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Corporate Parenting Advantage as a Capability-Based, Contextually Contingent Alignment Process

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ABSTRACT

Corporate parenting advantage is widely viewed as a key source of value creation in multi-business firms, yet empirical evidence remains limited. This study develops and tests a capability-based, contextually contingent model of corporate parenting advantage using multi-level data from 32 parent firms and 96 subsidiaries. Drawing on survey responses from headquarters and subsidiary managers, complemented by archival performance, institutional, and industry indicators, the study examines how parenting capabilities and parenting style-subsidiary fit shape parent-subsidiary relational mechanisms. Multi-level structural equation modeling shows that both parenting capabilities and style-fit significantly strengthen relational mechanisms, which in turn enhance subsidiary performance, innovation, and portfolio-level outcomes. Institutional environment, technological dynamism, and portfolio complexity moderate these effects, underscoring the contingent nature of parenting advantage. The findings reframe parenting advantage as a capability-driven alignment process and contribute to strategic management and international business by integrating parent attributes, relational mechanisms, and contextual moderators into a unified empirical model.

1.0 Introduction

Corporate parenting advantage has long been regarded as a central source of value creation in multi-business firms, yet the mechanisms through which corporate centers add value remain contested and empirically underdeveloped. Early work conceptualized the corporate parent as a designer of business portfolios and a provider of oversight, resources, and strategic direction (Krühler, 2012; Pidun, 2019). More recent scholarship, however, emphasizes that parenting advantage arises not from structural archetypes but from the distinctive capabilities, knowledge processes, and relational practices of the corporate center (Feldman, 2021; Foss, 2019). This shift reflects a broader recognition that headquarters influence subsidiary outcomes through complex, multi-level interactions involving coordination, support, control, and knowledge integration (Fallah & Heidari, 2020; Nell & Ambos, 2013).

Despite these theoretical advances, empirical evidence remains fragmented. Studies show that parenting styles vary across subsidiaries (Nilsson & Monteiro, 2018; Gurkov, 2015), that headquarters' value-adding potential depends on alignment with subsidiary needs (Ciabuschi et al., 2017), and that contextual factors such as digitalization, industry dynamics, and institutional environments shape parenting effectiveness (Gurkov & Filinov, 2022; Menz et al., 2021). Yet few studies integrate these elements into a unified empirical model capable of explaining how parent-level capabilities, relational mechanisms, and contextual contingencies jointly influence subsidiary and portfolio performance. As a result, calls persist for more rigorous, multi-level research that captures the dynamic and context-sensitive nature of parenting advantage (Piyawongwathana & Onkvisit, 2021; Andrews et al., 2023).

Responding to these gaps, this study develops and tests a capability-based, contextually contingent model of corporate parenting advantage using multi-level data from 32 parent firms and 96 subsidiaries. Building on capability-oriented perspectives (Feldman, 2021; Parmigiani & Holloway, 2011) and embeddedness logic (Nell & Ambos, 2013), the model proposes that parenting capabilities and parenting style–subsidiary fit shape the effectiveness of parent–subsidiary relational mechanisms. These relational mechanisms, such as support, coordination, and knowledge exchange, are theorized to mediate the effects of parent-level attributes on subsidiary performance, innovation, and portfolio outcomes. Furthermore, drawing on contingency and organizational design research (Agnihotri & Bhattacharya, 2018; Foss, 2019), the study examines how institutional environment, technological dynamism, and portfolio complexity moderate the strength of these relationships.

By integrating parent attributes, relational mechanisms, and contextual moderators into a single empirical framework, this study reframes corporate parenting advantage as a capability-driven alignment process rather than a fixed structural role. The findings contribute to strategic management, international business, and organizational design by offering a more nuanced understanding of how corporate parents create value across diverse and evolving business contexts.

2.0 Literature Review

The concept of corporate parenting advantage has evolved from early conceptualizations of value-adding headquarters to a sophisticated, multi-disciplinary body of research spanning strategy, international business, organizational design, and finance. Contemporary scholarship examines four interrelated questions: (a) what corporate parents do, (b) how they do it through styles, mechanisms, and capabilities, (c) under which contextual conditions parenting creates or destroys value, and (d) how parenting connects to emerging domains such as digitalization, environmental performance, and global value chains. Across these streams, corporate parenting is no longer viewed as a uniform “HQ effect” but as a capability-based, contingent, and context-embedded process that can generate or erode value depending on its alignment with subsidiary needs (Feldman, 2021; Nell & Ambos, 2013). The following sections synthesize the literature into four major themes that inform the conceptual model of this study.

