalton, Aguinis, Dalton, Bosco, & Pierce, 2012) or to the presence of the
Type II errors (i.e., lack of sufficient statistical power to determine the rejection of the
hypothesized relationship) (Combs, Ketchen, Crook, & Roth, 2011); (3) they cannot
distinguish between the importance of studies, ending up in comparing the findings of studies
using smaller samples with those using larger samples (Combs et al., 2011). To overcome these
limitations of review studies based on content analysis, we present meta-analytic effect size of
each relationship between determinants and FS performance. This approach provides two
benefits to the reader: (1) it offers a sense of the strength of the effect size for each relationship;
(2) it allows readers to identify which relationship(s) are non-significant, suggesting the
presence of possible moderators and thus presenting areas of future inquiry.

The meta-analysis was performed using the Comprehensive Meta-Analysis software
package (Borenstein, Hedges, Higgins, & Rothstein, 2005). Following recent best practice
(Aguinis, Beaty, Boik, & Pierce, 2005; Aguinis, Gottfredson, & Wright, 2011), we performed
the analysis at the effect-size level rather than at the article level because this approach captures
both the heterogeneity of the effect-size estimates and the unique information for each
relationship that would otherwise have been missing (Van Mierlo, Vermunt, & Rutte, 2009).
We did not make any adjustments for measurement error to provide more conservative
estimates. We report in the text only effect sizes from the random-effect analysis in cases where
at least three studies are available for the specific relationship. Further, we compare the
relationships between identified determinants and FS performance among different directions
of investments (i.e., investment to, from and within Asia). Inconsistent findings across different
categories provide a foundation for future research.

Determinants of foreign subsidiary performance

This section presents our main findings. Based on content analysis, we find that previous
studies have examined determinants of FS performance in four main areas: parent-firm
characteristics, subsidiary characteristics, parent–subsidiary relationship, and country-level
factors. In the following, we first provide a brief summary of each main area, presenting the
key issues concerned, after which we discuss the findings of our meta-analyses.

Parent-firm characteristics

Parent-firm factors have long been recognized as key determinants of FS performance because
the parent MNE usually provides critical resources (e.g., technology, information, talent) that
support the operations of FS. Studies have examined the effects of parent-MNE international
experience, technological capability, age, and size on FS performance. For FS involving
multiple parent firms (e.g., a joint venture [JV] between foreign parent and local parent), the
extent of complementarities and cooperation between different partners have shown as
important determinants of FS performance.

Parent-firm international experience. International experience is considered a function of
the extent to which a firm has previously operated in international markets (Lu & Beamish,
2001). Previous international experience has been considered an important factor for improving
FS success because it cultivates the capability of managing foreign operations (Chan, Isobe, &
Makino, 2008), and handling risks and uncertainties in foreign markets (Delios & Beamish,
2001; Makino & Delios, 1996). However, the empirical results of previous studies show
inconclusive effects of parent-firm international experience, with findings of a positive, negative and null effect (e.g., Clegg et al., 2016; Lavie & Miller, 2008; Merchant & Schendel, 2000). In general, our meta-analysis reveals a positive and significant effect of parent-firm international experience on FS performance (0.04*)4. However, the significant effect is not that strong for MNEs to Asia (0.05+), and further this significant effect does not hold for MNEs from Asia. These findings may suggest that international experience is more difficult to transfer across different regions, and therefore, the benefits firms derive from prior internationalization are limited when conducting cross-regional investment.

**Parent-firm technological capability.** Technological capability is a function of the proprietary activities that generate technological knowledge (Chatterjee & Wernerfelt, 1991; Song, Droge, Hanvanich, & Calatone, 2005). The technological capability of the parent firm is an important contributor to FS performance (Delios & Beamish, 2001; Fang, Wade, Delios, & Beamish, 2007), because these capabilities are often less imitable and incur low depreciation costs during cross-country transfer, and thus lay foundations for FS competitive advantage. While some studies find benefits from parent-firm technological capability (e.g., Choi & Beamish, 2013; Fang et al., 2010), our meta-analyses did not yield any statistically significant findings (0.02, n.s.). A possible explanation for this insignificant result may be that it is not easy to transfer resources and capabilities from headquarters to FS (Fang et al., 2007; Miller, 2003; Simonin, 1999; Szulanski & Jensen, 2006). This factor requires greater research attention, not only on firms’ rare and valuable resources and capabilities, but also on the extent to which these resources and capabilities can be transferred, imitated, or substituted across countries (Tsoukas, 1996).

**Parent-firm age.** Parent-firm age has been considered an important factor influencing FS performance because age often indicates reliability, market credibility and the experience-

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4 * p < 0.10; * p < 0.05; ** p < 0.01; *** p < 0.001; “n.s.” stands for non-significant.
based capabilities of a firm (Baum & Shipilov, 2006; Henderson, 1999). In addition, the age of
the parent MNE contributes to its external legitimacy, which may also spill over to the FS (Lu
& Xu, 2006). However, there is little consensus in the literature on the effect of parent-firm age
on FS performance, with findings being positive, negative or null (e.g., Clegg, Lin, Voss, Yen,
& Shih, 2016; Dutta & Beamish, 2013; Lu & Xu, 2006). Our meta-analysis supports an overall
positive effect of parent-firm age on FS performance (0.04**), and the result holds for
investment from Asia (0.03**) and investment within Asia (0.06+).

*Parent-firm size.* The size of the parent firm reflects the amount of available resources and
capabilities that can be exploited in new markets (Hymer, 1976). As with parent-firm age,
parent-firm size is also an important contributing factor to external legitimacy (Lu & Xu, 2006)
that can send positive signals to potential customers (Mudambi & Zahra, 2007). The resource
availability and legitimacy spillover from the parent-firm facilitate the performance of FS. In
general, our meta-analysis shows a positive effect of parent-firm size on FS performance
(0.10***), although some studies we coded did not find a significant effect (e.g., Lu & Xu,
2006; Kim et al., 2012; Sim & Ali, 2000). The positive result is quite consistent across different
home–host-country combinations (0.14** for MNEs to Asia; 0.11*** for MNEs from Asia;
0.06** for MNEs within Asia).

*Partner relationship.* The relationship between partners from the home and host countries
can also determine the success or failure of the focal FS. Our content analysis found that
previous studies mainly investigate the effect of partner relationship by considering two
aspects: the goal similarity and resource complementarity between partners. High levels of goal
similarity and resource complementarity promote FS performance because they can create a
situation of mutual cooperation and forbearance (Buckley & Casson, 1976; Sim & Ali, 2000)
that facilitates the operations of the FS. However, the meta-analysis did not find any significant
effects of goal similarity and resource complementarity for MNEs investments to Asia (-0.06,
n.s. and -0.07, n.s., respectively). A possible explanation may be that the effect of partner
relationships on FS performance is contingent on external environments such as market and political uncertainties that shape inter-firm collaboration (Luo & Park, 2004; Park, Chen, & Gallagher, 2002).

**Subsidiary characteristics**

As legally standalone enterprises, FS cultivate their own resources and capabilities that can significantly shape their performance. Key subsidiary-level determinants examined by previous studies include FS age, FS size and FS technological resources.

