

**STRATEGIC LEADERS IN MULTINATIONAL ENTERPRISES:  
A ROLE-SPECIFIC MICROFOUNDATIONAL VIEW AND RESEARCH AGENDA**

**Dimitrios Georgakakis**

University of York, School for Business and Society  
YO10 5ZF, York, United Kingdom  
[dimitrios.georgakakis@york.ac.uk](mailto:dimitrios.georgakakis@york.ac.uk)

**Mads E. Wedell-Wedellsborg**

Henley Business School, University of Reading  
RG6 6UD, United Kingdom  
[madsemil.wedell-wedellsborg@henley.ac.uk](mailto:madsemil.wedell-wedellsborg@henley.ac.uk)

**Tommaso Vallone**

Henley Business School, University of Reading  
&  
Politecnico di Milano  
[vallone92@gmail.com](mailto:vallone92@gmail.com)

**Peder Greve\***

Henley Business School, University of Reading  
RG9 3AU, United Kingdom  
[peder.greve@henley.ac.uk](mailto:peder.greve@henley.ac.uk)

\*Corresponding author

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**ABSTRACT**

Strategic leadership research in the field of international business (IB) explains how the actions and outcomes of multinational enterprises (MNE) vary with the attributes and interactions of their key decision-makers – i.e., their strategic leaders. Yet, whilst the importance of strategic leadership has gained momentum in IB, we lack a systematic understanding of the roles that strategic leaders enact in the MNE context. This omission is critical, as understanding the distinctive roles of IB decision-makers is a key prerequisite for establishing uniqueness in this emerging research field. In this study, we elaborate on the theoretical foundations of five IB strategic leadership roles and outline how the MNE context fundamentally shapes their uniqueness. Our perspective presents each of the five roles as distinctly shaped by two core microfoundational processes – *bounded rationality* (BRat) and *bounded reliability* (BRel) – which intensify the challenges facing MNE strategic leaders in their role enactment. Acknowledging that IB strategic leaders perform multiple roles simultaneously and interdependently, we conclude with an overall synthesis and guide for future research that moves toward a multi-role and multi-level understanding of IB strategic leadership.

**Keywords:** multinational enterprise, strategic leadership; top management teams; bounded rationality; bounded reliability

## INTRODUCTION

Understanding the distinct roles of key decision-makers in multinational enterprises (MNE) is a topic of increasing importance. Indeed, prominent international business (IB) scholars have recognized that many of the core theories of the MNE are “essentially theories of managerial choice” (Buckley, Chen, Clegg and Voss, 2016: 139), and thus, understanding the roles and micro-processes through which decision makers influence MNE actions and outcomes over time is needed to advance knowledge in the IB field (Contractor, Foss, Kundu and Lahiri, 2019; Kano and Verbeke, 2019). In this regard, the *microfoundational view of IB* has emerged as a comprehensive conceptualization with the aim to move IB conceptual focus from a predominant macro-level logic to a more dynamic micro-level rationale (Foss and Pedersen, 2019; Kano and Verbeke, 2019; Narula, Verbeke and Yuan, 2021; Surdu, Greve and Benito, 2021). This view implies that managerial decisions and actions in MNEs reflect the attributes and interactions of IB strategic leaders – defined as the individual top managers<sup>1</sup> who “guide organizations that span diverse countries [...] and cultures” (Gregersen, Morrison and Black, 1998: 23) to “enhance global reputation and produce [MNE] competitive advantage” (Petrick, Scherer, Brodzinski, Quinn and Ainina, 1999: 58). By adopting a microfoundational focus, a range of studies have shown that IB strategic leaders impact a variety of MNE strategic outcomes – including strategic change (Le and Kroll, 2017), novelty in foreign expansion (Barkema and Shvyrkov, 2007), internationalization speed (Mohr and Batsakis, 2019), and foreign market entry decisions (Nielsen and Nielsen, 2011).

Yet, even though the importance and distinct nature of IB strategic leadership has been gaining momentum, scholars have regarded this area of research as being subject to a “*false uniqueness bias*” – i.e., the tendency to believe that one’s own field of research is unique without an established theoretical justification of this assumption (Aguinis and Gabriel, 2021: 1). In a recent critique, Casson and Li (2022) reflected on the uniquely complex nature of IB. They highlighted the need for IB scholars to justify uniqueness in their theorizing, by articulating how constructs adopted from other disciplines become more complex when their ‘*international*’ dimension is taken into consideration. Indeed, the importance of justifying uniqueness has been reflected in recent integrative efforts in IB strategic leadership. For example, Cuypers, Patel, Ertug, Li and Cuypers (2021) and

Ponomareva, Uman, Bodolica and Wennberg (2022) acknowledged in their reviews that further conceptual development is required to address the following two questions: (a) ‘*what do strategic leaders do in their unique roles at the apex of MNEs (and how does this differ from non-international settings)?*’, and (b) ‘*how is the enactment of IB strategic leadership roles uniquely influenced by microfoundational processes?*’. Without addressing these questions, conceptual uniqueness is unlikely to be established in this burgeoning research field, reducing its distinct value and contribution.

Motivated by this premise, the aim of this study is to categorize and develop the *distinct roles of IB strategic leaders* by outlining how the MNE context fundamentally shapes their uniqueness. Building on recent developments in the strategic leadership literature on the generic roles of top managers in large organizations (i.e., Georgakakis, Heyden, Oehmichen and Ekanayake, 2022; Samimi, Cortes, Anderson and Herrmann, 2022), as well as our comprehensive examination of nearly four decades of IB strategic leadership research from 1984 to 2022 (see Appendix for details), we elaborate on five distinct IB strategic leadership roles: (1) *making international strategic decisions*; (2) *acting responsibly and responding to international external stakeholder demands*; (3) *managing international human resources by staffing, leading, motivating, and influencing an international workforce*; (4) *spurring international innovation across the MNE*; and (5) *managing conflicting global integration and local responsiveness demands*. These roles are central in the IB context, as they conjointly represent the variety of tasks that top managers engage with to fulfil their duties at the apex of MNEs – reflecting the multiplicity and multiplexity of leading an international organization strategically (Eden and Nielsen, 2020).

Integrating our conceptualization of top managers’ roles in MNEs with prior work on IB microfoundations, we argue that these IB strategic leadership roles are enacted distinctly in the MNE context through the two core microfoundational processes of *bounded rationality* (BRat) and *bounded reliability* (BRel). We focus on these two microfoundational processes as they are widely regarded as the main “conceptual approaches available for studying the distinct facets of the MNE” (Kano & Verbeke, 2019: 119). While BRat refers to decision makers’ limited ability to obtain and process complete information when forming managerial choices (Hambrick & Mason, 1984), BRel refers to their “scarcity of effort to make good on open-ended promises” – either due to direct opportunism or

unintentional deceit (Kano and Verbeke, 2019: 120). While these two processes also exist in generic and non-international managerial settings, they intensify in the IB context due to the cross-border informational limits and reliability constraints that occur as the firm becomes increasingly international – thereby uniquely affecting the challenges facing top managers in their role enactment. As argued by Rugman, Verbeke and Nguyen, when a firm becomes more international, “it becomes more difficult for senior MNE managers at the head office to understand critical success factors and to act upon related challenges (a *bounded rationality* problem). It also becomes more difficult to engage in proper monitoring and correction of human behavior [...]; a *bounded reliability* problem” (2011: 770).

Based on this, we argue that the uniqueness of IB strategic leadership emerges from the increasing BRat and BRel challenges that occur as the firm internationalizes (Rugman et al., 2011) – raising the job demands facing top managers at the helm of the MNE, and calling for the establishment of multilevel strategic leadership interfaces to ensure successful role enactment. As Figure 1 shows, our perspective suggests that such heightened BRat and BRel processes in the MNE context uniquely influence (a) how the five IB strategic leadership roles are enacted to impact MNE strategic and performance outcomes in response to contextual demands, i.e., role enactment, and (b) the way in which strategic leaders at the firm’s headquarters interpret MNE outcomes and context to, in turn, allocate the five IB strategic leadership roles across different levels of the MNE’s strategic leadership cadre (e.g., between headquarters and subsidiaries), i.e., role taking<sup>2</sup>. Such bounds in role taking and role enactment help to explain why MNE actions and outcomes change over time based on their top managers’ limited rationality and reliability (for an overview of each of the five roles and their multilevel assumptions, see Table 1). In our synthesis, we acknowledge that while each of the five IB strategic leadership roles stands on their own, MNE strategic leaders often enact multiple roles simultaneously and interdependently across different levels of the MNEs’ managerial cadre. As such, we conclude with an overall synthesis and guide for future research that moves toward a ‘multi-role’ and ‘multi-level’ understanding of the unique nature of IB strategic leadership.

