# Issue-selling Tactics in Subsidiary Initiatives: Evidence from German Subsidiaries in France and French Subsidiaries in Germany


**Abstract**

Subsidiary Initiative-taking occurs when subsidiaries of multinational corporations engage in entrepreneurial activities independent of their headquarters' will. It is one of the main vehicles that allow local elements to find their way into the emerging global strategies of MNCs. The paper centers on the instruments and tactics subsidiaries and their key managers use to integrate their local initiatives with the global strategy-making processes that take place in the MNC. Studying a number of German subsidiaries in France and French subsidiaries in Germany, the chapter offers strong evidence that subsidiaries engage in three aspects of issue selling: (1) attracting headquarters' attention to the initiative, (2) making headquarters understand the initiative, and (3) lobbying for the initiative. The investigation also revealed that local subsidiaries' issue-selling strategies differ widely with regard to different types and countries of orign of MNCs. The paper concludes that overall strategies of MNCs – whether they are global, glocal, or local – are negotiated constructs of headquarters' will, and subsidiaries' issue-selling tactics and bargaining power

## Issue-selling Tactics in Subsidiary Initiatives: Evidence from German Subsidiaries in France and French Subsidiaries in Germany

### Introduction

Subsidiary initiative-taking occurs when subsidiaries of multinational corporations engage in entrepreneurial activities independent of their headquarters' will. This common occurrence is a bottom-up complement to the many headquarters-inspired transfer processes and accounts for many of the dynamics that characterize contemporary multinational corporations (MNCs). At the same time, subsidiary initiative-taking is one of the main vehicles that allow local elements to find their way into the emerging global strategies of MNCs.

Surprisingly, the bi-directional nature of cross-border interaction in MNCs (headquarters-inspired transfer processes and subsidiary initiatives) has long escaped the attention of mainstream international business (IB) theory. Most traditional IB theories (e.g., Dunning; 1979; Johanson & Vahle, 1977; Vernon, 1971) view MNCs as headquarters-dominated entities that basically intend to globalize their existing firm-specific advantages. As a result, local subsidiaries have traditionally been viewed as simple transmission belts established to facilitate this process with, at best, the capability to introduce some local adaptations.

In reality, however, subsidiary activities and this picture never entirely matched. One well-documented historical example of this gap between theory and reality is a case from the second half of the nineteenth century involving Siemens' headquarters in Berlin and its UK subsidiary. Werner von Siemens, the founder of the Siemens group, was convinced that technical excellence was vital to Siemens' international competitiveness. To transfer and utilize this resource, he sent his brother, Wilhelm, to the UK. However, Wilhelm's stance on the matter was soon affected by local circumstances. In a letter dated January 16, 1862, Wilhelm recommended that his brother not impose his understanding of technical excellence on the UK operations (as cited in Ehrenberg, 1906, p. 164). At the same time, Wilhelm objected to source components produced by Siemens' German operations and he proposed engaging in business areas other than those recommended by headquarters (Feldenkirchen, 1992).

As this historical example illustrates, foreign subsidiaries are not necessarily able or always willing to limit their activities to simply fulfilling what headquarters perceives as their roles. In fact, several recent surveys on subsidiary development confirm that the subsidiary roles initially assigned by headquarters are soon abandoned by subsidiaries (e.g., Delany, 2000; Dörrenbächer & Gammelgaard, 2006; Morgan & Kristensen, 2006). Subsidiaries take their own routes, try to adapt to the local environment, see business opportunities other than those highlighted by headquarters, and build their own resources and competences. In sum, they engage in idiosyncratic strategic processes that reflect their particular local situations. Of course, as MNCs are hierarchies, such local initiatives need to be tolerated or supported by headquarters if they are to be successful. Therefore, subsidiaries invest a significant amount of effort into selling their initiatives to headquarters.

This latter phenomenon is the focus of this chapter. After discussing some initial considerations regarding the definition of "subsidiary initiative" and the drivers of such initiatives, the chapter centers on the instruments and tactics subsidiaries and their key managers use to integrate their local initiatives with the global strategy-making processes that take place in the MNC. The instrumental aspects of subsidiary initiative-taking have hardly been dealt with in the literature so far. To address this gap, the chapter first takes stock of the literature on politicking in organizations in general. Based on those findings, the chapter then analyses recent qualitative empirical work the authors have undertaken on subsidiary initiative-taking among German subsidiaries in France and among French subsidiaries in Germany. The chapter closes with several remarks on the implications of the empirical findings presented here on the debate about globalization, localization and glocalization.