*FS technological resources.* The technological resources of an FS refer to its research and development (R&D) intensity (Lee, Park, Ghauri, & Park, 2014), learning capabilities (Wang, Tong, Chen, & Kim, 2009), and exploitation and exploration capabilities (Zhan & Chen, 2013). Technological resources are key determinants of FS performance because they not only determine the absorption and deployment of resources transferred from the parent MNE, but also influence the exploration and utilization of resources based in the host country. The knowledge transferred from the parent MNE often provides competitive resources for the FS in the host country. However, this transferred knowledge may not necessarily be assimilated and exploited by the FS given the tacit nature of knowledge. The higher R&D intensity and learning capabilities of the FS facilitate the transformation of knowledge from the parent MNE and thus promote the financial performance of the FS (Chi & Zhao, 2014). Moreover, FS also benefit from resources available in the host country. FS with higher technological resources have a greater capacity to absorb and redeploy local resources and thus gain higher performance (Zhang et al., 2007). Consistent with these arguments, our meta-analyses show a strong and positive effect of FS technological resources on FS performance (0.26***). While this finding holds well for FDI to Asia and from Asia, the effect is much stronger for Western MNEs investing in Asia (0.37**) than it is for Asian MNEs investing in other countries (0.13**). This result may imply that while subsidiaries of Western MNEs mainly compete on technological
resources, subsidiaries of Asian MNEs may also compete on other resources (e.g., relationship-based capabilities).

**FS age.** The age of the FS reflects how long it has operated in a host country. FS age is a key determinant of FS performance because it represents the host-country experience of the FS and its accumulated knowledge of the business environment (Nguyen & Rugman, 2015). Due to the liability of newness (Stinchcombe, 1965), a younger FS with little experience in a host country will often confront more challenges and thus perform worse than an experienced FS. Consistent with these arguments, our meta-analysis shows a positive and significant effect of FS age on FS performance (0.03**), and this finding holds strongly for Western MNEs investing in Asia (0.10***) or Asian MNEs investing in other countries (0.04***). However, we did not find a significant effect of FS age for Asian MNEs investing in the home region (0.09, n.s.). This result implies that host-country experience and accumulated knowledge are more important for cross-regional investment than for the intra-regional investment.

**FS size.** The size of an FS affects its financial performance because it reflects both the investment amount and parent MNE’s interests in the focal subsidiary (Lee & Song, 2012). Parent MNEs depend more on larger subsidiaries (Prahalad & Doz, 1987), and thus often pay more attention to these subsidiaries (Bouquet, Morrison, & Birkinshaw, 2009) and provide better support to large rather than small FS. Such resource commitment and attention from the parent MNE promote FS performance. As expected, our meta-analysis reveals an overall positive and significant effect of FS size on FS performance (0.05*). However, this finding holds only for foreign investments by Western MNEs to Asia (0.07**), but not for those by Asian MNEs (0.04, n.s.). This result may imply a unique characteristic of FDI from Asian MNEs in that the success of their FS does not depend on utilizing resources and support from the parent firm, but rather depends on resource exploration at the subsidiary level.

**Parent–subsidiary relationship**
The relationship between the parent MNE and its FS exerts a strong influence on FS performance and has attracted substantial research attention. A large body of research focuses on governance issues, including the entry mode adopted by the MNE to establish its FS in the host country, the amount of ownership the MNE shares with local partners (if any), and the control versus autonomy the MNE grants to the focal subsidiary. Another body of research focuses on human-resource management (HRM) practices that the parent firm imposes on the FS, including the use of expatriate.

**Entry mode and MNE ownership.** Studies have examined which establishment mode (e.g., acquisition versus greenfield investment) (Belderbos, 2003; Oehmichen & Puck, 2016; Song, 2014) and equity mode (minority, majority JV, or wholly owned FS) (Gaur et al., 2007; Gaur & Lu, 2007) lead to higher FS performance. However, these studies have reached largely inconclusive results. Some studies suggest that greater ownership control by the parent MNE is better for FS performance because greater foreign ownership reflects a higher commitment from the parent MNE, which will increase resource transfer, and that the MNE having greater control reduces the opportunistic behavior of local partners (e.g., Dhanaraj & Beamish, 2009). However, other research suggests that greater ownership by the MNE may reduce the incentive of local partners to contribute to the focal FS, thus inhibiting collaboration, which could harm FS performance. Researchers also suggest that different entry modes represent different levels of investment irreversibility (versus flexibility) (e.g., Belderbos & Zou, 2007; Song, 2014), and the costs and benefits of different entry modes may be largely conditioned on external uncertainty. Given these inconclusive results, recent studies suggest that different entry modes may not have direct effects on FS performance because the entry mode itself is endogenous rather than exogenous. MNEs determine the entry mode of FS after evaluating alternative options based on factors such as their resource condition, purpose of international investment, and home and host countries. Thus, in the condition that MNEs do not make unfit or biased decisions, entry mode should not have direct effects on FS performance. Consistent with this
discussion, our meta-analysis does not show any significant overall effects of entry mode (0.02, n.s. for wholly owned subsidiary (WOS) versus JV; –0.02, n.s. for mergers and acquisitions [M&A] versus greenfield) and MNE ownership level (0.01, n.s.) on FS performance. Although with an overall insignificant effect, our analyses show apparent variations across different investment directions. For example, while a wholly owned structure has a negative effect on Western MNEs investing to Asia (-0.01***), higher level of ownership has a positive effect on Asian MNEs investing in other countries (0.03**), indicating that home-country and host-country conditions may act as potential moderators.

**Subsidiary governance.** The issue of subsidiary governance involves the extent of autonomy MNEs grant to their FS. FS autonomy refers to the decision-making rights of subsidiaries in relation to their parent MNEs (McDonald, Warhurst, & Allen, 2008). High FS autonomy represents high level of freedom of FS to make a range of decisions (e.g., business plans, supply-chain management, HRM, strategy implementation) without necessarily referring to headquarters. Studies suggest that subsidiary autonomy is positively related to FS performance because the subsidiary manager often has deeper insight into the idiosyncratic nature of the specific host country than does the parent MNEs and thus, FS with greater autonomy are more likely to make effective and efficient decisions that promote financial performance (Nguyen & Rugman, 2015). Our meta-analyses show an overall positive but not significant effect of FS governance on FS performance (0.02, n.s.), with variability across Western MNEs and Asian MNEs.

**Human-resources practice.** One of the key issues in the relationship between the parent firm and the FS is the expatriate strategy. Studies suggest that utilizing an expatriate workforce is of strategic importance for FS performance because expatriates facilitate knowledge transfer from parent MNE (Wang et al., 2004; Wang et al., 2009). Due to cultural and institutional distance between the home and host countries, and the tacit nature of transferred knowledge, FS often cannot fully understand and assimilate the knowledge from the parent MNE. FS with
skilled expatriates are more likely to benefit from the resources of parent MNEs and thus improve their competitive advantage (Wang et al., 2009). Consistent with this discussion, our meta-analysis shows a strong positive effect of expatriate utilization on FS performance (0.11***), and the positive finding holds for different investment directions.

**Country-level factors**

Country-level factors refer to determinants of FS performance arising from home-country and host-country characteristics and differences. The home country of a parent MNE influences FS performance because it offers opportunities and resources such as technological resources or access to capital markets to the MNE, and cultivates the MNE’s capabilities to conduct foreign operations and deal with uncertainty in the host country, thus leading to improved FS performance (e.g., Clegg et al., 2016; Mudambi & Zahra, 2007). The host-country environment in which the FS is embedded also explicitly shapes the performance of the FS. Studies have investigated the influence of local institutional development (e.g., Chan et al., 2008) and market attractiveness (e.g., Merchant & Schendel, 2000; Zeng, Shenkar, Song, & Lee, 2013) on FS performance. Research attention has also been dedicated to differences between the home and host countries, among which the key focus has been on cultural distance (e.g., Hennart & Zeng, 2002; Pothukuchi, Damanpour, Choi, Chen, & Park, 2002) and institutional distance (e.g., Demirbag et al., 2011; Gaur & Lu, 2007).

