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Role-related communication structures and strategies in MNCs

Tuija Mainela* and Timo Mustonen

University of Oulu, Department of Marketing,

P.O. Box 4600, FIN90014 University of Oulu, Finland

*Tel. +358 8 553 2595, email. tuija.mainela@oulu.fi

Abstract. Within international business literature the subsidiaries of multinational companies have started to be conceptualized as semi-autonomous entities operating in both internal MNC networks and external local market networks. The subsidiaries are as well seen to have great variety of different roles from the point of view of the multinational company as a whole. The varying independence and network embeddedness and the different roles of the subsidiaries create a great challenge for the corporation management. For overcoming this challenge the communication between the headquarters and the subsidiaries has a crucial role. In the present paper we analyse the subsidiary role-related communication structures and strategies in a case study of an internationally expanding contract manufacturer having five subsidiaries with varying roles and responsibilities in several continents.

Keywords. Multinational corporation, subsidiary roles, communication

1. Introduction

The research field on multinational corporations (MNCs) is multileveled: an MNC can be examined through dyadic headquarter–subsidiary relationships, through relationships in MNC's internal network or through relationships in the external network (Birkinshaw, 2000, 6). Together with business activities turning as increasingly global, the emphasis of the research on MNCs has shifted to research of subsidiaries themselves and the analysis of their local factors of competition

(Andersson, Forsgren & Holm, 2002). This subsidiary focused research has challenged the earlier dominance of the headquarter viewpoint in the research on geographically widespread companies (Birkinshaw, 2000, 9). We build on this research stream and see an MNC as an interorganizational network (Ghoshal & Bartlett, 1990) based on the idea of a differentiated MNC (Bartlett & Ghoshal, 1988). The viewpoint is more that of the subsidiaries although the implications are intended to corporate management of the MNCs.

The structure of a differentiated MNC is defined on the basis of the functions of its different units. The varying functions are tools for an MNC to meet the changes in competition in different kinds of environments in which it is embedded. Simultaneously, the varying independence, varying embeddedness and the different tasks of the subsidiaries create a great challenge for the corporation management. MNC's efficiency and success in global competition are seen to result from superior integration of its global resources (Bartlett & Ghoshal, 1986).

To conceptualize this resource integration challenge, the subsidiaries have been seen to have a variety of different roles from the point of view of the multinational company as a whole (e.g. Andersson & Forsgren 1995; Bartlett & Ghoshal, 1986, 1988; Birkinshaw & Morrison, 1995; Gupta & Govindarajan, 1991, 1994; Taggart, 1998). In overcoming the challenge of integrating the subsidiaries as a functioning whole the communication between the headquarters and the subsidiaries and between the subsidiaries has a crucial role (e.g. Adenfelt & Lagerström, 2006; Birkinshaw, Hood & Young, 2005; Ghoshal & Bartlett, 1990; Hedlund, 1986). In the present paper we analyse the subsidiary role-related communication structures and strategies in a case study of an internationally expanding contract manufacturer having five subsidiaries with varying roles and responsibilities in several continents. We aim to answer the question *what kinds of communication structures and strategies can be applied to support different subsidiary roles?*

In search for an answer to the above question we, firstly, build on the research on MNCs that emphasizes subsidiaries as separate entities and examines the roles of subsidiaries in corporate

networks of multinational companies (e.g. Andersson, 1997; Birkinshaw & Hood, 2000; Ghoshal & Bartlett, 1990; Hedlund, 1986, Moore & Birkinshaw, 1998; Schmid & Schurig, 2003). The discussion typically sees subsidiaries as strategic business units or centres of excellence and analyzes them as kinds of competence centres based on their roles, functions and embeddedness. This research emphasises the possibility of important roles of the subsidiaries and independent actions of subsidiary managers. With respect to the embeddedness the focus is on the influence and interdependence inside the corporate network. The subsidiary role typologies of Bartlett & Ghoshal (1986) and Gupta and Govindarajan (1991), the evolution of the roles through subsidiaries' own initials (e.g. Birkinshaw, 2000), elements of social capital (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998) and interunit communication (e.g. Ghoshal, Korine & Szulanski, 1994) are explored and used to build a framework for analysing communication structures and strategies in the subsidiary development.

Secondly, the empirical part of the study consists of an embedded single case study (Yin, 1989). We illustrate and analyse different communication needs, structures and strategies in an internationally expanding MNC with respect to all its five foreign subsidiaries. The analysed data consists of interviews of both the headquarter managers and the subsidiary managers as well as various secondary data related to the MNC in question. As a result of the study we present communication strategies in relation to various subsidiary roles of a differentiated MNC.