2.1 Roles and Value Logic of the Corporate Parent

Foundational work centers on whether the corporate parent adds or destroys value. Feldman (2021) revisits the corporate parenting advantage empirically and demonstrates that headquarters can enhance business-unit performance when they possess distinctive capabilities and exercise full parenting rights. This reinforces the idea that parenting advantage is not inherent in ownership but emerges from value-adding activities, such as strategic guidance, resource provision, and risk buffering. Complementary perspectives conceptualize headquarters as orchestrators of resources, knowledge, and coordination across business portfolios (Foss, 2019; Pidun, 2019). Systematic reviews further highlight HQ roles in control, coordination, knowledge integration, and resource allocation (Fallah & Heidari, 2020), while business-group research shows that parents can create value by providing financial stability, managerial expertise, and network benefits (Pidun et al., 2011). Collectively, this stream establishes that the corporate parent is an active strategic actor whose influence can be positive or negative, depending on the fit between parent capabilities and subsidiary needs (Ciabuschi et al., 2017).

2.2 Parenting Styles, Control Typologies, and Measurement

A second stream examines how corporate parents enact their roles through parenting styles, control systems, and measurable constructs. Classic typologies such as stand-alone, linkage, functional, and developmental parenting have been refined and debated in light of empirical evidence showing that real-world parenting behaviors often span multiple dimensions rather than fitting neatly into archetypes (Gurkov, 2015; Gurkov & Morley, 2017). Research distinguishes between strategic and financial control modes, demonstrating that their effectiveness depends on environmental and organizational contingencies (Asadzadeh, 2018). Other typologies classify parents by their balance of value addition versus value extraction, noting that tools such as tight financial control can be beneficial in some contexts but destructive in others (Kruhler et al., 2012).

Methodological critiques highlight persistent challenges in measuring parenting advantage, including conceptual ambiguity, conflation with diversification, and limited attention to multi-level effects (Piyawongwathana & Onkvisit, 2021). These concerns underscore the need for more rigorous, multi-dimensional measurement approaches, an issue this study addresses by integrating parenting capabilities, parenting style–subsidiary fit, and relational mechanisms into a unified empirical model.

2.3 Headquarters–Subsidiary Relationships, Resources, and Capabilities

A third stream conceptualizes corporate parenting through the lens of headquarters–subsidiary relationships and capabilities. Studies show that HQ resource allocation practices influence whether subsidiaries pursue exploratory or exploitative innovation (Parmigiani & Holloway, 2011). Research on resource reconfiguration positions the parent as a key actor in enabling or constraining strategic change, with effective parents balancing guidance and autonomy (Ambos & Mueller-Stewens, 2017). On the other hand, embeddedness perspectives argue that parenting advantage depends on how deeply HQ is embedded in internal and external networks, enabling richer knowledge flows and more nuanced control (Nell & Ambos, 2013).

International business research demonstrates that parental influence is especially critical in culturally or institutionally distant environments, where subsidiaries rely more heavily on HQ support and knowledge transfer (Agnihotri & Bhattacharya, 2018). Studies on cross-border acquisitions, global value chains, and the evolution of the multinational corporation (MNC) highlight the parenting role in integration, capability building, and the orchestration of geographically dispersed activities (Mahnke et al., 2012). Longitudinal and business-group research further shows that parenting advantage is dynamic: As firms diversify, digitize, and internationalize, HQ roles and capabilities must adapt (Menz et al., 2021; Gurkov & Filinov, 2022).

2.4 Context, Contingencies, and New Domains of Parenting

A fourth thematic cluster emphasizes the contextual and contingent nature of parenting advantage. Research in emerging markets shows that strong corporate parents can substitute for weak institutions, enhancing subsidiary performance and entrepreneurship (Assadzadeh et al., 2021). Related work links parenting to corporate entrepreneurship, demonstrating that autonomy, resource support, and protection from corporate pressures foster entrepreneurial initiatives (Munir, 2021). Financial studies highlight the role of parents in internal capital market efficiency and macroeconomic buffering, showing that effective parents can smooth shocks and allocate capital more efficiently across businesses (Pidun et al., 2011).

Digitalization introduces new parenting capabilities, enabling finer-grained, data-driven monitoring and coordination (Gurkov & Filinov, 2022). Recent sector-specific work also extends corporate parenting theory into higher education, showing that parenting styles influence capability development, governance quality, and institutional performance in ways consistent with broader corporate parenting dynamics (Chaurura et al., 2025). Recent work also connects parenting to environmental performance, suggesting that sustainability-oriented parents can set standards, build capabilities, and align incentives that drive greener subsidiary behavior (Suskandari et al., 2025). Sector-specific and non-traditional applications, such as parenting in higher education or the psychological transfer of parenting to leadership, expand the conceptual boundaries of the field (Vantrappen & Wirtz, 2023).

Across this theme, the literature converges on a central insight: Parenting effectiveness is highly contingent, shaped by institutional environments, industry dynamics, digital maturity, environmental pressures, and leadership capabilities. This reinforces the need for empirical models that integrate parent-level attributes, relational mechanisms, and contextual moderators, which is precisely the contribution of the present study.

