FOUR ESSAYS ON SUBSIDIARY EVOLUTION: EXPLORING THE ANTECEDENTS, CONTEXTS AND OUTCOMES OF MANDATE LOSS

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School of Business, Society and Engineering
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Abstract

The emergence of enhancement or depletion of subsidiary charters is driven by two different types of organizational units and the environment. (1) The parent is ultimately responsible for the establishment of subsidiaries and will greatly impact its evolution by involvement. (2) Evolution is also largely contingent on the subsidiary’s choice. (3) The environment is critical in the evolutionary process as changes in the environment will influence the parent and subsidiary in their choices (Birkinshaw, 1996; Birkinshaw and Hood, 1998; Cantwell and Mudambi, 2005). The thesis sets out to investigate the drivers and effects of mandating on subsidiary evolution within the MNE. The departure in this thesis from the literature is its specific focus on how mandates are lost in complex networked Multinational Enterprise’s (MNE) and the effect this has on subsidiary resources and relationship development.

This thesis bases its empirical analysis on data collected from two qualitative rounds of interviews collected in two Swedish multinational enterprises, Alfa and Beta, and 36 of their foreign subsidiaries based in Europe, China, India and N. America. This yielded 112 interviews, the first round of interviews investigates the headquarters drivers of mandating and the network characteristics of mandated subsidiaries. It became apparent during this first round that mandates were lost by subsidiaries quite often and that they continued operating. These counterfactuals informed the second round of interviews, here the focus zooms in on the consequences of the loss of R&D mandates on subsidiary evolution. Specifically, the thesis examines the resource and relationship characteristics of the focal subsidiaries and the impact of mandate loss.

The study builds on four essays that taken together suggests if the MNE relocates mandates with the purpose of accessing resources, efficiency seeking, or as a response to endogenous and/or exogenous pressures, the process of mandating presents subsidiaries, that are not wound-down, spun-off or closed, with the opportunity and space to evolve its charter. This has far-reaching possible consequences for both the subsidiary and the MNE not least in resource and relationship combinations and orchestration and managing capabilities. Secondly, the thesis calls into question the importance of mandates and that researchers should pay more attention to the formal and informal tenets of mandates i.e. the combinations of mandate relationships and resources. The mandate is a well established indicator of the subsidiaries formal activities and responsibilities, however, it is not indicative of the informal behavior of a subsidiary which in this thesis is shown to be important in equal parts for the subsidiary’s evolution.

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Abstract

There has been an explosion of interest in studying the evolution of foreign subsidiaries of the MNE in the past 30 years. This was born out of the strategy and structure stream which focused in on the roles, responsibilities and activities of subsidiaries, captured under the umbrella of subsidiary charters and mandates. The emergence of enhancement or depletion of subsidiary charters is driven by two different types of organizational units and the environment. (1) The parent is ultimately responsible for the establishment of subsidiaries and will greatly impact its evolution by involvement. (2) Evolution is also largely contingent on the subsidiary’s choice. (3) The environment is critical in the evolutionary process as changes in the environment will influence the parent and subsidiary in their choices (Birkinshaw, 1996; Birkinshaw and Hood, 1998; Cantwell and Mudambi, 2005). The thesis sets out to investigate the drivers and effects of mandating on subsidiary evolution within the MNE. The departure in this thesis from the literature is its specific focus on how mandates are lost in complex networked Multinational Enterprise’s (MNE) and the effect this has on subsidiary resources and relationship profiles.

This thesis bases its empirical analysis on data collected from two qualitative rounds of interviews collected in two Swedish multinational enterprises, Alfa and Beta, and 36 of their foreign subsidiaries based in Europe, China, India and N. America. This yielded 114 interviews, the first round of interviews investigates the headquarters drivers of mandating and the network characteristics of mandated subsidiaries. It became apparent during this first round that mandates were lost by subsidiaries quite often and that they continued operating. These counterfactuals informed the second round of interviews, here the focus zooms in on the consequences of the loss of R&D mandates on subsidiary evolution. Specifically, the thesis examines the resource portfolios and relationship characteristics of the focal subsidiaries and the impact of mandate loss to elucidate the subsidiaries responses to mandate loss. The study builds on four essays examining the implications of R&D mandating throughout the MNEs network on the subsidiary’s evolution.

The first essay is an empirical examination of how mandates are lost, it evidences that mandate depletion/divestment is triggered by rationalization, poor performance and home/host exogenous changes, or a combination thereof. However, its contribution is in teasing out of the variance in instances of subsidiary mandate loss, the knowledge situation of headquarters vis-à-vis subsidiary activities and cooperative and competitive dynamics driving mandate loss. In essay two the thesis explores our current knowledge of parent configurations and interventions in subsidiary activities. Its contribution is twofold firstly the essay contributes to an increased understanding of determinants and outcomes of nested and overlapping configurations of headquarters on subsidiary charters. Secondly the essay evidences that mandate loss is partly driven by headquarters interventions placing the subsidiary between a “rock and a hard place” in terms of being subject to conflicting hierarchical demands. Essay three investigates the impact of mandate loss on the subsidiary’s development and its responses ex-post. The contributions here focus on the counterintuitive factors of how subsidiaries losing mandates continue to have positive evolutionary trajectories and contribute to the MNE. The essay elucidates a picture were subsidiaries draw on the relational attributes they have built in their
internal layers of embeddedness to remain strategically important, continue the activities on a discretionary basis or attract new substitutive mandates.

The fourth essay examines the mandate associated relationship and resource combinations pursued by subsidiary managers when they are developing a mandate. The essay explores the interface between subsidiary mandates and subsidiary manager’s resource combination activities at the subsidiary level and across the MNE value chain. The essay’s contribution elucidates and unpacks how subsidiaries create slack resources when developing mandates and how the combinations of relationships and resources are “sticky” post mandate loss. Furthermore, the core capability associated with mandate development are the combinative routines bringing together relationships and resource development and can be re-combined to either develop new capabilities or compliment remaining mandates. Cumulatively this is found to lead to both continued innovative contributions and positive evolutionary trajectories for subsidiaries.

Taken together, this thesis through case-studies elucidates that whether the MNE relocates mandates with the purpose of accessing resources, efficiency seeking, or as a response to endogenous and/or exogenous pressures, the process of mandating presents subsidiaries, that are not wound-down, spun-off or closed, with the opportunity and space to evolve its charter. This has far-reaching possible consequences for both the subsidiary and the MNE not least in resource and relationship orchestration and managing innovative performance. Secondly, the thesis calls into question the importance of mandates and that researchers should pay more attention to the formal and informal tenets of mandates (e.g. what the mandate gives the subsidiary). The mandate is a well established indicator of the subsidiaries formal role and activities; however, it is not indicative of the informal behavior of a subsidiary which in this thesis is shown to be important in equal parts for the subsidiary’s evolution.
Sammanfattning

Intresset för studier av multinationella företags utländska dotterbolags utveckling har ökat under de senaste 30 åren. Detta intresse kommer ifrån organisations- och strategiforskning om dotterbolagets olika roller, ansvar och aktiviteter – begreppsmässigt beskrivet som dotterbolags formella uppdrag och mandat. Den utveckling ett dotterbolags uppdrag har, om det utökas eller minskar, påverkas dels av två organisatoriska enheter, dels omgivningen. (1) Huvudkontoret är ytterst ansvarig för att etablera nya enheter och de har därmed stort inflytande på dotterbolagets utveckling. (2) Utvecklingen bygger också på vilka strategiska val dotterbolaget gör, (3) och slutligen påverkar omgivningen både huvudkontorets och dotterbolagets agerande vilket därmed också påverkar dotterbolagets utveckling (Birkinshaw, 1996; Birkinshaw and Hood, 1998; Cantwell and Mudambi, 2005). Denna avhandling undersöker vilka drivkrafter och effekter hanteringen av dotterbolagets mandat har på det multinationella företagets utveckling.

Utgångspunkten är teorier som fokuserat hur mandat hanteras (erhålls, används och förloras) i komplexa och nätverksbaserad multinationella företag och hur detta påverkar dotterbolags resurser och relationer. Avhandlingen bygger på en analys av data insamlad från kvalitativa studier på två svenska multinationella företag samt på 36 av deras utländska dotterbolag lokalisera i Europa, Kina, Indien och Nordamerika. Den huvudsakliga empiriska data består av 114 djupintervjuer. Den första intervjuomgången genomfördes för att förstå vad som låg bakom dotterbolagens uppdrag och mandat samt hur företagens interna och externa nätverk var uppbygga.

Preface

In January 2009 I moved from London to Örebro (Sweden) to start a new job in the paper industry, the cultural shock and integration problems were not quick to subside. I however found the latticed type of working environment to be a refreshing flip to the more hierarchical order that I found in the UK. I quite quickly found that the shared nature of problem solving and the encouraging nature of inclusiveness meant that not only was I exposed to contemporary problems of the organization but also actively involved in strategy making around this. With my explorative mind peaked I enrolled in a master’s program at Malardalen University (MDH), which in 2012 rolled over into a full time PhD position. Being a new member of the faculty at MDH, a greenhorn to academia but an experienced practitioner from the private sector enabled me to ask simple and inquisitive questions under the protection of the faculty but close to the business phenomena which are often taken for granted (in both settings).

As I had swapped the industrial world for the academic a year previous to starting my PhD, in a working sense, I was no longer part of the social strata I wished to examine but was informed enough that I could identify interesting rhetoric – reality gaps. Importantly I retained my access to this world meaning that gaining access was of relative ease. The initial funding for my doctoral studies was provided 50 percent by Malardalen University and 50 percent by the Swedish national research school MIT (Management and IT). Initially I read the majority of my foundational doctoral courses at Uppsala University through MIT which offered opportunities to get a better understanding of the academic landscape in Sweden and make use of the considerable academic network that MIT fosters to test out and discuss my research. After my second year as a PhD I joined the research school the Nordic International Business Research School (NordIB). This kept me moving between bastions of international business research in Europe and offered exposure and friendship within the field that would eventually become my academic home. Furthermore, in my third year of my PhD I became a Strategic Management Society Scholar, this opened up my second academic home when I have had the opportunity to interact with international strategy scholars and compliment my networks in Scandinavia and Europe.

Reader, I will offer up already here some extracts from research conducted on subsidiary evolution during the 90s which serves to both set the scene and directly introduce you to the concepts I am developing and contributing to. Furthermore, I want to introduce you to the inconsistencies that peaked my interest on the topic of subsidiary charters, mandates and evolution. Subsidiary evolution has for some time been conceptualised and seen as contingent on the enhancement or atrophy of a subsidiary’s charter through the gain and loss of mandates. Secondly charter evolution is also contingent on the development or atrophy of capabilities. The first set of inconsistencies that peeked my interest in regards the traditional conceptualisation of subsidiary evolution are as follows:

- “A subsidiary’s charter is defined as the business or elements of the business-in which the subsidiary participates and for which it is recognized to have responsibilities within” (Birkinshaw and Hood, 1998, p. 782).
- “A subsidiary mandate is a business, or element of a business, in which the subsidiary participates and for which it has responsibilities” (Birkinshaw, 1996, p. 467).

These extracts suggest that firstly there is no noticeable difference between mandates and charters and as such gaining and losing mandates to a charter is equal in sum as gaining and losing a charter to a charter. If the subsidiary is a sales or production unit with only local responsibilities these conceptualizations would then hold, however in the instance were
production and sales mandates are under the same charter or the subsidiary is fully-fledged then these conceptualizations of charter and mandate would not be possible, are you following me? My point here is not to suggest that this is wrong but more to set you in the frame of mind for what is to follow in respect to the argument I make that mandates are functional activities and charters consist of multiple mandates which can be gained or lost independently from each other. The second set of extracts focus in on the mandate concept explicitly with the intention of confirming the first set of inconsistencies and secondly to shine a light for you on the second intriguing inconsistency that is at the centre of what I write about in this thesis. The extracts are as follows:

- “The heart of the mandate is actually a capability, not a product or a market” (Birkinshaw, 1996, p. 489).
- “The key element of a mandate is its resources and capabilities” (Birkinshaw, 1996, p. 483).

Firstly, if the heart of a mandate is a capability and charter evolution is contingent on gaining or losing mandates and developing capabilities or them atrophying then following the logic of the aforementioned extracts you would be gaining or loosing capabilities while also developing them, that to me reader is not logical, how about you? I hope I clear some of this up throughout the thesis. The second and more interesting possibility I draw from the statements is that a “mandates heart” consists of multiple dimensions i.e. activities, resources and relationships and it is possible that they might not atrophy or be lost at the same time. In conjunction with the idea that charters consist of bundles of mandates throws up a number of interesting questions in regards to what remains when a mandate is lost. My empirical journey started in 2012 with the head of software for the company Beta, this turned out to be one of the most informative meetings of my PhD. It was in this meeting that the manager carefully depicted the global dispersion of Beta’s R&D and the movement of these activities from Sweden to foreign countries and either back to Sweden or to other foreign countries (this is the what is meant by the concept value chain disaggregation and mandating practice). For the rest of 2012 and 2013 I spent my time accessing the companies and following up on this phenomena, by qualifying the value chain and mandating phenomena in these companies enabled me to me to quickly choose a case study context and to start the data collection from day one of my PhD.

I originally started with three companies as my case companies Alfa, Beta and Gamma and they are equally informative to my study, however I dropped Gamma from the sample of the final thesis due to continued access and on going organizational change issues. Of the two remaining case companies I built the first two longitudinal case studies of the value chain break up of Alfa and Beta, two large Swedish multinational enterprises. This involved mapping the internal network of the company’s subsidiaries then plotting and accounting for the historical movement of low and high value activities from Sweden to these subsidiaries and between the subsidiaries (in the thesis this is study 1). Through these two longitudinal cases I began to understand the companies setting and history better, more importantly I also began to understand the contexts driving the phenomena. The two longitudinal cases are described in this thesis and the accompanying essays. After examination of these cases I felt that there was enough qualification in the stories of mandates moving from a focal subsidiary back to Sweden or to other foreign subsidiaries to make a case that mandates were being lost and subsidiaries are surviving. Study 2 is the second round of field work where interviewing was conducted at the subsidiaries in Asia, N. America and Europe. Here 36 nested cases were built and analyzed that examined the impact of movement of mandates between subsidiaries and its impact on the relationship and resource profiles of each subsidiary. This work was conducted between 2013
and 2016, I did not start to cumulatively use this data in the essays of the thesis till the end of 2015 as the topic is counterfactual and as such I wanted to build a critical mass of cases to qualify my argument. This thesis has used multiple qualitative methods to build and analyse the data, however from its inception the thesis is a longitudinal and inductive process study as such there was a necessity to build the study in the manner I have.

I have used the longitudinal stories and the nested case data from studies 1 and 2 in essays I and III and IV, in paper II data from study 1 is only use. Paper I uses the data collected from the longitudinal cases of study 1 and the nested cases of study 2 using the theoretical lens of the dynamics of cooperation and competition between internal and external counterparts to evidence how mandates are lost. In paper II data from study 1 is used to examine the drivers and contexts of headquarter configurations and involvement in subsidiary activities and how this leads to mandate loss. In essays III and IV data from both study 1 on the characteristics and episodes of value chain disaggregation is used to historically contextualize the processes and phenomena under investigation in the essays. In paper III data from study 2 is used to examine the relational dynamics of the subsidiaries in the 36 nested cases. In paper IV data from study 2 is used to investigate the influence of value chain disaggregation on the subsidiary mandate associated relationships and resources and the processes of recombination. Ultimately the essays of thesis cumulatively contribute to a better understanding of value chain disaggregation, its effects on subsidiary evolution and the critical components of mandate development (relationships and resources). As previously mentioned the study is as innovative in the use and crosspollination of qualitative methods as it is in its theoretical contributions. I have had fun beyond measure in the field and in interpreting these findings however I hope that the documentation of the methods aids scholars interested in process and inductive studies in the future. Furthermore, while this thesis has been conducted in extremely close cooperation with Alfa and Beta and as such the anecdotal, reflective and managerial implications have been realized, I do hope that this thesis will offer insights to policy makers both domestically in Sweden and locally in the markets of the subsidiaries.
Acknowledgements

Working on this thesis has been one of the most truly rewarding experiences. From day one when I started in September 2012, till now when I am writing these words in a cold and dark Sweden, has been testing but also immense. There are many people who made my time as a Ph.D. candidate a rewarding journey, there are a few however that have really shared and fundamentally challenged me on this journey. I would like to express my gratitude to my two supervisors Professors Ulf Andersson and Esbjörn Segelod. Ulf your mentorship, encouragement, suggestions and interventions have been excellent and challenging all at once, I look forward to the prospect of concocting future stories. Esbjörn you brought me in and gave me the latitude to explore and find myself, your diligence in reading and commenting on my work has been truly appreciated. You both have made an immeasurable difference during the time I have been working on my thesis.

There have been two people that have been instrumental on my journey in equal measures of importance. You have both been friends and exceptional co-authors on different essays throughout. Henrik Dellestrand your work on my halfway seminar and subsequent willingness to review my work, share insights and to put my work in perspective has been very valuable and has driven me to higher standards and to think more about the story. This is equally true for Peter Ekman your door has always been open for questions and discussions, our brainstorming and puzzle solving has at critical times been a breath of fresh air, without the two of you, this thesis and journey would not have been the same.

