Cecilia Pahlberg

MNCs DIFFER - AND SO DO SUBSIDIARIES
Illustrations from two firms within the same industry

FÖRETAGSEKONOMiska INSTITUTIONEN
UPPSALA UNIVERSITET

Department of Business Studies
Uppsala University
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Cecilia Pahlberg

Send correspondence to:
Cecilia Pahlberg
Department of Business Studies
Uppsala University
Box 513
S-751 20 Uppsala
Sweden

Tel: +46-18-18 25 00
Fax: +46-18-55 53 86
e-mail: Cecilia.Pahlberg@fek.uu.se

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This paper is an illustration of differences in autonomy, influence and control within and across two firms in the same industry. The paper is written as an illustration to some of the main themes in the MIN-project (Managing International Networks), and will be part of the thesis “Subsidiary-Headquarters Relationships in International Business Networks”.

Introduction

This work focuses on HQ-subsidiary relationships in MNCs and a main point is that each such relationship is unique and must be managed accordingly. As pointed out by Gupta and Govindarajan (1991), earlier studies have mostly treated the entire MNC as the unit of analysis while differences within the same MNC have been ignored. This paper is an attempt to illustrate differences across as well as within MNCs. It is easy to imagine that HQs in two MNCs in different industries, with different technologies, products, customers etc. do not manage their subsidiaries in the same way. But how about the situation in two MNCs which are in same industry and have many characteristics in common? In order to discuss similarities and differences in the management of firms with similar products, technology and market structures, two of the firms included in the MIN-project will be described. The two firms are part of different MNCs but they are within the same industry. The HQ-subsidiary relationship is in focus and the descriptions are based on interviews in the subsidiaries as well as at divisional HQ (in the following called HQ).

The purpose of this chapter is twofold. A first aim is to illustrate the principal concepts in this thesis by giving a more thorough description of the situation in two of the firms in the study. Thus, the main concepts in the thesis - autonomy, influence, control and the impact from cultural differences, interdependencies and network relationships on the HQ-subsidiary relationship and the management of MNCs - will be described. In the other chapters, the discussions are mainly based on quantitative analyses of data from all the units included in the study, while here, the intent is to give a more vivid picture by including remarks and impressions from the interviews. As described in the summary of the thesis, even though the interviews mostly focused on the standardised questions in the questionnaires, the respondents usually became very interested in the subject and took time to describe more freely their unit and its situation. Many of them wanted to clarify why they answered some of the questions in
a certain way, and my notes from these more open discussions have been useful when describing and analysing the two firms. Thus, the following “pictures” from the two firms are based on answers from the questionnaires and my notes and impressions from talking to the respondents.

A second purpose is to analyse differences in autonomy, influence and control within and across two MNCs and relate it to previous research at this department. Such differences across MNCs have been discussed by Kallinikos (1984) and according to him, subsidiary autonomy and influence (in his terms subsidiary autonomy, decision-making and participatory power) are dependent on variables at subsidiary level, characteristics of the subsidiary’s environment and variables at MNC level. His conclusion is that autonomy and influence cannot be traced to one single variable, and that there is a complicated interplay of diverse and often contradicting forces. In this paper, the impact from interdependencies and network relationships will be suggested as important explanatory variables when autonomy, influence and control within and across MNCs are discussed.

**Theoretical background**

Kallinikos review of studies on autonomy, influence and control shows that an enormous literature exists within this area. At MNC level, characteristics such as size, nationality, international dispersion, technology and the structure of competition seem to have attracted most interest, often at the expense of subsidiary-specific factors. At subsidiary level, the variables size, age, performance and type of ownership are the ones most often mentioned, and among characteristics of the subsidiary’s environment, uncertainty, variability and the degree of host country’s development are the most common. In addition to the above-mentioned variables, Kallinikos stresses the importance of subsidiaries’ access to critical resources with which the subsidiary can contribute to the MNCs overall goal achievement. The amount of resources are, according to him, dependent on local environmental conditions (host country's development, uncertainty and variability as well as degree of competition), the subsidiary’s market share and its ability to cope with these conditions. In the discussion below, the importance of resources will be further stressed and it will be emphasised that relationships with actors in a subsidiary’s business network are of vital interest in this respect. Thus, characteristics of the subsidiary’s environment will here be conceptualised as relationships in the subsidiary’s business network. Subsidiary

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1Kallinikos defines subsidiary autonomy as a subsidiary’s discretion regarding routine operational decisions, subsidiary decision-making power as its control over strategic decisions at subsidiary level and participatory power as degree of influence over divisional and corporate strategic decisions.
interdependencies within the MNC and in the business network will also be considered as important aspects when subsidiary influence and autonomy are analysed.

As pointed out by Kallinikos, no single variable can explain why some subsidiaries become more powerful than others. In order to limit the number of possible explanations, the following description and analysis will be based on a study of the situation in two firms which have many characteristics in common. They are within the same industry using similar technology and with production units in the subsidiaries manufacturing the same kind of products for a large number of customers in Western Europe. However, when the two firms are compared, it immediately turns out that there are three main differences at MNC as well as subsidiary level: size, age/international experience and nationality/location of HQ. Below, these variables will be further discussed.

Size
Size is a variable which is often used in order to explain differences, although different studies show contradicting results (see Kallinikos p. 20 ff. for a more extensive discussion). While some studies indicate that increasing size leads to more centralisation and control, others show the opposite, and argue that larger firms are more difficult to control which implies that size is rather related to higher subsidiary autonomy. One explanation of the contradictory results is proposed by Alsegg (1971), who argues that as large subsidiaries contribute more to the firm's overall goals, they are of greater importance and therefore they can be expected to be more tightly controlled. However, such firms are usually more experienced, better equipped and less dependent on the parent firm which means that they have possibilities to avoid HQ control. According to Hedlund (1981) there seems to be a curvilinear relationship, where autonomy increases with size up to a point where it remains constant or diminishes as the subsidiary continues to grow.

Age
Kailinikos’ review shows that results about the relationship between age and autonomy are also somewhat ambiguous, although most studies indicate that autonomy is positively related to subsidiaries’ length of operation. A deeper knowledge of the local business practices appear to promote greater subsidiary autonomy. Further, ageing seems to be related to bureaucratisation and a reliance on impersonal rather than on personal control (Ibid. p. 24).

The MNCs international experience and degree of foreign involvement, i.e., how many years the MNC has operated internationally, the number of employees abroad, the volume of sales outside the home country and number of countries in
which the MNC is involved, show, in general, a positive relationship with delegation of decisions to the subsidiaries. However, Kallinikos points out that as the character of the delegated decisions are not adequately studied, it is not evident that this is equivalent to an increase in subsidiary autonomy.

**Nationality**

In a number of studies it is indicated that nationality of the parent Company explains many differences in autonomy and control between firms in different countries (see, e.g., Hulbert and Brandt, 1980). In general, European MNCs seem to be more decentralised in comparison with American firms, and according to Hedlund and Åman (1983), Swedish MNCs are rather decentralised with an emphasis on informal rather than formal relations. However, there are no consistent evidence concerning the impact from nationality on autonomy, influence and control between HQ and subsidiaries. While it is often suggested that subsidiaries in distant countries are more controlled, other studies show that differences between home and host countries promote decentralisation and autonomy.