2.5 An Integrative Synthesis from Static Archetypes to Dynamic, Capability-Based Parenting

Synthesizing across the four themes, the corporate parenting literature has undergone a significant conceptual evolution. Rather than viewing parenting as a fixed structural role or a universal “HQ effect,” contemporary research positions it as a dynamic, capability-based, and contextually contingent alignment process (Feldman, 2021; Nell & Ambos, 2013). Three major shifts characterize this progression.

2.5.1 *From Static Archetypes to Dynamic Configurations*

Early models of corporate parenting relied on static archetypes, such as the financial controller, strategic planner, or functional leader, intended to classify how headquarters manage business units. However, empirical studies increasingly show that these archetypes function more as ideal types than as accurate depictions of real-world practice. Subsidiaries often perceive hybrid or evolving parenting styles that blend control, support, and developmental roles in different ways (Gurkov, 2015; Nilsson & Monteiro, 2018). Research on MNCs further demonstrates that parenting styles vary not only across subsidiaries but also over time, as firms internationalize, restructure, or respond to environmental shifts (Gurkov & Morley, 2017; Gurkov & Morley, 2024). This evidence underscores that parenting configurations are fluid, adaptive, and differentiated, rather than uniform across the portfolio.

2.5.2 *From Structure to Capabilities and Processes*

A second shift moves the field from focusing on structural attributes of the corporate parent, such as organizational charts, reporting lines, or control systems, to emphasizing capabilities and processes. Scholars argue that parenting advantage stems from what the parent can *do*, not what it *looks like* (Foss, 2019; Pidun, 2019). These capabilities include resource orchestration, knowledge integration, strategic intelligence, learning, and the ability to support or reconfigure subsidiary activities (Parmigiani & Holloway, 2011; Assadzadeh et al., 2021). Digitalization adds a new layer, enabling more granular monitoring, enhanced coordination, and data-driven decision-making (Gurkov & Filinov, 2022; Menz et al., 2021). This capability-based view aligns with recent empirical findings indicating that headquarters create value when their skills and processes align with the specific needs of subsidiaries (Ciabuschi et al., 2017; Feldman, 2021). Parenting advantage is thus increasingly conceptualized as a dynamic capability, rooted in ongoing interaction, learning, and adaptation.

2.5.3 *From Universal Claims to Contingent Effectiveness*

The third shift reflects a growing recognition that parenting effectiveness is highly contingent. The same parenting style or capability can be value-adding in one context and value-destroying in another. Studies in emerging markets show that strong parents can substitute for weak institutions, enhancing subsidiary performance and entrepreneurship (Agnihotri & Bhattacharya, 2018; Assadzadeh et al., 2021). Conversely, in technologically dynamic or highly autonomous industries, heavy-handed control may suppress innovation or responsiveness (Ambos & Mueller-Stewens, 2017). Research on digital transformation, environmental sustainability, and global value chains further demonstrates that contextual factors, such as technological turbulence, institutional environment, portfolio complexity, and environmental pressures, shape how parenting mechanisms operate (Gurkov & Filinov, 2022; Suskandari et al., 2025). This reinforces the view that parenting advantage is not universal but context-dependent, requiring differentiated governance across business units.

This synthesis suggests the need for a conceptual framework that integrates: (a) parenting inputs (capabilities, intent, style), (b) relational mechanisms (HQ–subsidiary interaction, resource flows, control), (c) contextual moderators, and (d) outcomes (value addition vs. value extraction, performance, innovation, sustainability).

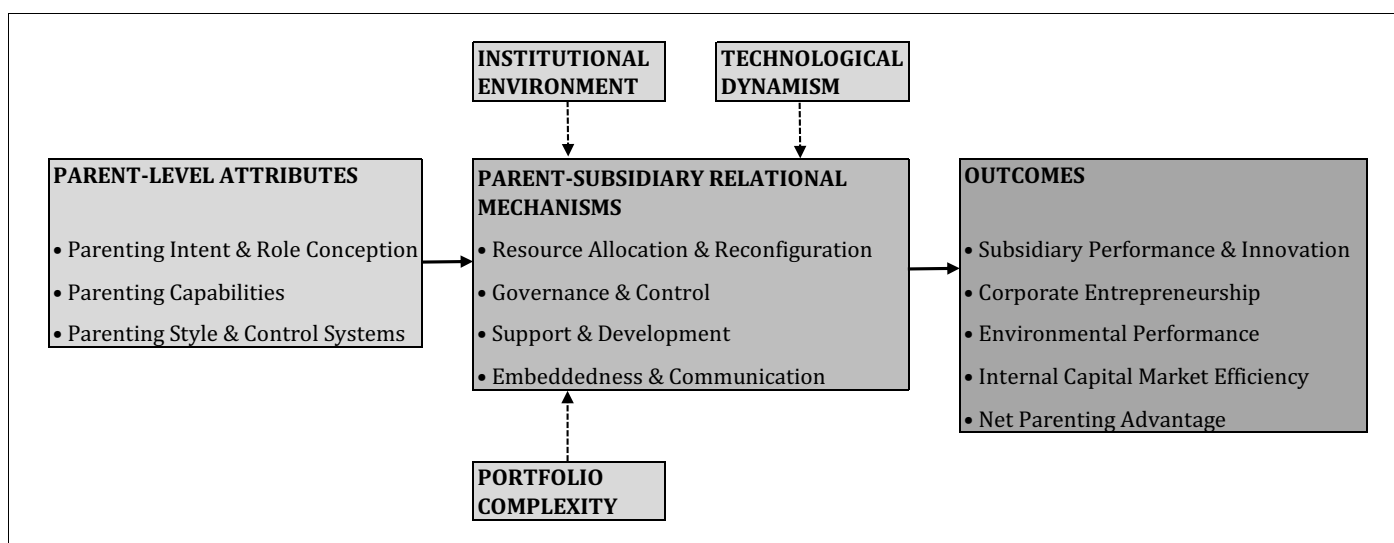
2.6 Conceptual Framework for Corporate Parenting Advantage in Contemporary Multi-Business Firms

