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Subsidiary Entrepreneurship and Entrepreneurial Opportunity: An Institutional Perspective☆

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ABSTRACT

A subsidiary's ability to identify opportunities in the host country and to subsequently exploit these opportunities could create competitive advantages for the Multinational Corporation. While research on subsidiary entrepreneurship has focused primarily on subsidiary-specific resources and capabilities, as well as environmental factors, the type of opportunities that the subsidiaries may find in the host environment has been underexplored. Drawing on the subsidiary entrepreneurship literature, institutional perspectives, and entrepreneurship research, this paper suggests that subsidiaries embedded in institutional contexts that are different from those of their home country have unique advantages that enable the identification of entrepreneurial opportunities. Accordingly, a theoretical framework is proposed, based on contingency perspectives on the different views of entrepreneurial opportunities in relation to business processes in the host country's institutional environment, vis-a-vis uncertainty levels and legitimacy requirements. In addition, appropriate strategic approaches are suggested, through which subsidiaries can exploit these entrepreneurial opportunities.

1. Introduction

Research on multinational corporations (MNCs) suggests that subsidiaries of multinational corporations (subsidiaries hereafter) play an important role in contributing to the development of firm-specific advantages (Burger et al., 2018; Birkinshaw, 1997; Williams, 2009). Birkinshaw (1997) argued that subsidiaries can contribute not only to the development of firm-specific advantages, but they can in fact *drive* certain entrepreneurial processes through identification of opportunities and development of new products and services in the local market. Given that subsidiaries can assume roles of innovation and creativity within the MNC, research on subsidiary entrepreneurship has focused on the importance of the parent-subsidiary relationship (Birkinshaw, 1997; Birkinshaw and Hood, 1998; Williams and Lee, 2011), subsidiary specific resources and capabilities (Birkinshaw, 1996, 1997), and local environmental factors (Birkinshaw and Hood, 1998; Du and Williams, 2017; Zahra et al., 2000), to understand what factors promote or suppress subsidiary entrepreneurship.

Subsidiary entrepreneurship commences with identifying 'opportunities' in the host environment and concludes with the exploitation of the opportunities (Birkinshaw, 1997; Schmid et al., 2014; Wang and Suh, 2009). This is parallel to the corporate

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entrepreneurship literature, which emphasizes the centrality of opportunity (Shane and Venkataraman, 2000) in entrepreneurial activities. Despite this centrality in entrepreneurship research, there still exists considerable uncertainty with regard to extant research on opportunities (Dutta and Crossan, 2005) due to the elusive nature of opportunity. While subsidiary entrepreneurship research has mainly focused on the relationship between the MNC headquarters and subsidiaries in terms of selling, evaluation and approval of the entrepreneurial ideas and has overlooked opportunity identification and exploitation (Schmid et al., 2014). In addition, while research on subsidiary entrepreneurship has emphasized the importance of subsidiary-specific resources and capabilities, as well as environmental factors, the type of opportunities that subsidiaries may find in the host environment has been limited (Schmid et al., 2014), except for recent studies such as the one by Du and Williams (2017), who identified a range of opportunities in China in the form of innovative projects.

Addressing these gaps in the fields of international business and subsidiary entrepreneurship, we delve further into the subsidiary entrepreneurship and entrepreneurship research stream. We look into the opportunity identification phase of the subsidiary entrepreneurship process to understand what kind of entrepreneurial opportunities exists and suggest appropriate strategies to exploit them by adopting Sarasvathy et al.'s (2003) three views of entrepreneurial opportunity, which is a more substantive approach to opportunities (Dimov, 2010) and look at opportunities in relation to market processes. We suggest that this will allow subsidiaries to identify the supply and demand issues associated with different opportunities and to more effectively exploit opportunities, which in turn will contribute to an MNC's overall competitive advantages (Williams, 2009).

Therefore, in this paper, our main research questions are - Do foreign subsidiaries have certain advantages in identifying opportunities in the host country? What is the role of the institutional context in determining the kind of opportunity that would be exploited more effectively? To answer these questions, we draw upon subsidiary entrepreneurship literature, entrepreneurship research, and institutional perspectives. We propose a contingency based theoretical framework on the different views of opportunity that subsidiaries can identify and subsequently exploit with respect to legitimacy requirements of the host country's institutional environment. In addition, we suggest appropriate strategic approaches that subsidiaries can adopt to exploit these opportunities. Although internal aspects, such as resources and capabilities of subsidiaries, and the interaction between the MNC headquarters (HQ) and subsidiaries are essential parts of the subsidiary entrepreneurship process, consideration of these aspects is beyond the scope of this paper.

We make theoretical contributions to the field of subsidiary entrepreneurship in the following ways. First, research indicates that subsidiaries face pronounced challenges in establishing and maintaining its legitimacy in a host country due to liability of foreignness (Zaheer, 1995). However, we suggest a different perspective that subsidiaries have certain advantages, compared to local firms, because they are not steeped in the host country environment. In addition, given their dual embeddedness, they have more context saliency which is defined as the degree to which the elements of context stand out, or are prominent, in a way that allows them to be noticed, detected, and perceived (Nebus and Chai, 2010; Un, 2016) compared to local firms, allowing them to be more alert to unmet needs in the host country. Subsidiaries will also be able to assimilate differences between home and host country environments, which will give them information asymmetry advantages, allowing for better identification of unmet needs, and effective exploitation of entrepreneurial activities.

Second, although subsidiary entrepreneurship research acknowledges the importance of entrepreneurial opportunities as a starting point for entrepreneurial activities, the nature of entrepreneurial opportunities has been under examined (Dimov, 2007; Dutta and Crossan, 2005) and is a “troublesome and little-understood concept” (Ambos et al., 2010: 1100). While Sarasvathy et al.'s (2003) path breaking paper provides insight into different types of entrepreneurial opportunities based on levels of the uncertainty, we delve deeper into this topic by discussing how subsidiaries have different legitimacy requirements based on institutional distance and uncertainty. In doing so, we also add to Schmid et al.'s (2014) research on subsidiaries facing uncertainties due to different institutional environments during the process of subsidiary entrepreneurship by suggesting that these uncertainties could actually translate into unique advantages for subsidiaries. To this end, we also propose strategic approaches for exploiting different types of opportunities.

Third, we suggest that institutional theory, specifically institutional distance, provides a critical theoretical lens for understanding the benefits and consequences of subsidiary entrepreneurship. Subsidiaries are simultaneously embedded in two different institutional environments - their home country and their host country. Institutional distance enables better understanding of how similar (or dissimilar) the subsidiary host country is with respect to its home country, which further aids in identifying opportunities that are perhaps lacking in the host country, or even in identifying opportunities more effectively in the host country vis-a-vis the home country due to context saliency as well as differences in institutional regulations.

This paper begins with a conceptual overview of the various theoretical streams of research that provide the foundation for this paper, namely, entrepreneurial opportunities, subsidiary entrepreneurship, and institutional theory. We then discuss a) *opportunities in relation to market processes, which include* market as *an allocative process,* market as *a discovery process, and* market as *a creative process view*; b) foreign subsidiaries' unique advantage in opportunity identification; and c) appropriate subsidiary strategies to exploit different opportunities effectively given different institutional contexts.