**Country of origin.** The country of origin of an MNE has strategic implications for the performance of its FS because the home-country environment significantly shapes the skills, capabilities, resources and ways of doing business (Wan & Hoskisson, 2003). MNEs coming from relatively developed countries are more likely to have higher technological capability and advanced managerial skills that contribute to FS performance (Chen, Li, Shapiro, & Zhang, 2014; Sethi & Elango, 2000). Individual studies have found positive or null relationships between MNE country of origin and FS performance (e.g., Cuervo-Cazurra & Genc, 2008; Delios & Beamish, 2001; Mudambi & Zahra, 2007; Zhao & Luo, 2002). Our meta-analysis
finds only marginal support for the positive relationship between MNE home country and FS performance (0.06+). The directionality of the FDI seems to explain the differences in findings: FS of MNEs located in advanced nations benefit more from the home-country environment (0.07***) than do FS of MNEs located in Asia (from: 0.10, n.s.; within: 0.04, n.s.). These findings partially support the “escaping perspective” (Witt & Lewin, 2007), which states that institutional constraints in emerging countries inhibit firms from developing a competitive advantage at home, therefore motivating them to search for opportunities abroad to circumvent the disadvantages generated by home-country institutions (Boisot & Meyer, 2008; Child & Rodrigues, 2005; Hoskisson, Wright, Filatotchev, & Peng, 2013; Peng, Sun, & Blevins, 2011).

Level of institutional development of host country. The level of institutional development in a host country reflects the efficiency of its formal regulations, legal systems, and political regimes that support market-based transactions (North, 1990; Peng, Wang, & Jiang, 2008). Studies suggested a positive relationship between the level of institutional development and FS performance, although they have arrived at non-significant (e.g., Child, Chung, & Davies, 2003; Merchant & Schendel, 2000; Nguyen & Rugman, 2015) or even negative findings (Chan et al., 2008). Our meta-analysis supports the null findings (−0.01, n.s.), but the direction of investment appears to moderate such a relationship. That is, FS of Western MNEs operating in Asia do not appear to benefit from a more advanced intuitional environment (0.07, n.s.), nor do the FS of Asian MNEs operating within Asia (0.00, n.s.). In contrast, firms coming from Asia seem to underperform in more advanced institutional environments (−0.09**). A possible explanation is that MNEs from emerging countries are accustomed to operating in weak institutional environments in which regulations are not clear and enforceability is not consistent. This means that when operating in intuitional environments where regulations and
enforceability are well established, such MNEs suffer because of the cost associated with engaging with more complex rules and public scrutiny.⁵

**Market attractiveness of host country.** Local-market attractiveness has generally been considered a driver of FS performance. Market size, market growth, limited competition and availability of resources (Belderbos & Zou, 2007; Child et al., 2003; Garg & Delios, 2007; Ng, Lau, & Nyaw, 2007; Zeng et al., 2013) should positively drive firm performance. Although our meta-analysis does not derive a general effect (0.01, n.s.), it shows clear variations across different directions of investments. Indeed, local-market attractiveness seems to drive FS performance in Asia only for those from Asian MNEs (0.17**), but it does not for Western MNEs investing in Asia (0.56, n.s.) or for Asian MNEs investing in Western countries (−0.06, n.s.). One possible explanation is that the cost of doing business in an unfamiliar environment can dilute the benefits arising from operating in an attractive market.

**Home-host cultural distance.** The greater the cultural distance between two countries, the greater the costs for the MNE in adapting to the host market because of inconsistencies in values and intra-organizational conflict (Schneider & De Meyer, 1991; Tihanyi, Griffith, & Russell, 2005). This view is shared by several scholars (e.g., Fang et al., 2010; Hennart & Zeng, 2002; Pothukuchi et al., 2002). In general, our meta-analysis result supports this perspective (−0.02+), even though the significance level is low. The negative effect of cultural distance on FS performance is much stronger for Western MNEs investing in Asia (−0.05*), while it is not significant for MNEs from Asia (0.01, n.s.). One of the important reasons why the argument of the higher costs caused by cultural distance does not apply to FS from Asia might be that the motivation of FS from Asia is mainly about exploration, and the higher distance might stand for more potential opportunities to learn new capabilities.

⁵As an example, the Italian banking authority recently fined the Bank of China because the internal processes of its Italian subsidiary were not adequate for dealing with money-laundering issues (Reuters, 2017).
Home-host institutional distance. Differences in institutions between the home and host
country such as normative and regulative institutions (Gaur et al., 2007; Riaz et al., 2014) or
economic freedom (Demirbag et al., 2011) have received relatively less research attention
compared with cultural distance in IB. We were able to collect studies looking at Japanese
MNEs only, which postulate a positive relationship between institutional distance and FS
performance. However, our meta-analysis does not find a statistically significant effect for this
relationship (0.03, n.s.).

Directions for future research
Completing the research landscape
Our review has covered almost twenty years of research on the determinants of FS
performance, and has evidences that some of these determinants have been assessed many
times with consistent or inconsistent findings, while others have been assessed by a limited
number of studies in the Asian context. Reassessing the relationships that we have analyzed in
similar and dissimilar contexts is important in allowing the field to mature. The replication or
repetition of studies (Bettis, Helfat, & Shaver, 2016) is also necessary in creating cumulative
knowledge, and in assessing whether prior studies are sufficiently accurate in factors such as
measurement and design (Boyd, Gove, & Hitt, 2005).

Based on our literature review, FS performance has been measured by economic metrics
in 61 studies, by survival of the subsidiary in 16 studies, but has been measured using
satisfaction measures in only 8 studies, showing a clear under-examination of subjective
measures of FS performance. Archival measures suffer from problems of attenuation and
measurement error (Boyd et al., 2005). Future studies would benefit from examining primary
studies because these can better detect the relationship under investigation. Further, the strength
of the antecedents–outcome relationship might vary across different kinds of outcomes studied

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6 A few papers used more than one type of measurement of FS performance.
(Delios & Beamish, 2001). In this study, we could not make meaningful comparisons across outcomes due to data limits, leaving it as a promising future line of inquiry. In addition, it has also been argued that there is little attention devoted to FS growth once they are established, which can be considered an important omission in current international business research (for an exception, see Kim & Gray, 2008) because growth can be an important contributor to MNEs’ employment and sales growth complementing new subsidiary investments (Belderbos & Zou, 2007). To complete the research landscape of FS performance, future research can pay greater attention to subjective measures of FS performance, drivers of FS growth, and comparisons across different performance measures.

Completion of the research landscape on FS performance should create an opportunity to focus on context in academic research. In the articles reviewed by this study, context has generally been neglected. This is also an important omission because our review demonstrates that context is an important element in explaining inconclusive results and that the mixed evidence for theoretical predictions is probably due to an under-contextualization of previous research. Given that the utility of a theoretical perspective is a function of its contextual sensitivity (McKelvey, 2002), we advise future research to better explore the interplay between theory and context to examine how the latter contributes to explaining the boundaries of established theories. In addition, researchers should recognize the specificities in Asia that warrant further theorization (Li, 2016; Peng, 2005). For example, the state itself is more proactive and engaged with private business affairs compared with the role of the state in Western economies (Carney, Gedajlovic, & Yang, 2009; Witt & Redding, 2014). Such difference creates dynamics that can be captured only by research theorizing the local context. Thus, we renew the call for more theory developed on the Asian context and Asian phenomena, rather than simply using Asia as a research setting (Meyer, 2006; Bruton & Lau, 2008). We

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7 We would like to thank one of our anonymous reviewers for pointing out this element.
provide several potential research questions that should be tested in different contexts (see Table 3).

[Insert Table 3 about here]

**Underexplored areas**

Our review finds several factors that are critical to FS performance but received little research attention. In this section, we introduce some of these under-examined areas to inspire future research.

