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The Drivers of Subsidiaries' Green Strategic Options: Towards A Comprehensive Framework

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Abstract

Purpose: The multinational corporations' (MNC) push towards streamlining subsidiaries' environmental practices across the globe is plagued with challenges. Subsidiaries' actions are influenced by significant internal and external forces that shape their adopted host market green strategies and unlocking the interactive nature of those forces is likely to help explain the drivers behind the many green strategic options that subsidiaries have in their respective host markets.

Research Design: We review the literature on environmental strategy and international headquarters & subsidiaries relationships to find it rather fragmented and lacking an integrative approach at predicting subsidiary green strategies in host markets. Then we develop propositions pertaining to how the key factors of (I) parent's green strategic intent, (II) environmental institutional duality pressures, (III) subsidiary's embeddedness (internal vs external), and (IV) subsidiary's green capabilities impact subsidiaries' environmental strategies.

Findings: Upon exploring the intersections of these four factors, our conceptual framework proposes that subsidiaries' green strategies are likely to fall under (1) green competitive, (2) agents of change (internal & external), (3) green washer (internal & external), or (4) exploiter, which are driven by how subsidiaries leverage, make sense, react, and comply within the boundaries of their host environments and parent's strategy.

Research Implications: The proposed framework lays the foundation for future empirical works to explain and forecast headquarters challenges towards standardizing sustainability across their subsidiaries.

Managerial Implications: Managerial implications related to subsidiaries environmental strategies as well as the environmental/ethical responsibility of foreign subsidiaries in host markets are discussed.



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Originality: The paper seeks to capture the realistic and simultaneous challenges that subsidiaries must balance before adopting a green strategy in their respective host markets. It calls for incorporating the impacts beyond just dual institutional pressures but also that of parent strategic intent, subsidiaries' embeddedness, and their green capabilities. The framework also draws attention to the strategic choices of green washing or serving as an agent of change, which have not received adequate attention in literature , despite their potential.

Keywords: Environmental, strategic intent, subsidiaries, institutional duality pressures, green capabilities, green washing