2. Conceptual background

2.1. Overview of subsidiary entrepreneurship

Corporate entrepreneurship is central to the survival, renewal and growth of established corporations (Dess et al., 2003; Stopford and Baden-Fuller, 1994; Zahra et al., 1999). Subsidiary entrepreneurship is corporate entrepreneurship that occurs in foreign units of the corporation rather than in the headquarters of a large corporation (Birkinshaw, 1999) and is suggested to enhance subsidiary contribution to the MNC (Scott et al., 2010). MNC research suggests that the roles of subsidiaries within an MNC are anchored in two different perspectives. One view is that subsidiaries assume passive roles that the parent company assigns through centralization and formalization of decision-making (Gates and Egelhoff, 1986), as well as coordination and integration across an MNC's portfolio of subsidiaries (Picard, 1980). Shifting focus away from parent to subsidiaries, the other view suggests that subsidiaries are active participants in developing their own resources and capabilities in order to survive and grow (Young et al., 1994), and implies that subsidiaries can have a much greater level of strategic choice in their development (Birkinshaw, 1997).

One of the key drivers of subsidiary entrepreneurship is the subsidiary's ability to identify opportunities and commit resources to exploit those opportunities. Birkinshaw conceptualizes these entrepreneurial activities as “subsidiary initiatives” and proposes that these are a “discrete, proactive undertaking that advances a new way for the corporation to use or expand its resources” (1997: 207). Birkinshaw (1997) argues that entrepreneurship at the subsidiary level has the potential to enhance local responsiveness, worldwide learning and global integration. Subsidiary entrepreneurship can draw on opportunities in local, internal, and/or global markets and seek to develop a new product, market, or more efficient MNC-wide processes.

Thus far, research on subsidiary entrepreneurship has primarily focused on the key drivers of a subsidiary's entrepreneurial activities such as a) entrepreneurial learning (Dimitratos et al., 2014a, 2014b; Scott et al., 2010); b) subsidiary-specific resources and capabilities, such as relative resource superiority, human resource slack, and downstream capabilities (Verbeke and Yuan, 2013); c) entrepreneurial competencies (Dimitratos et al., 2014a, 2014b); d) the external environment in promoting or impeding entrepreneurial phenomena, such as customers, suppliers, and competitors (e.g., Birkinshaw et al., 2005; Konara and Shirodkar, 2018; Nam et al., 2014); and e) political heterarchy, which suggests that subsidiary entrepreneurship will be more successful if subsidiaries play a politically active role in the MNC's heterarchical structure (e.g., Williams and Lee, 2011), f) subsidiary-HQ relationship (Cano-Kollmann et al., 2018; Kostova et al., 2016; Schotter and Beamish, 2011; Zahra et al., 2000), communication (Birkinshaw, 1999) and subsidiary credibility (Foss et al., 2012).

Most identified opportunities require evaluation by MNC headquarters, as well as corporate approval and additional resources from headquarters to allow subsidiaries to follow through on entrepreneurial efforts (Birkinshaw, 1997: 221). In these cases, corporate managers will likely assess and evaluate the entrepreneurial proposal and select the most promising ones for further development (Birkinshaw, 1995: 36; 2000: 39; Verbeke and Yuan, 2005: 32). Evaluation tends to go through multiple iterations at different stages of the entrepreneurial process (Ardichvili et al., 2003: 106), depending on factors such as the organization's entrepreneurial orientation (Birkinshaw, 1997; Burgelman, 1983), the firm type and firm characteristics (Keupp, 2008), and headquarters orientation towards external stakeholders (Dörrenbächer and Geppert, 2010). Extant research has discussed barriers to effective entrepreneurial outcomes that include resistance to change (Birkinshaw, 1998), headquarters' ineffective attitude towards the subsidiary (Birkinshaw, 1998), and headquarters' lack of knowledge regarding their subsidiaries' innovation process (Ciabuschi et al., 2012).

Successful subsidiary entrepreneurship can result in strategic subsidiary development (Birkinshaw and Hood, 1998; Birkinshaw, 1998) that could lead to changes in subsidiary role and mandate. However, unsuccessful entrepreneurial ventures can result in increased cost, lack of focus, internal unemployment (Birkinshaw et al., 1998), possible de-motivation of the subsidiary owing to increased headquarters involvement and decreased subsidiary credibility (Foss et al., 2012), all leading to subsidiary decline or even closure (Reilly et al., 2012).

Current subsidiary entrepreneurship research has primarily focused on subsidiary-specific resources and capabilities and environmental factors, as well as the relationship between headquarters and subsidiaries in terms of selling, evaluation, and approval of entrepreneurial ideas, but it has largely overlooked opportunity identification and exploitation of subsidiary entrepreneurship (Schmid et al., 2014). The lack of research on opportunity identification is not because it is not important - subsidiary entrepreneurship process starts with identification of opportunities (Birkinshaw, 1997; Schmid et al., 2014; Wang and Suh, 2009) - but because of the elusive nature of opportunity.

2.2. *Entrepreneurial opportunity*

Entrepreneurship research has emphasized the importance of opportunity but there is still considerable uncertainty with regard to research on opportunities (Dutta and Crossan, 2005). Definitions of opportunity often center around how the *ex post* characteristics of opportunities can only be discussed *ex ante*, but the complete consequences cannot be understood due to the uncertainty and complexity of the opportunity environment (Dimov, 2011). In other words, opportunities can be articulated and explained fully only retrospectively. This creates a paradox of sorts as understanding how opportunities are identified is central to understanding how these opportunities can be subsequently exploited; however, the notion of opportunities is elusive and lacks tangible premise, which makes it difficult to determine whether one's current endeavor represents an opportunity or is simply an idea (Dimov, 2010).

Eckhardt and Shane (2003: 336) define opportunities as “situations in which goods, services, raw materials, markets, and organizing methods can be introduced through the formation of new means, ends, or means-ends relationship.” Although opportunity is a central concept in the field of entrepreneurship (Short et al., 2010) and there have been recent efforts to better understand the concept (e.g., Busenitz et al., 2014; Dimov, 2010), research on entrepreneurial opportunities is still quite ambiguous (Eckhardt and Shane, 2003), mainly because research thus far has two dominant paradigms with regard to opportunities. One is to view opportunity as concrete realities that are waiting to be discovered, while the other is to view opportunity as enactment of an entrepreneur's vision that must be created (Busenitz et al., 2014; Dutta and Crossan, 2005; Dimov, 2010; Short et al., 2010). Eckhardt and Shane (2003) suggest that entrepreneurial opportunity involves the identification of means and ends previously undetected by market participants.

On the other hand, researchers such as Alvarez and Barney (2007, 2010), Alvarez et al., 2017, Ardichvili et al. (2003) argue that opportunities are made, not found, suggesting that opportunities are created by entrepreneurs' creative process of turning their ideas and aspirations into actions. Recent debates on entrepreneurial opportunities (Foss and Klein, 2017; Ramoglou and Tsang, 2016; Short et al., 2010) suggest that both points of view are valid and that while some opportunities are discovered, others are created.