We now turn to a description of the two firms in order to see similarities and differences within and across them.

**Asub and Isub - so similar and so different**

The following descriptions show that there are some fundamental differences in the management of the two firms. One is characterised by high subsidiary autonomy and limited control, while the subsidiaries in the other firm have a higher degree of influence but also more of HQ control. In the following, the two firms will be called Asub (Autonomous subsidiaries) and Isub (Influential subsidiaries).

We visited the two firms during the same time period, 1991-1992. After a visit to the HQs where we presented the project and got admission to the subsidiaries, interviews were made in the subsidiaries, mostly with three individuals: the subsidiary manager, the sales manager and the purchasing manager. In some cases, the subsidiary manager was in charge of the purchasing activities. After the interviews at subsidiary level, we returned to the HQs and asked the same kind of questions concerning their relationship with each subsidiary. We have used standardised questionnaires in which the majority of questions have been attitude statements. On a five-grade scale ranging from, for instance, “totally agree” to “totally disagree” or from “not at all” to “very much” the respondents in the subsidiaries have expressed their views on how autonomous and influential they are and how they experience their relationship with HQ. In the same way HQ has expressed their feelings about the relationship with their
subsidiaries. Our reason for using attitude statements is a belief that “perception is reality”, i.e., a person’s actions are directed by his/her perceptions.

Further, statements about the importance of each subsidiary for the firm and vice versa as well as data about the business network in which each subsidiary is involved are used in the discussion below. The questionnaires also contain general information about the firms such as size, age, location, nationality of management and board representation as well as data about visiting patterns, investment limits, etc., which has been included in the following description.

Both firms/divisions are, as said above, in the same type of industry, producing for customers located close to the subsidiaries’ production units. Almost all customers are external, i.e., they do not belong to the MNC. As a result of high transportation costs, production units are located close to the customers, ordinarily within a radius of 200 kilometres. Each subsidiary has hundreds, in the larger subsidiaries thousands, of customers and even an important customer does usually not account for more than five per cent of the total sales volume. Although even the main customers only account for a small volume, it was not at all difficult for the subsidiaries to name the most important ones. The subsidiaries have generally had very long relationships with them. The average length in Asub concerning the most important customers is 17 years, and within Isub it is even longer, 20 years.

The main supplier to the subsidiaries in each firm is, however, part of the same MNC. Thus, both firms can be characterised as being semi-vertically integrated (Andersson and Forsgren, 1995), i.e., although the exchange relationships are mainly with counterparts outside the MNC, each subsidiary has at least one important counterpart within the firm. The average length of the relationships with the most important suppliers is for Asub 20 years and for Isub 23 years. As for the relationships with the important customers, many of them take years to substitute, and some are even considered to be impossible to replace.

The two divisions are also highly internationalised. In both divisions, 80 per cent or more of the employees work outside Sweden and both turnover and profit mainly emanate from subsidiaries abroad. Their main markets are all found in Western European countries.

In the first division, Asub, ten subsidiaries were visited while in the second division, Isub, four subsidiaries are included. The divisions have no subsidiaries outside Europe. Asub has its headquarters in Sweden, while Isub moved to Central Europe in 1990. In the following, a description of Asub is first made, followed by a presentation of Isub. The main aspects which will be illustrated are related to control, autonomy and influence. The impact of culture on the HQ-subsidiary relationship will also be discussed, as the location of subsidiaries in different countries can be expected
to influence the relationship. The chapter will end with a comparison between the divisions in which the main differences will be discussed.

**Asub - the autonomous subsidiaries**

All subsidiaries belonging to the division except one (a smaller production unit in Germany which did not want to participate) were visited between May 1991 and February 1992. The ten visited subsidiaries are located in Sweden, Denmark, Great Britain (three subsidiaries), Germany (two subsidiaries), Italy, Switzerland and Belgium. At that time, Asub had a turnover of 4 300 million SEK and 4 600 employees. The most important markets are Great Britain and Germany, and as can be seen above, in both countries the division has more than one subsidiary. The number employed in the subsidiaries varies from 150 to 1 200 (with a mean of 435) and the turnover ranges from 160 million SEK to 1 100 million SEK (the mean is 425 million SEK).

In Asub, all subsidiaries were acquired during the last 25 years. The subsidiaries are on average about 60 years old, and they all have their own production units. Eight of the subsidiaries have been located at the same place since they were founded. Rather than a gradually deepening involvement, starting with an agent, followed by wholly-owned sales companies and later by production units, Asub has acquired production units without having preceding activities in the countries. The first foreign subsidiaries, located in Denmark, Switzerland and Great Britain, were acquired in the middle of the 1970s, the German subsidiaries as well as the largest British unit were acquired a decade later, and the latest acquisitions, in Italy and Belgium, were made at the end of the 1980s. Even though subsidiaries have belonged to the firm for quite a long time, there is still in some of them a feeling of the old farmly-owned Company where people stay for a life-time and “everybody knows everybody”. Most of the subsidiaries do not stress that they are part of a Swedish MNC, which, by the way, can be seen in their names: the subsidiaries have usually kept the name they had prior to the acquisition.

The staffing policy can be characterised as polycentric as all subsidiaries have local managers. This holds for subsidiary managers as well as for sales and purchasing managers. The local subsidiary managers often have a long experience within the subsidiary - more than 50 percent have been working there for 15 years or more.

None of the subsidiaries is represented on the division? board. On the other hand (divisional) HQ is represented by two people on each of the subsidiaries’ boards except two of the subsidiaries in Great Britain. Some subsidiary managers are also members of other sister-subsidiaries’ board. The two British subsidiaries without
representation from HQ have recently been subordinated to the largest British subsidiary, a reorganisation which apparently has caused some frustration and discontent. These two subsidiaries are the only ones not reporting directly to HQ and in one of these subsidiaries especially it was stressed that the change had led to a situation with less autonomy and “no clarity”. This subsidiary is, for instance, no longer free to approach customers without the approval of the British subsidiary in charge.

How autonomous are the Asub subsidiaries in general then? To what extent are they free to make their own decisions? Can they choose suppliers, introduce new products, change their organisation etc. without consulting HQ? This will be illustrated in the next section.

**Autonomy/decentralisation**

Our data indicate that subsidiaries in Asub are more autonomous and free to make their own decisions than the other subsidiaries in the whole study. A philosophy of the Company is "Solve problems locally" and the degree of decentralisation is high. A comparatively high investment limit in Asub enables the units to make strategic decisions at subsidiary level without HQ consent as the subsidiaries are free to make investments up to five million SEK without HQ approval.

Autonomy refers mainly to decisions connected to market activities such as the introduction of new products and freedom to approach new customers (this holds for all subsidiaries except for the British unit mentioned above). The subsidiaries are also quite free when choosing suppliers and deciding on investments in R&D. Moreover, most subsidiaries state that they can change their organisation without consulting HQ. Acquisitions, however, cannot be made without HQ approval. There is some variation within the division, with subsidiaries in Denmark, Switzerland and Germany being more autonomous than the others. A consequence of the decentralised organisation is that divisional headquarters in Sweden has a very small organisation. Most of the sales and purchasing managers state that they have only limited contacts with the Swedish HQ.