The literature on corporate parenting has evolved from early structural archetypes to a more dynamic, capability-based understanding of how corporate parents influence subsidiary and portfolio outcomes. Building on insights from the reviewed studies, this conceptual model positions corporate parenting advantage as the outcome of an alignment process between (1) parent-level attributes, (2) parent–subsidiary relational mechanisms, and (3) contextual contingencies that shape the effectiveness of parenting interventions.

2.6.1 Parent-Level Attributes

Corporate parents differ substantially in their intent, capabilities, and styles, and these differences determine their potential to add or destroy value. Parenting intent reflects how the parent conceives its strategic role, ranging from financial controller to strategic architect or capability provider (Kruhler, Pidun & Rubner, 2012; Galpin, 2019). These parenting approaches shape the mechanisms through which value is created or eroded, influencing resource allocation, managerial autonomy, and the alignment between corporate-level capabilities and subsidiary needs.

Figure 2.1: Conceptual framework guided by capital investment management strategies and the generation of Alpha.



Source: Author’s compilation (2025).

Parenting capabilities include resource orchestration, knowledge integration, digital and analytical capabilities, dynamic managerial capabilities, and institutional navigation (Foss, 2019; Parmigiani & Holloway, 2011; Menz et al., 2021). Parenting style encompasses the configuration of strategic and financial controls, levels of autonomy, central services, and developmental support (Gurkov, 2015; Nilsson & Monteiro, 2018; Gurkov & Morley, 2017). Together, these attributes form the parent’s toolkit, shaping the interventions it can credibly deploy across its portfolio and determining whether it is positioned to create or extract value (Feldman, 2021; Ciabuschi, Forsgren & Martín, 2017).

2.6.2 *Parent - Subsidiary Relational Mechanisms*

Parenting influence materializes through relational mechanisms that govern how the corporate parent interacts with subsidiaries. First, resource allocation and reconfiguration - including the distribution of capital, talent, knowledge, and digital infrastructure - shape subsidiaries' innovation and renewal trajectories (Parmigiani & Holloway, 2011; Pidun et al., 2011). Second, governance and control mechanisms, such as performance monitoring, risk management, and strategic oversight, determine the balance between autonomy and accountability (Asadzadeh, 2018; Ambos & Mueller-Stewens, 2017). Third, support and development mechanisms encompass capability building, entrepreneurial encouragement, innovation facilitation, and sustainability guidance (Munir, 2021; Suskandari et al., 2025). Fourth, embeddedness and communication reflect the relational quality of HQ–subsidiary ties, influencing trust, knowledge flows, and responsiveness (Nell & Ambos, 2013; Mahnke et al., 2012). These mechanisms translate parent-level capabilities and intentions into the concrete experiences and outcomes observed at the subsidiary level.

2.6.3 *Contextual Moderators*

The effectiveness of parenting mechanisms is highly contingent on contextual conditions. At the macro level, institutional environments, regulatory regimes, and macroeconomic volatility shape the value of parental support, particularly in emerging markets where institutional voids heighten the importance of strong parents (Agnihotri & Bhattacharya, 2018; Assadzadeh, Tayyar & Nowdehi, 2021). At the industry level, technological turbulence, digital maturity, and innovation intensity influence which parenting styles and capabilities are most effective (Gurkov & Filinov, 2022; Menz et al., 2021). At the portfolio level, diversification, interdependence, and subsidiary characteristics - such as maturity, geographic dispersion, and strategic role - moderate the fit between parenting interventions and subsidiary needs (Ciabuschi et al., 2017; Bigley, 2019). These contingencies explain why similar parenting styles may create value in one context and destroy value in another (Feldman, 2021; Gurkov & Morley, 2024).