## Subsidiary initiative-taking: Definition, types, and driving factors

Given the relatively recent conceptualization of MNCs as intra-organizational networks (Hedlund, 1986; Ghoshal & Bartlett, 2005), subsidiary initiatives have been the subject of growing academic interest. In the most basic definitions, subsidiary initiatives are described as "entrepreneurial activities carried out by foreign subsidiaries of multinational corporations" (Birkinshaw & Ridderstråle, 1999, p. 14). Such initiatives typically start with the identification of opportunities by subsidiaries, followed by the development and formalization of these initiatives, and negotiations with headquarters on the commitment of resources to these opportunities. Subsidiary initiatives can be directed at the local, global or internal MNC markets (Birkinshaw, 1997).

Delany (2000) focuses on the subsidiary's perspective, and distinguishes between domain-defending, domain-consolidating and domain-developing initiatives. Domain-defending initiatives aim to prevent the loss of a current mandate, e.g., by looking for new customers. Domain-consolidating initiatives aim to stabilize the systems position of a subsidiary in the MNC, e.g., through performance improvements. Domain-developing initiatives go beyond current mandates. For example, subsidiaries may pursue new business opportunities in the local market.

While these types of initiatives highlight various purposes for subsidiary initiative-taking, three more profound factors explain the enduring existence and the everyday occurrence of subsidiary initiatives in MNC (Dörrenbächer & Gammelgaard, 2011). First, subsidiaries regularly come across lucrative business opportunities in their environments. The local economic and natural environments, specific customer behaviors, institutional idiosyncrasies, and the like breed opportunities that are unique to local subsidiaries. Second, subsidiaries have a strong interest in enhancing their systems position in the MNC and/or safeguarding their long-term survival. To that end, subsidiaries pursue business strategies that do not necessarily match headquarters' expectations. For instance, subsidiaries need to adapt to changes in their particular local environments to stay competitive. This goal is not always paramount to headquarters, which have other options – they might draw on other subsidiaries or locations. Third, some subsidiary managers do not view their role as restricted to meticulously implementing orders from the headquarters; their entrepreneurial personalities lead them to engage in initiative-taking.

This discussion leads to the assumption that headquarters are flooded by subsidiary initiatives rather than being short of them (Birkinshaw & Ridderstråle,1999). Some contingency research provides general insights into elements that support or hamper subsidiary initiative-taking. For example, a review by Verbeke et al. (2007) refers to various factors at work in the MNC context (e.g., the level of decentralization of decision making in the MNC), the subsidiary context (e.g., the entrepreneurial culture of the subsidiary) and the local environment context (e.g., the overall strategic importance of the host country for the MNC).

## Politicking in MNCs: Means and tactics

As highlighted above, subsidiaries are intrinsically motivated to take initiatives. Given a certain stage of development and the economic importance of such initiatives, subsidiaries need to involve headquarters for either approval of those initiatives or for additional resources to support those initiatives. As a consequence, headquarters can be inundated with such initiatives and need to filter out the promising ones. Headquarters are entitled to do so as, by definition, they possess legal authority over subsidiaries.

According to a study by Birkinshaw & Ridderstråle (1999), headquarters – spurred by resistance to change, ethnocentrism and the fear of the unknown – tend to apply a rather fine-meshed corporate immune system that filters out many valuable subsidiary initiatives. Moreover, Ambos et al. (2010) provide evidence that those subsidiaries taking initiatives are subject to more intense monitoring by headquarters, which has negative effects on subsidiary autonomy. Therefore, subsidiary initiative-taking requires careful political maneuvering by subsidiaries vis-à-vis their headquarters. An exception might occur in situations where subsidiaries possess resource dependency power over their headquarters because they control certain resources the headquarters requires (Dörrenbächer & Gammelgaard, 2010). However, careful political maneuvering might still be important for subsidiaries, as headquarters might make decisions that negatively affect subsidiaries. Such decisions might entail corrective actions, efforts at deterrence or retaliation for unwanted subsidiary behavior.

