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Headquarters and regional management mandated-subsiary structure

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ABSTRACT

Multinational corporations face the dilemma of global integration and local responsiveness. Further, they have to contend with trying to minimise agency costs in managing remote subsidiaries. An alternative to regional headquarters was proposed in regional management mandated (RMM) subsidiaries. These subsidiaries are profit and loss units that are delegated headquarters functions to manage peripheral subsidiaries.

The study aimed to examine the headquarters-RMM-subsi-dary structure through determining whether the RMM-subsi-dary was relevant to a multi-business subsidiary with four industry sectors and examining the roles played by the business units within the industry sectors. A qualitative and single-case, exploratory study was conducted, which consisted of twenty-five semi-structured interviews with respondents within the headquarters, the RMM-subsi-dary and the peripheral subsidiaries.

This research found that the RMM-subsi-dary does perform most of the headquarters' functions for the peripheral subsidiaries and business partners – the performance of which is impacted by the type of business and the channel to market. The performance of these functions further highlighted that each business unit within an industry with the RMM charter plays multiple roles to varying degrees within a given framework and across multiple frameworks, and that the roles are also impacted by type of business and channel to market, local resources and competencies.

Peripheral subsidiaries were highlighted as being unimportant, compromising their local responsiveness; however, it was indicated that potentially their role would change as business opportunities dictated.

Finally, the deployment of expatriates seems not for purposes of control but to fill resource, knowledge and skill gaps as necessary. This highlighted an alternative to expatriate deployment – the development of staff at the headquarters. This would serve two purposes: equip the individual with knowledge and skills needed in the home country and develop networking and trusting relationships that were found to foster better working ties between the headquarters and subsidiaries.

As a result the key components in the HQ-RMM-subsi-dary structure are identified as the balance between control and autonomy, RMM-subsi-dary roles and networking and trusting relationships, as all three components have a direct bearing on the MNC achieving global integration and local responsiveness.

Keywords: headquarters functions, regional management mandated subsidiary, peripheral subsidiary, multi-business multinational corporation, subsidiary roles

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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CHAPTER 1: PROBLEM DEFINITION

1.1 Introduction

The contemporary multinational corporation (MNC) is seen as an internal inter-organisational network between the headquarters and its multiple subsidiaries, which is entrenched in an external network of customers, suppliers, regulators, and others (Birkinshaw & Hood, 1998; Ghoshal & Bartlett, 1990; Nell, Ambos, & Schlegelmilch, 2011). Birkinshaw, Holm, Thilenius, & Arvidsson (2000, p.323) concur and using the network theory approach add that the internal networks' activities are "value-adding, each of which can be viewed as a semi-autonomous entity, with ownership ties, normative links and certain obligations to head office." As a result subsidiaries are taking on additional, diverse and advanced roles, which is a far cry from the previous role of market access operation (Birkinshaw et al., 2000; Blomkvist, Kappen, & Zander, 2010).

One of these additional roles, as identified by Alfoldi, Clegg, & McGaughey (2012), is that of a subsidiary with delegated headquarters (HQ) functions, termed a regional management mandate (RMM). This concept is new and has not been previously addressed in literature and has been empirically tested in their seminal work on Unilever, in the fast-moving consumer goods (FMCG) market (Alfoldi et al., 2012). This study aims to determine whether the RMM-subsidary framework is relevant for other industries, and in particular in a multi-business MNC as opposed to a single-business MNC such as Unilever. Thus this research contributes to the generalisability of the RMM-subsidary framework of Alfoldi et al. (2012) by determining its relevance to other industries in a multi-business MNC.

Further, the Alfoldi et al. (2012) framework does not elaborate on the impact of the mandated functions on the HQ-subsidary relationship and the resultant structure of this relationship. This is important to uncover and understand as previously the HQ only related to a "normal" subsidiary and a regional HQ (RHQ). With the new phenomenon of the RMM and its possibility of replacing a RHQ, understanding the dynamics in the structure will assist the HQ and RMM-subsidary to make necessary adjustments to accommodate the new roles. Therefore with a focus on the HQ-RMM-subsidary structure new information may come to light that may make a strong case for restructuring or having a greater degree of flexibility in the MNC structure (Bartlett & Beamish, 2014). The Alfoldi et al. (2012) framework will be used to support propositions and the results are expected to inform the HQ-RMM-subsidary structure. Additionally, this research adds to the body of international business by proposing a HQ-RMM-subsidary structure. This focus on the RMM-subsidary deviates from the large number

of studies on the HQ, subsidiary and regional HQ (RHQ) roles (Alfoldi et al., 2012; Ciabuschi, Dellestrand, & Holm, 2012; Mahnke, Ambos, Nell, & Hobdari, 2012).

Regional management mandates are only briefly noted (Kähäri, Piekkari, & Barner-Rasmussen, 2010; Lassere, 1996; Piekkari, Nell, & Ghauri, 2010; Schütte, 1997) as being able to perform HQ functions at a local level. However, most studies do not distinguish between RHQ and RMM-subidiaries (Alfoldi et al., 2012). The differences, though, are quite significant for the understanding of the MNC and subsidiary roles and for business (Alfoldi et al., 2012). The RHQ is viewed as an administrative setup and a high-cost solution for a regional management operation (Lassere, 1996; Schütte, 1997). The RHQ provides the link between the organisation's operating units and the HQ (Menz, Kunisch, & Collis, 2013), whereas the RMM-subidiary is an operational subsidiary that has been delegated HQ functions and is therefore seen as more cost-effective and efficient than a RHQ (Alfoldi et al., 2012; Lassere, 1996; Schütte, 1997) and provides a more direct connection between the operating units and the HQ.

The benefits of having a RMM-subidiary as opposed to a RHQ are cost-saving and that the HQ is closer to the operational practices of the organisation and can thus receive direct knowledge from the operating units as opposed to a middle-man RHQ. This is in keeping with the HQ aim of increasing knowledge and decreasing uncertainty – if the HQ knowledge is low and uncertainty high then the RMM-subidiary is the best option (Ciabuschi et al., 2012). Additionally, the various tasks of the RHQ are seemingly easier for the RMM-subidiary to execute, as it already addresses staffing matters and has in-depth knowledge of products, manufacturing and marketing – three areas in which the RHQ is not directly involved (Paik & Sohn, 2004).

This research focuses on the HQ-subidiary link which has been identified as one of two main links by Luo (2003) that support the MNC aim of global integration and local responsiveness (Doz & Prahalad, 1984; Menz et al., 2013; Schotter & Beamish, 2011). The MNC strives towards global integration to reap the benefits of maximised global efficiencies (Bartlett & Beamish, 2014) while trying to balance this with being locally responsive to various markets and their differing needs (Doz & Prahalad, 1984). Additionally, increasing global competition demands that organisations are both globally integrated and locally responsive (Paik & Sohn, 2004). Doz and Prahalad (1984) go on to say that creating the conditions for achieving this balance is more difficult in multi-business than in single-business MNCs. In light of this fact, this research explores roles played by business units that indicate the degree of (and highlights gaps in) global

integration and local responsiveness in a RMM-subsiary as well as the peripheral subsidiaries that it oversees.

Aside from the aim of global integration and local responsiveness, the contentious issue of control and autonomy in the HQ-subsiary relationship cannot be ignored (Ambos, Asakawa, & Ambos, 2011; Scott, Gibbons, & Coughlan, 2010). The subsidiary's preference is for autonomy and the HQ for control (Birkinshaw et al., 2000). The level of autonomy and control vary depending on the role of the subsidiary and the evolution and accumulation of such roles (Birkinshaw, 1996; Birkinshaw & Hood, 1998; Manolopoulos, 2008; Young & Tavares, 2004).

When considered together the subsidiary wanting autonomy may have a positive impact on local responsiveness but may not bode well for global integration. Conversely, the HQ will need to balance the control it exercises to achieve global integration with the cost of monitoring (Eisenhardt, 1989a; O'Donnell, 2000).

With this argument in mind, the attractiveness of this research to business lies in providing more clarity on how the MNC can organise and manage its international operations (Enright & Subramanian, 2007) in the areas of resource allocation, decision-making rights (Ciabuschi, Martín, & Ståhl, 2010), charter delegation, size of subsidiary and staffing (Paik & Sohn, 2004). This is especially relevant in emerging market business and the determination of who should be leading the business and how, with one of the key facets being HQ control and regional autonomy (Martin, Da Vila, & Hou, 2010). There are naturally arguments for and against greater autonomy. A common argument is that HQ should lead to maintain control to reduce risk and preserve the brand and margin quality. This is countered by the reality that the local organisation knows the market better and need guidance but not control (Martin et al., 2010); again the balance between global integration and local responsiveness.

The emerging market is of particular importance to the MNC especially since the financial crisis and the slowdown of European and American markets. Emerging markets, especially in Africa, have shown robust growth and are expected to continue this trend. Therefore investment into these markets to tap the economic benefits is of utmost importance to MNCs looking to maintain some semblance of growth until the recovery of traditional markets at least (*World Economic and Financial Surveys*, 2013). The African market in particular is geographically distant from the traditional headquarters of the

world's largest MNCs and therefore local management and subsidiaries will play a big role in the future of business on the continent.

With reference to Africa, South Africa in particular is currently favoured as the host country for multinational subsidiaries, for a variety of reasons including political and economic stability, a mature market with opportunity and for providing access to the greater African continent (*Africa by Numbers*, 2013).

In an effort to keep pace with globalisation (Mahnke et al., 2012; Molina, 2013; "ThyssenKrupp poised for growth in Asia Pacific," 2013) the number of RHQs are growing. To this end this research further offers business an understanding of possible alternatives to RHQ in the form of a RMM-subsiidiary, given that a RMM-subsiidiary has a profit and loss responsibility – while the RHQ is purely an administrative cost – thereby increasing efficiencies in operations and financial performance (Alfoldi et al., 2012).

The RMM-subsiidiary concept and HQ functions that are delegated to the subsidiary will be discussed in more detail in Chapter two.

1.2 Research scope

The scope of this research encompasses HQ roles, functions and tasks, HQ-RMM-subsiidiary relationships and RMM-subsiidiary roles in a MNC.

1.3 Research question

The overarching research question is:

What are the primary components of a structure connecting a HQ and RMM-subsiidiary when there is a need to balance global integration and local responsiveness, keeping autonomy and control in mind?

To answer this research question a series of propositions will be investigated.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 Introduction

The networked nature of the MNC encompasses subsidiaries of all sizes, operational capacities and ownership structures. Some are more tightly controlled than others and have closer, almost equal-like, relationships than those of a typical HQ-subsidary nature (Ghoshal & Bartlett, 1990). This is an oversimplification, as the HQ-subsidary network and relationship is complex (Scott et al., 2010) and dynamic (Schotter & Beamish, 2011). In order to address the research questions it is important to understand the nature of the HQ-subsidary relationship and the roles played by the individual constituents. However, it must also be kept in mind that while the HQ and subsidiary can be identified individually, they are inextricably tied practically.

Therefore, in this chapter the discussion begins with the roles of the HQ and the RMM-subsidary, followed by the relationship between HQ and subsidiary discussed from the perspective of control and autonomy, culminating with a discussion on the typologies and roles of the subsidiary, pertinent to this study.

2.2 Headquarter roles, functions and tasks

How a MNC organises and manages its international operations (Enright & Subramanian, 2007) to effectively govern complex networks operating in complex environments (Alfoldi et al., 2012) is one of the crucial questions in international business research, as is the role that HQ plays in the MNC (Ciabuschi et al., 2012; Egelhoff, 2010; Forsgren & Holm, 2010). However, while there have been numerous studies focusing on the roles of the subsidiaries within the MNC, there is a lack of studies delving into the actual roles and activities of the HQ (Alfoldi et al., 2012; Collis, Young, & Goold, 2012). Nonetheless, some scholars have noted that HQ functions can be performed at various levels in the organisation (Collis, Young, & Goold, 2007; Piekkari et al., 2010), notably at the regional level in response to the increasing growth and complexity of the MNC (Benito, Lunnan, & Tomassen, 2011; Birkinshaw, Braunerhjelm, Holm, & Terjesen, 2006; Goold & Campbell, 2002; Piekkari et al., 2010).

The basic corporate functions of the HQ can be seen as distributed in two broad roles, that is, an entrepreneurial role geared towards value creation and an integrative, or administrative, role focused on loss prevention (Chandler Jr., 1991; Egelhoff, 2010; Foss, 1997). The functions within these roles can be seen as obligatory, meaning that which is required of any MNC: shared services that exploit scale economies, control activities that are needed to minimise agency costs of delegating decision-making to subsidiaries and

value-creating functions that develop and manage resources throughout the MNC (Collis et al., 2007). These roles, their functions and associated tasks (specific activities performed) will be discussed briefly next.

2.2.1 The entrepreneurial role

As a value creation role, this role is seen as a positive description for HQ (Ciabuschi et al., 2012). Alfoldi et al. (2012) have identified five key functions within this role and tasks within each function.

➤ **Function one:** Strategic leadership, planning and direction

Within this function the HQ identifies and defines the course for the MNC, including business portfolio, growth avenues and objectives, utilising planning cycles used to determine long-term strategic plans (Benito et al., 2011; Chandler Jr., 1991; Foss, 1997; Goid & Campbell, 2002). Additionally, HQ appoints subsidiary mandates and managerial roles (Birkinshaw & Hood, 1998; Foss, 1997).

HQ can also, by the same token, remove them as well (Birkinshaw, 1996; Dörrenbächer & Gammelgaard, 2010). While this may seem a non-value-adding task, its execution may be necessary to add value to the entire MNC (Dörrenbächer & Gammelgaard, 2010).

➤ **Function two:** Resource development, acquisition and deployment

These resources are both tangible and intangible (for example knowledge and human resources) to enable achievement of those aims defined in function one (Chandler Jr., 1991). These resources are then deployed to various subsidiaries (Collis et al., 2007; Dellestrand & Kappen, 2011; Foss & Pedersen, 2002; Foss, 1997).

➤ **Function three:** Seeking and exploiting new opportunities

Aimed at identifying and integrating noteworthy innovation into the company strategy (Egelhoff, 2010), the HQ seeks out new opportunities and initiates new ventures (Ambos & Mahnke, 2010) by engaging external stakeholders (Birkinshaw et al., 2006) and looking within the corporation as well (Foss, 1997).

➤ **Function four:** Driving organisational adaption

To prevent organisational inertia that can harm the MNC in the long run, it promotes on-going self-renewal of the organisation (Tallman & Koza, 2010), by initiating and supporting the adaptation process (Ambos & Mahnke, 2010; Piekkari et al., 2010) and

being the proponent of institutionalising strategic change (Goold & Campbell, 2002; Tallman & Koza, 2010).

➤ **Function five:** Attention and signalling

By providing positive attention, by offering recognition and giving credit to subsidiaries and employees in the MNC where due (Ambos & Birkinshaw, 2010), the MNC creates a signalling effect which can garner greater support and commitment from employees and increase motivation to further the MNCs interests.

2.2.2 The integrative role

This loss prevention role has been further defined as the HQ managing current activities to prevent loss (Alfoldi et al., 2012). Alfoldi et al. (2012) have also identified five key functions within this role and tasks within each function, numbered as functions six to ten.

➤ **Function six:** Monitoring, control and governance

This crucial role sees the HQ exercise control over how decision-making rights are used, operations are executed and levels of performance attained (Chandler Jr., 1991; Collis et al., 2007). The function extends to people management and conflict resolution as well as financial planning oversight (Chandler Jr., 1991; Chung, Gibbons, & Schoch, 2006; Doz & Prahalad, 1984) as well as importantly reducing opportunism (Foss, 1997), that is, to reduce the risk of subsidiary managers acting outside of the best interests of the MNC.

➤ **Function seven:** Resource and knowledge management

Human resources are seen as a source of knowledge and therefore require strategic management (Taylor, Beechler, & Napier, 1996). Knowledge from any source is applied and dispersed across the organisation (Ciabuschi et al., 2010; Foss, 1997) through structures which include IT platforms, processes and incentives devised by HQ to encourage knowledge creation and sharing among subsidiaries (Ambos & Mahnke, 2010; Ciabuschi et al., 2010).

➤ **Function eight:** Representation and mediation

This function is largely externally focused. The HQ represents the company legally (Collis et al., 2007; Goold & Campbell, 2002) in all proceedings and acts as a mediator within the external stakeholder (government, customers, public bodies) environment (Chandler Jr., 1991).

➤ **Function nine:** Coordination and harmonisation

The HQ maximises cost saving in the MNC through the benefits of economies of scale and scope, as well as bundling resources and services (Chandler Jr., 1991; Collis et al., 2007; Egelhoff, 2010; Hamel & Prahalad, 1983; Piekkari et al., 2010). To ensure effectiveness, HQ manages coordination along the value chain, across countries and business functions (Goold & Campbell, 2002).

➤ **Function ten:** Integration and facilitation of inter-unit linkages

This function is closely related to function nine, however, coordination seems to be imposed while integration is encouraged (Alfoldi et al., 2012). The HQ promotes tight coupling (the synchronisation of events and behaviours) in the organisation (Egelhoff, 2010) by encouraging both interaction of managers of subsidiaries (Ciabuschi et al., 2010; O'Donnell, 2000) and shared norms, values and corporate ethos among HQ and subsidiaries (Foss, 1997; O'Donnell, 2000).

These are the roles and functions usually mandated to the subsidiary, although it must be noted that due to the complexity of functions it is possible to have an overlap of roles and functions (Alfoldi et al., 2012). The findings of Alfoldi et al. (2012) relating to the performance of the ten functions in a single-business MNC in the FMCG industry indicate that all ten functions were performed by the subsidiary, with two exceptions. For Function four, no evidence was found for initiating or driving organisational adaptation – here the primary responsibility was still HQ. Function five, attention and signalling for the peripheral subsidiaries, was completely absent (Alfoldi et al., 2012).