The interviews indicate that this high degree of autonomy is highly valued by most of the subsidiary managers in Asub. We could see an evident example of the high degree of freedom in one of the visited subsidiaries, where the main issue was the building of a new plant. This large project occupied the subsidiary management most of the time, and they were very satisfied with the Swedish HQ as they “have provided money without interfering with details”.

Only one manager within Asub said that sometimes there were too few directives from HQ and that “decentralisation has perhaps gone too far”. This
respondent, representing one of the largest subsidiaries, felt that he had a responsibility to keep the whole division together as “HQ does not take this responsibility”. The rest of the subsidiary managers, though, seemed to be very pleased with the high degree of autonomy and loose control. “We do as we want as long as we reach budget”, as one of the subsidiary managers said.

A change in philosophy was, however, noted by some of the respondents. A number of them stated that their freedom to make decisions used to be even more pronounced and they now feared a tendency towards increased centralisation. Signs of this were for instance the recent introduction of manuals concerning the purchasing of cars to the subsidiaries and rules about what computers and computer systems to use. There was a feeling that HQ had recently started to interfere, and this change was not seen as positive.

Internal interdependencies
How important are the subsidiaries for each other and for the functioning of the whole division? According to HQ, each subsidiary is responsible for their own product and production development as well as marketing. They are usually not responsible for purchasing and sales for sister-units - only one subsidiary has internal deliveries to sister-units outside its country. The overall picture is that the A.sub subsidiaries are quite able to manage on their own. Concerning R&D, however, two units (in Denmark and in Great Britain) are, according to themselves, very much responsible for other units. In HQ's opinion, these two units are, together with the Swedish subsidiary, more important for the division than the other subsidiaries. In comparison with the other subsidiaries, these units have important relations to other corporate as well as external organisations which are of value for the whole division. When the answers from the subsidiaries are taken into consideration, the same picture emerges, except for the Swedish subsidiary which considers itself less important than HQ does.

The answers from the subsidiaries reveal that the three subsidiaries mentioned above are more important for the division than the division is for them, while in the other seven subsidiaries the picture is the opposite. But the division, i.e., the sister units, is not without interest for any of the units. For all the subsidiaries, the division is much more important than the management function. When the importance of HQ is compared with the importance of the division, the former is seen as very important only as a channel for obtaining financial resources while the division is considered to be of vital interest both for the technological development and as a provider of information. Knowledge about market activities, technological matters and governmental issues etc. is essential for the subsidiaries, and information about the developments in these areas is distributed among the subsidiaries. Thus, the
consequences if the management function "ceased to exist" are considered to be less disturbing than a cessation of the division.

Even though the degree of operational interdependencies is quite low within Asub, knowledge developed in one part of the division is considered useful in other parts as the subsidiaries manufacture the same kind of products to their customers. How is information and knowledge transmitted then? As we visited the subsidiaries we heard about a forum created by the subsidiaries just in order to transfer information. A couple of times every year the subsidiary managers, R&D personnel and people in charge of sales and marketing meet. These regular meetings take place without participation from HQ. On occasion, HQ might be invited to attend during a limited time, in order to present what happens at HQ level or to discuss a specific issue in which they are involved etc., but on the whole, this is an internal affair for the subsidiaries. All subsidiary managers expressed that these subsidiary discussions were of great value and a prerequisite of open and unprejudiced discussions. "We could easily do without HQ, but not without meeting the other subsidiaries," as one of the subsidiary managers said. According to one respondent, HQ was not too pleased with this informal organisation. A sign of this was, according to him, that a development centre had recently been created and "forced upon us". This centre had almost the same function as the informal organisation and was seen as an attempt from HQ to regain control over the development in the division.

**Formal and informal control**

Subsidiaries can be controlled through formal mechanisms such as budgets, written manuals etc. All subsidiaries within Asub are profit centres and the same type of budget goal is used. The subsidiaries send economic reports once a month. The budget process is considered by HQ to be of low importance as a control device for all subsidiaries except for the two most recently acquired units. However, even for these two units the budget process is considered to be important only to some extent. When discussing economic reports and budgets with the managing director at HQ, he noted that "while subsidiaries in country X send in books with information, the subsidiary in country Y had never made a budget prior to the acquisition." The overall picture is that formal control is quite limited and the subsidiaries have a rather high degree of freedom. Concerning aspects such as technical design, manufacturing and marketing, the majority of the subsidiaries state that they do not at all rely on written manuals from HQ.

Accounting directives and manuals from HQ are, however, followed by the majority of the subsidiaries, at least to some extent, but it is remarkable that only three subsidiaries state that they "very much" rely on manuals in this respect. A written
Company philosophy is followed by most of the subsidiaries only to some extent or less. “We don't believe in such things”, as one respondent expressed. The degree of formal control thus seems to be quite low. There are, however, differences within the division. The two most recently acquired subsidiaries are somewhat more formally controlled than the others.

Subsidiaries can also be controlled in a more informal way. Most common within Asub is that representatives from HQ visit the subsidiaries, but representatives from all subsidiaries also visit HQ in Sweden at least once a year. It can be noted that three subsidiaries meet almost twice as often or more with HQ than the others. The most visited subsidiaries are the three units considered by HQ to be the most important.

**Influence**
The description above indicates that the Asub subsidiaries are quite autonomous, but are they also influential? In the introductory chapter it was suggested that subsidiaries, and not only HQ, can have a profound impact on strategic behaviour, i.e., behaviour that ties up the firm for a long period of time. According to this view, a subsidiary may influence not only decisions concerning activities in its own unit, but behaviour in the whole division.

In order to see to what extent subsidiaries are influential, HQ as well as the subsidiary management have answered questions concerning, for instance, to what extent the subsidiary can influence where to locate R&D-units and if the subsidiary in general has a considerable influence in the firm concerning acquisitions, investments in new product lines, in increased production capacity etc. Within Asub, in all cases except one, HQ considers the subsidiaries to be more influential than the subsidiaries consider themselves to be. Above it has been noted that, in HQ opinion, three subsidiaries are more important than the others. The interview with HQ reveals that these three subsidiaries, located in Sweden, Denmark and Great Britain, are more influential than the others. According to HQ, these subsidiaries are mainly influential when it comes to decisions about investments in and the location of R&D. It might be interesting to know that the Swedish subsidiary manager is of a completely different opinion. Apart from decisions concerning the location of his unit, he does not consider his subsidiary to have any influence. The British subsidiary manager also considers his unit to be less influential in comparison with HQ opinion while the Danish manager and HQ seem to agree. The other seven subsidiaries, except the Italian, consider themselves less - in half of the cases much less - influential than HQ considers them to be.
HQ has also answered questions concerning to what extent each subsidiary is influential in determining budget goals not only for itself but for the whole firm. In HQ opinion, all subsidiaries are quite influential in deciding about their own budget goals. When it comes to budget goals for the whole division, however, the subsidiaries are not considered to be very influential.

