

The glue that binds: how organizational identification drives innovation performance in foreign-owned subsidiaries

International
Journal of
Emerging Markets

4997

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Received 25 February 2024

Revised 7 July 2024

17 October 2024

Accepted 6 November 2024

Abstract

Purpose – Although organizational identification has been recognized as crucial for multinational enterprises, its configurations regarding innovation performance at the subsidiary level have hitherto received scant attention. Accordingly, the purpose of this research is to identify the types of configurations in which organizational identification in foreign-owned subsidiaries leads to high innovation performance.

Design/methodology/approach – We base our research on social identity theory and the neo-configurational perspective to test our framework using survey data collected from subsidiaries located in Thailand and Vietnam.

Findings – Our results provide evidence that organizational identification serves as a glue that binds strong inter- and intra-organizational network relationships to drive innovation performance. While we find some variation in that pattern between the two host countries, it appears overall that the conditions of expatriates in top management and the geographic distance between home and host country only play a peripheral role. We identify the “integrated innovation driver” and “distant local hub” as two subsidiary archetypes that show how organizational identity can drive high innovation performance in subsidiaries.

Originality/value – This study is one of the first to empirically investigate the main complementing factors in the context of organizational identification and innovation in foreign-owned subsidiaries, which have previously predominantly been investigated in isolation of each other.

Keywords Organizational identification, Innovation performance, MNE, Subsidiaries, fsQCA

Paper type Research paper

1. Introduction

Organizational identification can be defined as “the perception of oneness with or belongingness to an organization” (Mael and Ashforth, 1992, p. 104). There is a common understanding from the knowledge-based view of the firm that organizational identification increases organizational commitment and motivates employees to go beyond what is required, which is crucial for innovation performance in any organization, but especially in multinational enterprises (MNEs) (Kogut and Zander, 1992; Greco *et al.*, 2022). This is because organizational identification can create a bond of trust between different parts of the globally dispersed MNE, which facilitates knowledge exchange and thereby creates opportunities for innovation (Li, 2005). Organizational identity supports internal knowledge connectivity within the MNE network, which is crucial for driving innovation (Cano-Kollmann *et al.*, 2016; Phookan and Sharma, 2021). Furthermore, Lu *et al.* (2022) show that organizational identification can also serve as an asset of foreignness that MNEs can deploy to access local knowledge, which is another key facilitator for MNE innovation performance (Meyer *et al.*, 2020; Caprar *et al.*, 2022a). Accordingly, organizational identification can also act as a means of control in that it ensures that subsidiary innovation efforts are channeled into



International Journal of Emerging
Markets

Vol. 20 No. 12, 2025

pp. 4997-5024

© Emerald Publishing Limited

1746-8809

DOI 10.1108/IJOEM-02-2024-0338

ideas that are relevant to the entire MNE rather than only the subsidiary itself (Almeida and Phene, 2004; Meyer *et al.*, 2020; Belderbos *et al.*, 2023). Lee *et al.* (2021) argue that organizational identification is a crucial determinant for developing recombination capabilities that allow MNEs to innovate throughout their global subsidiary network.

However, organizational identification can be a double-edged sword for foreign-owned subsidiaries. For instance, headquarters and subsidiaries need to invest significant managerial resources in terms of time, but also in the sending of expatriates (Phookan and Sharma, 2021; Vora *et al.*, 2021; Röell *et al.*, 2022), to establish a sense of organizational identification in subsidiaries, especially those located at greater geographic distances (Ambos *et al.*, 2010; Kostova *et al.*, 2018). This is because greater distance leads to greater asymmetric information between headquarters and subsidiaries, which can lead to bounded liability issues that distort concerted innovation efforts (Verbeke and Greidanus, 2012). Hence, developing organizational identification to drive innovation requires great effort from the subsidiary and headquarters (Fuller, 2022). However, even if a shared organizational identity has been established, there is also a risk that the subsidiary will become isolated from the host country networks (Forsgren *et al.*, 2005; Hennart, 2009; Bai *et al.*, 2022). For instance, Li (2018) argues that if a subsidiary maintains a distinct national identity, it can alienate local business and non-business networks. This seems to be particularly pronounced in subsidiaries located in emerging economies that face more fluctuating market environments, which can make MNE subsidiary organizational identity an asset or liability in quick succession in the eyes of host country actors (Caprar *et al.*, 2022a). This is essential, as Colman *et al.* (2022) find that organizational identity is used to manage internal and external network relationships. These host country networks provide important local knowledge elements that drive subsidiary innovation (Zhang *et al.*, 2019).

Hence, the concern in the literature is that while some studies point out how organizational identification can drive innovation through trust, recombination capabilities, and even control (Li, 2005; Cano-Kollmann *et al.*, 2016; Lee *et al.*, 2021; Belderbos *et al.*, 2023), others point out the downsides of organizational identification in the form of risking subsidiary isolation in the host country (Bai *et al.*, 2022) and the huge managerial resources required to develop organizational identification in subsidiaries to drive innovation (Röell *et al.*, 2022). These conflicting findings indicate that specific contextual factors may determine how identification contributes to subsidiary innovation. Therefore, the research question arises as to what specific organizational and environmental conditions lead organizational identification to drive innovation performance in foreign-owned subsidiaries.

As a course of action, we suggest as the primary research objective to identify conditions under which organizational identification drives innovation performance in foreign-owned subsidiaries, particularly those located in emerging markets. In order to reach our research objective, we propose using the configurational perspective as an envelope to capture the conditions derived from social identity theory, as emphasized in the current literature (e.g. Raskovic and Takacs-Haynes, 2021), and the broader innovation literature to capture the organizational and environmental conditions that cause organizational identity to drive innovation performance in foreign-owned subsidiaries. Especially for subsidiaries located in emerging markets as those have become increasingly important for MNE innovation efforts (Kafourous *et al.*, 2020; Andrews *et al.*, 2022). Our goal is to derive configurational templates containing the conditions under which innovation thrives in such subsidiaries. This expands ongoing theoretical discussions and has practical implications as follows.

From a theoretical perspective, we want to contribute to existing knowledge by identifying holistic configurations rather than the more commonly applied “net effects” search in the international business (Allen *et al.*, 2024) and broader management literature (Woodside, 2019). Therefore, we propose an integrated framework that addresses the disjointed nature caused by the separate analyses of organizational identification and specific organizational and environmental factors. By using a configurational approach, we capture contextual specificity that drives organizational identity to contribute to

subsidiary innovation performance. As organizational factors, we distinguish between intra-organizational networks (Belderbos *et al.*, 2023) and expatriates in the top management team (Michailova *et al.*, 2023) and consider inter-organizational networks (Caprar *et al.*, 2022a) and geographic distance (Kafouros *et al.*, 2020) as environmental factors. The interplay of organizational and environmental conditions in combination with organizational identification determines the overall impact on innovation performance. For example, strong organizational identification and deep links with intra-organizational networks can positively influence innovation performance by facilitating internal knowledge flows, but this effect can be mitigated by geographic distance, which can increase the costs of maintaining such networks. Fuzzy-set qualitative comparative analysis was used in this study because it can model configurations of relevant conditions, including complementarities and substitution effects (Fainshmidt *et al.*, 2020), and help address the complex, multifaceted nature of organizational identity and innovation performance in foreign-owned subsidiaries (Andrews *et al.*, 2022). The identification of more nuanced conditions that either facilitate or reduce subsidiaries' innovation performance is critical for understanding how MNEs manage their global innovation networks and processes.

We also identify two subsidiary archetypes: configurations in which certain organizational and environmental conditions play a crucial role in driving organizational identification towards innovation. The first is the integrated innovation driver and the second is the distant local hub. Archetypes can be critical to theory building because they anticipate the contingent nature of organizational behavior and outcomes and help in understanding the nuanced role of organizational identification in different contexts.

