Subsidiary Performance in Emerging Economies and

Developing Countries: Influence of Host Country Experience

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Abstract

Within International Business (IB) theory, experience is a key concept in explaining the performance of Multinational Corporations’ (MNCs’) subsidiaries in challenging business environments. It is argued that experience can help MNCs overcome difficulties of challenging business environments. Experience can be sourced internally within the parent firms or externally through local JV partners or through joint ventures with a home country based development finance institution (DFI). This paper investigates the effect of these forms of experience on subsidiary performance. A quantitative analysis of 157 subsidiaries in 39 countries shows that parent firm’s host country experience has a direct effect on subsidiary performance and that the leveraged effect of the DFIs’ host country experience adversely moderates the effects of the host country’s business environment. These findings imply that in highly challenging business environments, it is important to complement the internal experience with external experience.

Keywords
Developing countries; Emerging economies; Institutional distance; Experience; Joint venture; Development Financial Institutions; Subsidiary Performance