**Cultural differences and the atmosphere**

How is the HQ-subsidiary relationship affected by the fact that the subsidiaries are located in different countries? Do cultural as well as language differences put a strain on the relationship? While HQ states that there are cultural as well as language difficulties in all relationships except with the Swedish subsidiary, it is not, in their opinion, difficult to understand the subsidiaries’ way of thinking. Four subsidiary managers, on the other hand, claim that it is sometimes difficult to understand HQ’s way of thinking and in three of these subsidiaries, the subsidiary manager says that cultural differences, and in one case language differences, have caused problems.

A general observation is, however, that at subsidiary level, the respondents seem to experience problems due to cultural differences to a lesser extent than HQ does. Among the 29 respondents in the Asub subsidiaries (i.e., subsidiary managers as well as sales and purchasing managers), no one totally agrees with the statement that cultural differences have caused problems and only five partially agree (four subsidiary managers and one sales manager). It is notable that the five respondents who partially experience problems do not work in the subsidiaries farthest away from Sweden, where cultural differences could be expected to mostly affect the HQ-subsidiary relationship. It is also worth noting that within the same subsidiary, the three respondents often have different experiences concerning whether cultural differences have caused problems.

When it comes to language difficulties, opinions differ. While eight of the ten subsidiary managers state that there are no language problems in their relationship with HQ (a number of them stress that there are no such problems as the divisional manager is fluent in German, French and English), HQ opinion is, as said above, that language differences may create problems in discussions with all subsidiaries except the Swedish. Among the other respondents at subsidiary level in Asub, only one sales manager partially agrees that language differences cause problems, while the rest do not experience such difficulties.

The interviews reveal that personal relationships between HQ and subsidiary managers in Asub in general are very good and when they meet, they interact mostly in an informal way. Most of the subsidiary managers also experience that the HQ organisation is open and that it is easy to obtain information. Only two of the smaller
subsidiaries and one of the larger ones are of another opinion. Their experience is that the relationship with HQ is more formal and the management organisation more closed.

Feelings of trust, understanding, closeness and cooperativeness between parties in a relationship are important and the sum of such feelings has here been assembled under the concept “atmosphere” (see Sandström, 1990). When the overall atmosphere in the relationship is studied it can be noted that there is considerable variation within the division. The most positive atmosphere is experienced between HQ and the subsidiaries in Sweden, Italy, Denmark and one of the German subsidiaries, while the least positive is found in Great Britain and in the smaller German subsidiary.

**Roles in the relationship**

In the introduction it was suggested that each subsidiary has a role in the firm as well as a role within its business network and that tension between these roles may cause conflicts in the relationship with HQ. How about HQ and the subsidiaries’ roles within Asub?

While the managing director at HQ states that he and the subsidiaries fully agree about their roles in the relationship, four of the subsidiary managers have a different opinion concerning their own roles and five concerning the HQ role. Most unsatisfied are the managers in two of the smaller subsidiaries, but the managers in two of the largest subsidiaries also disagree with HQ about their role and about HQ role in the relationship.

One reason that some subsidiaries are not satisfied with the roles in the firm might be that they are under pressure from influential counterparts in their business networks. When demands from the network stand against HQ attempts for an overall corporate strategy, the subsidiaries are “caught in the middle”, and the more important the counterparts are for the subsidiary, the more likely that the subsidiaries adapt to them. Thus, when local interests differ from HQ's, tensions in the HQ-subsidiary relationship can be expected. Such different interests may occur for instance when HQ and subsidiaries have different interests concerning how marketing and purchasing activities should be performed. The interviews with the subsidiary managers also show that none of the ten subsidiaries fully agree that their interests are usually identical with HQ's when it comes to purchasing and marketing activities. Among the subsidiaries which have the least identical interests is one of the most important subsidiaries in the division. In this subsidiary, the subsidiary manager is fully satisfied neither with HQ nor with the own subsidiary’s role.
Importance of the network

We have stressed that the business network in which each subsidiary is involved is of importance when the management of international firms is discussed. Counterparts inside as well as outside the borders of the firm can be expected to influence the management of the subsidiaries. According to HQ and the subsidiary managers, the most influential actor in this aspect is the internal supplier, followed by other suppliers, the sister-subsidiaries and other divisional managements within the firm. Least important is the influence from the Corporate Executive Committee. The customers are regarded by HQ as influential while most of the subsidiaries claim that they do not affect HQ possibilities to influence the subsidiaries.

The internal supplier is the main supplier for all subsidiaries except two (one subsidiary does not want to name its suppliers and in the other the purchasing function is outside the subsidiary), and although the subsidiaries, according to HQ, are free to buy from others if the own Company does not have competitive prices, they seem to favour the internal unit. Eight of the ten subsidiaries, however, do not agree with HQ that they have a free choice.

As pointed out in the introduction, almost 100 per cent of the customers are outside the firm and according to the sales and subsidiary managers in almost all subsidiaries, they are free to approach new customers without consulting HQ. It can be noted that the three subsidiaries considered to be the most important are among the units involved in most contacts with their counterparts. It usually takes considerable time until a relationship is considered to be an important one - the relationships with the main customers have often existed more than 15 years. An example of how personal a relationship might be is when, during an interview with a subsidiary manager, a porter suddenly dashed in with a basket filled with mushrooms. The manager inspected the mushrooms and told us that he had picked them during the weekend and that they were to be sent to one of the most important customers.

A number of subsidiary managers say that besides suppliers and customers, the relationships with their main competitors are of vital importance which the following episode may illustrate. During an interview with a subsidiary manager we were interrupted by a telephone call from a competitor and after having finished talking with him, the subsidiary manager turned to us and remarked that “he is even more important to me than my wife”. Most of the subsidiary managers, however, do not want to answer questions concerning this relationship.

Characteristics of the most important and influential subsidiary

So far, I have described some characteristics of the subsidiaries and their relationship with HQ on a more general level. The picture has revealed, among other things, that
the subsidiaries are quite autonomous and that the degree of operational interdependencies between the subsidiaries is rather limited. Three of the subsidiaries are, however, considered to be more important and also more influential than their sister-units. What distinguishes them from the others? In order to find some possible explanations, the most influential of these subsidiaries, here named Aske, will now be described in some more detail.

Aske is among the larger subsidiaries within Asub, but it is neither the largest nor the oldest. When the business network in which it is involved is studied, it is obvious that one customer is of particular importance. The relationship with this customer is about 25 years old and it is considered to be “impossible to replace”. The customer, in the following called Playo, is one of the best known companies in the country, manufacturing a consumer product which is famous all over the world. Aske is very important for Playo mainly because of its regular deliveries, once a week or even more often. When these deliveries in the beginning of the 1980s failed, the relationship with Aske broke off completely, and it took more than five years for Aske to regain the confidence of Playo. They managed to do this by approaching Playo’s R&D department, and together with their engineers develop a special product of vital importance for the marketing of Playo’s products. In the middle of the 1980s, the people at Playo’s R&D department were able to convince their purchasing department that Aske could be regarded as a trustworthy supplier again. Since then, the relationship has become further strengthened and it is now considered to be too strong to be broken. A number of people from the two companies visit each other regularly - 15-20 people from the sales/purchasing and R&D departments are involved in such direct contacts.