*Micro-foundations of FS performance.* Most of the literature we have reviewed focuses on the firm or the country level of analysis, and treats the decision-making process as a black box. The decision to invest in a foreign country offers a unique opportunity to study the micro-foundations of strategy itself (Felin & Foss, 2005) and how the parent firm’s decisions affect the subsidiary. For example, FS offer the opportunity to assess which levels of analysis offer the most performance-related explanatory power and to identify the conditions that make those levels of analysis significant. Such research would represent a great advance in the variance-decomposition studies conducted thus far (e.g., Christmann, Day, & Yip, 1999; Makino, Isobe, & Chan, 2004). Furthermore, as the decision-making process is influenced by emotions and beliefs, factors that shape people’s risk propensity (Powell, Lovallo, & Fox, 2011) should be addressed in the research. The exploration of such internal factors can help explain why certain FS decide to conform with the local environment, while others decide to diversify and preserve their distinctiveness, thus influence their performance. Prior international business research is mainly grounded in rational-choice models and pays little attention to the role of managerial characteristics (Nielsen & Nielsen, 2011). In contrast, based on the upper echelons theory, observable demographic characteristics of top executives can be used to infer psychological cognitive biases and values, and may therefore serve as powerful predictors of strategies (Hambrick & Mason, 1984). The micro-foundations, which can be explored through the eyes of the chief executive officer (CEO) and managerial team of an FS that is subjugated by the
parent firm’s decisions, would offer a rich opportunity for assessing how the subsidiary
manager reacts and negotiates when it disagrees with the parent firm’s decisions. Along the
same line of enquiry, it would also be beneficial to address how individual interpretations of
the environment differ, and examine how specific environmental changes (e.g., Brexit) shape
individual and collective responses.

*Portfolio view of FS performance.* Although several international business scholars
conceptualize an MNE as a network or portfolio of FS (Ghoshal & Bartlett, 1990; Nachum &
Song, 2011), previous studies tend to examine FS performance from a dyadic view that focuses
on the interactions between a specific dyad between MNE and a foreign subsidiary, rather than
from a portfolio view that focuses on the interactions among different FS within the MNE
network. For future research, a portfolio view of FS performance may contribute to
international business literature because the predominant dyadic view tends to consider each
foreign investment decision as independent, while largely neglecting the interdependencies
between different international decisions. Interdependencies between different FS are critical
to the understanding of FS performance because studies as well as anecdotal evidence have
demonstrated that MNEs engage in switching operations across different FS to utilize arbitrage
opportunities and circumvent adverse changes in a specific FS or host country (Belderbos &
Zou, 2009; Belderbos, Tong, & Wu, 2014). Due to such arbitraging activities, the performance
of a specific FS should be evaluated interdependently within the portfolio of the parent MNE
rather than independently because sometimes the FS performance of a specific subunit may be
sacrificed to reach group-level efficiency. This portfolio view may change some of our
understanding on the value-creation role of each FS because the value of each subunit may not
only come from maximizing its own performance, but also from providing arbitrage and option
values to the whole group of FS (Nachum & Song, 2011).

*Non-market strategy of FS.* The FS of MNEs are often accused of social misdeeds,
including environmental pollution, product-quality flaws, and abusive labor practices. These
accusations can easily become public crises that are exposed in the national media, causing long-term and serious financial and reputational damage (Zhao, Park, & Zhou, 2014). The negative effects of the irresponsible behavior of a specific FS not only hurt its own performance, but also that of the parent MNE and other affiliated units of the entire organizational group. Given the profound effects of FS negative social behavior, the current literature pays scarce attention to the non-market strategies of FS and the performance outcomes of such non-market behavior. Our review reveals that previous studies have investigated various factors that predict FS performance from an economic rationale (Cuervo-Cazurra & Dau, 2009; Roth & O’Donnell, 1996; Zhang et al., 2007). Although FS performance is influenced by these economic factors, it is important to note that economic activities do not occur in a barren social context (Granovetter, 1985). It is crucial for firms to maintain efficiency and legitimacy to survive and succeed in a foreign environment (Chan & Makino, 2007; DiMaggio & Powell, 1983; Scott, 2001). Some recent studies have begun to emphasize the role of corporate social responsibility (CSR) as a non-market strategy that can be employed to overcome the liabilities of “foreignness” (Marano, Tashman, & Kostova, 2017) and to achieve social and political legitimacy (Hond, Rehbein, Bakker, & Lankveld, 2014; Marquis & Qian, 2014; Wang & Qian, 2011). By integrating institutional theory and stakeholder theory (Doh & Guay, 2006), future studies could explore how FS adopt non-market strategies to achieve legitimacy in the host market within different institutional environments.

Institutional entrepreneurship. Most research on institutional theory has focused on the effect of the institution on the FS. An alternate perspective is that of institutional entrepreneurs, who are actors leveraging resources to either transform existing institutions or create new ones (DiMaggio, Hargittai, Celeste, & Shafer, 2004). Research in this area explores the nature of the “institutional work” needed to create, maintain, transform, or disrupt institutions (Hardy & Maguire, 2008). FS are in a privileged position to act as institutional entrepreneurs. The headquarters cannot align all FS to each institutional environment in which the FS operate
because doing so would create an overly complex internal bureaucracy (Kostova et al., 2008).

Therefore, an FS can be actively engaged in transforming or disrupting the host institutions under pressure from headquarters. FS from Western countries with better developed institutions are more likely to have a stronger effect on the deepening of pro-market reforms in emerging markets (Cuervo-Cazurra, 2016). However, the risks and benefits of institutional entrepreneurship for FS, and the underlying processes and mechanisms remain unknown.

**Research-design opportunities**

Given the different methodological approaches used for studying FS performance (47 articles used archival data and 26 articles used surveys), we identify several opportunities for improving the methodological rigor of future studies on FS performance.

*Endogeneity issues.* Only a minority (31%) of the studies using archival sources considered in this review assessed the potential pitfalls arising from endogeneity. Even though this lack of attention is in line with the recent development of macro research (Boyd & Solarino, 2016), research should focus more on issues of endogeneity. For example, Tan (2009) shows that endogeneity issues affect the relationship between entry-mode choices and subsequent FS performance. Once endogeneity is dealt with, this relationship becomes non-significant. Other concerns arise on the quality of the endogeneity controls. For example, differences in findings have emerged between studies assessing the technology base of the parent firm and FS performance. Among these studies, some use a one-year lagged dependent variable and others adopt more elaborate techniques (e.g., two-stage least squares) (e.g., Fang et al., 2010). Fortunately, however, there are several examples of studies that adopted a variety of solid approaches to endogeneity control in the international business literature (e.g., Chang, Chung, & Moon, 2013; Nguyen & Rugman, 2015; Riaz et al., 2014).

*Survey bias: common-method bias and social desirability.* Fortunately, 75% of the survey studies assessed the presence of common-method bias, which refers to the variance generated due to the method rather than due to the constructs the measures represent, thus generating
inflated results (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Most of the research reviewed controlled ex-post for this bias, but a minority offset this problem in the survey design by including multiple items or distributing questions associated with the independent and dependent variables in a manner undetectable by the respondent (e.g., Li & Lee, 2015; Williams & Du, 2014). Among the studies that discussed this bias, none found it had a relevant effect on the study. A closely related issue is social-desirability bias, which refers to systematic error being generated in self-reported measures because of the desire of respondents to avoid embarrassment and to project a favorable image of themselves (or of their firm) to others (Fisher, 1993). Little research has attempted to deal with this issue, and the solution adopted in some studies was simply to guarantee anonymity to the respondents. However, this solution appears to be suboptimal because prior studies have provided evidence of how different cultures show notable differences in giving socially desirable answers (Bernardi, 2006; Ralston, Gustafson, Cheung, & Terpstra, 1993), which means that future studies should consider this issue to strengthen the validity of the results.

