Growing the Business in the Regions: TMT Member's Regional Responsibility and Regional Performance

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Abstract

Studies find that some multinational enterprises (MNEs) pursue business opportunities globally while others focus on certain regions. Firm-level factors such as technological advantages and complexity management may contribute to this difference, but the results are not conclusive. This paper argues that MNE top executives' regional responsibilities and successful role enactment also influence the development of MNE's footprint in different regions. Our analysis with data from international automotive companies' regional sales development from 2003 to 2019 showed that top management team (TMT) member's regional responsibility positively contributes to development of regional performance when the executive does not have parallel corporate functional responsibilities. Meanwhile, regional economic growth and the leadership from a foreign CEO strengthen this positive effect of regional heads in TMT. We discussed how our findings enrich the understanding of MNE geographic scope and contribute to the literature of regional management as well as foreign executives.

INTRODUCTION

Studies about the geographic scope of multinational enterprises (MNEs) find that a large number of MNEs focus their internationalization in one or two supra-national regions (hereafter regions) instead of spreading their activities globally (Asmussen & Goerzen, 2013; Beleska-Spasova & Glaister, 2009; Collinson & Rugman, 2008; Dunning, Fujita, & Yakova, 2006; Oh & Rugman, 2012; Pogrebnyakov, 2016; Rosa, Gugler, & Verbeke, 2020; Rugman & Verbeke, 2004). Such findings have motivated an emerging literature stream to discuss what restrain many MNEs from exploring business opportunities globally and why some MNEs have achieved a truly global footprint (Alessandri, Cerrato, & Eddleston, 2018; Banalieva & Dhanaraj, 2013; Banalieva, Gregg, & Sarathy, 2010; Cerrato, 2009; Griffith, Tamer Cavusgil, & Xu, 2008; Oh & Rugman, 2012; Vahlne & Ivarsson, 2014; Verbeke & Asmussen, 2016). Basing on internalization theory, scholars argue that because countries within a region are more similar to each other than to countries out of the region, MNEs can more easily deploy firm-specific advantages (FSAs) among regional neighbors while many non-location-bounded FSAs have limited transferability across regional boarders (Collinson & Rugman, 2008; Rugman & Verbeke, 2004; Yaprak & Karademir, 2011). Consequently, a large proportion of MNEs are constrained by the location-boundedness of FSAs and have a limited geographic scope that emphasizes their home region (Rosa et al., 2020; Rugman & Verbeke, 2004). Nevertheless, studies also find that managerial capabilities and international know how help MNEs to manage the uncertainty and complexity characterizing inter-regional diversification, and thereby enhance their performance across regional setting (Cuervo-Cazurra, Ciravegna, Melgarejo, & Lopez, 2018; Hitt, Hoskisson, & Kim, 1997; Oh & Contractor, 2014; Oh, Sohl, & Rugman, 2015; Sukpanich & Rugman, 2007; Vahlne & Ivarsson, 2014). Recently, scholars have drawn on a micro-foundational view of international business (IB) to argue that top managers' international managerial capabilities play a key role in determining whether the MNE will be able to reap benefits from an inter-regional strategic orientation (Georgakakis, Wedell-Wedellsborg, Vallone, & Greve, Forthcoming; Tasheva & Nielsen, 2022)

In this study, we draw on the micro-foundational view of IB strategic leadership (Georgakakis et al., Forthcoming) to address the missing role of managers in the discussion about MNE regional scope. Namely, we examine how top management team (TMT) members with regional responsibilities influence MNE's development and performance in different regions. Central to our framework are two core microfoundational processes: bounded rationality and bounded reliability. Bounded rationality reflects limits of "a manager's ability to access, process and act on information" while bounded reliability reflects limits of "a manager's reliability to fulfill commitments" (Verbeke & Kano, 2016: 121). Inter-regional diversification exacerbates the issues of bounded rationality and bounded reliability because the spike of compounded distance at the regional boarders (Verbeke & Asmussen, 2016) exacerbates the difficulties to obtain accurate information on time, to process the complex inputs, and to monitor local activities (Ambos & Håkanson, 2014; Barkema & Bell, 1996; Boeh & Beamish, 2012; Buckley, 2016; Ghemawat, 2001; Johanson & Vahlne, 2009; Vahlne & Johanson, 2017). Building on this conception, we theorize that TMT members with regional responsibilities can alleviate the challenges of bounded rationality and bounded reliability because of their local embeddedness and role as a TMT member. However, parallel corporate functional responsibilities of the same person hinder successful regional leadership role enactment because of identity conflict within the same person. Furthermore, the value of context-specific decision making and the direct influence on MNE strategy as a TMT member are strengthened facing business opportunities that requires agile and precise responses. At the same time, regional head's impact is contingent on the leader of TMT – the CEO. The hypotheses were tested and supported with data from the global automotive industry between 2003 and 2019.

This research makes several contributions to the literature of MNE international strategy. First, we address the crucial but rarely examined role of MNE executives in regional strategy. The literature of regional strategy emerged from the internalization theory's perspective, in which bounded rationality and opportunism relating to transaction costs are baseline mechanisms. By modeling the relations between the TMT's regional responsibility and regional performance, we show the importance of TMT structure in limiting bounded rationality and bounded reliability issues from a regional perspective (Cuypers, Patel, Ertug, Li, & Cuypers, 2022). This finding complements previous studies that examine MNE (inter-) regional scope at the MNE level from two aspects. On one hand, we theorize the impact of strategic decision makers in strengthening the regional presence of an MNE (Verbeke & Kano, 2016). On the other hand, we reconcile some of the conflicting results regarding the relation between the procession of FSAs and geographical scope (Asmussen & Goerzen, 2013; Banalieva & Dhanaraj, 2013; Kim, Wu, Schuler, & Hoskisson, 2020; Oh, Kim, & Shin, 2019; Wu, Pangarkar, & Wu, 2016).

Second, our study contributes to research about regional management centers by examining the interface between the management at the regional level and the MNE's corporate management. The regional management center literature offers rich knowledge about the impact of regional management on local subsidiaries as well as regional management's contribution to MNE capabilities and strategy (Asakawa & Lehrer, 2003; Enright, 2005a, b; Lunnan & Zhao, 2013; Mahnke, Ambos, Nell, & Hobdari, 2012). Nevertheless, we know very little about the how the management at the regional level interact with MNE's corporate management to make local demands visible at the corporate head offices and what are the contingencies of this interface. Our research addresses this piece of puzzle and provides nuanced insights about when regional heads can successfully enact their roles in promoting regional performance.

Further, the finding about the moderating role of foreign CEOs enriches our understanding of foreign CEOs' impact on MNE internationalization from the perspective of CEO-TMT interface (Georgakakis, Heyden, Oehmichen, & Ekanayake, 2022). Studies from the Upper Echelons' perspective have found that foreign executives and their international experience benefit MNE internationalization because of their better understanding of international business opportunities and superior capabilities in managing the challenges of internationalization (Kaczmarek & Ruigrok, 2013; Kirca, Hult, Deligonul, Perryy, & Cavusgil, 2012; Nielsen, 2010; Yang & Driffield, 2022). Our research complements this literature by showing that CEO foreignness also make a difference in MNE internationalization by facilitating the successful role enactment of TMT members with geographic responsibilities as well as role multiplicity. This finding contributes to a multi-role understanding of CEO-TMT interface in during MNE internationalization (Georgakakis et al., 2022).