2.3 The regional management mandated subsidiary (RMM- subsidiary)

The framework used to explain the complexity of delegating HQ functions to subsidiaries is constructed from three different but closely related theories: “contingency theory, information processing theory and agency theory” (Alfoldi et al., 2012, p. 281). All three theories can be applied to HQ and regional management studies (Ambos & Mahnke, 2010; Egelhoff, 2010; Foss, 1997; Paik & Sohn, 2004; Piekkari et al., 2010), and they complement each other with concepts that add to a complete picture (Alfoldi et al., 2012).

The crux of contingency theory states that an organisation's structure must follow its strategy, and this strategy must align with environmental requirements (Chandler, 1962; Lawrence & Lorsch, 1967 as cited in Alfoldi et al., 2012), so that there is a fit between these three factors. This is in line with the MNCs aim of global integration and local responsiveness (Doz & Prahalad, 1984; Menz et al., 2013; Schotter & Beamish, 2011).

Therefore, if a MNC wants to pursue a regional strategy, to be successful at global integration and regional responsiveness it will require a regional structure conducive to this (Alfoldi et al., 2012).

The information processing theory builds on the contingency theory (Egelhoff, 1982; Tushman & Nadler, 1978). It refers to “the gathering, interpreting and synthesis of information in the context of organisational decision making” (Tushman & Nadler, 1978, p. 614), and is a vital but resource-intensive component of managing organisations (Alfoldi et al., 2012). Importantly, information can be strategic or tactical, and an organisational structure promotes one while restricting the other (Egelhoff, 1982).

While HQ and RHQ are effective at dealing with high-level strategic information, they are much less adept at dealing with low-level tactical information (Alfoldi et al., 2012). This is where the RMM-subsiary is ideal, as it provides the best fit between information processing requirements and capabilities, thus enabling organisational effectiveness (Alfoldi et al., 2012; Menz et al., 2013; Schotter & Beamish, 2011).

Agency theory refers to the HQ-subsiary control relationship and is based on the assumptions of bounded rationality, information asymmetry and goal conflicts (Eisenhardt, 1989a; O’Donnell, 2000). Hence, the HQ works to minimise agency costs and balance the trade-off between the cost of monitoring behaviour and the cost of monitoring outcomes (Menz et al., 2013). To this end the RMM-subsiary is more suited to the task than the RHQ, as it is in a position to manage peripheral subsidiaries on a daily basis and is not an administrative cost like a RHQ, thus achieving the aim of monitoring at a reduced cost (Alfoldi et al., 2012).

2.4 The headquarter-subsiary relationship

The HQ-subsiary relationship is largely characterised by the conflicting imperatives of control and autonomy (Bouquet & Birkinshaw, 2008; Kawai & Strange, 2014; Pudelko & Harzing, 2008; Tong, Wong, & Kwok, 2011). It has been described as a “mixed motive dyad” where there is misalignment of both parties’ interests and perceptions (Ghoshal & Nohria, 1989). While the subsidiary motive may be more influenced by its external network (business partners, customers and competitors) (Chini, Ambos, & Wehle, 2005; Pudelko & Harzing, 2008), the HQ is more interested in achieving global efficiency (Menz et al., 2013; Pudelko & Harzing, 2008; Schotter & Beamish, 2011). These efficiencies are thought to be achieved by the flow of knowledge (Paterson & Brock, 2002), and knowledge is seen as a source of power to the one who holds it (Ciabuschi et al., 2012).

This problem of control stems from agency theory (Eisenhardt, 1989a; O'Donnell, 2000). That is, the HQ cannot make all the decisions as its managers do not necessarily possess all the information they need, (Ciabuschi et al., 2012), however, HQ cannot grant all the decision-making power (autonomy) to the subsidiary for fear of the subsidiary making decisions in its best interest as opposed to that of the MNC as a whole (Eisenhardt, 1989a; Harzing & Noorderhaven, 2006; O'Donnell, 2000).

This gives rise to the semi-autonomous subsidiary (Birkinshaw et al., 2000), and as a result the HQ adopts the stance of minimising agency costs, as discussed in the previous section. The idea of a semi-autonomous subsidiary is supported by Qin, Ramburuth and Wang (2008), who highlight that a degree of autonomy benefits the entire MNC, which can lead to sustaining a competitive advantage and better performance (Ambos & Birkinshaw, 2010).

There are opposing views on the subject of autonomy and control, with various authors supporting the case for centralisation (Ambos, Ambos, & Schlegelmilch, 2006; Andersson, Forsgren, & Holm, 2007; Birkinshaw & Hood, 2000; Bouquet & Birkinshaw, 2008). In contrast the views of Lou (2003), Gupta & Govindarajan (2000) and Van Wijk, Jansen and Lyles (2008) support decentralisation, stating that when subsidiaries are given autonomy they are more likely to share knowledge across the MNC and thereby achieve integration and efficiencies.

The various terminology used to describe the HQ-subsidiary relationship – autonomy versus control and decentralisation versus centralisation – is often used interchangeably (Young & Tavares, 2004) in the pursuit of responsiveness and integration. Decentralisation can be seen as the delegation of the seat of authority and autonomy (decision-making) (Van Wijk et al., 2008), usually to the subsidiary, which will have the propensity for both local responsiveness and integration (Ciabuschi et al., 2010).

Conversely, centralisation relates to the degree to which control is maintained by the HQ (Paterson & Brock, 2002) to determine or affect what the subsidiary is able to do (or not do) (Chang, Mellahi, & Wilkinson, 2009). An additional pair of terms associated with the relationship is localisation versus standardisation. This dichotomy is more commonly used when referring to functional practices like HR and marketing, where localisation refers to the subsidiary adopting practices that are common to the host country, while standardisation refers to subsidiaries' adoption of MNC practices (Pudelko & Harzing, 2008).

2.4.1 HQ control mechanisms

In order to ensure the correct allocation of resources, the right balance between centralisation and decentralisation of decision-making and that the subsidiary is directing its efforts towards the achievement of the MNC goals, HQ exercises varying degrees of control through the use of different mechanisms (Chang & Taylor, 1999; Legewie, 2002).

2.4.1.1 The use of expatriates

Chung et al. (2006) posit that as a means of monitoring and evaluating the behaviour of the subsidiary, the HQ transfers the MNC nationals to the subsidiary for this purpose. The use of expatriates as a monitoring tool is preferred due to the physical distance between the HQ and subsidiary (Chang et al., 2009).

Generally, to guard against self-interested behaviour on the part of the subsidiary, the HQ will place employees from the HQ in the subsidiary top management team (O'Donnell, 2000). Chang et al. (2009) elaborate that this is due to the expatriate having a better understanding of – and a higher degree of commitment to – the HQ goals and procedures than do local managers.

Harzing's (2002) typology on the classification of control mechanisms, as seen in Figure 1, captures the roles played by expatriates in the control of a subsidiary. The bear (reflects the level of dominance) type of expatriate is characterised as being able to play the personal/cultural role in both a direct and indirect manner; with the primary aim of supporting HQ centralisation of decision-making by direct observation of subsidiary managers. The bumble-bee (due to its social nature) is the role of the expatriate who realises control via informal and social networks. The spiders (weaving capability) are also responsible for informal communication networks, but while the bumble-bee goes from person to person individually, the spider joins them all together in a network configuration.

Figure 1: Classification of control mechanisms in two dimensions

	Personal / Cultural (founded on social interaction)	Impersonal / Bureaucratic / Technocratic (founded on instrumental artefacts)
Direct / Explicit	Personal centralised control	Bureaucratic formalised control
Indirect / Implicit	Control by socialisation and networks	Output control

Adapted from Harzing (2002)

The use of expatriates as control mechanisms can incur considerable costs for the MNC (Harzing, 2002), and such costs, as indicated by agency theory, need to be weighed against monitoring outcomes (Menz et al., 2013). The deployment of expatriates in the various roles of control also appears to be dependent on the country of origin of the MNC, implying that culture has a bearing on the level and nature of control employed (Ambos et al., 2006), as seen in Figure 2 below.

Figure 2: Use of control mechanisms in subsidiaries in MNCs of different countries

	Japan	US	Germany	Sweden
Personal centralised control	Medium	Medium	Very high	Low
Bureaucratic formalised control	Low	Very high	Medium-high	Medium
Control by socialisation and networks	Low	Medium	Medium	High
Expatriate control	Very high	Very low	High	Medium

Adapted from Legewie (2002)

2.4.1.2 Bureaucratic mechanisms and incentives

As an alternative to the use of expatriates to collect information on the subsidiary and monitor it, the HQ can use rules, programmes and procedure. These are specifically designed to gather information on actions and behaviours of the subsidiary and thus intervene where they are not aligned with HQ. Consequently, subsidiaries with higher

levels of autonomy are more difficult to monitor (Ambos & Birkinshaw, 2010; Martínez & Jarillo, 1991; O'Donnell, 2000).

The use of incentives to monitor and promote desired behaviour has been demonstrated (O'Donnell, 2000). The desired outcome needs to be closely tied to the incentive and measurable (Eisenhardt, 1989a). These two factors, as well as the associated costs and potential difficulty in quantifying desired outcomes, make the incentive mechanism less effective in addressing the agency problem (O'Donnell, 2000).

2.4.1.3 Subsidiary attention

Attention from HQ is generally in demand by subsidiaries as they vie for the allocation of resources (Ambos & Birkinshaw, 2010). Positive attention is seen as an indicator of recognition or credit received from HQ for subsidiary achievement and contribution to the MNC as a whole (Bouquet & Birkinshaw, 2008). Attention shown to one subsidiary means that attention is taken from another. This lack of attention to a subsidiary can be seen as a form of control, as can the showing of attention, through monitoring (Ambos & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008). Therefore attention can be seen as positive or negative. Positive attention can be gained by an increase in resource allocation, obtaining a hearing with the HQ for initiatives and through good business performance (Ambos & Birkinshaw, 2010).

2.4.2 Subsidiary autonomy mechanisms

Subsidiaries generally comply with the directives of HQ (Ambos & Birkinshaw, 2010), however, at times they tend to pursue their own agendas at the expense of the MNC (Taggart, 1997b). Knowing that some subsidiaries will undertake such behaviour but not knowing whether it will ultimately be beneficial for the MNC or not, the HQ typically adopt a position of encouragement and suspicion towards the subsidiaries. While these initiatives garner attention and hence the possible application of greater control (Ambos & Birkinshaw, 2010), successful initiatives over time will grant the subsidiary more autonomy and hence lessen control (Ambos & Birkinshaw, 2010).

In a similar vein, subsidiaries actions are viewed more positively by HQ when there is a strong personal network of relationships with HQ management (Birkinshaw & Hood, 1998). This building of relationships on a social level fosters trust, and as trust grows a subsidiary is likely to enjoy higher levels of autonomy (Ambos et al., 2011).

In summary of the HQ-subsidary relationship, the HQ employs control mechanisms in the form of expatriates from HQ in senior management positions in the subsidiary (O'Donnell, 2000) or via direct and indirect roles (Harzing, 2002). Attention can be both positive and negative and incur control and monitoring through both. However, positive attention is associated with increased resource allocation, more air-time with the HQ to share ideas and when initiatives work there is increased autonomy granted to the subsidiary over time (Ambos & Birkinshaw, 2010).

2.5 Multi-business multinational corporations

Alfoldi et al. (2012) conducted their empirical study on Unilever. This is an organisation with a homogenous business – fast-moving consumer goods (FMCG), albeit with “a highly diversified portfolio of branded products” (Alfoldi et al., 2012). However, other multinationals are known to have various industries and heterogeneous businesses operating within the organisation, from light bulbs to defence systems (Ghoshal & Bartlett, 1990).

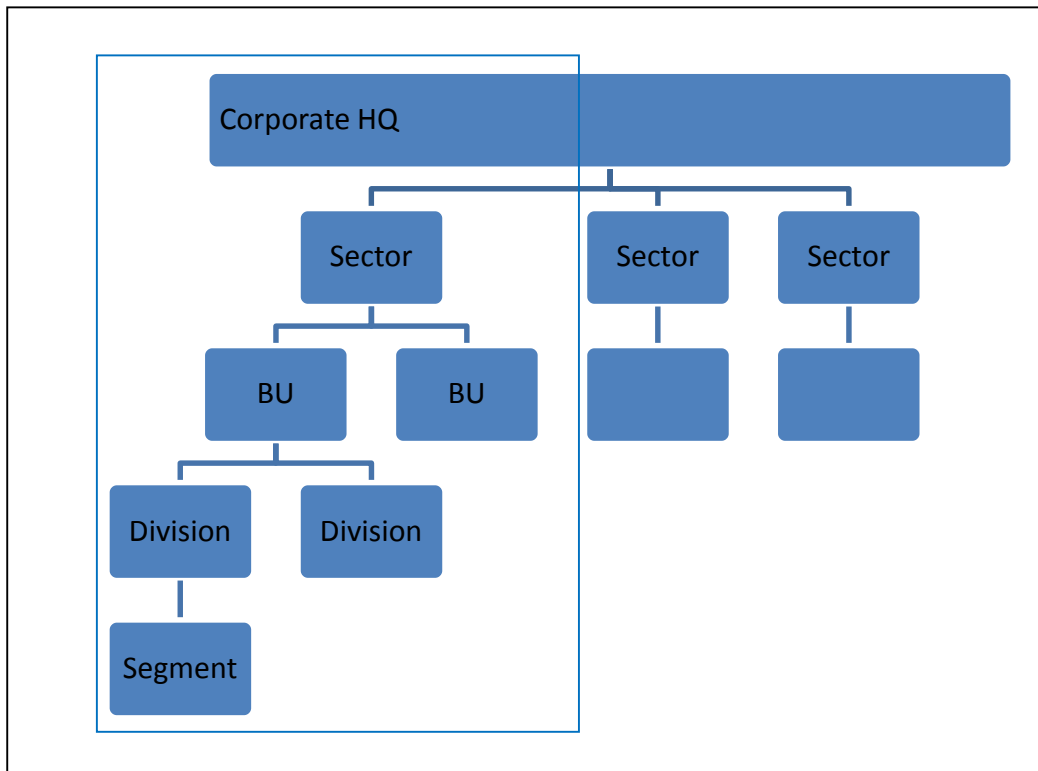
These distinct industries or business units can be differentiated along the line of products (Tavares & Young, 2006), and a business unit within a subsidiary may or may not have the responsibility for all of the organisation's (individual business units') products (Enright & Subramanian, 2007). The geographical scope allocated to the business unit as well as the importance of the market (geography) can also be used to distinguish between business units in a subsidiary (Enright & Subramanian, 2007). Finally, the business units' choice of entry mode to a market can differ among them within a given subsidiary (Datta, Liang, & Musteen, 2009), as can the nature of their customer bases (Collis et al., 2012).

These variations, as noted above, can exist within a multi-business MNC and raise the question of charter and variations: even though all business units have the same charter (Birkinshaw & Hood, 1998), variations are still to be expected.

The MNC can be differentiated into sectors: the macro-business or industry area; the business units, which are designed to address a particular area; and these are further divided into divisions and segments, whether along market or product lines (Chandler Jr., 1991). Within this model of a multi-business MNC and according to agency theory the corporate HQ delegates decision-making rights to the MNC businesses or sectors at HQ (Menz et al., 2013), and the role then of corporate HQ is to minimise the agency cost by applying applicable control (Eisenhardt, 1989a).

Figure 3 depicts a multi-business MNC. The demarcated area highlights that the corporate HQ and one sector constitute a single-business MNC, therefore requiring a degree of control and autonomy, implying that the HQ-subsubsidiary relationship elements are relevant to the structure (Goold, Campbell, & Alexander, 1998).

Figure 3: Structure in a multi-business MNC



Adapted from Goold & Campbell (2002)

2.6 Subsidiary roles in the multinational corporation

Subsidiary roles are varied and complex as is the MNC itself, and many studies over decades have contributed to the understanding of the various roles by developing typologies (Birkinshaw, 1996; Harzing, 2000). However, because the various studies of typologies use different measures, they are not easy to compare or integrate (Enright & Subramanian, 2007; Harzing, 2000), although some have tried (Enright & Subramanian, 2007; Manolopoulos, 2008; Paterson & Brock, 2002) by way of meta-analysis and comparison.

Some terminology clarification is needed at the outset. The terms mandate, charter and roles are closely associated with the subsidiary. The concept of a mandate is comparable

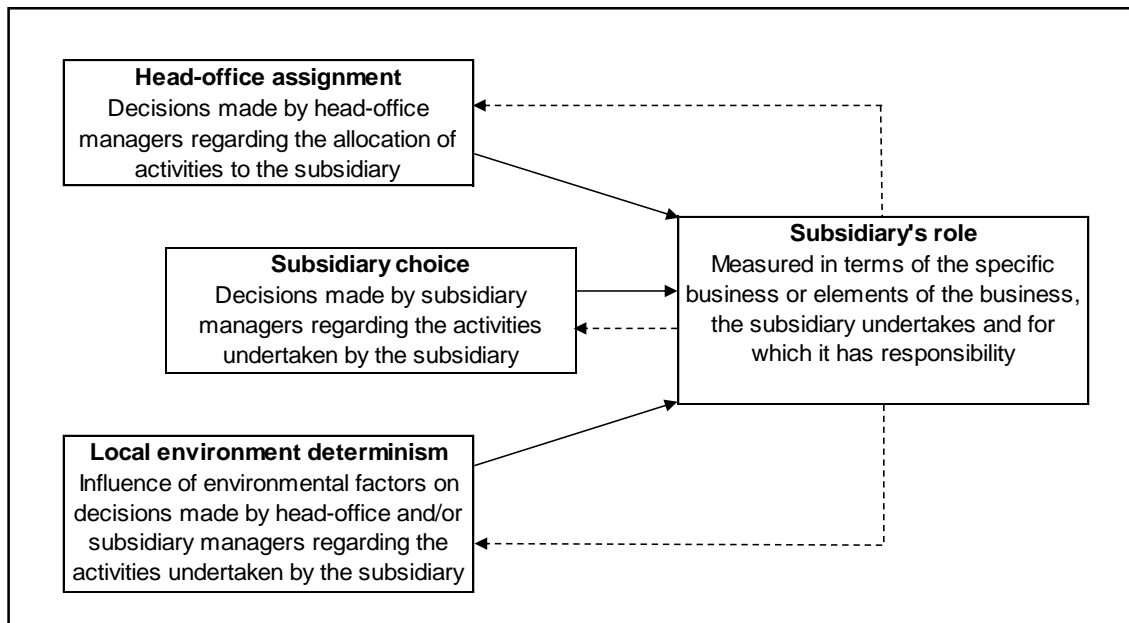
to that of a charter and the terms are used interchangeably as something which informs subsidiary roles (Birkinshaw, 1996).