**Multilevel analysis.** FS are embedded in multilevel external environments, including the regional, national, and subnational environments (Hitt, 2016). However, most current studies focus on the effects of the national-level environment. Beugelsdijk and Mudambi (2013: 415) suggest that researchers should consider “moving from the current dominance of analyses based on country means to a study of international business activities where the complex intermingling of different geographic scales (global, supra-regional, national and subnational) is taken into account”. It is important to consider multiple levels of effects when examining the drivers of FS performance. Arregle, Miller, Hitt, and Beamish (2013) find that both national and regional institutional environments are significant determinants of MNE location choices. However, the influence of multiple levels of effects on FS performance remains underexplored.

**Contingency design.** Most studies reviewed examined a direct, linear effect between an independent variable and a specific outcome. In other areas of business research, contingency
models have often provided a richer understanding of a research topic. Contingency models fall into several categories, from simple interaction effects to more elaborated forms (Venkatraman, 1989). Our review reveals that only a minority of moderators have been tested in research, and even less studies tested for mediating effects. Thus, one methodological opportunity is to take a more systematic approach to identifying possible moderators, and their effects in different contexts. Studies assessing mediation were primarily interested in assessing how the antecedents of learning affect firm performance and the relationships mediated by the practice of knowledge transfer (Lane, Salk, & Lyles, 2001; Wang et al., 2009).

Qualitative research opportunities. While international business research has a long history of conducting qualitative studies (e.g., Kindleberger, 1956; Wilkins, 1970), currently, authors rarely perform qualitative research in international business studies (Birkinshaw, Brannen, & Tung, 2011). We noted that this problem is further worsen with regards to FS research. However, qualitative studies about FS performance can enlighten research questions that cannot be answered through quantitative research because qualitative studies are better suited to capturing the complexity of the relationship between the MNE headquarters and the FS. For example, recent studies have furthered our understanding of which processes managers implement to overcome foreign-market disadvantages (Li, Easterby-Smith, Lyles, & Clark, 2016), how firms proactively manage their international joint venture termination (Westman & Thorgren, 2016), and how knowledge is transferred between headquarters and the FS (Hong, Easterby-Smith, & Snell, 2006; Hong & Nguyen, 2009). Qualitative studies offer a unique opportunity to explore the inner processes of MNEs and the micro-foundations of a firm’s international strategy (Felin, Foss, & Ployhart, 2015; Foss & Pedersen, 2016), as well as how the relationship between the different actors of an MNE jointly shape overall FS performance. Secondly, as the complexity increases (e.g., due to increased cultural distance) (e.g., Drogendijk & Holm, 2012), qualitative studies become even more valuable. For example,
qualitative research can examine the managerial dynamics between different headquarters (e.g., HSBC and Lenovo have multiple headquarters), between main headquarters and regional headquarters, and between semiautonomous subsidiaries. Such research can also examine the moderating role of culture on the influence of individual behavior and motivation on firm strategy and performance. Finally, qualitative studies are well suited to test and develop multiple theories concurrently (Doz, 2011; Van de Ven, 2007). Qualitative research that engages in the exploration of a new phenomenon can approach it through a variety of theoretical lenses, systematically comparing and contrasting how the different theoretical lenses can explain the phenomenon. New insights about boundary conditions, limitations, moderators, mediators will arise when research is conducted in this manner.

**Practical implications**

The performance of foreign subsidiaries is one of key concerns of MNE managers. Through structured content analyses and meta-analyses, our study provides practical implications for MNE managers about key factors that matter for their FS performance. First, despite previous mixed and inconsistent findings, our meta-analysis revealed the importance of investing in technological resources at the FS level as technological resources (and competences) promote FS performance substantially, and account for a greater contribution to FS performance than the resources of the parent firm do. Therefore, FS managers should actively invest in developing FS technological resources. Our meta-analysis result also showed the importance of utilizing expatriates to help FS to better transfer and assimilate the knowledge from the parent, as we found consistent positive effect of expatriate utilization on FS performance for different investment directions. Therefore, FS managers should consider how to effectively interact with the parent firm through the expatriate link. Second, we call for managers to pay attention to the location of the FS in relation to investment because contextual factors can significantly alter the relevance and effects of the determinants of FS performance discussed.
in this paper. The same strategy may generate very different impact on FS performance for
different home-host-country contexts. For example, the higher level of ownership as entry
mode can generate positive impact on FS from Asia, but not for FS in Asia. In general, our
study serves as a guiding map for MNE managers to pin point drivers of their FS performance.

Conclusions

Since the origin of the international business field, FS performance has been a core topic for
research. The literature spans many decades, and many determinants of FS performance have
been assessed, leading to disparate findings in the literature and questions remaining
unanswered. We propose a synthesis of the determinants of FS performance, and have provided
evidence of areas where further research is needed. Our synthesis has provided evidence of the
importance of the direction of investments in international business research, a factor that has
been underestimated in current literature. We conclude with a number of possible areas for
future research to extend our understanding, along with suggestions for improving the
methodological rigor of FS studies.
References