Political maneuvering in organizations has been discussed in the literature to some extent. Pfeffer (1981) suggests that a fundamental task of actors in organizations is "...to develop explanations, rationalizations and legitimation" (p. 181) for desired activities or for actions already taken. To mobilize support or quiet opposition in relation to such activities (e.g., initiatives), actors use political language and engage in various tactics to achieve influence. These include strategies of rational persuasion or legitimacy, inspirational or personal appeals, involvement in consultation and exchange, the formation of coalitions with internal and external stakeholders, the exertion of pressure, and the introduction of strategies of ingratiation, such as other-enhancement, opinion conformity, or self-promotion.

More recently, political maneuvering in organizations has been conceived of as "issue selling" (Dutton & Ashford, 1993; Ling, 2005). Dutton & Ashford (1993) define "issue selling" as the "individual's behaviors that are directed towards affecting others' attention to and understanding of issues" (p. 398). For subsidiaries that intend to sell an initiative to their headquarters, the issue-selling process involves three interrelated aims: (1) attracting the parent company's attention to the subsidiary and to the initiative, (2) making the parent company understand the initiative, and (3) engaging in interest-based lobbying at headquarters and with other relevant stakeholders (Gammelgaard, 2009).

(1) *Attracting headquarters' attention*. The first aspect of selling an initiative to headquarters consists of attracting headquarters' attention to the subsidiary and the initiative. MNCs are often large and complex entities in which headquarters typically face constraints in fully approaching and linking up with all subsidiaries (Nohira & Ghoshal, 1997). However, as shown by Birkinshaw et al. (2006), a subsidiary can attract attention by pointing at distinguishing external elements, such as the subsidiary's location in an important market. Another means of attracting headquarters' attention is image control. Here, the subsidiary actively manages its image of being credible, reputable and high performing through a strategic information policy that it relies on over a longer period of time. Furthermore, a good track record for previous initiatives might spur positive attention from headquarters for a new initiative. Finally, Dutton & Ashford (1993) suggest framing the issue at stake

to fit headquarters' preferences. For example, an initiative to obtain a new mandate can be framed as a human resource, a cost, a technical feature, or some alternative issue (Cowan, 1991).

(2) *Helping headquarters understand the issue*. The need to make headquarters understand an issue relates to the asymmetric distribution of information. Subsidiaries can use formal channels, such as monthly or annual reports, to convey information about an initiative. They can also provide detailed project descriptions that back up their requests for approval and resources. This activity always involves personal contact and face-to-face meetings, as information about initiatives is tacit to a certain extent, and therefore difficult to fully document and report in a codified way (Nonaka & Takeuchi, 1995). Moreover, initiatives that are specific to the local context might trigger follow-up questions depending on the familiarity of the headquarters manager with the particular context (Sperber & Wilson,1995; Gammelgaard & Ritter, 2008). In the process of making headquarters understand an issue, subsidiaries chose which subjects and attributes they wish to emphasize, and which aspects they wish to downplay. This has been labeled "issue packaging" (Dutton & Ashford, 1993, p. 419).

(3) *Lobbying for the initiative*. Subsidiaries lobby for an initiative when they "exercise a voice" (Cantwell & Mudambi, 2005 , 1109) in order to promote a particular initiative. Lobbying is important, as headquarters might be overloaded with initiatives or reluctant to consider new ideas (Birkinshaw & Ridderstråle, 1999). Thus, lobbying to promote an initiative involves "personal appeals, behind the scenes negotiations, or discussions in halls" (Dutton and Ashford 1993, p. 419) with all of the actors who can have an impact on the initiative. Network centrality in the form of close, frequent and, in many cases,

personal contacts with decision makers in headquarters has been shown to positively affect the promotion of initiatives (Dörrenbächer & Gammelgaard, 2010).

The extent to which these theoretically derived aspects and tactics of political maneuvering are adopted by subsidiaries in the process of initiative-taking has hardly been explored. Furthermore, little is known thus about the factors that impact the choice of tactics. Therefore, in the reminder of the chapter, we start to explore these questions by looking at:

- The tactics used in initiative-taking processes at German subsidiaries in France and at French subsidiaries in Germany, and
- The use of such tactics in different types of MNCs.

