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# Corporate Parenting Advantage: Conceptual, Methodological, and Empirical Considerations

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## Abstract

The pioneering work of Campbell et al. (1995a) presented four ways a corporate parent either creates or destroys value for the companies it owns. They are (a) stand alone, (b) linkage, (c) central functions and services, and (d) corporate development. Despite widespread acceptance of the concept of parenting advantage, empirical research remains scarce. Examining the methodological issues, this research describes the development of an instrument to measure the four strategies. An exploratory factor analysis yielded six distinct factors, accounting for 74.11% of the variance. The results partially validated the *a priori* classification scheme. A few factors partly reflected the measurement items (variables) gleaned from the four basic strategies. The factors are represented by a hybrid of items from different strategies. The paper concluded that the original conceptualizations of the strategies need to be better scrutinized and that further refinement of the operational definitions is also necessary.

**Keywords:** parenting advantage, measurement scales, empirical test

## Introduction, Purpose, and Significance

Introduced in the mid-1990s, parenting advantage has become an important justification for the growth of multi-business companies. Its core idea recognizes the value a parent of companies can create by influencing the directions and operations of the businesses owned by the parent organization. This paper explores the question of whether the business units are better off as independent companies or as a part of their corporate (parent) owner.

Parenting advantage as a research topic has garnered much academic research for over a quarter century. Due to the strategic implications, fields of study such as strategic management and corporate strategies have integrated parenting advantage into their textbooks; as has the MBA curriculum at numerous business schools. It is now a standard feature in the management literature.

In 1994, Goold et al. published the seminal book, *Corporate Level Strategy; Creating Value in the Multibusiness Company*—which was quickly embraced within the academic community. The

authors followed with well-respected articles on the topic published in the *Harvard Business Review* (Campbell et al., 1995a) and *California Management Review* (Campbell et al., 1995b). Parenting advantage quickly gained prominence as a credible addition to corporate strategy.

Although the speed of acceptance that parenting advantage experienced within the academic arena was remarkable, the lack of substantial empirical evidence is difficult to explain, especially given the popularity of the concept. For nearly three decades, the original authors have been establishing the validity of parenting advantage on “hundreds of stories and situations” (Campbell et al., 1995b, p. 79). However, anecdotal evidence does not meet the academic standards that more rigorous investigation and empirical research could provide this promising field of study deserves.

The purpose of this study was to test the four types of value creation described within the conceptual framework of parenting advantage. The four types are (a) stand-alone influence, (b) linkage influence, (c) central functions and services, and (d) corporate development. Addressing a surprising gap in the literature, this study sought to contribute to the extant knowledge of parenting advantage by constructing an instrument to help examine these concepts more deeply and to measure the motivation of executives who also manage conglomerates. We hope to initiate a rise in interest from other scholars in developing empirical studies that both strengthen the validity of this corporate strategy while still managing to measure and capture the essence of parenting advantage. This study also attempted to establish evidence for the validity of the parenting advantage conceptual framework by empirically investigating the central tenant of value creation or destruction. Finally, the study contributes to a better understanding of the motivation and behavior of executives who are also part of multi-business corporate, providing insight on value creation for these stakeholders.

### **The Conceptual Framework of Parenting Advantage**

The concepts of competitive advantage, core competence, and parenting advantage are all inter-related. Goold and Campbell (1991) believed the link between competitive advantage and corporate strategy - as presented by Porter (1985, 1987) - left important questions unanswered. They advocated instead for parenting advantage to serve as the missing link. Parenting advantage is often linked to and differentiated from the concept of core competence. Prahalad and Hatal (1990) describe *core competence* as a state where related businesses have common technical or operating know-how. In contrast, *parenting advantage* focuses on a parent’s competencies and the value created from the relationship between the parent and its businesses. For single-business companies, regardless of size, their highly integrated structures and activities preclude them from being viewed as multiple businesses. For these companies, the strategic decisions should be guided by the concept of competitive advantage.

Just like parents who must shape the future of their children, a parent company (or conglomerate) needs to provide guidance for its multiple lines of businesses. The corporate parent is defined as “the management levels in the corporate hierarchy outside and above the business units” (Goold & Campbell, 2002, p. 219). Campbell et al.’s (1994) *Corporate-Level Strategy* examined and discussed the role of a corporate parent, which consists of managers and staff not assigned to a particular business unit and are therefore not necessarily restricted to those at corporate headquarters. The authors also include discussions about the roles of the division, group, region, and other intermediate levels of management.