Considering the growing significance of emerging markets and Asia as a hub for innovation and creativity globally (Bai *et al.*, 2022; Zhao *et al.*, 2021), this study examines the link between organizational identity and innovation in foreign-owned subsidiaries located in Thailand and Vietnam. While both countries are rapidly establishing themselves as centers for manufacturing and services in the region and the world, they are at different stages of economic development (Pezeshkan *et al.*, 2022; Zhao *et al.*, 2021). Furthermore, while stronger protection of property rights is conducive to international Research and Development spillovers and innovation activity (Barbosa and Faria, 2011), it is noteworthy that Thailand has been a leader in intellectual property protection in Southeast Asia, while intellectual property infringement in Vietnam has been a significant issue, despite the country having a relatively comprehensive legal system (Macdonald and Turpin, 2008; OECD, 2013).

Utilizing the work of Furnari *et al.* (2021), the remainder of this study is organized as follows. Initially, we refer to pertinent theories and research to identify the key attributes or potential causal factors, a process referred to as “scoping” (Furnari *et al.*, 2021). Subsequently, we will outline how these causal factors are interconnected to create potential causal chains, which is referred to as “linking” (Furnari *et al.*, 2021). This is followed by the Methods section, discussion, and conclusion.

2. Literature and research framework

This section reviews the relevant theoretical frameworks in more detail. In line with Furnari *et al.* (2021), this section provides the “scope” of literature that has previously been identified as complementing organizational identification and innovation performance in foreign-owned subsidiaries. In configurational theorizing, scoping is the first step. Here, researchers define the key factors that might interact to explain a phenomenon and acknowledge its complexity while narrowing the focus (Furnari *et al.*, 2021).

2.1 Organizational identification and innovation

Organizational identification is a concept derived from social identity theory (Tajfel and Turner, 1986). Social identity theory explains that the cognitive connections between

employees and their organizations or members in intra-organizational and inter-organizational relationships can influence the employees' and members' behavior profoundly (Weng and Cheng, 2019). Social identity theory posits that individuals derive part of their self-concept from their membership in social groups such as organizations (Vanbeselcaere, 1994). This theory suggests that organizational identification is a specific form of social identification (Ashforth and Mael, 1989). Accordingly, organizational identification refers to a perceived "oneness with an organization" (Mael and Ashforth, 1992, p. 104) and high congruence between employees' values with those of their organization (Tarakci et al., 2018). In our case, we follow Weng and Cheng's definition to understand a subsidiary's identification with the MNE that leads to a sense of oneness with the MNE. There have been also calls in the international business literature to use social identity theory as a theoretical basis to better understand modern MNEs (Raskovic and Takacs-Haynes, 2021).

Organizational identity has been argued to have a defining impact on innovation performance in MNEs (Raskovic and Takacs-Haynes, 2021). For instance, Li (2005) suggests that a strong organizational identity fosters trust between geographically dispersed units, facilitating knowledge exchange, which is a critical driver of innovation. Further, Cano-Kollmann et al. (2016) emphasize that organizational identity strengthens knowledge connectivity, which is essential for MNEs to drive innovation. Lu et al. (2022) build on this notion, arguing that organizational identification serves a dual purpose: (1) as an "asset of foreignness" enabling access to local knowledge especially in emerging markets, and (2) as a control mechanism for subsidiaries in host countries (Meyer et al., 2020; Caprar et al., 2022a). The latter ensures that innovation efforts within subsidiaries contribute to the entire MNE, not just the local unit (Almeida and Phene, 2004; Meyer et al., 2020; Belderbos et al., 2023). This is also emphasized by O'Donnell (2000), who points out that organizational identification with the MNE can be used as a control method by the headquarters to align subsidiaries with headquarters' interests, as shared values can lead to more cooperative behavior. Finally, Lee et al. (2021) highlight the importance of organizational identification in developing recombination capabilities, a key factor for MNEs to achieve innovation across their global network.

However, this may not be the case unconditionally, as previously indicated. In particular, several factors might be complementary in creating gains from organizational identification with regard to subsidiary innovation performance for the MNE. For example, geographical distance defines the role a subsidiary plays within the MNE network as well as the intensity of internal knowledge and innovation exchanges (Harzing and Noorderhaven, 2006; Gupta and Govindarajan, 1991). Owing to geographical distance, and very often associated cultural and institutional differences, subsidiaries may identify themselves as a part of their host countries rather than as a part of the MNE (Dahms, 2020; Kostova et al., 2018; Weng and Cheng, 2019). This can create huge managerial costs for the headquarters and the subsidiary to establish an organizational identity (Fuller, 2022). Furthermore, greater geographic distance can also increase legitimacy pressures, as the practices transferred from the home country to the host country might require localization (Hennart, 2009; Kafouros et al., 2020). This, in turn, could imply that greater organizational identity actually isolates the subsidiary from host country networks, and therefore deprives it of innovation nurturing access to the local pool of knowledge (Forsgren et al., 2005; Ambos et al., 2010; Gurkov and Dahms, 2024). On the flip side, internally isolated subsidiaries are more likely to be local innovators and less integrated as innovation pipelines within their MNEs and their host locations (Harzing and Noorderhaven, 2006).

In addition, organizational identification may sometimes have a dark side and lead to destructive outcomes (Irshad and Bashir, 2020). Previous studies based on social identity theory lead us to expect that subsidiaries with strong organizational identification may receive special support from their headquarters because of their closeness and perceive it as a privilege compared to other subsidiaries (Avanzi et al., 2018). This psychological entitlement (Żemojtel-Piotrowska et al., 2015) and high-level bonding with headquarters (Galvin et al.,

2015) may diminish subsidiaries' motivation, initiative, entrepreneurial spirit, and innovativeness (Weng and Cheng, 2019) as they expect preferential treatment irrespective of their efforts (Zemojtel-Piotrowska *et al.*, 2015) and view themselves as a special and important part of the MNE (Galvin *et al.*, 2015).

This section scoped the literature for potential causal conditions that influence how organizational identification drives innovation performance in the subsidiary. We thereby identified conditions that are organizational or environmental in nature.

The following Table 1 briefly summarizes these concepts and lists the representative studies. Following scoping, linking explores how those identified attributes interact. Here, researchers theorize how combinations (conjunctions) and alternatives (equifinality) of these elements, along with missing attributes, influence the outcome (Furnari *et al.*, 2021). The "linking" of these causal conditions is outlined in the next section.

2.2 Linking causal conditions

2.2.1 Organizational conditions. 2.2.1.1 Intra-organizational network embeddedness.

Intra-organizational network relationships consist of other subsidiaries, headquarters, or research and development centers within the MNE (Gammelgaard *et al.*, 2012). When knowledge, which has been locally sourced and developed across various locations within an MNE, is exchanged and recombined with the existing knowledge base, there is a significant potential for innovation (Belderbos *et al.*, 2023). A strong organizational identity between several units can create an open knowledge-sharing atmosphere that facilitates innovation (Nohria and Ghoshal, 1994; Vahtera *et al.*, 2017; Gooderham *et al.*, 2022). On the other hand, more critical voices indicated that this might be too simplistic as to assume that organizational identification is homogenous within an MNE (Colman *et al.*, 2022). That is because subsidiaries might identify themselves more with the host country than with the MNE itself (Forsgren *et al.*, 2005). Furthermore, subsidiaries may be located at a large geographical distance from their headquarters. Hence, headquarters tend to suffer from information asymmetry and might not be fully informed about what is happening in the subsidiary (Verbeke and Greidanus, 2012; Yu and Cannella, 2007). This implies on the one hand that subsidiaries and headquarters might hesitate to share information and innovations (Harzing and Noorderhaven, 2006). On the other hand, headquarters might be hesitant in accepting subsidiary innovations and might even outright reject those as shown in the "not invented here"-syndrome studies (Ambos *et al.*, 2010). All this indicates major challenges in the use of organizational identity as a means to drive innovation through intra-organizational network relationships.

