

[Research Paper]

Intraregional geographic diversification, regional experience, and foreign subsidiary staffing

Naoki Ando

Abstract

Studies in international business have examined how multinational enterprises (MNEs) staff foreign subsidiaries, focusing on determinants at the subsidiary, host-country, and parent-firm levels. This study extends research on foreign subsidiary staffing to the regional level by incorporating the perspective of MNEs' intraregional geographic expansion. Using a panel dataset of Japanese MNEs' investments across three geographic regions, it examines the impact of region-level factors on foreign subsidiary staffing. The results indicate that intraregional geographic expansion increases the proportion of host country nationals (HCNs) in foreign subsidiaries. In addition, as MNEs accumulate regional experience, the positive effect of intraregional expansion on reliance on HCNs diminishes. These findings suggest that advancing an understanding of foreign subsidiary staffing requires research frameworks that account for MNEs' intraregional activities and incorporate region-level factors.

Keywords: foreign subsidiary staffing, intraregional geographic expansion, intraregional geographic diversification, regional experience, regionalization

Introduction

Recent studies on regionalization and semi-globalization have argued that multinational en-

terprises (MNEs) are regional rather than global firms and tend to confine the geographic scope of their business activities to regional boundaries (Collinson and Rugman, 2008; Ghemawat, 2018; Rugman and Verbeke, 2004). These MNEs often establish multiple foreign subsidiaries within a geographic region to pursue regional objectives (Mohr, Batsakis, and Stone, 2018; Phene and Almeida, 2008). Such intraregional geographic expansion of MNEs is partially attributable to regional institutional similarity (Lee, 2019; Qian, Li, and Rugman, 2013). Institutional and socio-cultural environments are converging across countries within a geographic region as a result of geographic proximity and regional economic integration (Banalieva and Dhanaraj, 2013; Harzing and Pudelko, 2016; Qian et al., 2013; Ronen and Shenkar, 2013). The similarity of formal and informal institutions throughout a region reduces the costs incurred by MNEs when expanding from one country to another within the same region (Qian, Li, Li, and Qian, 2008). These reduced costs of entry may encourage MNEs to geographically expand their business activities within regional boundaries.

Foreign subsidiaries may cooperate with sister subsidiaries in the same region to implement a regional strategy (Mohr et al., 2018; Phene and Almeida, 2008). Their activities are integrated into the regional activities conducted jointly with sister subsidiaries. The staffing of foreign subsidiaries can play a fundamental role

in facilitating effective cooperation among regional subsidiaries, because it requires frequent communication, discussion, and joint decision-making. The effectiveness of communication, discussion, and joint decision-making among sister subsidiaries depend on the quality of interactions among managers in foreign subsidiaries who are responsible for cooperating with sister subsidiaries. Therefore, MNEs may take into consideration inter-subsidiary relationships when determining the staffing of an individual subsidiary.

This study extends previous studies on foreign subsidiary staffing by investigating the impact of MNEs' intraregional activities on the staffing of individual subsidiaries. In particular, it examines how an MNE's intraregional geographic expansion affects the assignment of HCNs to foreign subsidiaries within the region. This study contributes to the research on foreign subsidiary staffing by incorporating regional factors into the study of foreign subsidiary staffing. It suggests that in addition to the firm- and host-country-level factors, region-level factors need to be considered to advance an understanding of foreign subsidiary staffing.

This paper is organized as follows. The next section reviews the literature on foreign subsidiary staffing and the intraregional geographic expansion of MNEs. Then, hypotheses predicting the relationship between intraregional expansion and foreign subsidiary staffing are developed, followed by a description of the dataset and the analytical method. After a report on the results of the empirical analysis, the implications of this study, along with its limitations, are discussed.