Thus, Playo’s main importance is for the technological development in Aske. As a very demanding customer, it affects the product and production development in Aske considerably and is also vital as a giver of technological information. The importance of Playo for Aske can be seen by the fact that not only has Aske adapted its product and production technology to demands from this customer, but it has also changed its business conduct and to some extent even its organisational structure.

The relationship is also affected by connected counterparts. According to the sales manager in Aske, other customers, as well as Aske’s main suppliers, have an influence on product technology as well as the business conduct in Aske’s relationship with Playo. The development of a new, unique, product has forced Aske’s suppliers to develop their products, and, concerning Aske’s other customers, these can frequently benefit from solutions developed in the relationship between Aske and Playo. Playo’s customers are also important as they put strong demands on Playo and expect their
products not to be injurious to the environment. This forces the two companies to a continuous development.

Not only is Playo important for the technological development in Aske. The Company is also a source of information about market activities and governmental issues, and as being a Company with a very high reputation, it serves as a bridge to other organisations and new business contacts. Concerning sales volume, though, there are other customers which account for more than three times as much than Playo, but according to the respondents in Aske, these are not considered to be as important as Playo.

It is here suggested that Aske's strong position within Asub can be traced to the technological competence it has obtained through its relationship with the demanding customer Playo. One of the Asub sister units states that Aske is this unit's most important counterpart, "impossible to substitute", and mainly of importance for product development, technological and market information. Six people from each subsidiary visit each other monthly. The subsidiary has also adapted its product and production technologies after suggestions from Aske. The data indicate that the other subsidiaries in Asub are also dependent on information from Aske. A sign of Aske's importance for the others is that Aske's general manager is a board member on several of the sister-units' boards.

To sum up, our data show that all subsidiaries within Asub have a high degree of autonomy and that they are quite able to manage on their own in their local networks. The most important counterparts for the subsidiaries are the customers and suppliers while HQ is of rather limited importance for the activities in the subsidiaries. Thus, the subsidiaries are mainly involved in their local networks, and operational interdependencies between the subsidiaries are rather limited. Only one subsidiary, which is also the most influential, sells to some of the sister-units abroad. On the supply side, the main supplier of raw material belongs to the same MNC, but the subsidiaries are not, according to HQ, forced to buy from this unit. Although the operational interdependencies within Asub are of limited importance, the sister-units in the firm are considered essential for all subsidiaries, mainly as providers of knowledge. The regular, informal meetings between them, without HQ participation, may serve as an evident example. While HQ's main role in Asub is to provide financial resources, the subsidiaries are more dependent on each other and have by themselves organised ways of transmitting information. In the discussion above it has been suggested that this knowledge and information emanate from relationships with important counterparts and that it may serve as a base for influence. A main characteristic of the most influential subsidiary in Asub is that this unit has a very important customer which enforces the development.
Let us now turn to a division in another Company manufacturing the same kind of products. The same aspects which were illustrated within Asub will be described, and the situation in the two companies will subsequently be compared.

Isub—the influential subsidiaries

The subsidiaries and HQ in Isub were visited in 199 1-92, shortly after a reorganisation of the MNC. At that time the division had 10 500 employees (80 per cent outside Sweden) and a turnover of 10 000 million SEK. Isub has a market share of approximately 10 per cent and is the market leader in many countries in Western Europe. Like Asub, the MNC is semi-vertically integrated. About 50 per cent of the raw material in Isub come from another division within the MNC.

One effect of the reorganisation was that divisional HQ moved from Sweden to Central Europe. The former Swedish general manager was replaced by an Englishman and the interview at HQ was conducted mainly with him and one of his colleagues. After the reorganisation, ten units divided into two product groups were directly subordinated to HQ. We focused on one of these groups (the same as within Asub) and visited four of its six subsidiaries. These units, which are considered to be the most important ones, are located in Sweden, Italy, France and Great Britain.

The reorganisation was partly an effect of some major acquisitions during the end of the 1980s when three of the four subsidiaries in our study were acquired. Only the Swedish unit has belonged to the MNC for a long time, 25 years. The new subsidiaries, whose ages vary between 30 and over 100 years old, changed their names after the acquisition, which means that all subsidiaries have the name of their MNC. Except for the oldest unit, the subsidiaries have been located at the same place since they were founded. The number employed in the visited subsidiaries ranges from 700 to 3 200 and turnover from 550 million SEK to 2 250 million SEK. All subsidiary, sales and purchasing managers except two (who are from a third country) are from the country where the subsidiary is located. The Swedish subsidiary manager is the only one with a long experience within the MNC.

At the beginning of this paper it was mentioned that closeness to the market is important for both Asub and Isub due to high transportation costs of their products. Subsidiaries are thus located close to their customers. But also for HQ closeness is considered important, as a main reason for moving HQ from Sweden was to “be at the centre of the market”. However, other motives, such as taxes, costs, the symbolic value as well as the general manager’s preference to live there rather than in Sweden, were also mentioned during the interview with HQ.

Neither of the two interviewed at HQ is a Swede and we found it interesting to get their view of how it is to work for a Swedish MNC. An opinion was that this
Swedish MNC is much like a Japanese enterprise: “it takes a long time to make decisions due to the aim to reach consensus, but once a decision is made it is also carried through.” According to them, the rapid growth during the years before the interview has changed the Company from a Swedish enterprise to a European MNC. According to the respondents, a drawback is that the organisation so far is not adjusted to this change. There is a lack of competent people at the top (with the exception of the CEO), and the centre is by one of the respondents considered to be “too weak” and, according to him, “they do not manage to control the firm as they should”.

All subsidiaries report directly to HQ and HQ is also represented on their boards. The largest subsidiary is represented on HQ's board. During the interview, HQ explicitly pointed out that all subsidiaries are treated in exactly the same way, i.e., there is no differentiation in the management of the subsidiaries. All subsidiaries are profit centres, reporting to HQ every month.

**Autonomy/decentralisation**

In comparison with the subsidiaries in Asub, the subsidiaries in Isub are less autonomous and free to make their own decisions. Except for decisions concerning customers in their domestic markets - they are free to approach new customers and to introduce products in their domestic markets - the subsidiaries cannot make any major decisions without consulting HQ. When it comes to investments in their own subsidiaries, the subsidiaries can, according to HQ, decide on investments without seeking approval from HQ up to one million SEK (the sum within Asub is five times as high). The subsidiary managers are apparently not aware of this limit - two of them think the limit is much higher, one that it is half as high and one does not know.

**Internal interdependencies**

As is the case within Asub, the subsidiaries degree of integration in the division is rather low. The subsidiaries are not responsible for purchasing and sales for other units, but three subsidiaries state that to some extent they are responsible for R&D for the others. In HQ opinion, no subsidiary in the division is more essential for the division than the others. According to the subsidiaries, though, the British subsidiary is slightly more important, especially when it comes to product development and relations to other units in the firm.