*: Indicates an article included in the meta-analysis
<table>
<thead>
<tr>
<th>Study</th>
<th>Antecedents</th>
<th>From</th>
<th>To</th>
<th>Key findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sim &amp; Ali (2000)</td>
<td>Parent–subsidiary relationship; home–host differences; Parent characteristics</td>
<td>ROW</td>
<td>Bangladesh</td>
<td>Cooperation between partners increases stability of the JV; cultural and country differences negatively influence stability of JV; parent-firm control over FS does not influence FS stability</td>
</tr>
<tr>
<td>Delios &amp; Beamish (2001)</td>
<td>Parent characteristics; Home-country characteristics; Host-country characteristics; Subsidiary characteristics</td>
<td>Japan</td>
<td>ROW</td>
<td>Parent-firm resources have a positive effect on FS survival but a mixed effect on FS profitability; home and host countries have mixed effects on FS performance</td>
</tr>
<tr>
<td>Luo &amp; Park (2001)</td>
<td>Subsidiary characteristics</td>
<td>ROW</td>
<td>China</td>
<td>MNE subsidiaries with analyzer orientation have higher performance in China</td>
</tr>
<tr>
<td>Luo, Shenkar, &amp; Nyaw (2001)</td>
<td>Parent characteristics; Parent–subsidiary relationship; Home–host differences</td>
<td>ROW</td>
<td>China</td>
<td>A majority stake/control from foreign parent improves FS performance in China; cultural distance has negative effect on FS performance; goal incongruity between partners has negative effect on FS performance</td>
</tr>
<tr>
<td>Fey &amp; Björkman (2001)</td>
<td>Parent–subsidiary relationship</td>
<td>ROW</td>
<td>Russia</td>
<td>Investment in HRM practices can substantially improve FS performance</td>
</tr>
<tr>
<td>Potheukuchi et al. (2002)</td>
<td>Home–host differences; Parent characteristics</td>
<td>ROW</td>
<td>India</td>
<td>Home–host-country cultural distance and organizational cultural distance of partners have negative influence on JV performance, but organizational cultural distance has stronger effect</td>
</tr>
<tr>
<td>Zhao &amp; Luo (2002)</td>
<td>Subsidiary characteristics; Parent–subsidiary relationship; Home-country characteristics</td>
<td>HK, Taiwan, US, Japan, Singapore</td>
<td>China</td>
<td>FS with majority ownership perform better than those with minority, split or dual ownership; size and age of FS positively influence FS performance; parent firms from Chinese community (e.g., Hong Kong, Taiwan, and Singapore) tend to outperform those from Japan; and the US in profitability</td>
</tr>
<tr>
<td>Child, Chung, &amp; Davies (2003)</td>
<td>Host-country characteristics; Parent–subsidiary relationship</td>
<td>Hong</td>
<td>Korea</td>
<td>Market attractiveness and resource availability of host country have positive effect on FS performance; Parent control has positive effect on performance.</td>
</tr>
<tr>
<td>Choi &amp; Beamish (2004)</td>
<td>Parent–subsidiary relationship</td>
<td>ROW</td>
<td>Hong</td>
<td>Split control management of subsidiaries between partners has better effect on FS performance</td>
</tr>
<tr>
<td>Dhararaj &amp; Beamish (2004)</td>
<td>Parent–subsidiary relationship</td>
<td>Japan</td>
<td>ROW</td>
<td>FS with small ownership level (&lt;20%) and FS with high ownership (&gt;80%) have higher mortality rates</td>
</tr>
<tr>
<td>Luo &amp; Park (2004)</td>
<td>Parent characteristics</td>
<td>ROW</td>
<td>China</td>
<td>Partner cooperation has positive effect on JV performance; goal incongruence has negative effect on JV performance</td>
</tr>
<tr>
<td>Reference</td>
<td>Type</td>
<td>Country 1</td>
<td>Country 2</td>
<td>Country 3</td>
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<td>----------------------------------------</td>
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<tr>
<td>Chung &amp; Beamish (2005)</td>
<td>Parent–subsidiary relationship</td>
<td>Japan</td>
<td>ROW</td>
<td>WOS are more likely to survive than JVs; majority JVs are more likely to survive than minority JVs</td>
</tr>
<tr>
<td>Gong et al. (2005)</td>
<td>Parent–subsidiary relationship</td>
<td>ROW</td>
<td>China</td>
<td>Relational HR practice has a positive effect on FS performance</td>
</tr>
<tr>
<td>Venkat, Midgley, &amp; Devinney (2005)</td>
<td>Parent–subsidiary relationship</td>
<td>Japan, US, UK</td>
<td>ROW</td>
<td>Subsidiary autonomy has a positive effect on the FS performance</td>
</tr>
<tr>
<td>Gong (2006)</td>
<td>Subsidiary characteristics</td>
<td>Japan</td>
<td>ROW</td>
<td>Age of FS positively influences FS performance</td>
</tr>
<tr>
<td>Lu &amp; Xu (2006)</td>
<td>Parent characteristics</td>
<td>Japan</td>
<td>China</td>
<td>Parent-firm age, size, and relatedness have positive effect on FS growth and survival</td>
</tr>
<tr>
<td>Belderbos &amp; Zou (2007)</td>
<td>Host-country characteristics;Parent–subsidiary relationship</td>
<td>Japan</td>
<td>Nine Asian countries</td>
<td>Demand growth in host country has positive effect on FS performance; labor-cost growth in host country has negative effect on FS performance; WOS outperform JVs</td>
</tr>
<tr>
<td>Fang et al. (2007)</td>
<td>Parent characteristics</td>
<td>Japan</td>
<td>ROW</td>
<td>Parent-firm international experience and technological knowledge has positive effect on FS performance</td>
</tr>
<tr>
<td>Garg &amp; Delios (2007)</td>
<td>Parent characteristics; Host-country characteristics</td>
<td>India</td>
<td>ROW</td>
<td>FS from emerging-market multinationals established in developed countries have higher likelihood of exit; FS of business-group-affiliated parent firms located in developing countries have lower likelihood of exit</td>
</tr>
<tr>
<td>Gaur, Delios, &amp; Singh (2007)</td>
<td>Parent–subsidiary relationship; Home–host country</td>
<td>Japan</td>
<td>ROW</td>
<td>Employees who are nationals of the home country have negative effect on FS productivity; Institutional distance has positive effect on FS productivity</td>
</tr>
<tr>
<td>Gaur &amp; Lu (2007)</td>
<td>Parent–subsidiary relationship; Home–host country; Parent characteristics</td>
<td>Japan</td>
<td>ROW</td>
<td>WOS or majority ownership has positive effect on FS survival; parent international experience has positive effect on FS survival; institutional distance has positive effect on FS survival</td>
</tr>
<tr>
<td>Ng, Lau, &amp; Nyaw (2007)</td>
<td>Parent characteristics; partners</td>
<td>ROW</td>
<td>China</td>
<td>Trust between partners is positively related to UV performance</td>
</tr>
<tr>
<td>Zhang et al. (2007)</td>
<td>Subsidiary characteristics</td>
<td>ROW</td>
<td>China</td>
<td>Technological capabilities have positive effect on FS performance when the FS is export-market focused and MNE has majority ownership</td>
</tr>
<tr>
<td>Chan, Isobe, &amp; Makino (2008)</td>
<td>Host-country characteristics</td>
<td>Japan</td>
<td>ROW</td>
<td>Institutional-development level of host country has negative curvilinear relationship with variation of FS performance</td>
</tr>
<tr>
<td>Gue et al. (2008)</td>
<td>Subsidiary characteristics; Parent–subsidiary relationship</td>
<td>USA</td>
<td>China</td>
<td>FS with larger size, in wholly owned mode, or with more host-country experience show higher performance</td>
</tr>
<tr>
<td>Kim &amp; Gray (2008)</td>
<td>Parent–subsidiary relationship; Home–host distance</td>
<td>Others USA South Korea</td>
<td></td>
<td>Home–host country cultural distance promotes sales growth and productivity of FS; WOS perform worse than JVs</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Dates</td>
<td>Type of Relationship</td>
<td>Host Country</td>
<td>Parent Country</td>
</tr>
<tr>
<td>----------</td>
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<td>----------------------</td>
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<td>---------------</td>
</tr>
<tr>
<td>Lavie &amp; Miller</td>
<td>2008</td>
<td>Parent characteristics; partners</td>
<td>Asia</td>
<td>US</td>
</tr>
<tr>
<td>Lu &amp; Ma</td>
<td>2008</td>
<td>Parent–subsidiary relationship; Parent characteristics; Home-country characteristics; Host-country characteristics</td>
<td>Japan</td>
<td>China</td>
</tr>
<tr>
<td>Dhanaraj &amp; Beamish</td>
<td>2009</td>
<td>Parent–subsidiary relationship; Parent characteristics; Home-country characteristics; Host-country characteristics</td>
<td>Japan</td>
<td>ROW</td>
</tr>
<tr>
<td>Fang &amp; Zou</td>
<td>2009</td>
<td>Subsidiary characteristics; Parent–subsidiary relationship</td>
<td>ROW</td>
<td>China</td>
</tr>
<tr>
<td>Tan</td>
<td>2009</td>
<td>Parent–subsidiary relationship</td>
<td>Japan</td>
<td>US</td>
</tr>
<tr>
<td>Wang et al.</td>
<td>2009</td>
<td>Parent–subsidiary relationship</td>
<td>ROW</td>
<td>China</td>
</tr>
<tr>
<td>Fang &amp; Zou</td>
<td>2010</td>
<td>Parent characteristics</td>
<td>ROW</td>
<td>China</td>
</tr>
<tr>
<td>Fang et al.</td>
<td>2010</td>
<td>Parent characteristics; Parent–subsidiary relationship</td>
<td>Japan</td>
<td>ROW</td>
</tr>
<tr>
<td>Demirbag, Ayaydın, &amp; Tatoglu</td>
<td>2011</td>
<td>Home–host differences; Parent characteristics; Subsidiary characteristics; Parent–subsidiary relationship</td>
<td>Japan</td>
<td>Middle East, North Africa</td>
</tr>
<tr>
<td>Kim, Lu, &amp; Hhee</td>
<td>2012</td>
<td>Parent characteristics</td>
<td>Japan</td>
<td>ROW</td>
</tr>
<tr>
<td>Lee &amp; Hung</td>
<td>2012</td>
<td>Host-country characteristics; Subsidiary characteristics</td>
<td>US</td>
<td>Asia–Pacific countries</td>