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## **MICROFOUNDATIONS IN INTERNATIONAL BUSINESS: BOUNDED RATIONALITY AND BOUNDED RELIABILITY**

The microfoundational lens of IB embraces the notion that the causes of complex and macro-level phenomena can be understood by focusing on a level lower than the one in which these phenomena occur (Contractor et al., 2019). For example, to understand how MNEs develop – or fail to develop – firm-specific advantages (FSAs), scholars should focus on the individual decision-making actors that influence MNE actions through interactive and interdependent micro-level processes (Foss and Pedersen, 2019; Kano and Verbeke, 2019; Narula et al., 2021). The vantage point of the IB microfoundational lens is, therefore, that it helps IB conceptualizations "to put dynamics centrally in their epistemology [by] dynamizing essentially static theories to focus more on how specifically [MNE] behaviors change over time" (Surdu et al., 2021: 1047).

Dynamizing IB theory through a microfoundational lens, however, first requires an appreciation of how individual actors in a complex MNE system interactively and distinctly enact their unique roles when dealing with international complexity – as well as how this multi-role enactment is influenced by their rationality and reliability limits, which tend to be more pronounced at higher levels of internationalization (Rugman et al., 2011). In this regard, BRat and BRel have been considered as two main “conceptual approaches available for studying the distinct facets of the MNE” (Kano & Verbeke, 2019: 119) and, more specifically, the bounds of rationality and reliability through which IB decision makers interactively influence MNE managerial choices (Hambrick, 2007; Narula et al., 2021; Verbeke and Greidanus, 2012). As such, BRat and BRel are widely applicable microfoundational processes that influence how MNEs are led – i.e., they can act as (a) determinants of how roles are distributed among top managers at different levels of the MNE, and (b) intervening processes through which roles are enacted to influence MNE actions and outcomes. Understanding the various and distinct roles that IB strategic leaders adopt in dealing with the MNE’s unique complexity, as well as how the enactment of such roles is shaped by distinctly elevated BRat and BRel processes, is therefore essential to appreciate how variations in MNE strategic behavior occur over time. Below, we discuss the notions of BRat and BRel in detail, and link them with the notion of IB strategic leadership.

### **Bounded Rationality and the MNE Context**

Originating from the Carnegie school and the behavioral theory of the firm (March and Simon, 1958), the notion of BRat implies that economic actors make rational choices, *but only boundedly so* (Child, 1972; Cyert and March, 1963). In contrast with neoclassical rational choice theory, BRat suggests that individuals have a limited capacity to comprehend information in their environments, and thus, they are unable to make optimal choices that entirely account for this complexity (Simon, 1982).

Considering the unique process complexity characterizing the MNE's managerial context (see e.g., Casson and Li, 2022; Eden and Nielsen, 2020; Rugman et al., 2011), BRat processes can be expected to distinctly impact IB strategic leaders' role adoption and enactment at the apex of the MNE. Indeed, Kano and Verbeke (2019: 120) argue that due to the various sources of distance facing MNE managers, two additional sources of BRat emerge in the MNE context: (a) the "*multifacetedness of information*" where different actors in the MNE's network select different sets of information to make managerial choices, and (b) the "*divergence in judgement*" where different actors interpret identical information differently. Given the distinct impact of BRat on economic actors in MNEs, it is a key element in our understanding of IB strategic leadership roles – and how these roles are uniquely shaped and enacted in complex international managerial systems.

### **Bounded Reliability and the MNE Context**

The notion of BRel emphasizes that "economic actors are intendedly reliable, but only boundedly so" (Kano and Verbeke, 2019: 120). This concept was first discussed by Rugman and Verbeke (2005), and later refined by Kano and Verbeke (2015), who proposed three sources of BRel: (a) *opportunism*, (b) *benevolent preference reversal*, and (c) *identity-based discordance*.

*Opportunism* occurs when one party exercises its role driven by self-interest (Kano and Verbeke, 2015). *Benevolent preference reversal* refers to the unintentional deceit associated with an economic actor's failure to meet an open-ended commitment. Benevolent preference reversal can occur in two forms: either when individuals or groups make open-ended commitments in good faith, albeit with a diminishing intention to fulfill these commitments over time due to repeated reversals of preference, or by making unrealistic ex ante commitments in good faith, but eventually failing to

fulfill such commitments ex post (Kano and Verbeke, 2015). Given the limited ability of MNE strategic leaders at the firm's headquarters to closely monitor managerial efforts in foreign, and often geographically and institutionally distant locations, benevolent preference reversal is likely to heighten in the MNE context (Kano and Verbeke, 2019). Finally, *identity-based discordance* is when economic actors fail to deliver commitments due to their conflicting identities. This can occur when different and well-intended actors identify with conflicting purposes, resulting in contestation between them that hamper the achievement of higher-level and collective organizational goals (referred to as *divided engagement* by Kano and Verbeke [2015]). Due to the continuously changing nature of the MNE context (Surdu et al., 2021), as well as the divergent identification of human actors with the foreign unit in which they are embedded (Ambos, Fuchs and Zimmermann, 2020), the threat of identity-based discordance increases in more international MNE contexts (Kano and Verbeke, 2019).

Given that BRel processes are likely to have a greater impact at more international firms (Rugman et al. 2011), it is crucial to understand the role interfaces that MNE strategic leaders develop to handle and mitigate BRel processes. This can help to dynamize IB theory (Surdu et al., 2021) by considering MNE bounds and actions through the lens of interfacing actors across different managerial levels (e.g., headquarters and subsidiary levels of leadership). It will also help to expand extant theory on strategic leadership interfaces (Georgakakis et al., 2022) by conceptualizing how these interfaces unfold in the MNE context.

## **STRATEGIC LEADERSHIP ROLES AND INTERFACES IN THE MULTINATIONAL ENTERPRISE**

The *strategic leadership interfaces* perspective is an advanced conceptualization that aims to clarify the various roles and micro-interactions through which strategic leaders influence organizations – and thereby cover conceptual gaps in upper echelon research (for recent work on strategic leadership interfaces, see Georgakakis et al., 2022; Georgakakis and Buyl, 2020; González and Greve, 2022; Heyden, Fourné, Koene, Werkman and Ansari, 2017; Kalogeraki and Georgakakis, 2022; Simsek, Heavey and Fox, 2018; Van Doorn, Heyden, Reimer, Buyl and Volberda, 2022). Building on the central tenets of role theory (Biddle, 1986), the strategic leadership interface



perspective suggests that top managers enact multiple roles as they strategically lead an organization and its various units, and that the interactive and interdependent enactment of these roles translates into organizational actions and outcomes (Georgakakis et al., 2022). In their effort to clarify ‘what is strategic leadership’, Samimi et al. (2022) developed a taxonomy of eight ‘generic’ strategic leadership roles, namely: making strategic decisions; engaging with external stakeholders; performing human resource management activities; motivating and influencing; managing information; overseeing operations and administration; managing social and ethical issues; and managing conflicting demands. Building on this, we argue that the unique complexity of the MNE’s context (Casson and Li, 2022; Eden and Nielsen, 2020; Rugman et al., 2011) demands a further specification and re-consideration of the distinct roles of top managers in MNEs. Indeed, the importance of role-contextualization has been highlighted by recent developments in the strategic leadership literature, calling for context-specific considerations in understanding top managers’ role arrangements and their enactment (Georgakakis et al., 2022).

As such, we comprehensively examined the extant IB strategic leadership literature (see Appendix) with the aim to understand and specify the strategic leadership roles of top managers inhabiting the MNE’s multi-level leadership ranks. Our consideration of Samimi et al.’s (2022) generic functions of strategic leaders, along with our comprehensive examination of the IB strategic leadership literature, led to the development of five IB strategic leadership roles (see Table 1). First, the role of *making international strategic decisions* reflects how MNE strategic leaders shape strategic choices by considering the MNE’s dynamic and multiplex global system. In shaping international strategic choices, top managers are required to absorb and process multi-directional and fluid information across international contexts. This generates high levels of complexity and requires the handling of multiplex environmental stimuli at the time of strategic decision making (Vallone, Elia and Greve, 2022) – with a resulting impact on BRat and BRel processes. As Ambos, Andersson and Birkinshaw (2010: 1101) commented, due to the considerable decision-making complexity facing MNEs “we cannot assume that corporate headquarters are fully in control of all decisions across the MNE.” As such, this role becomes distinctly pronounced in IB settings, reflecting the challenges

facing MNE decision makers as they analyze and interpret complex information in shaping international managerial choices (see Table 1).

Second, studies show that external stakeholders' demands and expectations regarding social responsibility vary significantly across the MNEs' operating environments (e.g., Asmussen and Fosfuri, 2019; Crilly, 2011; Husted and Allen, 2006). To reflect this aspect, the role of *acting responsibly and responding to international external stakeholder demands* was formed. This role consolidates Samimi et al.'s (2022) functional tasks of "engaging with external stakeholders" and "managing social and ethical issues" – reflecting the distinct requirement of MNE strategic leaders to simultaneously respond to diverse international stakeholder demands whilst concurrently attending to different social responsibility standards across institutional contexts (Husted and Allen, 2006). Compared to domestic organizational settings, the uniqueness of this role emerges from the diverse requirements of the firm to meet context-specific (e.g., home and host) socio-political expectations – whilst simultaneously retaining alignment with corporate goals for international social performance (Kolk and van Tulder, 2010).

