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Sowing the Seeds of Subsidiary Influence: Subsidiary Legitimacy as a Power Source for Mandate Development

This dissertation is submitted in fulfillment of the requirements for the
Degree of Doctor of Philosophy (PhD), National University of Ireland
Galway.

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Table of Contents

DECLARATION	VI
ABSTRACT	VII
ACKNOWLEDGEMENTS	IX
TABLE OF APPENDICES	XI
LIST OF FIGURES.....	XII
LIST OF TABLES.....	XIII
LIST OF ACRONYMS & ABBREVIATIONS.....	XIV
CHAPTER 1: INTRODUCTION	1
1.1 Introduction	1
1.2 Research Rationale and Focus	2
1.3 The Research Context.....	4
1.4 Research Questions	5
1.5 Methodological Approach	5
1.6 Originality and Contributions of the Research	6
1.7 Structure of the Thesis	7
CHAPTER 2: TRACKING THE EVOLUTION OF SUBSIDIARY INFLUENCE 9	
2.1 Introduction	9
2.2 Evolution of Perspectives on the Structure of the MNE	10
2.3 Perspectives on the MNE Subsidiary Relationship	12
2.3.1 Subsidiary Strategic Role Stream – Differing Directions	13
2.4 MNE Subsidiary Mandates and Roles as a Form of Influence.....	14
2.4.1 Centres of Excellence	17
2.5 Evolving Role of the Subsidiary – The Mandate Life Cycle	18
2.6 Developing the Strategic Role of the Subsidiary.....	19
2.7 Drivers of Subsidiary Role Evolution	21
2.7.1 The Contemporary Role of the MNE Headquarters.....	22
2.7.2 Subsidiary Driven Extension.....	24
2.7.3 Subsidiary Mindset – Boyscout or Subversive Strategist.....	25
2.8 Challenging the Status Quo – Subsidiary Power Tools.....	26
2.8.1 Initiative Taking	27
2.8.2 Issue selling	28
2.8.3 Corporate Immune System	31
2.8.4 Attracting Headquarter’s Attention	33
2.9 Internal Embeddedness as a Subsidiary Power Source	35
2.10 Micro-Political Game Playing.....	38
2.11 Subsidiary Power Games.....	39
2.12 Developing Subsidiary Power Bases – Legitimacy, Resources & Networks.....	42
2.13 Introducing Legitimacy as an Undervalued Subsidiary Power Source	43
2.14 Concluding Remarks	46

CHAPTER 3: INSTITUTIONAL THEORY IN THE MNE: LEGITIMACY AS A POWER SOURCE FOR SUBSIDIARY INFLUENCE	47
3.1 Introduction	47
3.2 Defining Legitimacy.....	47
3.3 The Organisational Environment - Technical and Institutional Portrayals.	49
3.4 Defining Institutions and Institutionalisation	50
3.5 The Rise of Neo-Institutional Theory.....	53
3.5.1 Isomorphism	54
3.5.2 Importance of Legitimacy to Neo-Institutionalism	55
3.6 Process of Legitimation	58
3.6.1 Subjects of Legitimation.....	60
3.6.2 Sources or Channels of Legitimation	60
3.7 Understanding Institutional Change - Agentic Institutionalism	61
3.7.1 The Importance of Institutional Logics	65
3.8 An Institutional Approach to the Study of the MNE.....	66
3.8.1 Socially Embedded Nature of the MNE.....	68
3.8.2 Application of Neo-Institutionalism to the MNE.....	69
3.8.2.1 Transfer of Practices.....	69
3.8.2.2 Managing Legitimacy in a Dual Institutional Environment.....	70
3.8.2.3 Subsidiaries Responding to Conflicting Demands	71
3.9 The MNE as a Challenge to Neo-Institutional Theory.....	72
3.10 Legitimacy in an MNE Context	73
3.10.1 The MNE as a Challenge to Legitimacy – Importance of Political Interaction	74
3.11 Differing Perspectives on Legitimacy	76
3.12 Managing Legitimacy Strategically	77
3.12.1 Impression Management Techniques	78
3.12.2 Managing Subsidiary Legitimacy Symbolically	81
3.12.3 Legitimacy as an Entrepreneurial Resource	81
3.13 Legitimacy as a Subsidiary Power Source	83
3.13.1 Personal Legitimacy	84
3.13.2 Consequential Legitimacy	89
3.13.3 Structural Legitimacy	92
3.13.4 Linkage Legitimacy	93
3.14 Research Questions and Research Objectives	95
3.15 Concluding Remarks	96
CHAPTER 4: THE RESEARCH CONTEXT	97
4.1 Introduction	97
4.2 Ireland as a location for FDI.....	98
4.3 Medical Technology Sector in Ireland	100
4.3.1 Western Region	101
4.4 U.S. MNEs In Ireland.....	102
4.5 CASE I: HEALTHCO.....	105
4.5.1 HEALTHCO in Ireland	105
4.5.2 Evolution of the Irish Subsidiary’s Mandate.....	107
4.6 CASE II: MEDCO.....	107
4.6.1 MEDCO in Ireland	109
4.6.2 Evolution of the Irish Subsidiary’s Mandate.....	109

4.7 CASE III: PHARMCO	110
4.7.1 PHARMCO in Ireland	112
4.7.2 Evolution of the Irish Subsidiary’s Mandate	113
4.8 CASE IV: CHEMCO	114
4.8.1 CHEMCO In Ireland	116
4.8.2 Evolution of the Irish Subsidiary’s Mandate	117
4.9 Concluding Remarks	117
CHAPTER 5: RESEARCH METHODOLOGY	118
5.1 Introduction	118
5.2 Theoretical Foundations – Philosophical Underpinnings.....	119
5.2.1 Phenomenological and Qualitative Approach of this Study.....	121
5.3 Designing Case Studies as a Research Strategy	123
5.4 Data Collection	127
5.4.1 Interview Schedule	137
5.5 ‘Doing Data Analysis’	138
5.6 Evaluating the Research Design	142
5.7 Concluding Remarks	144
CHAPTER 6: EMPIRICAL FINDINGS	145
6.1 Introduction	145
6.1.1 Setting the Scene	146
6.2 Receiving or Earning Investment – HQ or Subsidiary Determined?	147
6.2.1 Strategic Mindset for Earning Investment.....	150
6.3 Getting Closer to HQ – Creating Informal Selling Channels for Internal Embeddedness	153
6.3.1 Concentrating Corporate Attention	153
6.3.2 Engaging and Indulging Corporate	158
6.4 Leveraging Subsidiary Legitimacy as a Power Source	160
6.5 Populating the Corporate Structure – Personal Legitimacy	160
6.5.1 ‘Having a Few Friends at Corporate’	160
6.5.2 Informal Branches of Influence – External Reporting Lines	165
6.5.3 Overpopulating the Corporate Headquarters.....	167
6.6 Intra-Firm Coopetition Dynamics	170
6.6.1 Establishing Bases of Comparison	171
6.6.2 Consistent Message of Credibility and Competence – Image Control.....	172
6.6.3 Best Practice ‘Sharing’ and Stealing – Initiative Exporting.....	174
6.7. Check and Adjust – Importance of Strategic Alignment.....	178
6.7.1 Strategic Fit – Framing and Fitting	178
6.7.2 Strategic Flexibility – Adjusting and Aligning	180
6.7.3 Consolidating to Move up the Value Chain	181
6.8 Leveraging Linkage Legitimacy from Local Institutional Resources	182
6.8.1 Ireland Inc. Identity	183
6.8.2 Political Endorsements	185
6.8.3 Local Professional Agency Associations	186
6.8.4 IDA – A Nimble Link to Corporate	187
6.8.5 Awards and Certifications – Embellishing Initiatives.....	188
6.8.6 University Engagement	190
6.8.7 Cartels for Influence	193

6.9 Getting Too Close to HQ.....	194
6.10 Concluding Remarks	204

CHAPTER 7: DISCUSSIONS & CONCLUSIONS.....	205
7.1 Introduction	205
7.2 Revisiting the Main Research Questions and Objectives.....	206
7.3 The Main Contributions of the Study.....	206
7.4 HQ-Subsidiary Embeddedness through Informal Selling Channels	207
7.4.1 Detailing the Mindset of the Subsidiary.....	208
7.4.2 Developing Greater Recognition through HQ-Subsidiary Embeddedness	210
7.5 Leveraging Personal Legitimacy to Tap into Networks of Influence	213
7.5.1 Boundary Spanners and Talent Exporting.....	214
7.5.2 Branches of Influence.....	217
7.5.3 Contribution.....	219
7.6 Leveraging Consequential Legitimacy through Coopetition.....	220
7.6.1 Image Control.....	221
7.6.2 Initiative Exporting & RKT.....	223
7.6.3 Contribution.....	226
7.7 Leveraging Structural Legitimacy through Feedback Seeking	227
7.7.1 Remaining Strategically Relevant	229
7.7.2 Contribution.....	231
7.8 Leveraging Linkage Legitimacy Through Representation and Coalition Building.....	232
7.8.1 Stroking the Corporate Ego	233
7.8.2 Embellishing Initiatives.....	235
7.8.3 Cartels of Influence	236
7.8.4 University Engagement	237
7.8.5 ‘Turning Corporate On’	237
7.8.6 Contribution.....	238
7.9 Balancing the Double Edge of Subsidiary Legitimation.....	240
7.10 Channels of Subsidiary Legitimacy.....	244
7.11 Understanding Subsidiary Legitimacy through Micro-Politics.....	245
7.12 Theoretical Framework.....	246
7.12.1 Concluding Propositions	251
7.13 Conclusions and Recommendations.....	252
7.14 Implications for Subsidiary Management.....	253
7.15 Limitations of the Research.....	255
7.16 Future Research Recommendations	256
7.17 Concluding Remarks	258

BIBLIOGRAPHY.....	259
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APPENDICES.....	284
Appendix A: Correspondence to Potential Interviewees Requesting Participation	284
Appendix B: Interview Schedule.....	286
Appendix C: Categorical Analysis	292
Appendix D: Map of the Medical Technology Sector in Ireland	293

DECLARATION

I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of Doctor of Philosophy is entirely my own work, that I have exercised reasonable care to ensure that the work is original, and does not to the best of my knowledge breach any law of copyright, and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

Signed: _____

Date: _____

ABSTRACT

The principal aim of this research is to develop a greater understanding of how subsidiary power is constructed and enhanced within the Multinational Enterprise (MNE). The MNE as a federation is depicted as an internal market system where subsidiaries compete for dispersed power in the form of mandate allocations from Headquarters (HQ) (Chen *et al.*, 2011; Dorrenbacher & Gammelgaard, 2006; Gammelgaard, 2009). The fight for these mandates generates micro-political power games between the MNE HQ and its distinctive subsidiary units (Dorrenbacher & Gammelgaard, 2011). Participating in these power games exposes a subsidiary's existing mandate to original or unfamiliar methods of functioning, which subsequently renders the subsidiary to legitimacy evaluations from HQ (Birkinshaw & Ridderstrale, 1999; Bouquet & Birkinshaw, 2008a). Furthermore, a major issue raised by Mudambi *et al.* (2014) is that the successful exercise of subsidiary power within the MNE is dependent on a set of legitimating principles specific to the subsidiary. Despite this observation there is little or no empirical research carried out on the way in which a subsidiary can strategically manage its legitimacy as a way to influence mandate extensions from HQ.

This thesis applies an institutional theory lens to the MNE by drawing upon two separate but interrelated strands of literature namely; the micro-political perspective of HQ-subsidiary relations (Geppert & Dorrenbacher, 2014) and the process of legitimation within the MNE (Kostova & Zaheer, 1999; Zott & Huy, 2007). The research seeks to conceptualise subsidiary legitimacy as an antecedent to understanding more fully the micro-level foundations of subsidiary influence. The core research focus is 'how can subsidiary legitimacy be deployed as a power source in influencing the development of the subsidiary's mandate within the MNE?'

The context of this study takes the form of four U.S. MNEs operating in the Medical Technology Sector in the West of Ireland. Irish subsidiaries in this sector that have been successful in gaining mandate extensions since this study's inception are the main subjects of this research. A qualitative research design was undertaken in the form of 30 semi-structured interviews with top management from each subsidiary and key officials

within the MNE. Given Ireland's dependence on the flow of U.S. FDI this particular relationship makes for an appealing context in which to position the current research.

The findings indicate that Irish subsidiaries leveraged their legitimacy internally within the MNE by participating in a number different micro-political power games. Each of these power games is associated with a specific form of subsidiary legitimacy. However, Irish subsidiary managers described that there was a need to develop a greater degree of HQ-embeddedness in order to establish a platform from which they could participate more effectively within these micro-political power games.

Based on the research findings, the main theoretical contribution of this thesis is the development of framework for enhancing subsidiary influence internally within the MNE. Overall the findings of this thesis reveal the importance of developing a greater degree of subsidiary embeddedness internally with HQ in order to recognise subsidiary legitimacy as the missing link to a more holistic understanding of subsidiary power and influence. As a result this thesis contributes to calls for a greater appreciation of how legitimacy is established through the social and political interactions between key individuals at the HQ-subsiary interface (Clark & Geppert, 2011; Geppert & Dorrenbacher, 2014; Kostova, *et al.*, 2008).

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Although this is may be the culmination of what was an arduous experience, it is only the beginning of a much more exciting and challenging path ahead.

KMC.