Foreign subsidiary staffing

One of the primary purposes of research on foreign subsidiary staffing is to explore under what conditions PCNs are preferred over HCNs

for filling the middle and senior positions of a foreign subsidiary. Previous studies contend that PCNs and HCNs possess different knowledge and expertise, which affect MNEs' staffing decisions (Gaur, Delios, and Singh, 2007; Gong, 2003; Tan and Mahoney, 2006). PCNs are used as agents of the parent firm in controlling foreign subsidiaries and transferring firm-specific advantages to them (Fang et al., 2010; Gong, 2003; Tan and Mahoney, 2006). HCNs are primarily used to acquire local knowledge of host countries (Fang et al., 2010; Gong, 2003; Tan and Mahoney, 2006). The distinct knowledge and expertise possessed by PCNs and HCNs affect the deployment of these two types of human resources to foreign subsidiaries. Most previous studies on the determinants of foreign subsidiary staffing have focused on the subsidiary-level and host-country-level determinants (Ge et al., 2022; Gong, 2003; Peng and Beamish, 2014; Widmier et al., 2008). They explored how subsidiary-level and host-country-level factors alter foreign subsidiaries' need for knowledge and expertise possessed by PCNs and HCNs.

Intraregional geographic diversification

Recent studies have contended that MNEs tend to expand their business activities within geographic regional boundaries (Collinson and Rugman, 2008; Rugman and Verbeke, 2004). Geographically proximate countries often share similar legal, political, economic, and sociocultural institutions (Arregle et al., 2013; Qian et al., 2013). The institutional similarity, combined with physical proximity, encourages MNEs to enter countries within the same geographic region (Arregle et al., 2013; Qian et al., 2013). Transportation and distribution across countries within regional boundaries are less costly owing to their geographic closeness (Qian et al., 2010). Additionally, institutional similari-

ty may mitigate the liabilities of foreignness when entering another country in the same region (Arregle, Beamish, and Hébert, 2009; Arregle et al., 2016; Qian et al., 2013). Furthermore, experiential knowledge gained from operations in a host country can be exploited for operations in another country in the same region given the institutional similarity (Eriksson et al., 1997; Qian et al., 2013). Taken together, physical proximity and institutional similarity across a region lower the uncertainty and psychic distance perceived by MNEs and reduce the transaction costs incurred by them when entering and operating in a new host country within the same region (Arregle et al., 2013; Banalieva, Santoro, and Jiang, 2012; Puck, Holtbrügge, and Mohr, 2009).

The similarity of institutional environments within a geographic region implies substantial institutional discontinuities across regions (Lee, 2019; Verbeke, Kano, and Yuan, 2016). Because of regional institutional similarity, resources possessed by foreign subsidiaries may be most profitably exploited within the same region where they were developed (Rugman, Verbeke, and Nguyen, 2011). Knowledge and resources can be relatively easily transferred to other countries in the region because their institutional settings are comparable to the country where the resources were originally developed (Jensen and Szulanski, 2004; Kostova, 1999; Kostova et al., 2020). In comparison, resources possessed by foreign subsidiaries may fail to produce the expected level of economic value outside the region owing to the dissimilarity of institutional settings (Rugman et al., 2011). Hence, the geographic expansion of MNEs is often constrained by the limited transferability of resources beyond regional boundaries (Jensen and Szulanski, 2004; Qian et al., 2013; Rugman and Verbeke, 2004).

Geographic proximity and institutional similarity within a region may enable a foreign sub-

sidiary to cooperate with sister subsidiaries in the same region (Phene and Almeida, 2008). Geographic closeness and institutional commonality may also allow MNEs to view a geographic region as a strategic unit for strategy formulation (Mingo, Morales, and Dau, 2018). Foreign subsidiaries in a region may thus work together to achieve a regional goal. To cooperate with sister subsidiaries in the same region, a foreign subsidiary needs to communicate, jointly make decisions, and take joint actions with them. Accordingly, MNEs may staff foreign subsidiaries to facilitate cooperation among subsidiaries in the same region and the implementation of regional strategies. These arguments imply that MNEs consider factors at the regional level when determining the staffing of foreign subsidiaries.

Intraregional diversification and foreign subsidiary staffing

MNEs may facilitate cooperation among foreign subsidiaries within the same region to implement a regional strategy. Cooperation with sister subsidiaries involves communication, joint decision-making, joint action, and knowledge sharing. As MNEs geographically diversify within a region and the number of foreign subsidiaries and host countries increases, intraregional cooperation among the subsidiaries becomes more complex (Arregle et al., 2016). Although countries in a region may be institutionally and culturally similar compared to countries outside the region, their institutional and cultural environments are not perfectly homogeneous. As MNEs establish more foreign subsidiaries in a region, institutional and cultural diversity among host countries gradually increases (Arregle et al., 2016). An increase in institutional and cultural diversity inside a region intensifies the complexity and difficulty of communication, joint decision-making, joint ac-

tion, and knowledge sharing made by regional sister subsidiaries (Lee, 2019). Accordingly, to facilitate effective intraregional cooperation among sister subsidiaries, managers in foreign subsidiaries need to address the institutional and cultural variety of the multiple host countries where sister subsidiaries operate.