Third, the generic strategic leadership functions of 'managing human resource management activities' and 'motivating and influencing' (Samimi et al., 2022) were consolidated in the role of *managing international human resources by staffing, leading, motivating, and influencing an international workforce*. Indeed, IB studies have argued that staffing, leading, motivating, and influencing are all components of the broader strategic international human resource management concept in MNEs. In this role, IB strategic leaders select, motivate and influence an international workforce to establish corporate identification and promote knowledge transfer across foreign units – thereby developing FSAs that enhance the MNE's competitive advantage (Taylor, Beechler and Napier, 1996). As Minbaeva, Pedersen, Björkman, Fey and Park (2014: 42) highlighted, "high performance work practices" in international organizations link directly to the motivation of a cross-cultural workforce and the ability of global leaders to generate knowledge advantages for the MNE (see also: Reiche, Bird, Mendenhall and Osland, 2017). Compared to domestic organizational settings, this role is distinct insofar as it reflects the unique challenge of aligning the MNEs' international human resources with corporate goals – as well as the multiplexity of leading and motivating an

international workforce with diverse cultural expectations of leader-member behavior (Edwards, Sánchez-Mangas, Jalette, Lavelle and Minbaeva, 2016).

Fourth, due to the geographical spread of MNE operations, IB strategic leaders act as boundary spanners promoting knowledge exchange and innovation throughout the MNE – thereby driving the development of new FSAs and enhancing competitive advantage (Foss and Pedersen, 2019; Athanassiou and Nigh, 2000). This gives rise to the IB strategic leadership role of *spurring international innovation across the MNE*. In this role, MNE strategic leaders oversee the creation of knowledge across geographically distributed units, as well as administering, processing, and absorbing international information throughout the MNE (Criscuolo, Narula and Verspagen, 2005; Narula and Zanfei, 2005). This extends Samimi et al.'s (2022) roles of managing and absorbing information by overseeing administration – highlighting the key notions of innovation dissemination and knowledge transfer in MNEs (Foss and Pedersen, 2019). This role reflects the tacit knowledge and multiplexity of networks required for MNE leadership to promote innovation across geographical locations (for exemplary studies, see: Boone, Lokshin, Guenter and Belderbos, 2019; Nuruzzaman, Gaur and Sambharya, 2019; Tallman and Chacar, 2011; Zhang, Sharma, Xu and Zhan, 2021). The requisite tacit knowledge is typically developed and exchanged at the interface of headquarters- and subsidiary-based decision making actors – which in turn aggregate to the overall absorptive capacity of the MNE (Yin and Bao, 2006).

Fifth, studies have shown that a critical task of IB strategic leaders is to deal with the conflicting demands of global integration and local responsiveness (see e.g., Elron, 1997; Rickley, 2019). Balancing the global-local duality is associated with the development of international dynamic managerial capabilities (Tasheva and Nielsen, 2022), which are borne out of MNE leaders' concurrent focus on global and local demands (Morris, Hammond and Snell, 2014). Hence, the final IB strategic leadership role is defined as *managing conflicting global integration and local responsiveness demands*. This role reflects IB strategic leaders' multiplexity in establishing coordination and asset orchestration across home- and host-country contexts (e.g., Elron, 1997; Rickley, 2019) – specifying how the notion of conflicting demands distinctly unfolds in the IB context.

Table 1 provides an overview of the five IB strategic leadership roles, as well as a set of representative studies for each role. We also specify the unique BRat and BRel processes that emerge when firms become more international (Rugman et al., 2011) – thereby raising the challenges facing strategic leaders in role taking and role enactment. We argue that to adequately conceptualize the latter (i.e., role enactment), a conceptual shift is needed from a simple ‘unitary-level’ perspective (i.e., top managers at headquarters) to a multilevel strategic leadership interface perspective in the context of MNEs. Our multilevel interfaces perspective implies that IB strategic leadership is enacted via a variety of multilevel interactions of role-interdependence among managerial actors at different levels of the MNE – and through more complex interfacing processes than those existing in domestic organizations. Below, we discuss each of the five roles and elaborate on how more complex BRat and BRel processes lead to multilevel interfaces in IB strategic leadership.

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### **Making International Strategic Decisions**

Strategic leaders at MNEs make a variety of international strategic choices that need to account for the MNE’s multiplicity of information and multiplexity of interactions in a dynamic global economic system (Dunning, 1998; 2009; Eden and Nielsen, 2020). The uniqueness of this role pertains to: (a) the decision-making uncertainty occurring from the limited capacity of strategic leaders at the MNE’s headquarters to absorb and process context-specific information from a variety of institutional environments (leading to heightened BRat challenges) (Rugman et al., 2011; Kano and Verbeke, 2018); and (b) the causal ambiguity emanating from the limited ability of strategic leaders at the MNE’s headquarters to closely monitor managerial effort in foreign subsidiaries (leading to heightened BRel challenges) (Verbeke and Greidanus, 2012).

With regard to BRat, as firm internationalization increases and information becomes more diverse and disconnected (Rugman et al., 2011), strategic leaders at the MNE’s headquarters are increasingly relying on interfaces with foreign-subsidary levels of strategic leadership in order to handle the vast amounts of information associated with international strategic decision making (Elron,

1997; Kano and Verbeke, 2018). In such contexts, corporate-level MNE top managers are likely to either semi-decentralize decision making (Ambos et al., 2010) or seek tacit-knowledge advice and context-specific information from subsidiary-level units to buffer BRat challenges and make higher-quality strategic choices (Athanassiou and Nigh, 2000; 2002). Yet, when such decision making interdependencies are established at the interface between different levels of the MNE (see also Table 1), unique BRat processes emerge due to: (a) *multi-facetedness of information* where strategic leaders at different levels focus on different sets of information in setting strategic priorities, and (b) *divergence in judgment* (Kano and Verbeke, 2018) where top managers at different levels (e.g. headquarters and foreign subsidiaries) interpret identical information differently when analyzing strategic options. Such different interpretations of information across contexts of embeddedness may cause decision diversion in role enactment (Cannella and Georgakakis, 2017; Riviere, Bass and Andersson, 2021). Hence, distinct BRat processes make the decision-making role of IB strategic leaders unique, distinctly more challenging, and subject to uniquely complex multilevel interdependencies compared to domestic settings.

Further, *regarding BRel*, the need to establish multilevel interdependencies between strategic leaders at the headquarters and foreign subsidiaries raise reliability challenges in MNE strategic decision making (Rugman et al., 2011). According to Ambos et al. (2010: 1101), due to the considerable complexity of MNE decision-making, “we cannot assume that corporate headquarters are fully in control of all decisions across the MNE.” In such contexts, foreign subsidiary leaders are likely to benefit from information asymmetry to shape decisions that meet subsidiary-specific goals whilst conflicting with the MNE’s overall strategic orientation (Lee, 2022). For example, the information advantage that MNE subsidiary managers have over strategic leaders at corporate headquarters regarding the local context, including their tendency to identify with the unit in which they are embedded (Yamin and Andersson, 2011), may lead to *identity-based discordance*. In such a scenario, subsidiary leaders may emphasize foreign-unit priorities when making strategic choices and disregard – either intentionally or unintentionally – corporate-level goals. This would further emphasize the informational and reliability limits of IB strategic decision making – thus requiring

multilevel structures of corporate identification and interdependence to ensure successful role enactment.

### **Acting Responsibly and Responding to International External Stakeholder Demands**

Another distinct role of IB strategic leaders is to respond to ambiguous external stakeholder demands across geographical and institutional contexts (Husted and Allen, 2006; Pisani, Kourala, Kolk and Meijer, 2017). This role is strategic in nature, as meeting international stakeholder expectations and acting responsibly across institutional environments enable MNEs to safeguard their international reputation (Hall and Vredenburg, 2005). Given that stakeholder expectations vary widely across countries, regions, and institutional environments (Rugman and Verbeke, 2004), strategic leaders at MNE headquarters are often required to act upon limited context-specific information – thus raising *BRat challenges*. This is likely to cause increasing ambiguity in MNEs' responses to the different, and often conflicting, stakeholder expectations across contexts (Escobar and Vredenburg, 2011). In addition, it often leads to the development of standardized global strategies that may fail to attend to host-country specific stakeholder demands – thereby posing a risk to reputation in the local context (Crilly, 2011).

For example, in a comparative analysis of MNE subsidiaries in Taiwan and Thailand, Dahms, Kingkaew and Ng (2022) found that standardized social responsibility strategies developed by strategic leaders at the MNE's headquarters do not have a uniform impact on subsidiary-level performance. Relatedly, Reimann, Rauer and Kaufmann (2015) stressed that when the administrative distance (in terms of political, regulatory, and social dimensions) between home and host-country is high, headquarters leadership may fail to realize stakeholder expectations in the foreign context – which in turn may result in under-investment and deviance from host-country socio-political institutions. Meanwhile, studies have also highlighted that many MNEs adopt country-specific approaches to address stakeholders' socio-political demands (Rodriguez, Siegel, Hillman and Eden, 2006), where subsidiary-level strategic leaders interact with corporate headquarters to ensure successful role enactment. Asmussen and Fosfuri (2019), for example, developed a game-theoretical model to demonstrate the challenges that MNE strategic leaders face when implementing global CSR

strategies – stressing that without coordination with local subsidiary management, such globally-standardized efforts often clash with the corporate MNE’s international reputation. As such, distinct BRat processes make this role of IB strategic leaders unique and dependent on multilevel interfaces between the headquarters and foreign subsidiary levels of strategic leadership.