2.2.1.2 Expatriates. Expatriates are considered key in developing and transferring organizational identification throughout the MNE network (Phookan and Sharma, 2021; Vora *et al.*, 2021; Röell *et al.*, 2022). On the one hand, expatriates can serve as role models and promote the culture and values of headquarters, thereby creating an increased sense of belonging, which in turn could lead to increased innovation performance (Vora *et al.*, 2021). The shared organizational identification between parent-subsidiary executives positively impacts subsidiary technological innovation and organizational slack, ultimately enhancing innovation within the subsidiary (Bai *et al.*, 2022). On the other hand, expatriates might not be able to bridge cultural gaps between the local employees and the headquarters, which might lead to marginalization of the local staff and, hence, reduced innovation performance (Röell *et al.*, 2022; Michailova *et al.*, 2023).

Others argue that expatriates are exposed to a dual organizational identity and that there is a continuous struggle between the host country and MNE identity in the subsidiary (Phookan and Sharma, 2021; Vora *et al.*, 2021). Interestingly, Röell *et al.* (2022) found that host country nationals, rather than expatriate managers, contribute more to the development of an MNE focussed organizational identity in subsidiaries located in emerging markets. While this literature has focused on the development of organizational identification within the MNE, the

Table 1. Causal conditions

	Impact on organizational identification	Impact on innovation performance	Representative studies
<i>Organizational conditions</i>			
intra-organizational networks	(+) Strong links between subsidiaries and headquarters foster organizational identity that creates trust and open communication, which reduces asymmetric information (−) Absence of organizational identification with the MNE might lead to subsidiary isolation	(+) Strong links between headquarter and subsidiaries facilitate knowledge flows that drive innovation through the MNEs recombination capabilities (−) Strong links between headquarter and subsidiaries can diminish incentives to innovate for the subsidiary as network position might be taken for granted and information exchanged becomes standardized (+) Expatriates use their firm knowledge and personal networks to create knowledge flows between the various MNE units which can lead to increased innovation performance at the subsidiary level. Organizational identification helps to carry trust across the unites (−) Expatriates may be overly focussed on MNE policy that can lead to alienation with local network actors in the host country	Belderbos <i>et al.</i> (2023) Forsgren <i>et al.</i> (2005) Nohria and Ghoshal (1994) Vahtera <i>et al.</i> (2017)
expatriates in the top management team	(+) Expatriates can create bonds with other subsidiaries and headquarters which contribute to organizational identity development (−) Expatriates can contribute to the local staff feeling marginalized		Michailova <i>et al.</i> (2023) Nohria and Ghoshal (1994) Phookan and Sharma (2021) Vora <i>et al.</i> (2021) Röell <i>et al.</i> (2022)
<i>Environmental conditions</i>			
inter-organizational networks	(+) Organizational identification can be an asset of foreignness that allows for the development of strong inter-organizational relationships (−) Strong inter-organizational relationships can hinder the development of organizational identity in the subsidiary as it might lead to an “us vs them” culture within the MNE	(+) Strong inter-organizational relationships in the host country provide access to location specific knowledge that is crucial for innovation performance (−) Strong inter-organizational relationships in the host country might be hurting subsidiary innovation performance as innovation efforts might only be locally relevant	Caprar <i>et al.</i> (2022a) Kafouros <i>et al.</i> (2020) Lu <i>et al.</i> (2022) Watson <i>et al.</i> (2016)
geographic distance	(+) Greater geographic distance might increase the headquarters willingness to invest resources to develop organizational identity to ensure control (−) Greater geographic distance can negatively impact organizational identification as the costs to develop such are increased by bounded reliability issues in proportion to distance	(+) Greater geographic distance can lead to the emergence of high impact subsidiary innovation as the knowledge located at greater distance has a greater novelty for the MNE (−) Greater geographic distance might make local knowledge less relevant for other parts of the MNE including its headquarters which might then reject subsidiary innovation efforts	Almeida and Phene (2004) Ambos <i>et al.</i> (2010) Doz <i>et al.</i> (2001) Kafouros <i>et al.</i> (2020)
Source(s): Authors’ own work			

interrelationship between organizational identification, expatriates in the management team, and innovation performance has largely been ignored in the wider expatriate-focused literature. However, the upper echelons literature provides meaningful insights into this matter (Hambrick and Mason, 1984; Nielsen and Nielsen, 2013; Michailova *et al.*, 2023). Therein the

findings appear to indicate that top management team diversity, i.e. the combination of local and expatriate managers can have a mixed impact on subsidiary innovation performance. On the one hand, a more homogenous team is likely to provide faster decision-making, while on the other hand, a more diverse team might add more to creativity and, therefore, more potential for the development of impactful innovations (Cheong *et al.*, 2019; Cuypers *et al.*, 2022). However, the role of organizational identification in this process remains unclear. Overall, studies investigating the impact of expatriates on organizational identification and subsidiary innovation performance are still relatively scant and only offer a rather mixed picture.

2.2.2 Environmental conditions. **2.2.2.1 Inter-organizational network embeddedness.** Inter-organizational network relationships are relationships with buyers, suppliers, universities, and governmental institutions in the host country (Gammelgaard *et al.*, 2012). MNEs can develop a competitive advantage by strategically locating their subsidiaries in areas rich in knowledge or other location-specific advantages, thereby combining their own firm-specific advantages with location-specific advantages (Narula and Verbeke, 2015). In doing so, MNEs can create a competitive advantage by recombining their knowledge and capabilities with those embedded in the host country (Kogut and Zander, 1992). Organizational identification plays an ambiguous role in all that. Watson *et al.* (2016) for instance indicated that franchisers might use organizational identification to select appropriate franchisees. Elsewhere, the idea of “asset of foreignness” has been introduced (Lu *et al.*, 2022). Therein it is argued that foreign-owned subsidiaries can use their perceived identity of being “foreign” as an enabler to initiate inter-organizational network relationships in host countries. This is particularly the case in emerging market locations, in which country-of-origin effects are expressed through an increased sense of trust in the MNE compared to local firms (Edman, 2016). Similarly, Caprar *et al.* (2022b) argued that MNEs could gain access to local networks by explicitly refusing to follow local practices. Hence, preserving and showcasing the MNE’s organizational identity through the subsidiary can provide access to local networks. The MNE’s organizational identity might ease access to local networks, thereby increasing the probability of innovation in the subsidiary, as it is exposed to a larger scope of ideas embedded in local knowledge networks (Doz *et al.*, 2001). For instance, Kafouros *et al.* (2020) find that foreign partners can have a positive impact on the innovation performance of the MNE. This is the case even for subsidiaries working on research and development activities in emerging markets with weak intellectual property rights protection regimes (Mavroudi *et al.*, 2023). However, Forsgren *et al.* (2005) found that, albeit in the context of Swedish subsidiaries located mainly in advanced economies, a strong identification with the MNE could also lead to isolation of the subsidiary from other units in the host country. This can have a detrimental effect on the subsidiary’s innovation performance, as complex innovations often require local input (Zhang *et al.*, 2019). Hennart (2009) even states that just being an MNE subsidiary *per se* does not allow access to local networks. Hence, the interrelationships between inter-organizational networks, organizational identity, and subsidiary innovation performance are far from settled.