2. Subsidiary roles and interaction in differentiated MNCs

Recent research on subsidiaries of MNCs emphasizes that many crucial assets, especially intangible ones, are not any more situated in the headquarters but in the various affiliate companies. Local market relationships especially stimulate subsidiary initiatives (Birkinshaw, 1999). New knowledge often comes from interactions with clients and team members around the world and the subsidiaries

are also mandated to leverage the knowledge throughout the global firm (e.g. Frost, Birkinshaw & Ensign, 2002; Moore & Birkinshaw, 1998; Schmid & Schurig, 2003).

For this reason the interactions between headquarter and subsidiary managers and between the subsidiary managers themselves are important and the relationships are characterized by mutual interdependence and learning (Adenfelt & Lagerström, 2005; O'Donnell, 2000). On the basis of their types and functions subsidiaries have been given strategic roles dependent on, for example, the extent of coordination and configuration of their activities (Andersson & Forsgren, 1995; Bartlett & Ghoshal, 1986, 1988; Gupta & Govindarajan, 1991, 1994; Birkinshaw & Morrison, 1995; Taggart, 1998). The roles can be given or they can evolve over time. When an MNC is seen as a heterarchy (Hedlund, 1986) and as a differentiated network (Bartlett & Ghoshal, 1988), the determinants of the subsidiary roles can be scrutinized from both the mother company's and the subsidiary's point of view. In these the significance of MNC's internal and external networks are stressed (Andersson, Forsgren & Holm, 2002; Birkinshaw, 2000; Ghoshal & Bartlett, 1990).

The integration of subsidiaries as a well functioning multinational network organization requires effective communication in both the internal and external networks and at various organizational levels. The structures and strategies of this communication are not profoundly examined in previous research on subsidiary roles. Therefore, we will, in the following, build on dimensions of social capital (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998) to differentiate various communication structures and strategies for subsidiary management of MNCs.

2.1. Subsidiary roles and their evolution

Significant amount of research has been done to determine subsidiary roles and their evolution (see e.g. Ambos & Reitsperger, 2004; Bartlett & Ghoshal, 1986; Birkinshaw & Morrison, 1995; Gupta & Govindarajan, 1991, 1994; Nobel & Birkinshaw, 1998; Roth & Morrison, 1992). The differentiation of subsidiary roles is one way for an MNC to improve its efficiency. Through role

and responsibility differentiation the headquarters tries to improve the competitive edge of the MNC in global competition, but at the same time the control and follow-up of the organization becomes a bigger challenge (Bartlett & Ghoshal, 1998, 130).

From the subsidiary point of view (Birkinshaw, 2000) operating as a part of an MNC means competing and acting entrepreneurially in both the MNC internal network and subsidiary's local environment. Therefore, Birkinshaw (2000) sees a subsidiary as a half-autonomous entity that has significant power to decide on its relationships with other players. The headquarters has necessarily not the power or ability to prevent subsidiary's entrepreneur-like actions, even if it wanted to (Ghoshal & Bartlett, 1990). This may be due to the long physical and cultural distances between the subsidiaries and the headquarters. Perceptions of subsidiary autonomy and power tend to become acute if a subsidiary wants to make its own decisions based on its knowledge about local factors, against the principles and orders of the headquarters.

Although the headquarters tried to use some hierarchical power over the subsidiaries, the power competes with the influence of the external network of the subsidiary (Andersson & Forsgren, 1995). Subsidiaries, whose suppliers and customers mostly belong to the external network, are the most autonomous and their control from the headquarters is limited. In the other end, the headquarters can significantly influence the routines and processes of a subsidiary, which is tightly embedded in MNC internal network (see Birkinshaw & Fry, 1998; Hedlund, 1986; Uzzi, 1996). Subsidiaries can seek for benefits, possibilities and support for their own initiatives from both the internal and external networks.

Bartlett and Ghoshal (1986) divide subsidiary roles into four types inside an MNC on the basis of subsidiary's organizational efficiency and strategic significance of the local environment to the MNC. The strategic significance of a specific market is great if the market area is large, important to competitor(s), highly developed or technologically advanced. From the headquarters' point of view this is a major factor in subsidiary role setting. Another major factor in role setting is

the level of subsidiary's capabilities. They can be significant in many different areas, like in marketing, production technology, R&D, etc. Every subsidiary can be seen to have its own tasks and responsibilities in its local context as part of the MNC organization.