At the same time, headquarters-subsidiary strategic leadership interfaces may give rise to a concurrent set of *BRel challenges*. For example, subsidiary-level managers may over-emphasize the local context and respond more readily to the local stakeholder expectations in which they are embedded – thus they may fail to consider and meet the overall social responsibility objectives of the MNE (Hillman and Wan, 2005). Indeed, Surroca, Tribó and Zahra (2013) found that if MNE subsidiary top managers enjoy high levels of autonomy, they are more inclined to be influenced by their embeddedness in the local context – and thus have a higher propensity to engage in social irresponsibility practices that contradict with corporate goals and potentially hurt MNE international reputation. The authors stressed that strategic leaders at MNE headquarters need to establish information exchange and communication structures with foreign unit leaders to ensure corporate social performance across contexts and to safeguard the MNE’s reputation at both local and international levels. Adopting a multilevel strategic leadership interfaces perspective in the context of IB can, therefore, help to advance our understanding of how strategic leaders from across the MNE’s hierarchy conjointly economize on BRat and BRel processes to respond to international external stakeholder demands and enhance MNE social performance. We further reflect on this aspect in our synthesis and future research agenda.

### **Managing International HR by Staffing, Leading, Motivating, and Influencing an International Workforce**

Managing international human resources (HR) is an important role for IB strategic leaders – where BRat and BRel processes can help to explain “the underlying causes of talent management failure in MNEs” (Mellahi and Collings, 2010: 144). The diverse performance reference levels across institutional environments (Surdu et al., 2021) make it more difficult for strategic leaders at MNE headquarters to obtain information about the performance and leadership potential of talented

individuals in foreign and distant subsidiary locations (Georgakakis, Dauth and Ruigrok, 2016). This leads to a greater reliance on information obtained from the heads of foreign units when considering the development and promotion of key international talent to leadership posts at headquarters. However, given that strategic leaders at the MNE's foreign subsidiaries are generally rewarded (or penalized) for subsidiary-unit performance (Roth and O'Donnell, 1996), they may decide not to share information with corporate headquarters about their most talented individuals in order to retain them in the foreign unit and focus on subsidiary-level performance goals (as a result of BRel and asymmetric information between a foreign subsidiary and headquarters) (Cappelli, 2008). Hence, as the MNE's workforce becomes more geographically dispersed and diversified, *BRat and BRel challenges* may impede the ability of strategic leaders at MNE headquarters to obtain complete information and utilize global talent in a way that best serves the overall objectives of the MNE (Minbaeva and Collings, 2013).

Further, in the context of MNEs, the notion of leadership style becomes more complex (Treviño and Doh, 2021), mainly due to the diverse cross-cultural leadership expectations of individuals across different cultures and country environments (Reiche et al., 2017). Indeed, scholars have demonstrated that leadership style preferences vary widely across cultures (House, Javidan, Hanges and Dorfman, 2002). Due to varied leadership expectations across geographically and culturally dispersed foreign units, BRat may prevent strategic leaders at MNE headquarters from adequately appreciating the diverse leadership-related preferences of the firm's international workforce (Rockstuhl, Dulebohn, Ang and Shore, 2012). Further, due to the challenge of monitoring individual behavior in culturally and geographically distant contexts, it is more likely that foreign subsidiary leaders choose to adopt a leadership orientation that meets the demands of subsidiary-unit level employees and motivates talented individuals to identify with local subsidiary objectives – rather than with the overall objectives of the MNE. This may foster BRel in the form of *identity-based discordance* between headquarters and foreign subsidiary levels of leadership (Kano and Verbeke, 2018) – which may, in turn, generate tensions between the subsidiary unit leadership orientation and the MNE's overall corporate culture (Li and Lee, 2015). As such, understanding how leader-member exchange evolves across the MNE's strategic leadership levels can help to understand how



international organizations facilitate the absorption and transfer of knowledge between foreign units as a potential source of firm-specific competitive advantages.

### **Spurring International Innovation Across the MNE**

MNEs are sources of global innovation that create and diffuse novel practices (e.g., new technologies, product development, and process innovation) across their foreign units (Criscuolo et al., 2005; Narula and Zanfei, 2005). A key role of IB strategic leaders is, therefore, to facilitate innovation through the integration, diffusion, and absorption of knowledge across the MNE (Boone et al., 2019; Nuruzzaman et al., 2019; Zhang et al., 2021). In enacting this role, IB strategic leaders are required to evaluate and control whether and how tacit knowledge of innovative practices is shared between foreign subsidiaries and MNE headquarters (Nuruzzaman et al., 2019; Zhang et al., 2021). This process is distinctly influenced by BRat and BRel challenges in the enactment of strategic leadership roles. Namely, BRat and BRel can act as boundary conditions or as mediating processes that determine the impact of strategic leaders' role enactment on the relationship between MNE innovation and key organizational outcomes (e.g., performance).

With regard to BRat, studies have shown that decision makers at MNE headquarters often lack context-specific knowledge of how innovative practices are likely to impact foreign subsidiary performance (Nair, Demirbag and Mellahi, 2016). Indeed, Ciabuschi, Forsgren and Martín (2012) found that MNE headquarters' involvement in foreign subsidiary innovation processes may negatively affect foreign unit performance – due to corporate-level strategic leaders' failure to understand the context-specific application of innovative practices. In this regard, strategic leadership scholars have focused on the attributes and managerial capabilities that enable IB strategic leaders to mitigate BRat in their enactment of MNE innovation leadership roles (Tasheva and Nielsen, 2022). For example, Nuruzzaman et al. (2019) found that prior MNE work experience allows strategic leaders to act as 'boundary spanners' by drawing on their international experience to understand the requirements of different contexts – and thereby successfully transfer tacit knowledge and innovation across the MNE.

At the same time, the ability of strategic leaders at MNE headquarters to disseminate innovation across foreign units depends on BRel processes – particularly the level of self-interest in

foreign subsidiary strategic leadership and the associated readiness of subsidiary leaders to engage in reverse knowledge transfer. Given that strategic leaders of foreign subsidiary units are often rewarded – or penalized – for their subsidiary unit’s performance (Roth and O’Donnell, 1996), they are less likely to engage in reverse transfer of knowledge and innovation. Instead, they will strive to retain innovative practices at the unit level and thereby ensure performance advantages over other foreign units within the MNE (Meyer, Li and Schotter, 2020). Indeed, Mudambi, Piscitello and Rabbiosi (2014) found that the relationship between subsidiary-unit innovativeness and reverse knowledge transfer (i.e., transfer of tacit knowledge from subsidiary to headquarters) exhibits an inverted U-shaped relationship – where highly innovative foreign subsidiaries engage in less reverse knowledge transfer compared to their moderately innovative counterparts.

Hence, the uniqueness of this strategic leadership role in the IB context emanates from the MNE-specific challenge of ensuring the transfer of innovative practices across geographically dispersed units. To successfully enact the role of spurring international innovation, IB strategic leaders need to be cognizant of the knowledge specificity challenges and reverse incentives associated with BRat and BRel respectively. For example, a company like Siemens has been successful in resolving such challenges by focusing on absorbing knowledge at the local level and transferring it into a system (called TECHNOWEB) that goes through the headquarters, where top managers play a vital role in utilizing the innovative information through their relational capabilities (França, Maccari and da Costa, 2017). By designing this system, strategic leaders have crucially created cross-subsidiary communication capabilities that enable innovation through an interconnected and interdependent subsidiary network.

### **Managing Conflicting Global Integration and Local Responsiveness Demands**

MNEs are required to navigate the concurrent demands of global integration and local responsiveness as they operate and compete at international and local levels simultaneously (Prahalad & Doz, 1987). On the one hand, global integration refers to the need for MNEs to exploit multi-country capabilities to ensure standardization, efficiency, and integration of operations across foreign units (Roth and Morrison, 1990). On the other hand, to respond to local requirements, MNEs must

also consider context-specific demands that impact their operation and performance across different locations (Devinney, Midgley and Venaik, 2000). As the MNE expands its international footprint, IB strategic leaders are likely to be limited in their capacity to optimally balance global integration and local responsiveness – largely due to BRat and BRel challenges in handling the global-local dilemma (Ambos et al., 2020; Verbeke and Yuan, 2005).

