
Entrepreneurship, Accounting, and Multinational Business Structures

Theresa Flynn
(Walden University, USA)

Abstract: This article explores the role of multinational organizational (MNO) structures and the influence associated with identified constructs, development strategies for businesses, and principal-agent theory. Consideration of the authority exercised by principal-agents in MNO structures reviewed included many concepts including Home region focus, centralization influences, expatriates' strategies, and distantly located executives' roles within organizational structures. The review of the positive control mechanisms reviewed produced perspectives of successful business strategies related to the utilization of MNO structures. This paper offers a focused study and descriptions of a practical research approach designed to provide a comprehensive view of Multinational organizations. The content may assist researchers interested in researching this topic.

Key words: bounded reliability; bounded rationality; foreign executives in local organizations (felos); home region focus (HRF); multinational; global; international; transnational

JEL codes: A1

1. Introduction

Best business guidelines provided by firm representatives that participated in the multi-cultural global marketplace included recommendations taken from the study of existing multinational corporations (MNCs) control mechanisms and strategies (Pavlovska, & Kuzmina-Merlino, 2015). Researchers claimed that control models provided decision-makers with a perspective of critical factors that lead to effective management strategies (2015). Furthermore, researchers who reviewed multinational organization (MNO) structures discovered that significant levels of effectiveness required the measurement of knowledge transfer and constructs of culture (2015).

2. Literature Review

2.1 Organizational Structures

MNO structures included businesses described as multinational, global, international, and transnational (Thomas, & Peterson, 2014). Multinational configurations included decentralized and efficient allocation of assets and capabilities associated with a strong sense of home location (2014). Home region operations included an explorative approach and knowledge developed and kept in each business unit (2014).

Researchers concluded that internationally-focused MNO structures involved consolidation of core competencies (Thomas, & Peterson, 2014). Policies reviewed included international MNO or general structures

Theresa Flynn, Doctoral Candidate, Walden University. E-mail: theresaflynn1@embarqmail.com.

that consist of leveraging strategies and adaptive parent companies that developed a transferable centralized knowledge base (2014). Transnational MNO setups included configurations viewable as establishing dispersed, interdependent, or specialized contributions (2014). Specific transnational MNO roles for subsidiaries and headquarters included outcomes visible as featuring differentiation of contributed business activities and general knowledge bases (2014).

3. The Influence of Significant Constructs on MNO Development

Representatives of geographically diverse locations could encourage distantly located headquarters managers to allocate resources in ways that promote a specific subsidiary for many reasons (Dellestrand & Kappen, 2012). For example, the principal agents' acquisition of a subsidiary could provide a valuable input or opportunity (2012). The development of an environment that would benefit the firm and serve the long-term purposes of organizational managers could result in positive outcomes for MNO interested groups (2012). Furthermore, the return on investment from global business ventures included an increasing function of the level of cross-border intra-firm transfer amounts (Olibe, & Rezaee, 2008). Intra-firm transfers often resulted in mutually beneficial outcomes for firms located in different tax boundaries (2008).

4. Implications of Principal-Agent Theory for Multinational Enterprises

Business dimensions related to the local cultural practices should be reviewed since beliefs may increase a business manager's appreciation for networked relationships and particular management strategies (Dellestrand, & Kappen, 2012). According to Pavlovska, and Kuzmina-Merlino (2015), the executives and managers located at the central headquarters of an MNO frequently experienced a reduced understanding and organizational knowledge due to perspectives limited by bounded reliability and bounded rationality. Concepts identified as resulting from bounded reliability included a lack of clear understanding of distant corporate practices arising from information overload, or uncertainty (2015). Bounded rationality included limits of individual judgments that were restricted due to incomplete information, the decision criteria, and personal preference (Thomas, & Peterson, 2015).

The initial appointment of foreign executives in local organizations (FELOs) advanced the corporate organizers' preferred interactions for the purpose of competing in local and international markets, even when MNOs structured businesses possessed a distinct advantage (Arp, 2014). Local organizations utilizing obligated FELOs over the short term integrated knowledge provided as the result of expatriate's expertise when strategies required a robust competitive response (2014). Business managers' and executives' aggressive policies required ongoing reinforcement for shareholders who may doubt the value of extremely diverse business environments (Thomas & Peterson, 2015).

5. Cross-Cultural Factors That Influence Planning and Control Systems

Scholars studying international business research suggested that most MNOs executives enacted plans that featured high home-region focus (HRF) rather than global approaches (Banalieva, Santoro, & Jiang, 2012). The HRF recommendations resulted from the usual occurrence of a more significant quantity of sales originating from the MNOs' home regions (2012). Researchers studied exemplary MNO plans and concluded that the arrangements featured unique organizational forms created through the establishment of working relationships between

networked and differentiated subsidiaries (Thomas, & Peterson, 2014).

Multinational firms personnel worked in various political, cultural, legal, and economic environments (Robinson & Stocken, 2013). A more precise understanding of motivations, values, and traditions allows expatriate managers and local managers to interact and implement mutually beneficial business strategies (Arp, 2014). In addition to the use of established business strategies, representatives of global organizations often utilized constructs associated with centralization and a parent-headquarters approach (Thomas, & Peterson, 2014).

6. Conclusions

A multilevel approach to constructs associated with trust in business dealings should inform researchers and practitioners on how the fundamental frameworks could create improvements for MNOs' organizational activities (Fulmer & Gelfand, 2012). The preferred direction for corporate members that addressed requirements of parent companies or headquarter-directed influences involved the implementation of business frameworks known as networked MNOs (Pavlovska & Kuzmina-Merlino, 2015). Development of reliable and efficient business strategies could result in positive outcomes for all business partners.

References

- Arp F. (2014). "Emerging giants, aspiring multinationals, and foreign executives: leapfrogging, capability building, and competing with developed country multinationals", *Human Resource Management*, Vol. 53, pp. 851-876, doi:10.1002/hrm.21610.
- Banalieva E., Santoro M. and Jiang J. (2012). "Home region focus and technical efficiency of multinational enterprise", *Management International Review*, Vol. 52, pp. 493-518, doi: 10.1007/s11575-011-0127-7.
- Dellestrand H. and Kappen P. (2012). "The effects of spatial and contextual factors on headquarters resource allocation to MNE subsidiaries", *Journal of International Business Studies*, Vol. 43, No. 3, pp. 219-243, doi:10.1057/jibs.2011.57.
- Fulmer C. A. and Gelfand M. J. (2012). "At what level (and in whom) we trust: Trust across multiple organizational levels", *Journal of Management*, Vol. 38, pp. 1167-1230, doi: 10.2139/ssrn.1873149.
- Olibe K. O. and Rezaee Z. (2008). "Income shifting and corporate taxation: The role of cross-border intra-firm transfers", *Review of Accounting & Finance*, Vol. 7, No. 1, pp. 83-101, doi: 10.1108/1475770081085386.
- Pavlovska O. and Kuzmina-Merlino I. (2015). "Functions and features of controlling in multinational corporations", *Journal of Business Management*, No. 10, pp. 28-36, available online at: <https://www.chapman.edu/business/faculty-research/journals-and-essays/>.
- Robinson L. and Stocken P. (2013). "Location of decision rights within multinational firms", *Journal of Accounting Research*, Vol. 51, pp. 1261-1297, doi: 10.1111/1475-679X.12021.
- Thomas D. and Peterson M. (2015). *Cross-Cultural Management: Essential Concepts* (3rd ed.), Thousand Oaks, CA: Sage.