Galway, March 2014

TABLE OF APPENDICES

Appendix A: Correspondence to Potential Interviewees Requesting Participation.....	286
Appendix B: Interview Schedule.....	288
Appendix C: Categorical Analysis.....	294
Appendix D: Maps of Medical technology sector & Western Region in Ireland.....	295

LIST OF FIGURES

Figure 2.1: Evolution of Subsidiary Management Literature.....	13
Figure 2.2: Subsidiary Mandate Typologies as a Form of Influence	18
Figure 2.3: Stages of MNE Subsidiary Development	21
Figure 2.4: Stages of Issue Selling	31
Figure 2.5: Subsidiary Micro-Political Power Games.....	41
Figure 5.1: Structure of Categorical Template Analysis.....	142
Figure 6.1: Setting the Scene.....	146
Figure 7.1: Subsidiary Mindset Continuum.....	210
Figure 7.2: Subsidiary Legitimacy as a Power Source.....	250

LIST OF TABLES

Table 3.1: Three Pillars of Institutions.....	52
Table 3.2: Dimensions of Legitimacy.....	58
Table 3.3: Strategic Responses to Institutional Pressures.....	63
Table 4.1: Phases in the Development of MNEs in Ireland.....	104
Table 4.2: PHARMCO Manufacturing Facilities & Overall Manufacturing Production by Region.....	112
Table 4.3: PHARMCO GBUs.....	112
Table 4.4: CHEMCO Global Revenue.....	116
Table 5.1: Contrasting Implications of Positivism and Social Constructionism.....	121
Table 5.2 Case Sampling Procedures.....	125
Table 5.3: General Profile of the Case Companies.....	126
Table 5.4: Profiles of Interviewee Respondents.....	132
Table 5.5: Evaluating the Research Design's Adherence.....	144
Table 6.1: Representative Quotes & Associated Themes.....	199

LIST OF ACRONYMS & ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
BSc	Bachelor of Science
BBS	Bachelor of Business
BRIC	Brazil Russia India China
CIMA	Chartered Institute of Management Accountants
CEO	Chief Executive Officer
COE	Centre of Excellence
CSO	Central Statistics Office
ECB	European Central Bank
EMEA	European Middle East & Africa
EU	European Union
FDI	Foreign Direct Investment
GBU	General Business Unit
HQ	Headquarters
HR	Human Resources
IBM	International Business Machines Corporation
ICT	Information Communication Technology
IDA	Industrial Development Agency
IFSC	International Finance Services Centre
IBEC	Irish Business and Employers Confederation
IMD	International Institute for Management Development
IMDA	Irish Medical Devices Association
IMI	Irish Management Institute
IP	Intellectual Property
IR	Industrial Relations
ISO	International Organisation for Standardisation
I.T.	Information Technology
KPIs	Key Process Indicators
MBA	Master of Business Administration
MBS	Masters in Business
Med-Tech	Medical Technology
MNC	Multinational Corporation

MNE	Multinational Enterprise
NDP	New Product Development
NGO	Non-Governmental Organisation
NSS	National Spatial Strategy
NUIG	National University of Ireland Galway
OECD	Organisation for Economic Co-operation & Development
PWC	PriceWaterhouseCooper
QA	Quality Assurance
R&D	Research and Development
RD&I	Research Development & Innovation
RKT	Reverse Knowledge Transfer
SFI	Science Foundation Ireland
U.K.	United Kingdom
U.S.	United States of America
VP	Vice President

CHAPTER 1: INTRODUCTION

1.1 Introduction

A key challenge for managers in any multinational subsidiary involves understanding how subsidiary power and influence can be leveraged in different ways within the multinational enterprise (MNE) (Andersson *et al.*, 2007; Barsoux & Bouquet, 2013; Bouquet & Birkinshaw 2008a; Geppert & Dorrenbacher, 2014; Mudambi *et al.*, 2014). This study therefore examines power and influence from a multinational (MNE) subsidiary perspective. The research considers the process of subsidiary mandate development, defined as “the process through which a subsidiary takes responsibility for a business or element of a business” (Birkinshaw, 1996: 472) as a key arena in which such power dynamics unfold at the headquarters(HQ¹)-subsidiary interface (Dorrenbacher & Gammelgaard, 2006). The results of this study encapsulate empirical research that details how subsidiary legitimacy can be deployed as a power source in influencing the development of a subsidiary’s mandate within the MNE. The medical device industry in Ireland is the main focus of this study owing to the unprecedented growth it has experienced in the past decade and its centrality to the Irish economy.

This chapter firstly details the main rationale for and focus of the study, which has subsequently provided motivation for the development of the main research questions. The research methods undertaken are acknowledged before outlining the key contributions of the research and how they add originality. Finally, the structure of the preceding chapters in this thesis is previewed.

¹ For the purposes of this thesis the term HQ will be deployed, where possible, when referring to the corporate headquarters in the home country. This entity is often also referred to as the parent company (Birkinshaw & Hood, 1998).

1.2 Research Rationale and Focus

The central aim of this study is to gain a greater understanding of how subsidiary legitimacy can be deployed as a power source in influencing the development of subsidiary mandates within the MNE. International business scholars who view the MNE as a federative structure have long pointed to legitimacy as an important factor in the power interplay between the MNE and the distinctive external institutional environments in which it operates (Kostova & Zaheer, 1999; Rosenzweig & Singh, 1991). Despite being a central concern in both institutionalist and MNE studies surrounding resource acquisition, subsidiary legitimacy has not yet been examined in depth in the micro-political domain of HQ-subsidary interactions (Geppert & Dorrenbacher, 2014). According to Kostova and Zaheer (1999), as subsidiaries are embedded in their internal corporate structure they too must convey different signs of legitimacy internally in order to remain on favorable terms with their HQ. However, the empirical evidence in this regard is limited, focusing largely on external legitimacy concerns in the local institutional context (Andersson *et al.*, 2002, 2007; Barsoux & Bouquet, 2013; Bouquet & Birkinshaw, 2008a).

Drawing inspiration from foundational pieces on organisational power and legitimacy (Parsons, 1960; Weber, 1968), Mudambi *et al.* (2014) argue that, “the successful exercise of power requires that it is based on a *set of legitimating principles* that are specific to the organisation” (2014: 2) {italics added}. Hence, subsidiaries need to establish some form of legitimacy before they can actually exercise their influence (Deepphouse & Suchman, 2008). Legitimacy has long been a central construct in the literature on organisational power and influence and these constructs are inexplicably linked such that power can only be exercised when an organisational actor is viewed as legitimate and the legitimation of this power is derived from the initial social interaction between parties (Brenner & Ambos, 2012). Power is therefore a relative concept in that it “is a property of a social relation; it is not the property of a social actor” (Emerson, 1962: 32). In this way, subsidiary legitimacy is predominantly a socially constructed phenomenon that originates from the social interaction between individuals at the HQ-subsidary interface. Hence, power in the MNE is defined as “the result of continuously socially constructed dynamic relationships among key actors, who make use of existing power resources and, in doing so, stabilize and destabilize established power” (Geppert & Dorrenbacher, 2014: 12). The notion of power being socially constructed stems from

seminal pieces by Berger & Luckman (1967), Weber (1967) and Weick (1979). These scholars define social construction as subject to interpretation depending on the perspective of a single individual and therefore these individual's perceptions can be altered, hence changing the course of power and influence (Mudambi *et al.*, 2014).

Ultimately, the aforementioned arguments observe that legitimacy forms the basis for establishing influence and exerting power (Parsons, 1960; Weber, 1967) and influence is a manifestation of this power (Birkinshaw & Ridderstrale, 1999) but legitimacy is an antecedent to both influence and power (Brenner & Ambos, 2012) and this legitimacy is socially constructed through political relationships (Mudambi *et al.*, 2014; Kostova *et al.*, 2008). Drawing inspiration from these discussions, this study aims to answer calls for a more nuanced understanding of subsidiary legitimacy as a power source for developing subsidiary influence (Barsoux & Bouquet, 2013; Birkinshaw & Ridderstrale, 1999; Bouquet & Birkinshaw, 2008a; Gammelgaard, 2009; Kostova *et al.*, 2008). While legitimacy has been referenced to in the literature on subsidiary influence and power, we have little understanding of how subsidiary legitimacy can be conceptualised as an antecedent to establishing both subsidiary power and influence.

Further, this study answers calls to investigate legitimacy through the enumerative operationalisation of its different dimensions (Bitekine, 2011). According to Suchman (1995), legitimacy can be anchored in distinct but interrelated dimensions such as, the personal legitimacy of the managers, legitimacy of the organisation's structures and processes and the relational legitimacy of other individuals and organisations (Scott, 2008). Essentially, identifying clearly which aspects/dimensions of the organisation's activities, structures, personnel and outcomes are being judged by important legitimating constituents is key for developing overall organisational legitimacy (Bitekine, 2011; Deephouse & Suchman, 2008; Scott, 2008). Additionally, in order to understand how these dimensions of legitimacy are deployed as a subsidiary power source in an MNE context, we need to take into account the political interactions that take place between the HQ and subsidiary managers (Geppert & Dorrenbacher, 2014; Kostova *et al.*, 2008). Hence, how the subsidiary develops its mandate is the chosen context for exploring the main research question as previous studies have demonstrated that it encapsulates a politically charged process in influencing the flow of resources (Delany, 2000; Dorrenbacher & Gammelgaard, 2006).

Thus, an empirical gap exists regarding a more in-depth analysis of how subsidiary legitimacy can be deployed as a power source in influencing the development of its mandate within the MNE. Given that the research is inductive in nature, the objective of the literature review is to position the empirical study in the extant literature and to provide synthesizing constructs (Blumer, 1964) to inform the empirical analysis. The next section briefly outlines the research context of this study.

1.3 The Research Context

The Republic of Ireland is considered a highly globalised economy that has been a significant player for several decades in shaping the flow of MNE foreign direct investment (FDI) globally (Collings *et al.*, 2008). Research has illustrated that Ireland is a rich environment in which to investigate the larger complexities of MNE internationalisation dynamics (Monaghan *et al.*, 2014). This significance is largely due to the particular economic development model that the Irish institutional landscape has pursued in the form of an ‘open economy’ (Begley *et al.*, 2005). The benefits of this exogenous development policy are well documented in the form of a low corporate tax regime, liberal trade policies, membership of the European Union (EU), a strong educational system and highly reputable inward investment agency in the form of the Industrial Development Agency (IDA Ireland) (Monaghan *et al.*, 2014). The Irish FDI model has enjoyed a significant degree of investment from American (U.S.) MNEs in particular with the majority of these investments originating as extensions to existing MNE subsidiaries operations² (Barry, 2007; Collings *et al.*, 2010). Thus the flow of FDI from U.S. MNEs to its Irish subsidiaries provides an interesting context wherein which to investigate the political dynamics of HQ-subsidary interactions. This main focus has led to the development of the following research questions for this study.

² The U.S. accounted for 74% of Ireland's inward investment in 2011 (AMCHAM 2014). In 2012, 54% of FDI investments originated from extensions to existing MNE activities (IDA Ireland 2013).

1.4 Research Questions

This study aims to answer the following pertinent question in the area of subsidiary power and influence;

How can subsidiary legitimacy be deployed as a power source in influencing the development of the subsidiary's mandate within the MNE?

More specifically this study seeks to address the following sub-question:

What types of subsidiary legitimacy are the most appropriate power sources and in what circumstances can each of these be leveraged?

These questions were informed by the extant literature following an extensive review, which provided evidence that certain gaps or discrepancies existed in relation to research on subsidiary power and influence. Given the nature of the phenomena under investigation, the use of a qualitative approach with multiple case studies was considered the most appropriate research strategy. It is important to acknowledge at this point that the main focus of this study is on understanding the aforementioned issues from a subsidiary perspective and therefore is limited in its focus on the HQ standpoint.

1.5 Methodological Approach

In light of the aforementioned research questions and the topic being investigated, a phenomenological approach was deemed the most appropriate research paradigm. The research design for this study took the approach of qualitative case studies of four MNE subsidiaries based in the medical device industry in the western region of Ireland, but are headquartered in the U.S. The primary data collection took the form of in-depth semi-structured interviews (30 in total) with Irish subsidiary managers, corporate representatives and local institutional representatives. The main purpose of this research was to investigate a complex phenomenon through the shared first hand experiences of a particular sample. Hence, following previous studies on legitimacy in general, the main purpose of the research was not to generalise through representativeness but instead to understand more fully the complexity of manager's shared social experiences. This research design allowed for the inference of constructs subjectively through reflection and intuition that were capable of being adjusted and altered as new issues

emerged (Easterby *et al.*, 2008). Therefore, it is envisaged that the findings of this study will be of interest and contribute to the field in a meaningful way.

1.6 Originality and Contributions of the Research

Overall this study generates fresh insight and adds to empirical work on MNE subsidiary influence by exploring, in detail, the significance of legitimacy as a power source for influencing the development of a subsidiary's mandate. Following an extensive discussion in chapter seven, in which the study's research questions are revisited, a model of how subsidiary legitimacy can be deployed as a power source is developed. The model is considered to be the main theoretical contribution of the study and highlights the importance of leveraging particular forms of subsidiary legitimacy as power sources through certain types of micro-political strategies.

A key contribution of this research is that it details how Irish subsidiary managers purposely sought to develop their internal embeddedness with corporate HQ. In this way, they attempted to concentrate corporate attention through informal selling channels in order to get more recognition for the value they were delivering to the MNE. A greater degree of embeddedness allowed the Irish subsidiaries to establish a platform from which they could exercise their legitimacy as a power source. Thus, this research contributes to the growing minority of work that has recently begun to emphasise the importance of HQ-embeddedness for subsidiary influence (Mudambi *et al.*, 2014; Tavani *et al.*, 2013; Yamin & Andersson, 2011). Furthermore, this thesis provides a greater understanding of the importance of developing subsidiary recognition at corporate HQ in the form of increasing their internal embeddedness.