Our study indicates that HQ position in Isub is quite different in comparison with its position in Asub. Within Isub, this managerial level is seen as very important not only as a channel for obtaining financial resources as in Asub, but also important for gaining access to product development and R&D as well as market information. However, the interviews indicate that not only HQ but also the division as such is of

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importance for the subsidiaries and that their economic performance would be negatively affected if the division "ceased to exist". The divisional units are important mainly for the production development and as sources of information on technological matters and governmental restrictions.

**Formal and informal control**

The degree of formal control is higher in Isub than in Asub. This is true for accounting especially, but manuals concerning Company philosophy are also, according to HQ and subsidiaries, relied on to a high or even very high extent. Unlike the situation in Asub, the budgeting process is seen as a very important control device.

When it comes to personal and more informal control it can be noted that HQ meet the subsidiaries every second month - they are usually visited four times, whereas they come to HQ two times. Even the most frequently visited subsidiaries in Asub meet with their HQ less often. No subsidiary in Isub is visited more than the others, and according to the managing director, he spends about the same amount of time on each subsidiary and its activities. The subsidiaries’ impression is that they meet HQ even more often - they say that they visit HQ 6-12 times every year.

**Influence**

HQ opinion is that all subsidiaries are highly and equally influential when it comes to decisions about acquisitions, investments in R&D, products and production as well as in decisions concerning the location of production units. On such decisions subsidiaries have, according to the managing director, generally a considerable influence. The subsidiaries’ evaluation of their importance is slightly different. In general, they consider themselves to be somewhat less influential than HQ says that they are. The British and Italian subsidiaries consider themselves to be more influential than the French and the Swedish subsidiaries consider themselves to be, but still not as influential as HQ states that they are. It can be noted that the British and the Italian subsidiaries have more contacts with their network counterparts than the other two units.

In HQ opinion, all subsidiaries are also influential in deciding about the product program during a budget year as well as in taking decisions about their own budget goal. As within Asub, the subsidiaries are not considered to be influential when it comes to budget goals for the whole division.

A comparison between HQ evaluation of subsidiary influence in Isub and Asub shows that all subsidiaries in Isub are more influential than the units in Asub. In both firms HQ states that the subsidiaries are more influential than the subsidiaries consider themselves to be.
Cultural differences and the atmosphere
Cultural differences have, according to HQ, mainly caused problems in the relationship with the Swedish and to some extent with the Italian subsidiary. At subsidiary level, both the Swedish and the Italian subsidiary managers partly agree that problems due to cultural differences exist. They also admit that it is difficult to understand HQ's way of thinking. The other respondents in these two units, i.e., the sales and purchasing managers, do not experience any major problems. On the other hand the sales and purchasing managers in Great Britain state that they experience culturally related problems in their relationship with HQ.

Further, HQ states that language differences, at least partly, cause problems in the relationship with all subsidiaries. At subsidiary level, all purchasing managers and two of the four subsidiary managers agree with this, while the other two do not experience problems. Only one sales manager states that there are language problems.

According to the answers in the questionnaires, the personal relations are quite good between HQ and all the subsidiaries. While HQ says that interaction is mainly on a formal level, the subsidiary managers experience it as being more informal. The subsidiary managers also say that the HQ organisation is open and that it is easy to obtain information from it, while HQ finds the subsidiaries more closed, especially the Swedish unit.

When we try to measure the overall atmosphere in the HQ-subsidiary relationship, the variation, like within Asub, is high. The most positive atmosphere is experienced between HQ and the British subsidiary while the HQ relationship with the Swedish subsidiary has the lowest value.

Roles in the relationship
According to HQ, there is total agreement about the subsidiaries’ role as well as the HQ role and their long-term plans are also fully consistent. Only one of the subsidiaries has the same opinion, while the other three indicate that there are some disagreements.

As is the case within Asub, HQ and subsidiary interests seem to differ mainly when it comes to purchasing activities, but the parties also have different interests concerning product design and production. Marketing activities, however, do not cause disagreements. The subsidiaries are free to approach new customers and products in their domestic markets without consulting HQ, while the purchasing decisions are much more restricted—a subsidiary cannot choose suppliers without consulting HQ.

Obviously the role of the Swedish subsidiary has changed quite dramatically after HQ was moved from Sweden. The Swedish subsidiary is the oldest unit in the division and has belonged to the firm for about 2.5 years. From a position as a very
influential unit it is now, when consideration is taken to both HQ and subsidiary opinions, least influential of the four units in Isub.

**Importance of the network**

As is the case within Asub, counterparts in the subsidiaries network influence HQ in the management of the subsidiaries. According to HQ, the subsidiaries’ customers as well as non-commercial organisations (such as environmental groups) are most influential. The subsidiary managers have another opinion, and consider the influence from the suppliers, but also from the Corporate Executive Committee, to be most important.

Another similarity with Asub is that the business networks are considered to be of the greatest importance for technological development. This is most obvious for the Swedish and the British subsidiaries. The British subsidiary is more involved in its business network than the other subsidiaries as people in this subsidiary more frequently meet their most important counterparts. For the remaining two subsidiaries, in France and Italy, the business networks are mainly important for business development in general and for getting access to institutional information, i.e., information relating to the authorities and the government.

To sum up, the interviews indicate that the units in this firm are considerably less autonomous and much more controlled than the Asub units. The HQ role within this firm is totally different when compared to Asub. Within Isub, HQ is much more involved in the activities of the subsidiaries, for instance in technological development, and as a source of information. Both Asub and Isub had acquired subsidiaries shortly before the interviews, but the ways in which the new organisations are managed are quite different. Attempts from HQ in Isub to create a more homogeneous organisation can be seen: the subsidiaries have changed their former names and they now have the name of their mother Company, and the use of a Company philosophy as well as an emphasis on formal rules and budgeting routines can be said to contrast sharply with the situation in Asub. Although the Isub subsidiaries are less autonomous than the Asub units, they are generally more influential. When the answers from the HQs in Asub and Isub are compared, we find that the managing director in Isub experiences his subsidiaries to be more influential in a number of aspects, such as strategic decisions about acquisitions and the location of production.

**Analysis**

The descriptions of the two divisions indicate that the two firms are managed quite differently and also that influence and autonomy should be regarded as independent
variables, i.e., an autonomous subsidiary is not necessarily influential within the firm and vice versa. While the subsidiaries within Asub have a much higher degree of autonomy, the subsidiaries within Isub are more controlled but also more influential than the majority of subsidiaries in Asub. And within the firms, there are also substantial differences, especially within Asub. How can these differences be explained?

Turning to the variables based on Kallinikos review of the literature on autonomy, influence and control and discussed in the theoretical part of this paper, the following analysis will start with characteristics at MNC level followed by variables at the subsidiary level. Finally, I will suggest that characteristics of the environment, here conceptualised as relationships in the subsidiaries business networks, are of vital importance. Thus, resources obtained in each subsidiary’s business network are essential for both autonomy and influence, but whereas autonomy is related to interdependencies in the local business network, a prerequisite for influence is involvement in the firm.