If a subsidiary is very capable and operates in an area that is strategically important to the MNC, its role is *a strategic partner*. In this role, the subsidiary takes actively part in planning and coordination work of the whole MNC in co-operation with the headquarters. The role includes continuous analysis of changing situations of all the units of the MNC and suggestions of possible solutions to problems or possibilities emerging anywhere in the MNC. The strategic partner often has strong own R&D activities. A *contributor* is a resource or value creator. A contributor has special capabilities but operates in a small or strategically less significant market area. This kind of subsidiary can be guided to develop and leverage special knowledge for the use of the whole MNC. An *implementor* is a subsidiary, which operates in a less important market area and has just enough capabilities to manage there. The local market has no real market potential and therefore receives little of the resources of the MNC. This hinders implementer's evolution to a more strategic role in an MNC, even if it wanted to change its position (see internal initials, Birkinshaw & Fry, 1998; Birkinshaw, Hood & Jonsson, 1998). The role of an implementer is important as a producer of larger profits through economies of scale. The fourth role by Bartlett and Ghoshal (1986) is *a black hole*. This is actually not an acceptable role but it may emerge when an MNC feels a presence necessary or globally important in a very competitive or in highly specialized market area. A small scale unit is established to gather information and utilize local development potential, although the profitability and business possibilities of the area are very limited for the MNC.

Harzing and Noorderhaven (2006) combined previous conceptualizations under Gupta & Govindarajan (1991, 1994) role typology of *global innovator*, *integrated player*, *implementor* and *local innovator* roles. The roles are defined on the basis of the MNC's internal capital-, product- and knowledge flows. The most important factor, according to Harzing and Noorderhaven (2006),

is the level and direction of the MNC's internal knowledge flows. In so being, the four roles of Gupta and Govindarajan are modified to focus, on one hand, on the knowledge flows needed by different subsidiaries, and on the other hand, to their production and leverage of knowledge. For example, a global innovator is oriented in leveraging its knowledge more to the other subsidiaries than to the headquarters and adjusts its knowledge leveraging according to its own targets.

As a whole, diversified MNCs are networks that can be understood through looking at their subsidiaries' actions (Doz & Prahalad, 1991; Ghoshal & Bartlett, 1990; Ghoshal & Nohria, 1989; Prahalad, 1976). The competitiveness of an MNC is based on innovational and efficient integration of all the units' resources and capabilities (e.g. Birkinshaw & Fry, 1998; Bresman, Birkinshaw & Nobel, 1999; Andersson, Forsgren & Holm, 2002). In this, subsidiaries' own initiatives and entrepreneurship are in pole position (e.g. Birkinshaw & Fry, 1998; Birkinshaw, Hood & Young, 2005) but restricted by headquarters' attitude on this kind of own-initiative acts (Birkinshaw, 2000). According to Birkinshaw (2000), different perceptions, traditions and internal competition mould the relationship between the subsidiary and the headquarters. The headquarters can be a motor in this development, like when it is giving a subsidiary more responsibility in changed market situation (see e.g. the world mandate in Birkinshaw & Morrison, 1995). On the other hand, a subsidiary that has completed several successful autonomous projects over time expects to change its strategic position and role in the MNC (Burgelman, 1983).

Subsidiary managers may be good opportunity identifiers and idea fountains on the basis of their interaction with local customers and suppliers. The challenge for the MNC is to transfer the capabilities of one unit into the use of others as well as to originally spot and further develop the capabilities of a subsidiary (Adenfelt & Lagerström, 2006; Andersson et al., 2002). On the other hand, the key issue is to understand how to encourage subsidiaries' entrepreneurship without losing control of them (Birkinshaw, 2000). To go further to solve these challenges we will next discuss the internal interactions and communication in MNCs.

2.2. Inter-unit interactions, social capital and communication

Different kinds of roles and assignments and the global allocation of resources create complicated interdependencies in the internal organization of the MNC. These interdependencies necessitate efficient inter-unit communication between the subsidiaries (Ghoshal, Korine & Szulanski, 1994). Communication between the internal units is a pre-condition for maintaining and developing consistent inter-unit relationships. These relationships can be seen as the company's social capital, which enables creation of intellectual capital through combination and exchange of resources and capabilities (Nahapiet & Ghoshal, 1998). Thorough co-operation and information flow are also essential in order to create superior value to customers with the help of MNC structure and global actions (e.g. Anderson & Narus, 2004, pp. 148–150; Birkinshaw, Toulan & Arnold, 2001). The top management in the headquarters is responsible of strategic planning and coordination of the whole. Efficient communication with all subsidiaries is a necessary pre-condition for headquarters to be able to conduct the coordinating tasks (Ghoshal et al., 1994). Also direct relationships between subsidiaries are important, although the headquarters remained as a motor and an agitator for leveraging knowledge (Gupta & Govindarajan, 2000). Personal networking promotes communication and knowledge sharing between the subsidiary managers (Ghoshal et al., 1994).