The main contribution of this study is that it answers calls for a more nuanced understanding of how subsidiary legitimacy is managed in the MNE. Kostova *et al.* (2008) argue that legitimacy in the MNE needs to be garnered through processes of interaction, communication, power and politics in order to influence important resource holders. Due to the high degree of uncertainty, ambiguity, complexity and dynamism that characterise the subsidiary's pluralistic environment, subsidiary managers have to rely on more political means to strategically alter their levels of legitimacy (Kostova *et al.*, 2008; Suchman, 1995). Therefore, the originality of this thesis lies in how it applies the micro-political perspective of subsidiary influence (Bouquet & Birkinshaw, 2008a; Dorrenbacher & Gammelgaard, 2006; Geppert & Dorrenbacher, 2014) to developing a

greater understanding of subsidiary legitimacy as a power source. In so doing, this research has brought together arguments from the MNE subsidiary strategy and institutional theory literatures to help devise a more nuanced conceptualisation of subsidiary power and influence within the MNE.

1.7 Structure of the Thesis

This thesis is ultimately compiled of seven chapters. Chapter two provides a comprehensive analysis of the background on the central theoretical arguments surrounding the MNE subsidiary and the evolution of subsidiary influence and power. It begins by highlighting the shift from the MNE focus to the subsidiary as the main unit of analysis by incorporating literature on the advancement of the subsidiary in terms of its mandated relationship with corporate HQ. This is followed by a discussion on the recent emergence of subsidiary power and influence perspectives particularly in relation to micro-politics. To close, subsidiary legitimacy as a key construct that has to date been undervalued as a power source for generating subsidiary influence is introduced.

The third chapter introduces institutional theory as a key theoretical frame for the study. The chapter begins by introducing foundational conceptual arguments on institutional theory generally. This is followed by a focus on the importance of legitimacy, with specific application to the MNE subsidiary context and the relevant significance of this phenomenon as a power base for subsidiary influence. The chapter concludes with a consideration of the main arguments from both literature chapters through the analysis of subsidiary legitimacy.

Chapter four details the research context in which the empirical analysis took place. After introducing the importance of FDI to the Irish landscape, it will discuss the significance and prominence of U.S. MNEs, particularly in the medical technology industry. The chapter concludes by documenting the four main case companies that were investigated for this study, providing an overview of the MNE on a global scale before recording the MNE's presence in Ireland through examples of some of the most recent achievements that these Irish operations have accomplished.

Chapter five outlines the research methodology underpinning this study. Research philosophies are introduced to help rationalise the main methodological considerations that were employed in order to answer the core research questions. Empirical case

studies are examined as the main focus of analysis for this thesis before introducing the four U.S. MNE subsidiaries, operating in the medical technology industry in Ireland. The data collection and analysis methods are subsequently described before concluding the chapter with an evaluation of the major methodological limitations.

Chapter six presents the major empirical findings. This section is structured around key themes that emerged from the within-case and cross-case analysis of interviewee responses and documentary analysis. More specifically, the chapter describes the distinctive micro-political strategies that subsidiary managers employed and the different channels of legitimacy they pursued in influencing the development of their mandate.

The final chapter presents the discussions and conclusions. It draws together the emerging findings and the theoretical framing outlined earlier in the thesis to effectively answer the study's primary research question. The chapter is structured around answering the main research questions and culminates in a summary of the major contributions of the study in this regard. It concludes with the subsequent implications for theory, subsidiary management and policy before outlining the limitations of the thesis and proposing some suggestions for future research.

CHAPTER 2: TRACKING THE EVOLUTION OF SUBSIDIARY INFLUENCE

2.1 Introduction

This chapter will outline the literature in international strategic management with a particular focus on the management of the HQ-subsidary relationship. Key perspectives on the MNE will be presented before illustrating how these have evolved over the past few decades to incorporate a more ‘heterarchical’ perspective (Hedlund, 1986). Subsequently, the importance of subsidiary mandates as a manifestation of how subsidiaries can develop their strategic roles internally in the MNE is considered. The chapter will further examine the main arguments around subsidiary influence and power in the form of micro-political game playing. In concluding, the importance of subsidiary legitimacy as an undervalued power source for achieving subsidiary influence is introduced with the intention of linking the next literature chapter.

2.2 Evolution of Perspectives on the Structure of the MNE

To begin with, it is necessary to consider the evolution of the literature on the MNE as a whole and, in particular, chart the emerging consideration of the HQ-subsidary relationship (Otterback, 1981). Julian Birkinshaw has documented the development of research on the MNE since the mid-nineteen eighties, highlighting two major changes in perspective (2001); the change from a hierarchical to a heterarchical view of the firm (Hedlund, 1986), and the change in perspective from the HQ level to the subsidiary level (Paterson & Brock, 2002). In essence, the former stream has tended to focus on the meaning of the overall MNE structure whereas the latter has emphasised the concept of subsidiary strategy (Birkinshaw & Morrison, 1995). This strategy-structure debate blossomed as a result of organisational theorists evangelistic perspectives toward more flexible structures as an alternative to the traditional hierarchies of large MNEs (Aharoni & Brock, 2010) due to the growing complexities associated with operating in a range of distinct environments (Kostova & Zaheer, 1999; Westney, 1993).

In its earliest form, the MNE HQ was conceptualised as the “brain of the firm” (Hedlund, 1981: 19), an efficient organiser of operations and activities across international borders, portrayed as a focal point responsible for all operations, “the commander in chief”, (Forsgren, *et al.*, 2005: 185) who steered the organisation in a paternalistic fashion (Birkinshaw & Hood, 2001). This perspective emphasised the fit between corporate strategy, organisational design and the external environment and has also been referred to as ‘rationalistic’ (Morgan & Kristensen, 2006) or ‘mainstream’ (Dorrenbacher & Geppert, 2006). This point of view resonates with the ethnocentric (Perlmutter, 1969) or global (Bartlett & Ghoshal, 1998) approaches, where HQ knowledge and approaches were perceived to be superior to local adaptations.

In the early nineteen-eighties, due to increasing globalisation coupled with growing competition, the intra-organisational network perspective introduced a form of ‘expansionism’ (Birkinshaw & Hood, 2001), which looked beyond the control that the HQ had over its different units and incorporated the influence of the subsidiary’s external business environment, mainly in the form of its business networks in local host countries (Andersson *et al.*, 2002, 2007; Bartlett & Ghoshal, 1989; Frost, 2001). As a result, the perception of the MNE shifted dramatically from a dyadic, hierarchical view to a perspective of a “web of diverse, differentiated inter and intra-firm relationships”

(O'Donnell, 2000: 526). It became apparent that the competitive advantage of the MNE as a whole was more dependent on the autonomous activities of its geographically dispersed subsidiaries (Almeida & Phene, 2008). A number of influential studies contributed to the emergence of the view of the MNE from a hierarchical structure to that of a more heterarchical entity (Hedlund, 1986). This work involved four important conceptualisations; Prahalad and Doz's (1981, 1987) work, namely the 'integration-responsiveness' (IR) framework, Bartlett and Ghoshal's (1986) 'transnational' approach, Hedlund's (1986) 'heterarchy', and Porter's (1986) 'horizontal' organisation. These perspectives ultimately viewed the MNE as a geocentric organisation with multiple heterogeneous centers, which should actively look for "advantages originating in the global spread of the firm" (Hedlund, 1986: 20). Taken together it can be said that these conceptualisations comprise an alternative organisational theory of the MNE (Birkinshaw & Morrison, 1995) one which now generates a large degree of research in the area of MNE studies.

Drawing on Hedlund's (1986) conceptualisation, Birkinshaw and Morrison (1995) illustrate three distinguishable characteristics between the MNE as a heterarchy and a hierarchical structure. Firstly, resources and decision-making are dispersed throughout the organisation rather than concentrated at the top. Secondly, lateral relationships exist between subsidiaries in terms of products, people and knowledge flows (Manolopoulos, 2008). Lastly, activities are coordinated along multiple dimensions that are typically, geography, product and function. Consequently, scholars over the last few decades have argued that heterarchy is a far better model for understanding the MNE than the traditional hierarchical perspective, as the MNE, being a particularly complex, multidimensional, and heterogeneous organisational form violates assumptions associated with the concept of hierarchy (Birkinshaw, 1994). These researchers suggest that the assets conducive to the creation of wealth are no longer merely physical assets but they also include knowledge, capabilities and competences (Aharoni & Brock, 2010). As a result, heterarchical MNEs were considered more likely to evolve from contexts with a history of rather autonomous and entrepreneurial subsidiaries than that of firms with ethnocentric connotations (Hedlund, 1986). Therefore, a large body of literature focused on the management of the subsidiary has gradually emerged as a distinct field of research (Birkinshaw & Hood, 2001; Paterson & Brock, 2002; Rugman & Verbeke, 2001).

2.3 Perspectives on the MNE Subsidiary Relationship

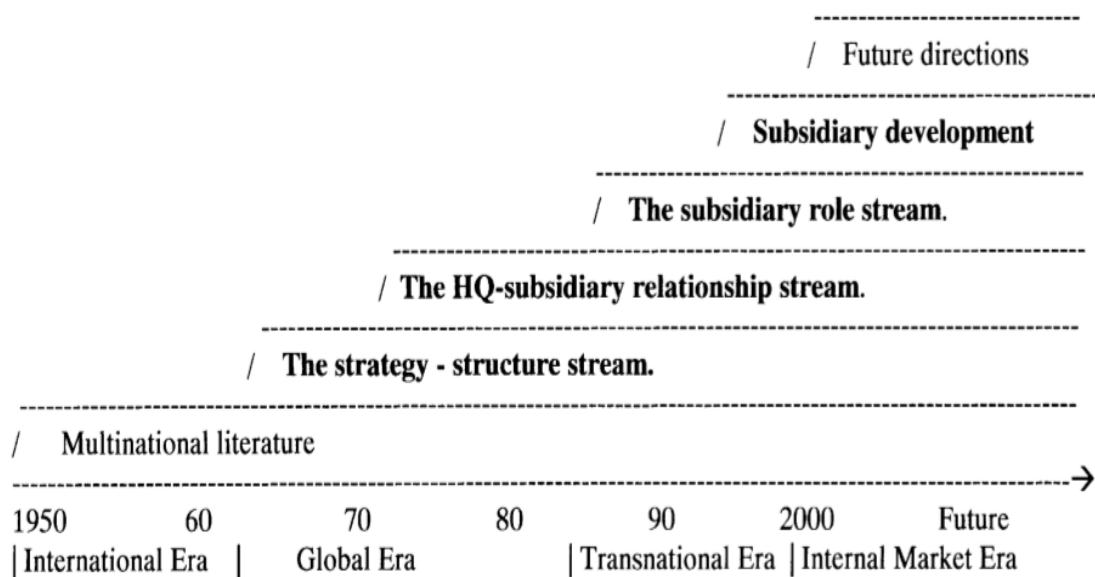
The MNE subsidiary can be defined as “any operational unit controlled by the MNE and situated outside the home country” (Birkinshaw, 1997: 207), “which can perform a single activity or an entire value chain of activities” (Birkinshaw & Hood, 1998: 774). Historically, MNEs established subsidiaries in a multitude of diverse countries globally for the purposes of creating ownership advantages and exploiting locational advantages³ (Doz & Prahalad, 1981). This definition provides evidence that the idea of a single HQ-subsidiary relationship is incomplete due to the fact that most MNE subsidiaries have a multitude of linkages with other corporate entities in the home country and worldwide (Ghoshal & Bartlett, 1990). Empirical investigations from the subsidiary perspective have promulgated in recent decades mainly due to the consideration that many MNEs have appeared to neglect the creative potential of their subsidiaries, despite the compelling logic that these subsidiaries can produce vital advantages for the MNE as a whole through local market advantages (Cantwell & Mudambi, 2005; Mudambi & Navarra, 2004; Rugman & Verbeke, 2001).

Within the body of literature on MNE subsidiaries a number of evolving streams have been identified (Birkinshaw, 1994, Birkinshaw & Pedersen, 2009; Paterson & Brock, 2002), which ultimately portray the evolution of thinking behind the management of the MNE subsidiary (as detailed in Figure 2.1). Paterson and Brock (2002) classified these streams of thinking into: the strategy-structure stream, HQ-subsidiary stream, subsidiary role stream and the subsidiary development stream. The *strategy-structure stream* views structure as something that would change to fit strategy, where strategy itself was developed at corporate HQ with little consideration given to the subsidiary’s role in developing its own strategy (Birkinshaw, 1994). The *HQ-subsidiary relationship* stream focused predominantly on how corporate HQ could control their subsidiaries and was the first stream to acknowledge a certain level of subsidiary autonomy and influence (Hedlund, 1981). Thirdly, the *subsidiary role stream* was built explicitly on the subsidiary as the main unit of analysis and looked initially at the different roles that subsidiaries could be allocated due to their unique capabilities (Paterson & Brock,

³ Traditionally these advantages would have been considered in the form of economies of scale and diversification regarding mainly the spread of manufacturing activities but a more recent development has been the allocation of Research and Development (R&D) activities in order to adapt more to dynamic customers tastes by tapping into local knowledge in each host country.

2002). Finally, the *subsidiary development stream* focuses on how and why MNE subsidiaries can enhance their resources and capabilities and in so doing add to the value of the MNE as a whole (Birkinshaw & Hood, 1998). The basic idea of this fourth stream is that the subsidiary, over time, accumulates valuable capabilities through its network relationships, which leads to an enhanced status vis-à-vis HQ and thus an extension of its scope of activities (Birkinshaw & Hood, 1998). I now consider the main arguments unfolding in these streams in the form of subsidiary role development.