2.6.4 *Outcomes and the Logic of Parenting Advantage*

Parenting advantage emerges when parent-level attributes and relational mechanisms are well aligned with contextual conditions and subsidiary requirements. Positive outcomes include enhanced subsidiary performance, innovation, corporate entrepreneurship, environmental performance, and internal capital market efficiency (Ciabuschi et al., 2017; Munir, 2021; Suskandari et al., 2025). Conversely, misalignment can lead to value extraction, bureaucratic overload, or strategic misfit, resulting in parenting disadvantage (Feldman, 2021; Piyawongwathana & Onkvisit, 2021). Thus, parenting advantage is best conceptualized not as a static property of the parent, but as a dynamic, capability-driven, contextually contingent alignment process that unfolds through parent–subsidiary interactions.

2.6.4.1 *Empirical Model*

The conceptual model advances a process logic in which parent-level attributes shape relational mechanisms, whose effectiveness depends on contextual conditions that, in turn, influence subsidiary and portfolio outcomes,

ultimately generating net parenting advantage. To empirically test these relationships, we specify a multi-level structural model linking parenting capabilities, parenting style-subsidiary fit, relational mechanisms, contextual moderators, and performance outcomes. Therefore, for the core structural relationships defined, let:

PCAP	= Parenting Capabilities
PSTYLEFIT	= Alignment between Parenting Style and Subsidiary Needs
RELMECH	= Effectiveness of Parent–Subsidiary Relational Mechanisms
SUBPERF	= Subsidiary Performance
PORTPERF	= Portfolio-Level Outcomes
INSTMOD	= Institutional Environment Moderation
TECHMOD	= Technological Dynamism Moderation
PORTMOD	= Portfolio Complexity Moderation

The empirical model is:

$$RELMECH = \alpha_0 + \alpha_1 PCAP + \alpha_2 PSTYLSFIT + \varepsilon_1 \quad (1)$$

$$SUBPERF = \beta_0 + \beta_1 RELMECH + \beta_2 (RELMECH \times INSTMOD) + \beta_3 (RELMECH \times TECHMOD) + \varepsilon_2 \quad (2)$$

$$PORTPERF = \gamma_0 + \gamma_1 RELMECH \times \gamma_2 (RELMECH \times PORTMOD) + \varepsilon_3 \quad (3)$$

This framework integrates structural, behavioral, and contextual perspectives, offering a holistic explanation of how and when corporate parents create value in contemporary multi-business firms. The equations specify the full structural model linking parent-level attributes, relational mechanisms, contextual moderators, and performance outcomes. Estimating these equations allows for a simultaneous assessment of direct, mediating, and moderating effects within the multilevel framework. Together, the equations correspond to hypotheses H₁ to H₇ listed below.

2.6.4.2 Hypotheses Embedded in the Model

Drawing on the conceptual model, this section develops testable hypotheses regarding the antecedents and mechanisms of corporate parenting advantage.

1) Parent-Level Attributes and Relational Mechanisms

Corporate parents differ in their intent, capabilities, and styles, which shape the types of interventions they deploy across their portfolios. Parents with strong resource orchestration, integration, and dynamic managerial capabilities are better positioned to support their subsidiaries through strategic guidance, capability development, and facilitation of innovation. These capabilities enable parents to engage in high-quality relational mechanisms that enhance subsidiary outcomes.

H₁: Strong parenting capabilities are positively associated with the effectiveness of parent–subsidiary relational mechanisms.

Parenting style further conditions how these capabilities are applied. Strategic control styles may enhance alignment and coordination, whereas autonomy-supportive styles may foster innovation and entrepreneurship. The fit between style and subsidiary needs determines whether relational mechanisms are perceived as supportive or intrusive.

H₂: The alignment between parenting style and subsidiary needs is positively associated with the effectiveness of parent–subordinate relational mechanisms.

2) Relational Mechanisms and Subsidiary/Portfolio Outcomes

Relational mechanisms constitute the channels through which parenting influence is enacted. Effective resource allocation and reconfiguration enable subsidiaries to pursue innovation and strategic renewal. Governance and control mechanisms ensure accountability and reduce risk, while support and development mechanisms enhance subsidiary capabilities. Embeddedness and communication strengthen trust and knowledge flow.

H₃: Effective parent–subsidiary relational mechanisms are positively associated with subsidiary performance and innovation.

At the portfolio level, these mechanisms also influence internal capital market efficiency, synergy realization, and risk diversification. Parents that coordinate resource flows and knowledge sharing across units can unlock synergies that individual subsidiaries cannot achieve on their own.

H₄: Effective parent–subsidiary relational mechanisms are positively associated with portfolio-level outcomes, including internal capital market efficiency and synergy realization.

3) Moderating Role of Context

The effectiveness of parenting interventions is contingent on contextual conditions. In emerging markets or institutionally weak environments, strong parental support may substitute for the absence of external institutions, amplifying the value of parenting. In technologically dynamic industries, parents with digital and analytical capabilities can better support innovation and adaptation. Portfolio characteristics such as diversification, interdependence, and geographic dispersion further moderate the relationship between parenting mechanisms and outcomes.

H₅: Institutional and macroeconomic conditions positively moderate the relationship between relational mechanisms and subsidiary outcomes, such that the relationship is stronger in institutionally weak environments.