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I am greatly thankful to the three sponsors of my PhD, Malardalen University, the Swedish Research School of Management and Information Technology and the Strategic Management Society, were I am a SRF research scholar, for generous financing. Thanks go to the faculty and fellow students, they both proved a welcome platform for exchanging work-in-progress, for giving and receiving feedback, and for making friends, I am greatly thankful for this. Journeys are always shared and as there are to many people to thank personally, I thank my fellow colleagues and Ph.D. students at the School of Business, Society and Engineering, Mälardalen University and also at the Business Department at Uppsala University, you have given to and shared in my time as a PhD, thank you all deeply. During the thesis period I also participated in the NORD-IB doctoral courses and must thank the faculty for their generosity.
and invigorating insights into IB and strategy research and my fellow students for your engaging discussions and support both in class and “in more social settings” cheers.

During my time as a Ph.D. candidate I have been lucky to spend time abroad as a visiting scholar at three institutions with the generous financial help from Jan Wallander and Tom Hedelius Forskningsstiftelse. My time at the Department of Strategy at BI Norwegian Business School was critical to the improvement of my writing style. I gratefully thank the professors there who helped and guided me during my visit and for the time they spent reading and discussing my writing. My four months in Oslo was enriched and would not have been the same without Slava, Mia, Rademaker, Daniel, Filadi and Kai thanks guys.

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To ask anyone that has seen me during the past 5 years would know that I have travelled extensively so as to facilitate my research. Ultimately, this would have been impossible without my wife Anna. You must be a saint as your patience with my constant distraction has been extraordinary, however your love and fun has kept me honest to the important things in life.

Västerås, September 2017
List of Appended Essays

ESSAY I
Gillmore. How Subsidiary Mandates Are Lost in The Cooperative and Competitive Landscape of the MNE.

ESSAY II
Gillmore, Dellestrand, Andersson. Between a Rock and a Hard Place: Complex Configurations of Multiple Headquarters–Subsidiary Relations.

ESSAY III
Gillmore, Ekman, Andersson and Mudambi. Mandate Competition in The MNE: Examining The Effects of Subsidiary Internal Relational Attributes on Mandate Loss

ESSAY IV
FOUR ESSAYS ON SUBSIDIARY EVOLUTION: EXPLORING THE ANTECEDENTS, CONTEXTS AND OUTCOMES OF MANDATE LOSS

(Thesis Summary)
Table of Contents

1. INTRODUCTION 21

1.1 OUTLINE OF THE THEORIES USED IN THE STUDY 27
1.2 SPECIFYING THE RESEARCH QUESTION 29
1.3 VISUALIZATION OF THE STUDY 32
1.4 OUTLINING THE THESIS 34

2. VALUE CHAIN DISAGGREGATION AND SUBSIDIARY EVOLUTION 35

2.1 CONCEPTUALIZING SUBSIDIARY CHARTERS AND MANDATES 36
2.2 WHAT ARE MANDATES AND WHAT DO THEY GIVE TO A SUBSIDIARY 37
2.3 SUBSIDIARY EVOLUTION: THE RELEVANCE OF MANDATE ASSOCIATED RELATIONSHIPS 40
2.4 SUBSIDIARY EVOLUTION: MANDATE RESOURCE ACCUMULATION AND COMBINATION 42

3. METHODS 44

3.1 RESEARCH DESIGN 44
3.2 QUALITATIVE CASE STUDY APPROACH 46
3.3 CASE SELECTION 47
3.4 DATA COLLECTION METHODS 48
3.4.1 DOCUMENTATION 50
3.4.2 INTERVIEWS 50
3.5 ETHICAL CONSIDERATIONS 55
3.6 DATA ANALYSIS TECHNIQUES EMPLOYED IN THE ESSAYS 55
3.6.1 TEMPORAL BRACKETING 57
3.6.2 NETWORK MAPPING 57

4. SUMMARY OF THE FINDINGS IN THE ESSAYS 59

ESSAY I: HOW SUBSIDIARY MANDATES ARE LOST IN THE COOPERATIVE AND COMPETITIVE LANDSCAPE OF THE MNE. 59
ESSAY II: BETWEEN A ROCK AND A HARD PLACE: COMPLEX CONFIGURATIONS OF MULTIPLE HEADQUARTERS–SUBSIDIARY RELATIONS. 60
ESSAY III: MANDATE COMPETITION IN THE MNE: EXAMINING THE EFFECTS OF SUBSIDIARY INTERNAL RELATIONAL ATTRIBUTES ON MANDATE LOSS. 60
ESSAY IV: THE PHOENIX FACTOR: SUBSIDIARY EVOLUTIONARY TRAJECTORIES POST MANDATE LOSS. 61

5. CONCLUSIONS AND THE FUTURE OF MANDATING AS A RESEARCH OBJECT 62

5.1 CATEGORIZING THE FINDINGS FROM THE THESIS 62
5.1.1 DRIVERS OF MANDATE LOSS 64
5.1.2 DIMENSIONS OF A MANDATE AND THE VALUE OF MANDATE RELATIONSHIPS 64
5.1.3 A RELATIONSHIP AND RESOURCE COMBINATION PERSPECTIVE ON MANDATE DEVELOPMENT AND CHARTER EVOLUTION. 65
5.2 THEORETICAL CONTRIBUTIONS 67
5.3 MANAGERIAL IMPLICATIONS 69
5.4 LIMITATIONS AND FUTURE RESEARCH 70

6. REFERENCES 72
1. INTRODUCTION

The multinational enterprise, or MNE, is often depicted as an increasingly interconnected entity for leveraging technology domestically as well as internationally (Bartlett and Ghoshal, 1989; Kogut and Zander, 1992). It is argued that the modern, differentiated MNE is superior to other forms and structures in terms of renewal and the development of competitive advantage because of its geographically dispersed network of foreign subsidiaries enabling it both to exploit existing capabilities and explore new ones (Nelson and Winter 1982, March 1991; Frost, 2001; Cantwell and Mudambi, 2005). Furthermore, researchers have shown that the development of capabilities does not only happen within the MNE’s home country; foreign subsidiaries have been identified as equally important actors in this process (Bartlett and Ghoshal, 1989). Indeed, foreign subsidiaries of MNEs have rapidly evolved from primarily being recipients of technology from MNE headquarters to becoming actively involved in local and independent technological development which increases their importance to to the MNE (Birkinshaw, 1998; Cantwell and Piscitello, 2000; Cantwell and Mudambi, 2005; Kappen, 2011; Blomkvist, Kappen and Zander, 2012).

Of late, research has shown that value chain disaggregation\(^1\) has led to an increase in functional activities and responsibilities for differing geographic scopes of these activities being assigned to foreign subsidiaries of the MNE. This has lead to the emergence of two important phenomena: firstly, the mandating of foreign subsidiaries with functional activities such as production, sales, R&D and administration and the scope of these activities has increased exponentially. This has lead to increased instances of what Birkinshaw classified as subsidiary mandate gain and loss (Birkinshaw, 1996). Secondly a larger share of research and development and high value activities is being undertaken by foreign subsidiaries, resulting in their recognition as an increasingly important source of new technology in the MNE (Frost, 2001).

The study of subsidiaries has been growing extensively where the adoption of expressions like subsidiaries with world product mandates (Birkinshaw and Morrison, 1995); competence-creating subsidiaries (Cantwell and Mudambi, 2005) and centres of excellence (CoEs) (Holm and Pedersen, 2000; Frost, Birkinshaw and Ensign, 2002). In this thesis, mandate refers to the functional activities of an MNE (i.e. production, R&D, sales and administration) and the geographic scope of the units responsible for these activities. These mandates are broken up and allocated to foreign subsidiaries along the MNE’s global value chain. Previous studies (see: White and Poynter, 1984; and Birkinshaw, 1996) have conceptualized mandates as capabilities.

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\(^1\) Disaggregation refers to offshoring of functional activities that were previously located in the domestic market of the MNE. Value chain disaggregation evidences that MNEs have moved beyond offshoring of non-core functional activities such as sales and production to more advanced and essential activities such as R&D.
and the geographic scope that a subsidiary can apply these capabilities to. Oftentimes in literatures concerned with the concepts of subsidiary mandate and charter, mandate is interchangeable with charter (Birkinshaw, 1996; Birkinshaw and Hood, 1998; Dörrenbächer and Gammelgaard, 2010.) I aim to induce argumentation, qualified by empirical evidence, that due to value chain disaggregation subsidiaries can now be responsible for multiple mandates and that the subsidiary charter is a bundle of functional mandates. My specific aim is to examine the proposition that under these conditions a subsidiary losing a mandate and the associated consequences are not necessarily negative to the subsidiary’s evolution.

Under the supposition a subsidiary charter is made up of multiple mandates then a loss of mandate from a subsidiary would not necessarily be as significant as once posited e.g. Birkinshaw (1996) argued that a subsidiary losing a mandate would wind-down, close or spinoff. Research on subsidiary evolution and charters has been predominantly focused on two fronts, firstly the process of mandate gains or development and extension of mandates into competence creating dimensions. In the original Birkinshaw (1996) study mandate gains represented the processes of accumulation of sales, production and/or R&D activities and the extension of the responsibilities of these activities. Birkinshaw (1996) suggested the mandate is actually a capability and elucidated generic processes of its development. In Cantwell and Mudambi’s 2005 study they evidence that the extension from exploitative to explorative mandates can happen in two ways. Firstly, the subsidiaries scope of geographic responsibilities can move from the local to global and secondly the mandate can be extended into more valuable or technologically advance areas.

In short, studies concerned with subsidiary evolution have focused on the growth dimensions of Birkinshaw and Hood’s 1998 framework i.e. the gain and development of mandates. While there is a significant body of research on corporate divestment and tentative forays have been made into research on charter loss, this research has only represented complete loss of charter through i.e. closure or removal of the charter (Galunic and Eisenhardt 1996; Birkinshaw, 1996; Birkinshaw and Hood, 1998; Benito, Groggaard and Narula, 2003; Benito, 2005; Dörrenbächer and Gammelgaard, 2010). Notwithstanding Birkinshaw’s 1996 study of subsidiary mandate gains and losses, it is true to say that research is scarce on charter depletion, where individual mandates are lost or removed. Furthermore, as the consequences of mandate loss are “felt” by the subsidiary and the subsidiary has been shown to be an important actor in the MNE, it seems that examination of the consequences of mandate loss at the subsidiary level is warranted. This can be argued to be an area of great importance for both the subsidiary and the MNE as manifestations of mandate loss might have significant ramifications for capability and innovation generation, management and performance both at the subsidiary and MNE levels.

By investigating the counterfactuals of subsidiary evolution post mandate loss (i.e. the continued evolution of a subsidiary post mandate loss), this thesis examines what the mandate
gives to a subsidiary in terms of legitimacy, autonomy and position in its networks to source, and develop resources. This is an important departure as previous studies have largely examined the gain and development of mandates without questioning what the mandate gives the subsidiary. As such, this thesis adds insights into the role and functions of the subsidiary’s internal and external networks. It also elucidates the way the attributes underlying relationships (i.e. trust, commitment and adaption) work in tandem when sourcing and developing resources for developing the mandate. It is shown that these relationships act as the canvas on which capabilities are developed and, ultimately, through which the subsidiary’s charter evolves.

Consequently, this work contributes to the international business literature on subsidiary evolution and to the further understanding of mandate resources and relationships, how they are “vestigial” and can be complimentary or substitutive for mediating the shock of mandate loss. My investigation of how the mandates formal and informal characteristics, respectively represented by the mandate activities, resources and relationship attributes develop in combinations adds to our knowledge on subsidiary evolutionary processes. Following in the footsteps of other researchers in this area my study extends the understanding and gives insight into the role of internal and external networks, resource accumulation and combinative capabilities in the process of subsidiary mandate development and charter evolution (Birkinshaw, 1996; Birkinshaw and Hood, 1998; Rugman and Verbeke, 2001; Andersson, Forsgren and Holm, 2002, 2007; Jakobsson, 2015).

Furthermore, I contribute to the capabilities literatures within strategic management, inline with Birkinshaw (1996) I evidence that the “heart of a mandate” is made up of combining capabilities that facilitate relationship and resources combination and development. Specifically, the investigation of subsidiary mandate relationship and resource accumulation and how the combination of relationship and resources allows for slack creation, designation and recombination. Moreover, how they are recombined post mandate loss adds to the calls for an understanding of the mechanisms of slack resource designation and utilization and the combinative capabilities necessary for this process to unfold. I will start by setting the scene with a brief exemplar, a comparative case of the complete R&D mandate removal of AstraZeneca from the company’s subsidiary in Södertälje, Sweden, and the modular R&D mandate loss from ABBs US subsidiary in Raleigh. The illustration is made to highlight the disaggregated nature of MNE mandates. The study offers the reader an illustration of how multiple functional responsibilities can be captured under a subsidiary’s charter, lost individually as mandates to the subsidiary, but yet the subsidiary can still evolve positively. In the case of AstraZeneca, there were multiple functional mandates (R&D and Production) where the R&D mandate was lost, whilst in the case of ABB there was a reduction in the scope of R&D responsibilities within the R&D mandate.
In 1913, Astra was established as a Swedish pharmaceutical firm based in Södertälje. The company was internationally recognized for its R&D in several different medical fields. Zeneca Group PLC was founded in 1993 as a merger of three different organizations. Pharmaceuticals, Agrochemicals and Specialties from Imperial Chemical Industries (ICI was founded in 1926). Zeneca was a British firm specialized among other things in production of medicines to cure cancer. In 1999, Astra Zeneca was formed after a merger of Astra and Zeneca. The resultant Anglo-Swedish company was considered to be one of the world’s leading pharmaceutical firms, not least because it had a history of over 70 years’ worth of innovation in its field. The company had a presence in over 100 countries with strong presence in key markets and emerging markets, a broad global network in sales and marketing, 26 manufacturing sites in 18 countries and 17 R&D departments in 8 countries. The R&D subsidiaries were specialized in different areas. In Sweden, Södertälje was specialized in neurological diseases (Ceciliano and Thorn, 2014).

In February 2012, the Anglo-Swedish pharmaceutical firm AstraZeneca announced the shutdown of its R&D facility in Södertälje, Sweden. The London-listed group asserted that the decision was a response to the start of a new set of restructuring initiatives to further reduce costs and increase flexibility in all functional areas. Part of the restructuring called for the closure of R&D activities in Södertälje. It was explained that the company needed to reduce costs after having suffered financial problems during the preceding years (Ceciliano and Thorn, 2014). In addition, the company’s senior management added that the termination of R&D in Södertälje was a response to governmental interventions about prices and strong competition from generic medicine. AstraZeneca thus initiated a global strategy of reductions throughout the MNE, and as a consequence the R&D mandate in Södertälje subsidiary was lost.

This challenges the accepted wisdom that mandate loss induces wind-down or spinoff of a mandate activity and closure of the subsidiary. In the case illustration R&D no longer exists in the Södertälje subsidiary (Ceciliano and Thorn, 2014). However, the case that mandate loss induces wind-down or closure of the subsidiary is a redundant argument. It only becomes relevant if the subsidiary has just a single mandate with limited geographic scope and its removal means there are no remaining activities at the subsidiary (Birkinshaw, 1996). This was further highlighted in the R&D mandate loss at AstraZeneca’s subsidiary in Södertälje as the subsidiary had both an R&D and production mandate under its charter. Importantly, when the R&D mandate was lost, the production mandate remained unchanged in its geographic and functional scope, which meant that the subsidiary was not wound down or closed. Södertälje remained home to AstraZeneca’s largest global manufacturing facility for tablets and capsules and continued as a launch platform site allowing large-scale production of new medicines.

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2 Astra Zenica is listed and registered both in the UK and Sweden and on completion of the merger was owned 46% by Astra Shareholders and 53% by Zeneca Shareholders, which is headquartered in the UK.
Furthermore, AstraZeneca announced in May 2015 that it would invest approximately $285 million in a new high-tech facility for the manufacturing of biological medicines at the subsidiary in Södertälje.

It is anticipated that the new facility will supply medicines for clinical trial programmes of AstraZeneca and MedImmune, the company’s global biological research and development arm (Ceciliano and Thorn, 2014). The mini case of the subsidiary in Södertälje exemplifies the reality that most subsidiaries’ charters have multiple mandates. In addition, it shows that the loss of a mandate is not a prelude to closure, wind-down or being spun-off. Lastly, in the case of the subsidiary in Södertälje, it was evident that the subsidiary had developed both processes and production capabilities on the existing production mandate to such extent that after losing the R&D mandate, the subsidiary was able to become a centre of excellence in production. The subsidiary’s ability to influence its headquarters to attract new investments and influence the resources it had at its disposal post mandate loss is indicative of the diminished impact of the mandate loss (Ceciliano and Thorn, 2014).

ABB is a multinational corporation that emerged as a result of the merger in 1988 between the Swedish company ASEA and the Swiss company Brown Boveri (BBC). In February 1999, the ABB Group announced a group reconfiguration designed to establish a single parent-holding company and a single class of shares. ABB Ltd was incorporated on March 5, 1999, under the laws of Switzerland. ABB operates mainly in robotics and the power and automation technology areas. It is one of the largest engineering companies in the world: in November 2013 ABB has operations in around 100 countries, with approximately 150,000 employees. The MNE maintains seven Corporate Research Centers (CRCs) each of them co-located with core functions such as production and marketing around the world. ABB's Core R&D falls into two streamlined global business areas, Power Technologies and Automation Technologies. As the names suggest, the company’s core business areas are power and automation technology. Each global laboratory combines research units in the U.S., Europe and Asia. ABB believed that by linking and integrating operations by having CRCs in China, Germany, India, Poland, Sweden, Switzerland, and U.S., the Global Research Lab would bring together an international team of highly skilled scientists in an innovative climate. However, the company quickly realized after the inception of the labs that they could not cope with the vastly divergent resource requirements and knowledge coming out of the labs so they introduced managerial positions (global process improvement managers) with a view to deciding how the issue could be resolved.