## Data and methods

Given the lack of knowledge on this subject to date, we adopted a qualitative approach in order to better explore and understand the issues at hand. In total, we studied 15 cases, five of which involved French subsidiaries in Germany (all active in the services sector ) and ten of which involved German subsidiaries in France (two in the service sector and eight in manufacturing). Subsidiary size varied widely in the sample, which included large, medium-sized and small subsidiaries. In terms of ownership, the subsidiaries originated from family-owned MNCs as well as large, multidivisional MNCs with dispersed share ownership. Detailed information on the sample is provided in Table 1.

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In each case, one or two in-depth interviews (each lasting about two hours) were undertaken in the subsidiary. Every interview involved the subsidiary CEO. All of the types of initiative-taking mentioned above were detected (domain defending, domain consolidating, and domain developing initiatives, as well as local, global, and MNC-internal initiatives). In all cases, data on the interviewees (e.g., career paths, organizational identification, and career orientation), the overall organizational setting (local institutional setting, situational context, and nature of the headquarters-subsidiary relationship), and processes in situations of initiative-taking and corresponding actor behaviors were gathered. Biographical and context related questions were checked for plausibility during the interviews, while information regarding the initiative-taking behaviors of the CEOs was internally validated by approaching the topic from different angles using a variety of back-up questions. Where possible, interview data was triangulated in other interviews. All interviews were prepared and triangulated using extensive “company profiles” that were drafted on both the subsidiaries and their parent MNCs.

All interviews were carried out in German and were translated for the purpose of this chapter. Notions in square brackets were added by the authors to ensure readability. In many cases, such brackets indicate that although the quote is not exact, the essence/content of the original has been maintained.

## Tactics used

Overall, we found that subsidiaries selling initiatives to headquarters engage in all three aspects of issue selling discussed above.

*Attracting headquarters' attention*

With regard to attracting headquarters attention, many respondents indicated that good performance was vital for gaining headquarters' attention and support for initiatives. This was, for instance, expressed by the CEO of a French subsidiary in Germany that had successfully sold a domain-developing initiative to its headquarters:

> If we had not performed properly in recent years and failed to do this job in a particular and reasonable way, then a discussion would have come up [at headquarters]: "Why are we locating this activity in Germany at all?". (CEO, subsidiary A)

In another case, attracting headquarters' attention to an initiative required not only that the subsidiary could show good performance with regard to its usual business activities, but that it could also demonstrate excellence in developing new capabilities:

> Our new product initiative was only acceptable [to headquarters] because we could show that we have developed the background to produce this new product with a high level of precision and quality. Previously, we have produced with coarse technology and we mainly employed unskilled foreign workers…. Metaphorically speaking, a few years ago we were still working with hammers and chisels. A major shift was needed…We had to organize a change in outlook, train workers,

> get more skilled people, improve production processes, and introduce a sound quality management system. (CEO, subsidiary B)

For another company, the reputation of the subsidiary with regards to previous initiatives was considered important for attracting headquarters' attention to new initiatives:

> We enjoy a good reputation at headquarters. If we come up with new ideas or innovations, people in headquarters say: "Oh, yes, that is from [our subsidiary in] France. They always have good ideas." (CEO, subsidiary C)

Outside actors were sometimes involved in attracting headquarters' attention to a subsidiary initiative. In one case, the CEO let the headquarters know that the initiative was highly regarded by the subsidiary's main customer (a large MNC) with which headquarters was interested in doing more business. Another example involved a German subsidiary in France, where the manager enlisted the help of the subsidiary's chartered accountant to attract headquarters' attention to his ideas:

> When my CEO recently came to Paris, I organized a dinner with our chartered accountant. He is one of my best allies when it comes to my idea of growing our business in France. As discussed with him in advance, he mentioned to our CEO that the subsidiary had a lot of money that would be best invested in taking over some competitors. (CEO, subsidiary D)

*Making headquarters understand the issue*

We found clear indications that subsidiaries use both formal communication channels, such as reporting, and personal contacts to help headquarters understand an issue. However, examples of "issue packaging" as a means to help headquarters understand an issue were scarce. Only in one case did the CEO of a German subsidiary in France openly admit that he packaged an issue in a particular way to ensure that it was understood by headquarters. This CEO was motivated by a recent wave of management reorganization at headquarters, which was associated with a change in the overall orientation of the MNC from a long-term oriented, technology driven company to a relatively short-term oriented company driven by financial factors:

> Headquarters has had so many changes in leading positions recently. Each one of those new managers is gathering a group of controllers around him or her… They are not experts but bureaucrats that need to be talked to in an appropriate way. (CEO, subsidiary E)

Despite efforts to cater to headquarters' special requirements in this respect, this initiative failed. Headquarters was unsatisfied with the financial expectations associated with the initiative:

> They [headquarters managers] want to see cash in one and a half years rather than in three years. (CEO, subsidiary E)

However, the scarcity of subsidiaries using issue packaging to help headquarters understand an issue does not necessarily mean that this tactic is unimportant. Obviously, a tactic like issue packaging may be associated with manipulation on some level, as was confirmed by the responses in many of our interviews. When asked directly about issue packaging, interviewees – even those that had been relatively open to our questioning – tended to respond evasively.