Networking, as well, creates social capital that depicts relationships as a resource for social action (Nahapiet & Ghoshal, 1998). Nahapiet & Ghoshal (1998) divided the social capital into three dimensions. The first dimension is structural dimension of social interaction, which is a pre-condition for internal communication flows. There's no communication without a structure with network ties, network configuration and appropriate organization. The second dimension is cognitive one, which consists of the shared codes and language and shared narratives. Tsai & Ghoshal (1998) combine these under shared vision, which can be translated as overall shared view. Shared view represents organization's common objectives and activities towards them. When organization's members share the same view about how to work together, they can avoid

misunderstandings in communication and have more possibilities to exchange ideas and resources (Barner-Rasmussen & Björkman, 2005; Tsai & Ghoshal, 1998). Shared view has a positive effect on willingness to receive knowledge from the other units and if knowing that certain information or process is used somewhere else in the corporation, it is more easily accepted (Barner-Rasmussen and Björkman, 2005). The third dimension is so called relational dimension, whose criteria include trust, norms, obligations, expectations and identification. These are related to organization's members' mutual relationships and perceptions about each other. These have an effect for instance on willingness to share knowledge and acceptance of receiving it inside an organization. All three dimensions thus have a straight effect on the resource integration and that way on the efficiency of the whole value creation process of a multinational corporation.

Subsidiary's local network has a significant effect on the role of the subsidiary in the MNC (Yamin & Forsgren, 2006; Uzzi, 1996). A locally embedded subsidiary can be for example a technical knowledge producer for the whole internal network of the MNC (Andersson et al., 2002). The strongly contributing local embeddedness can also involve a risk: the level of subsidiary's embeddedness in its internal network is related to its willingness to knowledge leveraging to the other units of the MNC. Thus the subsidiary can be a gatekeeper between its own external and MNC's internal networks (Uzzi, 1996). This can have a great influence on the functionality of the MNC internal network because acting as a gatekeeper can lead to excessive subsidiary power.

Subsidiaries can make several kinds of initiatives. They can concentrate on processes for improving subsidiary's own position in internal or external networks, or on initiatives focusing on the corporation's benefits in a global context. Birkinshaw (2000) divides the subsidiary initiatives in four categories: finding and utilizing new opportunities in the local environment of the subsidiary, initiatives made in internal network to agitate changes in it or in internal processes, initiatives concerning global opportunities, and initiatives as hybrids of the two previous ones. Approval of subsidiary initiatives presupposes at least three kinds of support. First, the capabilities and position of the

has to be passed if a subsidiary wants to have an effect on its position and role in the internal network through its own initiatives. The other system is a physical channel for interaction that consists of the network ties, network configuration and appropriate organisation (Nahapiet & Ghoshal, 1998) forming the structural enablers of communication. Interaction channels can be seen as the pre-conditional structural elements for network configuration and subsidiary role allocation. Interaction channels work also as tools for controlling subsidiaries.

The framework also highlights a subsidiary's position as a gatekeeper between the local resources and the corporation. It is a significant position because learning from the local networks and utilizing subsidiary specific skills are major factors in MNC competitiveness through resource and capability integration. If a subsidiary can strengthen its capabilities and resources, it can also strengthen its position in the internal and external networks. At the same time a subsidiary can use its position as a gatekeeper to support its internal negotiating status. This can have a significant effect on a subsidiary's role.

Efficient communication is a prerequisite for resource integration and coordination. In so being one must acknowledge that different units may need different kinds of communication and that is the point of interest in developing communication strategy. We have a kind of emergent view of communication strategy seeing cognitive and relational dimensions of social capital (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal) in the internal network as its primary parts. We are interested in creation and maintenance of a shared view and trusting relationships with different kinds of subsidiaries. Successful creation of communication strategies and structure leads to efficient resource integration and that way to global competitiveness of an MNC.

3. Method

The goal of the present study is to explain the phenomenon through holistic understanding of it. Through combining of focused but relatively open theoretical framework with rich empirical data

we seek to find out central determinants of the subsidiary role-related communication in MNCs. We aim to understand the company's organisational life as a whole with all of its contradictions and complexities. The presented qualitative case study is based on close interaction between the researcher and the managers of the case firm to be able to observe the phenomenon in its natural context (Yin 1989). In qualitative research process, the researcher's curiosity and pre-understanding grow to research questions through seeking a simplifying theory for the phenomenon. As a process, a case study is an iterative one, having the researcher to set research questions, then gather and analyze empirical data and compare them to the questions set and then, when needed, to modify the theory and questions to correspond better with the empirical data (Eisenhardt, 1989). The case study concerns an internationally expanding contract manufacturer having five subsidiaries with varying roles and responsibilities.