Scholars have shown that MNEs attempt to navigate the contradicting duality of global and local demands by promoting dual embeddedness across foreign units – and at the same time by enabling foreign subsidiary managers to pivot between global and local identities (Pant and Ramachandran, 2017). However, when such interplays between headquarters and foreign subsidiaries occur, two overarching issues arise. On the one hand, competing sources of knowledge and information between the headquarters and foreign subsidiaries may generate “*divergence in judgement*” – where headquarters and subsidiaries interpret and process local and international information differently, thus prompting BRat-related tensions in resolving global-local dilemmas (Meyer et al., 2020). Meanwhile, the conflicting demands of foreign subsidiaries and their competing needs for headquarters’ attention (Ambos and Birkinshaw, 2010) may encourage strategic leaders in subsidiary units to limit their global integration efforts – thus causing BRel challenges (Conroy and Collings, 2016). Indeed, studies have shown that foreign subsidiaries often engage in an enduring battle for attention from MNE headquarters – and when they fail in such efforts, they tend to protect local interests rather than facilitating global integration (Conroy and Collings, 2006; Ul Haq, Drogendijk and Holm, 2017).

BRat and BRel processes are, therefore, likely to reduce the MNE’s ability to balance competing global integration and local responsiveness demands (Gong, 2006). Studies suggest that developing strategic leaders’ global mindsets (Murtha, Lenway and Bagozzi, 1998) and matching managerial backgrounds to the relative extent of the firm’s global-local requirements (Greve, Biemann and Ruigrok, 2015; Greve, Nielsen and Ruigrok, 2009) may help to reconcile global integration and local responsiveness pressures through the enactment of strategic leadership roles. For example, when designing subsidiary goals, the ability of an internationally experienced management team at headquarters to balance the dual identities of subsidiaries is crucial to ensure alignment with

the MNE's global integration efforts (Bouquet and Birkinshaw, 2008; Schotter and Beamish, 2011; Surdu et al., 2021). Exploring how multilevel interfaces impact strategic leaders' capacities to simultaneously negotiate global integration and local responsiveness demands is therefore crucial to further enhance knowledge in IB micro-theorizing.

## **SYNTHESIS AND RESEARCH AGENDA**

The conceptual importance of our IB-specific role categorization becomes apparent when considering the recent debate about the uniquely-complex (Casson and Li, 2022; Eden and Nielsen, 2021; Tasheva and Nielsen, 2022) versus falsely-unique nature of IB (Aguinis and Gabriel, 2021). Aguinis and Gabriel (2021) presented evidence suggesting that the IB field positions itself as 'too uniquely-complex' without conceptually justifying this claim, whereas Casson and Li affirmed that the IB field is indeed uniquely-complex – as it not only “synthesizes theory from other disciplines, but also adds an international dimension [to theorizing]” (2022: 10). The authors stressed that IB scholars should focus on justifying IB's uniqueness by explaining how common constructs that are used in other disciplines become distinct when their international dimension is considered.

In this study, we position IB strategic leadership as an emerging research field characterized by what Casson and Li (2022: 4) refer to as unique “process complexity”– defined as “the joint challenges [decision makers face when] managing bounded rationality and unreliability” in international contexts (Eden and Nielsen, 2020: 1613). Our role-specific microfoundational view underscores this “process complexity” by specifying five IB strategic leadership roles, and by articulating how these roles are uniquely influenced by heightened BRat and BRel processes at internationalizing firms (see Table 1). We argue that these elevated BRat and BRel processes are not only intervening factors on the relationship between IB strategic leadership role enactment and MNE outcomes – they also act as predictors of how roles are distributed and assumed (i.e., role taking) in the MNE's multilevel strategic-leadership system (i.e., between headquarters and foreign subsidiary levels of strategic leadership) (see Figure 1 and Table 1). Further, we acknowledge that while each role stands on its own, there are overlaps and interdependencies between them. Hence, we critique existing conceptions of strategic leadership in IB and propose directions for further development

along two main strands: (a) the need to advance knowledge on how IB strategic leadership roles are assumed and enacted to determine MNE actions and outcomes, and (b) the need to consider the notion of role interdependence when developing multilevel theorizing in IB strategic leadership research.

### **Assuming and Enacting IB Strategic Leadership Roles**

In moving toward a systematic understanding of the unique roles of IB strategic leaders, emphasis should first be placed on how these roles are assigned among actors at different layers of the MNE's strategic leadership cadre (Georgakakis et al., 2022). Concerning the role of making international strategic decisions, future research can contribute to new internalization theory (NIT) (Narula and Verbeke, 2015). NIT implies that coordination approaches between MNE headquarters and subsidiary units allow the development of synergies that inform strategic choices and potentially enhance MNE performance (Narula and Verbeke, 2015). Such synergies can help the MNE to adequately respond to external threats and crises (Lee, Yiahiaoui, Lee and Cooke, 2022; Oh and Oetzel, 2022). Connecting NIT to a microfoundational lens (Kano and Verbeke, 2019), future IB strategic leadership studies can examine how the international experience and networks of top managers at headquarters and host-country subsidiaries (Tasheva and Nielsen, 2022) interact to conjointly determine the key actors in MNE strategic decision making (i.e., role taking), as well as how the quality of strategic decisions (i.e., role enactment) impacts MNE outcomes (for an exemplary study, see Athanassiou and Nigh, 2002). Such an approach may advance NIT by revealing how IB strategic decision makers “economize on bounded rationality” to shape the quality of strategic choices that enhance MNE performance (Narula and Verbeke, 2015: 615).

More specifically, one could argue that CEOs and other top managers at MNE headquarters who possess international human and social capital are more likely to realize the importance of context-specificity in IB decision making (i.e., understand their BRat limits and overcome them by consulting with foreign subsidiary leaders when forming context-specific managerial choices). This may lead to greater involvement of foreign subsidiary managers in international strategic decision making – with the purpose of economizing on BRat and improving the overall quality of strategic decisions. Conversely, it could be argued that internationally experienced strategic leaders at MNE

headquarters may have the confidence to rely on their own experience to independently shape critical strategic choices – thereby reducing the involvement of sub-unit actors in international strategic decision making and economizing on BRel. To shed further light on how the BRat and BRel processes interact, future studies may adopt a *qualitative comparative analysis* (QCA) technique (Fainshmidt, Witt, Aguilera and Verbeke, 2020), which enables more in-depth consideration of the causally-complex construct of headquarter-subsidiary coordination in international strategic decision making – e.g., in terms of interaction frequency and input quality (Wooldridge and Floyd, 1990; Van Doorn, Georgakakis, Oehmichen and Reimer, 2022). This approach will enable IB scholars “to more adequately theorize and empirically examine causal complexity” (Misangyi, Greckhamer, Furnari, Fiss, Crilly and Aguilera, 2017: 257) and thereby gain a deeper understanding of how decision-making roles are assumed and allocated between MNE headquarters and foreign subsidiary levels of strategic leadership.

Further, IB scholars have highlighted the challenge of leading a socially responsible global business that gains and retains legitimacy across foreign locations with different societal norms and business practices (Buckley, Doh and Benischke, 2017; Mithani, Narula, Surdu and Verbeke, 2022; Narula et al., 2021). To address this challenge, future studies can *inter alia* contribute to the emerging research on international corporate social irresponsibility (see e.g., Nardella and Brammer, 2021) by examining why some IB strategic leaders lean toward entering host countries with high corruption levels or use foreign locations to engage in irresponsible business practices. This can be further extended to study how strategic leadership interfaces shaped by BRat and BRel affect social (ir)responsibility outcomes in MNEs. Rabbiosi and Santangelo (2019) found that decentralization and foreign subsidiary autonomy in host countries with high corruption minimizes MNE legitimacy costs – and that headquarters-subsidiary communication may reduce such subsidiary-autonomy advantages. From a BRel perspective, foreign subsidiary autonomy can increase the likelihood of opportunism in the host country and may lead to “divided engagement at a subsidiary level due to isomorphism conflict” between the local subsidiary and headquarters (Kano and Verbeke, 2019: 125). Future studies can build on the qualitative approach of Rabbiosi and Santangelo (2019) to further investigate how the international experience and global networks of strategic leaders at MNE headquarters

promote a deeper understanding of local challenges – thus allowing the MNE to economize on BRel and develop more adequate responses to stakeholder demands, which in turn may help to safeguard corporate reputation across institutional settings.

Beyond the above, future research can advance our understanding of the critical role of IB strategic leaders in international human resource management through the lens of absorbing and transferring knowledge across the MNE. As Minbaeva et al. (2014: 52) stressed, absorptive capacity in MNEs results from the interaction between managers' abilities and their motivation; "without motivation, higher abilities to absorb knowledge might have a limited effect on knowledge transfer." To understand how IB strategic leaders lead and motivate an international workforce to ensure effective knowledge absorption and transfer throughout the MNE, it is important to study the influence of global leadership style and orientation (Reiche, Stahl, Mendenhall and Oddou, 2016). For example, studies can examine how a transformational leadership style at MNE headquarters (cf. Watts, Steele and Den Hartog, 2020) impacts the motivation of host country subsidiary leaders to engage in effective knowledge transfer, as well as how leadership styles may mitigate BRat and BRel challenges and enhance overall MNE performance. A structural equation modeling (SEM) technique (Tasheva and Nielsen, 2022) may be called for to test the latent factors shaping the leadership styles of strategic leaders at MNE headquarters – and to explore how leadership style, in turn, impacts foreign subsidiary leaders' motivation to engage in international knowledge transfer across the MNE.