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3 As a consequence of this merger ABB was headquartered in Zurich, Switzerland with heavily disaggregated corporate headquarter functions in Sweden, with an executive committee that has its members dispersed globally.
The CRC in Raleigh, North Carolina is a major source of innovation within the company. In 1999, the centre developed and launched the world's first Smart Integrated Distribution Unit for secondary power substations. The technology was the first step to developing Web-based grid monitoring and control systems eliminating the time and costs of maintenance staff physically visiting grid facilities. This was an innovation that was born out of the subsidiary’s close work and highly adapted relationships with a number of steel mills in their region and also a long relationship with Carnegie Mellon University, a preferential partner.

In 2000, the unit in Raleigh launched a new software tool that measures and analyses the overall effectiveness of production lines and manufacturing equipment through their work with the steel mills in the US. This innovation allowed its customers to quickly address the problems associated with bottlenecks in the productivity, it was hugely successful, and was quickly rolled out across ABB. In the same year, the unit in Raleigh launched a new generation of high-precision robotic control emanating from the work they had been doing with the US postal system. Again, this was quickly rolled out across ABB. In 2003 the HQ decided to reallocate control software from the US to India, and in 2004 diagnostics and testing from both the US and Sweden were moved, again to India. During this period there was a shift in R&D orientation from the US and Sweden to the emerging markets in India and China. This was represented in significant headquarter signalling in newsletters and annual reports of their importance and increased R&D investments into the latter and culminated in 2006 when the robotics responsibilities were moved from Raleigh to Shanghai in China.

However, the unit in Raleigh continued patenting even after losing the activities and contributed significant innovations to the company in terms of software. In 2007, the Raleigh CRC commissioned the world’s largest Static Var Compensator, which was a key part of the new, semiconductor-driven transmission system being designed to meet the challenge of getting renewable energy to consumers. Allied to this, in 2011, the Raleigh CRC was providing leading integrated Smart Grid solutions for distribution, with automation representing a significant proportion of the R&D operations. Furthermore, in 2012 the Raleigh CRC was integral in successfully designing and developing a hybrid electric breaker suitable for the creation of large inter-regional electricity grids. This represented a major breakthrough, resolving a technical challenge that had existed for over a hundred years.

The above two cases highlight the differences between a complete mandate loss as seen in the case of AstraZeneca where there was also a production mandate in their charter. In comparison on the other-hand to the ABB case highlights which highlights the modular nature of mandate loss, where the product or process scope is depleted, where, for example, a subsidiary will have R&D responsibility for software development, diagnostics and testing or platform architecture and product/engine design, and only software development is lost, as in the case of ABB US. These two cases sheds light on the increase in acceptance by MNEs of fine slicing and the
dispersal of value chain activities amongst the MNEs foreign subsidiaries. It also underscores a picture of complexity that is associated with the formal and informal dimensions of mandate activities, resources and relationships.

These cases elucidate the transnational networked and disaggregated nature of R&D activities, and they assume that the charter activities and geographic scope of subsidiaries responsibilities becomes less aggregated and more multidimensional (Bartlett and Ghoshal, 1989; Forsgren, 1989; Holm and Pedersen, 2000; Frost, 2001; Cantwell and Mudambi, 2005; Contractor, Kumar, Kundu and Pedersen, 2010; Rugman, Verbeke and Yuan, 2011). In showing that innovations such as those rolled out by the centre in the US that are developed via close interaction with external counterparts (Carnegie Mellon and the steel companies) or the closely adapted relationships that the German subsidiary had with its customers alludes to the fact that external relationships are important (Andersson and Forsgren, 1996; Andersson, Forsgren and Holm, 2002). The cases also relate to how subsidiary relational attributes are relevant for competence creation and development (Birkinshaw and Hood, 1998; Benito, Groggaard and Narula, 2003; Cantwell and Mudambi, 2005). Moreover, the cases underscore how the position that the mere suggestion of mandate loss is likely to lead to unit closure is a redundant argument. It is evident from both the AstraZeneca and ABB cases that they continued to thrive post mandate loss, this counterintuitive result warrants further research. Thus the cases point in the direction that this thesis endeavours to unpack, namely the outcomes of mandate loss on subsidiary evolution. The thesis will demonstrate how extant theory has examined issues of evolution, but not under conditions of mandate loss.

1.1 Outline of The Theories Used in The Study

While there have been many conceptualizations of the structure and activities of the MNE, e.g. as a ‘heterarchy’ (Hedlund, 1986), ‘multi-centre firm’ (Forsgren, 1989), ‘transnational firm’ (Bartlett and Ghoshal, 1989), a ‘differentiated network’ (Nohria and Ghoshal, 1997) and the ‘federative MNE’ (Andersson, Forsgren and Holm, 2007). All converge on one point, that the MNE operates competence creating or competence exploiting activities in more than one country in network configurations (Rugman and Verbeke, 2001; Cantwell and Mudambi, 2005). Companies are recognizing that the growing complexity of products and services requires ever-broadening knowledge inputs, many of which are outside of MNEs home market. Such inputs can only be accessed from foreign knowledge clusters (Cantwell and Mudambi, 2005). In short, strategic thinking accepts that an MNE can no longer always rely on its own home market resources, even for critical or core functions. Large firms are now content to be part of global networks of expertise where their foreign subsidiaries are crucial (Bartlett and Ghoshal, 1989; Contractor et al, 2010).
Since the pioneering research on subsidiaries (Prahalad and Doz, 1981) subsidiaries of the MNE have been the recipient of considerable research attention. The MNE subsidiary has increasingly been portrayed as an autonomous actor (White and Poynter, 1984), and needing to be on so to fulfil its roles in the MNE (Bartlett and Ghoshal, 1989; Paterson and Brock, 2002). The emphasis on the MNE as a differentiated network has inspired a recent stream of research on the creation and evolution of MNE subsidiaries. It has emphasized the role of subsidiaries in the creation, assimilation, and diffusion of capabilities as the primary responsibility of the MNE’s subsidiaries (Bartlett and Ghoshal, 1989; Andersson and Forsgren, 1996; Birkinshaw and Hood, 1998; Rugman and Verbeke, 2001; Holm and Pedersen, 2000; Cantwell and Mudambi, 2005). Concurrently, this thesis draws upon a stream of literature that has emphasized strategy at the subsidiary level (Birkinshaw, 1995; Birkinshaw and Brock, 2004) and how the subsidiaries charters evolve overtime vis-à-vis research on mandate development (Bartlett and Ghoshal, 1989; Birkinshaw, 1996; Birkinshaw and Hood, 1998; Cantwell and Mudambi, 2005; Rugman and Verbeke, 2011). The work presented in this thesis builds on how subsidiaries can become important CoEs (Centres of Excellence) for the overall MNE network by developing mandated capabilities (Andersson and Forsgren, 2000; Holm and Pedersen, 2000; Frost, 2001; Frost, Birkinshaw and Ensign, 2002).

Building on the work of Poynter and Rugman, (1982); Crookell, (1984) and White and Poynter, (1984) on world product mandates, Birkinshaw (1996) made two definitions of subsidiary mandates. Very broadly, these refer to any subsidiary responsibility that extends beyond its own market; the narrower redefinition is that a mandate is a license to apply the subsidiary’s distinctive capabilities to a specific market opportunity (Birkinshaw, 1996). Latterly Birkinshaw and Hood (1998) developed a model of subsidiary evolution where the subsidiary’s charter evolves contingent on its ability to develop capabilities and attract mandates. In this description, a subsidiary’s charter is determined by the development of its capabilities, and the geographic scope within which the subsidiary can apply these capabilities. Mandates have been shown to promote the subsidiary’s charter development process and are gained and lost in association with local environmental factors, subsidiary choice, and the headquarters’ decisions (Birkinshaw, 1996; Birkinshaw and Hood, 1998; Cantwell and Mudambi, 2005; Benito, 2005).

The subsidiary’s internal and external network is critical for resource sourcing and building influential capital inside and outside the MNE. As such I draw and build on business network and embeddedness literatures. Granovetter (1985) and Grabher (1993) developed embeddedness as the effect of dyadic relationships between actors on economic actions and the overall structure of these relationships. Studies of networks have previously focused on density (Ghoshal and Bartlett, 1990), centrality (Gulati, 1999) and frequency (Williams and Nones, 2009). Latterly researchers have built on these streams, arguing that, over time, through their performance of either competence exploiting or competence creating activities in host countries, the MNEs’ subsidiaries are often embedded in networks encompassing both internal
and external relationships (Andersson and Forsgren, 1996). Andersson, Forsgren and Holm (2002) empirically investigated this claim and found that the subsidiary’s embeddedness in its local business network provides the subsidiary with new knowledge, ideas and opportunities and can be beneficial for subsidiaries’ development and performance.

Furthermore, a degree of internal embeddedness is also crucial, as the subsidiary should have the ability to diffuse its knowledge and capabilities while developing influence beneficial to its evolution (Andersson and Forsgren, 1996; Garcia-Pont, 2009; Ciabuschi, Dellestrand and Martin, 2011; Yamin and Andersson, 2011; Mudambi, Pedersen and Andersson, 2014). These internal relationships are an important basis for the subsidiary’s influence within the MNE as it is these relationships that should grant the subsidiary influence from its externally developed competences. Rugman and Verbeke (2001) identified the drivers of subsidiary evolution as well as the importance of the MNE’s internal structure to diffuse subsidiary specific advantage across the MNE. This is much aligned to the notion of ‘network infusion’ (Forsgren, Holm, and Thilenius, 1997). For Rugman and Verbeke (2001), however, unless the MNE has a mechanism in place to promote the diffusion of knowledge, firm-specific advantages cannot be globally dispersed and remain location-bound at the subsidiary. As such, the development of embeddedness internally is equally important for subsidiaries and the MNE.

As a subsidiary develops “weight.” and a “voice” (Bouquet and Birkinshaw, 2008), it starts to be able to influence decisions through its structural position and relational profile in the MNE. This has been shown to affect the influence it has over the corporate immune system and its initiatives (Birkinshaw and Ridderstrale, 1999). Put another way, Mudambi and Navarra (2004) considered internal linkages as sources of power, suggesting that knowledge flows across the MNE are key factors for subsidiary power. As such an image emerges where the subsidiary’s evolution is contingent on its influence generated by mandated roles and functions, which are an increasing part of a global network of multi-centres (Forsgren, 1989) or multi-hubs (Prahalad and Bhattacharyya, 2008). Relationships thus become an important component for subsidiary evolution.

1.2 Specifying The Research Question

The purpose of this study is to elucidate a more nuanced picture of mandating in the networked MNE and specifically the influence of value chain disaggregation on subsidiary mandate development. A particular emphasis is placed on the impact mandate loss has on the subsidiary’s evolutionary trajectories. There is widespread acknowledgment that subsidiaries evolve over time, typically through the accumulation of resources and the development of capabilities (Hedlund, 1986; Prahalad and Doz, 1981; Kogut and Zander, 1996; Birkinshaw, 1996; Birkinshaw and Hood 1998). A considerable portion of the literature has been dedicated to understanding which roles and competencies subsidiaries perform and develop within the
MNE, explaining the reasons for their establishment. As such, research on the gaining and development of mandates has been carried out in the past and is an ever-growing field.

Subsidiary mandates and capabilities have received considerable attention as desirable organizational responses to the need for subsidiary specialization (Roth and Morrison 1992; Birkinshaw 1996 and Birkinshaw and Hood 1998) and capability sourcing (Cantwell and Mudambi, 2005; Monteiro and Birkinshaw, 2015). Drawing on received wisdom (Birkinshaw and Hood, 1998), mandate loss should lead to closure, wind-down or spin off. With rampant value chain disaggregation of the MNE’s value chains, the instance of subsidiary mandate loss has increased. To qualify this, one could draw on offshoring and re-shoring, a related phenomenon where activities are modularized and relocated from the focal subsidiary. However, these units often continue to exist and thrive, observing longitudinal databases such as that of the Offshoring Research Network (ORN), which again lends some qualification to this as the continual surveying of subsidiaries that have experienced loss of mandate reveals that they continue to innovate and have high returns. The question then arises as to why subsidiaries that lose mandates still perform well.

While it is acknowledged that mandate loss has been studied from the perspective of the corporate/parent’s decision to divest (see Birkinshaw, 1996; Delany, 2000; Benito, 2005), to the best of this author’s knowledge, there has not been much work conducted to examine subsidiary responses to mandate loss. This study is undertaking this challenge. I utilize mandate loss to underscore and examine the processes of mandate resource combinations and capability development, and to consider how these are developed and deployed by the subsidiaries in their networks as they evolve. First, though, it is necessary to examine the puzzle of subsidiary mandates, and to consider what they bring to the subsidiary when they are gained and what characterizes their loss. It is acknowledged that mandate loss can be aligned with research from streams investigating divestment from the point of view of a corporate/parent making the decision to divest (see Birkinshaw, 1996; Delany, 2000; Benito, 2005). As such, I conduct an examination of corporate drivers of divestment as they share certain traits with with mandate loss, in the form of environmental changes, poor performance of a unit and the strategic orientation of the parent. However, the phenomenon of mandate loss is not accompanied by the sell-offs, spin-offs, or equity carve-out seen in divestment. Instead, a reduction in scope, reallocation or closure of a functional segment of the subsidiary’s charter results. Extant research on global value chain disaggregation of MNE functional activities has shown that functional activities are increasingly allocated to subsidiaries as mandates.

As such, two phenomena have emerged, firstly, the instance of mandate loss has increased and in doing so expedited the bundling of multiple mandates under subsidiary charters. However, if we call into question the evolution of a subsidiary’s capabilities and charter being directly linked to its internal and external relationship development, then the loss of a mandate becomes
a timely topic for extending our understanding of how and why this influences the processes of resource and relationship development. This would have implications on our understanding of both mandate implementation and the integration of the activities of the subsidiary, as well as entrepreneurial and innovative performance implications for the subsidiary. With this in mind, this study will address a simple, yet fundamentally counterfactual question:

**What are the processes of subsidiary evolution after losing a mandate?**

In this study I place the subsidiary and its networks squarely at the centre, we know that the subsidiary’s external network embeddedness has been shown to improve subsidiary capability development, product-, and production process performance (Andersson, Forsgren and Holm, 2002; Meyer, Mudambi, Narula, 2011). Internal embeddedness has been revealed to be the motor through which subsidiaries can gain autonomy, increase their strategic importance (Bouquet and Birkinshaw, 2008; and Garcia-Pont, Canales and Noboa, 2009) and exert influence (Mudambi et al., 2014). The purpose of my examination presented here is to understand and explain what happens to the subsidiary when it loses mandates and what happens to the subsidiaries evolutionary trajectories induced by this event. These questions are fundamentally dynamic, relating to processes and changes, and also the passage of time. Previous research on subsidiary development has explored important topics, such as changes in roles and structures (Bartlett and Ghoshal, 1986; Birkinshaw, 1996; Rugman, Verbeke and Yuan, 2011), subsidiary evolution through stages (Kogut and Zander, 1996; Birkinshaw and Hood, 1998), the temporality of subsidiaries (Holm and Pedersen, 2000) and competence creation (Cantwell and Mudambi, 2005). However, extant research on some key questions of subsidiary development remains thin on the ground. To provide an example, we have a large amount of knowledge of the processes through which a subsidiary sources resources for building capabilities from its external network (Bartlett and Ghoshal, 1986; Birkinshaw, 1996 Andersson, Forsgren and Holm, 2002) and how it leverages these internally within the MNE (Andersson, Forsgren and Holm, 2007; Mudambi et al., 2014).

What we have very little knowledge of is the implications on the subsidiary’s relationships attributes with internal and external counterparts when subsidiaries lose mandates that either support the ability to become embedded (and develop the subsidiaries’ capabilities) or provide a highly complimentary mandate to the existing charter. This leads to the second question for investigation, namely:

**How are a subsidiary’s relational attributes to internal and external counterparts affected when a mandate is lost?**

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4 Relationship attributes are trust, commitment and adaption.
There is widespread acknowledgment that subsidiaries evolve over time, typically through the accumulation of resources and through the development of capabilities (Hedlund, 1986; Prahalad and Doz, 1981 Birkinshaw, 1996; Birkinshaw and Hood 1998). However, in order to address the second research question, it is important to understand the processes underscoring subsidiary choice juxtaposed to parent decision. Significant subsidiary research has been carried out in the past, focusing predominantly on these two areas (albeit independently of one another). First, much of literature has been dedicated to seeking an understanding of and an explanation for the reasons for subsidiary establishment and the roles and competencies subsidiaries perform and develop. Secondly, underscoring the property rights argument (Foss and Foss, 2005 and Mudambi, 2014) that subsidiaries can make and influence choices that are relevant to their mandate portfolio due to significance of the resources is important to this study.