3.1. Data collection and analysis

The case firm offers design and contract manufacturing services primarily to automotive industry. The corporation employs close to 6000 people. The corporation consists of headquarters with manufacturing and five subsidiaries. The subsidiaries are situated in South-America, Central-Europe, Eastern Europe, East-Asia and North-America and have been established between the years 1998 and 2006.

The primary empirical data was gathered through semi-structured interviews of eight managers of the MNC. A written history, annual reports, current organization charts and financial statements as well as web pages of the company were used to complement the interview data. In addition, there were several informal, supplementary discussions and feedback sessions with the company managers as presented in Table 1. Three of the interviewees represented the headquarters and the five managing directors of the subsidiaries provided the subsidiary points of view. The interviews were made in the case company facilities and were arranged so that there were no other

people present but the interviewer and the interviewee. Four of the interviews were made face-to-face and the other as conference calls. The interviews lasted between 40 and 80 minutes and were all recorded. Right after the interviews, the recorded material was transcribed word by word.

Table 1. Empirical data collection and types of data.

Date	Type of data	Length	Interviewees/Participants	MNC unit
04/05	Unstructured initial discussion		Vice President	Headquarters
18.09.05	Personal interview	80 min	Vice President	Headquarters
10/05	Supplementary discussion		Vice President	Headquarters
06.02.06	Personal interview	70 min	Vice President	Headquarters
05/06	Supplementary discussion		Vice President	Headquarters
06/06	Supplementary discussion		Vice President & Business Development Director	Headquarters
08/06	Supplementary discussion		Vice President & Business Development Director	Headquarters
09/06	Supplementary discussion		Vice President & Business Development Director	Headquarters
21.09.06	Personal interview	80 min	Business Development Director	Headquarters
21.09.06	Phone interview	50 min	Managing director	Subsidiary, Central Europe
25.09.06	Phone interview	55 min	Managing director	Subsidiary, East-Asia
25.09.06	Personal interview	60 min	Managing director	Subsidiary, Eastern Europe
27.09.06	Phone interview	45 min	Managing director	Subsidiary, South America
27.09.06	Phone interview	40 min	Managing director	Subsidiary, North America
04.10.06	Personal interview	60 min	Purchasing & Logistics Manager	Headquarters
04/07	Case company seminar		All the interviewees	HQ & subsidiaries
06/07	Case company seminar		HQ Managers	Headquarters

The interviews were based on a rough question outline formed on the basis of the initial theoretical framework and the preunderstanding of the researcher of the case company. The major themes in all the interviews were the background and the primary tasks of the interviewee, perceptions of the corporation as a whole (strategy, capabilities, relationships, interactions, market areas, development directions), tasks and responsibilities of the subsidiaries (specific tasks and functions, capabilities, resources, local contexts, interactions in the internal network), and the customer relationships. The exact questions posed, however, varied significantly from one interview to another to allow the

interviewees tell their stories with their own words. Clarifying questions were posed constantly when the holistic understanding required that.

In the data analysis, we firstly concentrated on defining the main benefits and capabilities of the different subsidiaries from the point of view of the MNC as a whole and then the primary features of their local contexts. On this basis, we defined the roles of the subsidiaries using the Bartlett and Ghoshal (1998) classification as the comparison frame. Then we looked at the descriptions of the interviewees of the autonomy and initiatives of the different subsidiaries. Lastly, we focused on the communication structures and strategies in the MNC that were seen to exist or to be needed for better integration of the different units as a coherent and competitive whole.

3.2. Trustworthiness

The research was done as a single case study with several embedded units of analysis, when a North-European MNC's organization and its subsidiary network were investigated from different points of view. The case company is a typical multinational company as defined in the theoretical framework. It is especially suitable for this research because of its recent expansion to new locations through establishment of new subsidiaries. It thus has subsidiaries in different phases of evolution in many continents providing interesting basis for in-depth examination.

In qualitative research the essence of validity is in finding as good a fit as possible with the studied aspects and reality (Easton, 2000). Validity was here enhanced through the use of multiple sources of evidence (Yin, 1989). In addition, the company in question could be studied as a whole covering all of its subsidiaries using interviews of both the subsidiary managers and the headquarter managers in data collection. The interviewees provided different personal viewpoints to the phenomenon as well as interesting basis for comparison of the different perceptions. Wide feedback on how acceptable and truthful the findings and interpretations of the researcher seem to the managers was received when after the different phases of data collection, the findings were

discussed in several occasions with the interviewees and the other representatives of the case company. These managers, thus, had an opportunity to add details and comment on the results and evaluate their fit with the reality as experienced by them. The observations of the researcher and the findings of the study were not questioned. The presentations to the case company managers also resulted in several internal projects to enhance the various corporate management processes.