Irrespective of the dominant paradigm adopted by researchers, there has been some consensus regarding how opportunities are generated, for example, through information asymmetry and exogenous shocks or through changes in supply vs. demand (Alvarez et al., 2017; Eckhardt and Shane, 2003). Exogenous shocks such as changes in technology, regulations, and other factors generate new information about how resources may be utilized, thereby allowing entrepreneurs who have early access to the new information to recombine the resources in more valuable forms. Similarly, changes in supply or demand, for example, with respect to consumer preferences, culture, tastes, and demographics, also generate opportunity (Schumpeter, 1934), just as changing inputs such as in new product development, ways of organizing resources differently, or innovating production processes (Alvarez et al., 2017). Opportunities are also generated if demand surpasses the supply by adding more capacity with better efficiency (Drucker, 1985), by creating new niches (Christensen and Bower, 1996), and by specializing (Geroski, 2001).

In this paper, we focus on entrepreneurial opportunities in relation to market processes and institutional contexts. Opportunities, hence, emerge as "imprecisely defined" market needs, or "under-employed" resources and capabilities (Kirzner, 1997).

2.2.1. Opportunities in relation to market processes

Drawing upon economic research streams (e.g., Buchanan and Vanberg, 1991; Hayek, 1945; Knight, 1921), Sarasvathy et al. (2003) describe three distinctive opportunities within the three views of market processes: a) market as *an allocative process* relating to opportunity recognition, b) market as *a discovery process relating* to opportunity discovery, and c) market as *a creative process* relating to opportunity creation.

The allocative view suggests that both sources of supply and demand exist, and that opportunity to bring together existing needs and/or underemployed resources must be identified.' Subsequently, the opportunity has to be implemented through an existing firm or a new firm. Sarasvathy et al. (2003) suggest that this notion of opportunity is primarily concerned with the exploitation of existing markets. The allocative view draws from neoclassical economic theory that focuses on the allocative efficiency of markets that can be achieved in perfectly competitive market conditions. The allocative view concerns the optimal utilization of resources and assumes that although information is available in the system, it is randomly distributed.

The discovery view suggests that only one side of supply/demand exists (e.g., demand exists but not supply or vice versa) and that the other side has to be "discovered." The discovery view pertains to finding a "fit" between particular market needs and specified resources (Liouka, 2007). Sarasvathy et al. (2003) suggests that this notion of opportunity has to do with exploration of existing and latent markets. The theoretical foundation of the discovery view is based on the earlier work of Austrian economists (Hayek, 1945; Knight, 1921) and the focus is on information asymmetries among economic agents. Kirzner (2000) suggests that the imperfect nature of information gives rise to opportunities that are discovered by entrepreneurs on the basis of informational advantages and through other complementary resources (Korsgaard et al., 2015; Venkataraman, 1997).

The creative view suggests that neither supply nor demand exist in an obvious manner, so that one or both has to be "created." The creative view relies on the work of Schumpeter (1934), whose conceptual development assumed that opportunities emerge from the entrepreneurs' internal disposition to initiate change in the economy by capitalizing on technological change and innovation through a process of "creative destruction." This view thus suggests that opportunities do not pre-exist, either to be allocated or discovered; instead, they are created through a process of dynamic interaction between actors in the economy and their environment (Buchanan and Vanberg, 1991; Sarasvathy et al., 2003).

In this paper, we adopt Sarasvathy et al.'s (2003) three distinctive views on opportunities in relation to market processes because they provide a practical framework encompassing different entrepreneurial opportunities that exist in the marketplace (Jones and Pitelis, 2015). Furthermore, emphasizing these views of opportunities with respect to subsidiary entrepreneurship is germane, given that each of them - allocative view, discovery view, and creative view - is associated with identifying opportunities based on market processes that have different degrees of supply and demand in the environment.

The three above mentioned views of entrepreneurial opportunities are compared and summarized in Table 1, which we adapted from the Sarasvathy et al.'s (2003) comparison table and in which we incorporated the different levels of uncertainty associated with the entrepreneurial opportunities.

2.3. Institutional theory

A host country's institutional environment provides the context for the rules and norms of the society and is the ultimate authority governing and legitimizing collective action (Scott and Meyer, 1994). This context simultaneously provides entrepreneurial opportunities and sets boundaries for actions (Welter, 2011); therefore, the institutional environment can constrain or facilitate subsidiaries' opportunity identification and exploitation. Specifically, institutional factors such as favorable market incentives and the availability of capital in the environment facilitate entrepreneurial development (Foster, 1986). While inadequate institutional development can hamper new venture development (Baumol et al., 2009), a well-developed institutional environment can also impede entrepreneurship with overly restrictive regulations (Soto, 2000). Consequently, understanding and adapting to existing institutions of the host country is essential in pursuing subsidiary entrepreneurship.

Institutions are "the rules of the game that consists of formal written rules as well as typically unwritten codes of conducts that underlie and supplement formal rules" (North, 1990: 4). Similarly, Scott (2001: 48) suggests that institutions are "composed of

Table 1
Three views on entrepreneurial opportunity based on market processes.

	Allocative view	Discovery View	Creative View
What is an opportunity?	Possibility of putting resources to good use to achieve a given end	Possibility of correcting errors in the system and creating new means of achieving given ends	Possibility of creating new means as well as new ends
Methods	Opportunities "recognized"	Opportunities "discovered"	Opportunities "created"
Domains of application	Both supply and demand are known	Only one or the other (supply or demand) is known	Both supply and demand are unknown
Assumptions on information	Complete information available at both the aggregate and individual level	Complete information at the aggregate level but distributed imperfectly among individuals	Only partial information even at eh aggregate level, and ignorance is key to opportunity creation
Level of uncertainty	⟵ Low		High ⟶

Adapted from Sarasvathy et al. (2003).

cultural-cognitive, normative, and regulative elements…provide stability and meaning to social life". Every country has distinctive institutional environments that influences organizational behaviors and outcomes (Adler, 1995) indicating that there are differences across countries (Meyer and Rowan, 1977). To capture this variation, Kostova (1997) introduces the concept of "institutional distance", which is defined as the extent of institutional dissimilarities between the home country and the host country. Institutional distance is based on the institutional profile of a country and consists of three dimensions: regulatory, cognitive, and normative (Kostova, 1997). Consequently, two countries can be characterized as close or far in institutional distance depending on the similarity or difference in their institutional profiles. Institutional distance is hypothesized to increase transaction costs by making it harder for subsidiaries to obtain reliable information, and therefore increases costs for coordinating business activities (Henisz and Williamson, 1999; Konara and Shirodkar, 2018).

Subsidiaries face various sets of institutional constraints and have to learn to adapt to different institutional environments to gain legitimacy. Legitimacy refers to the extent to which a firm's structures and activities appear to conform to social norms, values, and expectations of the firm's economic and social environment. Legitimacy has been proposed to be vital for organizational survival and success (Dowling and Pfeffer, 1975; Hannan and Freeman, 1977; Husted et al., 2016; Meyer and Rowan, 1977). Subsidiaries in a foreign environment encounter more complex legitimation processes due to liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). Reasons that subsidiaries face challenges to establish and maintain legitimacy include: a) the host country environment does not have enough information about the subsidiaries (unfamiliarity hazard); b) host country may use stereotypes and different standards in judging subsidiaries versus domestic firms (discrimination hazards); and c) the subsidiaries lack social ties with local suppliers, customers, etc. (relational hazards).