THEORY AND HYPOTHESES

Region as Locus of MNE Strategy

It is a challenging task to manage a network of subsidiaries around the globe. Recent knowledge from the regional strategy literature indicate that it is unlikely that MNE can successfully respond to the requirement of global integration and local responsiveness by only focusing on the headquarter – host country dyad (Mahnke et al., 2012; Verbeke & Asmussen, 2016). Instead, coordination and integration at the regional level help companies to operate in challenging foreign markets (Arregle, Miller, Hitt, & Beamish, 2018; Lampert, Kim, Hubbard, Roy, & Leckie, 2019). Because of the short physical distance between countries within a region and the inter-relatedness of different dimensions of contextual distance between countries (Berry, Guillén, & Zhou, 2010; Hakanson & Ambos, 2010; Rugman, Verbeke, & Nguyen, 2011b; Zaheer, Schomaker,

& Nachum, 2012), the compounded distance between countries is likely to spike at the boarder of a region (Kim & Aguilera, 2015; Verbeke & Asmussen, 2016). Consequently, FSAs developed in one country tend to have limited transferability across the regional boarder (Collinson & Rugman, 2008; Rugman & Verbeke, 2004; Yaprak & Karademir, 2011). For instance, Collinson and Rugman (2008) compared Nippon Steel and British Steel and concluded that the superior productivity of Nippon Steel partly stems from its human resource practices which are almost impossible to be transferred out of Asia.

Lacking the precise understanding of the inter-regional differences and the quality of FSAs, MNE managers encounter the issue of bounded rationality. They tend to underestimate the inter-regional difference, overestimate the geographic flexibility of FSAs, and apply region-specific resource across regions (Alfoldi, McGaughey, & Clegg, 2017; Burt, Coe, & Davies, 2019). Consequently, high adjustment investments are required to adapt the FSAs to the local requirement and connect them with local resources (Chakravarty, Hsieh, Schotter, & Beamish, 2017; Rugman et al., 2011b). Relatedly, if the MNE mangers lack precise insights into the host region regarding customers, institutions, as well as business partners, they will make suboptimal decisions regarding when and how to invest (Rugman & Verbeke, 2008). Therefore, these investments will bear higher spatial transaction costs and contract frictions are more likely to occur (Qian, Li, & Rugman, 2013). Cumulatively, suboptimal decisions as a result of bounded rationality burden internationalization performance (Mohr, Batsakis, & Stone, 2018).

Furthermore, even in the presence of globally deployable FSAs as well as perfect knowledge about the host country, the transfer of such resources across dispersed countries across the globe is extremely challenging (Asmussen & Goerzen, 2013), especially considering the limited information processing capacity, the objective barriers of communication, and the limited codifiability of many FSAs (Aguilera, Marano, & Haxhi, 2019; Cowan & Foray, 1997). In this way, bounded rationality problems also emerge from limitations in information processing (Verbeke & Kano, 2016). For instance, communication barriers as simple as time zones can already pose significant challenges. Imagine a situation where a European company plans to enter the Southeast Asia market with a product from the Brazilian subsidiary, the headquarter and the two markets hardly have any shared office hours. Consequently, it is difficult to efficiently combine the market entry experience from the headquarters and the product-related knowhow from Brazil in the market of Southeast Asia and further connect these FSAs with newly gained insights about the target region to achieve a successful market entry.

Beyond the problem of bounded rationality, managing inter-regional business with home country – host county dyad also encounters difficulties as a result of bounded reliability (Kano & Verbeke, 2015, 2019; Rugman & Verbeke, 2005; Verbeke & Asmussen, 2016). Due to high compounded distance between home and host countries as well as the interdependency between actors in different locations (Rugman et al., 2011b), MNE headquarters may lack sufficient measures to monitor geographically dispersed subsidiaries. Consequently, managers of foreign units may prioritize their own goals in disregard of the corporate strategy and lead to regional or corporate-level diseconomies (Lee, 2022; Yamin & Forsgren, 2006). Such reprioritization in the subsidiary's interest is likely to remain undiscovered because of the subsidiary's information advantage about its business and local institutions (Conroy & Collings, 2016). Furthermore, the managers from the head office and those from the local subsidiary may over promise to each other due to biased perceptions and need to scale back their overcommitment (Kano & Verbeke, 2015), leading to executions that deviate from the strategic plan.

Recent development in the regional strategy literature points out that MNEs may use regional coordination to alleviate the challenge during internationalization (Arregle et al., 2018). When integrating investment decisions in the same geographic region, MNEs are more likely to learn from previous experience as a result of higher quality of communication and similar institutional environment (Adler & Hashai, 2015; Blake & Moschieri, 2017; Driffield, Love, & Yang, 2014; Jiang, Holburn, & Beamish, 2016). Bundling activities at the regional level also help MNE to transfer individual investment activities in countries to an integrated investment portfolio, forming the basis of reducing complexity and reaching economies of scale (Arregle, Beamish, & Hébert, 2009; Ghemawat, 2003; Procher & Engel, 2018). Studies about regional management centers also found that regional management functions as a "strategic mid-way house" (Yeung, Poon, & Perry, 2001: 165) that adapts corporate strategies to formulate regional strategies, coordinates activities of subsidiaries within a region (Enright, 2005b), facilitates communication by streamlining information flow (Mahnke et al., 2012; Piekkari, Nell, & Ghauri, 2010), and guides knowledge transfer both bottom-up and top-down (Asakawa & Lehrer, 2003; Lunnan & Zhao, 2013). Nevertheless, although these two streams of literature indicate that regional management has the potential to limit the issues of bounded rationality and bounded reliability during MNE internationalization, we know little about the managers' role in realizing the potential benefits of regional management.

Headquarter – Region Interface in MNE Top Management Team

Although MNE international activities are shaped by various contextual and organizational factors such as local embeddedness and autonomy (Hoenen, Nell, & Ambos, 2014; Mahnke et al., 2012), it is also a result of key MNE actors' role taking and role enactment (Contractor, Foss, Kundu, & Lahiri, 2019; Georgakakis et al., Forthcoming; Kano & Verbeke, 2019). MNE's top executives are pivotal in resource allocation and coordination during internationalization (Aguilera et al., 2019; Barkema & Shvyrkov, 2007; Cuypers et al., 2022; Nielsen & Nielsen, 2011; Sambharya, 1996). Studies focusing on TMT structure and MNE strategic leadership highlight the importance of TMT members' roles, the relationships among the roles, and role enactment on organizational outcomes (Cuypers et al., 2022; Georgakakis et al., Forthcoming). Allocating roles of regional management to TMT member is a deliberate strategic decision that varies among MNEs (Mees-Buss, Welch, & Westney, 2019; Piekkari et al., 2010; Schutte, 1995). For instance, in a qualitative research about the development of regional management system, the authors documented that the focal MNE partly reconciled the imbalance between regional and product dimensions of the firm's matrix structure by including the regional heads to the corporate executive board (Piekkari et al., 2010).