The iterative nature of the research also promotes trustworthiness. In an iterative research the researcher has a pre-understanding of the phenomenon, which helps to choose the aspects to be initially covered and then to evaluate the actions taken during the research. The researcher can go back to the theory to search for better conceptual ideas and explanations to understand the phenomenon if the initial conceptual framework does not fit well enough to the empirical reality. In this study, the communication structures and strategies rose to focus along the research process.

The reliability of the case study design was improved by developing a case study database as proposed by Yin (1989). In addition to the interview transcripts the database includes short notes through which the development of the researcher's thinking of the subject phenomenon can be followed in time. The basis for the interpretations and conclusions is also illustrated by direct citations from the interviews in the following presentation and analysis of the empirical data.

4. Role-related communication structures and strategies

4.1. Subsidiary roles in the case company

In the case company the subsidiaries and their assignments are divided roughly into three categories depending on the functions that are located in their facilities or given totally on their responsibility. The subsidiaries are called full-, medium- and low-scale ones (see Table 2). The subsidiaries can also be classified according to the typologies by Bartlett and Ghoshal (1986) and Gupta and Govindarajan (1991) as presented in the following.

The full-scale subsidiary has the greatest status among the subsidiaries. It is like a strategic partner (Bartlett & Ghoshal, 1986) to the mother company. In this role, the subsidiary is quite autonomous in decision making related to the local matters, it operates in very important area for the whole MNC, it has special capabilities and resources, and it leverages knowledge to other units also spontaneously. The headquarters listens to full-scale subsidiary's strategic ideas and interacts with it also when planning functional development at corporate level. A full-scale subsidiary is also used often as a benchmark, even in every-day matters. The role of global innovator, which has high knowledge outflow and low knowledge inflow (Gupta & Govindarajan, 1991) is consistent with this definition of a full-scale subsidiary. Of the different subsidiaries of the case company, the South-American subsidiary currently has this role and the East-Asian subsidiary is expected to grow to this role in the near future.

Table 2. Characterizations of the subsidiaries of the case company.

	Subsidiary related benefits	Features of local context	Amount of own initiatives	Perceived level of autonomy	Perceived role in the corporation
C-Europe	Cost efficiency, location close to European customers	Rapid change, local resources diminish and expensive, no competition	Minor	Low, strong dependence on the mother company	Low-scale, production unit <i>Implementor</i> <i>Local innovator</i>
E-Europe	Cost efficiency, location close to HQ and home market customers	Complex, little local resources, no competition	Minor	Low, substantial dependence on the mother company	Low-scale, production unit <i>Implementor</i> <i>Local innovator</i>
E-Asia	Purchasing benefits, development opportunities, local customers	Complex, a lot of local resources, customers and competition	Big	High, although initially very dependent on the mother company	Becoming full-scale <i>strategic partner</i> <i>global innovator</i>
N-America	Local customers, low cost location of the factory	Strong competition, a lot of customers and resources; great potential	Minor, but growing	High, although initially very dependent on the mother company	Medium-scale, with production unit and sales coordination <i>Contributor</i> , <i>Integrated player</i>
S-America	Cost efficiency, local customers	Complex, strong competition, a lot of customers and resources	Big	High and sufficient	Full-scale <i>Strategic partner</i> , <i>Global innovator</i>

So-called medium-scale subsidiary is a unit, to which also is given a lot of responsibilities to develop its local processes and operations, but part of the functions is taken care of in co-operation with the headquarters or under its immediate control. This kind of a role is closest to the role of a contributor (Bartlett & Ghoshal, 1986) or an integrated player (Gupta & Govindarajan, 1991) because as return to high inflows of knowledge and resources the subsidiary can contribute to the MNC through its special capabilities. Typically, a medium-scale subsidiary does not, for example, have own research and development function and the headquarters' follow-up and control of this kind of a subsidiary is quite tight. The North-American subsidiary that consists of several acquired units is seen as a medium scale one.

The role of an implementor or local innovator (Bartlett & Ghoshal, 1986; Gupta & Govindarajan, 1991) equals with case company's low-scale subsidiaries in Central and Eastern Europe. This kind of a unit is almost entirely an internal contract manufacturer. Almost all knowledge comes from the mother company and it is not developed further. However, there are signs of interest of receiving knowledge from the other subsidiaries also, since some managers doubt the competence of headquarters in all matters. This kind of a subsidiary manufactures product lines according to orders and its development activities concentrate on the efficiency of the production processes. All support functions are utilized from the mother company or from the larger scale subsidiaries.

The theoretical framework separates also a role named as a black hole. This kind of a subsidiary needs enormous amounts of resources without giving back any significant benefits. In the case company, there are no really clear black holes but the subsidiaries in East-Asia and North-America that have just been established or acquired have these features. During their ramp-up times these units need vast inputs to develop to their intended roles of strategic partner and contributor. Because the success in these role takings is still open they can be currently seen as black holes.