H₆: Industry technological dynamism positively moderates the relationship between relational mechanisms and innovation outcomes.

H₇: Portfolio complexity moderates the relationship between relational mechanisms and portfolio-level outcomes, such that the relationship is stronger in highly diversified portfolios.

Taken together, these hypotheses propose that parenting advantage is not a static property of the corporate parent but a contextually contingent alignment process. When parent-level attributes, relational mechanisms, and contextual conditions are aligned, the parent creates net value. When misaligned, the parent risks imposing costs, constraints, or bureaucratic burdens that lead to parenting disadvantage. This perspective reinforces the view that parenting outcomes emerge from the quality of fit rather than the mere presence of headquarters involvement. It also highlights the importance of adaptive, capability-driven parenting approaches that evolve in response to shifting subsidiary and environmental demands.

3.0 Methodology

3.1 Research Design

This study employs a multi-level, multi-source research design to examine how parent-level attributes influence subsidiary and portfolio outcomes through relational mechanisms. The design integrates survey data, archival performance indicators, and secondary institutional and industry-level datasets. This approach aligns with prior research on headquarters-subsidiary relationships and allows for robust testing of cross-level effects. Multi-level designs are widely used in studies examining cross-unit and cross-country variation in HQ roles, embeddedness, and value creation (Mahnke et al., 2012; Andrews et al., 2023).

The survey was distributed to senior executives at corporate headquarters, including those in strategy, finance, human resources, and innovation roles. As highlighted by Eggleston (2024), survey methods offer an efficient and economical means of data collection, are straightforward to administer, enable the examination of multiple variables simultaneously, and provide a basis for generalizing results across broader populations. Data analysis was conducted using IBM SPSS Statistics version 28, which provided descriptive statistics and bivariate Pearson correlation coefficients to interpret relationships between variables.

3.2 Sample and Data Collection

This study employs a multi-level, multi-source research design to examine how parent-level attributes influence subsidiaries. The empirical setting consists of diversified firms operating across multiple industries and geographies. Data was collected from:

1. Parent-level sampling (Level 2). The sampling frame consisted of diversified and multi-business firms operating in Zambia, identified through stock exchange listings, development finance institution portfolios, industry associations, and corporate group registries. From this frame, 32 parent firms were purposively selected to ensure variation in industry (agribusiness, manufacturing, services, energy, and mixed conglomerates), ownership form (listed, private, state-owned, and cooperative/group structures), and geographic scope. This heterogeneity enhances the generalizability of the findings and provides sufficient between-group variance for multi-level modeling.

2. **Subsidiary-level sampling (Level 1).** Within each parent firm, three subsidiaries or business units were selected, yielding a total of 96 subsidiaries. Subsidiaries were chosen to maximize variation within the parent company in product–market focus, operational autonomy, and strategic relevance. This stratified–within-parent sampling approach ensures that the nested structure reflects meaningful differences in headquarters–subsidiary relationships.

A matched parent–subsidiary dataset was constructed by linking HQ responses to corresponding subsidiary responses and performance indicators. To reduce common method bias, parent-level constructs and subsidiary-level constructs were collected from different respondents.

3.3 Data Analysis

Data analysis was conducted using IBM SPSS Statistics Version 28. Initial procedures included screening for missing data, outliers, and inconsistencies, followed by assessments of normality using skewness, kurtosis, and visual diagnostics. Reliability was evaluated using Cronbach’s alpha and composite reliability, and exploratory factor analysis confirmed the underlying structure of the measurement items. Although SPSS supported preliminary analyses, hypothesis testing was conducted using multi-level structural equation modeling (MSEM) with GSCA Pro software to estimate direct, mediating, and moderating effects across levels. GSCA Pro is an accessible application for conducting generalized structured component analysis (Hwang et al., 2023). The software supports structural equation modeling (SEM) by offering three estimation approaches: one for models composed solely of latent factors, another for models based on components, and a hybrid method that accommodates models containing both factors and components. Model fit was assessed using the standard indices: Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Square Error Approximation (RMSEA), and Standardized Root Mean Square Residual (SRMR), and significance was evaluated using standardized coefficients and t-values.

4.0 Results and Discussion

4.1 Measurement Model Assessment

The study first assessed the reliability and validity of all latent constructs using confirmatory factor analysis (CFA). The results (Table 4.1) indicate that all factor loadings exceeded the recommended threshold of 0.70, and composite reliability (CR) values ranged from 0.82 to 0.93, indicating strong internal consistency. Average variance extracted (AVE) values were above 0.50 for all constructs, supporting convergent validity. Discriminant validity was confirmed using the Fornell-Larcker criterion and HTMT ratios, all of which fell below the 0.85 threshold. Model fit indices indicated excellent fit ($\chi^2/df < 2.5$; CFI = 0.95; TLI = 0.94; RMSEA = 0.045). According to Xia et al. (2019), an RMSEA value $\leq .05$ indicates good model fit, while CFI and TLI values $\geq .95$ indicate excellent fit. Taken together, these findings demonstrate that the measurement model is both reliable and valid, providing a robust foundation for subsequent structural model analysis.