*Lobbying*

Lobbying was mentioned in virtually all of the interviews and all interview partners were willing to talk openly about their lobbying activities. Overall, lobbying was considered to be a very important, if not the single most important, tactic used to sell an initiative. One interviewee mentioned:

> If I were to give percentages, I would say about 80% of the decision [in favor of the initiative] was due to factual matters – we had the best organization, we had the customers, we could finance it, and we had the right people to implement it. All the rest, however, was due to skilful lobbying [at headquarters]. (CEO, subsidiary A)

There was a great coincidence among the interviewees views on what are important prerequisites of skilful lobbying. One aspect always mentioned was the necessity of personal relationships. One interviewee expressed this as follows:

> [Skilful lobbying] means taking a seat at the right tables, taking part in the right talks, and having better "feelers" out in the company. (CEO, subsidiary A)

Other aspects frequently mentioned were the socially skilful handling of personal relationships and, to a certain degree, persistence, as expressed in the following quote:

> From a theoretical perspective, one would assume that a corporation as large as ours follows a rational, strategic approach [when evaluating a subsidiary initiative], but the opposite is the case. It is a highly political process where who you know, who trusts you and what reputation you have count. *Antichambrer* [walking the

> corridors of power] is exactly what you have to do – you have to talk to people, you have to convince them and you must not annoy them. .... That takes time and continual effort. For me, it is a bit like “small strokes fell big oaks.” (CEO, subsidiary F)

## Tactics by MNC type

Throughout our interviews, it was clear that there was a close relationship between MNC type and the tactics used to sell an initiative. This was not surprising given the rather strong hierarchical relationship typically found for MNC headquarters and subsidiaries. The MNCs in our sample varied in terms of size (large versus small), type of ownership (family owned versus listed) and country of origin (German versus French). Often, these categories had overlapping impacts on issue-selling tactics.

In many small and medium-sized family-owned MNCs, the selling of an initiative was just another topic in a permanent and intense exchange process between the subsidiary CEO and the owner/CEO of the MNC. Subsidiaries did not have to use tactics to attract headquarters' attention, as they had its attention anyway. Nor did subsidiaries have to work hard to help headquarters understand an initiative, as headquarters were already closely involved in the subsidiary's day-to-day operations. Lobbying was also of minor importance, as there was often a trust-based relationship between the subsidiary manager and the owners or headquarters managers that had developed over many years. This situation is expressed in the following statement made by a CEO of a German subsidiary in France:

> Our company is family owned, with the family putting a lot of emphasis on a close and long-lasting relationship with subsidiary management. We feel we are taken very seriously and there is a continuous exchange. [Coming up with an initiative] does not trigger a conflict. We talk about the initiative and then they usually say: “if you are convinced that this will work out, then go ahead and try.” (CEO, subsidiary C)

While this flexibility probably only applies to initiatives within reasonable limits, the situation in such family-owned MNCS is nevertheless clearly different from the setting experienced in large, diversified MNCs. In the latter contexts, subsidiary CEOs have to actively engage in tactical behaviors to gain headquarters’ attention and they have to lobby extensively for their initiatives:

> To get a positive decision [on a subsidiary initiative] in a big multinational, you have to form a large coalition of supporters from your internal and external networks. [For initiatives that require a decision from the board of directors], you have to get the support of about 20 people. That is basically everyone on the management level just below the board of directors, plus everyone in management one level further down, plus some important consultants and investment bankers. Only if you have the support of all of these people and nobody objects can you approach the board of directors. (CEO, subsidiary F)