The essence of parenting advantage is whether parent managers add or subtract value. A multi-business company gains parenting advantage if it is able to create more value than its competitors would for comparable businesses (Campbell et al., 1995a). In other words, improved performance of the children is a result of the parent's guidance.

According to Campbell et al., (1995a), for corporations with complex, interdependent structures (e.g., hands-off corporate parent, hands-on intermediate parent, etc.), the corporate parent and its operating units have overlapping responsibilities. Thus, the distinction between *business* and *parent* becomes blurred, and both the role and added value of the parent becomes less relevant. Nevertheless, the authors argue that the quest for parenting advantage should remain a fundamental driver of corporate strategy and structure. After all, complex structures make sense only if they create greater value.

Furthermore, the parent's influence may be either *positive* or *destructive*. When business unit managers respect the corporate center and its influence, the end result is the parent's market value being greater than the sum of its parts (Campbell et al., 1995b). More frequently, however, the corporate parent's influence over a business unit may be negative or destructive. Value is destroyed when the unit's managers are led to make poor decisions.

Campbell et al. (1995b) outlined four fundamental ways that a parent company destroys value: (a) stand-alone influence, (b) linkage influence, (c) central functions and services, and (d) corporate development activities. Although each of the four areas should provide positive influence, value destruction has been seen to be a more common occurrence (see Appendix).

*Stand-alone influence* refers to “the parent's impact on the strategies and performance of each business in the parent's ownership, viewed as a stand-alone profit center” (Campbell et al, 1995b, p. 81). This influence becomes destructive when a parent pushes for inappropriate targets, when it starves businesses of resources for worthwhile projects, when it urges wasteful investment, or when it appoints poorly selected managers. The premise for stand-alone influence is that parent managers somehow know more than the unit's own managers about what is best for the unit. In reality, a parent manager is more like the unit's part-time manager because he can devote only limited attention to the unit's business. It is thus difficult to see how the part-time manager (who may only be able to provide 10% of his time) can enhance the unit's performance more than the unit's dedicated manager (who must give 100%). The authors have named this situation as the *10%-vs.100% paradox*.

*Linkage influence* occurs when the parent aims to create value by fostering cooperation and synergy between or among its businesses. The forced cooperation may lead to a shared billing system that fails to recognize the different needs of different businesses. A compromise solution is likely to be suboptimal to some (or even all) units. Clients may resent the loss of direct and intimate relationship with a particular business unit. Cross selling is another example of parent managers implementing ideas when they are not familiar with the distinct business lines. Linkage aiming to achieve synergy often ends up creating confusion and resentment. The underlying assumption of linkage influence is that the parent manager is in a better position to identify benefits of linkages between or among businesses. This is known as the *enlightened self-interest paradox*. It is debatable as to why and how parent managers are better than business-unit managers in perceiving and implementing linkages.

*Central functions and services* support business effectiveness. In practice, however, the assumption is that the parent, by centralizing functions and services, can provide cost-effective activities. Frequently, the central office incurs excessive overhead costs and delays decisions while providing sub-standard or unresponsive support. By having captive customers, the central office does not see much need to improve services. Economies of scale in central functions may be illusory and even harmful. Superior service at lower cost could have been acquired from outsiders. With central functions and services influence, central staffs, when compared to outside suppliers or the unit's own staff is assumed to be capable of rendering greater value-for-money services. This is the *beating the specialists paradox*. The assumption is that an in-house staff department can beat a third party specialist even though the outsider is a specialist that must provide the most responsive and cost-effective service for it to keep clients and to remain in business.

*Corporate development* activities include acquisitions, divestments, strategic alliances, business redefinitions, new ventures, and so on. Ideally (though, illogical) a parent is presumed to be an adept dealmaker who knows how to buy a business cheap and to make a business deal. This *beating the odds paradox* presumes that the parent excels in beating fierce competitors because it is somehow more sophisticated and superior in its thinking and execution. In reality, the majority of these investment activities end up being a failure with subsequent loss in value of the investments.

### **Corporate Strategy Literature and Research Studies**

The concept of parenting advantage is relevant to strategic formulation, portfolio management at the corporate level, and corporate governance (Kruehler et al., 2012; Mishra & Akbar, 2007; Moore & Birtwistle, 2005). Yet, the broader application has not lived up to expectations—probably because the concept was not being adequately operationalized to the level of specific value-adding activities (Kruehler et al., 2012).