Research indicates that a subsidiary faces greater challenges in establishing and maintaining its legitimacy in a host country, compared to local firms. This is exacerbated when the institutional distance between the home country of the subsidiary and the host country is greater, because it will be more difficult for the subsidiary to understand the host environment and its legitimacy requirements (Burton et al., 2010; Kostova and Zaheer, 1999; Maruyama and Wu, 2015). Accordingly, institutional theory provides a theoretical lens in understanding the kind of constraints subsidiaries face in the host country (Su et al., 2017) while identifying and exploiting entrepreneurial opportunities, and how subsidiaries not only create new products and services but must also seek legitimacy for their new ventures.

3. Subsidiary entrepreneurship and entrepreneurial opportunity

The starting point of subsidiary entrepreneurship is the identification of entrepreneurial opportunities (Birkinshaw, 1997). In this section, we will examine the entrepreneurial opportunities at the subsidiary level and discuss a) how subsidiaries may have an advantage in discovering these opportunities, b) what types of entrepreneurial opportunities to exploit in which institutional context, and c) what strategies subsidiaries can use to exploit these entrepreneurial opportunities. A path-type figure summarizing the propositions is illustrated below.

3.1. Subsidiary entrepreneurship and opportunity identification

Subsidiary entrepreneurship begins with the identification of an opportunity and concludes with the exploitation of the opportunity. Opportunity identification at the local subsidiary level involves the scanning and detection of opportunities in the host country environment (Boojihawon et al., 2007).

Research suggests that some people may identify opportunities while others do not, due to access to information (Kirzner, 1973). Access to information is unevenly distributed across economic actors (Hayek, 1945) because people have varied information stocks that accumulate from heterogeneous life experiences (Venkataraman, 1997). Access to information can be further influenced by search behavior, especially when the perception is such that the benefit of search outweighs that of the cost (Stigler, 1961; Tang et al., 2012). Shane, 1996postulated that entrepreneurs will identify opportunities because prior knowledge prompts recognition of the value of the new information.

Eckhardt and Shane suggest that idiosyncratic prior knowledge creates a “knowledge corridor” that allows the identification of certain opportunities, but not others (2003: 174). Knowledge corridors emerge through an individual's experiences including those acquired through on-the-job routines, social relationships and daily life (Venkataraman, 1997). Thus, knowledge corridors explain why certain entrepreneurs have superior information over others in some domains, which in turn provide an advantage in identifying opportunities (Gruber et al., 2013; Hayek, 1945).

We argue that a subsidiary's knowledge corridors are influenced by the institutional context of the host country and the home country in which the subsidiary is embedded as well as the MNC network. This multiple embeddedness enables the subsidiary to play a dual role of tapping into local knowledge and engaging in knowledge exchange with the rest of the MNC network (Figueiredo, 2011; Meyer et al., 2011, etc.). Subsidiaries acquire unique experiences through identifying and assimilating the differences between home and host country and knowledge flow within the MNC network, thereby creating their own unique “knowledge corridors.” These experiences and knowledge will allow subsidiaries to be more receptive to information about unmet demands in the host country, unnoticed changes in the environment, or resources that are unused. Therefore, we suggest that subsidiaries have advantages of information asymmetry by having access to information about their home countries as well as about their host countries and will have advantages in being able to identify opportunities that result from this information asymmetry. Creating their unique “knowledge corridors” will also allow for subsidiaries to perceive “herding mentality” (Gaglio and Katz, 2001; 100) of firms in the host country and to identify opportunities that may be lost to the local firms. Consequently, these unique knowledge corridors where subsidiaries may have more or better information in comparison to the local firms leads to increased information asymmetry between subsidiary and local firms.

Proposition 1a. Subsidiaries have advantages relative to local firms in identifying entrepreneurial opportunities in a host country due to increased information asymmetry.

‘Alertness’ is an important cognitive dimension of opportunity identification and is defined as an individual's receptiveness and ability to use information to create new means-ends frameworks from pieces of information (Kirzner, 1997). It is suggested that when there is a coincidence of factors such as relevant prior knowledge and experience, and social networks and network position (Aldrich and Zimmer, 1986; Burt, 1992) alertness is likely to be heightened (Ardichvili et al., 2003). Furthermore, Gaglio (2004) suggests that when there is something unusual or unfamiliar in the environment, entrepreneurs are more likely to become alert.

Nebus and Chai (2014) argue that the length of one's continued immersion in a context has a negative effect on context awareness. Fiske and Taylor (1991: 284) describe this as “mindlessness,” defined as being in “a state of mind where one is not especially alert, thoughtful, or creative, although one is conscious in the everyday sense.” When a person observes the same environment constantly, this observation becomes routine or dull. Similarly, Langer and his colleagues (Langer, 1989; Langer et al., 1978) note that a person's rote performing of a task in a mindless state increases the propensity for errors due to this person being inattentive to changes in task parameters which are contingent on the environment. Thus, this mindlessness makes a person insensitive to context. This results in a loss of context saliency, which is defined as the degree to which the elements of context stand out, or are prominent, in a way that allows them to be noticed, detected, and perceived (Nebus and Chai, 2010). Nebus and Chai (2010) propose that context saliency is positively affected by novelty, which is defined as something that is not formally associated or expected in a given context.

Consequently, we can say that subsidiaries, given that they are not fully immersed in the host country environment due to constant contact with their headquarters and other sister subsidiaries in the MNC network, will have heightened *subsidiary alertness* compared to local companies. Due to their heightened alertness, subsidiaries will be able to notice and be sensitive to information about objects, incidents, and patterns of behavior in the local environment, with special sensitivity to unmet needs and interests and novel combination of resources (Ray and Cardozo, 1996). With heightened alertness to their environment, subsidiaries are more likely to have insight into the value of certain resources when locals do not. This alertness enables the subsidiary to identify an opportunity when it presents itself (Kirzner, 1997).

Proposition 1b. Subsidiaries have advantages relative to local firms in identifying entrepreneurial opportunities in a host country due to heightened subsidiary alertness.

3.2. Subsidiary entrepreneurship and opportunity exploitation

Once opportunities are identified, selecting the right opportunities to exploit is critical for successful entrepreneurship (Ardichvili et al., 2003). Exploitation of opportunities can be defined as taking actions to gather and recombine the resources necessary to pursue

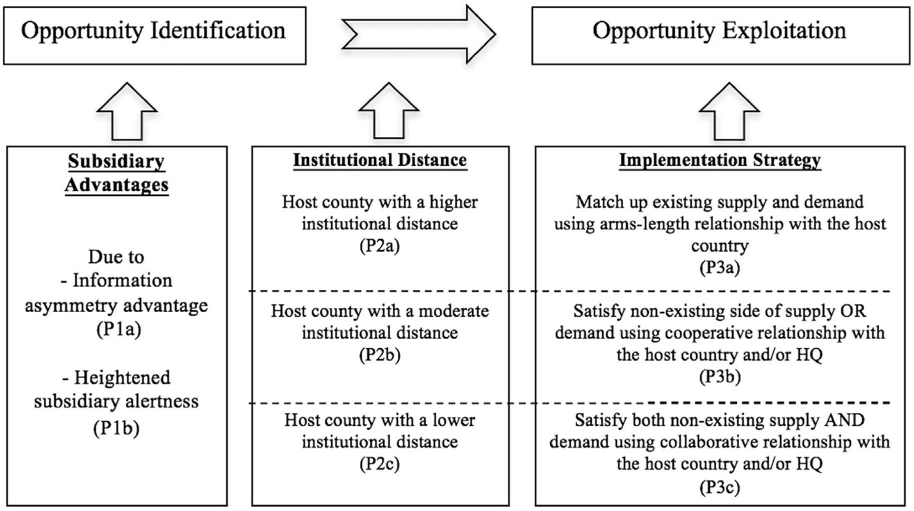

Fig. 1. Conceptual model with propositions.