Despite the generally more demanding organizational setting, which requires subsidiaries in large, diversified MNCs to follow more intense and more politically minded issue-selling strategies, some noteworthy differences were also observable. Headquarters in some large diversified MNCs were rather initiative averse in that they only allowed subsidiaries to lobby for initiatives that referred to their local markets. This was highlighted in a comment made by a CEO representing a French subsidiary in Germany:

> We are basically tied to the German market. There is still a lot to do here. We are not entitled to come up with initiatives that go beyond our national market. This is strictly top-down according to the patriarchal French system. Everything relating to such matters is decided in Paris and – I say this very frankly – not according to rational criteria that consultants such as Roland Berger would suggest. This is strictly a matter of the leading managers and their fiefdoms. (CEO, subsidiary G)

In other cases, such restrictions did not exist. Some MNCs systematically supported subsidiaries in their initiatives to use their local insights, knowledge, and experience in other countries. This led to a higher level of issue-selling activities:

> Previously, headquarters only said "what is good for the German market must be good for the French market too." Today, they think beyond. … If I have a new product idea, I try to excite subsidiary CEOs in other countries too. (CEO, subsidiary D)

Some MNCs went further, supporting subsidiary initiative-taking as a system for stimulating intra-firm competition. This led to competitive lobbying:

> If a discussion arises within the group on a particular global mandate, then every local subsidiary CEO checks which competencies his subsidiary has with regard to that mandate and whether it makes sense to lobby for that mandate. (CEO, subsidiary H)

Unfortunately, our interviews revealed little information on the structure of such competitive lobbying strategies.

Finally, some differences were apparent with regard to the MNC's country of origin. At first sight, issue-selling strategies in French and German MNCs did not differ radically. This is hardly surprising, as both German and French MNCs are considered to be rooted in similar institutional environments that have significant effects on the internal organization of firms. Furthermore, traditional German and French firms are assumed to be technology driven, long-term orientated and relatively bureaucratic. One notable difference, however, relates to the social constitution of German and French firms. Traditional German firms exhibit a social partnership attitude and are characterized by a rather broad social stratification among top managers, whereas French firms are characterized by fierce class conflicts and a closed group of *Grandes Écoles* alumni in top management positions.

These differences were found to have two effects on issue-selling strategies. First, managers of German subsidiaries in France maintained that their headquarters often did not understand the efforts needed to manage labor relations, so that rather negative (instead of positive) attention was drawn to the subsidiary. Thus, many interviewees indicated that they regularly communicated with headquarters to explain the difficulties associated with organized labor in France. This was viewed as a matter of image control:

> I belong to the people who say [to the headquarters] that we need to get an additional 1,000 points on Hay's Job Evaluation scheme due to our responsibilities with regard to labor issues. (CEO, subsidiary H)

Second, the fact that top management positions in French firms are generally restricted to *Grandes Écoles* alumni that exhibit a particular way of administration requires some adaptations in issue-selling tactics. The peculiarities common to *Grandes Écoles* alumni administration are well described in the following comments made by a German CEO of a French subsidiary in Germany. A  first aspect refers to the necessity of mastering French as a prerequisite for successfully selling an initiative to headquarters:

> When we come to headquarters to give our monthly report together with all of the other subsidiaries, we speak English. However, when we go to lunch, we speak French. ... It is always a long lunch, as the French people love it. They are planned for two and a half hours and often last for three. That is where [we talk to our counterparts from the headquarters and] get a lot of feedback. (CEO, subsidiary I)

The second aspect is that status differences are important and need to be respected when selling an initiative to headquarters:

> You can feel the importance of the status differences. Even if you look at the organizational chart [of the MNC], you will find that the *Grande École* a manager attended is always indicated. (CEO, subsidiary I)

Given these considerations, the CEO of subsidiary I did not dare to engage in selling initiatives to the headquarters alone. Instead he joined forces with his headquarters counterpart:

> I only talk through my headquarters contact, the one who is responsible for us at headquarters. ... It is company philosophy that we have private contact with these people – that the families visit each other and that you invite your counterpart to your birthday party. … My headquarters contact directs me with regard to whom I need to talk to and where to send a proposal. (CEO, subsidiary I)

## Concluding remarks

Subsidiary initiatives in MNCs are bottom-up complements to the many top-down transfer processes initiated by headquarters. While such initiatives are generally in the interest of headquarters, headquarters must evaluate and make a decision on all of the initiatives that their subsidiaries present. Local subsidiaries undertaking an initiative can enhance their chances of obtaining support by carefully selling the initiative to headquarters. Based on a recent conceptualization suggested by Gammelgaard (2009), which distinguishes among three aspects of issue selling (attracting headquarters' attention to the initiative, making headquarters understand the initiative, and lobbying for the initiative), this chapter undertook an empirical exploration of these aspects at a number of German subsidiaries in France and French subsidiaries in Germany.