2.6.1 Role evolution

Before discussing the various roles of a subsidiary, it is important to consider how these roles come about. Two schools of thought exist here. The first, as advocated for by Ghoshal and Nohria (1989); Gupta and Govindarajan (1991); and Jarillo and Martínez (1990), states that the HQ (parent) assigns the roles to the subsidiary on the basis of its competence and strategic importance in the local environment. The second view, supported by Birkinshaw and Hood (1998), accepts the first but also claims it to be one-dimensional as it assumes that the subsidiary starts with one role and then develops into another, hence continuous development.

In their seminal work Birkinshaw and Hood (1998) instead suggest that subsidiary development or evolution occurs through the enhancement or depletion of subsidiary capabilities together with an explicit change in charter, which is a subsidiary's scope of responsibilities. Further highlighted is the fact that charter and capabilities do not evolve together or at an equal rate. As a result subsidiary roles are not determined by one mechanism, but rather by the interaction of three: head-office assignment, where the head office decides the activities for the subsidiary; subsidiary choice, referring to decisions taken by the subsidiary management themselves to determine their role; and local environment determinism, indicating that the role of the subsidiary is defined by opportunities and constraints in its market (Birkinshaw & Hood, 1998). As depicted in Figure 4, this creates a cyclical process through which the subsidiary's role changes over time (Birkinshaw & Hood, 1998).

Figure 4: Organising framework for subsidiary evolution



Adapted from Birkinshaw & Hood (1998)

It is important to note that subsidiaries can and do play multiple roles at the same time, albeit in different proportions and orders of importance (Tavares & Young, 2006). This finding is consistent with earlier findings of Taggart (1996) and White and Poynter (1984). Birkinshaw (1996) contends that subsidiaries can gain and lose mandates, which accounts for the evolutionary nature and role accumulation and change, as demonstrated by Dörrenbächer and Gammelgaard (2010) in a recent case study of subsidiary charter loss.

2.6.2 Typologies and roles

The seminal work of White and Poynter (1984) was the first attempt to distinguish between the different roles of the subsidiary (Manolopoulos, 2008). Since then there have been in excess of ten typologies with each having at least three roles each, to highlight the extent and possibilities of subsidiary roles and the various perspectives from which they can be studied (Paterson & Brock, 2002).

In line with contingency theory, as previously mentioned, the strategy of the MNC will determine the structure of the organisation. This can be extended to the granular level of determining the role of the subsidiary (Paterson & Brock, 2002), the role of which will determine the amount of autonomy the subsidiary possesses (Tong et al., 2011). Figure 5 provides an overview of some of the various studies undertaken and the typologies and roles developed. While there is much variety within the typologies, the common

thread through most of them is the importance of autonomy versus integration (Paterson & Brock, 2002). This is not surprising considering that these are key concepts in the HQ-subsidary relationship, as discussed in the previous section.

Figure 5: Typologies and roles

Source	Dimension	Subsidiary types
White / Poynter (1984)	Geographic scope and product scope	Miniature Replica, Product Specialist, Strategic Independent
	Geographic scope and value-added scope	Marketing Satellite, Miniature Replica, Rationalised Manufacturer, Strategic Independent
Bartlett / Ghoshal (1986)	Capabilities and strategic importance	Black Holes, Local Implementers, Contributors, Strategic Leaders
Jarillo / Martinez (1990)	Integration and responsiveness	Receptive, Autonomous, Active
Gupta / Govindarajan (1991)	Knowledge outflows and inflows	Local Innovator, Implementers, Global Innovator, Integrated Player
Birkinshaw / Morris (1995)	Extracted from literature	Local Implementer, Specialised Contributor, World Mandate
Taggart (1997)	Autonomy and decision making	Partner, Collaborator, Militant, Vassal
Taggart (1998)	Integration and responsiveness	Autonomous, Receptive, Constrained, Quiescent
Randoy / Li (1998)	Resource inflows and outflows	Resource User, Resource Independent, Resource Provider, Networker

Adapted from Enright & Subramanian (2007)

Of particular importance to this study are three typologies: knowledge flows, the integration-responsiveness framework and the autonomy-procedural justice framework. This is because the components of these three typologies closely relate to the elements that a MNC grapples with in international business – autonomy and control, centralisation and responsiveness and the nature of the HQ-RMM-subsidary relationship. These relationships is also likely to be seen between the RMM-subsidary and the peripheral subsidiaries, as the roles they play and functions they perform are different (Alfoldi et al., 2012), considering that the RMM-subsidary is both a subsidiary and HQ (to the peripheral subsidiaries).

2.6.2.1 Knowledge flows

There are several knowledge flow frameworks available (Enright & Subramanian, 2007; Manolopoulos, 2008; Paterson & Brock, 2002). The seminal Gupta & Govindarajan (1991) typology has been selected in particular as it has been the most influential and the most cited, as reported by the Social Science Citation Index (SCCI) (Harzing & Noorderhaven, 2006; Wang & Suh, 2009). It provides four clear roles that a subsidiary can play. Knowledge flows in a MNC are seen as a powerful tool where knowledge can translate into power and power into control (Gupta & Govindarajan, 1991; Wang & Suh, 2009).

Knowledge in this typology refers to expertise or external market data of strategic value, but not internal administrative information. The amount and direction of knowledge flow is what characterises this typology, and it can flow between the subsidiary and HQ or to other subsidiaries in the MNC (Gupta & Govindarajan, 1991). The four roles are identified as follows and depicted in Figure 6.

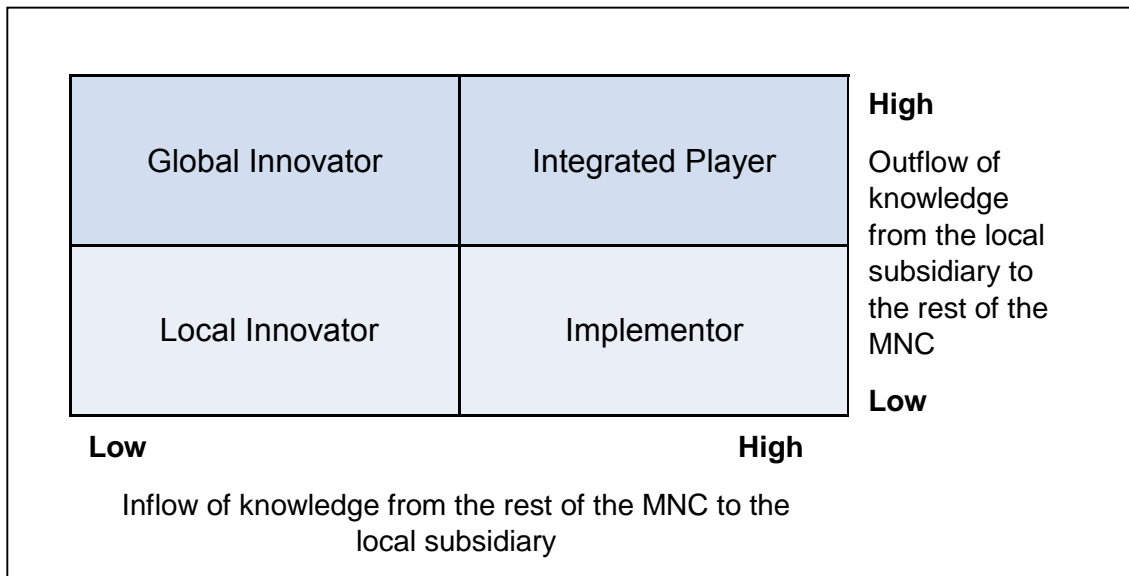
The Global Innovator role portrays the subsidiary as a creator of knowledge, so the flow is outward and therefore the subsidiary is self-sufficient. "Self-sufficiency is typically accompanied by considerable local autonomy" (Bartlett & Beamish, 2014, p. 199). This may also indicate that the subsidiary has specialised capabilities on which the rest of the MNC is dependent (Birkinshaw & Hood, 1998).

The Integrated Player role describes a subsidiary that creates but also receives high flows of knowledge, and is therefore not self-sufficient.

The Implementor role portrays a subsidiary that does not create knowledge, but rather relies to a high degree on the inflow of knowledge from the HQ or other subsidiaries.

The Local Innovator role depicts a subsidiary that creates all its own knowledge requirements, and as this information is so subsidiary-specific it is not shared with the rest of the MNC.

Figure 6: Knowledge flow framework



Adapted from Gupta & Govindarajan (1991)

2.6.2.2 Integration-responsiveness framework

The goal of global integration and local responsiveness (Doz & Prahalad, 1984; Menz et al., 2013; Schotter & Beamish, 2011) requires that the MNC choose one of four roles at the subsidiary level: receptive, active, autonomous or quiescent (Jarillo & Martínez, 1990; Taggart, 1998; Taggart, 1997a). While foreign subsidiaries must be able to operate successfully in their host markets, this flexibility must be within a structure that provides the maximum contribution to corporate performance (Doz & Prahalad, 1984; Jarillo & Martínez, 1990). Brock and Birkinshaw (2004) posit that the I-R framework addresses the supply side of the MNC as it is seen to source more products and services on a global scale and on the demand side meet customer needs.

Measured against the parameters of a two-by-two matrix showing the degree of responsiveness – which includes the performance extent of activities such as R&D, purchasing, manufacturing and marketing in the host country – and the degree of integration with reference to value chain activities, the roles can be described as follows, and are depicted in Figure 7 (Jarillo & Martínez, 1990; Manolopoulos, 2008; Taggart, 1997a, 1998).

Receptive subsidiaries which perform fewer value chain functions in a host country are more likely to supply a wider market area due to the propensity to export, but they have a low level of autonomy and rely on HQ for important skills and resources. They adapt

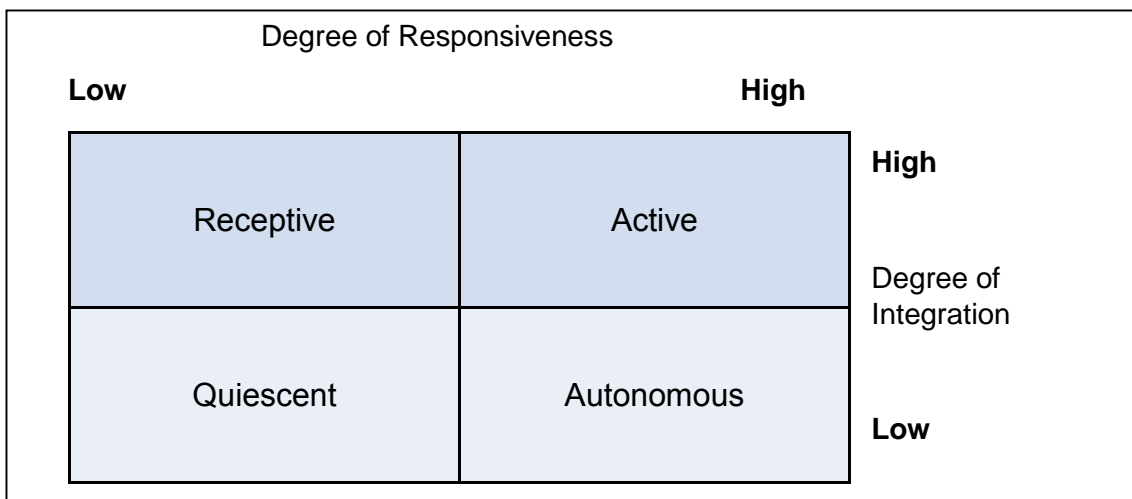
manufacturing technology since they have the lowest complexity of technology-generated procedures. There is no focused local market strategy.

Active subsidiaries rate highly on the responsiveness and integration scales, as they possess the ability to act innovatively beyond their local market needs to wider geographical areas and they operate closely with other subsidiaries. They also experience relatively high decision-making autonomy. As they have the potential to develop new products, this gives them an extended market scope.

Autonomous subsidiaries perform most functions in the value chain independent of the HQ and other subsidiaries. They may develop benefits for distribution in the MNC network. Primarily established to serve the local market, they have a narrow market scope with a main focus on the host market.

Quiescent subsidiaries perform fewer value chain activities in the market and the internal MNC network. Their knowledge, product and technology transfer is constrained by their lack of integration and they lack the ability to adapt to local needs. Their lack of responsiveness means that they do not serve local needs, create new knowledge or innovate. Therefore, this type of subsidiary experiences less autonomy and has a limited impact on the host country economy.

Figure 7: The I-R framework



Adapted from Manolopoulos (2008)

2.6.2.3 Autonomy-procedural justice (A-PJ) framework

Procedural justice refers to the context in which the dynamics of the MNC subsidiary strategy process are judged to be fair regarding decentralised decision-making, embeddedness and autonomy (Kim & Mauborgne, 1991, 1993). On the positive side, this is associated with network harmony and trust between the HQ and subsidiaries; the negative side is hostility and mistrust between HQ and subsidiary (Young & Tavares, 2004).

It is therefore critical in implementing global strategy as managers are not only concerned with what strategies are being implemented, but also with how to formulate them (Tong et al., 2011). Autonomy, in relation to the framework, is described as the degree of freedom a subsidiary has to make decisions without the interference of HQ (Taggart, 1997b). Using these constructs, Taggart (1997b) suggests that the subsidiary strategy is based on its access to procedural justice and its degree of autonomy. The roles are outlined as follows and depicted in Figure 8.

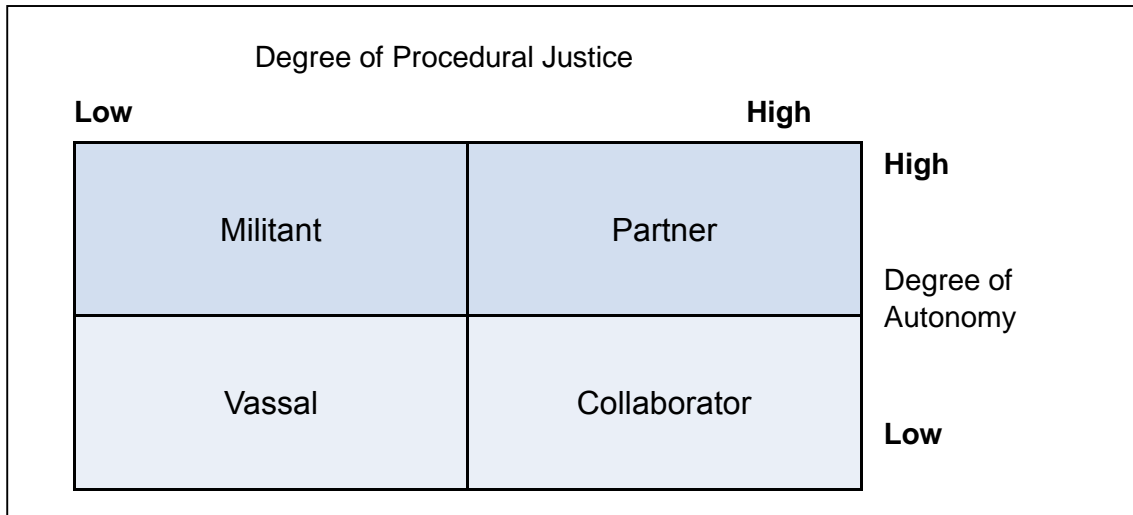
Partner subsidiaries are treated as active partners of HQ and are able to present their ideas to MNC decision makers. As a result they have the potential to make creative development and implementation decisions in a secure corporate environment. Such HQ-subsidiary relationships have been described as those of equals (Ghoshal & Bartlett, 1990).

A Collaborator subsidiary has little bargaining power with the HQ, but is positioned within the network due to playing its required part in a close group of subsidiaries. While this role possesses the highest market scope of all in the framework, such subsidiaries are fairly limited in their product and value-added scopes, having to rely on adaptation of existing technology. They tend to rely heavily on centrally produced R&D and technology, and coordinate the movement of this technology (Manolopoulos, 2008).

Militant subsidiaries can improve the efficiency of the MNC as they have high value-added scope and the highest product scope, albeit with limited market scope. They possess the potential to evolve to the partner role.

Vassal subsidiaries are the most dysfunctional within the matrix, characterised by highly centralised management. They do not contribute to the MNC global strategy. The low procedural justice position further precludes them from self-initiated improvements.

Figure 8: The A-PJ framework



Adapted from Manolopoulos (2008)

2.7 Conclusion

Alfoldi et al. (2012) have developed a framework of HQ functions that can be delegated to local subsidiaries. Having been empirically tested to be relevant to the FMCG industry, there is no evidence that this framework can be applied in other industries. Further, literature highlights the tenuous relationship between the HQ and subsidiaries, the fact that it is dynamic and evolves as the HQ attempts to control and the subsidiaries push for autonomy. All the while the subsidiary can play various and often multiple roles in the MNC network.

Literature, however, does not indicate what the structure of a RMM-subsi-dary would be and the components that would inform this structure, as an operational subsidiary with the added responsibility of a RMM.