This is because the resources and capabilities tied up in the subsidiary are developed in and captive to the subsidiary, so arguably they can be mobilized post mandate loss. Taking into consideration that resources and the development of capabilities has been shown to be a determining tenet in the evolution of a subsidiary’s charter research has been growing that investigates how resources are managed in a subsidiary (Birkinshaw, 1996; Birkinshaw and Hood, 1998; Rugman and Verbeke, 2001; Fang, Wade, Delios and Beamish, 2007; Jakobsson, 2015). However, there has not been much research examining the resource combination processes in and between mandates in a charter, it seems prudent to investigate how subsidiary mandate resources are accumulated and the resource combinative processes that are fundamental to mandate development and charter evolution. With this in mind, this study will investigate a third, more granular, research question:

**How do mandate resource accumulation and combinative processes develop in a fully fledged subsidiary and how are they affected by mandate loss?**

1.3 Visualization of The Study

The model presented in figure 1 utilizes Yin’s (1994) suspense structure, facilitating an introduction of the compositional themes between the inducted theory and the case data. This is done to provide the reader with a summary of the outcome at the outset. Mandate loss is the phenomenon stimulating the investigation of sub-phenomena in the study i.e. complex parent configurations leading to interventions in subsidiary charters, internal competition between subsidiaries, lobbying and brokering for mandates and internal embeddedness. It also allows for the “sticky” nature of the relationship attributes that act as a canvas for internal embeddedness, and the accumulation and combination of resources and capabilities to be visualized. It is argued in the previous chapters that the strategic value of R&D mandates, such as software development, are central to the importance and competence of subsidiaries and that they are not solely assigned from HQ, but actively sought out by subsidiaries. Furthermore, the
tenets of mandates that act as the platform for developing them have been argued in the previous chapters to be less prone to atrophy post mandate loss. Figure 1 visualizes the first element in the study, which is comprised of the drivers of mandate loss and the parent involvement in subsidiary mandates. The capture of the loss of R&D mandates, in this case through parent driven depletion and subsidiary competition is a simple yet effective way to map out the patterns of distributed functional responsibilities of the MNE's network of subsidiaries, and the subsidiaries' internal and external networks. This has a significant impact on subsidiaries: in received research it has been argued that this loss of mandate leads to spin-off, closure or wind-down, however, crucially, in this study I provide evidence that this is not the case.

The second element in the figure indicates that received research suggests that the subsidiary exists in an internally competitive environment where other subsidiaries compete for control of activities. Politicking and brokering over R&D mandates is a reality that subsidiaries have to navigate and their sustainability is contingent on the level of their internal relationship attributes and their distinctiveness, including the voice and weight they can bring to bear. The relationships a subsidiary has developed under formal mandated activities and the informal relationships prove important to the ability of the subsidiary to fight off competition and to respond in the event of mandate loss.

FIGURE 1. VISUALIZATION OF THE STUDY

The third element in the figure is comprised of the components of the subsidiaries’ resource profile, a result of the accumulation and combination of capital, knowledge and skills. The

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5 In this study I focus on fully fledged subsidiaries, i.e. those that have mandates in sales, R&D and production. This is done to emphasize the multiplicity of mandates that make up charters.
model visualizes resources and relationships continuing to exist post mandate loss and suggests that the subsidiaries’ ability to manipulate and leverage through their relationships greatly impacts their ability to accumulate and combine resources after the mandate is lost. Through the accumulation and combination of mandate associated resources capability development unfolds these resources and routines in the subsidiary that they are able to call into play enables them the capacity to enhance their charter. This, in turn, is supported by the development of subsidiary relationships and, furthermore, as stated earlier, the combination of resources and relationships during subsidiaries’ evolution enables the subsidiaries to develop the flexibility to recombine resources post mandate loss.

1.4 Outlining the Thesis

Chapter 2 develops processes of mandating in the MNE conceptually in relation to subsidiary evolutionary approaches. A broader perspective is adopted at the beginning of the chapter in comparison but is funnelled down in relation to the general research question and the more specific research questions addressed in this work. I synthesize previous research on the concepts of evolution as a field of study in MNEs and the emergence of subsidiary charter evolution and connect them to the question of why it can be important to investigate headquarters and counterpart subsidiaries. Furthermore, the chapter brings into consideration the extant literature on charter evolution through resource and capability development and explains how mandates emerge as a key component in this process. Thus, the chapter is intended to position the role of mandate loss within a broader framework in relation to subsidiary evolution.

Chapter 2 also serves as a basis for teasing out from previous conceptual and empirical studies what mandates give the subsidiary in relation to developing its network position, visibility, resource development and decision-making autonomy. This is an important component of the work discussed as, while the empirical papers build on the mechanisms that drive mandate loss and those that facilitate the subsidiary’s evolution post mandate loss, there is a need to tease out what its antecedents are. I adopt the position that the literature on subsidiary evolution, and specifically on mandates, does not consider what the mandate actually gives to the subsidiary, particularly as most studies take this for granted. Chapter 2 lays the foundations for later arguments in the empirical papers, but is also a contribution to the mandate discussion in its own right.

Chapter 3 is concerned with the methods and data used in the empirical investigations. The main findings from the four empirical essays, from which I draw my conclusions are delineated in Chapter 4. Chapter 5 discusses these findings in light of the theoretical framework and includes remarks on the findings in relation to the theories I adopted. In chapter 6 I elaborate
on the theoretical and managerial contributions and policy implications as well as limitations of the study. A final section of the concluding chapter is devoted to outlining other issues emanating from this study that should be investigated further and a research agenda for the future. Appendices A-D include the four empirical essays. Appendices E-G consist of the two interview protocols and the letter requesting involvement with the companies.

2. VALUE CHAIN DISAGGREGATION AND SUBSIDIARY EVOLUTION

The literature on subsidiary evolution is reviewed critically to place the concept of the subsidiary mandate in the context of previous research on subsidiary evolution and elucidate the characteristics of subsidiary mandates that allow for evolutionary processes to unfold as well as to support the argumentation given. In this study, a subsidiary is classified as a fully or partially owned value-adding entity of the MNE that is located in a foreign market (Dunning, 1980; Birkinshaw & Hood, 1998). Broadly speaking, MNE’s can come to own a foreign subsidiary because they have set up a company from scratch, a greenfield subsidiary, in which case, the cost of setting up the subsidiary is carried by the MNE, or they can acquire a subsidiary through acquisition where the MNE purchases an existing foreign entity. Conceptualizations of the specialization and responsibilities of subsidiaries have ranged from single activity type subsidiaries such as ‘production units’ or ‘marketing satellites’ to highly specialized subsidiaries, such as Centers of Excellence (Holm and Pedersen, 2000).

However, MNEs are disaggregating their value chains increasingly, with the result that global activity configurations, network building and the creation of synergies within the firm need to be designed to cope with the increased modularization of subsidiary activities (Contractor et al., 2010). This phenomenon has created a situation where companies are made up of geographically and functionally dispersed activities that are allocated to the MNEs subsidiaries. However, while existing research has provided deep insights into areas such as which functions firms decide to relocate, which governance modes to choose, and what outcomes this allocation of activities achieve (Lewin, Massini and Peeters, 2009; Contractor et al, 2010), less research has been focused on understanding the consequences of value chain disaggregation on subsidiaries (Mudambi, 2011).

While extant research has highlighted how the ever increasing disaggregation of value chain activities is driven by the desire for cost reduction, of late attention has been placed on two more strategic drivers: access to external knowledge and expertise, and global disaggregation of MNE’s operations. This has been shown to contribute to the subsidiary’s evolution (White and Poynter, 1984; Bartlett and Ghoshal, 1986; Jarillo and Martinez, 1990). As such, the MNE has value-adding activities in more than one country (Rugman and Verbeke, 2001; Rugman, Verbeke and Yuan, 2011), making the role and activities of the MNE’s subsidiaries critical to
the performance of the MNE. An important discussion that Birkinshaw and Hood (1998) introduced which I adopt is that at the intersection of value chain disaggregation and subsidiaries gaining and losing mandates is the decision makers. Birkinshaw and Hood (1998) introduce a model that suggested headquarter decisions, subsidiary choice and environmental determinates are the main determinates that influence the upgrading and downgrading of subsidiary charters. Headquarters are the main orchestrator of the activities and resources in the MNE and as such were determined to be a key player in allocation and divestment of mandates (Birkinshaw and Hood, 1998).

Subsidiary choice is associated with three factors in the 1998 framework, their decisions to spinoff redundant mandates, neglect capabilities and adopt entrepreneurial orientation is a major driver of mandate gain and loss vis-à-vis charter upgrading and downgrading. Lastly the environment plays a significant role on the choice of the subsidiary and the decisions of the headquarters. However, in the Birkinshaw and Hood 1998 framework there is little nuance of the characteristics of headquarters decision and the subsidiary choice. Specifically, Birkinshaw and Hood’s 1998 framework lacks understanding of the circumstances of multiple headquarters and the interplay between headquarters that leads to decisions that could be enhancing or depletive towards the subsidiary’s charter. Moreover, the subsidiary choice dimension assumes that the subsidiary acts as a unitary actor as such it does not consider the collaborative and competitive situations a subsidiary will encounter with internal and external counterparts when making its choices.

2.1 Conceptualizing Subsidiary Charters and Mandates

Despite the fact that a subsidiary charter has been previously defined as the business domain for which the subsidiary has responsibility (Birkinshaw and Hood, 1998), it is my position throughout this study that this is too narrow perspective, and a significant contributory factor to the ambiguity in the conceptualization of charters and mandates. The definition of a charter as the domain for which the subsidiary has responsibilities does not distinguish from or delineate between the fact that a charter can have multiple mandates. I therefore consider the charter as a bundle of mandates that are manifested as functional activities, and the scope of responsibilities for domains of these activities.

Academics have developed new conceptualizations of the changing roles of subsidiaries that view the MNE as an inter-organizational network (Hedlund 1986; Ghoshal and Bartlett 1990; Forsgren 1989). In contrast to the traditional hierarchical perspective, in which the HQ controls all of the MNE’s activities and makes all strategic decisions, the network perspective assumes multiple centres of expertise around the world, with each playing an active role in controlling and influencing the MNEs strategies and operations. This is congruent with the argument that
subsidiaries take on multiple activities and acquire a larger scope of responsibilities which Galunic and Eisenhardt, (1996) and Birkintshaw (1996) and Birkintshaw and Hood (1998) term charters. Birkintshaw and Hood (1998) argue that the most collectively visible of the subsidiary's roles in the MNE is its charter, which they defined as "the business or elements of the business-in which the subsidiary participates and for which it is recognized to have responsibilities within" (Birkintshaw and Hood, 1998, p. 782). In keeping with Galunic and Eisenhardt, (1996) and Birkintshaw and Hood (1998), this thesis’s focus is on the consequences of charter atrophy through the loss of mandates and the underlying mandate relationships and resources that a subsidiary develops in support of its charter. Furthermore, I define charter in terms of the functional and geographic scope of the subsidiary’s bundle of functional mandates, i.e. the products manufactured, technologies developed and the markets served.

During the subsidiaries development of capabilities, they are able to pursue a more active role within the operational and strategic activities of the MNE (Birkintshaw, 1997), which helps them to evolve from a situation in which they are exploiting existing competence to developing new forms of competence. This is also similar to the notion that a subsidiary’s “weight” and “voice” is gained through subsidiary autonomy and initiatives that encourage charter enhancement (Bouquet and Birkintshaw, 2008; Birkintshaw and Hood, 1998). It has been argued that the development and change of a subsidiary charter requires an optimal fit of the subsidiary structures and processes with particular determinants in the local environment (Birkintshaw, 1996; Birkintshaw and Hood, 1998; Garcia-Pont et al, 2009). Strengthening this argument, recent research has linked the enhancement processes the subsidiary to the power of different actors in subsidiary internal and external network and the subsidiaries influence over resources, which drive subsidiary capability development (Dörrenbächer and Gammelgaard, 2010; Mudambi et al., 2014). Further to this, Dörrenbächer and Gammelgaard (2011), have shown that subsidiaries have distinct powers they can use to influence HQs’ decisions because of the particular pattern of skills and competences that they have developed and can use as leverage (Andersson et al., 2007; Garcia-Pont et al, 2009).

2.2 What Are Mandates and What Do They Give to A Subsidiary

A mandate has been conceptualized as "A subsidiary mandate is a business, or element of a business, in which the subsidiary participates and for which it has responsibilities" (Birkintshaw, 1996, p. 467). Birkintshaw and Hood (1998) conceptualized a mandate as a capability and the licence to apply this capability. I do not reject these conceptualizations, but consider them to be dimensions of the mandate. Moreover, the conceptualization of a mandate in this sense only holds for subsidiary’s that have a single activity such as sales and production subsidiaries. I draw a closer comparison with Mudambi (2011), who suggested that mandates as a research mega trend are instead the activities a subsidiary performs. This is more closely
aligned to the central argument of this thesis than Birkinshaw’s ideas and allows the concept of a mandate to encompass both an activity dimension and a capability one. It also nicely separates mandates (activities) from a subsidiary’s charter.

In the past, MNEs set up subsidiaries as miniature replicas of the parent firm, but with a changing global landscape, the role of the subsidiary has developed into one of holding specific mandates. Much has been written about how subsidiaries gain mandates, but in this thesis the focus is squarely on what causes a subsidiary to lose its mandate. Historically subsidiary mandates were located in other countries as a part of an internationalization process. This was merely a matter of expansion, land-gaining and exploiting existing competence (Johanson and Vahlne, 1977; Cantwell and Mudambi, 2005; Mudambi, 2011; Kappen, 2011). Each subsidiary was located to enable it to exploit the resources and capabilities of its local market and there was relatively little connection between different subsidiaries and their mandates (Cantwell and Mudambi, 2005). Birkinshaw (1996) adopted a life-cycle framework to explore the factors associated with the gain, development and loss of mandates by subsidiaries. His suggestion that a subsidiary mandate is a business, or element of a business, in which the subsidiary participates and for which it has responsibilities beyond its national market has been widely adopted.

Birkinshaw (1996) provided evidence that while most literature refers to mandates being "assigned" (e.g., Crookell 1986; D'Cruz, 1986), the implication being that an agreement is reached between subsidiary and parent. However, a significant proportion of mandates have been started by the subsidiary informally without the knowledge of the parent company management that is later formalized (Birkinshaw, 1996). This appeared to be a function of the MNE’s organizational system, in that those subsidiaries with a high level of autonomy were able to allocate resources to new business opportunities such as mandates without involving the parent company. The less autonomous subsidiaries, by contrast, are highly dependent on parental approval before mandate responsibilities could be taken on. This indicates that the mandate brings varying degrees of autonomy to a subsidiary (Bouquet and Birkinshaw, 2008). This autonomy allows the subsidiaries to accumulate and develop resources from internal and external sources and, critically, demonstrated to internal and external counterparts that the subsidiary has legitimacy to pursue these activities.

There is agreement in the literature that a subsidiary that has evolved technological capabilities is likely to undertake an increasing number of complex technological activities. This evolution toward extended mandate responsibilities are explained by a set of interrelated drivers (Pearce and Singh, 1992; Taggart, 1996; Frost, 2001) including, primarily, external influences from local business and technological environments. However, there are also a set of internal forces related to the subsidiaries’ recombination of a broadening range of mandates and their ability to link up with headquarters and sister units. When foreign subsidiaries develop more locally embedded operations over time, they can take advantage of localized spillovers (Almeida,
Taking advantage of these spillovers may result in the creation of new products and services in the local and global markets, representing extended mandates (Birkinshaw and Hood, 1998). Furthermore, embeddedness in the host market and a proven ability to respond to business opportunities in the host market can trigger cycles of business and technological initiatives at the subsidiary level (Delaney, 1998; Andersson et al., 2002). The ability to further augment resources through the gradually enhanced re-combinative capabilities that come with further involvement in technologies has also been shown to lead to increased mandate scope or new mandates.

In this context, mandates bring the flexibility and legitimacy to build relationships with internal or external counterparts on the premise that they have the responsibilities and competence to fulfill them. In the initial phases of gaining a mandate, this legitimacy of being the formalized unit to build business and technological relationships gives the subsidiary the capacity to develop the mandate, source resources and build capabilities. Headquarters often reinforces this position by further allocating resources to the subsidiary and through their engagement with local external counterparts. Later as the subsidiary develops relationship dynamics and embeds itself in local and internal networks, this legitimacy leads to increased autonomy as the mandate develops.

In the literature on the internationalization process of the firm, one can find anecdotal explanations as to how mandates are lost. For instance, it is stated that managerial performance induces closure (Boddewyn, 1979). Poor management causes HQ to invest the company’s resources elsewhere. This divestment of resources leads to an even poorer financial performance and results in a lack of strategy for the subsidiary (Birkinshaw and Hood, 1998), which in turn generates problems at the organizational level in the relationship between the subsidiary and the HQ. As has been shown by Reilly, Scott and Mangematin (2012), this can prove to be fatal for the subsidiary since the connection with HQ is vital in the international competition against external actors and other internal units fighting to gain mandates in order to survive (Birkinshaw and Ridderstrale, 1999; Andersson, Forsgren and Holm, 2007; Yamin and Andersson, 2011).