an opportunity (Eckhardt and Shane, 2003). Selecting the right opportunities to implement, and mobilizing resources in order to exploit them, is an important step in the opportunity exploitation phase. Eckhardt and Shane (2003) suggested 'the kind of opportunity' as one of the factors that determine the exploitation process. The kind (or type) of opportunity is important because the asymmetric nature of information that generates opportunities will influence the process of opportunity exploitation (Venkataraman, 1997). The perceived value of the opportunity will also influence the exploitation decision since the subsidiary will try to maximize their resources. Research shows that opportunity is more likely to be exploited when markets are larger (Schmookler, 1965), profit margins are higher (Dunne et al., 1988), competition is lower (Hannan and Freeman, 1977), capital is cheaper (Shane, 1996), and proprietary protection is higher (Van de Ven, 1993).

Given that the three different views on opportunities are context-dependent, it is important to determine which view is more useful for different contextual characteristics. Buchanan and Vanberg (1991) suggest that the allocative view refers to the market as responding to the structure of incentives that confront choice-makers; the discovery view refers to the market as utilizing localized information; and the creative view refers to the market as exploiting man's imaginative potential. Although the three views of opportunities are grounded in distinctly different theoretical foundations, Sarasvathy et al. (2003: 158) suggest that one of the integrating factors of the three views is that they are extremely context dependent, so that each view is useful under "different circumstances, problem spaces, and decision parameters." Similarly, it is necessary to determine which view is more useful under what condition of uncertainty. For example, when resources are clearly specified and goals are known, the allocative view will be most appropriate. On the other hand, when there are high uncertainties, and value criteria for making choices are highly unclear, a creative approach might be more appropriate. Therefore, one way to approach these three views on entrepreneurial opportunities described above is to consider them in relation to the level of uncertainty associated with the view of opportunity. Specifically, the allocative view of opportunity has least uncertainty since both ends and means are explicit, and the main objective is to figure out which particular means can achieve which particular ends. The discovery view has medium levels of uncertainty as either the means or the ends are evident. The creative view has the most uncertainty associated with the entrepreneurial opportunities since neither ends nor means are known and that either one or both need to be created (Fig. 1).

Through subsidiary entrepreneurship, subsidiaries seek to develop new products, markets, or processes through opportunities available within the host environment. We suggest that when a subsidiary develops a new product or new market, or introduces new processes, it requires legitimacy to gain access to resources, meet government regulations, obtain endorsement from customers and suppliers, etc. Gaining legitimacy from specific targets and constituents will be paramount because the subsidiary faces additional obstacles such as liability of foreignness compared to local competitors. Although liability may diminish based on the subsidiary's time spent and experience gained in the host country, the subsidiary will not be completely liability free. Adding to the liability of foreignness, subsidiaries' entrepreneurial activities are inherently uncertain due to the lack of information about the new products, new market, etc. that is being introduced to the host country environment (Vahlne et al., 2012). Consequently, the uncertainty for the subsidiary entrepreneurship is also intense. Thus, we propose a contingent perspective on the three views on entrepreneurial opportunities with respect to legitimacy requirements in the host country's institutional environment and uncertainty associated with the entrepreneurial venture.

As stated earlier, one of the factors that determines the intensity of challenge for subsidiary entrepreneurship in establishing and maintaining its legitimacy is the institutional distance between the home and the host country. Kostova and Zaheer (1999) suggest that the greater the institutional distance between the home and host country, the greater the legitimacy challenge for subsidiaries because it will be more difficult for the subsidiaries to understand the host environment and its legitimacy requirements (Kostova and Zaheer, 1999). Accordingly, we suggest that different opportunities can be pursued based on the institutional distance, in order to reduce legitimacy challenges. These relationships between entrepreneurial opportunities and institutional distance are illustrated in

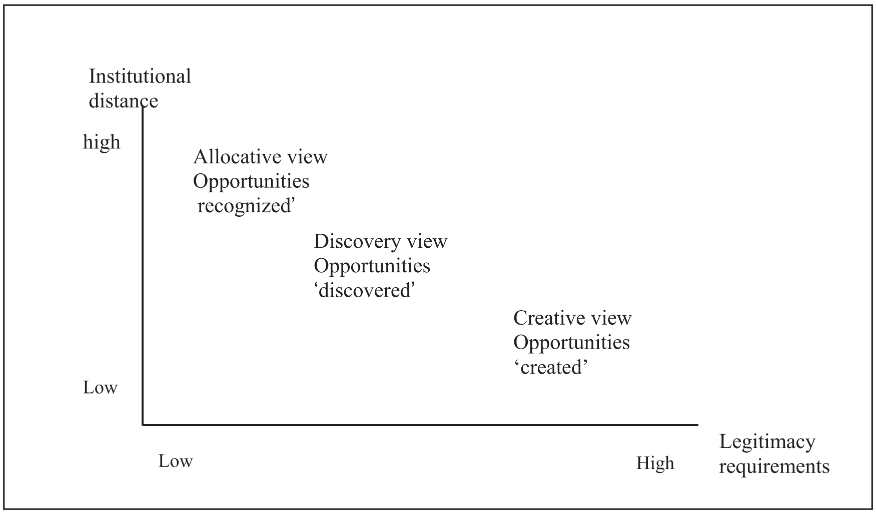

Fig. 2. Institutional distance and legitimacy requirements on subsidiary opportunity identification.

Fig. 2.

We suggest that depending on institutional distance, legitimacy challenges associated with subsidiary entrepreneurship will vary contingent upon the type of opportunity that is being exploited and the uncertainty that is associated with it. For example, with respect to the allocative view, the focus is on allocative efficiency of markets when both sources of supply and demand already exist through exploitation of existing markets. Thus, the level of uncertainty is low, and the legitimacy requirements will be low. Therefore, the allocative view of opportunity will be appropriate when institutional distance is large between the subsidiary's home and host country, since its legitimacy requirement will be low, and it will compensate the pressure from the institutional environment. An example corresponding to the allocative view of opportunities is how.[1] Unilever realized that consumers in the sub-Saharan region of Africa have different needs given their relatively little disposable income; Unilever repackaged its existing detergent product in low unit packs to meet the needs of its consumers. The reasoning for this strategy was twofold: to increase affordability among consumers and to allow small mom-and-pop stores to display them effectively.