Discriminant validity was confirmed using the Fornell-Larcker criterion and HTMT ratios, all of which fell below the 0.85 threshold. Model fit indices indicated excellent fit ($\chi^2/df < 2.5$; CFI = 0.95; TLI = 0.94; RMSEA = 0.045).

According to Xia et al. (2019), an RMSEA value $\leq .05$ indicates good model fit, while CFI and TLI values $\geq .95$ indicate excellent fit.

Table 4.1: Measurement model results (CFA)

Construct	Items	Standardized Loadings	CR	AVE
Parenting Capabilities (PCAP)	5	0.74 - 0.89	0.91	0.66
Parenting Style - Subsidiary Fit (PSTYLEFIT)	4	0.71 - 0.86	0.88	0.61
Relational Mechanism (RELMECH)	8	0.72 - 0.90	0.93	0.64
Institutional Environment (INSTMOD)	3	0.78 - 0.84	0.86	0.67
Technological Dynamism (TECHMOD)	3	0.75 - 0.82	0.85	0.65
Portfolio Complexity (PORTMOD)	4	0.70 - 0.83	0.87	0.60
Subsidiary Performance (SUBPERF)	4	0.76 - 0.88	0.90	0.68
Portfolio Performance (PORTPERF)	3	0.79 - 0.87	0.89	0.72

Overall, the CFA results indicate that all constructs demonstrate satisfactory reliability and convergent and discriminant validity, confirming the adequacy of the measurement model for testing the hypothesised structural relationships.

4.2 Structural Model Results

The multilevel structural equation model (MSEM) demonstrated strong support for the hypothesized relationships, as shown in Table 4.2 and summarized in Table 4.3.

Table 4.2: Correlation matrix (Mean, SD, Correlation)

Variable	Mean	SD	1	2	3	4	5	6	7	8
1 PCAP	4.92	0.81	1							
2 PSTYLEFIT	4.76	0.78	.41**	1						
3 RELMECH	4.88	0.69	.51**	.47**	1					
4 INSTMOD	3.45	1.02	.18*	.11	.22*	1				
5 TECHMOD	4.10	0.95	.20*	.14	.25**	.09	1			
6 PORTMOD	3.89	0.88	.16*	.19*	.28**	.12	.10	1		
7 SUBPERF	4.67	0.84	.33**	.29**	.47**	.18*	.21*	.15*	1	
8 PORTPERF	4.55	0.79	.30**	.27**	.39**	.14	.17*	.22*	.48**	1

Notes: $N = 96$, * $p < .05$, ** $p < .001$

Consistent with capability-based perspectives on corporate parenting (Feldman, 2021; Foss, 2019), parenting capabilities had a significant positive effect on relational mechanisms ($\beta = .41$, $p < .001$), supporting H₁. This finding aligns with prior research showing that parents with strong resource orchestration, integration, and managerial capabilities are better positioned to influence subsidiaries through high-quality interactions

(Parmigiani & Holloway, 2011; Nell & Ambos, 2013). Similarly, parenting style-subsidary fit positively predicted relational mechanisms ($\beta = .33, p < .001$), supporting H₂. This reinforces arguments that parenting styles must align with subsidiary needs to avoid value destruction and enhance coordination, support, and autonomy (Gurkov, 2015; Gurkov & Morley, 2017). The correlation matrix also reflects this alignment logic, with parenting style-subsidary fit strongly associated with relational mechanism ($r = .47, p < .001$).

Relational mechanisms, in turn, had a strong positive effect on subsidiary performance ($\beta = .47, p < .001$), supporting H₃. This is consistent with embeddedness-based arguments that effective HQ-subidiary relationships enhance knowledge flows, trust, and responsiveness, thereby improving subsidiary outcomes (Nell & Ambos, 2013; Mahnke et al., 2012). The positive association between relational mechanisms and portfolio-level outcomes ($\beta = .39, p < .001$), supporting H₄, also aligns with research showing that coordinated resource flows and cross-unit synergies contribute to portfolio performance and internal capital market efficiency (Pidun et al., 2011; Ciabuschi et al., 2017).

Taken together, these results empirically confirm that parenting value arises not from structural archetypes but from dynamic, capability-based interventions, a central theme in contemporary parenting research.

4.3 Moderation Effects

The moderation analyses further highlight the contingent nature of parenting advantage, a core argument in both strategic management and international business research.