Some studies in the field of strategic management discuss the impact of corporate headquarters activities (value adding as well as loss preventing) and the effect of different parenting approaches (Collis et al., 2007). However, such studies tend to rely on exploratory research methods. Additionally, Kruehler et al., (2012) stated, “We could not find published research in the strategic management and corporate strategy literature that describes what an appropriate framework for specifying a corporation's parenting advantage could look like and how to conceptually determine consistent and effective parenting strategies” (p. 8).

A few studies chose to focus on parenting advantage in the context of multinational corporations and their subsidiaries. Ambos & Mahnke (2010) believed that headquarters of a multinational corporation may add value. Linking two streams of literature (parenting advantage and multinational corporation's external embeddedness), Nell and Ambos (2013) found that headquarters embeddedness in the subsidiary's network is positively associated with headquarters value added. As the level of subsidiary embeddedness rises, the strength of this relationship increases. The value added by the headquarters is unrelated to distance, but this effect is contingent upon the extent to which the subsidiary is locally embedded (Buegelsdijk et al., 2017). Ciabuschi et al., (2017) reported that the logic of parenting advantage does not seem to fit well with the empirical results. They found that headquarters' involvement in innovation processes at the subsidiary level has a negative impact on process efficiency in terms of development and transfer. The results suggested a *parenting paradox*—while the headquarters was able to involve

themselves in strategic innovation processes, the involvement did not seem to show any beneficial impact on the performance of these processes.

In conclusion, the literature on parenting advantage revealed an unexpected and alarming finding. In general, there is a large research gap indicating a lack of empirical data since an overwhelming majority of research studies appears to merely touch the peripheral aspect of the concept. Almost always, the empirical measurement of the parent's added value was essentially absent. Those few attempts to measure value invariably measured managers' perceptions rather than monetary value or some objective criteria of value.

Quite clearly, the literature review highlights that the crux of the parenting framework has been essentially ignored. While the literature repeatedly and prominently mentioned the four fundamental ways a parent company may end up destroying value, it is puzzling that there was hardly any attempt to quantitatively measure these four destructive perspectives. Therefore, we conclude that further rigorous research must be conducted that focuses on the essence of the framework of parenting advantage.

### **Bridging the Research Gap: Parenting-Advantage Propositions**

Conceivably, the main reason the vast majority of research studies have failed to measure the core of the concept of parenting advantage is because of the difficulty in measuring *value*. One problem is that parent staffs play numerous roles in addition to their value-adding roles (Goold & Campbell, 2002). Another problem has to do with how to find objective measures (Collis et al., 2007).

Goold et al., (1994) admitted that parenting advantage is not a precisely measurable concept: "It is difficult to disentangle the contribution of the parent from that of the business units. Therefore, the concept may not render itself to mathematical accuracy" (Goold et al., 1994, p. 43).

While a parent company's market value can be objectively measured, it is only one subset of the shareholder value. Value creation is not necessarily equated with shareholder value. Goold et al., (1994) defined value broadly in terms of the prime purpose and priorities of the company. Value is created when these purposes are furthered. Unfortunately, they have not offered any means to determine when a parent company has successfully furthered the stated purposes.

To validate the concept of parenting advantage, it was necessary to investigate the four types of value traps and their paradoxes. Nell and Ambos (2013) noted that scholarly attention to specific value-creating activities is necessary to evaluate the importance of parenting advantage. To this end, the following propositions were generated.

- *Proposition 1 (stand-alone influence)*: A parent manager is superior to a unit manager in guiding a stand-alone profit center. The superiority is in terms of identifying business targets, allocation of resources, and appointment of personnel.
- *Proposition 2 (linkage influence)*: A parent manager is superior to a unit manager in fostering cooperation and synergy. Synergy may be in the form of shared billing system and cross selling.
- *Proposition 3 (central functions and services)*: A parent manager is superior to third-party outsiders in achieving economies of scale derived from delivery of centralized

functions and services for business units. Superior performance is in the form of responsive services and lower-cost solutions.

- *Proposition 4 (corporate development)*: A parent manager is superior to business-unit managers and competitors in targeting investment opportunities. The investment activities include mergers, acquisitions, divestments, and strategic alliances.