R&D centres tend to evolve their charters through their own initiative toward higher value-added R&D mandates (Birkinshaw and Hood, 1998, Cantwell and Mudambi, 2005). However, with poor management and/or neglect, the subsidiary will attract little in the way of resources to its R&D efforts. This in turn triggers a decline where the subsidiary can be less and less innovative and have diminishing relevance to the overall plans of the firm (Birkinshaw and Ridderstrale, 1999; Monteiro, Arvidsson and Birkinshaw, 2008). Avoiding mandate atrophy is necessary to demonstrate that the subsidiary is valuable and manages its business and technologies to prevent a pattern of decline setting in that would ultimately lead to the loss of mandates (Birkinshaw and Hood, 1998; Delaney, 2000; Scott and Gibbons, 2011).
Subsidiaries gain mandates based on the enhancement of their capabilities at any one point in time, however, in the event where the subsidiary lacks resources to uphold its capabilities, or its strategic assets mature and it lacks market share, mandate loss can occur (White and Poyner, 1984; Birkinshaw, 1996). Each subsidiary of the MNE operates in its own unique environment, which determines the activities of the subsidiary. The environment consists of customers, competitors, suppliers, and government bodies all of which can influence the activities undertaken by the subsidiary. These elements work as triggers catalysing the development of capabilities within the subsidiary that might lead to sophisticated levels of technology that can be used globally in the firm. As the HQ identifies these possible global synergies from the local market, the subsidiary is likely to keep its mandate. However, this task is difficult as the balance between integration and differentiation is usually hard to maintain (Benito, Grøgaard and Narula, 2003). Failure to achieve this leads to mandate loss. Furthermore, the failure to outperform both internal and external actors and be differentiated from them makes the subsidiary’s mandate vulnerable (Birkinshaw, 1996). If the subsidiary cannot show the positive synergies of its mandates vis-à-vis the suitability of the environment, it is likely that the mandate will be lost and operations moved elsewhere (e.g. Bishop and Crookel, 1986; Birkinshaw, 1996).

Current studies indicate that cost-driven factors and environmental pressures are among the most common reasons for possible mandate loss (Delaney, 2000; Benito, Grøgaard and Narula, 2003; Benito, 2005). MNEs tend to shift their domestic and foreign subsidiary operations to lower cost locations, and such a move is only compounded by institutional uncertainty or internal competition. Operationally this undermines subsidiary’s ability to achieve the resource accumulation and combination required to add value (Birkinshaw and Hood, 1998; Scott and Gibbons, 2011). It is also a direct reason for the parent to divest (Benito, 2005). In related research on corporate drivers of divestment Boddewyn (1979) undertook a comprehensive review of foreign divestment and concluded that poor financial performance was the primary cause for divesting foreign operations followed by lack of strategic fit and various organizational demands.

2.3 Subsidiary Evolution: The Relevance of Mandate Associated Relationships

A subsidiary mandate does not develop isolated from the subsidiary’s internal and external counterparts: a mandate comes with formal responsibilities, e.g. the need to maximize sales activities or develop technological activities. This is supported by the informal dimensions that a mandate gives a subsidiary, e.g. the acknowledgement that the subsidiary is the actor responsible for developing a specific functional activity and the legitimacy that this signals to the subsidiary’s internal and external counterparts. A subsidiary exists in internal and external
networks and therefore sources resources and are subject to pressures from actors in both types of network (Andersson and Forsgren, 1996; Kostova and Roth, 2002). When a mandate is gained, the subsidiary obtained the legitimacy to build relationships with the relevant internal and external actors. The subsequent need to source resources for development of the mandate creates highly differentiated resource configurations between internal and external counterparts (Ghoshal & Nohria, 1989).

Recent research emphasizes that subsidiaries also have differentiated internal and external relationships as a consequence of the functional composition of a subsidiary’s charter (Rugman et al., 2011). These functional activities (in this thesis, the mandate) means that a subsidiary can be focused singularly on any one of administrative, sales, innovation and production activities or a combination of them all (in this thesis a fully-fledge subsidiary). This leads to varying linkages to external and the internal counterparts in the subsidiary’s networks. Furthermore, the number of mandates a subsidiary has responsibilities for will influence the magnitude of the influence that relationships have on the subsidiaries ability to accumulate resources and develop mandate capabilities. This will formally influence the relationships that subsidiaries can build with external and internal actors as well as those it can be expected to develop informally as a compliment to the activities associated with the mandate (Rugman et al., 2011).

The internal network is an arena composed of headquarters and sister subsidiaries (Andersson et al., 2007). The position of the subsidiary in its internal network has the potential to be influenced by the number of mandates it has in its charter owing to its internal importance. The scope of the internal responsibilities that it is mandated for gives the subsidiary support, resources, and cooperation from other subsidiaries and from headquarters, (Rugman and Verbeke, 2001; Andersson et al., 2007; Yamin and Andersson, 2011). As subsidiaries gain mandates and develop the associated resources, they become more distinctive in the MNE internal network (Garcia-Pont, Canales and Noboa, 2009); this allows them to leverage their influence over internal counterparts (Mudambi, Pedersen and Andersson, 2014) due to the mandate embodying property rights that the subsidiary can exert over internal counterparts.

At the same time, however, more visibility and internal weight and voice (Bouquet and Birkinshaw, 2008; Garcia-Pont, Canales and Noboa, 2009) leads to an ongoing bargaining process (Andersson et al., 2007) and competition amongst subsidiaries (Lou, 2005) that serves to complicate the alignment of collective understanding and mutual interest and can lead to subpar performance (Hasse, 2016) and, eventually, mandate loss. Subsidiaries are also embedded in their local environments through which they create relationships with local buyers, customers and competitors with whom they share, appropriate and develop resources (Håkansson and Snehota, 1989; Andersson et al., 2002). When a subsidiary engages in increased external relationships, the possibility to accumulate and absorb increased resources
and entrepreneurial ideas from external actors can be achieved and consequently improves the potential to increase the performance of products and processes that the subsidiary is mandated for (Andersson et al., 2002).

A subsidiary’s increased external network embeddedness carries considerable benefits in that it augments the potential to become a centre of excellence and attract more mandates to the subsidiary (Holm and Pedersen, 2000). It also allows for the subsidiary to develop increased importance in the MNE as host market resources and capabilities are sticky and hard to transfer as such internal units become dependent on the focal subsidiary (Andersson et al. 2001, 2002, 2007). A caveat of this, however, is that this can limit headquarters’ knowledge of the ongoing activities at the subsidiary level (Holm, Johanson and Thilenius, 1995; Ciabuschi, Forsgren and Martin, 2011) and can lead to erroneous interventions (Foss, Foss and Nell, 2012). In the extreme, this can also lead to isolation and irrelevance, causing mandate loss (Monteiro, Arvidsson, and Birkinshaw, 2008). Subsidiaries are critically dependent on their networks to continue to evolve as it is in conjunction with internal and external counterparts that they develop the activity and resource components of mandates. The subsidiary is part of the MNE’s internal network and their own local network, consisting of critical business and technological relationships with actors such as external buyers, suppliers and competitors or internal subsidiaries (Andersson et al., 2002; Garcia-Pont, Canales and Noboa, 2009). These relationships vary in their impact on a subsidiary’s evolution (Birkinshaw et al., 2005); what is indisputable, though, is that these relationships form a core component for the subsidiary to accumulate, develop and combine resources.

2.4 Subsidiary Evolution: Mandate Resource Accumulation and Combination

The literature on subsidiary evolution has focused on how subsidiaries upgrade or downgrade the number and complexity of the functions they perform and the factors underpinning these changes (Birkinshaw, 1996; Birkinshaw and Hood, 1998 and Birkinshaw, Hood and Young, 2005). Birkinshaw (1996) and latterly Ambos, Andersson and Birkinshaw (2010) found that a large number of mandate gains and a considerable amount of subsidiary development is driven by the formalization of subsidiary driven initiatives that stem from the subsidiary choice and less from the HQ assignment. Within the literature on subsidiary evolution, the emphasis has been on how subsidiaries increase their independence through the accumulation and development of resources that result in capability development which could be damaged with too much headquarter involvement (Johnston and Menguc, 2007; Bouquet and Birkinshaw, 2008). If one were to subscribe to Birkinshaw and Hood’s (1998) argument that the accumulation of mandates and development of capabilities are the fundamental driving forces in the evolution of subsidiaries, then very limited research has actually investigated how resources are managed in any of the quadrants of the Birkinshaw and Hood (1998) framework.
However, drawing on Sirmon, Hitt, and Ireland’s 2007 resource management framework Jakobsson (2015) was the first to synthesize a resource management framework analysing the upper quadrants of Birkinshaw and Hood’s (1998) framework i.e. the growth phases of the charter. Jakobsson’s (2015) model considers the subsidiary’s resources as aggregated to a charter level and not specifically associated with the mandates that make up a charter. This is most likely a function of the fact that the empirical setting of that study was a sales subsidiary and as such the subsidiary only had one functional activity (sales) and resources were aligned to that function. This means that significant limitations arise in Jakobsson’s (2015) resource management framework in regards to explaining the combination process of resource portfolios that vary in composition, for example in a subsidiary that has multiple mandates and resources profiles that are not aligned. This becomes most pronounced when considering that the bottom quadrants of the Birkinshaw and Hood (1998) model that indicate mandate loss as a response to capability atrophy and thus resource recombination becomes imperative.

However, there is much value in Jakobsson’s (2015) framework as much of the literature on subsidiary evolution has focused on the creation and development of capabilities. Resources are a critical component of capability development and taking one step back from Jakobsson’s (2015) framework to the original one provided by Sirmon, Hitt, and Ireland (2007) the structuring, bundling and leveraging of resources is critical to the development of capabilities. Furthermore, these processes are important to the development of a focal mandate and offer important constructs from which to introduce the idea of resource combinative processes associated to the focal mandate but also between other mandates in a subsidiary that has multiple mandates.

In this respect what the framework is missing is the construct of combinative routines and specifically re-combinative routines that is closely linked to the perspective of Nelson and Winter (1982), Kogut and Zander (1992), and Teece, Pisano and Shuen (1997) in dynamic capabilities. To some extent, capabilities are accumulated and stored as organizational routines (Nelson and Winter, 1982). However, the important routine for subsidiary mandate resource combination and re-combination is closely aligned with Kogurt and Zander’s (1992) combinative capability. Kogurt and Zander’s (1992) capability is explicitly focused on knowledge combinations but lacks the focus on combination and re-combination of more tangible resources such as capital and human skills.

There is already widespread acknowledgment that subsidiaries evolve over time, typically through the accumulation of resources and through the development of specialized capabilities (Prahalad and Doz, 1981). There are also a number of established typologies that suggest very different roles and responsibilities for the population of subsidiaries (e.g., Bartlett and Ghoshal, 1986; Jarillo and Martinez, 1990; White and Poynter, 1984). The visible manifestation of the
subsidiary’s role in the MNE is its charter, defined as the business or elements of the business—in which the subsidiary participates and for which it is recognized to have responsibility within the MNE (Birkinshaw and Hood, 1998).

The emphasis here, in keeping with Galunic and Eisenhardt (1996), is on functional activities and the underlying capabilities through which they are developed and implemented. An important point to underscore here is that the subsidiary’s capabilities are, to some extent, distinct from the capabilities of the headquarters’ operations and the sister subsidiaries. In other words, the particular location bound resources and experiences of the subsidiary are responsible for defining a developmental path that is unique to a subsidiary, which, in turn, results in a profile of combinative capabilities that is unique and develops over time (Teece et al., 1997; Birkinshaw and Hood, 1998). Subsidiary resources and combinative capabilities are "sticky," (Szulanski, 1996). Their evolution is unique to the subsidiary and cannot be easily transferred from one subsidiary to the next. Moreover, in a subsidiary with multiple mandates there are multiple combinative capabilities at play, firstly in the focal mandate but also between the other mandates. The stickiness of subsidiary combinative capabilities means that if the activities are depleted the combinative capabilities do not readily dissipate. These resource combinative capabilities develop over time as a result of past experiences and are subsequently can be applied to new or related areas of business (Teece et al., 1997; Eisenhardt and Martin, 2000; Makadok, 2001; Helfat and Peteraf, 2003).

However, to date, there has been little development of the depletive quadrants of Birkinshaw and Hood’s 1998 framework of subsidiary evolution. In particular, the examination of the effects of mandate loss on the subsidiary’s evolution remains significantly under-researched. Within research on subsidiary evolution it remains to be seen what happens to the subsidiary’s mandate associated resources and post mandate loss. Synthesising the aforementioned research on subsidiary capability development and resource management I introduce the idea of resource combination and specifically resource re-combination as an important factor to consider when examining the depletive quadrants of Birkinshaw and Hood’s 1998 framework. This is particularly important when attempting to answer why subsidiaries survive post mandate loss and evidence charter enhancement.

3. METHODS

3.1 Research Design

The choice of research method and design in this thesis is guided by the phenomena of value chain disaggregation and subsidiary mandate loss and by the research questions. In this chapter, the chosen methods for data collection and analysis are presented. The objective of the chosen research design was to help determine the influence of mandate loss on the subsidiary’s
resources and relationships with the aim of determining the consequences of mandate loss on the underlying mechanisms and structures involved in the development of subsidiaries’ capabilities and on charter evolution post mandate loss. As the subject is incompletely understood, an exploratory approach through the collection of qualitative data was decided upon. Qualitative research is based both on inductive and deductive approaches, with words rather than numbers being used to describe specific contexts, situations and actors. This approach is especially well-suited to garnering a better picture of context experiences and unanticipated phenomena, or the actions that constitute a process (Marschan-Piekkari and Welch, 2011).

The gain and loss of a mandate and cumulative subsidiary evolution all involve the modulation of tasks and activities and their distribution to subsidiaries. Amongst other things, this requires that national and organizational boundaries are bridged, knowledge transferred, and trust and commitment built up. As such, the underlying mechanisms are inherently processes and the complexity of the subject requires an in-depth study within its context. Influenced by an ontological assumption regarding the nature of mandate resource and relationship development I also determined an explorative study to be the best methodological approach to study subsidiary evolution.

Subsidiaries are constantly in a state of evolution as they are continuously being shaped by a set of processes that are internal and/or external to the organization. This study is situated within the processual view championed by Poole and Van de Ven, (2010) that envisioned reality as consisting of things, entities and processes. Subsidiary evolution is an iterative process, in which resource and relationship profiles are constantly being shaped and reshaped when subsidiaries are interacting with counterparts, chains of activities and events in their environments (Poole and Van de Ven, 2010). In the current study, the processual ontology is adopted as I am adopting subsidiary evolution seen through the lens of mandate loss. It is argued that research questions that focus on processes themselves, which can easily be translated as subsidiary charter evolution, capability development, resource and relationship development emerge, develop, grow, and decline are compatible with Langley’s (1999) portrayal of how processes (rather than things) unfold over time (Langley 1999).

This approach usually relies on a qualitative case study, either in real time, or through building retrospective accounts of the process, arguing that a better understanding is likely to emerge by capturing rich thick descriptions of the process (Langley 1999). This also involves the need to identify and account for the complex interactions of contradictory and conflicting powers and influences operating at different levels of analysis (Langley 1999). As I am examining the evolution of subsidiaries, mandate loss, resource portfolios and internal and external relationships as processes that unfold over time I not only look for general themes across the processes, but also try to reveal contradictions and trace them. In this research, this translates
into seeing naturally occurring data as analysable texts rather than as the absolute and only truth. The collected data (especially from interviews) gives insight into subsidiary mandate resource combinations and relationships, how these develop when gaining a mandate and evolve when losing mandates.

3.2 Qualitative Case Study Approach

Qualitative research is suitable to unravel organizational processes, and to provide an understanding of how collective action takes place in organizations while accounting for the temporality of the process (Doz, 2011). Furthermore, it provides a holistic representation of processual events, which cannot be sufficiently explained by few variables (Gephart, 2004). The adoption of case research can explain processes that lead to organized and individual actions (Doz, 2011). A case method is most beneficial when seeking to interpret the complexity of context (Birkinshaw, Brannen, and Tung, 2011), the method is also very useful when attempting to unpack relationships and complex structures (Pettigrew, 1990; Langley, 1999; Dubois and Gadde, 2002). The thesis follows both inductive and deductive approaches (Eisenhardt, 1989; Yin, 2009). In the main, it is an explorative inductive study, however the deductive approach is adopted as an explanatory tool when using comparative cases later in the study.

A case study design based on qualitative data was suitable since the focus of the research was to investigate subsidiary evolution as a current phenomenon in its natural context (Yin, 2009). The study began with an in-depth study of the context of the mandating practice in the two MNEs chosen to be part of the study. Latterly, this evolved into a multiple-case study design, adding cases of subsidiary mandate losses from the two Swedish MNEs Alfa and Beta whose subsidiaries were based in the EU, US, Canada, India and China. In-depth case studies are suitable for exploration purposes, while multi-site cases and multiple-case studies are more appropriate for theory building and theory testing (Yin, 2009). While single cases may permit greater depth of research, multiple-case studies offer more contextual variance to be able to qualify the findings. The research on the consequences of mandate loss remains limited and the case studies provide a suitable approach to explore the dynamics of this context. They also allow for evaluation and extension of the existing theories that have been developed in other temporal contexts (e.g., the subsidiary evolution framework Birkinshaw and Hood, 1998; Centres of excellence Holm and Pedersen, 2000; Competence creating mandates, Cantwell and Mudambi, 2005 were largely developed at a time of when value chain disaggregation was still focused on lower value activities).

Another reason why this study adopts case methodologies is that examining the evolution of a subsidiary and particularly the phenomena of mandate loss has not been done and requires an exploratory approach that can capture both longitudinal and retrospective data. Retrospective
cases allow collection of data on historical events, but do not provide reliable information on how the process evolved in practice as interviewees may forget or misinterpret their memory of events (Marschan-Piekkari and Welch, 2011). Marschan-Piekkari and Welch (2011) defined longitudinal field studies as the in-depth study of change processes inside organizations. Such investigations are a specific type of case study that involves investigating a phenomenon over time (not a single data point), in real time. The investigation undertaken here adopts the position of interest on subsidiary evolution and the combinations of its resources and relationships post mandate loss, as such both retrospective and longitudinal cases form the basis of this research.