To determine the structure of the RMM-subsi-dary and the components that would inform the structure, given the preceding literature review, the following propositions are offered.

Proposition 1a: In a multi-business RMM-subsi-dary, variations along the type of business, nature of customer or channel to market will impact the ten Alfoldi et al. (2012) functions performed by each industry sector

Proposition 1b: Business units within industry sectors will play different roles due to the variation along the type of business, nature of customer or channel to market, even though they may hold the same charter

Proposition 1c: The peripheral subsidiaries are viewed as extensions of the RMM-subsubsidiary, which is as quiescent subsidiaries

Proposition 2: The use of expatriates for control is preferred in a multi-business RMM subsidiary when the HQ and RMM-subsubsidiary are geographically distant

CHAPTER 3: RESEARCH PROPOSITIONS

Alfoldi et al. (2012) have presented ten functions that HQ perform in two categories, namely entrepreneurial and integrative roles. These ten functions are those delegated by the HQ to the RMM-subsiary to oversee peripheral subsidiaries. The purpose of the delegation is to effectively govern in complex networks and complex environments, especially where the HQ is geographically removed from the peripheral subsidiaries (Alfoldi et al., 2012). So rather than have each subsidiary reporting directly into the HQ, the peripheral subsidiaries report into the RMM-subsiary which then reports to the HQ.

The Alfoldi et al. (2012) framework does not elaborate on the impact of the mandated functions on the HQ-subsiary relationship and the resultant structure of this relationship.

The objective of the study:

What are the primary components of a structure connecting a HQ and RMM-subsiary when there is a need to balance global integration and local responsiveness, keeping autonomy and control in mind?

The following propositions were made:

Chapter two highlighted that subsidiaries' roles evolve through the interaction of three mechanisms, namely head office assignment, subsidiary choice and local environment determinism (Birkinshaw & Hood, 1998). Further, subsidiaries can play multiple roles at the same time, to varying degrees and order of importance (Tavares & Young, 2006). The driving mechanism behind this, as discussed in Chapter two, is the contingency theory, which simply states that the structure of an organisation must follow its strategy (Chandler, 1962; Lawrence & Lorsch, 1967 as cited in Alfoldi et al., 2012). Additionally, literature reveals that within a multi-business MNC variation can occur along the type of business, nature of customer or channel to market. As the strategic intent differs for subsidiaries and peripheral subsidiaries, and in this study for business units within industries, it gives rise to the following proposition and sub-propositions.

Proposition 1a: In a multi-business RMM-subsiary, variations along the type of business, nature of customer or channel to market will impact the ten Alfoldi et al. (2012) functions performed by each industry sector

Proposition 1b: Business units within industry sectors will play different roles due to the variation along the type of business, nature of customer or channel to market, even though they may hold the same charter

Proposition 1c: The peripheral subsidiaries are viewed as extensions of the RMM-subsubsidiary, which is as quiescent subsidiaries

While it is accepted that the RMM-subsubsidiary will perform the HQ-mandated functions, the discussion in Chapter two highlights the HQ-subsubsidiary relationship and, in particular, the HQ desire to control and the subsidiary's desire for autonomy. As a result each employs various mechanisms to achieve its aims and this gives rise to the following proposition.

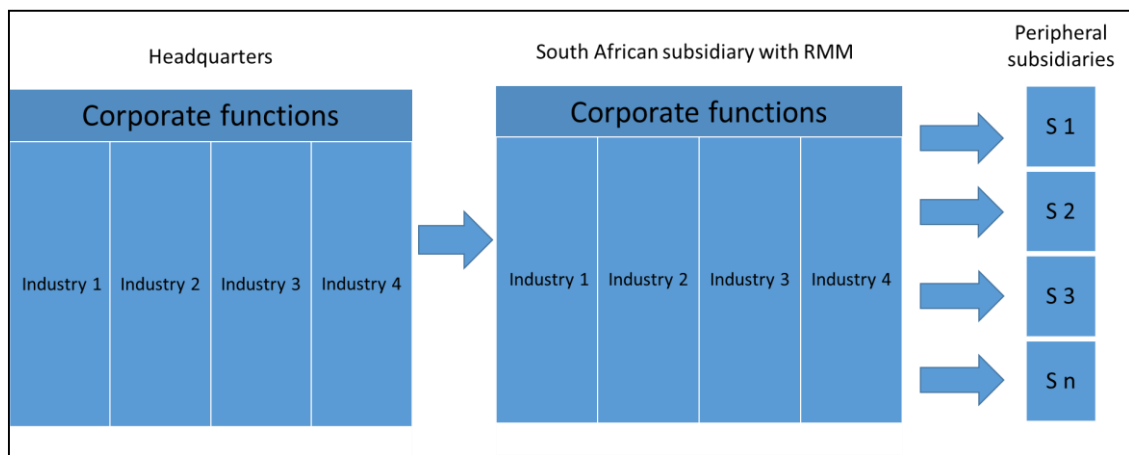
Proposition 2: The use of expatriates for control is preferred in a multi-business RMM-subsubsidiary when the HQ and RMM-subsubsidiary are geographically distant

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The purpose of this study was to gain a better understanding of the structure of a subsidiary with a regional management mandate (RMM) in a networked multinational corporation. As the organisation requested to remain anonymous, all identifying information has been disguised. The case firm conducts business in four heterogeneous industry sectors. While a single firm with the composition of industry sectors may limit the generalisability of the results, the fact that the sectors operate in strategic environments and are managed independently of each other makes this study appealing (Chini et al., 2005). The context is represented visually in Figure 9 below.

Figure 9: Context of study



4.2 Research design

A qualitative, in-depth, single-case study approach (Birkinshaw, Brannen, & Tung, 2011; Yin, 2003) was used within a European multinational organisation. This method was appropriate given that the topic of study falls within the international business discipline, which is known to be “multidisciplinary in scope and interdisciplinary in content and methodology” (Birkinshaw et al., 2011, p. 537). Therefore qualitative methods are probably more likely to capture the complexities and nuances associated with international business research (Birkinshaw et al., 2011). Additionally, qualitative research is exploratory in nature, seeking to understand that which is poorly understood, making it suitable to rigorous theory development (Birkinshaw et al., 2011; Yin, 2003).

Case study research in business uses multiple sources of empirical evidence (Myers, 2013; Yin, 2003) to investigate a contemporary topic in its real-life context (Saunders & Lewis, 2012; Yin, 2003). Therefore the combination of a qualitative design and a case

study approach was best suited to yield insights (Saunders & Lewis, 2012) and could, through an accurate understanding and interpretation of results, be of benefit to multinational corporations (Birkinshaw et al., 2011). Further, the study design contributes towards reducing the paucity of such designs in international business research (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2010).

Further, case studies are more suitable than questionnaires when multiple answers may be derived from single questions (Eisenhardt, 1989b), the nature of the study is complex and requires the exploration of multiple views in order to achieve the outcomes of the study.

A combination of a deductive and inductive approach was used. Deduction involves the testing of existing theory (Perry, 2001). As in this study the applicability of Alfoldi et al. (2012) was tested in the case firm for each of its four business areas. The inductive portion of the study involved the development of a theory from the collected data (Saunders & Lewis, 2012), whereby the structure of the HQ and RMM-subsi-diary was determined.

4.3 Population

The population includes various industries' multinational organisations' subsidiaries that have regional management mandates over one or more peripheral subsidiaries. While scholars still proffer various definitions of the multinational corporation in the literature, most are based on the aspects that are of interest to a particular researcher (Aharoni & Brock, 2010). For the purposes of this study, a multinational corporation was defined as a corporation that owns various types of facilities, whether factories and/or offices and other assets, in countries outside of its home country (Aharoni & Brock, 2010).

A subsidiary was defined as a company, either wholly or partially owned by the multinational corporation (Brouthers & Hennart, 2007), that has profit and loss responsibility (Alfoldi et al., 2012). A subsidiary with a RMM was therefore a subsidiary that has the additional responsibility of performing some headquarter roles over peripheral subsidiaries (Ghoshal & Bartlett, 1990). The multinational is headquartered in Europe and its subsidiary is based in Johannesburg, South Africa, and the peripheral subsidiaries are located in Sub-Saharan Africa.

4.4 Unit of analysis

This requires defining what the case is, the correctness of which is determined when the research questions are precisely identified (Yin, 2003). Therefore, the unit of analysis was the single subsidiary with four different business sectors exhibiting a degree of regional management mandate fulfilment over peripheral subsidiaries.

4.5 Sampling

4.5.1 Sampling technique

A single sample for this study was selected, that is, one subsidiary of one multinational company. The sampling technique was a non-probability, purposive-selection type. The case was chosen to fulfil theoretical and not statistical reasons (Glaser and Strauss as cited in Eisenhardt, 1989b). Theoretical sampling is a sampling technique that aims to obtain data that fills or develops the categories (Bloomberg & Volpe, 2008). It is not intended to be representative of the population for statistical analysis. Additionally, the sample was heterogeneous and provides variance via the four industry sectors type of business and the contexts therein (Saunders & Lewis, 2012).

4.5.2 Sample size

The sample included respondents who were executives and senior decision-makers and they were categorised into different stakeholder groups. Their expertise was attributed to their knowledge of the industry and business, managerial oversight and level of responsibility and their authority to approve and assign responsibility. Further, their tenure with the organisation attests to their wealth of knowledge and experience.

As this research aims to determine whether the Alfoldi et al. (2012) framework is relevant for other industries, it was deemed necessary to interview respondents in the support functions as identified in Table 1. These respondents were in a position to answer to the applicability of the Alfoldi et al. (2012) framework for all of the business sectors. They were able to provide additional insights into the HQ-subsiary as well as the subsidiary-peripheral subsidiaries relationship and structure.

Table 1: Support function respondents identified for interview

Position	Reason for selection	Years with organisation	International / HQ experience	Reference
The CEO of the subsidiary	Provide insight into the HQ-RMM-subsiary relationship	29	Yes	Respondent 1
The former CEO of the subsidiary	Provide insight into the HQ-RMM-subsiary relationship	30	Yes	Respondent 2
Legal representative	Provide insight into support function operation for RMM-subsiary and peripheral subsidiaries	3	No	Respondent 3
The head of HR	Provide insight into support function operation and insight in previous position in the Business Unit.	12	Yes	Respondent 4
The head of business excellence	Provide insight into support function operation in being responsible for the peripheral subsidiaries	17	Yes	Respondent 5
Peripheral subsidiary manager	Provide insight into support function operation and RMM-subsiary – peripheral subsidiary relationship	9	Yes	Respondent 6
The head of business development for Southern Africa	Provide insight into support function operation for RMM-subsiary and peripheral subsidiaries	17	No	Respondent 7
The head of compliance and governance	Provide insight into support function operation for RMM-subsiary and peripheral subsidiaries	24	Yes	Respondent 8
The head of IT	Provide insight into support function operation for RMM-subsiary and peripheral subsidiaries	17	Yes	Respondent 9

The second group of stakeholders identified for interviews was from the four business sectors, as represented in Table 2. The respondents identified for interview included the CEO and CFO of each sector and the heads of business development or equivalent for

each sector. These respondents were selected to provide insight into the operations of each sector, thereby addressing the applicability of the Alfoldi et al. (2012) framework, shedding light into the relationship with the peripheral subsidiaries and finally providing insight into the relationship with the HQ.

Table 2: Business sector respondents identified for interview

Position	Reason for selection	Years with organisation	International / HQ experience	Reference
The CEO of Industry 1	Provide insight into business operations between HQ-RMM-subsi- diary and the peripheral subsidiaries	22	Yes	Respondent 10
The CFO of Industry 1	Provide insight into business operations between HQ-RMM-subsi- diary and the peripheral subsidiaries	20	Yes	Respondent 11
The head of sales for new markets for Industry 1	Provide insight into business operations	10	No	Respondent 12
The CEO of Industry 2	Provide insight into business operations between HQ-RMM-subsi- diary and the peripheral subsidiaries	30	Yes	Respondent 13
The CFO of Industry 2	Provide insight into business operations between HQ-RMM-subsi- diary and the peripheral subsidiaries	26	Yes	Respondent 14
The head of business development for Industry 2	Provide insight into business operations	25	No	Respondent 15
The CEO of Industry 3	Provide insight into business operations between HQ-RMM-subsi- diary and the peripheral subsidiaries	16	No	Respondent 16
The CFO of Industry 3	Provide insight into business operations between HQ-RMM-subsi- diary and the peripheral subsidiaries	13	Yes	Respondent 17

The CEO of Industry 4	Provide insight into business operations between HQ-RMM-subsidary and the peripheral subsidiaries	24	Yes	Respondent 18
The CFO of Industry 4	Provide insight into business operations between HQ-RMM-subsidary and the peripheral subsidiaries	14	Yes	Respondent 19
The head of business development for Industry 4	Provide insight into business operations	25	No	Respondent 20
Head of Strategy and Sales Operations Industry 4	Provide insight into business operations	16	No	Respondent 21

The third group of stakeholders was the peripheral subsidiary managers, as seen in Table 3. Apart from providing their perspective to determine applicability of the Alföldi et al. (2012) framework, they also provided their perspectives and experiences relating to the RMM-subsidary and the HQ. In particular a newly established and a long-standing peripheral subsidiary were selected to determine whether the difference would yield differing insights and perspective.

Table 3: Peripheral-subsidary respondents identified for interview

Position	Reason for selection	Years with organisation	International / HQ experience	Reference
Peripheral subsidiary manager (newly established peripheral subsidiary)	Provide insight into RMM-subsidary and peripheral subsidiary relationship	8	Yes	Respondent 22
Peripheral subsidiary manager (long standing peripheral subsidiary)	Provide insight into RMM-subsidary and peripheral subsidiary relationship	15	No	Respondent 23

The final group of stakeholders identified for interview was from the HQ, as detailed in Table 4. Respondent 24 was selected to provide insight particular to the RMM-subsidary as the respondent's area of responsibility is Africa, and the respondent is directly responsible for the RMM-subsidary. Respondent 25, while from the same work area,

has a broader area of responsibility and the respondent's position and span of responsibility places the respondent in the ideal position to be able to represent the HQ on a broader base.

Table 4: Headquarters respondents identified for interview

Position	Reason for selection	Years with organisation	Reference
Controlling for Africa	Provide focused insight into HQ-RSA subsidiary relationship and structure due to direct responsibility for region	30	Respondent 24
Head of controlling	Provide insight into the broader HQ-subsidiary relationship and structure	27	Respondent 25

4.6 Research instrument

4.6.1 Design

The primary research design execution was via face-to-face semi-structured interviews (Saunders & Lewis, 2012) deemed to be one of the mostly commonly used in business research (Myers, 2013). This type of interview method was applicable because it allowed the researcher to cover the pertinent themes to the topic from a prepared list of questions but also allowed for flexibility in the ordering of the questions and the addition or deletion of questions as needed (Holstein & Gibrium, 2011; Myers, 2013; Saunders & Lewis, 2012; Yin, 2003).

Further, qualitative interviews "... [offer] the researcher a means of examining intertwined sets of findings: evidence of the nature of the phenomenon under investigation, including the context and situations in which it emerges, as well as insights into the cultural frames people use to make sense of these experiences" (Miller & Glassner, 2011, p. 145). Yin (2003) supports this view by noting that the strengths of interviews are that they can be focused on the case study topic and are insightful.

To answer the research questions an interview schedule was developed using literature as a basis, in particular Alfoldi et al. (2012).

Four of the interviews could not be conducted face-to-face as the respondents were based outside of South Africa and direct access was not possible. These interviews were

conducted telephonically and via Microsoft LiveMeeting. The most suitable method was selected based on the respondent's location.

All the interviews were conducted in English. However, not all the respondents spoke English as a first language, which resulted in some questions needing to be rephrased and explained to facilitate understanding. The interviewer at times needed to repeat respondent responses to ensure that the essence of the response was captured and understood correctly.

Secondary data collection was from documentation indicating policies, processes, procedures and reports related to the subsidiary with a RMM and its interaction with the headquarters and peripheral subsidiaries. The secondary data informed some of the interview schedule, identified some of the respondents and provided valuable background to the multinational organisation and supported data from the interviews. This use of multiple sources of evidence in a case study is recommended by Yin (2003) and is described as one of the strengths of case study research.

4.6.2 Reliability and validity

These technical terms refer to objectivity and credibility of research (Peräkylä, 2011). Yin (2003) identifies the three tests applicable to a single-case, exploratory study as being: construct validity, external validity and reliability. The benefits of using multiple sources of data include data triangulation, leading to the convergence of evidence in a single study which mitigates the problem of construct validity, as evidence is corroborated from multiple sources (Yin, 2003). This enhances the reliability of results, as one analysis of case study research revealed that case studies using more than one source of evidence are more highly rated than those using single-source data (Yin, 2003). In this study multiple sources of data arose from interviewing 25 different respondents, with each stakeholder group having more than one respondent to corroborate evidence and reviewing company information to support interview findings.

External validity deals with the generalisability of results beyond the case study (Yin, 2003). This is particularly difficult in case studies and relies on analytical generalisability, where the researcher aims to generalise a particular set of results to theory (Yin, 2003). Therefore, external validity cannot be claimed but the lack of external validity can be mitigated by the use of theory. External validity can only be confirmed once the theory is tested empirically and replicated several times.

Reliability refers to consistent findings in the same case when another researcher follows the research protocol of the initial study (Saunders & Lewis, 2012; Yin, 2003). Therefore, to minimise bias and error in the study a case study protocol was developed for use (Yin, 2003), in particular to minimise observer bias and observer error (Saunders & Lewis, 2012).

4.6.3 Interview schedule

The interview schedule was developed based on Alfoldi et al. (2012) (Appendix 1). Some questions were open-ended to facilitate the flow of information and others structured where concrete information was required (Ayres, 2008). Questions were tailored, were applicable, to the various respondents for their area of expertise.