2.2.2.2 Geographic distance [1]. Regarding the geographical dispersion of subsidiaries across the globe, the role of organizational identification becomes very complex. For instance, on the one hand, greater geographic distance allows the MNE to potentially access new knowledge with greater potential for becoming an impactful innovation (Doz *et al.*, 2001; Almeida and Phene, 2004; Kafouros *et al.*, 2020). In this case, organizational identification may encourage subsidiaries to openly share local market knowledge and information with their headquarters and other MNE parts, thus reducing information asymmetry (Weng and Cheng, 2019; Eisenhardt, 1989). On the other hand, greater geographic distance makes it harder for the MNE to establish a higher degree of organizational identification, as local staff might not feel they belong to an “alien” perceived organization (Lu *et al.*, 2022). This, however, might also be dependent on the economic development of the host country. In emerging markets, MNEs might carry a higher degree of trust and they might be able to use their foreignness as an asset to facilitate organizational identification (Edman, 2016; Caprar

et al., 2022b). *Ma et al.* (2022) suggest in their conceptual paper that in situations where headquarters and subsidiaries are separated by greater distance that organizational identification can provide a decisive influence in that subsidiaries who identify themselves more with the MNE could be more prone to share knowledge with other parts of the MNE as they feel more sense of belonging. This increases the possibility of innovation (*Belderbos et al.*, 2023). Hence, organizational identification allows MNEs to access remote knowledge with innovation potential more easily if geographic distance is large. This is often assumed in studies such as *Doz et al.* (2001) and their “satellite” subsidiaries for instance but has received limited empirical attention. However, as argued to the contrary by *Hennart* (2009) and *Hu et al.* (2023), local firms may not be willing to share knowledge resources with subsidiaries that show little interest in seeking legitimacy with local firms.

2.3 Neo-configurational approach: aligning theory and research method

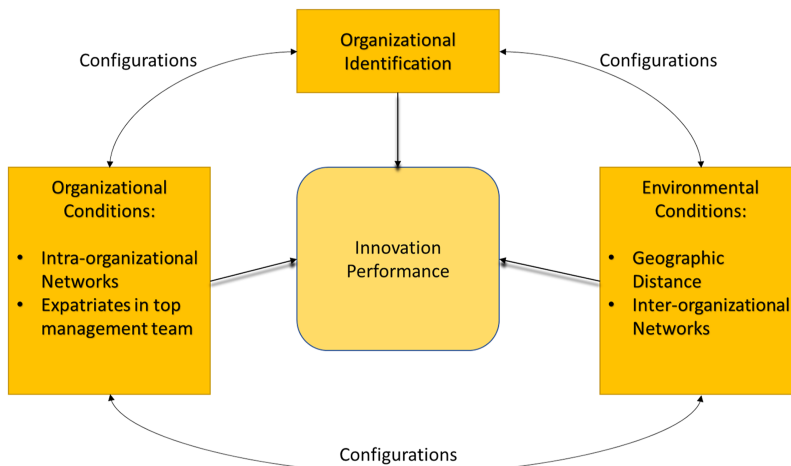
The literature reviewed above indicates a clear need to examine the relationship between organizational identification and innovation performance of foreign-owned subsidiaries in a configurational manner. That means that the traditional linear thinking might not be conducive to understand the observed complex interrelationships between the different concepts. The key differences between configurational and linear thinking are as follows (*Misangyi et al.*, 2017; *Woodside*, 2019). First, configurational thinking is underpinned by set-theory rather than probability. Hence, subsidiaries are cases of set theoretic configurations, which implies that they can be part of several sets that share similar levels of innovation performance. Second, membership sets themselves are based on a combination of theory and sample. Third, it allows for a distinction between sufficient and necessary conditions, which offers insights that go beyond linear regression methods in that it identifies several configurations that lead to the same outcome. In sum, the neo-configurational perspective allows us to investigate causal complexity, which makes this perspective suitable for our study.

Causal complexity is characterized by conjunction, equifinality, and asymmetry (*Meyer et al.*, 1993; *Misangyi et al.*, 2017). Conjunction means that complex outcomes, such as innovation performance, are unlikely to be caused by a single factor but more likely by complex combinations of them. Equifinality means that such complex outcomes can be achieved by more than one configuration of factors. Based on the reviewed literature, we identified several of the most important ones that complement or even substitute each other, including the use of organizational identification, intra- and inter-organizational network relationships, expatriates in subsidiary management, and geographic distance, all of which can lead to high innovation performance in the context of emerging markets. The last characteristic of causal complexity is causal asymmetry, which describes the phenomenon that the presence and or absence of conditions can lead to the same outcome. This means that just because a certain condition is present in one configuration does not mean that its absence automatically precludes the outcome. In the context of the present study that could imply for instance that in some configurations organizational identification is a key element in achieving innovation performance, but that does not mean that its absence automatically implies the absence of high innovation performance.

Conceptual framework has been illustrated in *Figure 1*.

3. Research design

In order to better understand the complex interrelationships between organizational identification, complementary organizational and environmental conditions, and subsidiary innovation performance, we collected survey data from the managing directors of foreign-owned subsidiary managers located in Vietnam and Thailand. Both are intriguing emerging markets with strong economic growth, albeit at very different stages of development. While Thailand is a somewhat more mature market with regard to foreign-direct investment, the



Source(s): Authors' own work

Figure 1. Conceptual framework

recent push towards decoupling has provided Vietnam with hitherto unparalleled growth in foreign direct investment and upgrading of facilities (Pezeshkan *et al.*, 2022; Zhao *et al.*, 2021). Furthermore, having two countries for comparison is also a contribution, as most studies focus on either one home or host country only (e.g. Weng and Cheng, 2019; Phookan and Sharma, 2021; Colman *et al.*, 2022).

The managing director of the subsidiary was targeted as they are most likely to have the required information by virtue of their position (John and Weitz, 1988). Initial contact with subsidiary management was established through a university-based call center. Contact details for Thailand came from the Department of Business Development database published by the Ministry of Commerce, and for Vietnam from publicly available data including the General Statistics Office, internet searches and various chamber of commerce homepages. Once a list of eligible subsidiaries was identified for each country, they were contacted. We started first by using a simple random sample from each list. However, as the response rates were rather low, as well as several contact details out of date, the call centers went through the entire list of firms to contact the relevant manager, thereby deleting firms that could not be contacted. Hence, a convenience sampling method was used. We received 101 responses from Thailand and 179 from Vietnam. This equates to a response rate of around 7% for Thailand and around 15% for Vietnam. The response rate is in line with that of similar studies (e.g. Weng and Cheng, 2019; Andrews *et al.*, 2022). The characteristics of the sample are listed in Table 2. The respondents' profile is provided in Appendix 1. Although multiple respondents per subsidiary would have been preferred (likely at the cost of a smaller overall sample), in line with other studies (e.g. Dyer and Chu, 2000), our respondents were from the top management level of the subsidiary and therefore knowledgeable to answer our questions.

Data collection started in August 2020 and lasted till January 2021 in both countries. Wave analysis has been conducted to ensure that there are no biases between late and early respondents based on industry, size, and host region. The resulting Chi-square tests remained non-significant.

Common method bias has been addressed pre- and post-survey. Pre-survey measures informed the design of the questionnaire in that items were placed in random manner as to make it unlikely that the respondent would be able to guess our model. Furthermore, we included primary as well as secondary and factual data in the model (Chang *et al.*, 2010).

Table 2. Sample characteristics

Size (number of employees)			Years in foreign ownership		
Employees	Freq	%	Years in FO	Freq	%
<40	89	32	<4 years	97	35
40–80	90	32	4–9 years	81	29
>80	101	36	>9	102	36
Total	280	100	Total	280	100

Entry mode			Industry		
	Freq	%		Freq	%
Greenfield	155	55	Manufacturing	99	35
Acquisition/JV	125	45	Service	181	65
Total	280	100	Total	280	100

Source(s): Authors' own work

Post-survey, we conducted a Harman's one factor test, which showed the highest loading factor 11.3% indicating no evidence of common method bias (Podsakoff and Organ, 1986). We also used a full collinearity approach to assess variance inflation factors (VIF) (Kock, 2015). The Average block VIF was 1.701, and the Average full collinearity VIF was 1.791, both well below the conservative threshold of 3. Hence, common method bias is not deemed a severe threat to our data.

3.1 Measurement, validity analysis, calibration

In order to ensure comparability of our results with other studies, we used measurement constructs from well-established studies in the field. Nevertheless, we pilot-tested the questionnaire with a panel consisting of academics and practitioners. We also used forward and backward translation method for the Thai and Vietnamese version of the questionnaire. All items were measured on a Likert-scale from 1 to 7.