With respect to the discovery view, the focus is on 'discovery' of either supply vs. demand as only one of them is known, and this has to be subsequently matched up with unmet needs or resources. Consequently, the level of uncertainty is higher than the allocative view, and the legitimacy requirement will also be higher. The discovery view of opportunity will thus be more effective when institutional distance is moderate between the subsidiary's home and host country. An example corresponding to the discovery view of opportunities is the 'Lipfinity' lipstick by Procter & Gamble (P&G) Japan.[2] P&G Japan identified a need where women did not want to a) reapply lipstick frequently and b) wanted smooth, hydrated lips. They discovered a way to make long lasting lipstick with a durable color base, which also had moisturizing capabilities.

Lastly, the creative view of opportunity involves a condition where neither supply nor demand exist so that one or both has to be 'created.' This notion of entrepreneurial opportunity has to do with the creation of new markets (Sarasvathy et al., 2003). Hence, this kind of opportunity demands the highest level of legitimacy, as creating a new market is plagued with uncertainty with critical liabilities. Therefore, the creative view of opportunity will be appropriate when institutional distance is small between the subsidiary's home and host country, since its legitimacy requirement will be high, and this may be more feasible in an institutional environment that is more similar to its home country. An example corresponding to the creative view of opportunities is 3M's SelfCheck[3]which is an automated system of check-in and check-out of library materials by library patrons. SelfCheck idea was conceived in 3M's Canada subsidiary where the first prototype was built in collaboration with 3M's Australian subsidiary. Until 3M's SelfCheck, check-in and check-out process at libraries had been mainly done by library staff at the circulation desk. However, 3M's SelfCheck created increased efficiencies by developing an automated machine to assist library patrons.

Proposition 2a. The higher the level of institutional distance between home and host country, the greater the likelihood of success of entrepreneurial ventures for subsidiaries that match up existing supply and demand to satisfy unmet needs, as these ventures have low levels of uncertainty and require low levels of legitimacy.

Proposition 2b. The more moderate the level of institutional distance between home and host country, the greater the likelihood of success of entrepreneurial ventures for subsidiaries that match up the non-existent side of supply or demand to satisfy unmet needs, as these ventures have moderate levels of uncertainty and require moderate levels of legitimacy.

[1] https://www.howwemadeitinafrica.com/how-to-make-it-in-africa-unilever-listens-to-the-consumer/.
[2] P&G Japan: The Sk-II Globalization Project, Harvard Business School Case.
[3] Birkinshaw and Hood, 1998. Unleash Innovation in Foreign Subsidiaries, Harvard Business Review, March.

Proposition 2c. The lower the level of institutional distance between home and host country, the greater the likelihood of success of entrepreneurial ventures for subsidiaries that match up non-existent sides of supply and demand to create new needs, as these ventures have high levels of uncertainty and require high levels of legitimacy.

3.3. Subsidiary strategies and entrepreneurial opportunities

Facing idiosyncratic and complex host country institutional environments, subsidiaries have to formulate their strategies effectively to exploit entrepreneurial opportunities. With regard to exploiting opportunities, we propose that subsidiary entrepreneurship will benefit from inter as well as intra-organizational alliances, which can lower transaction costs, help them develop new skills, and overcome or create barriers to entry in national or international markets (Dunning, 1995). To exploit opportunities, subsidiaries will have to adopt different forms of alliance strategies to gain legitimacy and learn from the local business environment based on the type of opportunity that they are exploiting, and the characteristics of the host country institutional environment.

The allocative view of opportunities involves identification of opportunities when both sources of supply and demand exist evidently, so the onus is on bringing the supply and demand together to utilize the opportunity. Thus, a subsidiary that identified the unmet need in the host country environment could possibly meet the need by developing the products or services based on what is available in its home country or in its MNC's network of subsidiaries. To implement this type of entrepreneurial activity, the subsidiary may rely on arms-length relationships such as importing, franchise, or licensing. Research (e.g., Anderson and Gatignon, 1986; Eden and Miller, 2004; Xu and Shenkar, 2002, etc.) has shown that the greater the institutional distance between the home and the host countries, the less resources and commitment MNCs have to compensate the costs associated with acquiring external legitimacy and the challenges of transferring practices from the home country. An arms-length relationship can be characterized as: a) low levels of interdependence; b) only a sales-to-purchasing interface; c) no joint creation of new products, and d) minimal information exchange between two organizations (Dyer and Singh, 1998). For example, Unilever did not have to rely on local partners for product development regarding the packaging of its products in low unit packs in sub-Saharan African countries. It was also able to distribute these products using existing small shops, thus circumventing the institutional constraints in the local environment. Cantwell and Mudambi (2005) describe this demand driven opportunity as a competence-exploiting mandate in which subsidiaries engage in assembly type production or market-servicing investment, utilizing HQ's existing knowledge (Holm and Pedersen, 2000).

Our argument is based on the following reasons. First, as we suggested earlier, the allocative view of opportunities will be most appropriate when the institutional distance between the home and the host country is large. Thus, there will be significant institutional pressure for the subsidiaries to conform to the prevailing social norms and to appear legitimate. However, the motivation to enter into inter-organizational relationship to gain legitimacy for the new products or services will be much lower because information about unmet needs as well as about the means to fulfill these needs are available within the subsidiary-MNC network. Second, the assumption for the allocative view of opportunity is that there exists complete information available, and the opportunity represents "the possibility of putting available resources to good use to achieve given end" (Sarasvathy et al., 2003). Thus, we suggest that the rationale to enter into inter-organizational relationship to learn from the network of local firms for product development or innovation will be low. Third, when the institutional distance between the two countries is large, we suggest that there will be many disadvantages in inter-organizational relationships. For example, the inherent issues of management complexities in inter-organizational relationship will be intensified by the institutional distance. In addition, the distance between the two countries can heighten the possibility of cultural crash between the partners.

In sum, we argue that in order to exploit the allocative view of opportunity in a host country, the disadvantages associated with inter-organizational relationships outweigh the benefits of such relationships. Thus arms-length strategies will be more effective in this context.

Proposition 3a. An arms-length approach is more effective in exploiting opportunities that match up existing supply and demand to satisfy unmet needs.

Discovery view of opportunities involves identification of opportunities when only one or the other (supply or demand) is known so that the objective of subsidiary entrepreneurship is to tap into the possibility of creating new ways of achieving given ends. More specifically, there is demand (or supply) but the supply (or demand) is unknown and the subsidiary has to discover the non-existent side through exploration of latent market (Sarasvathy et al., 2003). To exploit opportunities associated with the discovery view, we suggest that *cooperative inter-organizational relationship* with local firms (e.g., strategic alliances or joint ventures) or *intra-organizational relationship* with other subsidiaries within the MNC network will be more appropriate. Cooperative relationships refers to relationships in which the participants work together towards a common goal (Blomqvist and Levy, 2006; Dillenbourg et al., 1995; Miles et al., 2005) in which the task is split into independent subtasks, where each participant brings complementary resources and capabilities to create new products or services, and exchange knowledge which will result in joint learning (Dyer and Singh, 1998). Miles et al. (2005) suggest that cooperative relationships are motivated by extrinsic motivation factors such as the benefits each party in this relationship expect to receive from sharing ideas, information, or resources. An example of this is how Lipfinity was introduced to the Japanese market by P&G Japan. Researchers in P&G's Japanese subsidiary worked with R&D labs in Cincinnati and the United Kingdom to develop the perfect formula of long lasting lip color that does not compromise hydration, as this was hitherto an unmet need in this region.