The primary questioning was to determine the relevance of the Alfoldi et al. (2012) framework and questions were designed to elicit responses to address that. The second line of questioning was designed to address the research propositions as noted in Chapter three.

4.7 Data analysis and management

Data collection preceded data analysis. With the consent of the respondents the interviews were electronically recorded, thus providing an accurate and unbiased record of the interview (Saunders & Lewis, 2012). The SmartRecord application on the Apple iPad was used to record during the face-to-face interviews and was discreetly placed between interviewer and respondent. This method was unobtrusive and allowed the researcher to give full attention to the interview and listen closely to be able to ask appropriate questions (Yin, 2003). For the four telephonic or Microsoft LiveMeeting interviews, the interviews were recorded either via Microsoft LiveMeeting or using the SmartRecord application.

The recordings were transcribed. Qualitative content analysis was used to analyse the transcriptions, as it produced an orderly and comprehensive summary or overview of the data set (Wilkinson, 2011). Qualitative content analysis is an analytic method used to reduce data and make sense of them, that is, to derive meaning (Julien, 2008). To this end the transcriptions were analysed per stakeholder group. Categories or codes were developed from the literature for the deductive portion of the study and for the inductive portion the categories emerged from the data collected (Saunders & Lewis, 2012). This is an iterative process, therefore, the researcher spent time repeatedly analysing the text

to combine or divide previously identified categories in order to resolve any contradictions (Julien, 2008).

The unit of analysis was the responses received and they formed the basis of the development of the coding system of which recurring incidences were sought in the data (Wilkinson, 2011). Of equal importance is that which is not mentioned or missing – this absence is also noteworthy of attention and interpretation (Julien, 2008).

Data has been stored with unique identifiers, preserving anonymity. The recordings were backed up electronically on a compact disc.

4.8 Research limitations

A single case study is not generalisable without further investigation (external validity), which limits the use of the findings to understanding this particular context (Saunders & Lewis, 2012).

Subject bias could not be ruled out, as most of the respondents were senior in the organisation and this may have placed implicit expectations on them to answer in a certain way (Saunders & Lewis, 2012). This was mitigated by assuring the respondents of their anonymity.

Researcher error and bias cannot be ignored in the qualitative approach as the researcher interviewed many respondents, therefore the risk of asking the same questions in different ways is highly probable. Further, the researcher works at the case study subsidiary and has existing/prior knowledge of the organisation, and therefore can interpret the data in different ways, which may result in findings in favour of the researcher (Saunders & Lewis, 2012).

4.9 Conclusion

The data collected through the process and method described in this chapter were sufficient to determine the applicability of the Alfoldi et al. (2012) framework to the case firm, as well as to test the propositions noted in Chapter three. The selected respondents provided a rich quality of data which adequately addressed the research objectives and provided additional insight. The next chapter presents these findings.

CHAPTER 5: RESULTS

5.1 Introduction

The results are presented under each of the propositions outlined in Chapter three. As per the methodology in Chapter four, a single case study was selected and therein four groups of stakeholders identified. The research method was qualitative and exploratory in nature. The 25 interviews conducted were completed over six weeks. The interviews were conducted with four different groups of stakeholders, namely support functions, business sectors, peripheral subsidiaries and headquarters. Due to the nature of the Alfoldi et al. (2012) framework, the different stakeholder groups were asked different questions, as per Appendix 1. The semi-structured interviews allowed for the answering of the propositions and uncovering of new insights. The interviews were recorded electronically, with the permission of the respondents, and transcribed. The transcriptions were analysed using content analysis which forms the basis of the results presented in this chapter.

5.2 Proposition 1a

In a multi-business RMM-subsidiary, variations along the type of business, nature of customer or channel to market will impact the ten Alfoldi et al. (2012) functions performed by each industry sector

The framework developed by Alfoldi et al. (2012) had been tested in a single-business MNC in the FMCG industry. To determine the relevance of this framework to a multi-business MNC, the results are reported for each industry, the two roles and the five functions under each, based on questions posed to relevant respondents who were deemed most suitable to address the various topics.

Entrepreneurial role

Function one: Strategic leadership, planning and direction

The tasks ascribed to function one are seen to be executed by the different industries, as evidenced below by the industries and a support function respondent who confirmed that “what is then given to the regions to decide on, is where we want to be, exactly, in more detail.” For the peripheral subsidiaries, industries one, two and three provide strategic leadership in that they decide on how business will be conducted and plan for that execution. These industries take the HQ strategy and disseminate to the peripheral subsidiaries, providing local context. Industry four conducts business exclusively through

business partners as a channel to market, however, respondents indicated that they perform the tasks in Function one for their business partners.

According to the CEO of Industry one, a decision was taken to employ a person in each of the countries to develop the business. The CFO highlighted the reason for this as, "... [we] also have the responsibility to drive the business in the branches ... that is done from South Africa." While the planning and direction emanates from South Africa, the head of sales for new markets confirmed that "the head [of Industry one] rectifies the goals with us in consultation, so we all have to agree.... there are goals for different units"

The Industry two CEO confirmed that the branches work under the guidance of South Africa. This point was reinforced by the head of business development for the industry who noted that "... the strategy is always set by the parent company in terms of the portfolio of what you are marketing and how you are doing it" the respondent went on to say that this strategy would need to cover plans for moving the business forward in the different areas, referring to the branches in the different countries.

The Industry three CFO noted that the South African subsidiary was responsible for conducting business in the assigned countries, of which there are twenty-two in Africa. The CEO highlighted the role of Industry three, "the goal ... is to plan and manage the business that we are doing now and that we will do in the future. We are the eyes and ears of the decision makers in HQ in this region."

The CFO of Industry four indicated that business is conducted via business partners in Africa, and as such there is little or no use for the peripheral subsidiaries.

5.2.1 Additional findings related to Proposition 1a

Industries two and three conduct business via the peripheral subsidiary and/or business partners in any given country. Therefore the industries do exhibit performing of Function one for the peripheral subsidiaries.

The CFO of Industry two noted that the channel to market in the African countries is via distributors and that they were only really involved in one country in Africa via the peripheral subsidiary. A peripheral subsidiary manager, respondent 23, added that "... we also do sales locally through our sales partners; we call them partners."

The CEO of Industry three confirmed that the channel to market in Africa is direct and via a business partner, and the CFO added that there were two to three salespeople in a particular peripheral subsidiary, "... we have direct sales force, like [a country in Africa] we have two, three salespeople"

Industry four conducts business exclusively via business partners and only makes use of the peripheral subsidiary to base a business partner manager, as indicated by the head of business development who noted that it rents office space and some resources to support the business partner manager. However, it demonstrates the performance of Function one tasks for the partner by providing direction and planning through setting budgetary expectations and following up with quarterly reviews.

The head of business development explained this as follows: "... where we get involved in their business is when we do quarterly reviews, but then we are doing a quarterly review on our expectations and their budgetary agreements that they had with us." Additionally, Industry four provides training and guidance for new and young partners, helping to take them to the next level in performance and building the relationship.

As it has been established that Industry four conducts business via business partners, Functions two to ten will be answered for Industry four with reference to their business partners.

Function two: Resource development, acquisition and deployment

The tasks associated with Function two were best addressed by the industries and HR, indicating that these tasks are performed. With the assistance of the HR department based in South Africa, industries one, two and three manage all aspects of HR for the peripheral subsidiaries. This was confirmed by the head of HR: "HR will perform all of its portfolio across all branches, including South Africa as the head office. So that will [include] compensation and benefits, IR (industrial relations), leadership and development, talent acquisition or recruitment, learning [or] giving people skills." Industry three indicated that there is some development using resources at headquarters.

Industry four indicated that these tasks are performed for its business partners. The CEO of Industry one indicated that the industry desires to have at least one person on the ground in each of the peripheral subsidiary countries to develop the business. This

strategy was confirmed by the head of sales for new markets: "... we are in the process of ramping up, and the focus is definitely on trying to have at least substantial representation in that region."

Industry two was also in the process of increasing headcount in the region, as confirmed by the Industry CFO: "... in [a country in Africa] we currently have two people and are expanding to four."

The CFO of Industry three noted that it made use of resources at headquarters in addition to the HR services provided from South Africa: "within headquarters there are people responsible for certain regions and countries as we utilise those people to develop business and markets in those countries [referring to Africa]."

Industry four manages the business partners, but not in the typical HR sense, as respondents have indicated that they do not get involved from a hiring practice perspective; therefore the partner management is more from a learning and development approach which is done via the business partner manager.

Function three: Seeking and exploiting new opportunities

Industries one, two and three demonstrated performance of the tasks for the peripheral subsidiaries, whereas Industry four indicated that these tasks were performed for its partners. Tasks performed include developing markets and establishing a presence and setting up this presence from scratch. Industry three indicated that there is a dual drive for opportunities in the market via a partner and a direct sales force. Additionally, the head of business development for Southern Africa indicated that "... if you do have a board member visiting the branch opening, it sends a message to that market, to that government, that you are really in that country", which helps cement activities in these markets and indicate commitment by the company.

A manager of a peripheral subsidiary highlighted an overlap between functions two and three "... [the company is] more focused on getting business in those countries so they are currently putting [in] a few more sales people, a few more business development people, ... you have got to have people in the country looking for the business" This indicated that resources, in this case human resources, are needed to execute Function three.

The head of sales for new markets for Industry one indicated that one of the key objectives for the industry was to re-establish a presence in the peripheral subsidiary markets as these have been identified as key markets.

The CFO of Industry two indicated that they were going to establish a peripheral subsidiary from scratch "... we are going to open up a similar branch in [a country in Africa]"

The CFO of Industry three stressed a dual drive for seeking and exploiting new opportunities: "we have a person who is responsible for sales in the region ... he is one of our senior managers and he is driving the partner business. The direct sales people in the region go out and sell some components, operationally sell some products and position the company for the bigger picture."

Industry four, while operating via a business partner, also develops external relationships by visiting the customer with the business partner, as confirmed by the head of business development: "so what our regional partner manager does [is] he regularly goes into the region to visit the partner and with the partner goes and sees the customer, as the [company] representative"

Function four: Driving organisational adaptation

The industries did not indicate specific evidence of these tasks being performed, however, on an organisational level, other respondents indicated that this is done and is executed via the industries in the peripheral subsidiaries, as they are ultimately responsible for this. Additionally, the CEO indicated that the RMM-subsiary did indeed initiate and drive organisational adaptation through the initiation of the peripheral subsidiary management concept, stating that; "... we had to rethink on the structure ... together with the headquarters as to how we should run the remaining business ... it ensured control and we got buy-in from the headquarters."

Function five: Attention and signalling

No evidence was found that industries one, two and three recognised the peripheral subsidiaries for business contribution, which was confirmed by one of the peripheral subsidiary managers (respondent 23). As the peripheral subsidiaries are part of the

RMM-subsiary and managed by them, no individual recognition is given to the peripheral subsidiaries for any achievements. Further, the headquarters does not enquire of the peripheral subsidiaries about business achievements but only from an investment and risk perspective, as indicated by CFO of Industry one: “the main discussion around these branches is the costs of the branches.”

Industry four indicated that it did acknowledge its business partners, as did the industry headquarters, thereby providing attention and signalling to business partners. This is captured by the head of business development as: “... when we have got partners that either for the best performance, or they have had a very big deal go through, we make sure that they get praised in front of their peers for what they have done.... it also makes sure that there is definite recognition for performance.” The head of strategy and sales operations confirmed that the headquarters holds an annual partner event, to which Industry four endeavours to have its business partners invited.

Integrative role

Function six: Monitoring, control and governance

This function was best addressed by the industries, of which industries one, two and three indicated that they perform the tasks for the peripheral subsidiaries and industry four indicated that they perform the same for their partners. Industry one indicated that it performs a monitoring and control function on both the administrative and operational levels, with the head of sales for new markets also being involved in managerial HR matters. This was supported by industries two and three. Industry four indicated that these functions were performed for its business partners by performing quarterly monitoring and using a CRM tool to track partner business. Further, industry four, like industries one, two and three, extend South African rules and regulations to its partners.

On a corporate level, there is a compliance function for the organisation that also oversees the peripheral subsidiaries and business partners, as confirmed by respondent 8: “I am responsible for compliance for South Africa and all the assigned countries associated with South Africa”

The CEO of Industry one indicated that on an administrative and project level there was regular contact with the peripheral subsidiaries. These meetings were conducted by the managers from South Africa responsible for the peripheral subsidiary administrative

tasks and duties, as well as on the project side for the execution of projects. Additionally, the head of sales for new markets does get involved in disciplinary measures of the peripheral subsidiary management.

The CEO and CFO of two both confirmed that the administrative control is exercised from South Africa: “all ordering, processing and things like that are done from South Africa.”

The CFO of Industry three highlighted the level of control and governance that exists within that business and added that projects could not be executed without having headquarters approval.

Industry four demonstrated this being done for its business partners. The head of business development confirmed that on a quarterly basis the industry monitored the business partner’s progress. A CRM tool is used to track offers submitted to the partner, which in turn submits to the customer. With regard to governance, the same respondent added: “we tend to run by the same rules and regulations that we abide by here in South Africa. We make sure our partner adheres to our marketing code authority.”

Function seven: Resource and knowledge management

All industries confirmed performing these tasks – industries one, two and three for the peripheral subsidiaries and Industry four for their partners. On a support function level, it was confirmed that the RMM-subsidiary HR department performs HR services and functions for all peripheral subsidiaries, that IT services and support are offered across all peripheral subsidiaries, and finally that peripheral subsidiary managers’ meetings are held, during which they can share information with each other on a monthly basis.

Support function respondents confirmed performance by the RMM-subsidiary as a whole. The head of HR confirmed that “the performance management of our people is done. We look at each person and decide what skills they still need in their current job to obviously improve what they are doing or to have a look at future development of those people.” The head of IT added that the IT department is also fully responsible for the operational activities in the peripheral subsidiaries.

The peripheral subsidiary manager, respondent 23, confirmed knowledge sharing: "... we normally have monthly meetings online where we share information on the main activities happening in our branches"

Industry one displays evidence of knowledge sharing and coaching, as well as portfolio and sales training, as confirmed by the CEO of the industry: "... on the projects level, ... the business unit running the project also has its project review meetings to coach the project managers and also go on-site with the project managers." Additionally, the head of sales for new markets added that the support received in South Africa was extended to the peripheral subsidiaries and that portfolio and product training was offered, as well as on-the-ground support through attending customer meetings.

Industry two, which was previously noted as having a dual channel to market, provides a learnership and development programme to their partners, but shows no evidence of offering the same to the peripheral subsidiaries, as confirmed by the head of business development for the industry "... so there is a learnership and development programme."

The CEO of Industry three indicated that resources and knowledge are disseminated through the execution of projects in the peripheral subsidiaries.

Industry four has no involvement in its partners' HR matters, however, it does provide the partners with training at the annual partner meeting and offers support through the partner manager. This was confirmed by the head of business development for the industry, who added that "... we have on a yearly basis a partner meeting and we use that as a training platform to train the partners"

Function eight: Representation and mediation

The RMM-subsidiary across all four industries is the representative for the peripheral subsidiaries and business partners. This is confirmed by the legal representative who indicated that litigation within the peripheral subsidiaries is dealt with from South Africa. The headquarters respondent added that the peripheral subsidiaries were in the scope of the headquarters as they are part of South Africa.

All industries are clear that South Africa is responsible for the peripheral subsidiaries and that all matters related to the peripheral subsidiaries and the business partners, in the case of Industry four, are referred to South Africa.

The CFO of Industry one highlighted that although there are staff in the peripheral subsidiaries who should interact with and contact the customer directly, this is not done; instead, this is something executed from South Africa. This is supported by the CEO of Industry two who reported Johannesburg being the hub for business for the RMM-subsiidiary. These sentiments were echoed by the CFO of Industry three who stated that, "... the mandate is clear. South Africa is responsible for these twenty assigned countries"

With reference to its business partners, the head of business development for Industry four noted that the business partner manager was in contact with the business partners regularly. Additionally, South Africa was acknowledged as the representative for the region by the headquarters: "if a customer bypasses the local organisation and attempts to log a call or complaint with the head office, they will route it back to us again"

Function nine: Coordination and harmonisation

All industries perform these tasks, and Industry four for its partners. All the peripheral subsidiaries make use of the back office support offered by each of the industries or by the corporate functions of the RMM-subsiidiary. Industry four provides access to information for its partners via the extranet.

The head of business excellence explains: "the branch does not have a CEO and CFO and support functions are held within the mother organisation [South Africa]." IT is one of the centralised services for the region, according to the head of IT.

The CEO of Industry one indicated that the technical aspects of the business, including quotations and discussions with the customer, are performed from South Africa. The CEO of Industry two added that the back office support included all ordering and processing. These views are best summed up by the CEO of Industry three: "... [they] run in line with our local processes that we are running, and we use our back office to support these better" The CFO added: "we coordinate our activities within those countries"

Function ten: Integration and facilitation of inter-unit linkages

Only Industry two provides no evidence of performing these tasks, either for the peripheral subsidiary or for its partners. Again, Industry four performs these for its partners. Industries one and three actively work towards integration of the peripheral subsidiary staff in various positions through different activities, being mindful to include or make the peripheral subsidiary staff feel included as part of the larger organisation. Industry four provides the environment and facilitates this among its partners, which has benefit for both the individual partners and the industry.