Innovation performance was measured along four dimensions: innovations in products and services, processes, management, and marketing practices. It was adapted from Cabrilo and Dahms (2018).

We followed the study by Weng and Cheng (2019) to measure organizational identification. It includes if the subsidiary sees itself as an integral part of the MNE, if it is proud to be a part of it, and if the subsidiary puts the MNE first in decision-making.

Network strength was divided into intra- and inter-organizational network relationships (Gammelgaard *et al.*, 2012). The construct asked to assess the strength of the relationships with buyers, suppliers, R&D centers, and other units in the MNE for intra-organizational relationships. For inter-organizational relationships, the managing directors were asked to assess the relationship strength with local customers, suppliers, competitors, governmental institutions and universities.

We also wanted to know the number of expatriates in the top management team of the subsidiary. Following Williams *et al.* (2017) we asked for the percentage of locally hired managers in the top management team.

The geographic distance between home and host countries was measured using the Dow and Karunaratna (2006) database. Details of each construct can be found in Appendix 3.

3.1.1 Validity analysis. Concerning validity analysis, the factor loadings ranged from 0.670 to 0.877. Composite reliability, Dijkstra's rho, Cronbach's alphas were above the 0.7 threshold, average variance extracted was above 0.5, which all indicates convergent validity (Fornell and Larcker, 1981). Results in Table 3 indicate good discriminant validity, as the

Table 3. Descriptive statistics, correlations, and calibration cut-off points

										Calibration cut off points			
		Mean	SD							Percentiles			
				1	2	3	4	5	6	25	50	75	
1	Innovation performance	4.43	1.11	0.823							3.75	4.50	5.25
2	Organizational identity	4.57	1.28	0.494**	0.857						3.67	4.67	5.67
3	Intra-organizational networks	4.46	1.09	0.593**	0.645**	0.773					3.60	4.40	5.20
4	Inter-organizational networks	4.49	1.09	0.613**	0.595**	0.765**	0.752				3.80	4.50	5.20
5	Geographic distance	7195.4	4409.7	−0.037	−0.013	−0.005	−0.016	1			2740.14	8337.11	9545.47
6	Expatriates	45.36	32.71	−0.079	0.083	−0.013	0.082	0.068	1		20	40	70

Note(s): Diagonals in *Italic* are the square roots of the average variance extracted and off-diagonal are the bivariate correlations between the constructs. **. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed)

Source(s): Authors' own work

square root of the average variance extracted is higher than the bivariate correlations between the latent variables (Fornell and Larcker, 1981). Given that the variance inflation factors (VIFs) are well below 5 and none of the bivariate correlations above 0.8, there is also little threat of multicollinearity (Hair et al., 2012).

3.1.2 Calibration. Calibration in fsQCA means that the raw data needs to be transformed into fuzzy sets. This research is using the percentiles as cut off points. The cut off points are provided in Table 3 as well. The calibration method is justified by the absence of theoretical anchor points (Ragin, 2008). It is also the preferred method as compared to the assignment of scale midpoints, which do not take into consideration the characteristics of the sample (Saridakis et al., 2022). Robustness test results for other calibration cut off points are provided in Appendix 2.

4. Analysis and discussion

We used a cutoff point of 3 as the case frequency threshold, which allowed us to retain 90% of the cases, which is well above the 80% threshold suggested by Greckhamer et al. (2018). This is also in line with other studies that used larger samples in fsQCA (Greckhamer et al., 2013). In a next step, we use ≥ 0.80 as a benchmark for raw consistency. We included only configurations with a proportional reduction in inconsistency (PRI) of ≥ 0.5 (Greckhamer et al., 2018).

We also conducted a necessary condition analysis. This is to ensure that none of the conditions in the model is by itself necessary to achieve the outcome (Ragin, 2008). In other words, we used necessary condition analysis to find a single condition in our data, which is essential for foreign-owned subsidiaries to achieve high innovation performance. Even if this condition is present, it might not guarantee success on its own, but without it, high innovation performance would not be possible. However, none of the conditions reaches the necessary consistency and coverage thresholds of above 0.9. The highest value was reached by inter-organizational network relationships with a consistency of 0.770, followed by intra-organizational network relationships and organizational identity with 0.732. Hence, we ensue with the sufficient condition analysis.

Our sufficient condition analysis proceeded in two steps. In the first step, we analyzed the full sample. We then performed a subsample analysis for Thailand and Vietnam, including a cross-validation analysis.

4.1 Full sample analysis

The results of the full sample analysis are presented in Table 4. Each column represents a combination of conditions or a configuration linked to high innovation performance (configurations 1 and 2) and the absence of high innovation performance or low innovation performance (configurations 3 and 4). A solid circle (●) indicates the condition is present and (⊗) indicates its absence, a blank space indicates that the condition has no influence on the outcome. For example, high organizational identification is a condition for high subsidiary innovation performance in configurations 1 and 2, while the absence of expatriates in the management team of the subsidiary also lead to high innovation performance in configuration 2. Finally, geographic distance and expatriates in the subsidiary management team are not relevant conditions for high innovation performance in configuration 1. Furthermore, larger symbols indicate core conditions and smaller symbols indicate peripheral conditions. In this particular case, all the conditions in the intermediate solution where also present in the parsimonious solution. Hence, there are no size differences in Table 4.

We found four configurations that are “equifinally” linked with (high/low) innovation performance. Each configuration reflects a complex combination of conditions. The first two configurations leading to high innovation performance are particularly significant for this study.

Configuration 1 – (Integrated innovation driver) High organizational identification glues intra- and inter-organizational networks and facilitates knowledge exchanges and innovation performance. Configuration 1 is the strongest of the two configurations that lead to high

Table 4. Full sample analysis

Condition \ Configuration	High Innovation Performance		Low Innovation Performance	
	1	2	3	4
Organizational Identity	●	●	⊗	
Intra-organizational Networks	●		⊗	⊗
Inter-organizational Networks	●	●	⊗	⊗
Geographic Distance		●		●
Expatriates		⊗		●
Raw coverage	0.55	0.24	0.56	0.23
Unique coverage	0.35	0.03	0.35	0.02
Consistency	0.82	0.84	0.88	0.89
Solution consistency	0.817		0.871	
Solution coverage	0.582		0.575	
frequency cutoff:	3		3	
consistency cutoff:	0.812		0.841	

Note(s): ‘●’ means the condition is present, ‘⊗’ means the condition is absent, and “blank space” means do not care

Source(s): Authors’ own work

innovation performance, as it has the highest raw score. It might show an archetypical case of a subsidiary located in an emerging market. It seems that organizational identification is the glue that holds intra- and inter-organizational network relationships together to drive high innovation performance. This might be because strong identification with the MNE helps subsidiaries to reduce knowledge silos, access a wide range of knowledge and expertise from different geographical and functional areas, and share valuable insights within MNE promoting innovation (Gooderham *et al.*, 2022). On the other hand, subsidiaries with high identification with MNE are confident and most likely to be proactive in establishing relationships with host country stakeholders (Edman, 2016). These local partnerships may also be a great source of diverse knowledge pools and innovative practices for subsidiaries and MNEs (Cano-Kollmann *et al.*, 2016).

An archetype based on our data is a Dutch-owned brewing company that has substantial operations in Vietnam. The office functions as a local innovation hub through which new products are exported to other countries in the region. The office benefits from strong headquarters linkages when it comes to innovation but also works closely on the rollout of new products with its distributors in Vietnam and other countries in the region. This particular configuration lends support to Edman (2016) and Caprar *et al.* (2022b), who argued that in emerging markets, a distinctive organizational identity helps the subsidiary integrate itself in local networks. We extend this by showing that this identity also helps with integration in the intra-organizational network and therefore ensures a constant exchange of ideas generated in the subsidiary to drive innovation performance.

