

The management and performance implications of power structures in multinational corporations

ABSTRACT

This study explores how the power structure of the multinational corporation (MNC) shaped by the entire set of different headquarters-subsidary relations affects the MNC's use of expatriate control and how the power structure and the associated expatriate control decisions impact on firm performance. The results from a comprehensive panel of Korean multinationals suggest that MNCs with a more oligopolistic power structure in which power is concentrated on a fewer number of subsidiaries have weaker performance as they face more control and coordination problems. However, they tend to utilize more expatriates to enhance their control, which can ultimately bolster their performance. This study adds to a stream of literature that conceptualizes the MNC as a differentiated network in which power relations create critical control challenges but has so far largely underexplored their impact on firm management and performance.

Keywords: multinational corporations; headquarters-subsidary relations; power structure; resource dependence theory; expatriates; performance