MNC characteristics
The two firms have many characteristics in common. They are within the same industry using similar technology and with production units in the subsidiaries manufacturing the same kind of products for a large number of customers. Their main supplier is internal, i.e., belongs to the same MNC as the subsidiaries. Their markets are Western European countries and the structure of competition does not differ. More than 80 percent of the employees in the two firms work outside Sweden and the turnover emanates primarily from the units abroad. All subsidiaries are wholly-owned and there are no green-field investments - all subsidiaries have existed more than 15 years (and often considerably longer) before they were acquired by Isub or Asub. Despite these similarities the two firms are managed quite differently which makes it interesting to discuss why this is so. Below, the impact from size, age/international experience and nationality/location of HQ will be further discussed.

Size
What about the impact of size in our two firms? Isub is about twice as large as Asub both in terms of the number of employees and turnover, and as the subsidiaries are less autonomous and more controlled than the Asub units, this would support notions that size and control are positively related. However, it can be noted that in the larger firm the subsidiaries are more influential than the majority of subsidiaries in Asub.
**Age**
Although Isub is larger than Asub, its experience of having subsidiaries abroad is less conspicuous. When the interviews were made, Isub had recently been reorganised, and the firm had also shortly before acquired three of the four subsidiaries. Although the Isub division is younger and has less experience as an independent unit with many foreign subsidiaries, the MNC of which Isub is a part has an international experience well in line with Asub. However, it seems likely that the age of the firms might have had some impact on the degree of control and influence.

**Nationality**
A third factor which may help to explain the differences in the management of the two firms is the nationality and location of HQ. The move of HQ in Isub from Sweden to Central Europe at the same time as the Swedish general manager in the firm was replaced by an Englishman can be expected to have affected how the firm is managed. As most of the subsidiaries in Isub were acquired recently and consequently have no or only a limited experience of working with a Swedish HQ, there is not enough material to draw any conclusions about whether the shift from Sweden has changed the way of controlling the subsidiaries or the subsidiaries’ degree of autonomy and influence. An indication that this might be the case is, however, that the Swedish subsidiary has obtained a new role when divisional HQ moved from Sweden. From a position as an influential unit, this subsidiary is now the least influential within the division. Both HQ and the subsidiary manager state that cultural differences have caused problems in their relationship and that they sometimes have difficulties in understanding each other. This indicates that nationality and cultural differences may affect the way subsidiaries are managed. The new management in Isub stresses that all units are treated in exactly the same way and it seems important for them to create something new, “more European” and “less Swedish”. In this firm, a shared “Company philosophy” or "culture" - which does not stress the Swedish origin - plays a much more important role than within Asub. At the same time as control of the Isub subsidiaries is more pronounced, HQ seems to be more dependent on them, i.e., their influence on strategic decisions in the firm is striking.

We will now tum to differences at subsidiary level.

**Variables at subsidiary level**
As is the case at firm level, subsidiary size, age and nationality can be expected to have an impact on autonomy, influence and control but as is also the case at firm level, empirical evidence in earlier studies is highly contradictory.
Size

Two of the three most autonomous subsidiaries in Asub are not among the largest ones. On the contrary, they are among the smaller subsidiaries in the firm. Size is here measured both in terms of number of employees and turnover. However, the largest subsidiary in these two respects is considered to be among the most autonomous. The overall picture is, as pointed out before, that all subsidiaries within Asub have a high degree of autonomy. The opposite picture is found in Isub where all subsidiaries are less autonomous than the Asub units. Within Isub, the differences in degree of autonomy are small. The two largest subsidiaries in terms of the number of employees have slightly higher values, but the differences between the subsidiaries are too small to enable us to draw any conclusions.

Are the larger subsidiaries more controlled through formal manuals than the others then? Within Asub, the larger subsidiaries are neither more nor less formally controlled than the others. However, if intensity in direct contacts is taken as an indicator of informal control, the largest subsidiaries are more informally controlled than the smaller ones. Within Isub, differences in control between the subsidiaries are low. The largest subsidiary is slightly more controlled than the others, but the difference is marginal.

When it comes to influence, HQ in both firms in general seems to consider the subsidiaries to be more influential than the subsidiaries consider themselves. Within Asub, HQ opinion is that the three largest subsidiaries are the most influential, while size, according to the answers from the subsidiaries, is not related to influence. Within Isub, the second largest subsidiary in terms of the number of employees is the least influential, while one of the smaller subsidiaries is as influential as the largest subsidiary. This indicates that the relationships between size - autonomy and size - influence are not consistent.

Age

In the theoretical discussion it was indicated that autonomy is related to subsidiaries’ length of operation; As all subsidiaries in the two firms are acquired, they have had a life prior to the acquisition. Thus, for each subsidiary we can talk about two different ages. Within Asub, the subsidiaries have an average age of about 55 years (ranging from 22 to 95 years), while the subsidiaries on average have belonged to the firm for ten years. Within Isub, the subsidiaries are even older, with an average above 60 years (from 30 years to 104) but with three subsidiaries quite recently acquired. Hence it can be noted that all subsidiaries, including the most recently acquired ones, have quite a long experience in their local markets, and even prior to the acquisition they were deeply involved in their business networks.
Within Asub, the subsidiary which has belonged to the firm for the longest time, almost 25 years, is not among the most autonomous. The most autonomous were founded 35-75 years ago and have belonged to Asub for 6-15 years, i.e., they represent “the middle-aged”. It can, however, be noted that the most recently acquired subsidiaries (which were founded 40 and 85 years ago, respectively) are among the least autonomous. Above it was suggested that ageing is related to an increase in formal control. Within Asub, this does not seem to be the case. On the contrary, the two most informally controlled subsidiaries are among the oldest ones (both are more than 75 years, and are not among the recently acquired units), while the most recently acquired are the most formally and among the least informally controlled.

Within Isub, one subsidiary has belonged to the firm for 25 years while the others have been acquired only recently. The old subsidiary is neither more autonomous than the others nor more influential, but quite the reverse, since this subsidiary is regarded as the least influential subsidiary. When it comes to formal and informal control, the variation within the division is low. The new subsidiaries do not seem to be more controlled than the older one.

**Nationality**

At subsidiary level, almost all managers are local, i.e., in both firms the staffing policy at subsidiary level can be characterised as polycentric. A former emphasis on the use of trusted expatriates as a means to control subsidiaries through a socialising process (Edström and Galbraith, 1977) has been supplemented with an increased use of non-Swedes as subsidiary managers. This tendency to use local managers has probably been reinforced by the trend to choose acquisitions rather than green-field investments, and according to Hedlund (1984), it can be assumed that it has resulted in slightly more impersonal control. In the two firms illustrated above there is no evidence that the use of formal and informal control is related to the nationality of the subsidiary managers - the Swedish subsidiary in Asub is, for instance, not less controlled than its sister-units.

Our data show that subsidiaries from the two firms acting in the same country under similar market conditions show considerable differences. There are no evidences that autonomy or influence are related to cultural differences. The most distant and “uncertain” markets are, for instance, not the most autonomous.

To sum up, when the effects of the variables at subsidiary level on control, autonomy and influence are analysed, a rather complicated picture emerges. Within Asub, the most influential subsidiary is also among the most autonomous. This subsidiary is large and rather old within the firm. The other most influential or autonomous subsidiaries are not among the largest or oldest. On the contrary, one of
them is recently acquired, rather small and with a modest market share. This subsidiary, which has the lowest degree of autonomy in Asub but the highest value when it comes to influence is, however, considered to have good expansion possibilities. The other influential or autonomous units are, when it comes to subsidiary characteristics, more or less in the middle, representing an average of the Asub subsidiaries.