Allocating responsibilities of regional heads to MNE's top management team members may alleviate difficulties cause by bounded rationality and bounded reliability in various interrelated ways. To start with, regional head's role is interdependent with those of the country subsidiary managers (Alfoldi et al., 2017; Enright, 2005b) and such interdependency leads to rich information exchange that enables the regional head to have a better understanding of local context. Improved information quality and local knowhow helps the regional head to have a more realistic estimation of the spatial transaction costs and formulate better strategy regarding how to bundle FSAs with location-specific resources (Burt et al., 2019; Ibeh & Makhmadshoev, 2018). Importantly, when the regional head is a member of the corporate TMT, she has the power to influence resource allocation activities of the company and to coordinate with other parts of the organization. In this way, the regional head's strategy is more likely to be implemented. Meanwhile, as an interface between country-level managers and the CEO, regional heads in TMT are in the position to identify and solve regional performance hazards that stem from misalignment of interest and resource among different MNE actors (Alfoldi et al., 2017). This interface function also brings information processing benefits in the TMT by prioritizing information from local to corporate level and guiding the TMT to correctly interpret the crucial information (Asakawa & Lehrer, 2003).

Consequently, regional heads can alleviate TMT information overload from dispersed subsidiaries and avoid biases in interpreting complex local inputs (Carpenter, Geletkanycz, & Sanders, 2004; Narula & Verbeke, 2015; Rugman & Verbeke, 2005). In this way, the regional head's knowhow about local context as well as the role as local – head office interface lead to better strategy making and execution which in turn improves regional performance.

Furthermore, because of regional head's proximity to the local management, they can more effectively monitor and lead local subsidiaries' managers to ensure strategy execution and resolute intra-regional role conflicts (Enright, 2005b). As a TMT member and being fully in charge of a geographic region, the regional head can create a regional identity which further motivate its members to contribute to the collective performance of the region (Hogg, van Knippenberg, & Rast, 2012; Vaara & Tienari, 2011). Looking across various functions within the region, as the sole leader of a region the regional head has a clear role to optimize regional operation by aggregating similar activities to reach efficiency and coordinating different value chain activities to ensure complementarity (Schlie & Yip, 2000; Verbeke, Kano, & Yuan, 2016). Such a clear leadership across value chain activities and responsibility for regional performance also support an agile response to local requirement (de al Torre, Esperanca, & Martínez, 2011; Piekkari et al., 2010), improving the competitive advantage.

Hypothesis 1a. The presence of a regional head in MNE's TMT positively affects the MNE's regional performance.

However, the benefit of regional head on regional performance depends on whether they are able to successfully enact their geographic roles. In some MNEs, regional heads are also functional TMT members who are responsible for specific functional areas such as finance, operation, information, and marketing (Menz, 2012). For instance, in 2009 John Fleming was the Chairman of Ford Europe and Executive Vice President in charge of manufacturing and labor affairs for the entire Ford Motor Company (Ford Motor Company, 2010). Previous studies find that functional responsibilities are unique role facets of the corresponding TMT member. These roles tend to be geographic-spanning (Aaker, 2008) and fulfills strategic leadership of the MNE from different functional perspectives (Rappaport, 1992).

Such functional responsibilities in parallel with the regional responsibility may undermine the benefit of regional head for regional performance. From the perspective of role theory, regional head's role multiplicity, defined as regional head with functional responsibilities, increases the job demands of the executive and creates challenges for role enactment (Georgakakis et al., 2022) because geographic and functional roles are related with different identities, goals, and routines. As a regional head, the manager needs to balance local responsiveness and economies of scale at the regional level (Verbeke & Asmussen, 2016). Because of similarities among regional countries, FSAs can be rather flexibly adapted to the local context, leading to high responsiveness to the international differences (Arregle et al., 2009; Qian et al., 2013). Meanwhile, regional head coordinates upstream and downstream activities across the value chain within a region and brings benefits from asset complementarity (Lampert et al., 2019; Oh et al., 2019; Teece, 1986), which helps to reduce spatial transaction costs. When a problem arises, the search field of a regional head is likely to be regional and prefer intra-regional cooperation with different companies than inter-regional cooperation within the MNE (Gavetti, Greve, Levinthal, & Ocasio, 2012; Surdu, Greve, & Benito, 2021). By contrast, because of the significant inter-regional differences, functional heads need to be more selective in responding to local differences. This role emphasizes economies of scale basing on inter-regional similarities and aggregation which at times sacrifices local responsiveness (Alfoldi et al., 2017; Ambos, Fuchs, & Zimmermann, 2020). In addition, to economize on the complementarity embedded in inter-regional heterogeneity, different regions may be required to specialize in certain activities instead of having a rather complete regional value chain (Demirbag & Glaister, 2010; Jensen & Pedersen, 2011). In this way, the search field of a functional head facing a problem is likely to be inter-regional. To manage these role conflicts, the regional head with functional responsibilities is motivated to take both perspectives and the regional context-specificity in decision making is weakened (Ambos & Schlegelmilch, 2010; Kano & Verbeke, 2015). Consequently, role multiplicity of regional head impedes the executive's successful role enactment and leads to deviation from maximizing the regional interest.

Hypothesis 1b. The positive relationship between regional representation in TMT and regional performance is stronger when the regional head does not have role multiplicity.

Regional Head's Function Under Host-Region Context

The role enactment of regional head is also context dependent. The underlying economic growth of the regional market creates growth opportunities that requires targeted and speedy response with resource commitment (Chakrabarti, 2001; Demirbag, Glaister, & Sengupta, 2020; Javalgi, Deligonul, Ghosh, Lambert, & Cavusgil, 2010). Under high-speed economic growth, markets not only expand quantitatively, but also diversify and generate a wide variety of niches. Because of the regional embeddedness and close connection with the local markets, regional heads can capture early signals of market development and seize first-mover advantages (Song, 2020; Suarez & Lanzolla, 2007; Zhang, Cui, Li, & Lu, 2018). With strategies such as pre-empting scarce resources, developing a complementary network of partnerships, and building a strong brand name in a nascent market, early responses to market growth can lead to sustained business growth in the host region. In a growth market with dynamic development of niches and competitive offerings, regional head's local knowhow as well as her understanding of the MNE's competitive advantages as a TMT member further facilitates the search for an optimal market position in the region which best fits the firms' bundle of FSAs (Song, 2020; Zhang et al., 2018). Relatedly, having a leader who is in charge of all operations related to the region also help to develop a comprehensive picture of the MNE's competitiveness in the region and establish a unique positioning (Ambos, Schlegelmilch, Ambos, & Brenner, 2009; Demirbag et al., 2020). In this way, the regional business is more likely to benefit from corresponding strategies and entrepreneurial responses (Hoenen et al., 2014).

To implement the growth strategies and ride the tide of growth, investments of (sometimes substantial) financial and human resource are required. Previous qualitative studies documented situations when the regional management tried to win headquarter support for their plan to develop in the host region while the voice struggled to make an impact because of lacking the attention from the MNE top executives (Piekkari et al., 2010). Being a member of the top management team and having a good understanding of the local need, regional head has the power to draw the attention of the MNE leadership to the growth opportunities in the region (Mahnke et al., 2012; Schutte, 1995) and convince them to commit the required resource. Therefore, we hypothesize that regional economic growth offers a beneficial context for the regional head to create and implement winning strategies.

Hypothesis 2. The economic growth of the host region strengthens the positive relationship between TMT regional head without role multiplicity and regional performance.