Figure 2.1: Evolution of Subsidiary Management Literature



(Source: Paterson & Brock, 2002: 140).

2.3.1 Subsidiary Strategic Role Stream – Differing Directions

The role of the subsidiary is defined as “a negotiated position that is to some degree understood jointly between headquarters and subsidiary managers” (Birkinshaw *et al.*, 2000: 324). The terms subsidiary ‘strategy’ and subsidiary ‘role’ are often used interchangeably in the literature, but the distinction is more than semantic in that, “role suggests a deterministic process whereby the subsidiary fulfils its imposed function and strategy suggests a higher degree of freedom on the part of the subsidiary management to define its own destiny” (Birkinshaw & Morrison, 1995: 733). Defining a role for the MNE subsidiary has emerged predominantly from the HQ-centered literature, while in

contrast the development of a strategy has emanated from the subsidiary-centered literature (Delany, 1998).

The evolution of the subsidiary role can be categorised into four distinct approaches: information flow; subsidiary evolution; specialisation of roles; and HQ-subsidiary relationship (Birkinshaw & Pedersen, 2009). Firstly, the study of information flow between the subsidiary and its network, either inside or outside has grown significantly building on the seminal work of Gupta and Govindarajan (1991, 2000) who focused on the internal patterns of information flow between the subsidiary and HQ and factors explaining these. External network studies (Andersson *et al.*, 2002; Cantwell & Mudambi, 2005) have focused more on the linkages between the subsidiary and its local environment with certain issues here including industry clusters and degree of subsidiary embeddedness. Secondly, subsidiary role evolution studies have illustrated how it can be driven internally through subsidiary initiative or from outside through investment from the corporate headquarters (Birkinshaw & Hood, 1998; Cantwell & Mudambi, 2005; Delany, 1998; Dorrenbacher & Gammelgaard, 2006; Jarillo & Martinez, 1990). Thirdly, in the last two decades research has taken a closer look at the wider range of more specialised subsidiary roles and the degree of influence they can provide the subsidiary internally and externally in their respective interactions with important networks (Andersson *et al.*, 2007). The next section considers some of the issues in relation to subsidiary mandates as a way to develop the subsidiary's role.

2.4 MNE Subsidiary Mandates and Roles as a Form of Influence

The dynamics involved in a subsidiary's strategic role manifest themselves decisively in the emergence of the different mandates that subsidiaries undertake in the wider context of the MNE (Birkinshaw, 1996; Delany, 2000; Manolopoulos, 2008; Pearce, 1999). A mandate or 'charter' (Birkinshaw & Hood, 1998; Galunic & Eisenhardt, 1996) is defined as a negotiated license for the subsidiary to "apply its distinctive capabilities to a specific market opportunity" (Birkinshaw, 1996: 489). This negotiation takes place between the subsidiary and the HQ, as it is effectively HQ who decides whether to provide these mandates or not. The main issue here has ultimately incorporated the scope of the subsidiary's operations (Birkinshaw, 1995; Forsgren & Pedersen, 1998; Pearce, 1999). Therefore, in order to understand the development of a subsidiary's role we must first develop a better understanding of the mandate concept.

White and Poynter's (1984) work proved to be one of the most influential studies on subsidiary role typologies as they were amongst the first to classify subsidiaries into strategic roles. Their typology involved five main forms. *Miniature replica* is a small-scale replica of the HQ, which produces and markets a product line locally. *Marketing satellite* undertakes marketing functions in the host country products manufactured centrally while *rationalized manufacturer* produces a designed set of products for a multi-country or global market, while others carry out research and development (R&D) and marketing. *Product specialists* develop, produce and market a limited product line for global markets. Finally, *strategic independent* units supply products to local, multi-country or globally while being able to pursue new opportunities in a global market with unconstrained access. White and Poynter (1984) defined the subsidiary role by 'scope of market, product and value-adding activities' of the subsidiary. Market scope is the range of geographic markets available to the subsidiary, while product scope is referred to as the latitude exercised by a subsidiary's business with regard to product line extensions and new product areas. Value added scope is seen as the range of ways a subsidiary adds value to the overall MNE. With this in mind a "change along one or any of these dimensions represents a fundamental shift in the strategy of the subsidiary" (1984: 59) i.e. subsidiary role development (Dorrenbacher & Gammelgaard, 2006). Therefore, subsidiary role and scope of activity can be defined within these parameters and a number of other authors have gone on to utilise these classifications (Birkinshaw & Morrison, 1995; Birkinshaw & Hood, 1997; D'Cruz, 1986; Delany, 1998, 2000; Dorrenbacher & Gammelgaard, 2006; Pearce & Papanastassiou, 1996; Taggart, 1996, 1997; Tavares & Young, 2006).

The subsidiary mandate literature provides us with a very useful way to compartmentalise the different strategic roles played by subsidiaries in terms of how much influence each subsidiary may actually have (Birkinshaw, 1996; Bouquet & Birkinshaw, 2008a; Delany, 1998). There are three different categories of mandates or 'spheres of influence' (Bouquet & Birkinshaw, 2008a) that are evident in the literature, each of which portrays certain subsidiary classifications (refer to Figure 2.2). These spheres are determined by the degree of embeddedness (quality of relationships) they have developed (Andersson *et al.*, 2002) both internally (corporate) and externally. Embeddedness is a concept that will be considered in more detail later on in this chapter. Firstly, *basic mandates* have the lowest degree of influence and these

subsidiaries are largely *receptive units* (Jarillo & Martinez, 1990) with few opportunities to interact internally or externally so the amount of resources they can develop is limited. Examples here include *marketing satellites* (White & Poynter, 1984), *local implementers* (Bartlett & Ghoshal, 1986; Birkinshaw & Morrison, 1995; Roth & Morrison, 1992), *branch plants* (D’Cruz, 1986) *serveur factories* (Forsgren & Pedersen, 1998), and *dormant centers* (Surlmont, 1998). Secondly, *intermediate mandates* include subsidiaries at three different levels of influence that are all at a transitional stage of development. The first group is modeled to resemble the entire MNE but in a narrow market with significant autonomy⁴, a considerable scope of activity and substantial connections to host country networks. Subsidiaries here include *miniature replicas* (White & Poynter, 1984), *local innovators* (Gupta & Govindarajan, 1991), *administrative centers* (Surlmont, 1998) or *offshore factories* (Ferdows, 1997). Another group include those subsidiaries that are said to be agents of corporate HQ (O’Donnell, 2000) as they make important contributions to improving the efficiency of the overall MNE as *rationalized manufacturers* (White & Poynter, 1984), *contributing factories* (Bartlett & Ghoshal, 1986), *globally rationalized* (D’Cruz, 1986), *integrated units* (Crookell, 1986), *resource providers* (Randoy & Li, 1998) or *specialized contributors* (Birkinshaw & Morrison, 1995; Roth & Morrison, 1992). The third group includes high performing subsidiaries that are in the process of developing strong connections to both their strategic networks and includes *product specialists* (White & Poynter, 1984), *international suppliers* (Forsgren & Pedersen, 1998) and *global innovators* (Gupta & Govindarajan, 1991).

Finally, subsidiaries with the most influence have acquired particularly advanced or *competence creating mandates* (Cantwell & Mudambi, 2005). These particularly *active subsidiaries* (Jarillo & Martinez, 1990) are seen as *strategic leaders* for the MNE (Bartlett & Ghoshal, 1986). Other subsidiaries here include *strategic centers* (Lorenzoni & Baden-Fuller, 1995), *resource networkers* (Randoy & Li, 1998). These types of subsidiaries ultimately develop strong connections with all influential actors in both strategic networks and the more influence the subsidiary has, the higher its ability to influence the conditions of the mandate negotiations they undergo with HQ (Andersson

⁴ Defined by Taggart as a “decision-based process, which evolves through bargaining between centre and periphery in an organisation” (1997: 55).

et al., 2007). Particularly relevant here are contemporary arguments around *centres of excellence* (COE).

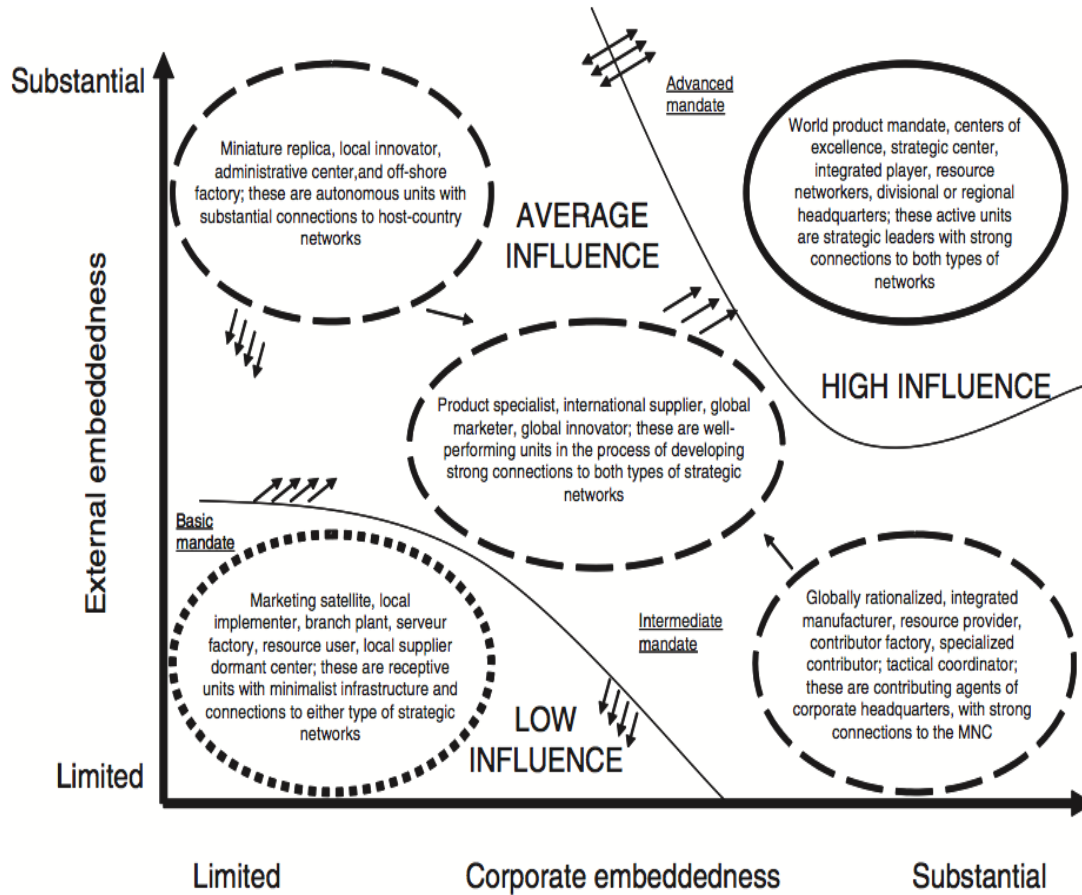
2.4.1 Centres of Excellence

A subsidiary which has achieved a status or role as being a COE is viewed as an “organizational unit that embodies a set of capabilities that has been explicitly recognised by the firm as an important source of value creation, with the intention that these capabilities be leveraged by and/or disseminated to other parts of the firm” (Frost *et al.*, 2002: 1000). Existing literature on the concept has identified two distinct strands. The first views COEs as a form of high-value-added subsidiary, which has a strategic role in the MNE (Forsgren & Pedersen, 1998; Fratocchi & Holm, 1998). This approach demonstrates how particular centres can be responsible for certain product lines within the whole MNE. However, Frost *et al.* (2002) identified two main problems with this perspective. For example, multiple COEs may coexist within a given subsidiary meaning that this subsidiary may not be synonymous with a particular centre of excellence. Also, a COE may only be one aspect of the overall mandate of a particular subsidiary meaning that it may be a mistake to compare COEs specifically to subsidiaries on a one-to-one basis.

The second strand views COEs as the source of best practice that is disseminated throughout the MNE. Proponents from this point of view perceive COEs as the “focal points for knowledge development and dissemination”, which do not require a fixed physical location (Moore & Birkinshaw, 1998: 1). This perspective remedies that of the first mentioned previously. For Moore and Birkinshaw, COEs can be classified into three different types: *Focused* (most common), which is typically based around a single area of knowledge; *Virtual*, where core individuals live and operate in different cities; and *Charismatic*, where individuals are internationally recognised for their expertise in a certain area. COE literature widely agrees on their existence and positive nature, but it details little of why and how they emerge and is usually focused on selling the concept as a “head office euphemism” (Paterson & Brock, 2002: 147). However, the central debate as to the applicability of COEs should be whether the benefits associated with the ‘clustering of minds’ outweigh the costs of the resulting resource-allocation and reduced concentration in other divisions (Frost *et al.*, 2002). Ultimately all subsidiaries will strive to become a centre of excellence of some form within the MNE as its role evolves over

time. The next section will look more closely at some key arguments around the evolution of the subsidiary's role.

Figure 2.2: Subsidiary Mandate Typologies as a Form of Influence



(Source: Bouquet & Birkinshaw, 2008a).