Within Isub, it is worth noting that the oldest subsidiary, which is also one of the largest, is the least influential. The two most influential subsidiaries are both recently acquired but in other respects they are quite different from each other. One has more than four times the number of employees and a much higher turnover. The smaller subsidiary has, however, a larger market share, and its future possibilities are by HQ considered to be somewhat more prosperous. As regards autonomy, the differences within Isub are too small to make it possible to draw any conclusions.

Hence, size, age and nationality give contradictory results. The cases seem to indicate that these factors do not contribute very much to our understanding of the prerequisites for the autonomy and influence of subsidiaries in MNCs. Maybe from an analysis of interdependence and the characteristics of the subsidiaries’ network there is more to be gained.

Interdependencies and network characteristics

Interdependence
Both theoretical propositions and empirical findings indicate that high interdependencies within a firm lead to more control, i.e., less subsidiary autonomy (see, e.g., Baliga and Jaeger, 1984; Gupta and Govindarajan, 1991, 1994; Thompson, 1967). Both firms in this study are semi-vertically integrated which means that the subsidiaries in general have at least one important exchange relationship with another unit in the MNC - in this case the main supplier - although the majority of their important relationships are with units outside the firm. Within Asub, the purchasing function is not as restricted as within Isub. In the former firm, the subsidiaries can, according to HQ, buy from others if their own Company does not offer competitive prices, while within Isub, the subsidiaries cannot choose suppliers without consulting HQ and the internal supplier always seems to be favoured.

Not only are the subsidiaries in Isub more dependent on the internal supplier. Their reliance on HQ is also more pronounced. The role of HQ is thus quite different in the two firms. While HQ in Asub seems to be important mainly as a source for financial assets, HQ in Isub appears to be of vital interest from a number of different aspects. Hence, the data indicate that the Asub subsidiaries are able to function without
HQ as well as the rest of the firm more easily than the Isub units which are more interdependent. But not only do the subsidiaries rely on HQ to a higher extent, HQ is also more dependent on the subsidiaries in Isub and considers them to have much influence on various strategic decisions.

Concerning other operational interdependencies between the subsidiaries, these are rather limited in both firms. Two units within Asub, however, are to a high extent responsible for R&D for their sister-units. These units are also the most influential. In general, however, the Asub subsidiaries seem to be somewhat less important for other units in the division than the Isub subsidiaries.

Although the formal interdependencies between the subsidiaries in Asub are rather low, there is considerable informal co-operation. Representatives from the subsidiaries meet regularly without participation from divisional management and the main purpose is to spread and share knowledge and information. Knowledge about customers, governmental restrictions, products and technologies etc. is diffused throughout the firm which means that experiences and ideas developed in each subsidiary’s business network in an informal surrounding are transmitted to sister-units. This indicates that world-wide learning must not be centrally planned and controlled.

In the introductory chapter we have suggested that a prerequisite for autonomy and influence is the possession of resources. While a subsidiary which is deeply involved in its local network and mainly obtains its resources there can use its independence in order to avoid HQ control, a subsidiary striving for influence in the firm must have resources needed by others in the firm. This argument is supported by the observation that the subsidiaries considered to be the most important for the division in Asub are more influential than the others in the division. And within Isub, the high degree of subsidiary influence can be traced to the interdependence between HQ and the subsidiaries. In this case, managers at HQ as well as subsidiary level have limited experience in working within the same firm and they are highly dependent on each other, not least when it comes to information. While divisional HQ needs information and knowledge about the business networks in which the subsidiaries have been involved for decades, the subsidiaries are dependent on financial resources, raw materials from the internal supplier as well as access to product development and R&D. This higher degree of involvement and interdependence within Isub is proposed to explain why the subsidiaries in this firm are more influential.

Before this illustration of the two firms is concluded, we will turn to a central issue: where do the resources needed for both autonomy and influence come from?
Network characteristics

A main argument in the study is that resources emanating from relationships in a subsidiary’s business network are important as a power base. By describing the relationship which the most influential subsidiary within Asub has with its most important customer, I have indicated how such a relationship reinforces the technological development within the whole firm. Further support for this is that the most influential subsidiaries in Isub have more frequent contacts with important counterparts in their business networks than the less influential. A similar tendency can be found in Asub where the most influential subsidiaries are among those which most frequently interact with their counterparts. Further, it can be noted that the most influential subsidiaries are all involved in business networks where the counterparts are of high importance regarding technological development. Access to information about governmental issues is another critical resource obtained through the business network.

Concluding remarks

The analysis above indicates that even though two firms have many characteristics in common, they can be managed quite differently. Here focus has primarily been on how they differ regarding control, autonomy and influence. Concerning control and autonomy, the variations cannot easily be explained by differences in size or age, although a general observation is that subsidiaries which have belonged to a firm for a long time tend to be more autonomous and less controlled than recently acquired units. However, even the oldest subsidiary in Isub is considerably less autonomous than the youngest and most recently acquired subsidiary in Asub. The use of a shared Company philosophy as a means to control the subsidiaries is much more pronounced in Isub, the younger of the two firms. Here, the units were immediately after the acquisition integrated into the firm and symbols, such as the name of each subsidiary and the use of the Company logotype, are very important. Within this firm, other means of formal as well as informal control are also used more often. The atmosphere between HQ and the one subsidiary which has belonged to the firm for quite a long time seems, however, to suffer from this.

The illustrations from the two firms indicate that autonomy and influence are independent variables, i.e., an autonomous subsidiary is not necessarily also influential within the firm. Further, the description of the firms illustrates that autonomy or influence cannot be traced to one single variable. The descriptions above indicate, however, that interdependencies within the MNC as well as characteristics of the business networks in which subsidiaries are involved have implications for control, autonomy and influence.
Even though the Isub subsidiaries are less free to make their own decisions, they are more influential within their firm than the Asub units are. It has been stressed that resources emanating from relationships in a subsidiary’s business network are important for both autonomy and influence. We suggest that influence is related to interdependencies within the firm, i.e., in order to become influential a subsidiary must be important for others in the firm. When interdependencies within the firms are taken into consideration, it can be noted that the most influential subsidiary in Asub is the most integrated subsidiary in the firm. This concerns particularly technological information and knowledge, for which this unit is the largest giver. Our data also reveal that counterparts in the subsidiary’s business network are very important for this knowledge development. A similar conclusion can be drawn from the Isub data. The most influential subsidiary has most frequent contacts with counterparts in its network and these counterparts are mainly important for the technological development.

Finally it can be noted that the descriptions illustrate that HQ and subsidiary representatives often have different views regarding their relationship. Although HQ, especially within Isub, seems to strive for equal treatment, the interviews with the subsidiary representatives reveal that they experience the management differently. In other words, the picture is much dependent on the choice of individuals and levels involved in the study, and therefore, when management of international firms is discussed, it seems important to include more than HQ perspective.
References