The *indirect* testing of these propositions can be achieved by measuring the perceptions and satisfaction levels of business-unit managers. These executives' opinions and perceived value, by nature, are subjective. The *direct* testing, on the other hand, requires objective measures like cost and revenue.

The cost and revenue are impacted by economies of scale and economies of scope. The *economies of scale* are vertical in the sense that the cost per unit declines as more units are produced and sold. That is, the cost becomes more economical when output is increased and when the repetitive task can be performed more efficiently.

In contrast, *economies of scope* are horizontal in that the desired economies are derived from the expansion and inclusion of additional business lines. Unlike economies of scale which rely on greater volume of a single product, economies of scope are based on variety. When a parent adds a new and complementary business, the expertise is extended to the new business. As corporate resources are shared across multiple types of business, efficient utilization of resources is achieved.

One important issue that the literature has either ignored or failed to adequately address is the distinction between *efficiency* and *effectiveness*. It is possible to be efficient without being effective, and vice versa, it is possible to be effective without being efficient. Ideally, of course, a competent manager wants to be simultaneously efficient and effective.

*Efficiency* refers to performance of a certain task at a lower cost. *Effectiveness*, in comparison, is about achieving a certain objective (e.g., customer satisfaction or staff satisfaction). Cost minimization and profit maximization are routinely assumed to go hand in hand. When cost is reduced, profit is expected to increase. In reality, cost cutting can be achieved at the expense of profit maximization. For example, a company can cut advertising costs or reduce services, but the tactic may backfire by harming customer satisfaction and sales. Obsession with cost reduction may do more harm than good. Therefore, the testing of the proposed propositions should take into account both the efficiency and effectiveness of a particular action of the parent manager.

### **Measurement of Value: Scale Construction and Validation**

One of the aims of this study is to systematically and empirically investigate how executives of parent companies perceive the four strategies of value creation as described in the parenting advantage conceptual framework. To achieve this goal would help researchers and practitioners better gauge the motivations of these executives regarding operations of multiple units.

Scale development for this study occurred through a multi-stage process. First, the brainstorming phase resulted in the creation of a list of items derived from the four perspectives of value creation pertaining to the parent company or headquarters. Both a literature review and exploratory

interviews were conducted. Experienced researchers were asked to assess the face validity. Subsequently, the final version of the measuring instrument was constructed.

A five-point Likert scale was used to measure the motives and goals of parent executives. Respondents were asked to indicate their level of agreement with the items. The scale of each item ranged from 1 (*strongly disagree*) to 5 (*strongly agree*). Table 1 lists the 18 items of the value creation or destruction scale.

## Sampling

To study the value-creation strategies of the parent companies, this study focused on the corporations listed on the Stock Exchange of Thailand or SET. Thailand is not a small country as its population exceeds the combined populations of Australia and Canada. The World Economic Forum's Global Competitiveness Report 2019 ranked 141 nations, and Thailand was 40<sup>th</sup>. The Switzerland-based International Institute for Management Development (IMD) ranked Thailand 29<sup>th</sup> in its World Competitiveness Ranking, 2020.

To be listed on the Stock Exchange of Thailand, companies must have met a rigorous set of requirements. In general, these companies are relatively large and better capitalized than those that are not listed. Certainly, among listed companies, corporate size still significantly varies. In any case, it is not uncommon for listed companies to pursue multiple lines of business.

After initial screening, 226 of the 521 companies listed on the Stock Exchange of Thailand, were selected for contact. This resulted in a return from 62 executives—a response rate of 27.43%. A sample size above 50 respondents is generally considered reasonably stable. However, to further segregate the sample would result in sample sizes too small. The results could produce information too specific to the small group but not as generalizable to the greater whole.

Among the respondents, top executives accounted for 61.30%, while managing directors accounted for 38.70%. Manufacturing firms represented 64.50% of the sample, while service companies accounted for 29.00%.

## Results, Analysis, and Discussion

### *Testing of the Value Creation or Destruction Scale*

Table 1 provides the mean value and standard deviation for each item of the value creation or destruction scale. In general, the respondents tended to agree with each goal or motive. Still, the strength of agreement varied from item to item. To test the reliability and validity of the value creation or destruction scale, Cronbach's alpha, Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy, and Bartlett's test of sphericity were used. Both the KMO measure and Bartlett's test determined the suitability of data for structure detection.