3.3 Case Selection

The current research follows Pettigrew’s (1990) suggestion that the generative mechanisms of a certain process can be identified across cases, despite the potential differences in the context by using extreme cases in the investigation. The present work will use two longitudinal case-studies one each at Alfa and Beta companies, with multiple within cases e.g. the individual subsidies. This was selected as the methodological approach to allow for comparisons between cases, and at the same time to be able to provide a rich description of each case. Pettigrew (1990) argued that this type of case method can be useful when studying process issues such as the loss of mandates, and resource- and relationship-building. After reviewing the literature on mandating and subsidiary evolution, this approach was adopted as it could help in identifying the generative mechanism of the process of interest, in this case subsidiary evolution.

Sampling does not involve people alone, but also settings, events, and processes. These parameters should be considered in relation to the research questions to make sure that the selection is representative. The sampling of cases for this research can be described on three levels, firstly the choice of highly disaggregated Swedish MNEs with transnational networks of subsidiaries, secondly the choice of cases, which in this study are the subsidiaries sampled that have evolved to be fully fledged6. Thirdly and more specifically is the instances of subsidiary mandate loss.

The intention was to sample the effect of mandate loss on different levels and stages in the process of the evolution of a subsidiary. In this study, the population of interest is the globally dispersed subsidiaries of large Swedish MNEs. In addition, the current study focuses on the evolution of subsidiaries over the period from 2000 to 2017, 17 years in total, however I study the context of mandate loss over 13 years as there is a temporal lag from when the subsidiary enters the firm and develops relationships and resources and later loses mandates. The focus on Swedish MNEs has several benefits: there is a large population of internationalized MNEs in Sweden with long established foreign subsidiaries from which to draw; there are good examples

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6 Fully fledged subsidiaries are those that have responsibility in the four functional areas of marketing, R&D, production and administration.
of failed mandates; and there is a high level of interest in mandating and managing foreign subsidiaries among managers, which translated into relatively easy research access.

Over a six-month period, five MNEs were approached, two of which declined to participate. The remaining three all decided to cooperate fully with the research. In this study, the population of MNEs was narrowed to two as the third, Gamma, was going through a significant organizational change where longevity of access to the units could not be guaranteed. The data collection took place in 47 research sites. This resulted in a sample of *Alfa n=12* this equated to 1 CHQ, 1 divisional HQ, 2 regional HQs and 8 subsidiaries. *Beta represented n=35* this equated to 2 CHQs, 3 divisional HQs, 2 Business unit HQs and 28 subsidiaries. Subsidiaries were identified using a snowballing technique while interviewing the headquarter managers and the companies achieve using the following criteria: (a) Swedish fully or partially owned; (b) participating in a global industry with multiple product lines (C) evidence of being fully-fledged i.e. mandates in production, sales, administration and R&D (D) evidence of R&D mandates being lost. Thirty-six subsidiaries were identified in this way (see table 1).

3.4 Data Collection Methods

Case study research can employ a number of data sources, such as observations, interviews and archival records and documents (Yin, 2009). This study adopts interviewing as its primary method of data collection as the data required was multilevel and temporal. Secondly researchers who are interested in studying a phenomenon that does not occur on a regular basis, such as mandate loss, rely more often on interviews to capture the contextual characterization longitudinally (Eisenhardt and Graebner, 2007). Interviews were, therefore, the preferred option. This was particularly true of mandate loss as the phenomenon was “highly episodic and infrequent” (Eisenhardt and Graebner, 2007) and it was possible to build “snapshots” of relevant mandate loss events and resource/relationship processes. To minimize the potential recall biases from the interviews (Eisenhardt and Graebner, 2007), the thesis only studied mandate losses that took place in the past 13 years. However just to reaffirm, this study encompasses a 17-year period as I collected data and investigated the subsidiaries from their entry into the MNE as either a greenfield or an acquired unit and mandate loss did not normally take place until, on average, 3 to 4 years after the subsidiary had entered into the MNE. Furthermore, multiple informants who were involved in R&D mandates, the associated mandates in the charter, and the associated resources and relationship were interviewed to match responses to outcomes. Finally, archival records and documents related to the R&D mandate were analyzed and validated against interview data.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Study 1: Map MNEs’ Network And Value Chain Disaggregation</th>
<th>Study 1: Map MNEs’ Network And Value Chain Disaggregation</th>
<th>Study 2: Explore Impact Of Mandate Loss On Subsidiary Evolution</th>
<th>Study 2: Explore Impact Of Mandate Loss On Subsidiary Evolution</th>
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<td>Beta - N = 2 CHQ, 3 Div HQs, 2 BU HQs</td>
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<td>Beta</td>
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<td>Sweden – Switzerland – US - China</td>
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<td>Company Network of Subsidiaries, Mandating practice HQ-Sub Relationships</td>
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</tbody>
</table>

These methods were used to help in minimizing potential biases from retrospective data, and to help in building a coherent narrative. The data collection for the work presented here took almost three years to obtain, which broadly fell under two periods of study representing the rounds of interviewing and the movement from explorative questioning to more purposeful sampling. Study 1 was an extended pilot study to map the mandating practice across the two MNEs’ networks and determine subsidiaries that had lost mandates. Study 2 was a multiple case design and delved deeper into the subsidiary’s evolutionary trajectories and the outcomes of mandate loss (see table 1).

It should be pointed out that to address the issues of triangulation in the thesis, a multi-dimensional approach was adopted which moves beyond the use of different methods for collecting data as individual methods (Patton, 1990). Instead, I recognized the collection methods as a series of interlinked methods constituted in relation to each other. In other words, it implies a series of methods fashioned in order to qualify the research and collect material in multi-faceted and multi-shaped approaches (Marschan-Piekkari and Welch, 2011). This elucidates an iterative employment of different methods that can be performed consecutively or conjointly. Practically speaking I operationalized my collection to multiple data points and sources via an interview and observational stylized inquiry based on the employment of
different open and closed interview and observational methods (Marschan-Piekkari and Welch, 2011).

This approach was adopted by and large in four forms of treatment to qualify and strengthen the reliability and the reasoning drawn from the data collection. Firstly, multiple primary sources (the interviews and observations) were cross-referenced with secondary data sources (the company archival and press/industry documentation) to qualify historical and contemporary findings. Secondly, I drew on primary data from multiple hierarchical sources in the two MNEs (i.e. interviews from CHQ, Div HQ and Subsidiaries) to qualify and strengthen the endogenous data sources at any given hierarchical level and to qualify their narratives. Thirdly, I approached and discussed findings with industry experts and, where possible, customers and suppliers of the subsidiaries (albeit in a very informal manner) this was done to gather data points from exogenous sources so as to strengthen the data’s reliability and account for environmental issues that were, potentially, not apparent to the primary respondents. Fourthly, this study has a retrospective and thus historical component to it, and as such I approached former managers from the 2 MNEs to discuss the episodes that identified in the time line of the cases and to also qualify the narratives built around the data from present day managers (Patton, 1990).

3.4.1 Documentation

Yin (2009) argued that documentary information is critical for case studies. The thesis made use of relevant documentation including administrative documents and minutes of meetings concerning the headquarters’ and subsidiaries’ interactions in relation to the subsidiaries’ operations. In study 1, company documentation was mapped to provide a basis for improving the researcher’s understanding of how Swedish MNEs undertake mandating, and achieve a more nuanced view of the evolution of the MNEs’ network of subsidiaries. In addition to providing the researcher with factual information in study 1 and providing contextual information for study 2, I was presented with a unique opportunity not only to talk to the key informants on an ongoing basis, but also to get access to archival project documentation. Establishing this access was crucial as it allowed an evaluation to be made of the impact that mandate losses had on the evolution of the subsidiaries’ charters.

3.4.2 Interviews

Yin (2009) argued that one of the foremost sources of information in case studies is interviews. The primary source of data collected in this thesis is the interview. In the protocols, my conceptualization and understanding of mandates is deliberately inserted as the functional activities and geographic responsibilities assigned to the subsidiaries. In addition, the interview protocols were designed to tease out relational attributes of relationships and the resource characteristics associated with these mandates. Different hierarchical levels of the MNE were
selected to provide a nuanced and detailed description of the evolution of the subsidiaries’ charters and the consequences of mandate loss. Key stakeholders from the MNEs’ corporate and divisional headquarters that were involved in the corresponding subsidiaries’ charters were prioritised for the interviews, then the subsidiary managers involved in the charter’s mandates were interviewed. Cumulatively this was done to tease out a picture of the drivers of mandate loss, the subsidiaries responses to the loss and the consequences of the loss of subsidiary evolution.

Key corporate informants were interviewed to gain an overview of the MNE’s network of subsidiaries and pinpoint the locations of key subsidiaries. As a starting point in each case, divisional presidents and the subsidiaries’ general manager were interviewed to obtain a general background to the mandate and resource allocation processes, the subsidiary resource and relationship characteristics and the mandates that were lost. This was used to discuss suitable interviewees at each research site (and provide a list of names of employees involved in the mandates). The lists of potential key informants were used to select suitable individuals for the first round of interviews with these interviewees then nominating additional people who would be well placed to provide information for the study as it progressed, using the “snowballing” technique (Yin, 2009).

All interviews undertaken in this study were focused interviews of a semi-structured nature. This garnered a total of 114 interviews (see table 2 for their characteristics), each of which lasted between 40-120 minutes, depending on how closely the interviewee related to the mandate and, in each case, the interviewee’s level of experience in relation to the resources and relationships being investigated. Where possible, each of the interviewees was interviewed twice, one for the main data collection and then in a follow-up to either clarify answers or deepen the response. The interviews were carried out with a research protocol as the starting point, but the interviewees were encouraged to speak freely to encourage more detailed descriptions or clarifications of certain topics of interest.

The semi-structured style was chosen, with open-ended questions allowing the interviewees to reflect openly, thus providing the researcher with the opportunity to recognize new areas that had not originally been anticipated. All participants were informed about the option of confidentiality of their participation and were given general information on the study and told how they would get information about the results. For both studies 1 and 2, all interviews were performed on-site in the subsidiaries in Europe, India, China and the US.
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3.5 Ethical Considerations

Throughout my training and the research process that I have undertaken in producing this thesis and all associated output I complied with all established ethical norms for conducting research. My PhD studies have been partly financed by external funding from three external sources: the Swedish Research School for Management and Information Technology (MIT), the Jan Wallander and Tom Hedelius Foundation, and the Strategic Management Society (SMS). I openly disclose this in all academic output associated with the data collected in this thesis (e.g., conference papers and journal articles under review). I have disclosed and have signed agreements with both MIT and SMS declaring that the funding received did not influence the findings in any way (Bryman and Bell, 2011).

The data of this thesis is based on interviews conducted with managers from the two companies. Following the guidelines set out by the Swedish Research Council and established norms within academia (Diener and Crandall, 1978) interviewees were all provided with information about the research being conducted and were offered complete anonymity and were informed how any information given by them would be used solely for academic production. In the first instance permission was given by senior executives to name both the companies and most interviewees gave permission to disclose their names. However, others did not give permission and many managers were met in informal settings on site in the field so for confidentiality purposes, to retain consistency in my portrayal of this research product and anonymity of the managers throughout this thesis I took the decision to keep all company names anonymous and thus generated the names Alfa and Beta. Finally, all of my data is proprietary and as such only I have access to the data.

3.6 Data Analysis Techniques Employed in The Essays

Several approaches were adopted in this thesis to structure and analyse the interview and process data (Langley, 1999). Collecting process data involves constructing a narrative, or a
story of a certain process (Langley, 1999). In this thesis narratives were essential to elucidate the processes involved in drivers of parent driven mandate loss, subsidiary driven mandate loss, environmental changes, the evolution of the subsidiaries and the process of subsidiary response post mandate loss. It was the way by which the studied informants’ communication to the researcher could be structured in to episodic stories and then extrapolating on their understanding of the processes. This proved to be particularly poignant as there was a need to examine and explain how the subsidiaries “survived” the mandate loss. Some scholars rely solely on narrative analysis, while others use it as the initial stage of data preparation (Langley, 1999), in the current research, the thesis follows the latter approach. After interviewing different informants and analysing supplementary material, a narrative in the form of a story was constructed for each case.

To give a snapshot of these narrative stories, they took the form of the evolution of the MNE mandating process (represented in essays I & II), the emergence of the MNEs international networks of subsidiaries (represented in essays II & III). Furthermore, they elucidated the motivations and drivers of parent driven mandate depletion (represented in essay’s I & II) and the the evolutionary pathway of the subsidiaries, the building and nurturing of subsidiary networks and the subsidiaries development of resources (represented in essays III & IV). In this study, narratives of these focal subsidiaries are constructed in chronological order. Interview and archival data are combined together to illustrate parent involvement in subsidiary charters, those mandates undertaken by these focal subsidiaries within their internal and external networks when developing managing resources and developing capabilities, as well as the changes in its mandates. After constructing these narratives for each case, other approaches to process analysis were used such as cross cases analysis, specifically in essay III the thesis adopted a comparative case method. This is a form of paired comparison regularly used in social sciences to compare two case studies to highlight the critical differences or similarities between them (Skocpol and Somers, 1980; Tarrow, 2010; Marschan-Piekkar and Welch, 2011). This tool allowed for cross case and parallel case analysis that facilitated the detection of variances, similarities and common patterns among the observed processes of initiative taking and charter evolution post mandate loss.

In this study I have innovated on Langley’s (1999) process method and Gioia’s inductive method (Gioia, Corley & Hamilton, 2013). In paper IV I have examined the processes of mandate development and using temporal bracketing I bracketed at the intersections of episodes of relationship development and resource combinations pre and post mandate loss. I then used inductive methods to derive pools of critical events in each bracketed episode to generate first order concepts, second order themes and overarching categories. This served to strengthen the process through elucidating the relevant critical events and also allowed for a more accurate depiction of the intersections of each episode in the process. Importantly in adopting this approach the underlying resource combinations in the episodes and the resource re-combination
process could be derived from the raw data from each episode and integrated into a process model covering the evolution of a mandate through progressive episodes. This was important to be able to tease out the relationship and resource developmental processes but also to evidence the re-combinative element that is important post mandate loss.

3.6.1. Temporal Bracketing

Temporal bracketing was applied to break the data into two successive periods pre and post mandate loss. Bracketing, as Langley (1999) argues, can transform shapeless data into a series of discrete but connected blocks. This study employs temporal bracketing as means to map the subsidiaries evolutionary trajectories to being full-fledge. It proved a useful tool to make sense of the data of the subsidiaries resource appropriation and management processes and their relationship and capability development processes during its growth and maturity stages and separate it into comparative units pre and post mandate loss. In this study the dividing point is the instance of mandate loss which is believed to have a substantial effect on the resource and relationship development process and the charter of the subsidiary (Birkinshaw and Hood, 1998). This was an apt tool to not only sort the data but highlight the impact of the mandate loss on the subsidiaries and vestigial strength of certain classifications of resources and relationships that were shown to be “sticky” and redeployable ex-post.

3.6.2. Network Mapping

This thesis adopts the view of the MNE as a network of subsidiaries which embed themselves to varying degrees in their internal and external networks, and that these networks are important for resource generation, leverage and influence. In Study I these networks are mapped out and in study II the subsidiary’s specific internal and external relationships were examined. Network mapping proved a useful tool for the mapping of the MNEs transnational network and visualization of the connections between focal subsidiaries and other actors internally and externally. Undertaking this method allowed for the snapshot of the subsidiaries network that was further examined and analyzed at the relationship level to understand the strength of the subsidiaries connections between actors (Uzzi, 1997). The method was further used in conjunction with temporal bracketing to elucidate the different points in time of the evolution of subsidiary relationships in order to trace the changes. This study utilized network mapping to give two snapshots of the focal subsidiaries in two separate periods, prior to mandate loss and post mandate loss.

These snapshots presented the subsidiaries connections with external and internal actors identified from the interview data that indicated the existence of any influential resources exchange relationship that increased or decreased ex-post. These network maps attempt to provide a visual understanding of how, and to whom, the focal subsidiary is connected to before
and after mandate loss and the degree that the influence channelled through the relationships mediates the lost mandates’ impact on the subsidiaries’ charter. The interview and archival data are systematically iterated through narrative, temporal bracketing and network mapping analytical tools. Employing these analytical approaches helped the researcher making sense of the data, particularly as the data in this study contains various sources of evidence and the drivers and outcomes of mandate losses are traced at multiple levels in the MNE’s and across the evolutionary pathways of multiple subsidiaries over a 17-year period (Langley, 1999; Pettigrew, 1990).
4. SUMMARY OF THE FINDINGS IN THE ESSAYS

Summaries of each of the essays that make up the empirical examination of this thesis are provided below. Further, an overview is presented in Table 3 which states the main research question(s), the qualitative methods employed for data collection and analysis, the anchor theories and the main findings.

ESSAY I: HOW SUBSIDIARY MANDATES ARE LOST IN THE COOPERATIVE AND COMPETITIVE LANDSCAPE OF THE MNE.

This essay investigates the drivers and characteristics of subsidiary mandate loss, providing a typology through empirical examination. The departure is the specific focus on how mandates are lost and instances of subsidiary evolution post loss. This is necessary because we know very little of the characteristics of subsidiary mandates; i.e., mandate value with regard to the signalling legitimacy to develop activities, associated resources, and relationships, but more specifically what happens when it is lost. The environmental contexts of the MNE have changed since Birkinshaw and Hood (1998) and as such I wanted to examine three drivers of mandate allocation and depletion\(^7\) to explore them in the new landscape of the MNE. As suggested throughout this thesis literature on mandates broadly defines the mandate leading to ambiguity between subsidiary mandates and subsidiary charter. There is also evidence of subsidiaries that have lost mandates evolving post mandate loss, which is counterintuitive to received theory. In the essay, three different forms of mandate loss are observed and categorized in the typology, namely: full mandate loss, partial mandate loss, and mandate cannibalization.