The Role of CEO as TMT Leader

CEO plays an important role in empowering the regional head as the leader of the top management team. Previous studies from the Upper Echelons perspective show that CEO characteristics such as empowering leadership or background influence TMT role enactment, TMT information processing, and MNE organizational outcome (Buyl, Boone, Hendriks, & Matthyssens, 2011; Carmeli, Schaubroeck, & Tishler, 2011). In the context of MNE internationalization and executive appointment, studies reveal that many MNEs' boards actively recruits foreign executives to manage challenges in internationalization (Greve, Biemann, & Ruigrok, 2015; Greve, Nielsen, & Ruigrok, 2009). In this way, CEO foreign nationality and related international experience is a crucial component of the MNE's international strategy.

Foreign CEO as the leader of TMT may buttress the positive impact of regional head on regional performance in various ways. First, foreign CEO's international business experience as a foreign executive can help her to reduce issues of bounded regionality in international decision making. Facing a distinct institutional context, foreign CEOs need to adjust their mental schemas to identify the differences, to understand the norm, and to adapt to the local environment (Black, Mendenhall, & Oddou, 1991; Chang, 2009). This experience creates opportunities to enrich their cognitive structures and to cultivate their sensitivity to institutional differences (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014). In the process of adapting to a foreign country, a foreign executive accumulate knowledge about the host environment and explore new problem-solving strategies by interacting with locals and local institutions. This learning experience not only help foreign CEOs to adapt but also showcases the importance of local embeddedness in processing information and making decisions in a foreign environment. In terms of regional strategy and performance, as mentioned earlier, MNE managers' underestimation of spatial transaction costs and overestimation of FSA transferability impedes regional performance (Verbeke & Asmussen, 2016; Verbeke & Kano, 2016). In this regard, with international experience, foreign CEOs are more likely to respect and value the opinions of the regional heads because they understand the value of local embeddedness in their own foreign adaptation experience. In this way, foreign CEO plays an empowering role for regional heads in TMT.

In addition, foreign CEOs' personal liability of foreignness in MNE's home country may further contribute to their receptiveness to regional CEO's inputs. Comparing to their local counterparts, foreign CEOs are less embedded in the professional network of the MNE's home country (Fang, Samnani, Novicevic, & Bing, 2013; Kulchina, 2017) and be perceived as outgroup member by key stakeholders in the country (Bertrand, Betschinger, & Moschieri, 2021). Under such local outsidership, foreign CEOs are more likely to be subject to criticism (Legrand, Ariss, & Bozionelos, 2019; Shields & Harvey, 2010). Consequently, they may be more objective and prefer to stay informed to avoid mistakes, supporting the role enactment of regional heads and reducing the risks of bounded rationality from the head office. Moreover, to create their own legitimacy in the country, foreign CEOs may further use their objectivity and open-mindedness strategically as their differentiating factor in leadership (Legrand et al., 2019).

Hypothesis 3. Having a foreign CEO strengthens the positive relationship between regional head without role multiplicity and regional performance.

DATA AND METHODS

Sample and Data Sources

Empirical setting and sample. The hypotheses were tested with data from the automotive industry between 2003 and 2019. The automotive industry is especially suitable for examining the role of regional heads because it hosts companies with diverse FSAs and pursue a wide variety of international strategies. Between 2003 and 2019, this industry witnessed dynamic development of automobile market in China, the rise and fall of the market in Africa, the volatility in Latin America, together with the fierce competition in the traditional Triad market: Europe, North America, and Japan. Consequently, companies in the industry continuously adapt their international strategy and TMT structure to either maintain competitive advantage or challenge the established players.

To identify automobile companies, a list of the 50 largest (by 2019 revenue) automobile companies worldwide with primary SIC code of 3711 (Motor vehicles and passenger car bodies) and 3713 (Truck and bus bodies) from Orbis database was complemented by *Automotive World*'s (2020a, b) lists of world car and truck manufactures in 2019. After excluding companies with substantial missing data, 44 automobile original equipment manufacturers (OEMs, for example, Toyota, Ford, Volkswagen) were included in the database. In 2019, these 44 OEMs produced over 90% of all automobiles worldwide.

Data Sources. Company information as well as part of the TMT data was collected from Thomson Eikon database and was complemented by hand-collected data from the companies' annual reports. We further complemented the TMT data with BoardEx database. Country institutional data came from the Fraser Index of Economic Freedom (Banalieva & Dhanaraj, 2013; Gwartney, Lawson, Hall, & Murphy, 2019). For culture clusters we used the Ronen and Shenkar's (2013) updated cultural zone scheme which groups 70 countries worldwide to 11 global clusters. Country macroeconomic data were from the World Bank (2020). The OEMs' sales data in each country and each year were collected from S&P Global Mobility database (Boston Consulting Group, 2020; General Motors, 2020; McKinsey, 2018; Volkswagen, 2017).

Variables

Dependent variable. *Regional performance* was defined as sales improvement and measured as sales (in thousand units) in a region with previous sales performance controlled. Since we are interested in MNE internationalization activities, domestic sales in home countries were excluded. Following previous studies and considering the characteristics of the automotive industry, we defined five regions on the level of continents: Asia Pacific, Europe, Latin America, Middle East and North Africa, NAFTA, and Sub-Saharan Africa (Rugman, Verbeke, & Yuan, 2011a; Rugman & Verbeke, 2005; Verbeke & Asmussen, 2016; Verbeke & Kano, 2016).

Independent variables and moderators. *Regional head in TMT* was measured as a dummy variable and took the value of 1 when there is a TMT member who is responsible for the region. We relied on MNE's own reports to identify the TMT, which is the top tier of MNE executives (Barkema & Shvyrkov, 2007; Greve et al., 2009; Kaczmarek & Ruigrok, 2013). *Regional head without functional responsibility* was identified according to the description of the executive's responsibilities. When an executive's responsibilities included both regional and functional roles, such as "Head of Asia and R&D", this manager was identified as regional head with functional responsibility. *Foreign CEO* was defined as a CEO whose nationality is different from the MNE's home country (Bertrand et al., 2021). The *regional economic growth* was measured as year over year GDP growth rate in percentage points.

Control variables. We add additional variables to control for their impact on MNE regional performance or on the relationship between regional head and regional performance. At the firm level, *firm size* calculated as the natural logarithmic of firm revenue in million Euro and *firm age* were added (Hitt, Tihanyi, Miller, & Connelly, 2006). *Financial leverage* measured as debt to asset ratio was controlled to reflect the financial agency costs (Low & Chen, 2004). We also controlled *R&D intensity* measured by R&D investment divided by revenue and *marketing capabilities* measured by selling, general, and administrative expenses divided by revenue (Bohnsack, Pinkse, & Kolk, 2014; Lee & Rugman, 2012; Schlie & Yip, 2000; Vahlne & Johanson, 2017). Meanwhile, we included the MNE's *home-region orientation* during internationalization calculated as international sales (in units) within home-region divided by total international sales (Banalieva & Eddleston, 2011; Mauri, Song, & Neiva de Figueiredo, 2017; Rugman & Oh, 2013; Rugman & Verbeke, 2004). *Return on asset* (Banalieva & Dhanaraj, 2013), *TMT size, CEO tenure,* and dummy variables of *OEMs' home country* were also included.