4.2. Communication structures and strategies in the company

The background for the communication structures in the company comes from the diversified, network-like organization. When the operations of the company are expanding towards a global company new requirements for communication structures have recently been noted. The case company changed its organization partly to a matrix structure. The basic functions are organized company-wide in co-operation with subsidiaries and partly independently in subsidiaries. Through matrix structure the headquarters hope to enhance information flow when key persons of the basic functions are closer to subsidiary managers. As a media for enabling communication the matrix structure is seen to influence the subsidiary managers as illustrated below:

“The profile of the function managers of the subsidiaries has risen; they are the ones who hear about what is going on in the other sites with respect to different operational functions and they are informed about the thoughts of the corporate management also. It has brought more open communication between the function managers and I then get the same information from them. This requires of course activity too... activity in the reporting also.” (Subsidiary, Central Europe, Managing Director)

“A matrix organization is a good tool, but it must not be slavishly lead to the other end, because then it crushes the line organization, and in this case the roles of the managing directors in the subsidiaries. Managing director has the juridical responsibility of that company...” (HQ, purchase & logistics manager)

As an enabling structure for communication the matrix does not, in principle, differentiate the subsidiaries on the basis of their roles. All the function managers in any subsidiary get a new reporting relationship when they, in addition to subsidiary management, report also to corporate level functional management. In practice, it may happen that a low scale subsidiary that does not have an own sales function, for example, does not get the information of the communications between the sales managers. The managing directors may also be or feel to be left out from key communications related to their units. On the other hand, it is seen to provide a good structure for enhancing information transfer directly between the subsidiaries:

“I hope that the matrix facilitates especially discussions and contacts between sites.”(Subsidiary, North America, Managing director)

With respect to the communication between the subsidiaries, the headquarters want to promote direct mutual communication between the subsidiary managing directors, but there is no formal channel to enable it when the matrix structure serves the functional managers' communications. An important structural enabler for communications between the subsidiary managing directors, then, is the personal relationships between them. Through personal relationships the managing director of the high scale subsidiary in South America, especially, provides his knowledge to the newly established East Asian subsidiary, which is aimed to become similarly independent strategic partner to the headquarters. This is appreciated when the managing director of the subsidiary feel to be trusted even too much and let to be too independent in organizing the business as illustrated below.

“From the very beginning I have received very little support from the headquarters. They just sent me here knowing that I will take care of this. The South-American unit shows great willingness to help and until now it seems that it would have been fine to communicate only with them (in organizing of the new subsidiary).”(Subsidiary, East-Asia, Managing director)

The corporate immune system was seen as an important structural element in communication. Here the subsidiaries with different roles can be seen to differ with respect to their attempts to make initiatives (see Table 2). The headquarter managers emphasize that every initiative is evaluated independently taking into account the situation at hand and the expected benefits. The South American subsidiary has made the most initiatives concerning especially the enlargement of the customer services. The youngest subsidiary in East Asia is also very active. The biggest amount of initiatives seems connected to the greatest autonomy and either existing or intended strategic partner role. The immune system of the corporation is not considered too tight but open to

initiatives from the subsidiaries. Quite interestingly passing the immune system is considered easy especially in the youngest, almost-black-hole subsidiaries as illustrated in the second quotation.

“The local initiatives could open possibilities to do something else than currently but they have to be evaluated one by one and consider the benefits from them.” (HQ, Vice President)

“I have got a clear signal from the headquarters that investments are made here as much as we need to organize everything.” (Subsidiary, North America, Managing director)

With respect to the communication strategies, headquarter managers see the main development of the MNC to be a top-down process, where the directions and objectives for future development are on their responsibility. The communication on the greater lines and visions is almost totally from the headquarters to the subsidiaries and directed from the headquarters. Some subsidiaries are seen as potential part-takers in the strategy discussion, but the headquarters want to keep control of the decisions. Still, because of the globalization of the company, subsidiary managers are encouraged to take initiative in the matters that concern their own units.

“The headquarters will deal more with issues like global customer relationships and strategies. The operational support will diminish. The subsidiaries that have resources... those managing directors should be able to indicate what kinds of capabilities are available in those areas and more boldly start to develop and promote these issues, and not to wait for us to come and say what to do. They should start to define their own strategic roles in this MNC and dare to stand up in their roles.” (HQ, Vice President)

Thus, the headquarters expect the subsidiaries to develop the local business but to accept overall strategies and objectives set by the headquarters. The top-down communication has, however, resulted in deficits in the cognitive aspect of the communication strategy because the subsidiary managers feel that there is lack of a shared view of the development directions. Especially the full-scale subsidiaries with the greatest autonomy would hope for more communication on this.