When a foreign subsidiary cooperates with sister subsidiaries in the same region, its managers are exposed to diverse institutional and cultural environments across those sister subsidiaries' host countries. They are required to work with counterparts in sister subsidiaries who are embedded in similar but distinct institutional and cultural settings. Effective collaboration with these counterparts requires a certain level of familiarity with and knowledge of the diverse institutional and cultural environments of countries within the region. PCNs are often less equipped to manage cooperation with sister subsidiaries, as they tend to have a limited understanding of the varied institutional and cultural environments within the region (Tungli and Peiperl, 2009).

Compared to PCNs, HCNs may be more familiar with countries in the same region and may be better positioned to address varied institutional and cultural settings therein (Collings et al., 2010). The institutional and cultural environments of countries within the same region tend to share a certain degree of commonality, albeit not uniform (Harzing and Pudelko, 2016; Qian et al., 2013; Verbeke and Asmussen, 2016). As a result, the institutional and cultural distance perceived by HCNs to other countries in the same region is likely to be smaller than that perceived by PCNs. Additionally, HCNs' experiences in their country may facilitate their learning and understanding of the institutional and cultural settings of other countries in the same region by using common institutional and cultural elements as a reference point (Collings et al., 2010; Levy et al., 2015; Trąpczyński and

Banalieva, 2016). HCNs are also likely to have greater opportunities to interact with individuals in countries within the region than PCNs do (Levy et al., 2015). Taken together, HCNs may outperform PCNs when working with managers across multiple host countries in the same region. Hence, the following is expected.

Hypothesis 1: The degree of intraregional geographic diversification is positively associated with the appointment of HCNs to a foreign subsidiary.

MNEs gradually accumulate local knowledge in host countries through managing multiple foreign subsidiaries within the region (Johanson and Vahlne, 2009). Through operations in multiple host countries within a region, they acquire a wide range of local knowledge, pertaining to regulations, culture, business practices, and markets (Casillas and Moreno-Menéndez, 2014; Johanson and Vahlne, 2009; Yildiz and Fey, 2012). Because host countries within the same geographic region share a certain degree of common institutional and cultural attributes, the local knowledge acquired in one host country can be transferred and applied to other host countries within that region (Arregle et al., 2013; Barkema and Drogendijk, 2007; Chakravarty et al., 2017; Hutzschenreuter and Matt, 2017; Patel, Criaco, and Naldi, 2018; Qian et al., 2013). As MNEs accumulate operational experiences across the region, the pool of regional local knowledge that can be exploited within the region is enhanced. The accumulation of regional local knowledge reduces the advantage of HCNs relative to PCNs, as the latter can access to this knowledge base. By leveraging the pool of regional knowledge, PCNs can more effectively manage cooperation with sister subsidiaries across different host countries within the same region. Therefore, the following relationship is expected.

Hypothesis 2: The positive relationship be-

tween the degree of intraregional geographic diversification and the appointment of HCNs to a foreign subsidiary is weakened as the regional experience of an MNE is greater.

Method

Sample

MNEs with multiple foreign subsidiaries within a region are relevant as a sample for this study. Japanese MNEs are among the major sources of foreign direct investment (FDI) and own foreign subsidiaries in many countries (Fang et al., 2013); therefore, they provide an appropriate research setting for this study. A panel dataset was constructed using a database on Japanese firms' FDIs. Nonmanufacturing MNEs were excluded from the sample because the inseparable and perishable nature of services may make it difficult for sister subsidiaries located across different countries to cooperate (Sanchez-Peinado, Pla-Barber, and Hebert, 2007).

This study defines a geographic region as a group of physically continuous and proximate countries (Arregle et al., 2009; Arregle et al., 2013; Banalieva and Dhanaraj, 2013). Countries were grouped into four regions based on previous studies (Banalieva and Dhanaraj, 2013; Kim and Gray, 2017; Qian et al., 2010). The four regions are Americas, Europe, Africa, and Asia-Pacific. Africa was excluded from the analysis because of the limited number of observations.