The empirical analysis comes from data collected from multiple qualitative rounds of interviews and archival analyses of two multinational enterprises (MNEs), Alfa and Beta, and their foreign subsidiaries based in Europe, China, India, and North America. The essay finds that mandates can be lost in a number of ways which have not yet been communicated in the literature, thus I add nuances to headquarter, subsidiary and environmental drivers of mandate loss and charter depletion, while also evidence the collaborative and competitive dynamics that lead to loss.

Further, the impact of mandate loss is mediated by it’s the type of loss and its scope. That is, partial loss and mandate cannibalization allow for charter-enhancing evolution, while full loss more often relates to charter consolidation. Furthermore, the resources and relationships associated to the mandates are important in three ways post loss. Firstly, their vestigial nature means that in instances of partial loss or cannibalization either new mandates can be leveraged into the subsidiary, or the subsidiary’s pipeline of initiatives are easier to roll out. Secondly, in

\(^7\) Birkinshaw and Hood (1998) explicitly suggest that there are three driving forces of charter evolution: 1) the headquarters and its decision making, 2) the subsidiary and its choices and 3) the external environment.
the cases where full mandate loss occurs, the complementarity of the lost mandates’ resources and relationships allows the recombination with remaining production and sales mandates. Thirdly, in certain instances, the lost R&D activities remain ongoing on an informal ad hoc bases due to the human resources of the lost mandate being subsumed into the remaining mandates. Furthermore, the external relationships that were associated with the lost mandate are associated with other mandates in the subsidiary meaning to prevent damage to other mandate activities and associated resources there is a need to maintain the lost activities.

**ESSAY II: BETWEEN A ROCK AND A HARD PLACE: COMPLEX CONFIGURATIONS OF MULTIPLE HEADQUARTERS–SUBSIDIARY RELATIONS.**

The second essay concerns the phenomenon of multiple headquarter interventions in subsidiary activities in terms of allocation and re-allocation of subsidiary R&D mandates. This highlights challenges, but particularly the consequences related to the complexity of managing nested and overlapping hierarchical relationships across headquarter-subsidiary configurations and interventions. The explorative case study suggests that complex headquarters configurations may create parenting disadvantages due to the ignorance of other headquarters’ actions when intervening in subsidiary operations. Multiple headquarters interventions place the subsidiary between a “rock and a hard place” in terms of being subject to conflicting hierarchical demands. This goes some way toward explaining parent-driven characteristics of the mandate loss process. The essay contributes to an increased understanding about the determinants and outcomes of nested and overlapping configurations of headquarters, elucidating a potentially darker side of headquarters’ activities within the MNE that can be traced back to multiple parenting and the subsidiary charter outcomes.

**ESSAY III: MANDATE COMPETITION IN THE MNE: EXAMINING THE EFFECTS OF SUBSIDIARY INTERNAL RELATIONAL ATTRIBUTES ON MANDATE LOSS.**

The third essay investigates the impact of mandate loss on a subsidiary’s internal relationships associated with a mandate. Specifically, it looks at whether the internal relationship attributes underpinning a subsidiary’s mandate aid the process through which a subsidiary’s influence may be gained, enhanced, or damaged. MNE subsidiaries differ when it comes to their importance and their degree of influence on the broader MNE strategy through their internal relationships with subsidiaries and headquarters. The essay builds on prior research and unravels how the process of internal relationship attributes and subsidiary mandates develop as well as how the internal relational attributes of the subsidiaries act as mechanisms to respond to the loss of a mandate. The sample is a large Swedish MNE and four of its subsidiaries. To capture, examine, and contrast the variance in the importance of the internal relational attributes, the study involves two greenfield and two acquired subsidiaries that both lost R&D mandates.
To evaluate the subsidiary’s internal relational attributes, this essay follows the development of internal relationships in conjunction with initiatives taken by the subsidiaries pre and post mandate loss. It adopts the data analysis technique of paired comparison to compare the four case studies and highlights the critical differences or similarities within the subsidiary’s internal relationship attributes. It finds that the variances in the internal relational attributes between greenfield and acquired subsidiaries greatly differ as a means for them to evolve their charters through consolidating or enhancing processes, even when the charter has been depleted. In conclusion, and in line with earlier studies, we find that subsidiary influence on its mandated activities is affected by its internal relationship attributes. Specifically, we find that the subsidiaries’ relational attributes are vestigial post mandate loss and positively mediate the negative outcome of a mandate lost from the charter. This, however, depends on whether the subsidiary is greenfield or acquired, and the degree the subsidiary is externally embedded.

**ESSAY IV: THE PHOENIX FACTOR: SUBSIDIARY EVOLUTIONARY TRAJECTORIES POST MANDATE LOSS.**

The fourth essay examines the event of subsidiary R&D mandate loss and processes that determine a subsidiary’s subsequent evolutionary trajectory. R&D mandates reflect a value-adding activity, and the loss of such mandates corresponds to responsibilities being reassigned from a fully-fledged subsidiary. In order to explore what happens to subsidiaries that lose their mandate, this essay makes use of exploratory cases that centre on the interplay between the drivers of mandate loss and subsidiaries response *ex-post*, observing that subsidiaries regularly survive and prosper post mandate loss.

As the essay elucidates how a subsidiary can exhibit a positive evolutionary trajectory *ex-post*, it makes three distinct contributions. Firstly, it finds that the influence and ability to manage its mandates through relational development allow a certain indiscretion to create capital and human resource slack associated with the focal mandate. Secondly, the heart of a mandate is a combinative capability that facilitates the development relationships and resources. Thirdly, the development and employment of a subsidiary’s combining capabilities – i.e., the routines of resource combination and slack resource recombination – are beneficial for subsidiary evolution post mandate loss. This is due to the ability for complementing ongoing projects in other mandated areas with slack resources and combinative routines, pushing through ongoing initiatives, or attracting mandates to the charter that are substitutive. As outlined, Table 3 provides a summary of the essays in this thesis including the author constellations, main research questions, utilized theories, chosen methods, and main findings.
### 5. CONCLUSIONS AND THE FUTURE OF MANDATING AS A RESEARCH OBJECT

The first section of the conclusive chapter outlines the main findings of the thesis. Following this, the theoretical contributions and managerial implications are presented. Finally, the thesis’s limitations and future research possibilities are discussed.

5.1 Categorizing the Findings from the Thesis

The theoretical starting point of this thesis is based on Birkinshaw and Hood’s (1998) evolutionary framework where subsidiary evolution is driven by the gain, development, and loss of mandates. However, the rhetoric-reality gap of this thesis draws on received wisdom (Birkinshaw and Hood, 1998) that mandate loss should lead to closure, wind-down, or spin off. However, with rampant fine-slicing of value chains, the instance of subsidiary mandate loss has increased, while in practice subsidiaries often continue to exist and exhibit innovation and high sales returns.

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**TABLE 3: DETAILS OF THE INCLUDED ESSAYS IN THE THESIS**

<table>
<thead>
<tr>
<th>ESSAY</th>
<th>Title</th>
<th>Authors</th>
<th>Main research Question</th>
<th>Anchor theory</th>
<th>Method</th>
<th>Main Findings</th>
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</thead>
<tbody>
<tr>
<td>I</td>
<td>How Subsidiary Mandates Are Lost</td>
<td>Gillmore</td>
<td>How are mandates lost in the Network MNE?</td>
<td>Mandates, HQ-Sub relationships &amp; coopetition</td>
<td>Longitudinal case-studies Deductive reasoning</td>
<td>Mandate loss does not lead to closure. Outlines mandate loss types and respective value.</td>
</tr>
<tr>
<td>II</td>
<td>Between a Rock and a Hard Place</td>
<td>Gillmore, Dellestrand &amp; Andersson</td>
<td>What are the consequences of parent driven interventions on subsidiary charters?</td>
<td>Parenting Behavior, HQ - subsidiary Relations</td>
<td>Exploratory longitudinal case-study with multiple nested case-studies Inductive</td>
<td>Dual parenting and nested headquarters increase mandate loss.</td>
</tr>
<tr>
<td>III</td>
<td>Mandate Competition In The Mne</td>
<td>Gillmore, Ekman, Andersson &amp; Mudambi</td>
<td>Why and how do relational dimensions influence charter development?</td>
<td>Internal embeddedness, subsidiary initiative</td>
<td>Cross comparative case-study Deductive reasoning</td>
<td>Intra-corporate competition and mandate loss are expounded upon. Relationship dimensions are vestigial and mediate the loss.</td>
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The issue of mandate loss has received scant evaluation in the extant literature. Therefore, the critical process of how resources and relationships, the heart of a mandate (Birkinshaw and Hood, 1998), are combined as a mandate develops requires revaluation. However, the main focus in this thesis is not primarily on the management of relationships or resources vis-à-vis the growth of the subsidiary (Jakobsson, 2015). Rather, it focuses on the combination of resources influenced by specific mandate associated relationships, and the complementarity of these combinations to the development of a specific mandate (in the thesis R&D mandates) and to other mandates in a charter. Specifically, I evaluate this under conditions of mandate loss which adds knowledge to the bottom quadrants of Birkinshaw and Hood’s 1998 model of subsidiary charter evolution. The thesis shows that subsidiary evolution consists of the accumulation, combination, and development of relationships and resources over time. Here, a subsidiary has to build connections to both internal (headquarters as well as subsidiaries) and external actors (suppliers, buyers and customers). Further, it highlights that the processes of mandate resource development are contingent on the processes that a subsidiary undertakes when accumulating, distributing, and combining resources at the mandate level, and then between mandates at the charter level. Such contexts are important as headquarters and counterpart subsidiaries primarily engage in resource allocation, sharing, and development activities toward a subsidiary.

Nevertheless, the actors are constantly struggling at the interface of collaboration and competition which opens up for the possibility of increased conceptualizations of the mandate relationship and resource development, but also mandate resource competition and mandate loss. Headquarters are also providers of resources which enable a subsidiary to develop its mandate responsibilities. Similarly, internal and external counterparts are important, as these actors establish the possibility for a subsidiary to create and provide utility and exchange value which forms an important criterion for a subsidiary’s performance and consequently its possibility to receive resources from headquarters.

The mandate associated resource and relationships with external and internal actors allow a subsidiary to develop. Relationships and resources represent important dimensions of mandates that both simple “screwdriver” and “fully fledged” subsidiaries undertake and develop. In line with Birkinshaw and Hood (1998) and Birkinshaw et al. (2005), external and internal actors influence a subsidiary’s charter over time. The thesis demonstrates how the mandate development of a subsidiary requires the development of both resources and relationships, but that the combination processes constitute the important mechanism driving the development and value-adding of a mandate. Further, the mandate resource combinations underpinned by the mandate associated relationships of the subsidiary facilitate the development and leverage of subsidiary influence throughout the subsidiaries’ internal and external networks. This is vestigial post mandate loss, suggesting that social dimensions are critically important for subsidiary evolution.
5.1.1 Drivers of Mandate Loss

This thesis uses the phenomenon of value chain disaggregation to elucidate the increasing instances of mandate loss between subsidiaries in the MNE. Following Birkinshaw’s (1996) suggestion that mandate losses are primarily driven by parent divestment and subsidiary lead spinoff, the thesis focuses on these two drivers. It finds that while this suggestion holds, there are far more nuanced micro-drivers of parent-driven and subsidiary-driven mandate loss. Therefore, it suggests that there are multiple drivers of mandate loss and that these are guided by two broad factors; e.g., knowledge situation and competitive dynamics, at both the headquarter-level and the horizontal-level between subsidiaries.

To explicate, essay one finds these mandates are lost fully, partially, and can be cannibalized by either the existing mandate or by the internal or external counterparts taking over responsibilities for the mandate. Essay two finds that the complexity of headquarter configurations in the MNE can lead to diminished headquarter knowledge of subsidiary activities, but also of counterpart and nested headquarter activities. It shows that the various headquarter monitoring and reporting that takes place in large MNEs can lead to competition amongst headquarters for position and decision-making influence. This can lead to mandate loss due to ambiguity over mandate requirements and arduousness in conducting and enforcing the mandates. Meanwhile, essay three finds that the internal competitive environment (i.e., amongst subsidiaries) for mandate responsibility can lead to situations of full mandate loss and cannibalism of the mandate between subsidiaries. This is driven by the desire for responsibilities and the value-adding potential of a mandate, as well as the fact that the derivatives of these can lead to greater position and influence in the MNE. This thesis finds that the relationship attributes (i.e., trust, commitment, and adaption) are vestigial, and can give the subsidiary that has lost the mandate the ability to leverage the attributes to maintain position and pursue pipeline initiatives. This leads to the increased possibility of mandate-losing subsidiaries evolving their charters.

5.1.2 Dimensions of a Mandate and the Value of Mandate Relationships

One finding of this thesis is that subsidiary mandates are the facilitation mechanism for resource and relational development which positively influence the capability development achieved by a subsidiary (this is the second main driver given by Birkinshaw and Hood, 1998 for charter evolution). Facilitation means that the mandate gives the subsidiary administrative legitimacy to build and develop both relationships and resources that the mandate capabilities are contingent on. This in turn formally stipulates and informally signals to internal and external counterparts that the subsidiary is the unit responsible for the mandate, and facilitates the ability of the subsidiary to develop and leverage resources and relationships.
Another finding of this thesis is that the mandate has formal and informal dimensions. In all essays, the illustration of the mandate as a mechanism that concerns responsibility for the development and management of the formal functional activity (herein R&D) elucidates this point. This entails resource development and management. Further, the informal dimension is conceptualized as the relational attributes that the mandate is contingent on. This is an important driver of influence and resource development. The relational attributes are trust, commitment, and adaption. In the third essay, these are the main drivers for influencing and leveraging when pursuing the formal activities. Furthermore, the relational attributes are vestigial post mandate loss, reinforcing the idea that they are informal and separate for the formal mandate activity which is lost. In essays one, three, and four, the development and combination of resources and relationships critical to capability development after gaining a mandate is truly brought to the fore when examining mandate loss. Here, the formal activity is rescinded through mandate loss and the informal dimension (e.g., the remaining relationships) is critical to evolution post loss. It suggests that the true value of the mandate is found in the informal relationship dimensions. These are the mechanisms that influence the formal administrative responsibilities, resource accumulation, allocation, and development, as well as the subtler aspects of issue-selling in the corporate immune system (Birkinshaw and Ridderstråle, 1999) and keeping competing subsidiaries at bay.

5.1.3 A Relationship and Resource Combination Perspective on Mandate Development and Charter Evolution.

In Birkinshaw and Hood’s (1998) framework of subsidiary evolution, the development of capabilities is an important driver of evolution. The framework suggests that resources are important for capability development. However, the framework does not explicitly examine what these resources are, how they are managed (Jakobsson, 2015), how they are sourced, and – importantly for this thesis – how they are combined. A major finding of this thesis, taken up in essay four, is that the accumulation and allocation of resources, and specifically the development and allocation of slack capital and human resources associated to a specific mandate in combination with mandate specific relationships, are complimentary to other mandates. Further, that their recombination is critical to the evolutionary process. Specifically, we posit that the Phoenix Factor, prominent in subsidiaries that loose mandates, is associated to the mandate relationship and resource combinations, but critically to the ability for these to be recombined post loss. This has a mediating effect on mandate loss due to the recombination of the slack resources and mandate associated relationships being vestigial and complementary with the subsidiaries’ reaming mandates.

The accumulation and development of mandate resources and relationships drives and enhances interdependence with internal and external network counterparts. On the one hand, this is a significant driver of mandate loss; i.e., in essays one and three resource and relationship
competition and collaboration drive mandate loss. However, the findings of this thesis show that developing the mandate-associated capabilities within the subsidiary (herein R&D) is contingent on combining and recombining the embedded capability at the intersection of the accumulation and development processes of resources and relationships. An important component for resource and relationship combination is the organizational routines associated to a specific mandate, and also between the focal mandate and others in the subsidiary’s charter. Furthermore, these routines are also critical to the combination process that enables the development of mandate capabilities. Such underlying routines are highly synergistic to other resources and relationships associated with other mandates in the charter.

This means that the resource and relationship recombining process is possible post mandate loss. Moreover, that these routines, coupled with the vestigial relationships of a lost mandate, are significant drivers of mandated activities continuing even after they have been lost. The logic behind this argument is that resources and relationships are not heterogynous to other mandates’ activities in a subsidiary’s charter due to the synergistic nature of a fully-fledged subsidiary’s charter. This means that as a mandate is lost, there is the possibility of recombining resources with other mandates. Furthermore, the routines and relationships associated with a R&D mandate are partly connected to the external counterparts, and are highly complementary and valuable to other mandates in the charter; i.e., production or marketing mandates and overtime are adapted due to increased embeddedness. As such, the subsidiary continues the lost activities on a discretionary basis due to the need to service external counterparts, but also to maintain value in the other mandates.

Further still, the mandate development and charter trajectory of a subsidiary appear driven by the creation and development of vertical and horizontal relationships both with internal and external counterparts. The subsidiary’s functional responsibilities – i.e., the mandate responsibilities in production, sales, R&D, and administration – are the direct consequence of the strength and leveragability of these relationships. This has a direct impact on the attraction and accumulation of resources to a subsidiary. Coupled with the influence derived from the subsidiaries’ relationships, this allows the discretion to create silo capital and human slack in mandated areas that are either provided by headquarters and/or through enhanced subsidiary performance. An example of this from the findings is the training of software engineers who are specialized in other specialist domains (i.e., diagnostics and testing), thus creating slack not presently employed in operations, but highly complementary to the R&D domain of that subsidiary’s mandate.