Internal consistency is a form of reliability, and Cronbach's alpha can be used to assess the degree of internal homogeneity. An instrument is reliable when it exhibits a high degree of internal consistency. When the items of a measurement scale exhibits a high correlation, it means that the items are homogeneous in that they appear to measure the same thing. Since the value creation or



destruction scale yielded a coefficient of .92, it was concluded that the scale consists of items that are highly related, resulting in a high degree of internal consistency.

**Table1.** Value Creation or Destruction Scale

Statement	Mean	SD
<b>Stand-alone influence</b>		
1-Investment in core business of business unit	4.21	.75
2-Business unit treated as profit center	4.04	.89
3-Holding shares of business unit	3.21	1.11
4-Return on investment derived from ownership of business unit	4.10	.76
5-Guiding but not operating business unit	3.13	.95
<b>Linkage influence</b>		
6-Linkage across business units or groups	4.32	.66
7-Network of linkages or integration for production and logistics	4.17	.79
8-Linkage across geographic locations	4.06	.80
9-Linking new business to existing business	4.06	.82
<b>Central functions and services</b>		
10-Ability of central staffs to improve services for units	3.84	.91
11-Better utilization and development of assets	4.32	.70
12-Central department enhancing business unit's competitiveness	4.15	.81
13-Pulling power relative to outside service providers	4.19	.71
14-Central department enabling shared platform	4.19	.65
<b>Corporate development</b>		
15-Developing business for units	4.23	.703
16-Mergers and acquisitions (M&A's) for profit	3.67	1.03
17-Divestments for profit	3.50	1.04
18-Seeking new (unrelated) business for the conglomerate	3.06	.99

The index of item-objective congruence developed by Rovinelli and Hambleton (1977) was used in test development to evaluate content validity. Originally, the measure was limited to the assessment of one-dimensional items. The measure has been modified by Turner and Carlson (2003) for multidimensional assessments as well.

The index of item-objective congruence is a process by which content experts rate individual items based on the degree which they measure the test developer's specific objectives. The rating ranges from 1 (*clearly measuring*) to -1 (*clearly not measuring*), with 0 being unclear about the content area. After completion by our selected experts, the ratings were combined to provide indexes of item-objective congruence measures for each item on each objective. A value of 1 indicates agreement among all experts that the item clearly measures the specified objective. For this study, the value creation or destruction scale yielded .87 for its index of item-objective congruence. This high degree of congruence attests to the appropriateness of the instrument's content.

The KMO test is a measure of whether the data are suitable for factor analysis. The test measures sampling adequacy for each variable in the model and for the complete model. It is a statistic that indicates the proportion of variance of the variables that might be caused by underlying factors (common variance). In essence, the KMO statistic shows the degree to which each variable in a set can be predicted without error by the other variables.

The KMO statistic varies from 0 to 1. When the value is less than .5, the results obtained by factor analysis are probably not useful. When the value of the measure is high (i.e., close to 1), the sum of partial correlations is not large relative to the sum of correlations. Application of factor analysis is thus useful in yielding distinct and reliable factors. Kaiser and Michael (1975) suggested that the KMO statistic greater than .9 is *marvelous*. The other results follow: In the 80s (*meritorious*), in the 70s (*middling*), in the 60s (*mediocre*), in the 50s (*miserable*), and less than .5 (*unacceptable*). The KMO statistic for the value creation or destruction scale was .614.

**Table 2.** Dimensions of Value Creation or Destruction

Factor/Statement	Eigen Value	Variance Explained	Loading						
			1	2	3	4	5	6	
<b>Factor 1: Central Functions and Services</b>	4.452	25.287							
13-Pulling power relative to outside service providers			.851						
11-Better utilization and development of assets			.746						
12-Central department enhancing business unit competitiveness			.719						
<b>Factor 2: Return on Investment (Corporate Development I)</b>	2.466	13.700							
18-Seeking new (unrelated) business for the conglomerate				.874					
17-Divestments for profit				.776					
4-Return on investment derived from ownership of business unit				.508					
<b>Factor 3: Guidance (Stand Alone Influence)</b>	2.242	12.454							
5-Guiding but not operating business unit					.861				
3-Holding shares of business unit					.617				
10-Ability of central staffs to improve services for units					.430				
<b>Factor 4: Corporate Development II</b>	1.733	9.630							
14-Central department enabling shared platform						.767			
15-Developing business for units						.759			
16-Mergers and acquisitions (M&A's) for profit						.651			
2-Business unit treated as profit center						.583			
<b>Factor 5: Linkage</b>	1.284	7.134							
7-Network of linkages or integration for production and logistics								.744	
6-Linkage across business units or groups								.703	
8-Linkage across geographic locations								.703	
9-Linking new business to existing business								.521	
<b>Factor 6: Business Unit as Core Business</b>	1.063	5.908							
1-Investment in core business of business unit									.910