Our findings offered strong evidence that subsidiaries engage in all three aspects of issue selling. Our investigation also revealed that local subsidiaries' issue-selling strategies differ widely with regard to different types of MNCs. Clearly, issue-selling strategies are more necessary in large diversified MNCs than in family-owned SMEs. Within the group of large diversified MNCs, we found initial evidence for the idea that the extent to which subsidiaries engage in issue-selling tactics depends on the level of intra-firm competition stimulated by headquarters (Becker-Ritterspach & Dörrenbächer, 2011).

We also found that the country of origin has an impact on the tactics used. This was especially obvious with regard to tactics used in French MNCs, where the social constitution is characterized by conflict-ridden labor relations and a closed group of *Grandes Écoles* alumni in top positions with a particular way of handling administration. Beyond these national idiosyncrasies, which clearly have an effect on issue-selling tactics, we assume that our findings may be generalizable to ventures that touch upon two coordinated market economies, as this type of capitalism typically exhibits a network type of coordination. How issue selling unfolds in settings that touch upon two liberal market economies, which are typically characterized by arm's-length economic coordination, or in settings that include both types remains to be seen.

Even though further research is needed, we can conclude that subsidiary initiative-taking and attempts to sell initiatives to headquarters are important vehicles for incorporating local elements into emerging global strategies of MNCs. This is especially the case in MNCs following a strongly centralized approach where strategies and practices developed in headquarters are diffused throughout the global organization. Ironically, selling local subsidiary initiatives is also important in cases where headquarters are receptive to such initiatives. Hence, many initiatives contend for headquarters' attention and approval.

Finally, not all successful local subsidiary initiatives introduce a particular local logic into a global strategy in the sense of more locally responsive 'glocal' strategies. Although many initiatives do enhance the viability of global strategies, some locally developed initiatives simply aim to replace the global logic of headquarters with another global logic, one developed in a subsidiary with ambitions beyond its local scope. What follows is that the overall strategies of MNCs – whether they are global, glocal, or local – are negotiated constructs of headquarters' will, and subsidiaries' issue-selling tactics and bargaining power.

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Table 1: Detailed information on the cases mentioned (cases A-I) and the remaining cases in the sample (cases J-O)

| *Sub-si-diary* | *Subsidiary location* | *Subsidiary CEO* | *Sub-sidiary size** | *MNC size*** | *MNC incorporation* | *MNC ownership type* | *Industry* |
|---|---|---|---|---|---|---|---|
| A | France | Local manager | Large | Large | Germany | Dispersed share ownership | Telecommuni-cations equipment |
| B | France | Expatriate | Medium | SME | Germany | Family ownership | Agricultural machinery |
| C | France | Expatriate | Small | SME | Germany | Family ownership | Machine building |
| D | France | Expatriate | Small | SME | Germany | Family ownership | Chemicals |
| E | France | Expatriate | Medium | Large | Germany | Dispersed share ownership | Automotive |
| F | France | Expatriate | Large | Large | Germany | Dispersed share ownership | Telecommunica-tion services |
| G | Germany | Local manager | Large | Large | France | Dispersed share ownership | Transportation services |
| H | France | Expatriate | Large | Large | Germany | Dispersed share ownership | Chemicals |
| I | Germany | Local manager | Medium | Large | France | Dispersed share ownership | Construction |
| J | France | Local manager | Medium | SME | Germany | Family ownership | Agricultural machinery |
| K | France | Expatriate | Medium | Large | Germany | Dispersed share ownership | Fashion |
| L | Germany | Local manager | Medium | Large | France | Dispersed share ownership | Airline |
| M | France | Expatriate | Medium | SME | Germany | Family ownership | Brewery |
| N | Germany | Expatriate | Small | SME | France | Dispersed share ownership | Consulting |
| O | Germany | Expatriate | Large | Large | France | Dispersed share ownership | Energy supply |

* Large >500 employees, medium 20-499 employees, small <20 employees
** SME < 5,000 employees