The results from the “integrated innovation driver” link with the literature as follows. The configuration shows that high organizational identification helps subsidiaries facilitate knowledge exploration and localized learning through strong networks with host country stakeholders (Colakoglu *et al.*, 2014), and facilitates knowledge exploitation and effective knowledge exchange with other parts of the MNE network via strong intra-organizational relationships (Ferraris *et al.*, 2017; Crespo *et al.*, 2020), which further drive their innovation performance. However, the geographical distance from the headquarter and the structure of subsidiary management team in terms of number of expatriates and local managers have no influence on the subsidiary innovation performance in this configuration. We therefore expand seminal studies such as Vora *et al.* (2021), by explicitly linking organizational identification to innovation performance in foreign-owned subsidiaries. In addition, the “integrated innovation driver” also shows that organizational identification goes beyond MNE boundaries. The finding therefore contributes to highlighting the interrelationship between organizational and environmental conditions as conceptually suggested by Caprar *et al.* (2022b).

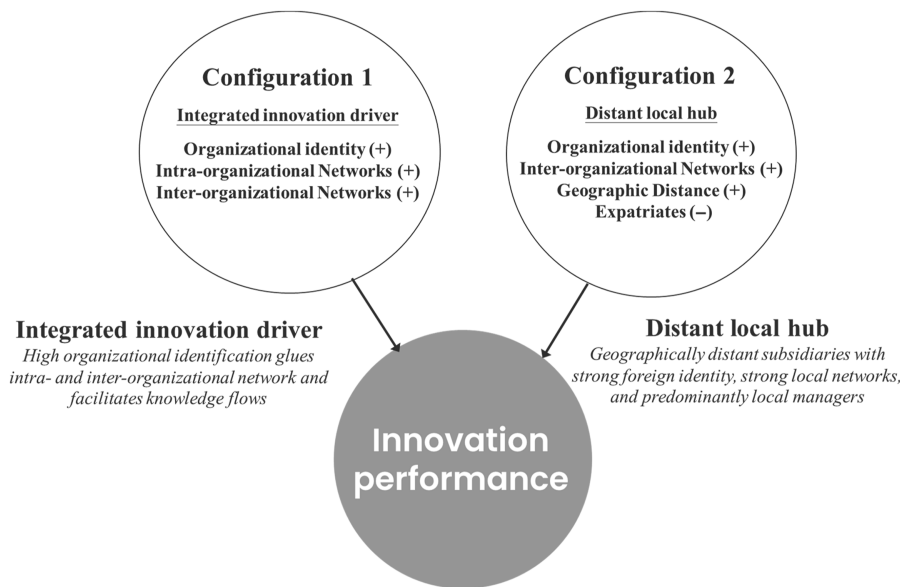
Configuration 2 – (Distant local hub) Geographically distant subsidiaries with strong organizational identity, strong local networks, and predominantly local managers. This configuration indicates that in geographically distant subsidiaries, strong organizational identification in combination with strong inter-organizational network relationships and a local management team can drive subsidiary innovation performance. This is an interesting archetype, as the subsidiary has a strong organizational identification with the MNE in combination with a predominantly local management team. Strong identification, in addition to strong local networks and predominantly local managers, integrates global and local knowledge within the MNE. Strong identification ensures that the subsidiary is aligned with the overall MNE’s goals and strategies, while local networks and local managers ensure high adaptation and deep understanding of the cultural nuances, local market, and customer preferences relevant for developing innovations customized to the local market.

An example of such an archetype based on our data would be a Japanese steel plant located around 200 km south of Bangkok in Thailand, which operates for almost 10 years in Thailand and has a workforce of around 1,000. The plant caters mostly to Thailand’s automotive industry. Some of these cars are later exported to other countries. However, the firm focuses only on Thailand, and most of its buyers and suppliers are located in Thailand. The majority of the management team is Thai but the Japanese managing director actively promotes the organizational identity transferred from Japan through identical work practices for instance. Innovation activities focus on collaborating with local buyers.

The finding links with the literature as follows. For instance, the “Distant local hub” seems to validate Röell *et al.* (2022), who found in case studies of Dutch firms in Indonesia that local managers, rather than expatriates, facilitate local institutional embeddedness. We expand that and show this to be contingent on greater geographic distance from the home country of the MNE. This archetype supports earlier conclusions that when subsidiaries are located far from their MNE headquarters, they often have to rely more on local knowledge and innovations to thrive (Kafourous *et al.*, 2020; Harzing and Noorderhaven, 2006). This is especially relevant in emerging markets, where “being foreign” often brings an increasing sense of trust and strengthens local embeddedness in host countries (Edman, 2016), enables “distant local hubs” access to local expertise, market conditions, customer preferences, and fosters localized innovation (Kafourous *et al.*, 2020). In this case, organizational identification serves as a host country integration mechanism, as the geographical distance from the home country of the MNE makes centralized decision-making less appropriate and feasible. Thus, very distant subsidiaries have more authority to decide how best to innovate and serve their own markets. This result reveals that organizational identification can bridge large geographical distance between MNE units and reduce information asymmetry (Weng and Cheng, 2019), especially for subsidiaries with local-market focus (strong business ties in the host country and strong local management capabilities). This is in line with Harzing and Noorderhaven (2006) who argue that geographically distant subsidiaries are most likely to be “local innovators”, who do

engage in knowledge creation and innovation based on their embeddedness in the local market, but take less part in knowledge exchange within MNE networks, probably because local knowledge might be seen as too idiosyncratic.

Configurations 3 and 4 provide insights into the combination of conditions that lead to the absence of the outcome, in this case low innovation performance. While configuration 3 is the mirror opposite of configuration 1, configuration 4 shows a pattern of causal asymmetry in that the absence of intra- and inter-organizational network relationships in locations at a large geographic distance and a high presence of expatriates in the top management team lead to low innovation performance. These configurations confirm that without strong embeddedness in MNE and host country networks subsidiaries can hardly innovate in emerging economies (Bustinza *et al.*, 2020), especially if they are located in distant geographic locations (Zhang *et al.*, 2019; Isaac *et al.*, 2019) with predominantly expatriates in their management teams (Röell *et al.*, 2022). Table 4 presents the full sample analysis and Figure 2 describes the two configurations of conditions equifinally linked to subsidiaries' high innovation performance in emerging markets.



Note(s): The configurations represent the two combinations of conditions equifinally linked to subsidiaries' high innovation performance in emerging markets. The signs (+) and (-) denote how each condition appears in each configuration that in our sample was linked to the occurrence of high innovation performance. For example, Configuration 1 depicts subsidiaries that have high organizational identification [Organizational identification (+)]; strong intra-organizational networks [Intra-organizational networks (+)]; and strong inter-organizational networks [Inter-organizational networks (+)]. Conditions that do not have any effect on innovation performance in that specific configuration, do not appear in the box representing such configuration. For example, in Configuration 1, geographic distance between subsidiary and MNE's home country and number of expatriates in management are not relevant, and thus are not depicted in the box representing that configuration

Source(s): Authors' own work

Figure 2. Configurations of high innovation performance of subsidiaries in emerging markets