The support function respondent six, the peripheral subsidiary manager, performs the task for the organisation as a whole, across all peripheral subsidiaries. The manager explained the reason for this: “the main problem is that the branches are so far away.... whenever they can’t get anything done in the corporate or business sectors then they bring it to me and I provide the physical contact”

There are specific activities that are used to encourage integration into the RMM-subsubsidiary and across peripheral subsidiaries. A telephonic monthly meeting is held where an exchange of ideas among the peripheral subsidiary managers can occur. On an annual basis there is an attempt to have a meeting with all parties in South Africa. This unique single point of contact for the peripheral subsidiary managers and the RMM-subsubsidiary could compensate for Industry two who does not perform the tasks of Function ten. Additionally, respondent six highlighted that, “... I will take it upon myself to sort of bring them into the organisation, make sure they meet everyone that they need to meet with, from executive management to local workers ...” to foster integration.

The CEO of Industry one indicated that regular teleconferences are held with one of the peripheral subsidiary managers to exchange ideas and have informal discussions and offer support. The CFO of Industry three added that it is about collaboration and coordination with other countries as well. The business development manager of Industry four highlighted that they try to include the business partners in the organisation and also create an environment for networking: “as with any groups of human beings there will be little cliques that are formed ... so it’s not just an organisation event, but a networking event for them [the partners] as well. It has advantages for us as well ... we can get the two of them working together.”

5.3 Proposition 1b

Business units within industry sectors will play different roles due to the variation along the type of business, nature of customer or channel to market, even though they may hold the same charter

Within this case study, the industry sectors have each evolved from a subsidiary to one with HQ-mandated functions – this represents charter (Alfoldi et al., 2012; Birkinshaw & Hood, 1998). Within this charter, various capabilities during the course of business manifest and therefore highlight roles that each business unit may play within each sector within the RMM-subsidiary. As noted in Chapter two, there are four knowledge roles based on the degree of knowledge creation and inflows and outflows (Gupta & Govindarajan, 1991). There are four roles in the matrix of the degree of responsiveness and integration, aligned with the MNC aim of global integration and local responsiveness (Doz & Prahalad, 1984; Menz et al., 2013; Schotter & Beamish, 2011). Finally, there are four roles in the framework of the degree of autonomy and procedural justice, which, according to Taggart (1997b), can determine the success of a subsidiary based on its access to the same. Evidence is presented for each sector, highlighting different roles played by the business units within each sector.

The CEO of Industry one described the level of capabilities, thereby highlighting various roles played. There is evidence of an exchange of knowledge and ideas in Industry one. There is a flow of knowledge between Industry one and the headquarters, as well as between Industry one and other subsidiaries. The balance between high and low knowledge inflow is dependent on the needs of the industry, and as evidenced by the CEO's statement that, "where there is a lot of risk or if we need somebody else or there are not enough competence, that's where we go to headquarters with that individual project and say we have this opportunity, we can do this but can't do that, we have the following missing resource or missing competence ...". The industry approaches headquarters as needed.

The same can be said for knowledge flows between the industry and other subsidiaries. The CEO explained, "what you want in business is to be able to exchange your ideas. We are also working together in [a country in Africa] on the projects and the same with [a country in Africa], [where] we are working with headquarters and the branch, depending also on the nature of business and the competence of the country."

The CEO further highlighted that the headquarters does listen to the industry as its employees are knowledgeable about the market, however, the headquarters is able to add value as it possesses global knowledge of projects and might be able to offer solutions gleaned from elsewhere. There is evidence of the exchange of knowledge on an individual basis as well, once again highlighted by the CEO: "... I come from the business ... I will ask people whom I have met before or I will ask for somebody's help in certain situations. Yes, of course, the people know me and they give me a call to ask what I do in certain situations ... and then I [make recommendations]"

Additional findings in Industry one

Two respondents from Industry one highlighted that while the sector has been given the charter of HQ responsibilities, this seems to be relevant only at the strategic level of the organisation, while the lower operational levels view this differently. This is important to note, as charter or delegation of the RMM status is made at HQ level as part of the organisational strategy. This possibly indicates that the industry with the RMM charter is not able to carry out its functions and tasks as the lower operational levels in the organisation may inhibit or try to gain this charter from them through competition and by gaining attention.

The CFO highlighted that, "... I have the feeling that within the organisation, the focus changes from a strategic point of view the lower you go in the organisation ... the strategic level and operational level differ.... We have situations where different segments of the organisation are actually approaching customers in our countries"

This is supported by the head of sales for new markets: "in one of the business units I received an e-mail with strict instructions from head office that he will run the market ... he has the market rights ... but we are responsible for the country."

In Industry two, capabilities lie within the industry and within the partners. However, for the role determination of the business unit, the partner capabilities are excluded so as to determine capabilities and hence roles within the RMM charter. There is evidence of various roles played and intense partner business, as supported by the head of business development for the industry: "... for the region that we are serving, the channel to market is exceptionally important, not only from a partner categorisation [point of view] ... we

have elaborated up to eight different channel types from a basic distributor ... to your trained and equipped system integrator-type partners.”

There is evidence of knowledge sharing between the industry and other subsidiaries and, potentially, headquarters. However, there is no evidence to accurately determine the level of this knowledge sharing. This industry demonstrates high degrees of integration, following a global initiative – the partner business model and making use of the headquarters-produced goods to grow its local markets.

This was expressed by the CEO of the industry: “we represent the business, we run the business, we are a profitable business, we are selling the technology, we are selling their products, it is coming out of their factories, they have utilisation, and we are creating an installed base. As long as we create a strong installed base, we will have more service business and more spare parts business in the future.”

High degrees of responsiveness are evident – the industry makes use of local partners to extend its reach to customers and provide (through the partners) different levels of service. Finally, the CEO notes that, “we give them new information. Headquarters wants to be prescriptive and tell you how things are done ... if you don’t play the role of explaining to them, they are never going to learn ... [the more we explain] the better our working relationship is. And again you need to be a committed partner to headquarters.” This indicates that the benefits of knowledge sharing extend to improve working relationships and the role occupied with the headquarters.

Like Industry two, Industry three follows the global model of a dual channel to market, as confirmed by the industry CEO. Industry three works in close collaboration with the headquarters as well as other subsidiaries, relying on them to fill the resource, expertise, knowledge and experience gaps. This is explained by the CFO: “... we follow the global structure. We don’t want to dominate or be the primary [entity] to do business in those countries. It’s a collaboration and coordination with other countries with heavy involvement from headquarters ... locally in some areas we may not have the resources to do the business, in others we may not have the right solutions, it’s decided on a case by case basis.... So we have to work closely with the headquarters and they determine where the resource experts is to come from to execute the project” This does not occur routinely, but rather on an as-needed basis.

The industry CFO reports that the headquarters does get involved in its business, especially when the results are not up to par, and institutes corrective action by deploying an expert in the area that is lacking. While the CFO is aware that there is knowledge and information available in the industry among the different subsidiaries, it is not widely available unless you seek it out. Currently the industry displays an inflow of knowledge for two projects, however, it has also piloted a project which has been fed back to headquarters for possible global roll-out. The knowledge flow pattern appears to be a hub-and-spoke configuration where the headquarters is the hub. Both CEO and CFO agree that discussion and collaboration with the headquarters is vital for successful business.

Additional findings for Industry three

The industry CEO emphasised that the business partner model is used where the industry aims to drive the sale of products.

Industry four works exclusively via business partners, using the peripheral subsidiaries as base offices for partner-managers. The decision of the channel to market was driven by headquarters and the industry complied, as confirmed by the head of strategy and sales operations: “previously we had a direct sales force in these countries. [The change] was definitely headquarters-driven.”

The business development manager noted that the industry’s role therefore is to source, where needed, and manage the business partners across the assigned territories. Therefore, like Industry two, it too has a high degree of integration sourcing equipment from the headquarters and a high degree of responsiveness via its business partners, who are deemed representatives of the industry and therefore the whole organisation, as noted by the CFO of the industry.

Within the larger organisation, there is evidence of knowledge sharing between Industry four and the headquarters, as confirmed by the industry CEO, who stated that the subsidiary feeds back to headquarters the local market needs. Knowledge sharing with other subsidiaries also exists, even to the point of creating new information for dissemination to sourcing information needed about business partners among the various MNC subsidiaries.

Additional findings for Industry four

The headquarters of Industry four, to whom the CEO reports, assigns business targets to the CEO of the industry, as does the CEO of RMM-subsiary. This highlights complexity in a matrix organisation when reporting is dual and the need to comply with both is strong. Additionally, the alignment of headquarters directives over local corporate operations is at times challenging.

This is highlighted by the CEO of the industry: "... the example of the performance measurement plan demonstrates the environment we are working in, so the expectation of the headquarters is that you are representing [the industry] for [the industry] business, and you'd better make sure you make the right decisions and the right decisions for the business ... if you are influenced too much by other stakeholders to do something slightly different to what you would do and for this business in country, good luck to you"

Therefore the leeway in decision-making that expatriate managers have over local managers on the same level can be quite different when considering long-term career planning.

Again the CEO notes: "... I would have more latitude to make the right decisions for [the industry] because I have X options. If someone is local here it's their desire to be local, and well perceived hopefully, and they have made a decision which was blatantly for [the business] but it didn't help the regional company [RMM-subsiary]"

From the industries' perspective, all the industries concur that it is possible to present ideas and have discussions with headquarters, even at board level. There is a reliance of headquarters on the local organisation for market information, which may also contribute to the ability to be able to present ideas to them. The industry respondents confirm that it is important to keep the dialogue going, to keep headquarters informed and to be persistent in trying to present one's ideas. There is definitely an element of being proactive in the relationship in order to be considered a partner.

5.3.1 Additional findings related to Proposition 1b

The RMM-subsiary support function respondents confirm that they have been able to present ideas and concepts to the headquarters that were given a hearing and accepted for implementation. The head of business development for Southern Africa noted that the headquarters relies on local expertise and as such is open to accepting their

recommendations. This is reinforced by the CEO of the subsidiary who confirmed “we were the brainchild of the branch concept ... it ensured that kind of control and we got buy-in from the headquarters.” On this topic, the head of controlling added that the topic had not been broached before but headquarters felt it compelling enough to explore further. Additionally, the controlling for Africa respondent added that there were numerous discussions revolving around partner exchange of information. However, the former CEO of the subsidiary stated that while the HQ may be open to suggestions from the RMM-subsidiary, it is important that the subsidiary be mindful of its position in the global organisation as well.

5.4 Proposition 1c

The peripheral subsidiaries are viewed as extensions of the RMM-subsidiary, which is as quiescent subsidiaries

The quiescent subsidiary is one of four in the Integration-Responsiveness framework, indicating that the subsidiary has a low degree of integration and a low degree of responsiveness (Manolopoulos, 2008). The general view across industries one, two and three on the peripheral subsidiaries is that they are necessary for legislative purposes, required by the local authorities to conduct business. The CEO of the subsidiary remarked that “... the branches run as a sales office ... and they were not supposed to do purchase orders or any kind of other transactions. [The] sectors are responsible for running the business as there is no corporate setup in these branches.” The head of business excellence added that the support functions are all held in South Africa.

The CFO of Industry one views the peripheral subsidiaries as a vehicle to do business in African countries, and that each peripheral subsidiary itself should not be too concerned with doing the business as it is merely there to provide the infrastructure for South Africa. The CEO and CFO of Industry two have described the peripheral subsidiaries as “scaled down” and necessities for tax purposes. The CEO of Industry three concurred with these views and added that the peripheral subsidiaries are “flags” of the organisation in Africa.

Continuing on the theme of importance, the head of business development in South Africa remarked that some peripheral subsidiaries are more important than others, the ranking being determined by the strategic focus of the organisation and the growth and opportunities in those countries. The view of headquarters is that the peripheral subsidiaries are so small they are not important to the headquarters, but South Africa is.

The peripheral subsidiary managers (respondents 22 and 23) both agree that the peripheral subsidiaries are not viewed as important by the South African office, however, the manager of a newly established peripheral subsidiary did remark that different industries take different views on the same matter. This is in part supported by the CEO of Industry one, who said that it is important to have a strong local presence in Africa, develop local talent and increase localisation to foster better business opportunities and development. This highlights the contrast between operational and administrative aims in the RMM-subsiary. The same peripheral subsidiary manager goes on to say that, "... it's a small country but I am also seen here by the public as the CEO ... the role [involves meeting] high-profile people in the country and ambassadors. [In] South Africa I believe that is not always 100% seen. The branch manager might partly be seen as just [an extension] of South Africa basically executing the reports signature-wise ... basically just somebody there as an administrator who makes sure the obligations are met." The peripheral subsidiary manager in South Africa said that this view of the peripheral subsidiaries in Africa is set to change as there is a need to look outside of the South African borders for business opportunities and growth and, as a result, the industries in South Africa will need to pay more attention to the peripheral subsidiaries.

5.5 Proposition 2

The use of expatriates for control is preferred in a multi-business RMM-subsiary when the HQ and RMM-subsiary are geographically distant

The CEO of the subsidiary confirmed the distance between the RMM-subsiary and the headquarters: "... one speed bump that we have is that we are too far away. It's 10 000km to get from here to anywhere" This geographic distance, according to the theory by Chang et al. (2009), would cause the headquarters to deploy expatriates to subsidiaries as a preferred method of controlling its subsidiaries.

The CEO of the subsidiary added that expatriates are considered for positions in South Africa when there is no local knowledge and resource available to execute what needs to be done. The former CEO of the subsidiary highlighted that the expatriates are required to transfer their skills and knowledge to the local organisation, and while this remains a challenge, the success of this can be seen in the reduced number of expatriates in the local organisation compared with 20 years ago.

The headquarters respondent added that “... we see it as an important part of our employer branding ... if we talk about expats in the countries we are not only talking about [HQ nationals] going into countries, we try to exchange as much as possible to give our employees the opportunities to work really globally in a global corporation” This backs up the argument of expatriates being required for skills and knowledge but extends it to include employee career development.

5.5.1 Additional findings related to Proposition 2

Each industry has a CEO and CFO, totalling eight for the RMM-subsiary (See Table 2). Of these, only one reported having had no international experience with the organisation or at the headquarters. This headquarters experience could be used as an alternative method to expatriate deployment, since employees spend time immersed at the headquarters learning the values and culture and understanding the corporate strategy. Therefore, the headquarters feels that it would not need to deploy expatriates to the region as they are familiar with the individual who worked at headquarters and have developed a relationship of trust.

This is supported by the CFO of Industry four: “I think it’s imperative for all of us managing businesses to have spent time at the parent entity [in order] to understand the culture, understand people ... so that it is easier when you are in-country to facilitate business discussions with them ... also headquarters builds confidence in that person because then they feel [they] know this person, this person was here for this amount of [time] ... [they would] have absolutely no problem with the decision that this person [would] make.”

The headquarters respondent, the head of controlling, echoed this point: “... one example is the management training programme, where from time to time people from South Africa can go work at headquarters”

5.6 Additional findings from the interviews

The CEO and former CEO of the subsidiary, as well as the business sector CEO and CFO respondents (12 in all) all mentioned networking, relationships and trust with headquarters counterparts as being crucial to business success.

The CEO and former CEO of the subsidiary differentiated between informal and formal networks – the former being those relationships built over years of interaction and working together, and the latter being those that the organisation fosters through

arranged meetings and conferences, often more applicable to those with whom you currently work.

The CEO of Industry four confirmed the duality of networks: "... because I was at [headquarters] I have a huge network at that point, and then as we all move away, I have lots of peers around the world more informally ... and we meet at the [formal meetings] every year."

The CFO of Industry four added: "[networking is] actually vital for any role in the organisation. I keep my networks alive by talking with people when I need a different perspective ... you tend to get quicker responses than if you were a stranger."

The CEO of Industry one spoke of demonstrated competence building trust with the headquarters and trust equating to more freedom, also saying having the networks at headquarters helps in executing business locally when assistance is needed. "if you perform well and have good communication with the headquarters, that leads to trust and you get more freedom ... I know that competence is available at headquarters [and] the network helps."

The head of business development for Industry two highlighted that relationships and trust are key in business, especially regarding communication and delivering on promises: "relationships are key ... the ability to build trust and that you will do what you say you will do." The respondent further highlighted the value of networks, especially between the headquarters and subsidiaries, as being vital, adding that these networks could help the headquarters achieve its objectives in the subsidiaries: "networking and understanding the different role players, having the ability to communicate and talk to them, is vital in a parent company-regional company relationship. I think that what [ends up being] accomplished [are] the overarching objectives of the headquarters as opposed to the overarching objectives of the regional company."

While this respondent was the only one to note this relationship between networks and the headquarters achieving its goals, this can be related to the additional finding of Proposition 2 above. To summarise, if the local employee has a secondment period at the headquarters, relationships, trust and networks can be built. On the employee's return to the local organisation, the headquarters can use these relationships and networks to achieve its aims and indirectly exert control. However, there is a dual benefit for the local organisation as well, in that local business objectives can also be achieved.

The CFO of Industry three stated that networks are important for business, serve as a first point of call when a challenge arises and that it is the individual's responsibility to develop these, especially in large MNCs. "Networking is very crucial ... especially when you work in a multinational company ... I go out and cultivate these in headquarters and all over the world ... so if I run into problems my network is the first place that I go to get advice and guidance ... it's up to each individual in the company to cultivate that."

As noted under the additional findings from Proposition 2, the headquarters controller for Africa commented that employees from South Africa can work at headquarters under the management training programme, the advantage of this being "... to increase the possibility to get to know people [so that] when they go back they have improved their network and also, for us, we know them and [to] work together is much easier ... this training programme is contributing a lot to [improving] the relationship between regional company and headquarters."

5.7 Conclusion

The results obtained suggest that the Alfoldi et al. (2012) framework is relevant to multi-business RMM-subsiidiaries. They also suggest that the business units within the industries of the RMM-subsiidiary play multiple and different roles during the performance of these and other functions. The variations along product line, nature of customer and channel to market noted in propositions 1a and 1b can be summarised for each industry in Table 5, as learned from the interview respondents. There was no specific mention by any of the respondents of the nature of the customer serviced, however, there is sufficient evidence to produce Table 5. It is along these two lines of variation that the results will be discussed in Chapter six for propositions 1a and 1b.