At the regional level, we controlled *regional market size* measured as the total number of automobiles sold in a year, *home region* dummy variable (Beleska-Spasova & Glaister, 2009; Hejazi, 2007; Rugman & Oh, 2008), *regional institutional quality* measured as the GDP weighted average of Fraser Index of each country in the region (Banalieva & Dhanaraj, 2013; Pajunen, 2008), and *regional institutional complexity* measure by the total number of countries in the region and the number of Ronen and Schenkar's (2013) culture zones (Arregle, Miller, Hitt, & Beamish, 2013, 2016). The Fraser Index of Economic Freedom measures a country's institutional quality from five dimensions: size of government, legal system and property rights, sound money, freedom to trade internationally, and regulation (Gwartney et al., 2019).

Model and Estimation

The model and data of this study are multilevel in nature. Different years' regional performance observations were nested within an MNE's region, which if further nested within an MNE. Therefore, three-level regression models were applied to test the hypotheses (Arregle et al., 2009; Arregle et al., 2013, 2016, 2018; Lampert et al., 2019). The data were analyzed with STATA 17. Detailed information about the multilevel model are available from the authors.

RESULTS

Table 1 presents the descriptive statistics and correlations of all variables used in the analysis of this study. Table 2 presents multilevel regression results. Model 1 is the baseline model including only the control variables. Hypothesis 1a predicts that regional head is positively related to regional performance. In Model 2, the coefficient of regional head is significant (b = 29.55, p <0.01), supporting Hypothesis 1a. Hypothesis 1b predicts that the positive relationship between regional head and regional performance is stronger among regional heads without role multiplicity.

Corresponding to this hypothesis, in Model 3 the regression coefficient of the dummy variable for regional head without functional responsibility is significant (b = 35.87, p <0.01) while the coefficient of the dummy variable for regional head with other responsibilities is not significant (b = 6.51, p = 0.51). This result together with model fit indicators strongly support Hypothesis 1b.

----------- Insert Table 1 and Table 2 about here -----------

Hypothesis 2 predicts that the economic growth of the host region strengthens the positive relationship between regional head without other responsibilities and regional performance. In the corresponding Model 4, the main effect of regional economic growth is positive (b = 4.58, p < 0.01). The moderating effect of GDP growth on regional head without functional responsibilities is significant (b = 9.22, p < 0.01) while the moderating effect on regional head with functional responsibilities is not significant (b = 6.00, p = 0.23). Figure 1 further illustrates this moderating effect. When regional GDP growth is high (one standard deviation above mean), having a regional head without functional responsibilities significantly improves regional performance, while this regional head effect is neither significant when the regional GDP growth is low (one standard deviation below mean) nor when the regional head has other responsibilities.

----------- Insert Figure 1 about here -----------

Hypotheses 3 predicts foreign CEO strengthen the positive relationship between regional head without corporate functional responsibility and regional performance. According to Model 5, after adding the foreign CEO effect into the model, the main effect of regional head with functional responsibilities remained not significant (b = −6.41, p = 0.55) while the main effect of regional head without functional responsibilities was significant (b = 25.85, p < 0.01). The moderating effect of foreign CEO on both types of regional heads are significant (on regional head with functional responsibilities b = 66.30, p < 0.01; on regional head without functional responsibilities b = 47.04, p < 0.01). As illustrated in Figure 2, under the leadership of a foreign CEO, both kinds of regional heads significantly contribute to the regional performance, while under local CEO only regional head without functional responsibilities is positively related to regional performance. This result indicates that under the leadership of foreign CEO, the importance of a "pure play" regional head diminishes. Synthesizing these results, we conclude that foreign CEO strengthen the positive performance effect of regional head without role multiplicities, so Hypothesis 3 is supported. Interestingly however, under the leadership of foreign CEO, regional head with role multiplicity also contribute to regional performance, indicating that foreign CEO can help to realize the value of regional heads despite restrictive factors in the executives' role definition.

----------- Insert Figure 2 about here -----------

We further ran alternative models (1) as two-level model without the MNE-region-year level, (2) excluding the home region, and (3) excluding firm age and home country dummy variable which had relatively high VIF as robustness test. These models yielded compatible results as in Table 2. The results and theoretical motivation of the robustness test are available from the authors.

DISCUSSION

In the present study, we draw from the new internalization theory's insights about bounded rationality and bounded reliability (Narula & Verbeke, 2015; Verbeke & Asmussen, 2016; Verbeke & Kano, 2016) to examine regional heads' influence on regional performance. With a model that incorporates the regional heads' role and the context of their role enactment, we found that TMT regional head without corporate functional responsibilities positively contribute to regional performance. This effect is further strengthened by the leadership of foreign CEOs and regional economic growth. We tested the robustness of our findings with various alternative models and found consistent results. In the past years, the differences between global MNEs versus regional MNEs attracted much scholarly attention in international business. More specifically, we want to know why some MNEs developed a global geographic scope while others mainly focus on one or two regions (Griffith et al., 2008; Verbeke & Asmussen, 2016). While previous efforts in the regional strategy literature addressed this question with firm-level analyses (e.g. Alessandri et al., 2018; Asmussen & Goerzen, 2013; Iurkov & Benito, 2018; Mauri et al., 2017; Mohr et al., 2018), we take the perspective of the MNE strategic leadership and bring novel insights by introducing key MNE decision makers' role into the examination of MNE regional development.

With this perspective, we also bring together the regional strategy literature and the regional management center literature which have developed independently. By synthesizing insights from these two research streams, we developed more nuanced understanding about the strategic role of MNE regional management which is beyond a simple intermediary between the "global – local dichotomy" (Asakawa & Lehrer, 2003; Hoenen et al., 2014: 76; Verbeke & Asmussen, 2016).

Managers' Influence in Regional Versus Global MNE

Rugman and Verbeke (2004) analyzed the geographic focus of the world's largest 500 companies and found that most of them generated the majority of revenue within one or two geographic regions. This finding inspired a number of studies in international business to discuss the reasons behind such a regionally focused strategy and to delineate the differences between regional and inter-regional MNEs (Banalieva & Dhanaraj, 2013; Dunning et al., 2006; Fastoso & Whitelock, 2010; Griffith et al., 2008; Rosa et al., 2020; Verbeke & Asmussen, 2016). Focusing on firm-level factors, this emerging literature attributes the lack of global MNEs and the proliferation of regional MNEs to the regional nature of non-location-bound FSAs (Collinson & Rugman, 2008; Qian et al., 2013; Verbeke & Asmussen, 2016). Accordingly, they found that certain firm resource and capabilities including technological advantages, marketing knowhow, and capabilities to manage complexity as well as uncertainty are rather non-location bounded, so they help firms to internationalize across the regional boarder and contribute to a more inter-regional geographic scope of MNE (Banalieva & Dhanaraj, 2013; Cuervo-Cazurra et al., 2018; Oh et al., 2019; Wu et al., 2016).

Nevertheless, MNE internationalization is a process of exploration and *reconfiguration* (Kim & Aguilera, 2015). Current studies analyzing the reasons of idiosyncratic MNE regional versus global scope tend to overlook the process of reconfiguration and assume that certain firm characteristics leads to certain barriers of further inter-regional diversification. We argue that MNE geographic scope is the result of non-linear development process which includes not only investment and expansion, but also divestments and retreats (Benito, 2005; Burt et al., 2019; Mohr et al., 2018). Global MNEs achieved an inter-regional geographic scope because they expanded to different regions and *further developed* their footprint there. Regional MNEs' limited inter-regional exposure may be caused by restrained inter-regional exploration but may also be caused by *failed inter-regional endeavors*. Consequently, to understand how MNE develop in each individual regions can provide us a novel perspective to delineate the differences between regional and global MNEs. As indicated in our findings, TMT regional heads can significantly contribute to regional sales development under certain conditions. Consequently, this role allocation in TMT and related role enactment have the potential to help MNEs to develop an inter-regional geographic scope by contributing to the performance of each region the firm enters.