2.5 Evolving Role of the Subsidiary – The Mandate Life Cycle

A subsidiary can develop their role through mandate gain, defined as “the process through which a subsidiary takes responsibility for a business, or element of a business, beyond its national market” (Birkinshaw, 1996: 472). In the same way that these mandates are gained they can also be extended through corporate investment, or removed through “the exclusion of market or product areas when certain value-chain activities, such as sales, purchasing or manufacturing, or R&D are reallocated to other MNE units” (Dorrenbacher & Gammelgaard, 2010: 206). This notion conceptualises the idea of a ‘mandate life cycle’, where subsidiary mandates can evolve over time with

their development being understood as the extension or loss of a responsibility into a related product, market or functional area (Birkinshaw, 1996). Mandate loss could be evident, either in the form of responsibilities being transferred or operations being closed (Birkinshaw, 1996; Galunic & Eisenhardt, 1996). As Birkinshaw (1996) illustrates, if the subsidiary loses its competitiveness, the mandate should be withdrawn and that rather than trying to win a mandate, subsidiaries should focus on adding value to the overall MNE. It can involve complete removal of a value chain activity or a more gradual loss in the sense that “a mandate should only be considered a temporary license to act on behalf of the corporation; if the subsidiary loses its edge in the business, or if it drifts away from the corporations priorities, its license should be revoked” (Birkinshaw, 1995: 100). Removals occur in situations in which the subsidiary’s resources were deemed to be inadequate in terms of quality or in terms of their usefulness for the remaining corporate business activities and interests (Birkinshaw, 1996). Other empirical work has found similar results for mandate loss (Dorrenbacher & Gammelgaard, 2010; Galunic & Eisenhardt, 1996). Dynamics surrounding a subsidiary’s mandate are largely encapsulated in the exchanges it faces with its corporate HQ as these corporate executives have the final decision on whether or not to extend or retract a subsidiary’s mandate (Andersson *et al.*, 2007). Hence, our understanding of mandate gain has grown in complexity with the introduction of perspectives surrounding subsidiary influence and power (Bouquet & Birkinshaw, 2008a; Mudambi *et al.*, 2014), micro-political negotiations (Dorrenbacher & Gammelgaard, 2006; Geppert & Dorrenbacher, 2014), external embeddedness (Andersson *et al.*, 2002; 2007), perception gaps (Asakawa, 2001; Birkinshaw *et al.*, 2000), and attention strategies (Ambos *et al.*, 2010; Bouquet & Birkinshaw, 2008b). Before considering some of these developments in more detail, the next section outlines two seminal frameworks that have stimulated advancements in these areas.

2.6 Developing the Strategic Role of the Subsidiary

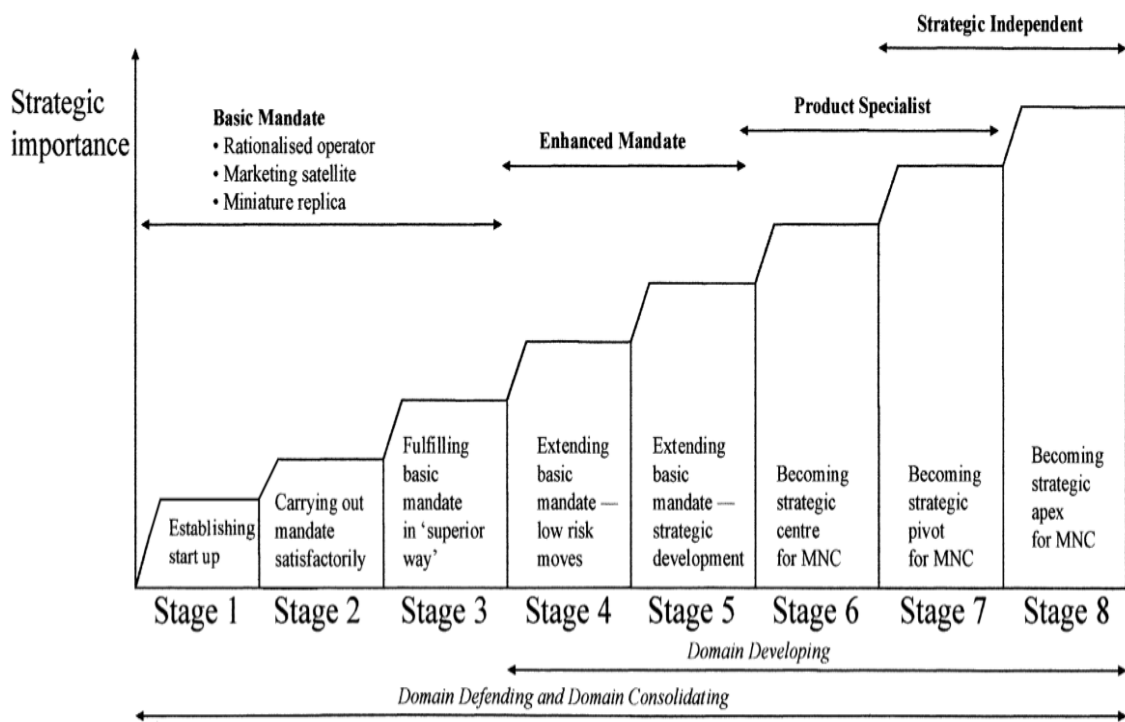
Two influential studies on subsidiary development have come from Birkinshaw and Hood (1998), who focused on the part played by subsidiary initiative in developing the role of the subsidiary, and Molloy and Delany (1998), who presented the issue as a series of development stages. Ed Delany’s (2000) framework demonstrates the way in which subsidiaries may develop their strategic mandate through a guide of definable initiative steps. Subsidiary initiatives are entrepreneurial undertakings to advance the

development of the subsidiary (Birkinshaw, 1997). Delany's framework (Figure 2.3) illustrates how a subsidiary can progress from its basic mandate through the intermediate stage to an advanced mandate. Creating a 'perception' about the subsidiary's performance through 'building credibility' at HQ was found to be very important for subsidiary managers. As Molloy and Delany suggest, without such a level of credibility the subsidiary team will not have the influence required to access corporate support as "influence comes out of the barrel of performance – but you have to use it" (1998: 26). This subsidiary development process has three main phases, of which the first entails 'building the credibility' of the subsidiary at HQ. Phase 2 requires 'building competences' within the subsidiary that can create dependence with HQ, while phase 3 involves the 'strategic development' of the subsidiary.

Delany's eight-stage development model of MNE subsidiaries integrates White & Poynter's (1984) typology of roles and draws interview data from 28 MNE subsidiaries in Ireland. Stage 1 consists of getting the subsidiary into operation and is compared to the HQ effectively spoon-feeding the subsidiary, while stage 2 also involves some recipe following in terms of starting to meet original goals efficiently but it also operates with fewer HQ inputs. Stage 3 is a crucial stage for future subsidiary development in that it must start being perceived as doing more superior to comparable sites, rather than simply meeting its basic goals. Stages 4-5 involve gaining an enhanced mandate through moving in to different activities and a key prerequisite to this stage is the necessary credibility discussed earlier. Stage 4 in particular involves extensive canvassing but through low risk moves of "corridors of indifference" as HQ will not give mandate extensions to those subsidiaries of high risk (1998: 260). Delany highlights that as a subsidiary cannot fully develop a competence in the new activity prior to obtaining a mandate, there is often a need for them to engage in the "skunkwork" type activities that allow it to subsequently demonstrate its ability (1998: 260). Stage 5 shows how the subsidiary uses its credibility to compete for mandate extensions from sister subsidiaries. Stages 6-8 involve the subsidiary increasing its strategic role to either product specialist or strategic independent. Stage 6 in particular is the beginning of the subsidiary refusing to be simply a subsidiary and starts to take on world or regional responsibilities. Stage 7 differs from Stage 6 in terms of strategic importance, and in this way a subsidiary becomes effectively a centre of excellence for the MNE as a whole. For Delany, Stage 8 is a level to which full transition is

comparatively rare, involving the subsidiary standing alone with a high level of freedom for constructing its own strategy. It has a significant worldwide role and contains the division's R&D unit. However, Molloy & Delany (2000) also outline that this 'ladder' process of development also involves 'snakes' lurking in the grass in the sense that mandates can also be lost. Hence therefore, subsidiaries need to continuously defend, reinforce and consolidate their current position through building their credibility as well as engaging in mandate development as a result of this snakes and ladders analogy.

Figure 2.3: Stages of MNE Subsidiary Development



(Source: Delany, 1998: 258)

2.7 Drivers of Subsidiary Role Evolution

Birkinshaw and Hood (1998) illustrate three basic mechanisms that interact to determine the evolution of a subsidiary's role in a cyclical process of action and reaction: *head office assignment*, *subsidiary choice* and *local environment determinism*. Head office assignment assumes the role of the subsidiary is defined by head office managers, and is controlled through a variety of formal and informal mechanisms

(Bartlett & Ghoshal, 1989; Prahalad & Doz, 1981). Subsidiary choice assumes that the subsidiary has sufficient degrees of freedom that it defines its own role (Birkinshaw, 1997). Local environment determinism assumes that the subsidiary's role is strongly influenced by the specific characteristics of the host country (Forsgren, Holm & Thilenius, 1997; Ghoshal & Nohria, 1989). In considering the role of the corporate HQ in the MNE, the remainder of this chapter will outline the key contemporary perspectives surrounding the issue of subsidiary strategic choice. Chapter three will look more closely at the particular effects of the local environment on subsidiary mandate development from an intuitionist lens.

2.7.1 The Contemporary Role of the MNE Headquarters

Traditionally the most common view of subsidiary mandate development was to model the role of the subsidiary as *assigned* by corporate management due to their capabilities or the strategic importance of their market (Bartlett & Ghoshal, 1986). As Forsgren *et al.* observed, “a subsidiary's strategic role is not only, and perhaps not primarily, a consequence of a formal decision at headquarters level” (1999: 184). Hence, HQ control corporate resources and fulfill an important role as ‘orchestrator’ (Dellestrand, 2011) of subsidiary mandates (Ambos & Birkinshaw, 2010). In this way, the parent driven investment (PDI) process consists of one clearly defined event – that is, the corporate managers' decision to enhance the subsidiary's charter (Birkinshaw & Hood, 1998).

Recent perspectives such as the network based approach have questioned this design view and its notion of the MNE as a unitary rational actor masterminded by the grand organisational plan of HQ (Ambos & Mahnke, 2010; Andersson *et al.*, 2007). A more contemporary stance emerging from the literature surrounding the MNE as a federation of dispersed power describes the HQ as an ‘absentee landlord’ who is not only ignorant, but who destroys rather than creates value, pointing to the dysfunctional relationships between HQ and subsidiaries (Kristensen & Zeitlin, 2005). The logic behind these viewpoints is that MNEs have more pluralistic and dispersed power structures than previously acknowledged (Andersson *et al.*, 2007; Bouquet & Birkinshaw, 2008a; Dorrenbacher & Gammelgaard, 2006) in that its subsidiaries are embedded in both internal (corporate) and external (network) relationships where the subsidiary not only acts as a bridge between HQ and the external network, but may also be subjected to their opposing influences (Andersson *et al.*, 2007). The more integrated the subsidiary is with its external environment the more difficult it is for HQ to exert influence over the

subsidiary (Forsgren *et al.*, 2005). From the HQ perspective, it is argued that the ability of the MNE to leverage the innovative potential of its dispersed assets is a fundamental strategic imperative (Bartlett & Ghoshal, 1989).

In this regard, corporate management are likely to be ‘groping in the darkness’ when it comes to managing the mandates that they have given out at the subsidiary level (Ciabuschi *et al.*, 2011). At its most extreme, the HQ has become viewed as an ‘outsider’ vis-à-vis the operational context of each subsidiary, or a ‘player among others’ (Andersson *et al.*, 2007), fundamentally lacking the means to assess what expertise is needed (Ciabuschi *et al.*, 2011). As Barner-Rasmussen *et al.* have outlined, “the grand designer of old is now much more circumscribed in terms of the possibilities available to it where the role of corporate management has been reduced to constructing plausible narratives for the consumption of institutional investors in the stock market” (2010: 95). Forsgren *et al.* characterise the MNE as a heterogeneous organisation where “bargaining and conflicts are natural ingredients” (2005: 99). Thus, it is more appropriate to analyse the MNE as a temporary association of independent units, with constantly shifting organisational boundaries, rather than a single cohesive entity (Barner- Rasmussen *et al.*, 2010). The role of HQ effectively morphs from leader to umbrella, a holding company for increasingly diverse and unrelated mandates (Barner-Rasmussen *et al.*, 2010).

Andersson *et al.* (2007) add however that if corporate managers possess a sufficiently deep knowledge of the subsidiary’s external environment, they will be in a stronger position to evaluate its significance and consequently to assess the claims made by the subsidiary when bargaining. According to Andersson *et al.* (2007) it is crucial for corporate managers to have a thorough knowledge of the subsidiary’s local environment as this strengthens the HQ’s position. While an individual subsidiary will be partial to its own interests, rooted in its local business, the HQ needs to consider initiatives and suggestions from all subsidiaries, and not just those considered important for others within the MNE. However the problem of bounded rationality and the limited information processing capacity of HQ means that it will be impossible for HQ to learn about all its different subsidiaries’ local environments (Ciabuschi *et al.*, 2011). Andersson *et al.* (2007) suggest that HQ should perhaps focus on those subsidiaries that have the most useful connections for competence development. This will allow the HQ to have more knowledge about and access to those subsidiaries that are competence

providers to other subsidiaries. Arguments around how subsidiaries can create more recognition in this regard will be outlined later in this chapter.

Ultimately, the increasing complexity of the modern MNE puts great demands on the HQ function and emerging scholars argue that traditional perspectives may no longer be sufficient to fully grasp the different roles the HQ is expected to play (Barner-Rasmussen *et al.*, 2010). For that reason more and more studies have illustrated that the subsidiary itself may have a significant influence upon the development of its own role (Young & Tavares, 2004).