The primary data source for this study is the *Overseas Japanese Companies Data* compiled by *Toyo Keizai Shimpo*. Using the database, this study constructed an unbalanced panel dataset of foreign subsidiaries covering the period from 2003 to 2015 at two-year intervals. The primary source of parent-firm-level data is the *Nikkei NEEDS* database compiled by *Nihon Keizai Shimbun*. Removal of observations with missing

data produced the final sample consisting of 23,830 subsidiary-year observations.

Measures

The dependent variable is the appointment of HCNs to a foreign subsidiary. Data on the number of PCNs at a foreign subsidiary were obtained from the Overseas Japanese Companies Data. Using the data, this construct was operationalized as the ratio of HCNs to total employees in the following way.

$$HCN\ ratio = 1 - \frac{\text{The number of PCNs}}{\text{The number of subsidiary employees}}$$

The main predictor in the hypotheses is the degree of intraregional geographic diversification. Following previous studies, intraregional geographic diversification was operationalized using an entropy measure (Goerzen and Beamish, 2003; Qian et al., 2010; Qian et al., 2013; Wang, Chen, and Chang, 2011). An entropy measure can capture the number of host countries in a region, the relative importance of each host country within the region, and the dispersion of foreign subsidiaries across the region (Qian et al., 2008; Lee, 2019; Wang et al., 2011). The following formula yields the intraregional geographic diversification:

$$\text{Intraregional geographic diversification}_a = \sum p_i \ln\left(\frac{1}{p_i}\right)$$

where p_i represents the proportion of the number of foreign subsidiaries in country i to the total number of foreign subsidiaries in the region a . The values were calculated for each region and parent firm.

The regional experience of an MNE was calculated based on the age of foreign subsidiaries. Firstly, the total age of foreign subsidiaries in each host country was calculated. Then, the proportion of each host country's GDP relative to the total GDP of the region was calculated and used as a weight. The weighted values of subsidiary age across host countries were

summed to calculate the regional experience variable. The following formula yields an MNE's regional experience in the region:

$$Regional\ experience_a = \sum_{j=1}^n W_j \cdot T_j$$

where W_j represents the proportion of the GDP of country j to the total GDP of region a , and T_j represents the sum of the age of foreign subsidiaries in country j . The log of Regional experience_a was included in the analysis.

Several control variables were incorporated into the analysis. As the parent-firm-level control variables, the assets, foreign sales, and performance of MNEs were included. The assets of an MNE were log-transformed for inclusion in the analysis. Foreign sales of an MNE were calculated as foreign sales divided by the total sales. An MNE's performance was measured by return on assets (ROA).

As the subsidiary-level control variables, the age, size, entry mode, and industry of foreign subsidiaries were incorporated. The age of a foreign subsidiary was measured as the number of years since its establishment and was log-transformed for inclusion in the analysis. The size of a foreign subsidiary was operationalized as the number of the subsidiary's employees divided by the total number of subsidiary employees within the region. Entry mode was operationalized as a dummy variable that takes a value of 1 when a subsidiary is wholly owned and a value of 0 when it is a joint venture. The industry of a foreign subsidiary was also a dummy variable that takes a value of 1 for a non-manufacturing subsidiary and a value of 0 for a manufacturing subsidiary.

As host-country-level control variables, formal institutions and GDP were included. The formal institution of a host country was operationalized as the average of the six institutional dimensions of the Worldwide Governance Indicators (Kaufmann, Kraay, and Mastruzzi, 2010).

The GDP of the host country were log-transformed to be included in the analysis. Finally, a time trend variable based on observation years was included.

Results

The hypotheses were tested by employing a linear regression with multiple fixed effects (Correia, 2017). It can accommodate more than one set of fixed effects when estimating parameters. In this study, parent-firm fixed effect and parent-firm industry fixed effect were accommodated in addition to subsidiary fixed effect. Estimation was conducted using the *reghdfe* command written for STATA 17.0 (Correia, 2017). Descriptive statistics and correlation coefficients between the variables are shown in Table 1. Variance inflation factors (VIFs) were calculated by performing pooled estimation. All VIF values were well below 10.