Comparing to the rich discussion about the firm-level predictors of MNE regional versus global geographic scope, the examination of managers' role in this topic is featured by the contrast between the rich theorization about bounded rationality and bounded reliability, and the scattered empirical research that includes individuals or teams in the analysis. Since early on, regional strategy literature attributes high inter-regional transaction costs to managers' bounded rationality and bounded reliability (Rugman & Verbeke, 2005). Further theoretical papers keep returning to this topic and further elaborates these two microfoundational mechanisms (Verbeke & Asmussen, 2016; Verbeke & Kano, 2016). However, little empirical evidence follows. The value of examining the role of managers in the regional versus global strategy complement our current firm-level understanding because of two reasons. First, by understanding the impact of strategic leaders, we directly address the actors who drive the intra- and inter-regional development of MNEs. As Buckley, Chen, Clegg, and Voss (2016) summarized, internalization theory, which is central to the discussion of regional versus global MNEs, is essentially a theory of “managerial choices”. Second, introducing the role of managers into the analyses help us to disentangle some of the contradicting results found in firm-level models of (inter-)regional MNEs. For instance, a number of studies argued that technological advantages and marketing knowhow are FSAs that can be deployed inter-regionally and contribute to MNE’s global expansion (Asmussen & Goerzen, 2013; Banalieva & Dhanaraj, 2013; Cerrato, 2009; Millar, Choi, & Chen, 2005; Oh et al., 2019). However, some other studies also indicated a weak relationship between these intangible assets and successful global expansion (Kim et al., 2020; Oh & Rugman, 2012; Wu et al., 2016). Meanwhile, different empirical studies contradict each other in modeling the location of creation and deployment of these FSAs (Demirbag & Glaister, 2010; Jensen & Pedersen, 2011; Oh et al., 2019). From a managerial perspective, differences in the deployment strategy and influences of similar non-location-bounded FSAs can be a result of distinct managerial judgements and decisions.

The present study addresses the missing empirical examination about the managers’ role in MNEs’ regional geographic scope and found the roles of MNE strategic leaders, more specifically regional heads in TMT, and the context of role enactment led to differences in regional performance, which will further result in differences in MNE regional scope. Our finding that regional head without functional responsibilities significantly contribute to regional performance shows that having a regional head in the TMT creates an efficient interface between local subsidiaries and

MNE top management to limit the challenges of bounded rationality and bounded reliability during inter-regional expansion (Verbeke & Asmussen, 2016; Verbeke & Kano, 2016). However, the fact that regional head with functional responsibilities does not benefit regional performance and that the benefits of regional head depend on factors within and out of the MNE shows the multi-level contingencies of successful regional head role enactment (Georgakakis et al., Forthcoming). At the interface between the regional head and the subsidiaries she leads, an appropriate role definition of regional head is required to minimize bounded rationality and bounded reliability caused by role conflicts within one strategic leader. At the interface between regional head and CEO, certain capabilities and disposition of the MNE leader (in this paper CEO foreignness) facilitates a regional head to enact her duties. Lastly, at the interface between a regional head and the institutional context (in this paper regional economic growth), the realization of the regional head's benefits from context-specific decision making is dependent on economic conditions that create opportunities for growth.

Regional Management Structures' Interface with MNE Head Office

Research about regional management centers, such as regional headquarter and regional management mandate, show that these regional management structures play a crucial role in coordinating activities within geographic regions and have the potential to influence knowledge development, strategy, etc. at the corporate level (Asakawa & Lehrer, 2003; Enright, 2005b; Lunnan & Zhao, 2013; Mahnke et al., 2012). Because of the close interaction with local subsidiaries, regional management centers are better positioned to reduce bounded rationality in decision making and bounded reliability in management interactions because of a lack of location-specific knowhow. Therefore, regional management structure can improve the decision-making quality during internationalization (Enright, 2005b; Mees-Buss et al., 2019; Schlie & Yip, 2000).

Meanwhile as an intermediate level of management, they not only transmit information, knowledge, and resources (Asakawa & Lehrer, 2003; Lunnan & Zhao, 2013; Mahnke et al., 2012; Piekkari et al., 2010), but also act as the voice for local subsidiaries in the MNE hierarchy. Although studies have examined the role of regional management structures from an MNE's perspective, such as the effect of regional headquarters' signaling activities (Mahnke et al., 2012), we know very little about the how the management at the regional level interact with MNE's corporate management and what are the contingencies of this interface. Previous case studies hinted that the relation between regional head and MNE top management team is crucial for the responsiveness of corporate strategy corresponding to local subsidiaries' requests (Piekkari et al., 2010; Schutte, 1995). These studies described that when regional head becomes a TMT member or have a close connection to the TMT, the regional or local perspectives are more likely to be accepted by the executives and thus make an impact on top-down decision-making about the corresponding region. However, we do not know the performance effect and boundary conditions of these bottom-up influences on internationalization strategies. By proposing and testing a model based on regional head's role in alleviating bounded rationality and bounded reliability in MNE decision making, we showed that regional heads with appropriate role definition make a difference – they help their regions to develop faster than the regional business can otherwise achieve. This finding advances our knowledge about the interface between regional management and corporate management by revealing one micro-level mechanism that leads to positive regional outcomes. In this way we support the microfoundational perspective in international business literature (Buckley et al., 2016; Contractor et al., 2019; Georgakakis et al., Forthcoming; Kano & Verbeke, 2019) and show the potential of micro-level analysis in the regional management studies.

Foreign CEO and MNE internationalization

Lastly, we found that foreign CEOs not only strengthen the impact of regional head without functional responsibilities, but also enables regional heads with functional responsibilities to make positive regional impact. The impact of CEO foreignness can be delineated from two perspectives. The first is about the direct impact of foreign CEO's international experience and international mentality. Internationally experienced executives are more aware of international differences, understand the value of context-specific decision making, are more sensitive of international business opportunities, and more capable to manage the challenges in internationalization (Athanassiou & Nigh, 2002; Carpenter & Fredrickson, 2001; Herrmann & Datta, 2006; Lee & Park, 2008; Nielsen, 2010; Sambharya, 1996; Tihanyi, Ellstrand, Daily, & Dalton, 2000). Previous studies about the impact of foreign executives on MNE internationalization mainly adopts this view.

The second perspective sees CEO as the leader of TMT and examine the interface between CEO and TMT (see Georgakakis et al. (2022) for a review). Although CEO foreignness has not been a topic in the literature of CEO-TMT interface, existing studies point out that CEO has crucial influence on TMT members' role taking and enactment. For instance, from a social-interactionism perspective, Carmeli et al. (2011) found that empowering CEO leadership is positively related to collaborative interaction within TMT and further leads to positive organizational outcomes. From a functionalist perspective, Buyl et al. (2011) analyzed how CEO characteristics moderate the relationship between TMT functional experience diversity and firm performance, as a result of the CEO's crucial role in facilitating information exchange and integration in the TMT. Regarding the potential challenges of executive role multiplicity, scholars suggested that the higher job demand as a result of TMT members' role multiplicity "may command more frequent dyadic interactions and LMX (leader-member exchange) processes between them and the CEO" (Georgakakis et al., 2022: 11). Therefore, previous theoretical studies suggested that CEO pay an even more crucial role when TMT members face the challenge of role multiplicity.