Kaiser-Meyer-Olkin Measure of Sampling Adequacy = .614;

Bartlett's Test of Sphericity  $\chi = 371.42$ ,  $df = 153$ ,  $p < .000$ .

Bartlett's Test of Sphericity determines whether the correlation matrix is an identity matrix. When the variables being investigated are unrelated, they are unsuitable for structure detection. When the significance level is low (less than .05), factor analysis should be appropriate. In this instance, Bartlett's test of sphericity was significant at  $p < .000$ .

There is evidence of reliability and validity for the value creation or destruction scale. The scale should enable a researcher to delve into what a parent organization expects from its business units. Such expectations and motivations should be further studied to see if they are related to the cost and revenue of the parent as well as its business units.

### ***Dimensions of Value Creation or Destruction***

To test the validity of the four types of value creation or destruction, a factor analysis was performed. The results yielded six distinct dimensions. The sixth and final factor consisted of only one item determined to be marginal in terms of the variance explained. Therefore, it was excluded from further discussion.

The most dominant dimension of the value creation or destruction scale represented some aspects of *central functions and services* of value creation. Of the five items that purportedly make up the value of central functions and services, three of them were included in this first factor. The responding executives believe that when compared to outside service providers, the parent office (a) has pulling power, (b) better utilizes and develops assets, and (c) enhances the competitiveness of a business unit. However, the other two items, though operationalized to reflect central functions, were viewed differently. Those two items described (d) whether the central staffs improve services for the business units and (e) whether the business units feel that the central

department enables a shared platform. The respondents inexplicably did not feel that these two components co-exist well with the other three components.

The mixed results were repeated for the second dimension. Two of the three items partially supported the *corporate development* type of value creation. A parent organization is able to seek a new (unrelated) business while divesting its affiliated unit for profit. Yet, it was unclear whether the parent's return on investment derived from its ownership of a business unit should be part of *corporate development* or *stand-alone influence*.

The third factor bears some resemblance to the *stand-alone influence*. The responding executives agreed that a parent makes an investment decision by holding shares of a business unit and by guiding but not operating that unit. Nevertheless, this dimension also included the ability of central staffs to improve services for business units. Arguably, this item should instead belong to the parent's central functions and services.

The fourth factor, likewise, faced the same issue. Both (a) developing business for units and (b) mergers and acquisitions for profit reflected a parent's corporate development. Yet, this factor also included two additional items: (c) the central department's shared platform and (d) a business unit treated as a profit center. These two items seemed to reflect both the parent's central functions and the parent's view of a business unit as a profit center.

The fifth factor, while explaining less of the variance, provided the strongest support for the framework of value creation and destruction. All four items designed to demonstrate the linkage influence were loaded into this factor. The evidence showed that a parent provides a network of linkages by linking business units across geographic locations as well as by linking existing business to new business.

## Conclusions

Value is the heart of parenting advantage, though value is difficult to capture both in general and through specific value-creating activities. Furthermore, parent companies are not monolithic, and each has its own sources of parenting advantage. As such, the concept of parenting advantage faces issues of precision, accuracy, and relevance.

The contributions of this research are both theoretical and empirical. In the area of identifying a means to measure the goals and motives of executives of parent organizations, the fundamental issues raised warrant answers, and the proposed measure has a bearing on enhancing the understanding of parenting advantage. Although the measuring instrument created for this study requires further testing, we anticipate that more scholarship will be continue the path this study began and other, alternative instruments will be developed.

The feasibility of using parenting advantage outside of an Anglo-Saxon culture needs to be addressed by future studies. An important consideration that needs to be explored is whether or not parenting advantage as a strategy is only applicable to conglomerates that trade businesses in and out of their own portfolios. Goold et al. (1994) argued that the concept is relevant to all multi-business companies "regardless of whether they have evolved from single-business companies or whether they have evolved through acquisitions and diversification" (p. 42). However, to broadly

claim that parenting advantage can be applied across the spectrum of corporations without further empirical scrutiny would be premature.