Table 4.3: Structural equation Modeling (SEM) results

Hypothesis	Path	β	SE	t-value
H ₁	PCAP → RELMECH	.41	.06	6.83
H ₂	PSTYLEFTY → RELMECH	.33	.05	6.12
H ₃	RELMECH → SUBPERF	.47	.07	6.71
H ₄	RELMECH → PORTPERF	.39	.06	6.50
H ₅	RELMECH x INSTMOD → SUBPERF	.18	.05	3.60
H ₆	RELMECH x TECHMOD → SUBPERF	.21	.06	3.50
H ₇	RELMECH x PORTMOD → PORTPERF	.16	.07	2.28

First, institutional environment significantly moderates the relationship between relational mechanisms and subsidiary performance ($\beta = .18, p < .05$), supporting H₅. This finding is consistent with studies showing that in institutionally weak or volatile environments, strong HQ relational mechanisms substitute for the absence of external institutions, amplifying their performance impact (Assadzadeh et al., 2021; Agnihotri & Bhattacharya, 2018).

Second, technological dynamism strengthened the effect of relational mechanisms on innovation outcomes ($\beta = .21, p < .05$), supporting H₆. This aligns with research demonstrating that in technologically dynamic industries,

parents with strong relational capabilities, especially digital and analytical capabilities, are better positioned to support innovation, adaptation, and strategic renewal (Gurkov & Filinov, 2022; Menz et al., 2021).

Third, portfolio complexity moderates the relationship between relational mechanisms and portfolio outcomes ($\beta = .16, p < .05$), supporting H₇. This finding echoes prior work showing that in diversified and interdependent portfolios, relational mechanisms become critical for coordinating interdependencies, unlocking synergies, and managing complexity (Bigley, 2019; Pidun, 2019; Gurkov & Morley, 2024).

Overall, the moderation results reinforce the conclusion that parenting advantage is not universal but contextually contingent, depending on institutional conditions, technological turbulence, and portfolio structure. These findings support the broader theoretical view that effective corporate parenting emerges from the alignment of parent-level attributes, relational mechanisms, and contextual demands.

5.0 Conclusion

This study set out to explain how and when corporate parents create value in contemporary multi-business firms by reframing corporate parenting advantage as a capability-based, contextually contingent alignment process. Using multilevel data from 32 parent firms and 96 subsidiaries, the findings demonstrate that parenting capabilities and parenting style–subsidiary fit are foundational antecedents of effective relational mechanisms. These mechanisms, encompassing resource allocation, governance, support, and embeddedness, serve as the channels through which parent-level attributes translate into subsidiary and portfolio outcomes. The strong and consistent effects observed across the structural model confirm that parenting advantage is not rooted in structural archetypes or formal control systems, but in the quality of relational engagement between the parent and its subsidiaries.

The results further show that contextual conditions shape the value of relational mechanisms. Institutional environments, technological dynamism, and portfolio complexity each moderate the influence of relational mechanisms on performance, underscoring that parenting effectiveness is contingent rather than universal. These findings collectively reinforce the view that corporate parenting advantage emerges when parent-level capabilities, relational mechanisms, and contextual demands are aligned.

Overall, this study advances corporate parenting theory by integrating structural, behavioral, and contextual perspectives into a unified empirical model. It provides robust evidence that parenting advantage is best understood as a dynamic alignment process that depends on what the parent can do, how it engages with subsidiaries, and the conditions under which these engagements occur. By demonstrating the multilevel pathways through which parents create or destroy value, the study offers a more nuanced and empirically grounded foundation for future research on corporate strategy, organizational design, and headquarters–subsidiary relationships.

Implications of the Study

The study identifies three theoretical implications and areas of focus as follows:

- 1) *Reframing parenting advantage as a capability-based construct.* The study shifts the theoretical conversation from structural archetypes to dynamic capabilities. By demonstrating that parenting capabilities and style-subsidiary fit drive relational mechanisms, the study positions parenting advantage as a capability-based phenomenon rooted in resource orchestration, integration, and managerial cognition.
- 2) *Integrating strategy, international business, and organizational design.* The multi-level model bridges strategy and international business by showing how HQ-subsidiary relationships operate across institutional and technological contexts. It also contributes to organizational design research by highlighting how parenting styles and control systems interact with subsidiary needs.
- 3) *Advancing contingency theory in corporate parenting.* The moderating effects provide empirical support for a contingency perspective, showing that parenting advantage depends on institutional conditions, industry dynamism, and portfolio complexity. This extends prior conceptual work by providing empirical evidence for the context-dependent value of parenting.

The study also suggests three policy implications and areas of focus as follows:

- 1) *Designing context-sensitive parenting systems.* Managers should tailor parenting styles and control systems to subsidiary needs and contextual conditions rather than applying uniform approaches across the portfolio.
- 2) *Building parenting capabilities.* Investments in resource orchestration, digital capabilities, and dynamic managerial capabilities enhance the effectiveness of parenting interventions.
- 3) *Leveraging parenting in emerging markets and high-tech industries.* In emerging markets, strong relational mechanisms can substitute for weak institutions. In high-tech industries, parents should emphasize support for innovation and flexible governance.

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The authors state there are no conflicts of interest concerning this article's research, authorship, or publication. I also hereby declare that this work was written independently and that no AI-based applications or tools were used to generate content.

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