4.2 Subsample and cross validation analysis

We continued our analysis by examining subsidiaries located in Vietnam and Thailand separately. The full results are shown in [Table 5](#), with larger symbols representing core conditions and smaller symbols indicating peripheral conditions. In the Thai subsample, configurations 1 and 2 show the highest raw coverage. Configuration 2 essentially confirms the main finding from the full sample in that organizational identification facilitates intra- and inter-organizational network capabilities to achieve high innovation performance outcomes. Configuration 1, on the flip side, shows that high innovation performance can also be achieved irrespective of organizational identification, but in this case predominantly by a local top management team that uses embeddedness in intra- and inter-organizational network relationships and effective knowledge exchange to achieve impactful innovation. This somewhat calls into question the importance of organizational identification as suggested in some classic (e.g. [Nohria and Ghoshal, 1994](#)) and more recent literature ([Vora et al., 2021](#)). Instead, in the context of subsidiaries located in Thailand, a relatively large number of subsidiaries does not display organizational identity as a relevant condition. Configuration 3 shows interestingly that organizational identification can also lead to high innovation outcomes when the subsidiary is located at a larger geographic distance and has local market focus, with strong inter-organizational relationships, and a top management team dominated by local hires. We find evidence that strong organizational identification with the MNE contributes to the openness of geographically distant subsidiaries to share knowledge with other parts of the MNE ([Ma et al., 2022](#)). Finally, although with very low raw coverage, configuration 4 is very interesting in showing that in some unusual cases subsidiaries can innovate without strong ties with the MNE in terms of organizational identification and networks (internal and external), but the core condition is a local management team and additionally location close to the home country of the MNE. This finding is in line with [Michailova et al. \(2023\)](#) concerning the recent strategic intentions of MNEs to localize some expatriate roles to mitigate risks from de-globalization trends after the latest pandemic and geopolitical conflicts. However, we go beyond existing findings about innovation drivers, as we link studies that indicate that local managerial teams facilitate local knowledge exploration ([Colakoglu et al., 2014](#)) and studies demonstrating that close distance to the MNE's home country makes internal knowledge transfer and exploitation easier ([Crespo et al., 2020](#)). From a managerial perspective, the Thai configurations reveal that embeddedness in local networks, predominantly local management team, and organizational identification substantially help Thai subsidiaries to innovate.

In the Thai subsample is also of interest the two configurations that lead to low innovation performance. Configuration 5 implies that a strong organizational identification combined with strong intra-organizational networks and an expatriate dominated top management team, with weak inter-organizational relationships and located close to the home country can lead to low innovation performance. This configuration shows that the presence of organizational identification in itself is not sufficient to achieve high innovation performance outcomes. It might also support the arguments made by [Caprar et al. \(2022a\)](#) who point out the potential harmful effects of organizational identification. On the contrary, Configuration 6 demonstrates that Thai subsidiaries located at a large geographic distance, with predominantly expatriates in the management team and with low identification with the MNE, are unlikely to innovate even though they have strong intra- and inter-organizational network capabilities for effective knowledge exchange. It seems that the managerial implication here is that an expatriate dominated top management team in Thai subsidiaries with a focus on internal networks increase gaps between headquarters and local employees in subsidiaries and diminish their innovation performance, which is in line with [Röell et al. \(2022\)](#) and [Michailova et al. \(2023\)](#).

For the Vietnamese subsample, we identify two configurations for high innovation performance. Both strongly mirror the configurations of the full sample, which indicates a high

Table 5. Subsample results

Condition \ Configuration	Thailand High Innovation Performance				Thailand Low Innovation Performance		Vietnam High Innovation Performance		Vietnam Low Innovation Performance		
	1	2	3	4	5	6	1	2	3	4	5
Organizational Identity		●	●	⊗	●	⊗	●	●	⊗		⊗
Intra-organizational Networks	●	●		⊗	●	●	●	●		⊗	⊗
Inter-organizational Networks	●	●	●	⊗	⊗	●	●	●	⊗	⊗	⊗
Geographic Distance			●	⊗	⊗	●		⊗			
Expatriates	⊗		⊗	⊗	●	●	⊗		⊗	⊗	
Raw coverage	0.42	0.57	0.27	0.06	0.11	0.15	0.39	0.30	0.37	0.37	0.66
Unique coverage	0.07	0.22	0.05	0.04	0.08	0.11	0.06	0.03	0.03	0.03	0.33
Consistency	0.84	0.84	0.85	0.87	0.69	0.67	0.77	0.78	0.89	0.90	0.91
Solution consistency		0.840				0.663		0.817		0.898	
Solution coverage		0.731				0.229		0.405		0.730	
frequency cutoff:		3				3		3		3	
consistency cutoff:		0.847				0.673		0.791		0.867	

Note(s): ‘●’ means the condition is present, ‘⊗’ means the condition is absent, and “blank space” means do not care. Larger circles are core conditions

Source(s): Authors’ own work

degree of consistency for our results. A distinguishing feature is, however, that the subsidiary should either have a majority of local hires in the top management team or be relatively close to the home country. These configurations show that in the Vietnamese context, subsidiaries may not be able to innovate without high attachment and identification with the MNE, strong intra-organizational network, and embeddedness in the local market networks. This effect accords with the theoretical accounts of organizational identification in that employees and organizational units are willing to invest more time and resources in seeking opportunities to create valuable innovations for their MNE as a whole (Nohria and Ghoshal, 1994; Weng and Cheng, 2019).

The low innovation performance outcomes in configurations 3 to 5 show that the core conditions in low innovation performance in Vietnamese subsidiaries are weak embeddedness in host country networks, low levels of organizational identification, weak intra-organizational networks, and predominantly local management team. A managerial implication is that low embeddedness in local market networks may significantly hinder subsidiary innovation performance in Vietnam, with a few supplementing factors, such as low identification with the MNE, weak networking with other parts of the MNE, or predominantly local management team.

As we collected data from two different countries, we were also able to conduct cross-validation analysis. The results are presented in Table 6. The results indicate that the Vietnamese configurations fit the Thai context somewhat better than the other way around. The results support the context-specific equifinality that the conditions of organizational identification, networks, expatriates, and geographic distance play in determining innovation performance outcomes. In detail, the Vietnamese configurations showed coverage values in the Thai subsample ranging from 0.86 to 0.84 and consistency values

Table 6. Cross validation analysis

Thai sample	Coverage value	Consistency value
Vietnam configuration 1	0.84	0.34
Vietnam configuration 2	0.86	0.30

Vietnamese sample	Coverage value	Consistency value
Thai configuration 1	0.78	0.35
Thai configuration 2	0.26	0.46
Thai configuration 3	0.81	0.20
Thai configuration 4	0.36	0.14

Source(s): Authors' own work

from 0.30 to 0.34. On the flip side, the Thai configurations only showed coverage values in the range of 0.26–0.81 and consistency values from 0.14 to 0.0.46 in the Vietnamese subsample.

5. Conclusion

In this research, our primary objective was to identify conditions under which organizational identification drives innovation performance in foreign-owned subsidiaries, particularly those located in emerging markets. Based on social identity theory and the neo-configurational perspective, we empirically tested our framework using data from foreign-owned subsidiaries located in the emerging economies of Thailand and Vietnam. We find that organizational identification can become the glue that drives innovation performance based on intra- and inter-organizational network relationship strength. In other instances, it can link the subsidiary stronger to host-country inter-organizational relationships only. The implications are discussed below.

5.1 Contribution to the academic literature

This study contributes to the literature in the following ways. We provide new insights into the literature by unraveling the specific organizational and environmental conditions under which organizational identification binds the subsidiary to its headquarters and other parts of the MNE networks, and leads to subsidiary innovation. This research answers calls in the literature to provide a deeper understanding for as to how organizational identity drives subsidiary and MNE innovation performance (Raskovic and Takacs-Haynes, 2021). This is critical to understand how MNEs manage their global innovation networks and processes, especially in emerging markets, which are of growing importance for the theory of MNE (Zhao et al., 2021; Kafouros et al., 2020; Andrews et al., 2022). In particular, this study makes two main contributions.

First, this is one of the first studies in the relatively nascent field on subsidiaries located in emerging markets and thereby carries the potential to provide greater detail to the literature on subsidiary innovation performance (cf. Albis Salas et al., 2022; Lo and Tan, 2020; Saikia et al., 2024; Rasouli Ghahroudi et al., 2022). Our first archetype, the “integrated innovation driver,” indicates that organizational identification can facilitate the development of inter- and intra-organizational network relationships and knowledge exchange, which, in turn, are key ingredients for innovation to occur (Li, 2005; Cano-Kollmann et al., 2016; Phookan and Sharma, 2021). We expand the insights provided by previous studies, which also suggest that

subsidiary isolation might be an outcome of organizational identification (e.g. [Li, 2018](#); [Forsgren et al., 2005](#)), in showing that under the right circumstances, organizational identification, especially for subsidiaries located in emerging markets, provides an important ingredient to drive innovation. This is further supported by the second archetype.