Table 2 shows the results of a linear regression with multiple fixed effects. Model 1 includes the main predictor, moderator, and control variables. Model 1 indicates that intraregional geographic diversification is positively and significantly associated with the proportion of HCNs, supporting Hypothesis 1. This implies that intraregional geographic diversification increases the ratio of HCNs in foreign subsidiaries. Model 2 incorporates the interaction term between intraregional diversification and regional experience. The results indicate that the interaction term is negative and significant, supporting Hypothesis 2. This suggests that when the MNE's regional experience is great, the positive effect of intraregional diversification on the assignment of HCNs weakens. Figure 1 provides a graphical illustration of this result. In Figure 1, high (low) regional experience corresponds to one standard deviation above (below) the mean. The flatter slope observed under conditions of high regional experience is consistent with the

Table 1. Descriptive statistics and correlation coefficients

	Mean	SD	1	2	3	4	5	6
1 HCN ratio	0.901	0.169	1.000					
2 Intraregional diversification	1.310	0.722	0.222	1.000				
3 Regional experience	3.409	0.873	0.070	0.142	1.000			
4 Parent asset	12.127	1.544	0.066	0.409	0.582	1.000		
5 Parent foreign sales	0.434	0.301	0.084	0.224	0.211	0.168	1.000	
6 Parent performance	2.467	3.818	0.030	0.019	-0.013	-0.028	0.023	1.000
7 Subsidiary age	2.656	0.639	0.052	-0.035	0.279	0.093	0.083	0.013
8 Subsidiary size	0.252	0.322	-0.013	-0.643	-0.323	-0.396	-0.135	-0.010
9 Entry mode	0.498	0.500	-0.248	-0.179	-0.166	-0.181	-0.008	0.010
10 Subsidiary industry	0.474	0.499	-0.374	-0.016	0.013	0.047	0.105	-0.018
11 Host country institution	0.524	0.888	-0.238	-0.319	0.015	0.013	0.030	0.002
12 Host country GDP	28.068	1.603	-0.082	-0.468	0.227	-0.044	-0.023	0.032
13 Time trend	2009.285	3.790	0.029	0.024	0.158	-0.073	0.151	0.130
	7	8	9	10	11	12	13	
1 HCN ratio								
2 Intraregional diversification								
3 Regional experience								
4 Parent asset								
5 Parent foreign sales								
6 Parent performance								
7 Subsidiary age	1.000							
8 Subsidiary size	0.096	1.000						
9 Entry mode	0.060	0.159	1.000					
10 Subsidiary industry	0.084	-0.109	0.260	1.000				
11 Host country institution	0.338	0.158	0.238	0.375	1.000			
12 Host country GDP	-0.035	0.269	0.011	0.000	0.055	1.000		
13 Time trend	0.158	-0.001	0.024	-0.015	-0.099	0.132	1.000	

Note: Correlations equal or greater than |0.013| are significant at $p < 0.05$.

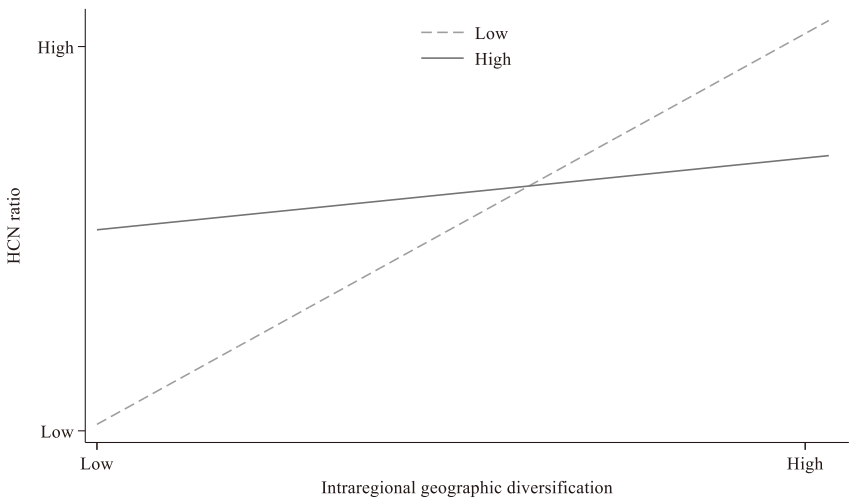
Table 2. Results of a linear regression with multiple fixed effects