Table 5: Identified variation in industries

	Type of business	Channel to market
Industry 1	Project	Direct
Industry 2	Product	Dual (direct and business partners)
Industry 3	Project / Product	Dual (direct and business partners)
Industry 4	Product	Business partners

The peripheral subsidiaries for which the RMM-subsiidiary has responsibility are not viewed as self-functioning units by any of the stakeholder groups, however, the external perception of one of the peripheral subsidiaries differs with the internally held view.

Finally, the deployment of expatriates to the geographically distant RMM-subsiidiary does not appear to be for the reason of control from the headquarters.

The findings in this chapter were sufficiently detailed to enable the propositions to be tested further in this study. These findings are analysed and interpreted in Chapter six in alignment with the propositions; more specifically attention is paid to whether the propositions are supported by the theory base in Chapter two. The implications of these findings will be discussed in Chapter seven, where they will be presented as recommendations for the different stakeholder groups.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The research findings noted in Chapter five are discussed in more detail in this chapter. Findings are elaborated on and linked to the literature reviewed in Chapter two, to determine whether the propositions hold true in the context of the research. The research propositions and semi-structured interview questions were informed by the body of existing literature on the relationships between headquarters and subsidiaries. The level of data collected emanated from the 25 semi-structured interviews with support function, business sector, headquarters and peripheral subsidiary respondents from a MNC.

6.2 Functions performed by RMM-subsidiaries

Proposition 1a: In a multi-business RMM-subsidiary, variations along the type of business, nature of customer or channel to market will impact the ten Alfoldi et al. (2012) functions performed by each industry sector

While headquarter-subsidiary relationships are not a new phenomenon, the RMM-subsidiary is. In this context a subsidiary with existing profit and loss responsibilities is delegated headquarters functions over subsidiaries which are remote relative to the headquarters (Alfoldi et al., 2012). Proposition 1 requires an assessment of whether each of the four industry sectors in the multi-business MNC performs the ten functions described by Alfoldi et al. (2012) for the peripheral subsidiaries, and whether any variations impact or influence this performance. The respondents interviewed in the investigation of this proposition were from the business sector. Supporting information was obtained from the support function and peripheral subsidiaries respondents.

Table 6: Functions performed by industry

Entrepreneurial Role		Performed
Function 1: Strategic leadership, planning and direction	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 2: Resource development, acquisition and deployment	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 3: Seeking and exploiting new opportunities	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 4: Driving organisational adaptation	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 5: Attention and signalling	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	No No No Yes – for business partners
Integrative Role		
Function 6: Monitoring, control and governance	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 7: Resource and knowledge management	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 8: Representation and mediation	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 9: Coordination and harmonisation	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners
Function 10: Integration and facilitation of inter-unit linkages	<ul style="list-style-type: none"> • Industry 1 • Industry 2 • Industry 3 • Industry 4 	Yes Yes Yes Yes – for business partners

The findings for this proposition for each industry are set out in Table 6. The findings reveal that, in contrast with Alfoldi et al. (2012), there is evidence of the RMM-subsiary initiating and driving organisational adaptation through the development and execution of the peripheral subsidiary model. Although this was developed at corporate level, the driving of this organisational adaptation is the responsibility of the industries. Consistent with the findings of Alfoldi et al. (2012) there was no evidence of signalling and attention from industries one, two and three for the peripheral subsidiaries with the HQ. However, Industry four, which conducts business through business partners, gave attention to – and created a signalling effect for – its partners with the headquarters and other business partners.

This could be related to type of business and channel to market. Industry one conducts project business which (as noted in Chapter five) is executed from South Africa and, where needed, resources are brought in from headquarters. Even though there is the presence of the direct sales force, there is still a heavy reliance on South Africa to conduct business. The same can be applicable for industries two and three. Although they conduct product and project business, their reliance is more on business partners: Industry two has an elaborate differentiation of business partners and Industry three relies on partners, some direct sales and the headquarters to conduct business.

In the case of Industry four, in conducting business it relies entirely on its business partners and therefore draws positive attention to the business partners. This positive attention can be likened to that between subsidiary and headquarters, as mentioned in Chapter two. This attention given to the business partners that perform well can result in motivation, increased commitment, relationship-building and ultimately autonomy or increased resource allocation from Industry four.

In summary, the Alfoldi et al. (2012) framework can be extended to include that of a multi-business MNC. Additionally, in business sectors like Industry four that make use of business partners as a channel to market, these functions and tasks are also relevant to them – thus expanding the Alfoldi et al. (2012) framework to include industries with alternative channels to market.

The results also indicate that the type of business, project or product, and the channel to market affects whether and how the functions are performed. These findings support the view that the RMM-subsiary is a better alternative to the RHQs, since they are capable of performing the HQ-delegated functions at a considerably lower cost than the RHQs

and are also a profit-and-loss centre as opposed to being merely an administrative setup (Alfoldi et al., 2012). The relevance of this finding is that HQs can reduce costs of monitoring by using a RMM as opposed to a RHQ. This appears to be in contrast to the trend noted in Chapter one, where MNCs appear to be establishing RHQs to achieve globalisation.

6.3 Different roles played by business units within industry sectors

Proposition 1b: Business units within industry sectors will play different roles due to the variation along the type of business, nature of customer or channel to market, even though they may hold the same charter

This proposition aimed to determine the roles played by the individual business units within the industries, based on their capabilities in the context of the RMM charter. The proposition was derived from the theory on multi-business MNCs (Enright & Subramanian, 2007; Ghoshal & Bartlett, 1990; Menz et al., 2013), subsidiary roles (Gupta & Govindarajan, 1991; Taggart, 1997b; J. Taggart, 1998) and subsidiary evolution (Birkinshaw & Hood, 1998). The literature argues that within a multi-business MNC, each industry together with the corporate structure can constitute a single-business MNC which has its own capabilities, and therefore the business units within these industries can play their own and often multiple roles.

The findings for this proposition are laid out in Table 7, detailing the roles played by each business unit, as supported by the interviews. The roles are listed in order of dominance and primacy for the industry (Tavares & Young, 2006). The roles described as partial refer to industries that fulfil only part of the given descriptions of the roles as per the literature review in Chapter two. The reasons for not fulfilling the criteria completely have not been explored in the interviews. However, from available company data, it is evident that there are no R&D activities conducted in South Africa and limited manufacturing as most of the products and components are sourced from the headquarters' factories which therefore limits value chain functions. When viewed from the perspective of autonomy and control one could argue that fulfilling partial functions is a result of headquarters resource and charter allocation – this is in itself a form of control and maintains the dependence of the subsidiaries.

Table 7: Industry roles

	Knowledge flows	Integration-Responsiveness	Autonomy-Procedural Justice
Industry 1	Global innovator Integrated player	Partially Active Partially Receptive	Partial Collaborator Partner
Industry 2	Global innovator Integrated player	Partially Active Partially Receptive	Partial Collaborator Partner
Industry 3	Integrated player Implementor Global innovator	Partially Active Partially Receptive	Partial Collaborator Partner
Industry 4	Global innovator Integrated player	Partially Active Partially Receptive	Partial Collaborator Partner
Support Functions	Global innovator Integrated player		Partner

All four industries have been identified as playing the roles of Global innovator and Integrated player in the knowledge flows framework developed by Gupta & Govindarajan (1991). The knowledge that characterises this framework comprises expertise and external market data of strategic value and not internal administrative information (Gupta & Govindarajan, 1991). Only Industry three has been identified as also playing the role of Implementor, ahead of that of Global innovator. The Global innovator role is the dominant role for industries one, two and four, as these industries indicated that they only consult with headquarters for information and resources as and when needed.

Therefore, they have high levels of knowledge creation that flows out from them to the headquarters and other subsidiaries and, to a lesser degree, they receive information from others (Gupta & Govindarajan, 1991). In the case of Industry three, its second dominant role is that of Implementor. This industry gave evidence of relying heavily on headquarters and other subsidiaries for knowledge and resources to execute business (Gupta & Govindarajan, 1991), as mentioned by the CFO of the industry: "It's a collaboration and coordination with other countries, with heavy involvement from headquarters."

In terms of the knowledge flows framework, the different roles played do not appear to be affected by type of business (project or product), nature of customer or channel to market (direct, business partner or dual). Instead, they are affected by existing resources and competence as industries one, two and four approach the headquarters as needed. It is only Industry three that works in such close collaboration with and reliance on headquarters, thereby possibly indicating a lower level of possession of resources and competence in that industry. Therefore, knowledge generation can be seen as independent of other factors when it comes to generation and sharing.

Regarding the Integration-Responsiveness framework, industries one, two and four reported findings consistent with being partially Active (subsidiaries), with high degrees of both responsiveness and integration. These industries are described as being partially Active as industries two and four innovate through their partner networks (other subsidiaries) across borders to wider geographical areas, thus serving an extended market. Industry one is described as partially Active and Receptive, as the CEO of the industry commented: “we are also working together in [a country in Africa] on the projects and the same with [a country in Africa], [where] we are working with headquarters and the branch, depending also on the nature of business and the competence of the country.” This emphasises the networking effects of working beyond the local market. Being partially Receptive, Industry one also relies on headquarters for certain important skills and resources. Industry three is characterised as being partially Receptive because it tends to rely heavily on headquarters for certain important skills and resources, and is also partially Active as it does network with other subsidiaries for business and thus serves a wider geographical area (Manolopoulos, 2008).

As far as the Integration-Responsiveness framework is concerned, the different roles played by each industry appear to be affected by the type of business (project and product) and the channel to market (direct, business partner or dual). There is no mention by the respondents of the nature of customer for any of the industries. The partially Active role is attributed to industries two and four due to the channel to market being via business partners and Industry one as a direct channel to market when conducting business. Additionally, resources and competence again feature in the roles played. Industry three networks with other subsidiaries as a channel to market, which can be viewed as a dual strategy. It maintains a heavy reliance on headquarters.

These results indicate that the channel to market and resource and competence availability affects the subsidiaries' roles. Using this framework it emerges that both

integration and responsiveness roles are affected by the type of business (project or product) and the channel to market (direct, business partner or dual), implying that to achieve a balance in integration and responsiveness the subsidiary needs to assess the type of business done against the optimal channel to market. This trade-off has implications for resource allocation from the headquarters and the development of competences within the subsidiary.

Within the Autonomy-Procedural Justice framework, all four industries primarily play the role of partial Collaborator and then partial Partner. As partial Collaborators, all the industries tend to display a heavy reliance on the centrally produced technology, and are responsible for the coordination of the transfer of this within their networks. The industries reported being responsible for the business in the peripheral subsidiaries, for execution of projects and the supply of headquarters-produced products to their business partners. The partial Partner role is played as all industries commented that they can present their ideas to the headquarters decision-makers and influence the outcome – their decisions (Manolopoulos, 2008; Taggart, 1997b).

For the Autonomy-Procedural Justice framework, there is a clear impact of the type of business on the partial Collaborator role played. All of the industries, whether project or product business, rely on the headquarters to provide the product or project input and are responsible for the movement of these inputs within their networks, whether directly or via business partners. Therefore, it could also be argued that the channel to market also has an impact on the role played in this framework.

From these results it appears that the role played by a business unit within an industry at any particular time is dependent on multiple factors and the situation can change as and when necessary. Therefore, a business unit within an industry can move between multiple roles within a role typology and play roles from other typologies at the same time. This is consistent with the findings of Birkinshaw & Hood (1998) and Young & Tavares (2006).

Regarding the impact of the type of business, the nature of customer and the channel to market, some variation seems to exist within each industry across the three frameworks. However, across the four industries there are no deviations – the factors affecting one industry in a particular framework affect them all. This implies that the impact of type of business and channel to market affects all business units within industries alike, and they

are the variables that can be adjusted to vary roles played to achieve a desired outcome for the organisation.

Further, it appears that some industries may be more mature than others and are at varying stages of development within the multi-business RMM-subsiidiary. This is alluded to by the extent of reliance on headquarters and other subsidiaries, and the degree of headquarter involvement in the local business decisions, which is indicated by the amount of collaboration. This is consistent with the theory on subsidiary role evolution presented by Birkinshaw & Hood (1998) in Chapter two.

Within the charter allocation, it was revealed that there appears to be a disconnect between the headquarters' strategic level that allocated charters and the industry operational level that executes these charters, as Industry one noted that other units within the MNC have encroached on their territories and customers at an operational level.

6.4 The peripheral subsidiaries' role

Proposition 1c: The peripheral-subsidiaries are viewed as extensions of the RMM-subsidiary, which is as quiescent subsidiaries

The literature review notes that a quiescent subsidiary scores very low on degrees of both responsiveness and integration. Therefore, they are unable to meet the local needs, create new knowledge or innovate (Manolopoulos, 2008). Respondents from all four stakeholder groups offered evidence attesting to this being the case. The peripheral subsidiaries have been described as "a vehicle to do business ... they shouldn't have to do so much thinking" by the CFO of Industry one, and by the CEO of Industry three as "essentially the branch is just a flag outside the boundary of South Africa". These views were confirmed by the support function and headquarters respondents, with the headquarters controller for Africa remarking that "the branches are so small ... that is, [they have] a lower importance to us."

This view was further confirmed by the two peripheral subsidiary manager respondents, showing that the peripheral subsidiary is limited in the functions it can execute internally and externally. However, the manager of the newly established peripheral subsidiary said that within the peripheral subsidiary country, the peripheral subsidiary manager is seen as the CEO, which is in contrast to the view of the peripheral subsidiaries held by the RMM-subsidiary.

Another assertion in contrast to the generally held view that the peripheral subsidiaries act as quiescent subsidiaries was expressed by two support function respondents. The peripheral subsidiary manager based in South Africa said that the RMM-subsi-diary is now paying more attention to the peripheral subsidiaries in light of the MNC seeking to grow its business in Africa. This was supported by the head of business development for Southern Africa who noted that some peripheral subsidiaries are more important than others, depending on the strategic focus of the organisation and the peripheral subsidiary country's potential for growth and opportunities.

These two views could signal an evolution of the peripheral subsidiary role and potentially pose a dilemma and conflict between the businesses sectors pursuing business opportunities and the corporate support function's need for control. Additionally, the RMM-subsi-diary needs to be cognisant of how the peripheral subsidiaries are viewed in their countries and use that positioning to further business aims.

6.5 Expatriates as a mechanism of control

Proposition 2: The use of expatriates for control is preferred in a multi-business RMM-subsi-diary when the HQ and RMM-subsi-diary are geographically distant

This proposition was derived from the literature of Chung et al. (2006), who posited that MNCs use expatriates to monitor subsidiary behaviour; and Chang et al. (2009), who suggested this is predominantly done when the headquarters and subsidiary are geographically distant. Additionally, O'Donnell (2000) advocates that the expatriates are usually placed in the top management positions and Chang et al. (2009) submit this is because they have a good understanding of the headquarters' goals and procedures.

The CEO of the subsidiary confirmed that the physical distance between the RMM-subsi-diary and "anywhere" is in excess of 10 000 km. Therefore, the expectation is that expatriates would be deployed to ensure headquarters control. However, both CEO and former CEO of the subsidiary as well as the head of HR all agreed that expatriates are deployed to countries for their skills and experience that cannot be found within the subsidiary. The aim was said to be the transfer skills from the expatriates to the local staff to thereby build local skill and knowledge. The headquarters' head of controlling agreed and added that it is part of the employer branding and was quick to point out that expatriates are not only headquarters nationals; the programme is open to all employees who would want the opportunity.

The CFO of Industry four shed more light on the situation by raising the importance of local managers spending time at the headquarters to acculturate, learn the headquarters' values and goals and build relationships and trust, which affords the headquarters the opportunity to reciprocate. This reportedly makes working with the headquarters easier on the employee's return to the subsidiary. This view was supported by a headquarters respondent. This may be a viable alternative to expatriate deployment since it develops the individual, saves costs and develops relationships of trust in the organisation.

6.6 Conclusion and findings

The aim of the study was to determine the relevance of the Alfoldi et al. (2012) framework for a multi-business MNC and to determine the structure of the headquarters-RMM-subsidiary relationship. A better understanding of the headquarters, RMM-subsidiary and peripheral subsidiary structure has been gleaned from the interview process. The data allowed the testing of the propositions and yielded fresh insights into this newly founded phenomenon of the RMM-subsidiary (Alfoldi et al., 2012). Table 8 sets out the summary of findings for each proposition.

Table 8: Summary of findings

	Proposition 1a	Proposition 1b	Proposition 1c	Proposition 2
Industry 1	Supported	Supported	Supported	N/A
Industry 2	Supported	Supported	Supported	N/A
Industry 3	Supported	Supported	Supported	N/A
Industry 4	Supported	Supported	N/A	N/A
Peripheral subsidiaries	N/A	N/A	Supported	N/A
Support functions	N/A	N/A	Supported	Not Supported
Headquarters	N/A	N/A	Supported	Not Supported

Proposition 1a was supported because while the ten Alfoldi et al. (2012) functions are performed by each industry the performance of these are impacted by the type of business and channel to market. Industry four does not perform the functions for the

peripheral subsidiaries as their channel to market is via business partners. They do, however, perform all ten functions for their business partners.

The results thereby confirm that within a multi-business RMM-subsiidiary, the ten functions in the Alfoldi et al. (2012) framework are executed by each industry. It has also been found that the ten functions within the framework can be executed for business partners as well.

Proposition 1b was supported by all four industries. It was found that within the RMM charter, a business unit within an industry plays multiple roles within a framework and can play in multiple frameworks simultaneously, with roles affected by the type of business and the channel to market. These capabilities of the business units are also situational and dynamic and can be learned as charter changes, as seen in the case of Industry four moving from direct sales to a business partner model.

Proposition 1c was supported by all the stakeholder groups, with the exception of Industry four, which does not execute business through the peripheral subsidiaries. However, there seems to be a growing need for and potential dependence on the peripheral subsidiaries to source business outside of South Africa, which could see their role evolving.