“We have always been a bit far away in every aspect, also with respect to the objectives and tasks of the whole corporation that have been set in the headquarters.” (Subsidiary, South-America, Managing Director)

Interestingly this is also the subsidiary that is the oldest one and in all its features the closest to a strategic partner from the viewpoint of the headquarters. This future oriented overall shared view of the development paths of the corporation forms one level of the cognitive shared view aspect of communications. In addition, there can be seen two other levels i.e. shared view of subsidiary roles and shared view of specific capabilities of the different subsidiaries that should be taken in use in the whole corporation. The expected or intended roles of the subsidiaries are clear to all the subsidiary managers and they also know well the roles of other subsidiaries. This well shared view at role level probably arises from the different local contexts and different unit types as well as quite a strong functional control from the headquarters as illustrated through sales and new customer acquisition example below.

“In principle the main task for the subsidiaries is to acquire new customers locally. Then they should inform about them to the headquarters. If it is a globally operating customer we try to build a wider relationship and then headquarters coordinate the customer relationship globally.” (HQ, Vice President)

Thirdly, subsidiary managing directors emphasize shared view of the specific capabilities of each of them. Especially the lower scale subsidiaries would appreciate acknowledgement of their special capabilities and knowledge shown by the headquarters and the higher scale subsidiaries. Although the low-scale subsidiaries have limited resources they would be willing to give their special knowledge to use of others. Because several subsidiaries serve same global customers there is also a natural basis and need for exchange of knowledge.

“For example, when we had this project close to border, none of our experts participated in it. I felt a bit insulted although I know that they think about our limited resources. It dealt with our special capabilities but the headquarters handled it. They should have used our expertise.”(Subsidiary, East Europe, Managing director)

“We have different models or generations manufactured to this customer, but the South American unit has been very interested in how it works with us... People from this unit have come here to see how we do it.”(Subsidiary, Central-Europe, Managing director)

The two last levels of shared view can be seen closely connected with the relational dimension of communication in which is question of trust, norms, obligations, expectations and identification. There are primarily trusting personal relationships between the subsidiary managers and the headquarters and there are quite well understood mutual obligations in the relationships. The subsidiary managing directors also believe in their learning opportunities from each other in various kinds of problematic situations. The subsidiaries with different roles are expected to have different kinds of capabilities and knowledge from which the others can learn. The norms identified from the data concern especially the limits of the accepted strategic and customer related action within each of the roles and local contexts.

5. Conclusions and discussion

In the present paper we have discussed subsidiary roles and the role-related communication structures and strategies in multinational corporations. We reviewed previous research on subsidiary roles and communication to construct a loose conceptual framework to be utilized in empirical data collection and data analysis. In the empirical single case study we examined a Northern European contract manufacturing MNC with five subsidiaries in several continents. We analysed the relationships and interactions between the headquarters and the subsidiaries as well as between the subsidiaries themselves focusing on the communication aspects.

Firstly, we defined the roles of the subsidiaries using the Bartlett and Ghoshal (1986) and Gupta and Govindarajan (1991) role typologies and classification dimensions as the comparison basis. What we could interestingly illustrate is the clearly planned and also well communicated expected development paths for the so called ramp-up or black hole subsidiaries.

Secondly, we aimed to examine the existing communication structures and the satisfactions of the subsidiaries with different roles with these channels for exchanging information and knowledge and utilizing the capabilities of each other. We, as well, paid attention to the perceptions

of the abilities to influence the subsidiary's business and the MNC as a whole by making subsidiary initiatives and pass them through the corporate immune system. What we noticed was that all kinds of subsidiaries would like to have thorough knowledge of the strategic development decisions and future directions of the firm. Creating more efficient communication channels for this strategic information could to a great extent solve the perceived problem of too big dependence and reliance on headquarter guidance.

Thirdly, we looked at the communication strategies with respect to the development of a shared view of the objectives and development of trusting relationships. The development of a shared view is closely connected with the amount of communication and transfer of corporation strategy related information. In the presented case study the subsidiaries felt significant deficits in this aspect. This resulted also in insecurity about and vagueness of the perceived primary tasks of the subsidiaries. In general, in a relatively small MNC the relational dimension of trusting relationships seems to develop as a strong one. However, finding a balance between subsidiary independence and headquarter support may become a bigger challenge than in larger MNCs. The higher scale subsidiaries receive easily too little support whereas the lower scale subsidiaries perceive too little appreciation of their special capabilities. The support and appreciation can be expected to be important for subsidiary initiatives and entrepreneurship that are often called for.

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