	Model 1	Model 2
Intraregional diversification	0.018** (0.006)	0.059*** (0.012)
Regional experience	0.007* (0.003)	0.023*** (0.006)
Parent asset	0.010* (0.005)	0.011* (0.005)
Parent foreign sales	-0.005 (0.004)	-0.004 (0.004)
Parent performance	0.000 (0.000)	0.000 (0.000)
Subsidiary age	0.023*** (0.005)	0.020*** (0.005)
Subsidiary size	0.052*** (0.012)	0.058*** (0.012)
Entry mode	-0.004 (0.004)	-0.004 (0.004)
Subsidiary industry	-0.017* (0.008)	-0.017* (0.008)
Host country institution	-0.006 (0.006)	-0.005 (0.006)
Host country GDP	-0.026*** (0.008)	-0.018* (0.007)
Time trend	0.001* (0.001)	0.001 (0.001)
Intraregional diversification ×Regional experience		-0.013*** (0.003)
Constant	-0.938 (1.052)	-1.048 (1.050)
N	23,830	23,830

*** $p < .001$; ** $p < .01$; * $p < .05$

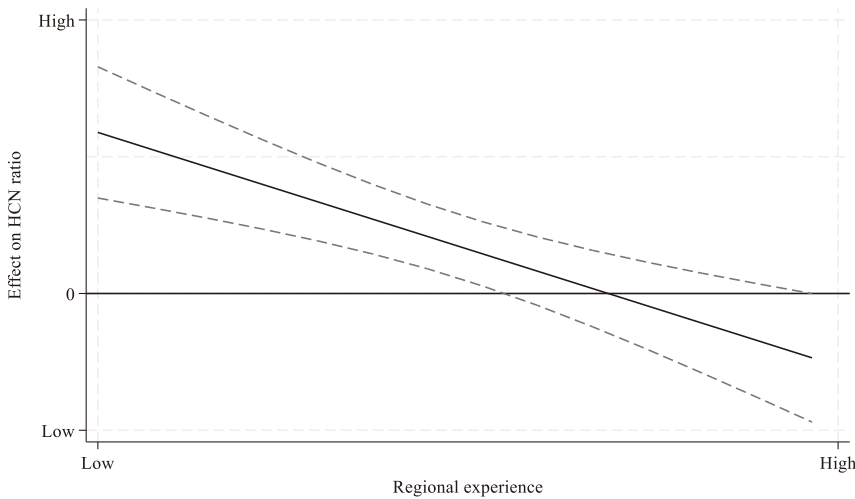
Note: Unstandardized coefficients are reported. Standard errors are in parentheses.

Figure 1. The moderating effect of regional experience



Note: high (Low) regional experience represents the mean plus (minus) one standard deviation.

Figure 2. Marginal effect of intraregional diversification on the assignment of HCNs



Note: Dashed lines represent 95% confidence intervals.

moderating effect expected in Hypothesis 2.

Figure 2 illustrates the marginal effect of intraregional geographic diversification on the assignment of HCNs across varying levels of regional experience. As regional experience increases, the marginal effect decreases, which

is consistent with the prediction in Hypothesis 2. When regional experience is at the high levels, the 95% confidence interval crosses the zero reference line, indicating that the marginal effect becomes statistically insignificant. This suggests that MNEs with greater regional ex-

perience are less reliant on HCNs even when they increase the degree of intraregional diversification.

Discussion

This study explored how intraregional geographic diversification influences the staffing of foreign subsidiaries operating within a region. The findings showed that MNEs tend to staff foreign subsidiaries with more HCNs as they expand the geographic scope within the region. The results also indicated that the relationship between an MNE's intraregional geographic diversification and the assignment of HCNs to foreign subsidiaries is negatively moderated by an MNE's experience in the region. This study contributes to the research on foreign subsidiary staffing in the following ways.

First, this study introduced regional factors into research on foreign subsidiary staffing and demonstrated that the intraregional activities of MNEs affect their decisions on subsidiary staffing. Previous studies have primarily explored determinants of foreign subsidiary staffing at the host-country, subsidiary, and parent-firm levels (Belderbos and Heijltjes, 2005; Gaur et al., 2007; Ge et al., 2022; Peng and Beamish, 2014). These three levels of determinants may be sufficient if foreign subsidiaries operate as standalone entities and do not interact with sister subsidiaries. This study incorporated recent arguments on the regionalization and semiglobalization of MNEs into studies on foreign subsidiary staffing (Collinson and Rugman, 2008; Ghemawat, 2018; Rugman and Oh, 2013; Rugman and Verbeke, 2004). They argue that MNEs tend to expand the geographic scope of their business activities within regional boundaries (Collinson and Rugman, 2008; Rugman and Oh, 2013; Rugman and Verbeke, 2004). Intraregional geographic diversification often facilitates the development of a network of foreign