The thesis demonstrates how, as a subsidiary evolves and the charter attains a “fully-fledged” status, the development of these relationships and combining routines mean the ability to create and silo slack resources in mandated areas which become more institutionalized depending on what the resource priorities are; i.e., ongoing operations or future ones. In this thesis, this is
shown to enable charter consolidation and charter enhancement processes post mandate loss. The departure in this thesis is the finding that the combination of both relationships and resources, and specifically the combinative routines, constitute the underlying mechanism that drives mandate development and particularly charter evolution and that they are vestigial and re-combinable post mandate loss. Hence, the findings suggest that if the subsidiary’s charter is a bundle of mandates, where the activities can decline, but the resources and relational attributes associated with the mandate can be vestigial; reabsorbed and recombined with the remaining mandates in the charter.

5.2 Theoretical Contributions

The constructs of Birkinshaw and Hood’s (1998) evolutionary framework are founded on headquarter and subsidiary decision-making and the subsidiary developing capabilities. This thesis builds on these constructs and contributes to the evolutionary framework by elucidating the processes of mandate resource and relationship development. In this thesis, this constitutes the internal and external process mandate resource development and management of charter synergies that are critical for the subsidiary’s charter evolution. Furthermore, this thesis evidences that there are formal and informal dimensions of mandates, and that even if the formal mandate is removed or lost, the vestigial resources and relationships can facilitate continued charter evolution. The thesis also demonstrates that the charter evolution of a subsidiary is driven by the creation and development of resource and relational combining capabilities, thereby adding not only to the subsidiary evolutionary framework, but also to the resource-based view of the firm. This contribution suggests resource and relational activities are not heterogeneous, but also develop in line with each other and the activities of the subsidiary, thus requiring dynamic combing processes. This thesis evidences that the development of subsidiary mandates is focused on developing resources, relationships and combining capabilities where a subsidiary is highly dependent on its mandates. But critically, there is also the ability to create complementary resource and relational slack across the subsidiary’s charter of mandates.

Essentially, the development of internal and external counterpart relationships is an important contribution to the literature on subsidiary mandates and subsidiary evolution. This highlights the role of subsidiary manager’s relational attributes (e.g., trust, commitment, and adaption) that influence the development of the mandate. Furthermore, the effects of the development of subsidiary relational attributes evidence that the informal mandate dimension interplays with the formal dimensions; i.e., indicating that mandate activities can be formalized ex-post. Specifically, the creation of subsidiary relational attributes and the associated influence allows for the facilitation of slack creation on mandate resources.
Further, the illumination and examination of mandate associated relationships toward external and internal counterparts in this thesis provide increased understandings of how a subsidiary learns to manage the mandate activities and become influential in them. This also represents a contribution to research by demonstrating that subsidiaries become increasingly influential toward the internal and external counterparts through the development of mandates (Birkinshaw et al., 2005; Mudambi, Pedersen and Andersson, 2014) as well as outlines reasons why subsidiaries influence their charters as their interdependence increases (Birkinshaw and Hood, 1998). The examination contributes to understanding the recursive relationship between mandate resources and relationships, and the subsidiary’s ability to develop mandate-specific combining capabilities and synergetic capabilities between other mandates in the charter.

An awareness of the formal activities and resources, and the mandate relational dimensions can, through combinative capabilities, facilitate the processes through which the subsidiary pursues potential mandate initiatives and counters threats; e.g., overcoming the corporate immune system (Birkinshaw and Ridderstråle, 1999), and/or dealing with mandate competition (Lou, 2005). This finding has important implications for the subsidiary evolutionary literature as the development of relational attributes in conjunction with charter responsibilities enhances understandings of how and why subsidiary mandate implementation and entrepreneurship develop with internal and external counterparts (Birkinshaw, 1997; Birkinshaw and Ridderstråle, 1999; Ambos, Andersson, Birkinshaw, 2010). In this thesis, the development of formal and informal dimensions of a mandate evolves from the development and combination of resources and relationship attributes of mandates. These processes are underpinned by the knowledge of resource combinations and activities that are facilitated by subsidiary internal and external relationships. To emphasize, the findings on mandate resource, relationship development, and combination, characterized in the formal and informal mandate dimension, contribute to the capability-based view of the firm. Furthermore, mandate implementation and development imply that while the combination of routines are more important to the development of the focal mandate, the knowledge of the mandate resource and relational synergies are critical for development of different mandates in the charter.

Hence, this thesis contributes to capability-based view of the firm as in order to realize value and develop potential opportunities from mandates, subsidiaries develop combining routines within the subsidiary across mandated activities and with internal and external counterparts. This further develops the capability-based view as the knowledge and ability to combine and recombine resources and relationships in consolidating and enhancing processes within the subsidiary and between counterparts mean the subsidiary develops influence over mandate domains and associated resources. The importance of realizing value within the subsidiaries’ human and capital resource pools is closely aligned with the management of the mandate relationship attributes, and aided in the creation of resource slack and development of
combinative routines. It is necessary to employ recombination’s of mandate resources and relationships to sustain evolutionary trajectories.

5.3 Managerial Implications

The case narratives act as managerial reflections of the creation of resource and relational capabilities over time. These clearly depict the important resource and relational processes that can be developed by subsidiary managers. The thesis at hand takes its empirical foundation from a sample of 36 subsidiaries, and therefore the scope of mandates that managers are responsible for in the subsidiaries is relatively large. This allows for the explanation of the resulting developmental and “fire-fighting” managerial behavior in order to manage short and long-term developmental issues that emerged from within the subsidiaries’ domains, as well as from the MNE and local markets. This offers managers anecdotal reflection points on the drivers of divestment, and the possibility to learn from mistakes and the environmental shocks that underpin this.

An important managerial implication from the thesis is the importance of prioritizing and focusing on which combinations of resource and relationships to focus on to allow for implementation of operation and development of future entrepreneurial activities. Attention to these activities can lead to enhanced specialization and subsidiary performance which is important for headquarters to grant subsidiaries additional resources to develop mandate activities. In this regard, subsidiary managers are highlighted as important strategizing individuals. This means that they can communicate resource and operational information for mandate implementation and also carry out the important function of coordinating and developing resources and relationships to develop entrepreneurial activities. This is important to communicate to managers in order for them to reflect on a clear approach regarding how mandate resources and relationships are allocated and developed across the divergent operational and entrepreneurial activities in a fully-fledged charter.

Similarly, the thesis shows how the implementation of mandate and charter routines require subsidiary managers to have both operational and strategic understandings of mandate resources and relationships locally and inside the MNE. In this thesis, the subsidiary managers have resource accumulation and combination roles, and therefore need to be able to judge how routines could be realized and formalized for the mandate, as well as across the mandates in its charter. Knowledge of the subsidiary manager’s resource and relationship development activities is important as this allows for the formalization of important managerial activities to balance specialization in mandate activities but also create synergies across the charter.
In the thesis, the combination of mandate resources and relational attributes is important for subsidiary managers as the development of relationships and resources will be contingent on changes in the subsidiary’s charter domains but also the operational interdependencies with external and internal counterparts. These changes affect the decisions made with regard to allocating mandate resources but also developing combinative routines both during mandate development, but also after mandates are removed or lost so as to support consolidation or enhancement of the subsidiary’s remaining activities. If these resource and relational attributes are developed in combination with the development of not just the focal mandate activities but also the other mandate activities in a charter, depletion to the subsidiary’s charter can be mitigated through consolidating or enhancing processes. This increases the possibility of influencing and understanding the potential for continued or improved charter evolution.

5.4 Limitations and Future Research

In order to better understand what a mandate gives to subsidiary resources and relationship development, and to gain a more nuanced picture of how this facilitates the development of recombining capabilities in subsidiaries, more research is required that explores various industries and subsidiary types. This type of approach would therefore extend theory-building on subsidiary evolution which would benefit from longitudinal studies that follow the development of mandate complementarities in a subsidiary’s charter over time.

There are two aspects taken up in this thesis that might affect the importance of developing mandate associated resources and relational attributes. Firstly, the charter evolution post mandate loss focuses on the loss of R&D mandates. Although, the resources, relationships, and routines are highly complementary to other mandates in the subsidiary’s charter, further investigation is required as to if my findings hold for other mandates such as production and sales. Secondly, the nature of the mandates in this thesis is related to R&D and fully-fledged subsidiaries. Therefore, the relational attributes might be different in, for instance, a subsidiary that develops and leverages relational attributes toward a production or sales mandate only, or in subsidiaries that have responsibilities for production and sales but are lacking R&D. Thus, the dynamics between resource development and relational attributes in other mandates require increased research attention. Concerning subsidiary evolution, there is also the need to study atrophying subsidiaries in terms of losing resources and relationships in order to better understand atrophy in cases where it is terminal i.e. there is eventual subsidiary closure.

Moreover, the mandates studied in this thesis did not have high degrees of atrophy in human capital resources which could have negatively affected the combinative capability and recombination of relationships and resources post loss. This could have added a dynamic feature concerning, for example, subsidiary influence in internal and external networks or impacted the recombination of slack. Finally, as the focus remains at the level of mandate
resource and relational attribute development and combination, future studies should focus at the managerial level, i.e., the micro foundations of decision making and coordination, as subsidiary managers and their cognitive biases would be key components in the process of resource and relational development.
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Appendices
Appendix 1: Headquarters Interview Topics:

1. Interviewees background,
2. Interviewees position and work background.
3. Interviewees daily work activities.
5. Business and technology expansion strategies.
6. Company’s approach to offshoring and value chain fine-slicing (how has it evolved).
7. What are the beneficial and negative outcomes of companies offshoring experiences?
8. Understanding of MNE network (interviewee plots the intra-MNE network).
9. Understanding of counterpart headquarters activities and roles
10. Understanding of Subsidiaries – knowledge of actors, activities and resource profiles.
11. Relationship developments between headquarters and subsidiaries.
12. Relationship developments between headquarters and other headquarters.
Appendix 2: First Round Subsidiary Interviews

Interview Time
Date: ......................................................... Meeting: □ 1 □ 2 □ 3 □ 4 □ 
#.......
Time (start): ........................................... Time (end): ..............................

Interviewee Data
Company: ..........................................
Name: ........................................................................................................
Title: ........................................................ Education: .........................
Phone: ........................................................................................................
Interviewed by: □ Edward Gillmore □ Other :
Place for interview: ........................................................................................
Other information: ........................................................................................

Data Handling
Recorded: □ Yes, file nr................................................................. □ No
Other data:
□ Yes, file nr ....................................................................................... □ No
Observation:
□ Yes, file nr ....................................................................................... □ No

BACKGROUND
What is your company’s primary industry?
What is your units primary responsibilities?
How many employees do you have in the (1) company…………………  (2) division…………………...  (3) subunit…………………

What is your units core competencies?

What is the age of your unit?

Do you use a IT-based system within your unit (state the name)?
- If so is the system Is this system shared by the whole division and MNC?
- Has the system been important for you?

**ACTIVITIES**

Can you describe the functional activities undertaken in your unit?

- When did you start to pursue these activities:
  Marketing?:
  Production?:
  R&D?:
  Administration?:

- When did you lose any of these activities:
  Marketing?:
  Production?:
  R&D?:
  Administration?:

Please describe the loss?
- Who initiated the loss?
- What activities were lost?
- What was the scope of the loss?

*(interviewee is to assume response to questions are effective after they lost activities)*

What are your units primary roles in marketing, production, R&D and administration at this point in time?:

How are functional activities in your country organized?
- National
- Local

Can you describe how intra-MNE functional activities are organized?
- What types of functional activities do you implement?
- Is your unit free to implement and develop the the functional activities themselves?
- How is are functional activities organized at a local level and at an international level?

Who takes the decision and on what grounds to initiate new functional activities?
- Are there special circumstances that allow your unit to act autonomously?
- How would you describe the scope of responsibilities within the functional activities in
Marketing, Production, R&D and Administration?
- To who does your unit report on functional activities?

What kind of problems have you experienced since losing the activity?
- Do opinions differ between internal and external counterparts over functional activities? if so in what way?
- Do opinions differ between headquarters and subsidiary management over functional activities?
- What do internal and external counterparts view as positive and negative aspects of the ongoing functional activities?

ACTORS
Which counterparts are involved in your unit’s activities?
- Internal
- External

Can you indicate in numbers how many subsidiaries with functional activities that you work with in Marketing, Production, R&D and Administration have been located in?

| Ireland | Switzerland |
| UK | Austria |
| Norway | Japan |
| Sweden | Korea |
| Finland | Canada: |
| Poland | America: |
| Germany | South America: |
| Italy | India: |
| France: | China: |
| Spain: | Australia: |

Which Internal counterparts are involved in your unit’s activities?
- What is the frequency of interactions?
- What are the most common channel of communication?
- What is the number of joint projects in these functional activities:
  Marketing:
  Production:
  R&D:
  Administration:

Of the joint projects can you describe the most important (i.e. the key actors, the degree of trust, is it ongoing or repeat returns, what were the benefits for both parties)

Which external counterparts are involved in your unit’s activities?
- What is the frequency of interactions?
- What are the most common channel of communication?
- What is the number of joint projects in these functional activities:
  Marketing:
  Production:
  R&D:
  Administration:

Of the joint projects can you describe the most important (i.e. the key actors, the degree of trust, is it ongoing or repeat returns, what were the benefits for both parties).

**RESOURCES**
From where do you source/receive capital and human resources?
- What role does your headquarter play in allocation of resources?

What autonomy does your unit have to source resources?

What is the flexibility of your units to structure and allocate capital and human resources to functional activities?

In which of the functional activities does your unit inflate targets and deadline estimations?

Do units on different hierarchal levels in your company share resources such as:
- Capital?
- Knowledge?
- Of these units can you describe how they are dependent on your activities and knowledge?

Do units on the same hierarchal level share resources such as:
- Capital?
- Knowledge?

Are there external counterparts that possess knowledge from which you benefit?
- Of these units can you describe how they are dependent on your activities and knowledge?

Are there counterparts inside the MNC that posses more knowledge than your unit?
- What experience has your subsidiary had with these units?

How is knowledge shared
- What methods are utilized to facilitate sharing?
- Between internal counterparts?
- Between external counterparts?

**SUMMARIZING THE INTERVIEW**
Is there something more we should know to better understand the context of your subsidiaries growth?

....................................................................................................................................................................................

....................................................................................................................................................................................
AFTER THE INTERVIEW
Are we allowed to share this information with company managers?
☐ Yes  ☐ No  ☐ Partly
Clarification:.................................................................

For a follow up, how do you want to be contacted?
☐ Phone  ☐ Email  ☐ Not at all
Clarification:.................................................................

Would you consider being part of a focus group?
☐ Yes  ☐ No

Is it okay if we contact you and do a follow-up interview?
☐ Yes  ☐ No

Should we talk with more people at you company to understand your business?
☐ No  ☐ Yes:
Clarification:.................................................................

THOUGHTS AFTER THE INTERVIEW
Things that might have been missed and first steps of analysis

..........................................................................................................................
Appendix 2: Second Round Subsidiary Interviews

Presentation of the interviewees and the purpose of the visit

Background facts concerning the respondent:
- What are your current work assignments?
- What is your role and responsibilities?
- What are your prior experiences (in this position – in the unit – in the company – in other companies – the business/R&D area).

Information concerning the subsidiary (Activities, products and organization)

How have your subsidiary’s roles changed over time?
- What type of operations have been undertaken?
  - How have they been decreased/ or increased?

How has the market environment evolved?
- What are the advantages and disadvantages of your location?

How has the internal environment changed?

Describe the activities undertaken in the subsidiary:
- how they are related to other activities in the corporation.
- What resources you possess/need for said activities
- Which actors are involved in your unit’s activities.
  - Internal
  - External

Describe your subsidiary’s roles
- What is your role (scope of responsibilities) in?
  - Production
  - Marketing
  - R&D
  - Administrative

What circumstances led to you having these roles?
- where they assigned
- where they gained

In your opinion what do you think are the main areas of responsibilities for each or the roles you have?
- How much of your time do you allocate to attending to the roles of you subsidiary?
- What type of resources are invested in the roles of your subsidiary?
  - Where are they acquired from?

How are the roles of your subsidiary coordinated with other units in the MNE?
- Same business area?
- Same division?
Between divisions?

Are market and innovation projects and competence development in your subsidiary driven by:
- Market Actors?
- Sister subsidiaries?
- Headquarters?

What specific counterparts in the MNE and in the market have been of important in the development of these roles?
- Describe the roles of the subsidiary management in the process of accumulating and developing these roles.
- Describe the roles of the top management in the process of accumulating and developing these roles.
- Describe the roles of the external counterparts in the process of accumulating and developing these roles:
  - Supplier
  - Customer
  - External R&D

Describe the management and maintenance of your subsidiary’s roles
- Can you give an example of how you carry out your activities (i.e. describe the undertaking of acquiring and using resources to achieve a project)?
- What is the engagement on your behalf and on the counterparts? How is it regulated in terms of agreement and compensation?
  - With internal counterparts
  - With external counterparts

Is there any exchange of competence between parties?
- With internal counterparts
- With external counterparts

Who are the main competitors and collaborators internally and externally?
- How have your subsidiary’s activities been adapted to counterparts?
  - With internal counterparts
  - With external counterparts
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