2.7.2 Subsidiary Driven Extension

Drawing on inspiration from Child's (1972) 'strategic choice' perspective, the role of the subsidiary as a passive recipient of corporate mandates has been vicariously questioned with the notion that rather than accepting these predetermined roles, they should instead actively engage in developing their own operations (Birkinshaw, 1996). A number of foundational empirical studies, originating mainly in a Canadian context, have attempted to identify the subsidiary characteristics associated with receiving a mandate (Roth & Morrison, 1992; White & Poynter, 1984). Some of these include: subsidiary configuration, product dependence, R&D, relative subsidiary competency, relative managerial expertise, independent international experience, strength in upstream activities, and broad based managerial expertise such as a propensity to act entrepreneurially (Morrison & Roth, 1993; Roth & Morrison, 1992). As D'Cruz notes, mandates are not exactly "granted as gifts from corporate headquarters to subsidiaries; they have to be earned by the subsidiaries" (1986: 89). Wolf (1986) added that HQ will rarely initiate the idea of introducing a mandate to the subsidiary but instead subsidiary managers must identify, justify and earn mandates through the engagement of a significant amount of internal selling and persuasion.

Further research argues that a strategy aimed at winning a mandate is often an ineffective approach as "its fundamental weakness is that subsidiary managers become preoccupied with the desired outcome – the mandate – and overlook the building and learning process that is in most cases the necessary precondition to a mandate" (Birkinshaw, 1995: 102). This process typically involves the championing and sponsoring efforts of top management that trigger the assignment of new, or the extension of existing, mandates to the subsidiary (Birkinshaw, 1995). As McGuninness

and Conway (1986) argued, this building activity should involve purposeful strategies devoted to ‘searching’ for and nurturing new product opportunities in order for the long-term success of mandate gain to be possible. This focus requires that more emphasis be placed on the longer rather than the short term and an entrepreneurial rather than a ‘play it safe’ approach (Birkinshaw, 1997). Ultimately, ‘search’, when applied to subsidiary mandates, “refers to all those purposeful activities that precede and result in concepts for new products” (McGuinness & Conway, 1986: 142). Therefore, subsidiary driven extension (SDE) involves subsidiary management seeking out and developing new business opportunities and subsequently putting them forward to corporate management (Birkinshaw & Hood, 1998). The next section considers the subsidiary’s mindset as a key starting point for SDE.

2.7.3 Subsidiary Mindset – Boyscout or Subversive Strategist

Studies have alluded to the importance of the subsidiary’s particular mindset as a significant starting point in developing their roles (Morgan & Kristensen, 2006). Molloy and Delany (1998) posit the need for energy in the successful strategy-initiating subsidiary by distinguishing between two types of subsidiary managers – ‘boyscout and subversive’. Subsidiary managers that behave as boyscouts, abide by the rules and involve head office managers in all ongoing issues (Delany, 2000). Boyscout managers follow the demands of their HQ and do not seek to develop or go beyond their existing mandate (Dorrenbacher & Gammelgaard, 2006). Subsidiary managers here are globally minded but usually manage these types of subsidiaries with a focus on impressing the head office by their commitment to their goals. They will ultimately have no major distinctive competitive advantage and may end up being portrayed as ‘clones’ to their sister subsidiaries in the sense that it will be difficult for HQ to differentiate between the relative value they contribute the MNE overall (Delany, 1998). On the other hand, subversive subsidiaries are characterised by a continuous search for mandate extension and are likely to be led by local managers who are deeply embedded in local networks (Molloy & Delany, 1998). Subsidiary managers who act subversively are seen as ‘gatekeepers’; filtering, summarising and representing information to create positive stories around their performance (Delany, 1998; Morgan & Kristensen, 2006). Subversive managers may make novel use of their social institutions, suppliers, labour markets etc in the sense that their formal structure and how they measure performance is not as important to them as their ability to use internal resources and external

networks in highly entrepreneurial and potentially unpredictable ways (Dorrenbacher & Gammelgaard, 2006). Whichever one of these mindsets the subsidiary manager pursues will depend on whether or not they believe that the HQ is a legitimate form of authority, which can dictate how they act (Ambos *et al.*, 2010; Dorrenbacher & Gammelgaard, 2006).

Subsidiary managers that act subversively are more competitive in the internal fight for these corporate mandates with their sister units (Birkinshaw & Hood, 1998). Studies have portrayed this ability to win these fights as the defining mechanism behind the development of a subsidiary's mandate (Morgan & Kristensen, 2006). Subsidiary managers who have a subversive mindset are more likely to challenge the status quo or the assumptions taken for granted within the MNE, with the ultimate aim of shifting the power balance more in their favor (Andersson *et al.*, 2007; Mudambi *et al.*, 2014). Hence, much of the literature on subsidiary driven extension has tended to stem from arguments surrounding subsidiary power and influence and a number of different power 'tools' (Bouquet & Birkinshaw, 2008a) or 'power sources' (Barsoux & Bouquet, 2013) have been proposed for achieving such influence.

2.8 Challenging the Status Quo – Subsidiary Power Tools

As suggested earlier, the MNE can be conceptualised as an internal market in which various subsidiaries compete for the mandates that HQ provides (Becker-Ritterspach & Dorrenbacher, 2009; Chen *et al.*, 2011; Galunic & Eisenhardt, 1996). As will become clear, research has demonstrated that subsidiary managers will typically lobby corporate management to persuade them to decide in their favor. This argument has been framed as the fight for 'bargaining power'⁵. Some HQs will use formalised requests-for-proposal procedure in such cases, which are generally opened up to all interested subsidiaries and allocated on the basis of the 'bids' that are received (Birkinshaw & Hood, 1998). In other cases the process is less structured and may involve a variety of rationally bounded decision-making procedures (Cyert & March, 1963), such as localised search or politically motivated decision criteria. In both cases there is at least an implicit competition between locations for the new investment, which typically leads to active lobbying by various subsidiaries and host governments (Birkinshaw & Hood,

⁵ Gammelgaard defines this concept as the "subsidiary's future ability to influence or shape parent-company decision making" (2009: 215).

1998). In this regard, influence over corporate mandate decisions through a number of different mechanisms is recognised as a fundamental part of subsidiary role development (Tavani *et al.*, 2013; Balogun *et al.*, 2011). This influence has been portrayed, from a SDE perspective through the use of the different ‘power tools’ available to subsidiary managers who can use them to challenge the status quo of HQ’s authority altering the flow of influence. Bouquet and Birkinshaw (2008a) have highlighted two important power moves: *initiative taking* or *issue selling*.

2.8.1 Initiative Taking

Early arguments on subsidiary initiative taking have drawn inspiration from corporate entrepreneurship literature (Birkinshaw & Hood, 2001; Garvin & Levesque, 2006). Following Kanter (1982), Birkinshaw describes subsidiary initiative as a type of ‘dispersed entrepreneurship’ (Williams & Lee, 2009), defining it as “any initiative that occurs outside the home country of the multinational corporation” (1997: 207). Schmid *et al.* (2013) provide a comprehensive overview of research in this area and building on Birkinshaw’s (1997) early work, have identified two distinct types of subsidiary initiative: *internal and external*. Externally focused initiatives involve developing more efficient products or services in local or global markets whereas internally focused initiatives can involve the identification of global opportunities with subsequent lobbying for HQ investment (Birkinshaw, 1997). Furthermore, Birkinshaw (1998) has described four sub-types of internal initiatives: *bid initiatives*, *leap of faith initiatives*, *reconfiguration initiatives* and *maverick initiatives*. Different types of subsidiary initiative, based on the domain of activity or mandate of the subsidiary, have also been identified (Molloy & Delany, 1998) (mentioned earlier): *domain developing initiatives*, *domain defending initiatives* and *domain consolidating initiatives*. *Domain developing initiatives* can involve developing a current mandate be it via potential opportunities in the local market or bidding for corporate investment through putting together innovative and well thought out proposals and communicating them effectively (Birkinshaw, 1997). This also entails reconfiguring existing operations in order to remain strategically relevant. *Domain consolidating initiatives* seek to strengthen or reinforce the current position while *domain defending* moves will often seek to justify the ongoing position of the subsidiary (Delany, 1998). Ultimately, subsidiary initiative can be regarded as an “elusive beast” as subsidiary managers need tactical savvyness,

persistence and luck if they are to pursue them effectively (Birkinshaw & Fry, 1998: 52).

For most researchers internal initiatives are of greater importance than external initiatives (Birkinshaw, 1997). Issues around organisational entrepreneurship such as internal selling, evaluation and approval are given greater credence than the market dynamics of opportunity identification and commitment of resources (Schmid *et al.*, 2013). Therefore the consequences of these initiatives seem to be greater for the MNE overall than the actual local or global market (Ambos *et al.*, 2010; Schmid *et al.*, 2013). For example, the latter can benefit through spillover effects from technological solutions that can shape the development of industry structure, cluster formations or general work practices (Dimitratos *et al.*, 2009). The MNE can benefit from subsidiary performance effects (Ambos & Birkinshaw, 2010), or enhanced subsidiary capabilities (Dorrenbacher & Geppert, 2006) that can be subsequently shared through the corporate network (Ambos & Birkinshaw, 2010). Birkinshaw's (1997) seminal piece concludes with describing what distinguishes a subsidiary initiative. This distinguishing initiative is the decision to act for the good of the MNE, rather than for limited scope projects of particular interest to the subsidiary, without waiting for an invitation from head office. Essentially, a successful initiative 'assumes' a value added itself (Birkinshaw, 1995), beginning with the identification of an opportunity at the subsidiary level and culminating in the commitment of resources to that opportunity by the HQ (Schmid *et al.*, 2013). Ultimately, subsidiary initiatives, internally or externally, are undertaken by subsidiary managers with a view to developing the subsidiary's mandate firstly (Birkinshaw, 1998; Birkinshaw, 2000; Delany, 1998), thereby providing them with an important channel for improving their power and influence internally (Schmid *et al.*, 2013). One important gap in this regard is the lack of consideration that has been given to the individual subsidiary manager as every initiative is rooted in individual action (Dorrenbacher & Geppert, 2009; Strutzenberger & Ambos, 2013; Williams & Lee, 2009). One way to help understand individual motivations as an antecedent to subsidiary initiative is through the lens of issue selling (Dutton & Ashford, 1993; Gammelgaard, 2009; Strutzenberger & Ambos, 2013).

2.8.2 Issue selling

Subsidiary managers that undertake these initiatives have to work hard to communicate an image to HQ that they are a trustworthy and committed corporate citizen, playing by

the rules of the corporate philosophy (Bouquet & Birkinshaw, 2008a; Kostova & Zaheer, 1999). Drawing inspiration from impression management, issue selling involves an upward influencing tool that seeks to facilitate and exploit valuable subsidiary advantages (Rugman & Verbeke, 2001) within the MNE therefore providing a balance between regional responsiveness and global reach (Ling *et al.*, 2005). This process, defined as subsidiary managers “directing top managers attention to particular issues and helping them understand such issues” (Ling *et al.*, 2005: 637), allows subsidiary managers to assume the role of ‘championing strategy making’ in the MNE. Much of the research in this area focuses very much on ‘the seller’ (usually the subsidiary manager) and their different intentions and strategies (Dutton & Ashford, 1993; Ling *et al.*, 2005).

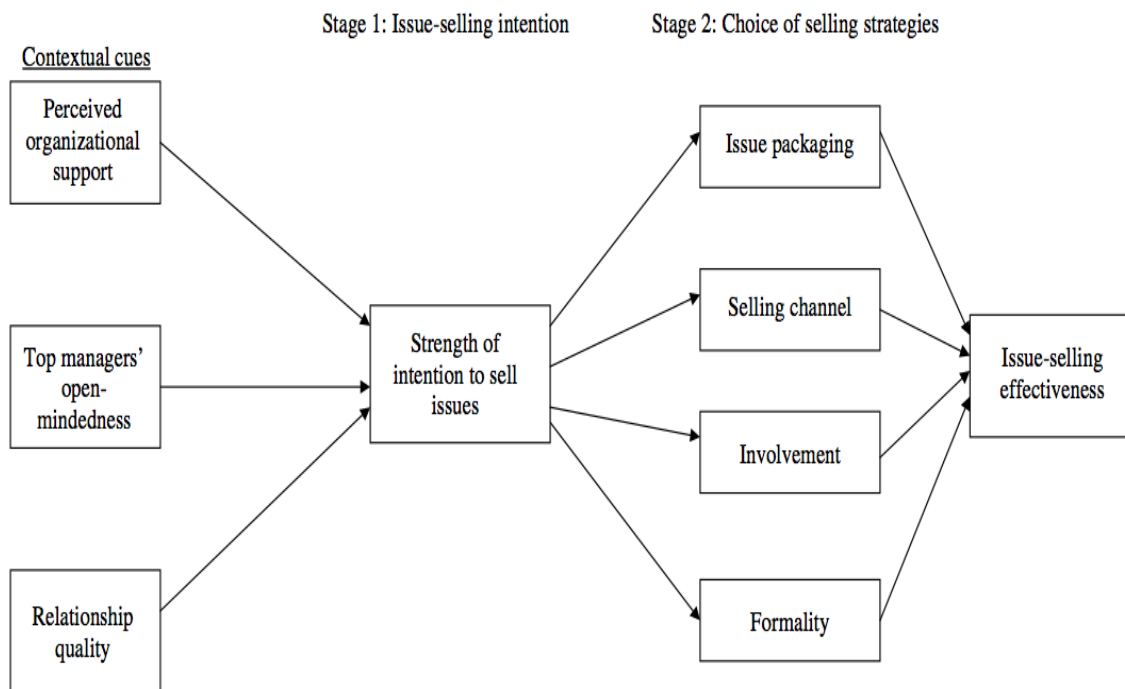
Ling *et al.* (2005) provide a framework (Figure 2.4) for outlining the contextual cues for determining the seller’s intention and the choice of selling strategies undertaken. Drawing on earlier work from Dutton *et al.* (1997), this framework outlines how subsidiary managers must evaluate the organisational context in three ways before deciding to sell a particular issue: *organizational support*, *top manager’s open-mindedness* and their *relationship quality*. When these mechanisms result in a positive evaluation, they provide a degree of “psychological safety” for the seller (Ling *et al.*, 2005: 640) to decide between four different types of selling strategies: *packaging*, *selling channels*, *involvement* or *formality*. *Packaging* involves presenting the issue to HQ in order to attract greater attention or revealing information to minimise uncertainty and mainly takes two dichotomous forms: as ‘threat versus opportunity’ (Dutton & Ashford, 1993) or as ‘radical versus incremental’ issues (Ling *et al.*, 2005). This involves how an issue’s boundaries are established (Dutton & Ashford, 1993). *Selling channels* include private (one on one meetings) versus public mechanisms (staff meetings, yearly strategy events). Choosing whether to ‘go it alone’ or involve peer support constitutes the *involvement* dilemma whereas *formality* involves the choice between ‘official’ tactics such as scheduled presentations, reports or ‘informally’ through personal appeals, hallway discussions or behind the scenes negotiations. Ling *et al.* (2005) have attempted to document the effects of national culture on how these issues are communicated and the resulting misinterpretations around the main messages of the issue being sold and what HQ perceive that message to be. Drawing on arguments from Mintzberg (1978), Ling *et al.* (2005) conclude that strategy formation is

a social phenomenon where individuals interact to exchange valuable information and resources but that these individuals are largely affected by their culturally embedded influences.