Moreover, to enhance our understanding of how strategic leaders assume and enact the role of facilitating innovation at MNEs, future studies can examine the capabilities and prior experiences that enable IB strategic leaders to deal with information-complexity and act as international boundary spanners. For example, Georgakakis, Greve and Ruigrok (2017) found that CEOs with international experience from a variety of country-level contexts impact MNE performance outcomes by acting as integrators of diverse international knowledge bundles in top leadership teams. Drawing on the notion of top management intra-personal experience diversity (see e.g., Tasheva and Hillman, 2019), future studies can investigate how strategic leaders at MNE headquarters with diverse international experience and networks (as opposed to country- or region-specific backgrounds) influence innovation in MNEs. Given that MNE innovation can take a variety of forms, studies can focus on

different types of innovation, including strategic innovation (Barkema and Shvyrkov, 2007; Castellani, Jimenez and Zanfei, 2013), technological innovation (Genin, Tan and Song, 2021; Kurzhals, Graf-Vlachy and Koenig, 2020; Kammerlander, Koenig and Richards, 2018), and ambidexterity (Mueller, Rosenbusch and Bausch, 2013; Oehmichen, Heyden, Georgakakis and Volberda, 2017).

Finally, further research is needed to understand how strategic leaders at headquarters and foreign subsidiaries interactively balance the MNE's concurrent global and local identities. For example, Birkinshaw, Bouquet and Ambos (2007) provide evidence to suggest that strategic leaders with international knowledge and networks enable MNEs to bridge corporate and foreign-subsidiary goals, and thereby achieve a balance between global integration and local responsiveness. Future research can build further on qualitative research designs, for example, by using multiple case studies (Gibbert, Ruigrok and Wicki, 2008), to investigate how strategic leaders allocate attention across MNE units and balance global-local demands. For example, studies can explore whether strategic leaders at MNE headquarters focus their attention on foreign locations where they have previously worked or lived whilst at the same time de-emphasizing locations where they lack prior experience. It may be that lack of experience in a specific location will motivate top managers at headquarters to provide more autonomy to subsidiary-level leaders in such locations – and potentially adopt polycentric staffing policies in subsidiary-manager succession and selection decisions (Li, 2022). Shedding further light on this area will help us to understand how IB strategic leaders' global-local focus is shaped by BRat and perceived information deficits in foreign locations – and how this, in turn, influences general management selection and succession decisions in geographically and culturally distant host-country contexts.

### **Role Interdependence and Multilevel Theorizing in IB Strategic Leadership**

Whilst the five IB strategic leadership roles stand on their own – and are associated with distinct BRat and BRel microfoundational processes (Table 1) – we acknowledge that these roles may also overlap and coalesce at the apex of MNEs. This further exacerbates the challenges and unique-complexity facing IB strategic leaders when enacting their managerial roles, and generates a need to



develop interdependent interfacing mechanisms to economize on BRat and BRel and facilitate successful role enactment (Georgakakis et al., 2022; Kano and Verbeke, 2019). In this regard, interdependence refers to the degree to which units or individuals perform roles that interconnect with each other to achieve a collective goal (Wageman, 1995). Hambrick, Humphrey and Gupta (2015: 451) emphasize the notion of structural interdependence as central to the functioning of strategic leadership teams, stressing that “structure [...] sets the basic contours [of an administrative system]; greatly shaping the degree to which members affect each other.” Three forms of structural interdependence are highlighted in the strategic leadership literature – *horizontal*, *vertical*, and *reward* interdependence (Hambrick et al., 2015). We consider these three forms of structural role interdependence to investigate further the uniquely-complex and multilevel nature of IB strategic leadership – and to explore how MNE strategic leaders interactively and interdependently buffer BRat and BRel in role enactment.

***Horizontal role interdependence.*** Horizontal interdependence refers to the degree to which roles among organizational actors overlap, as well as how the actions and effectiveness of peers impact one another. (Hambrick et al., 2015). For example, if the MNE strategic leadership team at headquarters comprises individuals with geography- or region-based responsibilities, horizontal role interdependence between the leadership team at headquarters and subsidiary managers in those specific geographic locations is likely to be high (i.e., due to the managerial ‘role overlap’ in the specific geographical context). In such cases, the geographical or regional unit head and the country-level subsidiary managers make up the interface between the top leadership team at headquarters and the strategic leaders in the specific foreign subsidiary. This places them in a position to promote information exchange and knowledge transfer across the relevant MNE units, and thereby to act as a platform of integration between the headquarters and foreign subsidiaries. To ensure the successful enactment of such interfacing and interdependent roles, strategic leaders at both sides of the interface (i.e. headquarters and foreign subsidiaries) need to be equipped with requisite international experience, cognitions, and networks – also known as *global dynamic managerial capabilities* (Tasheva and Nielsen, 2022).

Indeed, research in this area has *inter alia* drawn on the notion of *matching managers to strategies* to explore how MNEs match their strategic leaders' experience and capabilities to the international scope of their operations. For example, Kaczmarek and Nyuur (2021) found that MNE performance is likely to be higher when the (foreign) nationalities of strategic leaders match the MNE's regional scope of operations. Similarly, Ruigrok, Georgakakis and Greve (2013) showed that strategic leaders at MNE headquarters with intra-regional experience are more likely to realize high performance when the MNE operates mainly within its home region. In fact, the unique complexity facing strategic leaders of globally dispersed organizations may be a key reason why most MNE decision makers choose to emphasize their home-regional context in foreign expansion (Rugman and Verbeke, 2004; Rosa, Gugler and Verbeke, 2020). Future work can advance this area of research by investigating whether geographically focused strategic leaders (e.g. regional heads) with a combination of context-specific and home-country experience are better equipped to meet region-specific objectives while at the same time serving broader corporate goals. This may also shed light on whether and how horizontal interdependence may buffer any potential negative effects of BRat and BRel on the enactment of interfacing IB strategic leadership roles – and thus enabling the MNE to achieve higher performance outcomes. Further, research in this area may help to clarify how, and under what conditions, geographic and regional unit heads fail to enact their inter-regional integration roles successfully. Understanding when horizontal interdependence leads to failure can add to our micro-level understanding of why some MNEs decide to reduce complexity by adopting a home-region oriented strategic focus (Rugman and Verbeke, 2004; Rosa et al., 2020).

***Vertical role interdependence.*** This form of interdependence is high when power differences among strategic leaders are minimal (Hambrick et al., 2015). When hierarchical distinctions are low, the roles of strategic leaders at headquarters and foreign subsidiaries overlap and intersect. Under such circumstances, the enactment of IB strategic leadership roles is not primarily restricted to strategic leaders at MNE headquarters – thus allowing more integration and knowledge sharing with (and from) foreign subsidiary-level managers (Foss and Pedersen, 2019). This may buffer decision-making biases arising from BRat by enhancing information exchange from intense interaction between headquarters and subsidiary levels of strategic leadership. At the same time, flat hierarchical

structures may potentially give rise to BRel, as managers in foreign locations have more power (and autonomy) to serve subsidiary-level interests – benefiting from information asymmetry between subsidiaries and headquarters (Kano and Verbeke, 2019).

Lee (2022) conceptualized MNEs as ‘dispersed structures of power’ to underscore the challenges that may arise when foreign subsidiary units enjoy similar power to the headquarters in multinational organizations. The author found that powerful subsidiaries are less likely to promote overall MNE performance and less likely to engage in expatriate utilization. This confirms that balanced power between headquarters and subsidiaries may cause disintegration and lead to undesirable MNE-level performance outcomes. Expanding the study of Lee (2022), future research can explore how high vertical interdependence (e.g., measured as low power distance) between MNE headquarters and foreign subsidiary levels of management affects the enactment of IB strategic leadership roles – such as the motivation of foreign subsidiary units to engage in knowledge exchange with headquarters to spur innovation, or the interaction of headquarters and subsidiary levels of leadership to deal with multi-country stakeholder demands. This will develop our understanding of how dispersed power in MNEs interacts with BRat and BRel to enable (or prevent) the successful enactment of IB strategic leadership roles.

***Reward role interdependence.*** This form of interdependence refers to the degree to which strategic leaders are compensated (or penalized via performance-based pay mechanisms) collectively for reaching (or failing to reach) common goals. This relates to the notion of behavioral agency (Westphal and Zajac, 2013) and links to the BRel biases that may impact headquarters-subsidiary strategic leadership interactions in MNEs. When there is reward interdependence between headquarters and subsidiaries, strategic leaders are incentivized to frequently interact to overcome BRel biases – by making strategic decisions that safeguard corporate reputation and long-term performance objectives (Ang, Benischke and Doh, 2015). At the same time, from a behavioral agency perspective, interdependence in equity rewards between strategic leaders at headquarters and foreign subsidiaries may result in the pursuit of more aggressive and risky expansion strategies within and across regions (Benischke, Martin, Gomez-Mejia and Ljubownikow, 2020). The overall impact of reward interdependence may, therefore, range from more uncertain MNE-level performance outcomes

to increased conflict potential between headquarters and subsidiary strategic leadership. Overall, this suggests that there is a plethora of opportunities for future IB studies to investigate reward interdependence at the interface of headquarters and subsidiary levels of strategic leadership. Further work in this area can eventually enhance our understanding of IB uniqueness in the context of behavioral agency, shedding light on how reward interdependence uniquely interacts with global strategy and performance to explain MNE behavior.