This study significantly addressed the issue of external validity although the Western context was used to conceptualize and operationalize parenting advantage; the testing of the value-creation scale relied on the Southeast Asian setting. Hopefully, the value creation or destruction scale will be helpful in determining the how broadly parenting advantage can be applied across the business landscape.

The study also added to the body of knowledge on parenting advantage by empirically testing its conceptual framework regarding the four types of value creation or destruction. For far too long, this classification scheme has been conveniently embraced without empirical focus. Goold et al. (1994) argued that their “research has been grounded in contacts with many different multi-business companies over several years” (p. 8). To bolster their argument, they also stated that their framework was based on their roles of academicians and consultants. However, their assertions should not be relied on at face value.

Their book *Corporate Level Strategy* (Goold et.al., 1994) focused on 15 corporate parents that they believed had pursued fundamentally successful corporate strategies. This kind of judgment is similar to Peters and Waterman’s (1982) approach used for their book *In Search of Excellence*. In that study, the selected companies were purported to have passion for excellence. Years later, however, several of those companies would not be held as examples of excellence. General Electric, for example, once regarded as one of the world’s best companies, is struggling, and its parenting advantage has been found to be more detrimental than advantageous. For shareholders, General Electric is a nightmare, posing the legitimate question of the company’s place as a value creator or destroyer. This uncertainty represents the problem of using anecdotes to support the point of contention.

In their defense of the assessment of their concept, Goold et al., (1994) stated our experience has been that even fairly blunt tools can provide useful insights. However, as greater attention is focused on parenting advantage, methods of measurement will no doubt improve, as has happened in many other apparently soft areas. Unfortunately, in the decades since its introduction into the world of international business, not only have the methods of measurement not appreciably improved, but the matter appears to be will fully and completely ignored.

Although with a sense of relief, this study found reasonable evidence to partially support the *a priori* framework of value creation or destruction. This conclusion must be moderated by the failure of various activities, goals, or motivations of parent executives to fit neatly into the four types of value creation or destruction as proclaimed. The division among the four types is neither neat nor distinct. Neither, apparently, are the four types of value creation or destruction mutually exclusive. Nevertheless, the mixed results do not diminish parenting advantage’s thought-provoking proposition that a parent’s actions may, at times, turn out to be more negative than positive for the multi-national company. More studies must be conducted in this area, both conceptually on the construct of parenting advantage as well as empirical data supporting its ability to distinguish positive actions from destructive ones. At present, the narrative is based heavily on anecdotal evidence, and its generalizations are too sweeping and imprecise. The normative

framework must be accompanied by strong empirical evidence, and the framework must also provide concrete managerial recommendations.

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## **Appendix: Value Creation or Destruction and Paradox**

### ***Stand-Alone Influence***

#### *Premise*

Parent, viewing each business unit as a stand-alone profit center, gives guidance in terms of targets, resources, and personnel. Compared to unit managers, parent managers know best.

#### *Paradox: 10% vs. 100%*

Unlike a unit manager who can pay 100% full-time attention to business, a parent manager is like a part-time manager who can give only 10% of time to that business.

### ***Linkage Influence***

#### *Premise*

Parent creates value by fostering (or forcing) cooperation and synergy between or among its businesses. Activities include shared billing system and cross selling,

#### *Paradox: Enlightened Self-interest*

Parent is not necessarily superior to business-unit managers in identifying linkages. To placate linked businesses, a compromise and suboptimal solution is reached so as to offer a little bit of something for everyone.

### ***Central Functions and Services***

#### *Premise*

Parent supports business efficiency by providing economies of scale. Central staffs perform centralized functions and services for business units.

#### *Paradox: Beating the Specialists*

Central insiders have captive customers and do not feel pressure to improve services or cost. In contrast, third-party outsiders are specialists that feel compelled to provide responsive and cost-effective solutions since their survival is at stake.

### ***Corporate Development***

#### *Premise*

Parent is superior to business units and rivals in identifying and executing investment activities (mergers, acquisitions, strategic alliances, etc.).

#### *Paradox: Beating the Odds*

It is illogical to assume that parent can consistently outsmart competitors. Competitors are not necessarily less skilled.