The reasoning for our argument that a cooperative relationship is appropriate in relation to the discovery view of opportunity is as follows. First, the discovery view of opportunity involves discovering relevant means and ends, rather than efficient utilization of means to achieve ends as in the allocative view (Kirzner, 1973). That is, this opportunity may involve development of a new product, market, or services. The processes involved in the exploitation of the opportunity may entail various components of industrial infrastructure, including R&D, high financing arrangement, pool of human capital requiring training and development, R&D testing, supply and distributor chain, marketing, etc. Consequently, subsidiaries may have to cooperate with local firms or other entities to gain needed technical and tacit knowledge in order to develop the new product or service. In addition, the uncertainty level of the product or the service developed through the discovery view is moderately high and the resulting entrepreneurial venture may put the subsidiary in a vulnerable strategic position because market situations may be relatively unknown, or the entire process may be expensive or risky. When a firm is in a vulnerable strategic position, Eisenhardt and Schoonhoven (1996) suggest that firms may have strategic need to cooperate to share the risk and cost.

Second, the discovery view of opportunity is suggested to be more appropriate in countries with moderate institutional distance from the subsidiary's home country. Accordingly, subsidiary entrepreneurship in this context will face more legitimacy requirements. Strategic alliances serve an important legitimacy function for firms (Dacin et al., 2007) and subsidiaries attempting to initiate new business, products, or services may benefit from cooperative inter-organizational relations such as strategic alliances to gain legitimacy. For example, subsidiaries may want to gain market legitimacy (Dacin et al., 2007) in case the new opportunities involve entering a new industry, enhancing their appropriateness among local business, and gaining endorsements of governments. Similarly, subsidiaries may require investment legitimacy, which refers to the worthiness of firm's business activities in the eyes of corporate insiders such as parent firms (Dacin et al., 2007). Consequently, entering into a strategic alliance with reputable local firms may enhance the investment legitimacy of subsidiaries' new venture to the eyes of corporate insiders.

Proposition 3b. Cooperative inter- or intra-organizational relationships are likely to be more effective in exploiting opportunities that match up the non-existent side of supply or demand to satisfy unmet needs.

The creative view of opportunities involves identification of opportunities when both supply and demand are unknown, and when one or both have to be created for the opportunity to come into existence, thereby involving creation of a new market (Sarasvathy et al., 2003). This kind of opportunity does not exist to be identified or discovered; instead, it is 'created' through the process of "dynamic interactions and negotiation between stakeholders to convert their aspirations and vision into concrete products and services" (Sarasvathy et al., 2003: 157) or "radical innovation" (Ardichvili et al., 2003: 111). To exploit this creative view of opportunity, we propose that subsidiaries should adopt collaborative inter- or intra-organizational relationships. Collaborative relationships refer to mutual engagement of participants in a coordinated effort to solve a problem together (Dillenbourg et al., 1995) for knowledge creation, transfer, and utilization (Miles et al., 2000; 2005; Un and Rodríguez, 2018). The collaborative relationship enables different, or possibly, conflicting views to merge and create something new and previously unimagined. Miles et al. (2005) argue that a collaborative relationship is built on trust and intrinsic motivation that there is an understanding of equitable allocation of return, resulting in higher potential for knowledge sharing than cooperative relationship.

Collaborative relationships differ from cooperative relationships. While in cooperative relationships the task is split hierarchically into independent subtasks (Miles et al., 2005), in collaborative relationships, the task may be *heterarchically* split, sharing common goals in which each partner shares the same horizontal position of power and authority- divided into intertwined layers (Dillenbourg et al., 1995). Lee and Williams (2005, 2007) suggest that a heterarchical orientation provides space for internal confrontation and pitting of subsidiary units against each other; hence, subsidiary units have scope to increase their power bases through competence-enhancing moves in the form of entrepreneurial activities. A collaborative relationship focuses on shared value, mutual commitments, and collaborative behavior (Blomqvist and Levy, 2006). 3M's SelfCheck provides an excellent example of collaborative relationships between subsidiaries and their headquarters. 3M's subsidiary in Canada discovered that 3M's Australian subsidiary was also working on a similar project, and so they collaborated with each other to build 3M's first SelfCheck prototype. As a result, 3M Canada was able to launch an automated library check-in and check-out system that has improved the productivity of library operations.

This paper argues that the creative view of opportunity requires higher levels of inter- or intra-organizational relationships, such as collaborative relationships, for the following reasons. First, the creative view of opportunity has high levels of uncertainty because both supply and demand are unknown. Collaborative relationships will allow the subsidiary to share the risk and the high cost of the entrepreneurial endeavor, and reduce the high uncertainty that is inherent in exploiting such opportunities. This relationship will also allow them to pool their capabilities and resources to develop new products and services to create new market. This takes on even more importance as creating a new market involves various factors such as development of institutional arrangement (e.g., regulations, technology standard, legitimation, etc.), proprietary functions (testing and evaluation, manufacturing and sourcing, marketing and distribution, etc.) and resource endowments (financing, education and training, etc.) (Van de Ven, 1993).

Second, although there is low institutional pressure in this context for the subsidiary due to small institutional distance between the home and the host country, the pressure to gain legitimacy for the new invention will still be high, as the local environment is not familiar with the radically innovative product or service. Therefore, it is essential for the subsidiary to appear to be in agreement with the prevailing norms and rules of the local business environment. This will motivate the subsidiary to enter into collaborative relationships to enhance its reputation, viability, and prestige and to increase its chance of survival.

Third, the creative view of opportunity is characterized with its lack of information. Thus, the subsidiary needs to acquire additional technical skills and other types of knowledge from the local environment. A collaborative relationship is an effective strategy to achieve knowledge transfer across firms (Hamel, 1991; Kogut, 1988; Miles et al., 2005). Through a collaborative relationship with a local firm, the subsidiary can engage in mutual problem solving where both partners pool knowledge and skills and work towards a common goal. Exchange of knowledge where mutual learning occurs may thus facilitate the development of radical innovation.

Proposition 3c. Collaborative inter-organizational relationships are likely to be more effective in exploiting opportunities that match up non-existent sides of supply and demand to create new needs.

4. Conclusion

Extant research in subsidiary entrepreneurship has focused on selling, evaluation and approval of opportunities, while overlooking how these opportunities were identified in the first place. We attempt to fill this gap by examining the opportunity identification phase of subsidiary entrepreneurship process to understand what kind of entrepreneurial opportunities exists, and we suggest appropriate strategies to exploit them. Drawing upon subsidiary entrepreneurship literature, institutional perspective, and entrepreneurship literature, this paper examines the types of entrepreneurial opportunity in the context of subsidiary entrepreneurship through an institutional distance lens. We argue that subsidiaries have unique advantages to identify entrepreneurial opportunity through informational asymmetry advantage and subsidiary alertness. Furthermore, we propose a contingency perspective on the different types of opportunity with respect to degrees of uncertainty as well as the legitimacy requirement in the host country's institutional environment. Finally, we suggest appropriate strategic approaches that subsidiaries can adopt to exploit these opportunities.