## CONCLUSION

A strategic leadership lens on microfoundational processes is increasingly attracting attention in the IB literature, highlighting that MNE actions and outcomes are reflections of the micro-level interfaces and interactions among key strategic decision makers (Contractor et al., 2019; Foss and Pedersen, 2019; Kano and Verbeke, 2018). Indeed, a range of studies show that IB strategic leaders, at both headquarters and foreign subsidiary levels of leadership, exert a key influence on MNEs' strategic behaviors and outcomes (e.g., Elron, 1997; Le and Kroll, 2017; Li, 2022; Mohr and Batsakis, 2019). However, despite the burgeoning interest in this area, extant literature lacks conceptual clarity on the unique roles that strategic leaders assume in the IB context – as well as how these roles are enacted through distinct multilevel interfaces across the MNE's strategic leadership cadre. Understanding the distinct roles of IB strategic leaders is important, as it will allow us not only to appreciate the unique value of top managers in MNEs, but also to establish a consistent conceptual basis that enriches the predominantly macro and static IB theorizing through a microfoundational strategic leadership lens. Our study advances this area of research by defining five core IB strategic leadership roles, and by elaborating on how each of these roles is distinctly influenced by BRat and BRel in the MNE context.

In this regard, our study offers several contributions to the IB and strategic leadership fields. First, by bridging the IB microfoundational lens (Foss and Pedersen, 2019; Kano and Verbeke, 2019) with the strategic leadership role-interface perspective (Georgakakis et al., 2022), we differentiate the roles of IB strategic leaders from those of top managers in non-IB (i.e., domestic, non-international) settings. This allows us to identify clear boundaries for this emerging stream of IB research,

highlighting its role-uniqueness and charting directions for future development. Further, our work acts as a map for scholars to consider the processes through which IB strategic leaders assume and enact each of the five IB strategic leadership roles, as well as how their interdependent role enactment translates into MNE-level actions and outcomes over time. To this end, our role-specific microfoundational view on IB strategic leadership helps to move beyond static assumptions and promote a more dynamic form of IB theory (Surdu et al., 2021).

Scholars have argued that while the term ‘microfoundations’ has been widely used in the broad fields of strategy and organization theory, we lack a clear understanding and contextualization of the term itself (Coviello, Kano and Liesch, 2017; Felin, Foss and Ployhart, 2015). The IB context is no exception to this omission – where scholars have long debated the concept and meaning of microfoundations. According to Barney and Felin (2013), a key misconception in the adoption of ‘microfoundations’ across disciplines is an over-emphasis on the individual, thereby missing the interactions and interfacing mechanisms through which decision makers come together to generate processes that impact higher-level organizational outcomes. They observed that “microfoundations are not solely about individuals [and the] problem with reducing everything to individuals [...] is that it ignores the interactions among them as well as the context of the organization itself” (Barney and Felin, 2013: 141). Embracing this statement, our perspective implies that the IB context provides a distinct setting, where the roles and interfaces among individual decision makers become more complex and thus require unique theorizing. Hence, our role-specific framework and overall synthesis (see Figure 1 and Table 1) can help not only to comprehend IB process complexity (Casson and Li, 2022), but also to extend strategic leadership theory on how role interfaces among key organizational actors (Georgakakis et al., 2022) are altered when the international dimension of strategic leadership is taken into consideration.

Finally, whilst acknowledging that strategic leadership may be enacted through a variety of intermediate processes, we focus on BRat and BRel to reflect how key facets of the MNE context, such as complexity, dispersion, and distance, are likely to impose rationality and reliability limits on strategic leaders. Our theory and synthesis intend to facilitate a unified understanding of how IB strategic leaders interactively buffer BRat and BRel processes by: (a) establishing the five IB strategic

leadership roles to explain how they are distinctly influenced by rationality and reliability bounds in the international context, and (b) focusing on the importance of role enactment and role interdependence (Georgakakis et al., 2022; Hambrick et al., 2015) in multi-role and multi-level IB theorizing. Overall, our work shows that the emerging IB strategic leadership field is a fertile ground for new research. Given an increasingly complex and unpredictable global economy, understanding the distinct, multi-role, and multi-level nature of IB strategic leadership is likely to become of increasing importance – for academics and practitioners alike – in the years to come. We therefore view our perspective as a pathway to further dialogue between strategic leadership and IB research – with the purpose of advancing knowledge on MNE actions, behaviors, and outcomes as reflections of the micro-level attributes and interactions of IB strategic leaders..

#### **ENDNOTES**

<sup>1</sup> We use the terms “top manager” and “strategic leader” interchangeably in this paper.

<sup>2</sup> The term ‘role taking’ refers to how roles are assumed among members of a social system (e.g., the MNE). It considers the allocation of roles as a dynamic process (Biddle, 1986) based on how individual actors interpret the firm’s internal and external environment, as well as how they allocate/share roles and develop interactive interfaces among members of the firm’s managerial system (see e.g., Georgakakis et al., 2022). As Figure 1 shows, while BRat and BRel processes affect how roles are enacted to influence MNE outcomes, they also affect how decision makers interpret MNE actions, outcomes, and context – including the reallocation of roles among MNE strategic leadership units, e.g. between headquarters and foreign subsidiaries (see also Table 1).

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**Table 1. IB Strategic Leadership Roles and the Uniqueness of BRat and BRel Processes in MNEs**

Roles	Distinct Microfoundational Processes	From Unitary to Multilevel Assumptions
<p><b>Making international strategic decisions</b></p> <p>- <i>Exemplary studies:</i> Ambos et al., 2010; Athanassiou and Nigh, 2002; Elia, Larsen and Piscitello, 2019; Elron, 1995; Le and Kroll, 2017; Nielsen and Nielsen, 2011</p>	<p><i>Bounded rationality (BRat):</i> BRat arising from the limited ability of strategic leaders at MNE headquarters to process diverse international information and make fully informed strategic decisions.</p> <p><i>Bounded reliability (BRel):</i> BRel arising from the difficulty of strategic leaders at MNE headquarters to control human behavior in foreign contexts when shaping strategic choice.</p>	<p><i>Unitary level:</i></p> <ul style="list-style-type: none"> <li>- In responding to unique BRat and BRel challenges, IB strategic leaders draw on their international managerial capabilities (international experience, networks, and cognitions) to shape strategic choices (Elron, 1997; Le and Kroll, 2017; Nielsen and Nielsen, 2011).</li> <li>- However, as the firm becomes more international, strategic leaders (even those with rich international experience) are unlikely to fully handle diverse international information or control all strategic decisions in the MNE (Ambos et al., 2010).</li> </ul> <p><i>Multilevel strategic leadership interfaces:</i></p> <ul style="list-style-type: none"> <li>- Strategic leaders at headquarters establish interfaces with foreign subsidiary managers for the purpose of adding context-specificity to corporate strategic decision making (Athanassiou and Nigh, 2002), thereby reducing BRat.</li> <li>- Multilevel strategic leadership interfaces add to the <i>multifacetedness of information and divergence in judgement</i> between interdependent decision-making actors – potentially triggering disintegration in the decision-making process.</li> <li>- As multilevel interdependencies increase, BRel challenges emerge, whereby strategic leaders in foreign (subsidiary) locations are likely to make decisions that favor the local context in which they are embedded – rather than serving corporate goals.</li> </ul>
<p><b>Acting responsibly and responding to international external stakeholder demands</b></p> <p>- <i>Exemplary studies:</i> Benischke, Guldiken, Doh, Martin and Zhang, 2022; Crilly, 2011; Dahms, Kingkaew and Ng, 2022; Slater and Dixon-Fowler, 2009</p>	<p><i>Bounded rationality (BRat):</i> BRat arising from the limited information of IB strategic leaders and the altering stakeholder expectations in diverse host-country contexts.</p> <p><i>Bounded reliability (BRel):</i> BRel arising from the limited ability of IB strategic leaders at MNE headquarters to monitor intention and effort in foreign units to respond to external stakeholder expectations and act responsibly in the local context.</p>	<p><i>Unitary level:</i></p> <ul style="list-style-type: none"> <li>- Strategic leaders at MNE headquarters draw on their diverse nationalities (e.g., Dahms et al., 2022) political connections and international assignment experience (Slater and Dixon-Fowler, 2009) from foreign institutional contexts to address diverse stakeholder expectations.</li> <li>- Dynamic stakeholder demands across contexts limit the ability of MNE strategic leaders to acquire up-to-date information and act responsibly across contexts (Crilly, 2011).</li> </ul> <p><i>Multilevel strategic leadership interfaces:</i></p> <ul style="list-style-type: none"> <li>- MNE strategic leaders in cross-level interaction with foreign subsidiary leadership conjointly develop context-specific strategies to address diverse external stakeholder demands (Benischke et al., 2022).</li> <li>- Due to local embeddedness and limited knowledge of overall MNE objectives, subsidiary-level strategic leaders may emphasize foreign subsidiary priorities when responding to local stakeholders, whilst under-emphasizing alignment with overarching MNE goals. These BRel challenges may influence how the role of responding to international external stakeholder demands is allocated and enacted to influence MNE international reputation.</li> </ul>
<p><b>Managing international HR by staffing, leading, motivating, and influencing an international workforce</b></p>	<p><i>Bounded rationality (BRat)</i> BRat arising from the limited information of MNE strategic leaders about performance reference levels and availability of managerial talent in foreign locations, as well as differences in leadership expectations across cultural contexts.</p>	<p><i>Unitary level:</i></p> <ul style="list-style-type: none"> <li>- Strategic leaders at MNE headquarters with transformational leadership styles and global mindsets (Georgakakis et al., 2017; Schmid and Wurster, 2017) promote integration and enable higher HR performance through staffing, leading, motivating, and influencing an international workforce.</li> </ul>