</tr>
<tr>
<td>Lee &amp; Song</td>
<td>2012</td>
<td>Parent–subsidiary relationship</td>
<td>Korea</td>
<td>ROW</td>
</tr>
<tr>
<td>Chang, Chung, &amp; Moon</td>
<td>2013</td>
<td>Parent–subsidiary relationship</td>
<td>ROW</td>
<td>China</td>
</tr>
<tr>
<td>Choi &amp; Beamish</td>
<td>2013</td>
<td>Subsidiary characteristics</td>
<td>Japan, EU, US</td>
<td>Korea</td>
</tr>
<tr>
<td>Dutta &amp; Beamish</td>
<td>2013</td>
<td>Parent–subsidiary relationship</td>
<td>Japan</td>
<td>ROW</td>
</tr>
<tr>
<td>Reference</td>
<td>Variables Description</td>
<td>Country</td>
<td>Region</td>
<td>Study Outcome</td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-------------</td>
<td>---------</td>
<td>------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Fang et al. (2013)</td>
<td>Parent characteristics; Parent–subsidiary relationship</td>
<td>Japan</td>
<td>ROW</td>
<td>Parent–firm technological and marketing resources can improve FS performance; high technological and market relatedness between parent and subsidiaries can improve F/S performance</td>
</tr>
<tr>
<td>Li, Liu, &amp; Thomas (2013)</td>
<td>Subsidiary characteristics</td>
<td>China</td>
<td>ROW</td>
<td>Specialized resources of FS positively affect performance of local-market-oriented subsidiaries</td>
</tr>
<tr>
<td>Zeng et al. (2013)</td>
<td>Host-country characteristics; Home–host-differences</td>
<td>Korea</td>
<td>ROW</td>
<td>FDI experience in countries culturally similar to home country and the focal host country has a negative effect on subsidiary mortality; effect is inverse U-shaped when the experience is from culturally similar country to home country but not host country, or when the experience is from culturally similar country to the host country but not home country</td>
</tr>
<tr>
<td>Zhan &amp; Chen (2013)</td>
<td>Subsidiary characteristics</td>
<td>ROW</td>
<td>China</td>
<td>Technological capabilities of FS enhance its performance</td>
</tr>
<tr>
<td>Barbopoulos et al. (2014)</td>
<td>Parent–subsidiary relationship</td>
<td>UK</td>
<td>Asia</td>
<td>M&amp;A entry strategy in high-risk host country leads to higher FS performance</td>
</tr>
<tr>
<td>Hsich &amp; Rodrigues (2014)</td>
<td>Parent characteristics: partners</td>
<td>Others</td>
<td>Taiwan</td>
<td>FS performance is influenced by governance agreements between JIE partners</td>
</tr>
<tr>
<td>Lee et al. (2014)</td>
<td>Parent–subsidiary relationship; knowledge transfer</td>
<td>Korea</td>
<td>ROW</td>
<td>Globalized group-affiliated companies that use certain combinations of innovative knowledge-transfer strategies have positive effect on FS performance</td>
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<tr>
<td>Lyles, L., &amp; Yan (2014)</td>
<td>Parent characteristics: partners</td>
<td>China</td>
<td>ROW</td>
<td>Cultural distance with the partner enhances FS performance</td>
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<td>Peng &amp; Beamish (2014)</td>
<td>Home–host differences; Parent–subsidiary relationship</td>
<td>Japan</td>
<td>ROW</td>
<td>No significant relationship between culture that is long-term oriented and FS survival; relationship is moderated by subsidiary-ownership level</td>
</tr>
<tr>
<td>Riaz, Rowe, &amp; Beamish (2014)</td>
<td>Parent–subsidiary relationship</td>
<td>Japan</td>
<td>ROW</td>
<td>Higher proportion of expatriate staff employed at subsidiary founding, and a slower reduction can improve subsidiary growth</td>
</tr>
<tr>
<td>Song (2014)</td>
<td>Parent–subsidiary relationship</td>
<td>Korea</td>
<td>ROW</td>
<td>Wholly owned greenfield subsidiaries are less likely to be divested</td>
</tr>
<tr>
<td>Tian &amp; Slocum (2014)</td>
<td>Subsidiary characteristics</td>
<td>ROW</td>
<td>China</td>
<td>Technical differentiation and marketing differentiation of subsidiary have positive effect on FS performance</td>
</tr>
<tr>
<td>He, Zhang, &amp; Wang (2015)</td>
<td>Subsidiary characteristics; Parent characteristics; Parent–subsidiary relationship; Host-country characteristics</td>
<td>Others</td>
<td>China</td>
<td>Market-seeking MNEs can achieve superior performance when host-country institutional environment is favorable, when the subsidiary has longer history in host country, and when the subsidiary is wholly owned</td>
</tr>
<tr>
<td>Nguyen &amp; Rugman (2015)</td>
<td>Subsidiary characteristics</td>
<td>UK</td>
<td>Southeast Asia</td>
<td>Subsidiary equity financing can improve FS performance</td>
</tr>
<tr>
<td>Li &amp; Lee (2015)</td>
<td>Subsidiary characteristics</td>
<td>ROW</td>
<td>China</td>
<td>Subsidiary capabilities have positive effect on FS performance</td>
</tr>
<tr>
<td>Authors</td>
<td>Variables</td>
<td>Country</td>
<td>Other Country</td>
<td>Notes</td>
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<tr>
<td>Clegg, Lin, Voss, Yen &amp; Shi (2016)</td>
<td>Parent characteristics; Subsidiary characteristics; Home-country characteristics; Host-country characteristics</td>
<td>China</td>
<td>ROW</td>
<td>Parent-firm size and international experience positively influence FS performance; a larger size of FS is associated with higher performance; parent-firm home-country advantage contributes to FS performance while host-country risk has negative effect on FS performance.</td>
</tr>
<tr>
<td>Hsu, Iriyama, &amp; Prescott (2016)</td>
<td>Parent-subsidiary relationship; Host-country characteristics</td>
<td>Taiwan</td>
<td>ROW</td>
<td>Sourcing from headquarters is most highly associated with FS profitability when leverage mechanisms are developed.</td>
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<tr>
<td>Giachetti (2016)</td>
<td>Parent characteristics; Parent-subsidiary relationship; Host-country characteristics</td>
<td>Italy</td>
<td>China</td>
<td>Degree of control by parent firm over FS is positively related to FS performance, and the effect is conditional to the level of market competition.</td>
</tr>
<tr>
<td>Liu et al. (2016a)</td>
<td>Parent characteristics; Parent-subsidiary relationship; Parent entry mode</td>
<td>China</td>
<td>ROW</td>
<td>Parent-firm size positively influences FS performance; emerging-market MNEs using returnees in their top management have higher FS performance.</td>
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<tr>
<td>Liu et al. (2016b)</td>
<td>Parent characteristics; Parent entry mode</td>
<td>China</td>
<td>Canada</td>
<td>Ownership, entry mode and parent-firm experience do not predict FS performance.</td>
</tr>
<tr>
<td>Meschi, Phan, &amp; Wassmer (2016)</td>
<td>Host-country characteristics</td>
<td>ROW</td>
<td>Vietnam</td>
<td>Subnational development level of Vietnam promotes survival of FS.</td>
</tr>
<tr>
<td>Mohr, Wang, &amp; Goerzen (2016)</td>
<td>Parent; Home-host-country differences</td>
<td>ROW</td>
<td>China</td>
<td>Normative and cognitive-cultural differences do not affect the survival of FS; greater degree of regulatory distance negatively affects FS survival; greater equality in equity distribution among parent firms increases FS survival.</td>
</tr>
<tr>
<td>Oehmichen &amp; Puck (2016)</td>
<td>Parent-subsidiary relationship; Host-country characteristics</td>
<td>ROW</td>
<td>China</td>
<td>Subsidiaries’ external embeddedness and internal embeddedness have positive effect on FS performance.</td>
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<tr>
<td>Hsu, Chen, Caskey, (2017)</td>
<td>Parent characteristics; Parent-subsidiary relationship; Host-country characteristics</td>
<td>Taiwan</td>
<td>China</td>
<td>Parent size and age, but not parent international experience foster FS performance.</td>
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<tr>
<td>Kang, Lee &amp; Ghauri (2017)</td>
<td>Subsidiary characteristics; Home-host differences; Parent-subsidiary relationship</td>
<td>ROW</td>
<td>Korea</td>
<td>Increasing cross-national distance is negatively related to FS survival.</td>
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<td>Li &amp; Sun, (2017)</td>
<td>Subsidiary characteristics; Parent-subsidiary relationship; Home-host differences</td>
<td>ROW</td>
<td>China</td>
<td>Firm size and age both have a diminishing positive impact on FS performance and JVs help mitigate the negative impact of sub-national institutional constraints on FS performance.</td>
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<td>Song (2017)</td>
<td>Parent characteristics; Parent-subsidiary relationship; Subsidiary characteristics; Home-host differences;</td>
<td>ROW</td>
<td>Korea</td>
<td>MNCs make flexible ownership adjustments for their FS in response to different uncertainty conditions within, across countries and FS performances.</td>
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<tr>
<td>Teng, Huang, &amp; Pan (2017)</td>
<td>Subsidiary characteristics; Parent-subsidiary relationship; Subsidiary characteristics; Home-host differences;</td>
<td>ROW</td>
<td>China</td>
<td>Greater level of institutional distance between the home-host country decrease FS performance. Cultural distance does not influence FS performance.</td>
</tr>
<tr>
<td>Williams, Coiovici &amp; Zhu, (2017)</td>
<td>Subsidiary characteristics; Parent-subsidiary relationship; Subsidiary characteristics; Home-host differences;</td>
<td>ROW</td>
<td>China</td>
<td>Higher proportion of locally hired managers does improve FS performance.</td>
</tr>
</tbody>
</table>