We identify through our second archetype, the “distant local hub,” that organizational identity with a local management team seems to be working as an asset of foreignness that provides a means to drive innovation performance. We thereby go beyond conceptual considerations (e.g. [Caprar et al., 2022a, b](#)) and case study (e.g. [Vora et al., 2021](#)) insights by showing that on a larger scale for subsidiaries in emerging markets organizational identity can integrate global and local knowledge and carry aspects of an asset of foreignness to drive innovation performance and that this is even the case when the management team on the ground consist mostly of local nationals. This also indicates that geographic distance is not *per se* an additional cost driver for innovation efforts (e.g. [Ambos et al., 2010](#); [Kostova et al., 2018](#)), but instead provides the ground for organizational identification to work as a glue that helps to link into inter-organizational networks, with local managers to drive subsidiary innovation outcomes in geographically distant host countries.

Second, we found that organizational identification and network relationships were always present across all configurations. This indicates that organizational identification, as glue, seems to require the presence of at least intra- or inter-organizational network relationships to drive performance. For instance, the integrated innovation driver links into both networks, which indicates that the internal MNE knowledge that accumulates through intra-organizational relationships is being recombined with local host country knowledge that can only be accessed through inter-organizational networks ([Lee et al., 2021](#)). This became apparent as we applied the neo-configurational perspective to provide a more holistic understanding of the complex interrelationship between organizational identification and innovation performance in foreign-owned subsidiaries. This implies that theoretical frameworks that focus on either dimension in isolation, i.e. that are looking for the so called “net effects” (e.g. [Weng and Cheng, 2019](#)) might find it more difficult to provide a full account of innovation performance in foreign-owned subsidiaries. Hence, we support neo-configurational reasoning by showing that complex outcomes require a holistic approach to data analysis and framework development to offer more meaningful solutions ([Misangyi et al., 2017](#); [Woodside, 2019](#); [Allen et al., 2024](#)).

Our findings also contribute to the wider emerging markets literature. By focusing on Thailand and Vietnam, we highlight the unique challenges in these markets, particularly around innovation performance outcomes. This nuanced view helps MNEs to tailor strategies to optimize innovation performance in the dynamic environments of emerging markets. We also contribute by highlighting the heterogeneity between different emerging markets, something that adjacent studies based on single country samples do to a much lesser extent (e.g. [Weng and Cheng, 2019](#); [Phookan and Sharma, 2021](#); [Colman et al., 2022](#)).

5.2 Managerial relevance

Our configurations provide practical insights for managers and serve as a guide for formulating and implementing strategies that foster innovation in subsidiaries. For example, managers in “distant local hub” types of subsidiaries should balance alignment with the MNE strategies through organizational identification with high adaptation potential based on a local management team and strong local networks to customize innovation practices to the local market. In addition, our configurations can serve as a decision-making template for managerial resource allocations. This is especially the case when organizational identity is very costly to develop ([Fuller, 2022](#)). In a nutshell, we urge subsidiary managers to ensure that strong organizational identification with the MNE is developed, as this seems to reduce the cost of transactions in doing business in emerging markets, as evidenced by the strong intra- and inter-organizational network relationships in our integrated innovation driver. Furthermore,

managers at the headquarters level might want to reduce their emphasis on the use of expatriates in the top management team and control reasoning based on distance alone, at least if innovation performance is seen as a critical outcome. This is because our distant local hub archetype indicates that local nationals in management positions might do just as well when it comes to achieving innovation performance in foreign-owned subsidiaries as expatriate managers when combined with organizational identity.

Therefore, our three practical takeaways are as follows.

Invest to develop a strong organizational identity: While this is a costly venture for headquarters and subsidiaries alike, it seems to pay off for subsidiary innovation depending on the needs of the managers and the subsidiary.

Focus on context: Derived from our first takeaway: there is a need to fully understand the role that the subsidiary plays in the MNE; only then can organizational identity work as a glue that connects the subsidiary with other business and non-business actors.

Encourage local managers: Local managers might hold the key to developing an organizational identity that can help link local inter-organizational networks to drive innovation. In emerging markets, organizational identity seems more of an asset as a liability *per se*.

5.3 Limitations and future research

Our study also has limitations that provide interesting avenues for future research. For instance, our sample is based on a cross-sectional data collected from managing directors of foreign-owned subsidiaries. This was justified, as we wanted to get as broad as possible an overview of the contingencies that influence innovation performance. However, as our research indicates the importance of inter- and intra-organizational network relationships, it would be interesting to examine how they change over time. For instance, we seem to have identified an asset of foreignness effect, but it would be interesting to see for how long that would actually last to help subsidiaries to develop inter-organizational networks in emerging markets. It might well be that after a certain amount of time, this effect wears off. Additionally, some subsidiaries carry specific mandates (e.g. Achcaoucaou *et al.*, 2017), which was not explicitly tested. Future research could investigate the link between subsidiary mandates and organizational identification as well. Lastly, as emerging markets are very heterogeneous, it is important for future research to compare and contrast our findings with those that examine subsidiaries located in other emerging markets and regions, such as Latin America.

Notes

1. Distance is of course a multidimensional construct that includes, for example, geographic, institutional, linguistic or cultural aspects. Although there has been a plethora of measures developed in recent years (Berry *et al.*, 2010; Slangen and Beugelsdijk, 2010), geographic distance is still seen as one of the most representative factors in that line of argumentation (Lo and Lin, 2015).

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Appendix 1

Table A1. Respondents profile

	Host country		Vietnam	
	Thailand			
	Freq	%	Freq	%
Managing director/CEO	53	52	33	19
Other board members such as HR, marketing, etc.	46	45	142	79
Company affiliated experts and other advisors	3	3	3	2
Total	102	100.0	178	100.0

Source(s): Authors’ own work

Table A2. Robustness test with scale based cut off points (2, 4, 6, on the likert scale)

Condition \ Solution	High Innovation Performance			
	Likert scale for calibration for organizational identification, intra-and inter-organizational networks			
	1	2	3	4
Organizational Identity	●	●		⊗
Intra-organizational Networks	●		●	⊗
Inter-organizational Networks	●	●	●	⊗
Geographic Distance		⊗	⊗	⊗
Expatriates		⊗	●	⊗
Raw coverage	0.74	0.28	0.26	0.14
Unique coverage	0.33	0.01	0.01	0.02
Consistency	0.90	0.91	0.90	0.86
Solution consistency		0.876		
Solution coverage		0.780		
frequency cutoff:		3		
consistency cutoff:		0.858		

Source(s): Authors' own work

Appendix 3

Table A3. Instrument details

Variable	Questionnaire item
Organizational relationships	Indicate the <i>strength</i> of relationships you have with each of the following actors (please note: <i>Local</i> stands for businesses and other organizations in Thailand/Vietnam)? (1 = very weak, 7 = very strong); Local Customers; Local Suppliers; Local Competitors; Governmental Institutions in Thailand/Vietnam; Science Centres, Universities in Thailand/Vietnam; Buyers within your Corporation; Suppliers within your Corporation R&D and Innovation Centres within the Corporation; Headquarters; Other units within the Corporation
Expatriates in top management	Among top management in your subsidiary (reporting directly to CEO), the ratio of locally hired managers is ____%
Innovation performance	Relative to competitors in your industry, how successfully has your subsidiary managed to create innovations in the following areas over the past three years? Products and services for customers, production methods and processes, Management practices, Marketing practices
Organizational identification	1. The subsidiary sees itself as an integral part of the MNE 2. The subsidiary is proud to be a part of the MNE 3. The subsidiary puts the MNE first in its actions and decisions

Source(s): Authors' own work

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