Our study found that foreign CEOs facilitate successful role enactment of regional heads in TMT, even when they face role multiplicity which otherwise impedes the success at the regional level. We argue that foreign CEOs may suffer from disadvantages as a foreigner in the MNE's home country with limited local embeddedness and legitimacy (Bertrand et al., 2021; Legrand et al., 2019; Shields & Harvey, 2010). Being cautious about the related risks, foreign CEOs tend to be more open to the opinions of the regional heads as the experts for the corresponding geography and play an enabling instead of commanding role. Furthermore, foreign CEOs apply their capabilities to manage complexities in international business not only by directly influencing business decisions such as market entry (Nielsen & Nielsen, 2011), but also by resolving challenges in the TMT such as the role multiplicity of regional heads. Our findings support the studies form CEO-TMT interface literature that emphasize the leadership role of CEO under the challenge of TMT member role multiplicity (Georgakakis et al., 2022). By taking this perspective, our research also enriches the understanding of foreign CEOs by moving beyond the analysis which regards CEO as an individual decision maker and incorporating the influence of foreignness on CEO's *leadership* role during MNE internationalization.

LIMITATIONS AND FUTURE RESEARCH AGENDA

This research is subject to a few limitations that highlight promising future research avenues. First, we focused on regional heads' contribution to regional performance reflected in sales development. Beyond sales, the issues of bounded rationality and bounded reliability also influence a wider variety of elements along the value chain (Mudambi & Puck, 2016; Verbeke et al., 2016). Moreover, regional management and regional heads, as a level of organizational hierarchy may exacerbate the issues of bounded rationality and bounded reliability by impeding information flows between headquarters and local subsidiary. Therefore, future research can further delineate the costs and benefits of regional head to enable a more nuanced understanding about the impact of regional heads and their interfaces with local subsidiaries as well as with MNE head office on regional performance.

Relatedly, the role definition and role enactment of regional head may also have implications at the MNE level. Several studies about regional management centers and from the literature of regional strategy discussed the role of regional management in balancing the pressure of integration and responsiveness (Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987) during internationalization (Chakravarty et al., 2017; Paik & Sohn, 2004; Schlie & Yip, 2000; Verbeke & Asmussen, 2016). Regional management enables aggregating and standardizing activities within a region, achieving regional economies of scale. Meanwhile, because of the similarities among regional host countries, context-specific learnings can be easily shared. Furthermore, as a transit platform, regional management may also facilitate inter-regional exchange. From this perspective, having regional head in the TMT offers great opportunity to efficiently coordinate activities across regions to achieve global integration. Nevertheless, such coordination is also subject to the issues of bounded rationality because of the potential role conflicts among different regional heads and between regional heads and functional heads (Kano & Verbeke, 2015, 2019). Therefore, future studies can examine the role of regional head in cross-regional coordination. Such research will not only help us to gain more understanding about regional management and regional strategy, but also advance understandings about international strategy under the pressure of global integration and local responsiveness (Bartlett & Ghoshal, 1989; Harzing, 2000; Mees-Buss et al., 2019; Rugman & Verbeke, 1992).

Lastly, the present study used the automotive industry as the research setting. We think this industry is suitable to test our hypotheses because the challenges of bounded rationality and bounded reliability are well reflected in the auto industry’s challenge to achieve economies of scale and to manage the complex local institutional requirements (Lin & Ho, 2016; Schlie & Yip, 2000). Nevertheless, from a contingency theory's perspective, the automotive industry may only represents industries that are under the pressure of global integration and local responsiveness, while results may be different when the pressure for either integration or responsiveness is lower (Ghoshal & Nohria, 1993). Consequently, we encourage future research to further develop and test models about the regional heads' role from the contingency theory's perspective and delineate the impact of industry settings.

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Table 1 Descriptive Statistics

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9
1	Regional Sales	234.94	586.51									
2	Firm size (logarithm of revenue)	9.75	1.54	0.46**								
3	Firm age	53.41	36.14	0.41**	0.77**							
4	Financial leverage	0.33	0.17	0.17**	0.31**	0.34**						
5	R&D intensity	0.03	0.02	0.18**	0.30**	0.20**	0.23**					
6	Marketing capabilities	0.09	0.04	0.08**	-0.12**	0.09**	0.04	0.19**				
7	ROA	0.04	0.05	-0.10**	-0.19**	-0.20**	-0.44**	-0.40**	-0.11**			
8	TMT size	10.01	4.10	0.01	0.14**	0.14**	0.18**	-0.15**	-0.21**	0.09**		
9	CEO tenure	6.99	5.47	-0.06**	-0.16**	-0.22**	-0.23**	-0.03	-0.11**	0.05*	-0.05*	
10	Foreign CEO (dummy)	0.07	0.25	0.08**	0.17**	0.21**	-0.07**	0.05*	-0.07**	-0.10**	-0.08**	-0.01
11	Home-region orientation	0.30	0.25	0.12**	0.26**	0.40**	0.27**	0.04	0.19**	-0.22**	-0.02	-0.10**
12	Home region (dummy)	0.17	0.37	0.23**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Regional market size	13.43	12.80	0.31**	0.01	0.01	-0.02	0.01	-0.01	0.00	-0.01	0.01
15	Regional GDP growth	3.03	1.63	0.06*	-0.03	-0.02	0.05*	-0.04	0.04	-0.01	0.02	-0.03
16	Regional institutional quality	6.95	0.76	0.22**	0.02	0.01	-0.01	0.01	-0.01	-0.01	-0.01	0.00
17	Number of countries in region	24.00	12.63	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	Number of cultural zones in region	2.67	1.70	0.18**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	Region head (dummy)	0.17	0.37	0.30**	0.40**	0.43**	0.15**	0.13**	-0.10**	-0.12**	0.23**	-0.07**
20	R. head with functional responsibility (dummy)	0.05	0.22	0.24**	0.25**	0.24**	0.02	0.03	-0.08**	-0.08**	0.09**	0.01
21	R. head without functional responsibility (dummy)	0.12	0.32	0.19**	0.30**	0.33**	0.16**	0.13**	-0.06**	-0.09	0.21**	-0.09**

		10	11	12	13	14	15	16	17	18	19
11	Home-region orientation	0.06*									
12	Home region (dummy)	0.00	0.00								
13	Regional market size	0.01	0.00	0.58**							
14	Regional GDP growth	-0.01	0.00	0.29**	0.27**						
15	Regional institutional quality	0.01	0.00	0.19**	0.55**	-0.28**					
16	Number of countries in region	0.00	0.00	0.08**	0.01	-0.01	-0.16**				
17	Number of cultural zones in region	0.00	0.00	0.22**	0.41**	-0.10**	0.39**	0.57**			
18	Region head (dummy)	0.20**	0.07**	0.03	0.02	0.03	0.04	0.02	0.05		
19	R. head with functional responsibility (dummy)	0.09**	0.03	0.05*	0.03	0.00	0.02	0.01	0.02	0.52**	
20	R. head without functional responsibility (dummy)	0.17**	0.06**	0.00	0.01	0.04	0.03	0.02	0.04	0.81**	-0.08**