Gammelgaard (2009) demonstrates that issues selling strategies involve three activities in the form of: (a) making the HQ understand an issue (revealing information), (b) attracting HQ attention to an issue (issue framing) and (c) lobbying for an issue at the HQ level (lobbying). *Framing* is defined as “the focus an application needs in order to be aligned with parent-company norms, values and objectives” (Gammelgaard, 2009: 218). Gammelgaard found that that ‘parent-company national’ (PCNs) subsidiary managers’ (than local subsidiary managers HCNs) were more effective at: *packaging* issues around HQ’s formal requirements; *framing* issues to meet corporate goals and objectives; and have closer relationships with powerful executives in HQ. Issue selling is a risky strategy in that there are positive and negative consequences in terms of personal benefits if issues are oversold and do not live up to expectation with reputational effects for the sellers (Ashford & Dutton, 1993). Issue selling strategies are hence a heretofore neglected empirical area in MNE studies and to date have not been examined in a subsidiary mandate development context.

Overall, these two main actions, in the form of subsidiary initiative taking and subsidiary issue selling are power moves by subsidiary managers to try and increase their influential standing in the MNE federative arena (Geppert & Dorrenbacher, 2014). The next section discusses the risky nature and the associated HQ reactions to these subsidiary strategies.

Figure 2.4: Stages of Issue Selling



(Source: Ling *et al.*, 2005)

2.8.3 Corporate Immune System

Studies have illustrated that head office will usually view subsidiary initiatives with suspicion or hostility due to the fact that subsidiaries are naturally low in power and the initial merits of their initiatives cannot be known in advance (Birkinshaw & Ridderstrale, 1999). This argument emerges from the belief that granting a mandate to subsidiaries may result in the possibility of them building their own organisation independent of the HQ i.e. the loss of HQ control (Bartlett & Ghoshal, 1989). Crookell and Morrison (1990) have argued that an inevitable outcome of globalisation is that subsidiaries will end up competing with their HQ and if they cannot compete they will become redundant. Birkinshaw and Ridderstrale have illustrated that these subsidiaries are confronted with a ‘corporate immune system’, which is the set of existing corporate power bases in the form of “structures systems and predispositions that resist subsidiary initiatives” (1999: 150). The ‘corporate immune system’ does not recognise the value of a given initiative in advance therefore it is most likely that corporate management would rather ‘reject a promising initiative than let a rogue initiative through’. This political obstacle is fundamentally conservative in that powerful corporate individuals operating within it will work within existing norms and resist ideas that challenge the

existing power base. It has been argued that corporate skeptics will “kill off intruding initiatives for the fear that they might infect the rest of the organism” (Birkinshaw & Fry, 1998: 52). While resistance is an appropriate response, the authors argue that errors are made which over time tend to suppress the advancement of creation-orientated activities challenging existing institutional power bases. Some of these predispositions involve: *ethnocentrism*, *suspicion of the unknown* and *resistance to change* which manifest through such negative behaviours as rejections, delays, lobbying or competition from other divisions.

The HQ also tends to be skeptical about the subsidiary’s attempts to build local linkages and will refrain from transferring critical capabilities when they sense that inclination (Ciabuschi *et al.*, 2011). Hence subsidiary initiative is ultimately a troublesome concept that the HQ will view with “ambivalence” as it tries to both control the inherent risks of initiative taking while also trying to encourage the subsidiary’s potential (Birkinshaw, 2000; 2010). The main assumption here is that the subsidiary is both profit-seeking (contribute to overall MNE performance) and rent-seeking (achieve benefits in accordance with its own interests) (Mudambi & Navarra, 2004). In some cases HQ will have been informed of the subsidiary initiative throughout the process but in other cases the subsidiary will deliberately undertake the process without the knowledge of the HQ (Birkinshaw, 1996; Birkinshaw & Ridderstrale, 1999). In the case of the latter, the subsidiary’s motto is clear; “it is easier to gain forgiveness than permission” (Molloy & Delany, 1998: 26). Therefore, the way in which corporate management respond to this ambivalence can be portrayed through two very different mechanisms. Firstly, *monitoring*, “through closer scrutiny of its strategic plans and through a higher frequency of visits” (Birkinshaw, 2010: 5). Monitoring is an attempt by HQ to moderate the impact of the subsidiary power base and ultimately the way in which the subsidiary develops its strategic role. These mechanisms can have dual effects on subsidiary opportunistic behaviour in the sense that it may make them behave more opportunistically as such intervention is perceived to be controlling by the subsidiary individuals (Birkinshaw, 2010). Subsidiary managers subjected to excessive monitoring may lose their identification with the firm and its goals.

The important issue here becomes, “how does headquarters encourage entrepreneurial subsidiary manager behavior while simultaneously expecting and guarding against

opportunistic behavior?” (O’Donnell, 2000: 542). Ghoshal and Moran state that, “opportunism is difficult to distinguish ex ante from entrepreneurship and leadership” (1996: 38). Mudambi and Navarra argue that intra-MNE operations should not be characterised as a “sea of opportunism” (2004: 386) but instead subsidiary managers do exercise some level of bargaining power in all MNEs and as this rises the HQs ability to control them declines. HQ may develop suspicions that those subsidiaries are attempting to be “autonomous barons” by pursuing ulterior motives (Taggart, 1997: 52). This form of the subsidiary deviating from its role can be as a result of pursuing value-adding opportunities that HQ has not seen or maybe initiating ‘empire building’ behaviour that enhances the position of the subsidiary at the expense of the MNE (Taggart, 1997). Corporate managers recognise that some subsidiaries are likely to pursue positive initiatives while others may not be so healthy but they do not know beforehand which is which, leading to them taking a pessimistic approach of suspicion towards subsidiaries that have recently undertaken initiatives (Birkinshaw, 2010). However, the semi autonomous nature of the subsidiary means it will typically comply with most of the directives it receives from HQ, but that its behaviour may also diverge from what is expected (Taggart, 1997). It has been argued that HQ are going to have to accept the actions of subsidiary management in good faith due to the combination of bounded rationality on their part and the decreasing dependence of the subsidiary on the corporate HQ as mentioned earlier (Birkinshaw *et al.*, 1998). Another, more positive, reaction to subsidiary rent seeking behaviour is HQ attention.

2.8.4 Attracting Headquarter’s Attention

Key arguments surrounding the idea of HQ attention have mainly been considered from the perspective of how the subsidiary can attract the HQ’s positive attention, defined as “the extent to which the parent company recognises and gives credit to the subsidiary for its contribution to the MNE as a whole” (Bouquet & Birkinshaw, 2008b: 579). Bouquet and Birkinshaw (2008b) have led the empirical work on this area in the MNE and drawing on inspiration from Ocasio, the MNE is depicted as a system of distributed attention in which the “distinct focus of time and effort by decision makers are derived from the particular structures and processes that they put in place” (1997: 188). Birkinshaw *et al.* illustrated how executive attention in particular is a scarce resource that needs to be managed carefully as corporate executives generally prioritise a handful of markets at the expense of others due to their mindset of “ethnocentric thinking”,

when the home market is the most important, and “herd mentality”, where companies focus on markets that competition has already identified (2007: 39).

Bouquet and Birkinshaw (2008b) have proposed a framework that suggests subsidiaries can use different strategies to attract the attention of these corporate executives. Within this there are two main perspectives; the structural perspective, embracing ideas from intra-organisational power, views the MNE as a value maximising entity that functions according to criteria of proven strategic significance. The relational perspective is grounded upon issue selling techniques mentioned earlier and suggests that subsidiaries have ‘voices’ of their own that they can use in their relationships with HQ to more effectively position their achievements within the MNE. These two views have been categorised as a subsidiary’s ‘weight’ as a player in an important market (structural conditions such as its role) or its ‘voice’ (relational conditions such as issue selling and initiative taking) by working through influence channels within the company (Birkinshaw *et al.*, 2007; Bouquet & Birkinshaw, 2008b). A subsidiary’s weight is not simply a function of its size but it also reflects the impact it has on the company’s global network (Birkinshaw *et al.*, 2007). For example, subsidiaries occupying highly valued roles such as COEs have significant weight. Interestingly these effective voice strategies may sometimes include ‘shades of silence’, whereby keeping a low profile led to clear and practical advantages (Milliken & Morrison, 2003). One manager in their study noted: “you are naive if you do not keep some things up your sleeve. You have to manage expectations, which involves not telling the whole story until you are ready” (2008b: 596). As Andersson *et al.* (2007) have demonstrated, if the subsidiary is not committed to the bureaucratic system imposed on it by the HQ, it will sometimes ‘pay lip service’ to HQ orders by or developing a ‘silence’ strategy (Bouquet & Birkinshaw, 2008b). Hence, it is important for subsidiaries to not be ‘politically naïve’ in disclosing information to corporate at too early a stage in the initiative process (Molloy & Delany, 1998).

Additionally too much attention can result in high and often unrealistic expectations of subsidiary performance and a constant drain on time from corporate visits (Bouquet & Birkinshaw, 2008b). This ‘negative attention’ can result in too much interest from HQ and can thus disempower or suffocate subsidiary managers. Ultimately, this work showed the conditions under which entrepreneurial efforts by subsidiary managers can influence HQ attention, which may in turn result in significant changes to the role of the

subsidiary. Also it demonstrates there is clear evidence that HQ priorities can be influenced from the bottom up by stating that head office managers can also view subsidiary initiative taking as positive rather than just negative or unnecessary action. Therefore, through attention, HQ gives credit to the subtle factors in the HQ-subsidiary relationship where the corporate seeks to identify and build new ideas (Birkinshaw, 2010). Bouquet and Birkinshaw conclude that:

“To be successful in shaping the perception that it is a reliable, credible, and trustworthy actor in an MNE organization, a subsidiary not only needs to maintain a basic track record of success, but also needs to reaffirm its commitment to the parent’s objectives; and then, finally, it needs to take deliberate steps to manage impressions with power brokers at the head office” (2008b: 594).

Another theme that is emerging in this area is the importance of embeddedness as a power source for attracting HQ attention and increasing subsidiary influence.

2.9 Internal Embeddedness as a Subsidiary Power Source

Embeddedness can be defined as the degree of closeness in a relationship reflecting the intensity of information exchange and the extent to which parties in a dyad are adapted (Granovetter, 1985; Polanyi, 1944). The literature on subsidiary embeddedness portrays the subsidiary as operating in two distinct environments, *internal and external*. Much of the research here has focused on the effects of the relationships that a subsidiary has with its externally embedded networks in the form of customers, suppliers, government, competitors and local institutions (Andersson *et al.*, 2007). There is evidence to suggest a positive relationship exists between a subsidiary’s degree of local embeddedness and its influence on strategic decisions in the MNE (Anderson & Forsgren, 2000; Andersson *et al.*, 2002). Alternatively, the process by which the subsidiary develops a greater degree of embeddedness within its internal network has received little attention (Yamin & Andersson, 2011). While conceptual arguments have pointed to the importance of considering HQ-subsidiary embeddedness when investigating subsidiary influence (Birkinshaw *et al.*, 2005), this association lacks empirical confirmation (Garcia-Pont *et al.*, 2009). Furthermore, studies have failed to properly examine the importance or impact of the subsidiary as a key source of bargaining power within the MNE, i.e. value

it has to other units or HQ in terms of transferring knowledge or capabilities (Tavani *et al.*, 2013).

Garcia-Pont *et al.* (2009) investigate the impact of subsidiary internal embeddedness on the ‘distinctiveness’ of the subsidiary but fail to account for any robust connection regarding the relationship between internal and external embeddedness. Drawing inspiration from Granovetter (1985), their study illustrates that subsidiaries based their overall strategy on developing internal embeddedness, “social and organizational relations”, within the MNE (2009: 212). These relations become the key vehicle and means by which the transfer of skills and capabilities are carried from the subsidiary to the HQ and subsequently the development of subsidiary influence (Tavani *et al.*, 2013). Hence the ‘distinctiveness’ of the subsidiary, or ability to differentiate itself positively from other internal units in the fight for corporate investment, will depend on how the subsidiary manages its three types of internal embeddedness; ‘operational’, ‘capability’ and ‘strategic’ (Garcia-Pont *et al.*, 2009). Operational involves relations concerning day-to-day routines whereas *capability* embeddedness refers to relations around the development of capabilities in the form of best practice transfer. *Strategic* embeddedness reflects the involvement of the subsidiary in the overall strategy of the MNE through activities such as strategic forums. Ultimately, Garcia-Pont *et al.* (2009) demonstrated that embeddedness is not merely an institutional determinant but may be a source of power for exerting subsidiary influence internally.