This paper makes the following theoretical contributions. First, this paper extends the field of subsidiary entrepreneurship by examining different opportunities that subsidiaries can identify in the host country environment and suggesting appropriate strategies to exploit them. Through consideration of the institutional context of the host and home country, as well as the business process of the host country, three views on entrepreneurial opportunities – allocative, discovery, and creative – are discussed in terms of the level of uncertainty in identifying and meeting unmet needs in the host country, as well as the level of legitimacy requirements to fulfill that need. Specifically, the allocative view has the least amount of uncertainty since both ends and means (and both supply and demand) are known and the main challenge is to identify how these ends and means can be matched up using the existing market, thus making the legitimacy requirements for this quite low. To effectively exploit this opportunity, the subsidiary strategy should therefore be arms-length relationships such as importing, franchise, or licensing as these need low levels of interdependence and minimal interaction between the parties involved in the transactions. The discovery view has a moderate level of uncertainty as you may know only the means to achieve something or only the ends that need to be achieved (where only supply or demand is known), and the main challenge is to identify how to use existing means to meet new unknown ends, or vice versa, thus rendering legitimacy requirements to be higher than those in the allocative view. To effectively exploit this opportunity, the subsidiary strategy should therefore be cooperative inter-organizational relations such as strategic alliances. Finally, the creative view has the most amount of uncertainty since both ends and means (and both supply and demand) are not known and the main challenge is to create not only the new means and the new ends but also to create a new market, thus making the legitimacy requirements for this high. To effectively exploit this opportunity, the subsidiary strategy should therefore be collaborative inter-organizational relationships, which will allow the subsidiary to share the risk and the high cost of the entrepreneurial endeavor.

Second, this paper examines the subsidiary entrepreneurship through an institutional perspective and extends this stream of research by examining the impact of the institutional context on subsidiary entrepreneurship, in relation with legitimacy requirements. For example, the allocative view of opportunity is appropriate when institutional distance is large between the subsidiary's home and host country, as legitimacy requirements for opportunities that materialize in this context will be low, and it will compensate the pressure from the institutional environment. Similarly, the discovery view for opportunity is appropriate when institutional distance is moderate between the subsidiary's home and host country, as legitimacy requirements for opportunities that materialize in this context will be moderate. Finally, the creative view for opportunity is appropriate when institutional distance is low between the subsidiary's home and host country, as legitimacy requirements for opportunities that materialize in this context will be high, and it will be beneficial to have less pressure from a similar institutional environment.

4.1. Managerial implications

In addition to its theoretical contributions, this paper also has managerial implications for MNC headquarters and their subsidiaries. We propose that subsidiaries will have certain advantages in terms of identifying opportunities. Thus, MNCs' headquarters may formulate strategies to promote and support subsidiary entrepreneurship to improve their capabilities as well as create firm-specific advantages. Subsidiary entrepreneurship literature shows that subsidiary autonomy, headquarters-subsidiary communication and resource flows among units facilitate subsidiary innovation (Bartlett and Ghoshal, 1989; Birkinshaw, 1997). Consequently, MNCs may strategize ways to provide needed resources while allowing autonomy to their subsidiaries to increase subsidiary entrepreneurship.

4.2. Future research directions

The theoretical framework in this paper is grounded in several well-established theoretical fields of research and offers several interesting implications. To begin with, this paper proposes that subsidiaries are uniquely positioned to be able to identify opportunities in the host country and that the appropriateness of subsidiary entrepreneurship can be determined vis-a-vis institutional distance and legitimacy requirements, in the context of the three views of opportunities (allocative, discovery, and creation). The next step would be to empirically examine the proposed relations by studying large MNCs that have dispersed subsidiary networks. As in the examples offered in the paper, MNCs such as P&G, Unilever, and 3M have subsidiaries in several parts of the world that exhibit different degrees of institutional distance and show different kinds of opportunity exploitations. Collecting both qualitative and quantitative data from such MNCs would give us further insights on the processes of opportunity identification and exploitation.

Another promising future research area on this topic, which was beyond the scope of this paper, is to examine the internal aspects of how these subsidiaries can transition from opportunity identification to opportunity exploitation. Specifically, future research would benefit from understanding what resources and capabilities could facilitate this process. An extension of this could involve research on resource management and orchestration (Sirmon et al., 2007), which would offer additional insights on how subsidiaries could engage in resource structuring (evaluating, adding, and shedding), resource bundling, and resource leveraging to exploit opportunities. Therefore, while being limited in our scope to discuss the internal aspects of opportunity identification and exploitation in this paper, it does offer some useful future research directions.

4.3. Limitations

Our propositions are based on the stream of research where subsidiary roles (Bartlett and Ghoshal, 1986, 1989; Birkinshaw and Morrison, 1995; Poynter and White, 1984, etc.) are examined within a network of internal and external relationships (Birkinshaw, 2016). In this research stream, researchers such as Bartlett and Ghoshal (1986) suggest subsidiary roles are assigned by the MNC Headquarters (MNC HQ) based on its capabilities and strategic importance of its local markets, while other researchers view subsidiaries as autonomous entities that can define their own strategies (Poynter and White, 1984). With respect to subsidiary entrepreneurship, we believe that the role played by subsidiaries can be explained using either perspective. For example, the MNC HQ can assign certain subsidiaries to focus on developing new products and services, while other subsidiaries can identify an entrepreneurial opportunity and still others could exploit the opportunity. Although MNC structure (hierarchical as well as heterarchical) would affect the opportunity identification and exploitation, it is beyond the scope of this paper to examine how subsidiaries would have to negotiate the organizational structure issues.

Another assumption we make is that the subsidiary is always immersed in dual institutional environments and that this dual embeddedness gives them context saliency advantages. However, in the cases of greenfield subsidiaries, or when subsidiaries are predominantly polycentric in nature, context saliency may be lost as the subsidiary may not be embedded in two different institutional environments. In these cases, subsidiaries may not have the advantages of being able to identify opportunities, as suggested in this paper. However, when they do have context saliency, they will be able to offset some of the knowledge advantages enjoyed by local firms.

Some other limitations that could not be addressed in this paper include a discussion on how socially complex interactions as well as political power plays between a subsidiary and its headquarter, managers in a subsidiary, as well as across subsidiaries could impact opportunity identification and exploitation. While we have discussed the importance of an individual entrepreneur's knowledge corridors and its impact on subsidiary alertness, we were not able to extend this line of thought to knowledge interactions and exchange among a group of individuals engaged in subsidiary entrepreneurship. Examining the knowledge interactions through the lens of absorptive capacity, where knowledge management is viewed as a collective effort that needs to be not only acquired but also assimilated, transformed, and exploited within the organization (Zahra and George, 2002) could potentially offer rich implications for this research topic.

In conclusion, subsidiary entrepreneurial activities play an important role in the success of their parent MNC. For the subsidiaries to identify and exploit opportunities that exist in the host country environment, it is essential to comprehend the type of opportunities as well as the context that influences the subsidiary's actions in exploiting the opportunities. Looking at the different views of opportunities through an institutional lens will help subsidiaries understand corresponding legitimacy requirements and will enable subsidiaries to engage in entrepreneurial ventures more effectively.

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