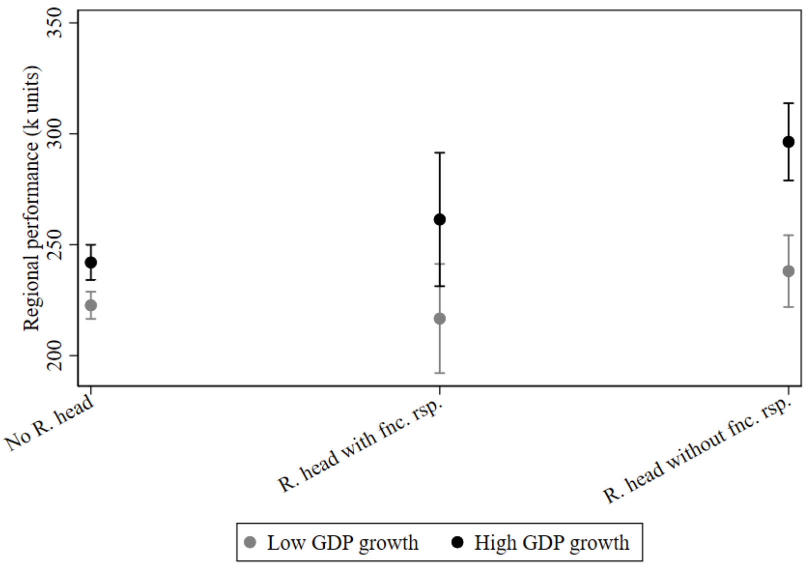
N=1734, ** *p*<0.01, * *p*<0.05.

Table 2 Results of multilevel regressions for regional performance

DV: Regional performance	Model 1 Baseline	Model 2 H1a	Model 3 H1b	Model 4 H3	Model 5 H4
Region head		29.55**			
		(6.04)			
R. head with functional responsibilities			6.51	-13.76	-6.41
			(9.87)	(17.87)	(10.68)
R. head without functional responsibilities			35.87**	3.41	25.85**
			(6.39)	(11.85)	(7.07)
Regional GDP growth				4.58**	
				(1.31)	
R. head with fnc. rsp. × R. GDP growth				6.00	
				(4.97)	
R. head without fnc. rsp. × R. GDP growth				9.23**	
				(3.12)	
Foreign CEO					-2.11
					(9.63)
R. head with fnc. rsp. × foreign CEO					66.30**
					(23.58)
R. head without fnc. rsp. × foreign CEO					47.04**
					(15.96)
Home region	21.36**	21.91**	23.04**	21.58**	23.49**
	(6.50)	(6.79)	(6.88)	(6.78)	(7.10)
Regional market size	-0.26	-0.24	-0.27	-0.70**	-0.29
	(0.23)	(0.23)	(0.24)	(0.25)	(0.24)
Previous regional sales	1.02**	1.01**	1.01**	1.02**	1.01**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Regional institutional quality	3.17	3.53	3.68	10.84**	4.71
	(3.48)	(3.62)	(3.66)	(3.87)	(3.77)
Number of countries in region	-0.05	-0.05	-0.05	-0.01	-0.05
	(0.22)	(0.23)	(0.23)	(0.23)	(0.24)
Number of cultural zones in region	-0.19	-0.38	-0.36	0.19	-0.34
	(1.80)	(1.88)	(1.90)	(1.86)	(1.97)
Firm size (logarithm of revenue)	0.75	0.57	0.79	1.33	1.33
	(2.31)	(2.39)	(2.41)	(2.37)	(2.47)
Firm age	-0.52**	-0.62**	-0.63**	-0.57**	-0.63**
	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)
Financial leverage	2.76	-0.65	2.95	-3.15	6.06
	(15.61)	(15.87)	(15.97)	(15.77)	(16.46)
R&D intensity	-101.47	-101.93	-92.77	-52.77	-125.00
	(113.94)	(115.95)	(116.51)	(115.30)	(118.25)
Marketing capabilities	83.46	75.76	72.48	50.34	105.09†
	(53.77)	(54.48)	(54.66)	(54.05)	(55.75)
ROA	-10.43	-8.62	-8.54	0.45	-10.99
	(39.43)	(39.42)	(39.39)	(39.02)	(39.59)
TMT size	0.66	0.08	-0.05	-0.31	0.26
	(0.54)	(0.56)	(0.56)	(0.56)	(0.58)
CEO tenure	0.14	0.23	0.21	0.26	0.05
	(0.33)	(0.33)	(0.33)	(0.33)	(0.34)
Home-region orientation	-3.21	2.13	2.38	4.54	2.57
	(11.51)	(11.86)	(11.94)	(11.74)	(12.19)
Home country	Controlled	Controlled	Controlled	Controlled	Controlled
Intercept	12.95	17.85	13.77	-55.24	-5.52
	(36.75)	(38.06)	(38.44)	(40.94)	(39.54)
Model characteristics					
df	27	28	29	32	32
AIC	19484.62	19463.22	19456.41	19429.85	19444.88
BIC	19631.99	19616.04	19614.7	19604.51	19619.54

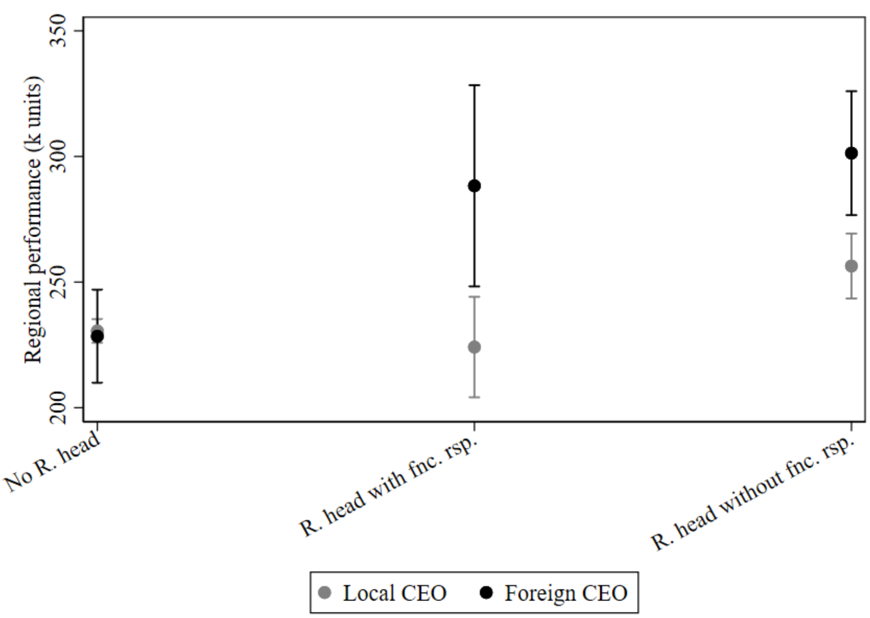
Notes: N=1734. Standard errors in parentheses. ** p<0.01, * p<0.05, † p<0.10

Figure 1 The relationship between regional head and regional performance moderated by regional GDP growth



Note: fnc.rsp. : functional responsibility

Figure 2 The effect of regional head on regional performance moderated by foreign CEO



Note: fnc.rsp. : functional responsibility