Proposition 2 is not supported, as confirmed by the headquarters and support function respondents. Expatriates are not used for control in the RMM-subsiidiary when geographically distanced from the headquarters. The expatriate role is, however, seen as involving corporate branding, career development and as a resource for knowledge and skills transfer.

The final chapter revisits the research question and objectives set out in Chapter one, highlights the main findings of the study and concludes by making recommendations to stakeholders and for future research.

CHAPTER 7: CONCLUSION

7.1 Introduction

This chapter briefly reviews the background and objectives of the study, highlights the main findings, offers recommendations to stakeholders and proposes a model for the headquarters-RMM-subsidary structure. The chapter concludes with study limitations and recommendations for future research.

7.2 Research background and objectives

The background to the research is the framework developed by Alfoldi et al. (2012), which highlights ten headquarters functions that may be delegated to subsidiaries with profit-and-loss responsibility to act as regional headquarters to peripheral subsidiaries. These subsidiaries are then referred to as regional management mandated subsidiaries (RMM-subsidaries). Alfoldi et al. (2012) found this framework to be relevant for a single-business MNC, Unilever.

The objective of the study was to determine whether the framework was relevant for other industries and in particular a multi-business MNC with four different industries (Alfoldi et al., 2012), while considering if variations along the type of business (Tavares & Young, 2006), nature of customer (Collis et al., 2012) and channel to market (Datta et al., 2009) had an impact on the performance of these ten functions. As the headquarter-subsidary link has been identified to support the MNC aims of global integration and local responsiveness (Luo, 2003), and taking into consideration the contentious issue of autonomy and control (Ambos et al., 2011; Scott et al., 2010), a further proposition was developed to determine the roles played by business units within industries given the RMM charter. The research also explored the role of the peripheral subsidiaries and the reason for expatriate deployment.

The results were used to propose a model of the HQ-RMM-subsidary structure, make recommendations to stakeholders and offer suggestions for future research.

7.3 Main findings

Twenty-five interviews were conducted with respondents clustered into four stakeholder groups: support functions, business sector, peripheral subsidiary and headquarters. These interviews yielded detailed constructive findings which enabled the propositions to be tested. Table 8 details whether the propositions supported the literature in Chapter two or not. The key findings of this research are discussed in relation to the propositions.

7.3.1 In a multi-business RMM-subsiidiary, variations along the type of business, nature of customer or channel to market will impact the ten Alfoldi et al. (2012) functions performed by each industry sector

The Alfoldi et al. (2012) framework is relevant to a multi-business MNC. Of the three variations, the type of business (Tavares & Young, 2006) and channel to market (Datta et al., 2009) appear to impact the performance of the functions for the peripheral subsidiaries. Project business that has to be executed by the subsidiary needs a direct sales force, whereas product business relies more on business partners as the channel to market. Industry four is the only one to have an exclusively business partner model as the channel to market and demonstrated performing all ten functions for the business partner. This result extends the Alfoldi et al. (2012) framework to now include multi-business MNCs and business partner channels to market. The result confirms that from the perspective of performing the headquarter functions, an RMM-subsiidiary is a suitable alternative to a RHQ.

7.3.2 Business units within industry sectors will play different roles due to the variation along the type of business, nature of customer or channel to market, even though they may hold the same charter

Business units having this regional management mandate also exhibited the performance of multiple roles in the multi-business subsidiary, which were impacted by the type of business conducted (Tavares & Young, 2006) as well as the channel to market (Datta et al., 2009). Availability of resources and local competencies also featured strongly as factors influencing the performance of the ten functions. Some roles were determined to be fulfilled in their entirety, while others were played only partially. However, the roles appear to be not fixed but situationally determined, so a business unit can switch between multiple roles. Change in charter develops capabilities, as previously Industry four had direct sales in the territories and had to switch to business partners as a headquarters directive. Further, it was determined that the support functions also play a role independent of the business units.

7.3.3 The peripheral subsidiaries are viewed as extensions of the RMM-subsi-dary, which is as quiescent subsidiaries

All of the industries that utilise the peripheral subsidiaries for business, as well as the support functions, headquarters and the peripheral subsidiary managers, concurred that the peripheral subsidiaries are seen as extensions of the RMM-subsi-dary as opposed to self-functioning units (Manolopoulos, 2008). This appears to be more the doing and creation of the RMM-subsi-dary, possibly based on the history of the organisation. However, one peripheral subsidiary manager highlighted that in-country the MNC representative is seen as the CEO and as a result there are certain expectations placed on the local office.

7.3.4 The use of expatriates for control is prevalent in a multi-business RMM-subsi-dary when the HQ and RMM-subsi-dary are geographically distant

Finally, it emerged that even though there may be great physical distance between the headquarters and the RMM-subsi-dary (Chang et al., 2009), expatriates are not deployed as a form of control (Chung et al., 2006). Expatriates are instead deployed when there is a skill or expertise needed in the country, and ultimately to transfer these to employees of the local organisation to build the local capability for the future. Expatriate deployments are also seen as individual developmental steps and extended to all the MNC employees, not just those from the headquarters country.

7.3.5 Additional findings

The CFO of Industry four (respondent 19) highlighted an alternate method possibly used to instil control. In this case it has been noted that all but one of the industry CEOs and CFOs have had stints working at the headquarters. This time allowed the individuals to understand the headquarters' "way" of doing things and so take it with them to their subsequent appointments. This also built trusting relationships which enables business.

Finally, the importance of relationships, trust and networking in an MNC between headquarters and the subsidiary cannot be discounted. All the support function, business sector and headquarters respondents emphasised their importance in enabling business in a MNC. Formal and informal networks were identified as playing crucial roles in

facilitating smooth business between HQ and the subsidiary; and one respondent added that it was impossible to do business without these.

The possibility that this provides an avenue for influence and control from the HQ but conversely gives the local management a vehicle to obtain greater autonomy cannot be discounted. Considering the time executives spent at headquarters establishing relationships and gaining trust, this argument appears valid in that it creates the environment to balance the desires of autonomy and control (Ambos et al., 2011; Scott et al., 2010). This balance can then lead to the aim of the MNC in finding the balance between global integration and local responsiveness (Doz & Prahalad, 1984; Menz et al., 2013; Schotter & Beamish, 2011).

7.4 Recommendations for stakeholders

7.4.1 Academics

As the RMM-subsiary is a new concept, this research demonstrates that the framework is relevant to multi-business MNCs. This finding can be used to further research in the area of HQ-RMM-subsiary relationships in the field of international business.

7.4.2 Multinational corporations

The findings in Chapter five and the analysis in Chapter six indicate that the RMM-subsiary can effectively perform the HQ functions for the peripheral subsidiaries and business partners. This is a more cost-effective alternative to establishing regional headquarters for this function (Alfoldi et al., 2012; Lassere, 1996; Schütte, 1997).

Within a multi-business RMM-subsiary where each industry has the same charter, business units play different roles. Being cognisant of this allows the HQ to plan and allocate resources, development and investment in RMM-subsiaries in order to be more effective and locally responsive in business.

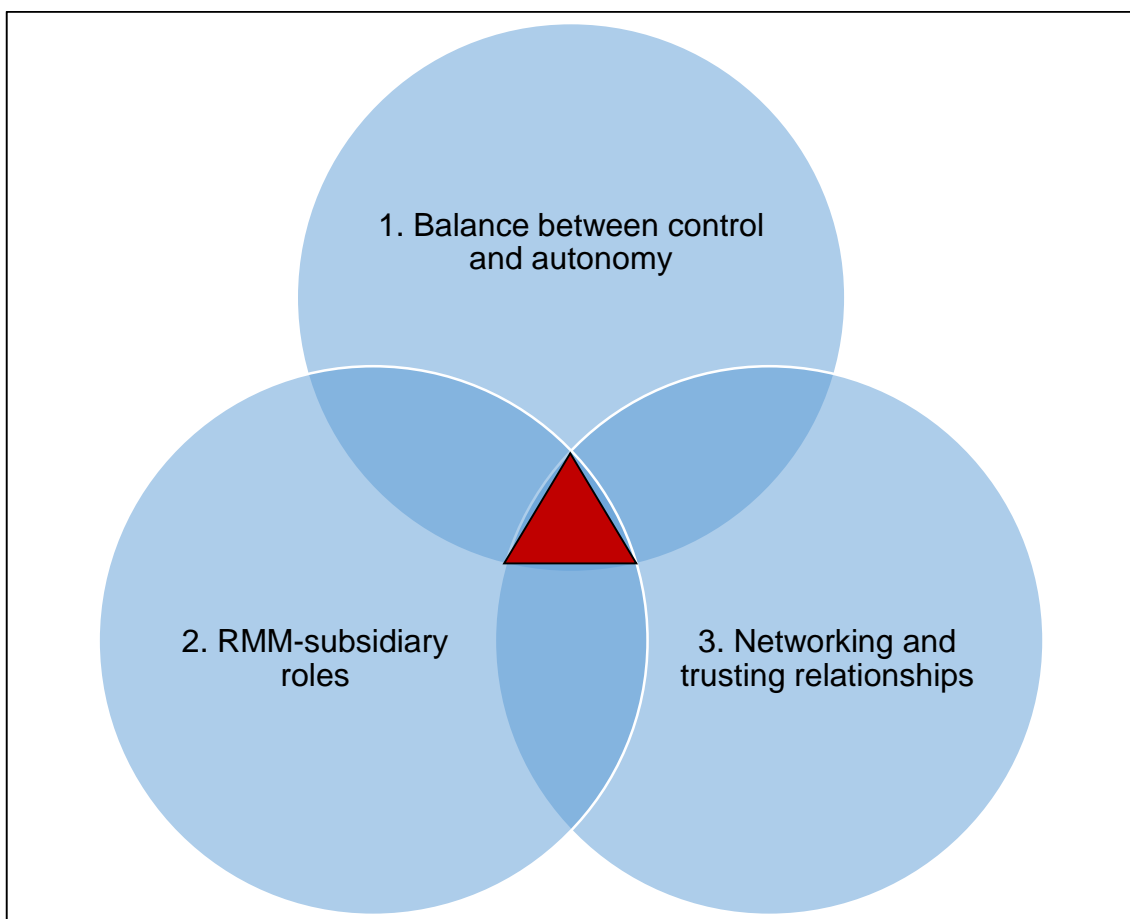
Peripheral subsidiaries should not be viewed as mere extensions of the RMM-subsiary but they should be set up and supported as locally responsive to maximise business opportunities, especially when these peripheral subsidiaries have been identified to be in growing markets. Being reactive in the fast-paced business environment could cost the company its competitive position. Further, the proper maintenance and positioning of the peripheral subsidiaries is important for the MNC reputation and brand protection.

The MNC should capitalise on developing global talents at the HQ rather than deploying expatriates. When the local managers return to their home countries they are in the perfect position to influence colleagues and thus instil the HQ values and vision and can assist in facilitating relationships with HQ to enable business. Further, developing global expertise ensures that the MNC can fill critical skills roles sooner from an existing talent pool that has been schooled at HQ.

7.5 Proposed framework

To represent the HQ-RMM-subsidary structure, a Venn diagram is well suited as it illustrates interconnected and overlapping relationships.

Figure 10: Proposed HQ-RMM-subsidary structure



To answer the research question, three primary areas of importance have been identified from the findings in Chapter five as contributing to the HQ-RMM-subsidary structure to achieve the MNC goals of global integration and local responsiveness (Doz & Prahalad, 1984; Menz et al., 2013; Schotter & Beamish, 2011), as mentioned in Chapter one. The

areas are balanced between control and autonomy, RMM-subsidary roles and networking and trusting relationships. The idea behind the framework is that all three context circles are equal in size so that the organisation remains in harmony, as indicated by the red triangle which represents global integration and local responsiveness. A disproportionate change in size of any one of these context circles would result in imbalances of global integration and local responsiveness and shift the red triangle.

1. The balance between control and autonomy

This balance is necessary to achieve global integration and local responsiveness, as too much control will reduce local responsiveness and too much autonomy will destroy global integration (Eisenhardt, 1989a; Harzing & Noorderhaven, 2006; O'Donnell, 2000). This view on creating a balance results in a semi-autonomous subsidiary and can lead to sustaining competitive advantage and better performance (Ambos & Birkinshaw, 2010; Qin et al., 2008). However, as reported by Doz and Prahalad (1984), creating conditions to achieve this balance in a multi-business MNC is difficult.

2. RMM-subsidary roles

The business units as well as the support functions play various roles to differing degrees in the RMM-subsidary. The research findings revealed that these roles can be fully or partially played, and are affected by the type of product and channel to market, as well as local resource availability and competencies. The significance of these findings for the proposed structure is that the HQ is in a position to determine the role played so as to achieve global integration and local responsiveness. This can be done by allocating resources and decision-making rights (Ciabuschi et al., 2010), delegation of charter and controlling the size of the subsidiary and staffing (Paik & Sohn, 2004). However, from the organising framework for subsidiary evolution (Birkinshaw & Hood, 1998), the subsidiary role is also determined by self-choice and the local environment influence. Hence, the HQ needs to carefully consider those factors within its control to allocate and distribute while being mindful of the other factors that contribute to subsidiary role.

3. Networking and trusting relationships

Networking and trusting relationships emerged as an additional finding during the course of the interviews. However, the literature in Chapter two highlights that subsidiaries are well received when there is a strong personal relationship between local management and HQ management (Birkinshaw & Hood, 1998). The respondents who commented on this aspect took the idea further by including formal and informal networks, the need to work at the HQ for some time and taking time to foster these relationships. The one area of commonality between the findings and the literature is in the area of trust. The respondents identified trusting relationships as being the key to harmonious business operations, as did Ambos et al. (2011). Ambos et al. (2011) further highlights that as these trusting relationships grow the subsidiary is likely to enjoy higher levels of autonomy. Alternatively, this can also be viewed as a way that the HQ can apply a degree of control.

7.6 Limitations of the research

The study was limited in that it was conducted in a single MNC. Other MNCs could yield different findings and provide a basis for comparison.

The fact that the study organisation wished to remain anonymous made reporting of the findings less rich, in that certain detail that had to be omitted to preserve anonymity could have added to the richness and provide more insight.

7.7 Opportunities for further research

While the HQ-subsidary relationship is not a new topic, the RMM-subsidary concept is, and therefore further research may be useful to confirm and validate these findings. Areas for further research are suggested below;

1. This research project should be replicated in MNCs of varying industries, whether single or multi-business MNCs. This may shed more light on the relevance of the RMM framework across a broader population.
2. This research project was based on interviews with 25 respondents in four stakeholder groups. All the respondents were heads of the various departments. Further research may be important to elicit responses from middle and operationally involved managers that may have a different perspective and who may be able to add to the framework of functions performed.

3. Other factors or variations in a multi-business MNC should be investigated for impact on the performance of the ten functions.

7.8 Conclusion

The effective management of multiple subsidiaries around the world poses quite a challenge and daunting task for the MNC. The allocation of charter of a RMM to a subsidiary to manage peripheral subsidiaries is one way to solve the problem. It was determined that the RMM-subsiidiary can perform most functions for the peripheral subsidiaries and business partners. Further proposition development has allowed a framework for the HQ-RMM-subsiidiary to be created, highlighting the factors that need to be kept in balance to optimise the relationship.

The study adds to the body of knowledge by finding that the Alfoldi et al. (2012) framework is relevant to a multi-business MNC and that the framework can be extended to include peripheral subsidiaries and business partners. Given this information MNCs can manage relationships, allocate resources and develop capabilities necessary to conduct business effectively through this structure.

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APPENDIX 1: INTERVIEW SCHEDULE

ALL GENERAL
How many years have you been with the organisation
How many years in your current role
Do you have any international experience
Do you have any headquarters experience
Are you an expatriate
SUPPORT FUNCTION RESPONDENTS
What is your role
What is the function of your department in the organisation
What is the role your department plays in business with the branches
Tell me about your relationship with headquarters
Tell me about your relationship with similar departments in other subsidiaries
Tell me about your relationship with the Industries
Do you engage in knowledge and best practice sharing
What is your view on the deployment of expatriates
Tell me about your reporting to headquarters
How do you view the role of headquarters in the subsidiary
How do you view the role of the subsidiary in the large global organisation
BUSINESS SECTOR RESPONDENTS
Tell me about your role in the industry
Tell me about how you conduct business in the branches
How do you oversee the branches – what are your specific responsibilities
Does HQ specifically ask about the branches
Tell me about decision making between you and the branches and you and HQ
Do you engage in knowledge and best practice sharing
Tell me about the deployment of expatriates in your industry
Tell me about your personal relationship with management and peers
What is the role of your Industry in the bigger organisational picture
How do you conduct business with HQ
Tell me about how they go about control
A parting message please on HQ subsidiary relationships
What would you like to see more of and less of from the headquarters
PERIPHERAL SUBSIDIARY RESPONDENTS
What is your role in the branch
Describe your relationship with the South Africa office

Describe your relationship with the individual industry sectors
Tell about how business is done in the branches
Tell me about the support you receive
What challenges do you face
How do you solve them
Do you have any headquarters interaction
How do you practically execute business
What challenges do you experience in the branch
Do you meet with and interact with other branch managers
How much of focus and attention does the branch get from South Africa
Would you want HQ to be more involved in the branch – why
What would you like to see more of and less of from South Africa
A parting message please on HQ subsidiary relationships
HEADQUARTERS RESPONDENTS
What is your role
What is your responsibility for South Africa
How much of attention does RSA receive? And branches
How often do you have contact with RSA
Do you specifically ask about the branches
How do you view the role of RSA in the larger global organisation
Tell me about HQ control over the subsidiaries, how is this achieved
What is the HQ view on the deployment of expatriates
A parting message on HQ subsidiary relationships, please