*Note: ROW refers to the rest of the world.*
**Table 2** Determinants of FS performance: meta-analyses results

<table>
<thead>
<tr>
<th></th>
<th><strong>ALL</strong></th>
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<th><strong>FROM</strong></th>
<th><strong>Within</strong></th>
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<tbody>
<tr>
<td></td>
<td>r</td>
<td>LB</td>
<td>UB</td>
<td>k</td>
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<tr>
<td><strong>Parent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.04**</td>
<td>0.01</td>
<td>0.08</td>
<td>8</td>
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<tr>
<td>Size</td>
<td>0.10***</td>
<td>0.06</td>
<td>0.15</td>
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<td>Internal experience</td>
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<td>0.01</td>
<td>0.08</td>
<td>26</td>
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<tr>
<td>Resources</td>
<td>0.02</td>
<td>(0.01)</td>
<td>0.05</td>
<td>16</td>
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<tr>
<td>symmetry</td>
<td>(0.07)</td>
<td>(0.06)</td>
<td>0.14</td>
<td>0.03</td>
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<tr>
<td>Subsidiary</td>
<td>0.26***</td>
<td>0.14</td>
<td>0.38</td>
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<td>Parent-Subsidiary</td>
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<tr>
<td>Entry mode</td>
<td>0.02</td>
<td>(0.02)</td>
<td>0.08</td>
<td>26</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>(0.02)</td>
<td>(0.11)</td>
<td>0.04</td>
<td>9</td>
</tr>
<tr>
<td>MNE Ownership</td>
<td>0.01</td>
<td>(0.03)</td>
<td>0.03</td>
<td>44</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>0.02</td>
<td>(0.03)</td>
<td>0.07</td>
<td>23</td>
</tr>
<tr>
<td>HR practice</td>
<td>0.11**</td>
<td>0.07</td>
<td>0.16</td>
<td>18</td>
</tr>
<tr>
<td>Country of origin</td>
<td>0.06**</td>
<td>(0.01)</td>
<td>0.13</td>
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<td>Host country</td>
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<td>Host country</td>
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<tr>
<td>Host country</td>
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</tr>
<tr>
<td>Market attractiveness</td>
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<td>(0.07)</td>
<td>0.08</td>
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<tr>
<td>Home-host</td>
<td>(0.02)**</td>
<td>0.06</td>
<td>0.08</td>
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<tr>
<td>Institutional distance</td>
<td>0.03</td>
<td>(0.02)</td>
<td>0.08</td>
<td>12</td>
</tr>
</tbody>
</table>

**Notes:** *p < 0.10, **p < 0.05, ***p < 0.01; ***p < 0.01; 1. LB and UB are lower bound and upper bound of the confidence interval respectively. K stands for number of assessments included and n is the cumulative sample size.

**r** stands the effect size.
### Table 3 Future research questions

<table>
<thead>
<tr>
<th>Complementing research landscape of FS performance in Asia</th>
<th>Theoretical perspectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do the relationships between partners (e.g., resource complementary and goal similarity) influence FS performance for MNEs from Asia and within Asia?</td>
<td>Does the country of origin of an Asian MNE influence FS performance in the presence of historical rivalry between Asian countries?</td>
</tr>
<tr>
<td>Does the country of origin of an Asian MNE influence the ease of access to Western or other Asian markets?</td>
<td>How do technological resources owned by the FS influence FS performance in the context of FDI within Asia?</td>
</tr>
<tr>
<td>Is the pattern of entry-mode choice different for MNEs within Asia versus MNEs to Asia?</td>
<td>How does institutional distance influence FS performance for MNEs to Asia?</td>
</tr>
<tr>
<td>How do control and autonomy decisions made by the parent firm influence FS performance of FDI within Asia?</td>
<td></td>
</tr>
<tr>
<td><strong>Underexplored areas</strong></td>
<td><strong>Theoretical perspectives</strong></td>
</tr>
<tr>
<td>How do the characteristics of top management influence a firm’s decision to internationalize and FS performance?</td>
<td>Upper echelons theory</td>
</tr>
<tr>
<td>Is FS performance influenced by sister subsidiaries in the same portfolio of the MNE, and if so, how?</td>
<td>Real-option theory</td>
</tr>
<tr>
<td>How do FS adopt non-market strategy to achieve legitimacy in host markets with different institutional environment?</td>
<td>Portfolio view of MNE</td>
</tr>
<tr>
<td>How do FS as institutional entrepreneurs shape the host-country institutional environment?</td>
<td>Stakeholder theory</td>
</tr>
<tr>
<td></td>
<td>Institutional theory</td>
</tr>
<tr>
<td></td>
<td>Institutional entrepreneurship</td>
</tr>
</tbody>
</table>
**Tao Bai** (PhD, Tsinghua University) is Lecturer of Strategy and International Business at International Business School at Xi’an Jiaotong-Liverpool University. His research interests are internationalization strategy, non-market strategy with the focus on emerging markets.

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**Angelo M. Solarino** (PhD, City University of Hong Kong) is an assistant professor in International Business at the University of Leeds. Angelo is interested in the relationship between institutions and firms’ operations, and in corporate governance topics associated with the ownership of the MNE. His research has been published in *Journal of Management* and *Corporate Governance: An International Review*, among others. Angelo is also interested in methodologies for cross-country studies.