subsidiaries within the region. Such a regional subsidiary network encourages those subsidiaries to connect and cooperate with sister subsidiaries in pursuit of regional strategic goals (Phene and Almeida, 2008). To function effectively as a member of the intraregional network, managing relationships with sister subsidiaries is fundamental. Accordingly, an individual subsidiary's strategic actions should be designed to well integrate into the activities of sister subsidiaries. Based on this view, this study introduced regional factors into the research framework for determinants of foreign subsidiary staffing and investigated the influence of region-level factors on subsidiary staffing. In doing so, this study sought to extend the research framework beyond its focus on the host-country, subsidiary, and parent-firm levels to the regional level and highlighted the importance of regional factors as determinants of foreign subsidiary staffing. This study suggests that to advance an understanding of how MNEs staff foreign subsidiaries, research needs to incorporate the influences of intraregional interactions among sister subsidiaries.

Second, this study incorporated the degree of intraregional geographic diversification and regional experience as region-level determinants of foreign subsidiary staffing. The results demonstrated that greater intraregional geographic diversification is associated with increased reliance on HCNs. An MNE's intraregional diversification encourages foreign subsidiaries to integrate their activities into the regional subsidiary network (Johanson and Vahlne, 2009; Mihalache, Mihalache, and van den Ende, 2021; Phene and Almeida, 2008). Close and productive cooperation with sister subsidiaries within the regional network is achieved through effective interactions among subsidiary managers embedded in different institutional and cultural environments of different host countries. HCNs may perceive less uncertainty

regarding institutional and cultural settings of other countries owing to a certain degree of commonality and similarity within the region. The regional commonality and similarity may foster HCNs' understanding of other countries in the same region and enable them to manage joint activities with their counterparts working in different institutional and cultural settings (Collings et al., 2010). These arguments suggest that HCNs are advantageous in addressing the complexity derived from intraregional geographic diversification. They may possess the capability to mitigate uncertainty arising from the addition of host countries with similar but distinct institutional settings. Future studies may need to account for HCNs' ability to collaborate with managers embedded in different host country environments within the same region to advance an understanding of foreign subsidiary staffing.

Third, this study incorporated regional experience as a moderator. Regional experience can affect the degree of uncertainty associated with cooperation with sister subsidiaries operating in different host country environments. As MNEs accumulate operational experience within the region, they gradually develop a pool of local knowledge about host countries in the region (Arte and Larimo, 2022; Casillas and Moreno-Menéndez, 2014; Johanson and Vahlne, 2009; Yildiz and Fey, 2012). Knowledge accumulated in the regional pool can be transferred to and exploited in other countries within that region because the transferability of knowledge is maintained by a certain degree of institutional commonality across the region (Arregle et al., 2016; Mihalache et al., 2021). The regional pool of knowledge reduces the uncertainty perceived by PCNs. Regional experience, thus, attenuates the relative advantages of HCNs over PCNs in dealing with institutional and cultural environments within the region. Consequently, as the results indicated, when

MNEs possess greater regional experience, the reliance on HCNs diminishes even if the degree of intraregional geographic diversification increases.

This study is subject to several limitations. First, this study grouped host countries into four regions. The grouping adopted in this study is grounded in the classification devised by previous studies (Banalieva and Dhanaraj, 2013; Kim and Gray, 2017; Qian et al., 2010). However, each MNE may group host countries differently and uniquely. Second, this study sought to operationalize region-level constructs such as an MNE's regional experience. The operationalization of the region-level construct could be refined in future studies. Third, third country nationals (TCNs) were not included in the research framework. Assigning TCNs originating from the same region could be a preferable option for managing intraregional cooperation among regional sister subsidiaries. Fourth, this study examined only one moderator. Future studies may extend this work by examining additional moderators that could affect the relationship between intraregional geographic diversification and the staffing of foreign subsidiaries. Finally, the dataset used in this study consists solely of subsidiaries of Japanese MNEs. This research design may limit the generalizability of the findings.

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