<p>- <i>Exemplary studies:</i> Georgakakis et al., 2017; Minbaeva and Collings 2013; Reiche et al., 2017; Schmid and Wurster, 2017</p>	<p><i>Bounded reliability (BRel)</i> BRel arising from the limited capacity of strategic leaders at MNE headquarters to monitor leadership behavior and staffing decisions across foreign subsidiary locations.</p>	<p>- To align with a unified leadership orientation at the MNE level, strategic leaders can promote organizational identification across home and host country units, for example by training and promoting talented individuals to key managerial positions.</p> <p><i>Multilevel strategic leadership interfaces:</i></p> <ul style="list-style-type: none"> <li>- Strategic leaders at headquarters and subsidiary-level establish leader-member exchange (LMX) relationships that promote information exchange to enhance awareness about context-specific performance reference levels and availability of managerial talent.</li> <li>- LMX relationships affect the role taking and role enactment of international HR leadership in foreign subsidiaries. Then, BRel in the form of identity-based discordance may arise if subsidiary units prioritize unit-level goals, preventing knowledge transfer across the MNE and threatening MNE integration.</li> </ul>
<p><b><i>Spurring international innovation across the MNE</i></b></p> <p>- <i>Exemplary studies:</i> Boone et al., 2019; Ciabuschi, et al., 2012; Nuruzzaman et al., 2019; Tallman and Chacar, 2011; Zhang et al., 2021; Quan, Ke, Qian and Zhang, 2021</p>	<p><i>Bounded rationality (BRat)</i> BRat arising from the limited capacity of IB strategic leaders to obtain and evaluate information to support the creation and dissemination of innovative practices across home and host country contexts.</p> <p><i>Bounded reliability</i> BRel arising from subsidiary strategic leaders' propensity to ringfence and protect innovative practices in order to strengthen their position in inter-unit competition within the MNE.</p>	<p><i>Unitary level:</i></p> <ul style="list-style-type: none"> <li>- Strategic leaders at MNE headquarters can draw on diverse knowledge and backgrounds (Boone et al., 2019; Tallman and Chacar, 2011) to enhance boundary-spanning and spur innovation across the MNE.</li> <li>- As the MNE becomes more international, strategic leaders at MNE headquarters may lack context-specific knowledge to evaluate how innovative practices can be effectively transferred and utilized across MNE units – strategic leaders' interventions may often lead to poor innovation performance (Ciabuschi et al., 2012).</li> </ul> <p><i>Multilevel strategic leadership interfaces:</i></p> <ul style="list-style-type: none"> <li>- To diffuse innovative practices across the MNE, headquarters and foreign-subsiary levels of strategic leadership interact to exchange knowledge and information on innovative practices (Nuruzzaman et al., 2019).</li> <li>- Inter-unit competition between foreign subsidiaries and unit-level performance rewards for subsidiary leaders can give rise to BRel in the form of benevolence reversal and identity-based discordance. Foreign subsidiary leaders may decide to wall off information about their innovative practices.</li> </ul>
<p><b><i>Managing conflicting local-responsiveness and global-integration demands</i></b></p> <p>- <i>Exemplary studies:</i> Ambos et al., 2020; Pisani, Muller and Bogăţan, 2018; Sambharya, 1996; ul Haq et al., 2017;</p>	<p><i>Bounded rationality:</i> BRat arising from MNE strategic leaders' limited ability to calibrate attention to the global-local dichotomy. This may lead to bias and over-emphasis on one side of the dichotomy.</p> <p><i>Bounded reliability:</i> BRel arising from the delegation of authority to foreign subsidiary-leaders in order to balance the global-local dichotomy. Strategic leaders in foreign subsidiaries are likely to prioritize the local dimension, given their local embeddedness, and may thus fail to meet integration commitments.</p>	<p><i>Unitary level:</i></p> <ul style="list-style-type: none"> <li>- IB strategic leaders need a holistic understanding of home and host country contexts to balance global-local outcomes (Pisani et al., 2018), for example by drawing on internationally experienced strategic leaders across MNE headquarters and foreign subsidiary units (Ambos et al., 2020).</li> </ul> <p><i>Multilevel strategic leadership interfaces:</i></p> <ul style="list-style-type: none"> <li>- Multilevel interfaces between strategic leaders at headquarters and subsidiaries establish a common platform of communication and integration between home and host country units.</li> <li>- This can be facilitated by engaging in 'matching managers' to the global and local requirements of the firm, whilst ensuring complementarity in international capabilities and experience.</li> </ul>

**Figure 1. IB Strategic Leadership Roles, Processes and Outcomes**



## APPENDIX

We conducted a systematic keyword-based search of all peer-reviewed journal articles available in the EBSCO database under the broad categories of Business and Management. In line with recent reviews of strategic leadership research (e.g., Cuypers et al., 2021; Georgakakis et al., 2022), we employed the following keywords: “upper echelons”, “top manag\*”, “TMT”, “board of directors”, “corporate boards”, “CEO”, and “chief executive officer”. As “board of directors” and “corporate boards” produced a very large number of matches, we inserted an additional criterion constraining the search to articles that included the word “international” in the article text. We restricted our search to the period from January 1984 to February 2022, i.e. starting with the publication year of Hambrick and Mason's (1984) seminal article on the upper echelons of organizations (Cuypers et al., 2021; Georgakakis et al. 2022)

Our initial search of the EBSCO database produced a list of 2554 matching papers. Two authors manually screened these papers' titles, abstracts and content. Studies that did not examine IB related variables or outcomes were excluded, narrowing down our list to 234 papers. Next, we used the journal ratings reported in the Academic Journal Guide 2018, published by the Chartered Association of Business Schools in December 2018, and included studies that were published in journals with three stars or above. Three further journals (rated with two stars), which are known to have published influential work in this field, were also included, namely *European Management Journal*, *Multinational Business Review*, and *Thunderbird International Business Review*. The journal selection further reduced the number of eligible studies to 164. Finally, we employed a snowballing technique and searched through the references of the selected papers as well as the articles citing these papers in Google Scholar (Aguilera, Marano and Haxhi, 2019). The snowballing process added a further 35 studies, thus yielding a final number of 199 reviewed articles.

Finally, we conducted an additional Google Scholar search for papers that simultaneously consider BRat and BRel processes in the context of IB strategic leadership. For this step we used the exact key words “bounded rationality”, “bounded reliability”, “top manag\*”, “multinational” and “international\*” and restricted our search to the ‘International Business’ category of the Academic Journal Guide and journals with a rating of three stars and above. We also included the *Global*

*Strategy Journal* – although this journal is categorized in the field of Strategy in the ABS list, it publishes studies relevant to IB. This resulted in a further 27 studies that were not captured in our original search procedure. We assessed each of these studies and their relevance to our theorizing. While the purpose of our study was not to provide a systematic review of the literature, the above approach allowed us to establish rigor in our theoretical development and adequately reflect prior works in our theorizing and perspective development.

## Authors' Biographies

**Dimitrios Georgakakis** is Professor in Strategy and International Business at the University of York. His research interests are in the areas of strategic leadership, international corporate governance, and international business strategy. He received a PhD in Strategic Management from the University of St. Gallen.

**Mads Wedell-Wedellsborg** is Lecturer in International Business & Strategy and PhD candidate at Henley Business School, University of Reading. His research interests focus on the executive succession process, CEO pay, multinational enterprises, international management and top management team composition.

**Tommaso Vallone** is a Senior Analyst at Egon Zehnder International. He received a PhD in International Business and Strategy from Henley Business School, University of Reading. His research focuses on how top management teams and boards influence strategy and performance in multinational enterprises.

**Peder Greve** is Associate Professor of International Business at Henley Business School, University of Reading. His research focuses on alignment and transformation processes in the multinational enterprise, strategic leadership, top management teams, and international business strategy. He received a PhD in International Management from the University of St. Gallen.