Other studies have added that the subsidiary may possess a low degree of resource specialisation and a high degree of ‘within density’ (connections internally) with HQ. These conditions lead to a dysfunctional relationship in that subsidiaries can influence HQ decisions (Bouquet & Birkinshaw, 2008a; Dorrenbacher & Gammelgaard, 2010). Further, within density may help the subsidiary frame the issues it presents to corporate managers in a light that is favourable to its own interests – linguistically as well as through ‘lobbyism’ (Mudambi & Navarra, 2004). Yamin & Andersson discovered that although a subsidiary’s internal embeddedness boosts its visibility at corporate, this visibility may prove to be somewhat of a “double edged sword and paradoxically works against the subsidiary’s importance” (2011: 155). Going further they highlight the possibility that internal embeddedness may potentially reduce the positive impacts associated with external embeddedness but their analysis does not clarify the underlying explanations of this. These authors argue that internal embeddedness is likely to lead to

greater subsidiary importance, which they equate to an ‘informal mandate’ in the sense that “HQ and other subsidiaries recognise the subsidiary as having specialized capabilities” (2011: 154).

Tavani *et al.*, (2013) draw on the resource dependency perspective to demonstrate that the possession of strategic resources in the form of knowledge or network based activities in the local environment increases subsidiary influence in the MNE, only if this knowledge is transferred back to HQ in the form of reverse knowledge transfer (RKT). Hence, generating new knowledge is not enough for the subsidiary to gain influence but they must partake in “showcasing and issue selling” through RKT activities (2013: 7). Hence, RKT is recognised as an issue selling technique as it leads to greater *recognition* and *acknowledgement* of the value of the subsidiary and hence establishes a platform for subsidiary influence internally (Tavani *et al.*, 2013). In this way, maintaining close relations with HQ provides an opportunity for the subsidiary to showcase its capabilities, thereby enhancing its influence in the MNE. Furthermore, when a subsidiary frequently engages in RKT activities, its actions gain greater legitimacy, which also functions as a platform for subsidiary power (Tavani *et al.*, 2013). Network activities consist of both external and HQ-subsubsidiary embeddedness whereas RKT represents micro-political bargaining dynamics (Ciabuschi *et al.*, 2012). Mudambi *et al.* (2014) have also used a resource dependency lens to recently add weight to debate in this area by differentiating between *strategic*, related to the strategic direction, and *functional*, within a functional specialisation, power. They argue that subsidiary influence depends on the extent to which the subsidiary’s competences are *used* within the MNE and not just considered excellent in the sense that these competences must be both *recognised* and *relevant* to the MNE. Furthermore recognition and relevance in several functions can increase strategic influence of the subsidiary internally (Mudambi *et al.*, 2014).

From these arguments it is clear that subsidiary managers need to recognise the value of internal embeddedness as a platform for enhancing the recognition and acknowledgement they receive from HQ. These arguments are very much in line with what preceding sections have detailed in this chapter, in that, subsidiary influence needs to be understood more fully with respect to the different power sources, such as RKT (issue selling technique) and the subsequent selling of this activity to HQ. Despite these arguments there is still a significant gap in the literature regarding the importance of

internally focused business relationships and their effects on how the resulting influence can help subsidiary managers develop their mandate (Mudambi *et al.*, 2014; Tavani *et al.*, 2013; Yamin & Andersson, 2011).

Therefore, a substantial gap exists in understanding the micro-level foundations of subsidiary influence and mandate development between individuals at the HQ-subsubsidiary interface (Geppert & Dorrenbacher, 2014). The next section will look more closely at an adjacent line of thinking in this regard in the form of the micro-political dynamics that are involved in subsidiary mandate development.

2.10 Micro-Political Game Playing

Studies on the micro-foundations or power relations within and around the MNE have argued that a key way in which to portray the mandate transfer process is as a political interaction rather than an efficiency optimisation exercise (Andersson, Forsgren & Holm, 2007; Chen *et al.*, 2011; Dorrenbacher & Gammelgaard, 2006, 2010; Dorrenbacher & Geppert, 2006; Erkama & Vaara 2010; Vaara & Tienari, 2008). As Dorrenbacher & Geppert have observed, “organizational micro-politics is understood as an attempt to exert influence on social structures and human relations. Securing options, realizing interests, and achieving success however take place in a contested terrain” (2006: 256). Micro-political strategising processes explain the interaction of different key actors and their attempts to impose, negotiate, resist, accept or oppose certain rules of the corporate game (Dorrenbacher & Geppert, 2006). Therefore, they are everyday conflicts that can appear in any organisation and they are a fundamental mechanism of social interactions. Hence, “political skill in influencing the parent is essential” (Molloy & Delany, 1998: 33).

Dorrenbacher and Gammelgaard (2006), drawing on Mintzberg’s (1984) reasoning around ‘functional politics’, provide a seminal contribution on the decision making processes in MNEs regarding subsidiary role changes, and particularly how subsidiaries might be able to modify HQ original strategic intent through micro-political negotiations. Ultimately, within these negotiation processes, which are characterised by clashing interests, divergent interpretations and sometimes-harsh conflicts, subsidiaries do have the chance to influence or modify HQ’ intended strategies (2006: 279). Research dedicated to analysing this phenomenon in MNEs is relatively scarce as their dynamics evoke images of dysfunctional behaviours that do not fit with existing

traditions of MNE research (Bouquet & Birkinshaw, 2008a). These approaches introduced an element of irrationality, not previously considered, on HQ decision-making processes to subsidiary role development. However, these studies have largely failed to develop an understanding of how power is socially enacted and how political maneuvering manifests itself in the micro-level interactions between politically and socially powerful actors at the HQ—subsidiary interface (Geppert & Dorrenbacher, 2014). The next section looks more closely at the different micro-political games that subsidiaries get involved in.

2.11 Subsidiary Power Games

Micro-politics manifest themselves in the game playing that takes place in the struggle for power in and around the MNE (Becker-Ritterspach & Dorrenbacher, 2011). These micro-political power games permeate MNE decisions (Bouquet & Birkinshaw, 2008a), especially those surrounding the allocation or reorganisation of a subsidiary's mandate (Dorrenbacher & Geppert, 2006). Morgan and Kristensen (2006) distinguished between a variety of lobbying approaches from subsidiaries including: information sharing and collective resistance through covert and overt mechanisms, drawing together managers, employees, and local institutions, aggressive bargaining for advantages using local institutional contexts, and unorganised or ineffective resistance. This typology focuses on actors who already command significant power capacity whereas Bouquet and Birkinshaw propose a typology for 'low powered actors'.

Bouquet and Birkinshaw (2008a) depict a typology of subsidiary 'power games' that classifies the types of strategies that these subsidiaries use in a two-dimensional depiction (Figure 2.5). Drawing on arguments from Westley *et al.* (2006) on "social innovation", the first dimension involves whether these are '*individual efforts* or *collective modes of action*'; and the second dimension looks at whether these moves involve '*simple, complicated* or *complex* problems'. Subsidiaries can do this through a number of mechanisms but ultimately these can be summarised into two: adopting creative strategies to effectively challenge the status quo (as mentioned earlier); or they can enter political games in order to become more influential (Bouquet & Birkinshaw, 2008a). The authors argue that any subsidiary hoping to gain *legitimacy, resources* or *greater centrality* in the MNE network must decide which games to join and what roles

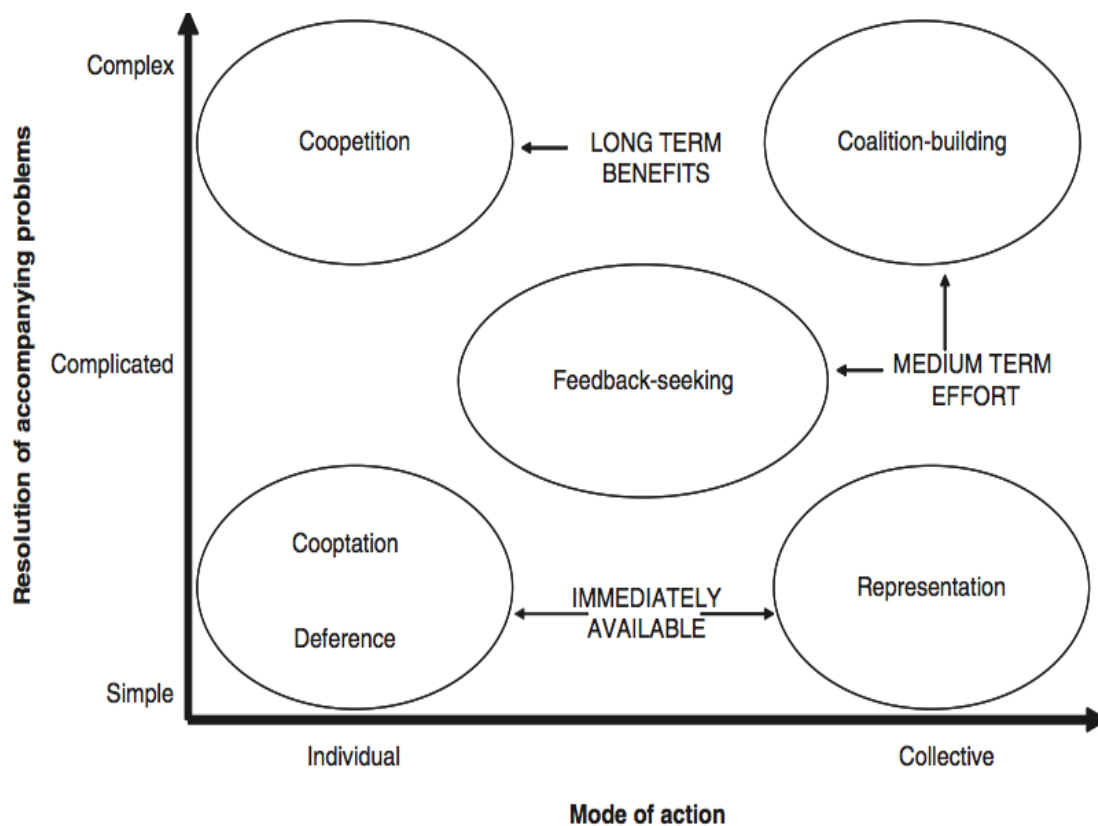
to play them in. There are six 'power-games' referred to as: deference, cooptation, representation, coalition building, feedback seeking and cooperation.

Deference involves acquiescing to the demands of HQ through silent respect or the adoption of submissive behaviour, which can enhance legitimacy and improve resources. This type of strategy rarely undertakes initiatives that challenge the status quo and therefore risk attracting negative attention when and if they do act subversively (Bouquet & Birkinshaw, 2008b). There is also a risk of subsidiaries ending up like 'identical clones' of one another and never contributing any added value to the MNE (Bouquet & Birkinshaw, 2008a). Secondly, *cooptation* involves bringing influential outsiders into the subsidiary's network of influence as it will highlight the subsidiary's achievements and contributions, allowing new levels of influence to be achieved (Birkinshaw & Lingblad, 2005). Birkinshaw *et al.* (2007) outline that an example here could involve a subsidiary decision to make the 'exporting of talent' a cornerstone of their internal power strategy in the form of cooptation of elites across the MNE. This strategy facilitates the continuous exchange of politically important information and expertise while also providing a stable connection to individuals that reside in powerful positions across the MNE (Bouquet & Birkinshaw, 2008a). *Representation* from third party bodies in the form of subsidiary unions for representation in collective bargaining or more subtly using third parties to convey their actions in a positive way is another power game (Bouquet & Birkinshaw, 2008a). Subsidiaries that can benefit from these quickly available approaches are generally those that might be too modest about their qualities or are not good at promoting their achievements. Similarly, but more complex, *coalition building* can involve two approaches: the formation of relationships for which a broad sense of purpose exists or alternatively a more narrow focus. Examples here involve industry alliances, former political alliances or local lobby groups.

Subsidiaries may still be unsure about the types of initiatives that are defined as valuable contributions so they implement *feedback seeking* strategies to understand if the initiatives they are working on truly are valued at HQ (Ashford & Dutton, 1993; Gupta & Govindarajan, 1991). Similar to arguments above regarding issue selling, subsidiaries may take a proactive conscious approach to establish whether their behaviour is acceptable to important resource holders (Bouquet & Birkinshaw, 2008a). These seekers have two strategies to contemplate; they can either *monitor* the MNE environment in order to obtain cues that can be used as inputs to their initiative-taking

and profile building (benchmarking internally), or they can *inquire* about the kinds of activities that would have the greatest impact on the MNEs operations (consultation). Hence, feedback seeking involves more direct contact with HQ. Finally, *cooptation* constitutes the most complex yet least available type of micro-political game involving the simultaneous pursuit of cooperation and competition with other parts of the corporate network. Competition can help foster performance between peer units while cooperation advances the sharing of best practices internally (Luo, 2005). More importantly, Bouquet and Birkinshaw (2008a) conclude that if managed effectively these power games can contribute to the effective optimisation of three interrelated power sources: achieving *legitimacy* in the eyes of MNE executives, controlling valuable *resources* and becoming *central network* players in the MNE. Therefore, the key question here becomes how the subsidiary's different power sources are leveraged in these micro-political games in order to establish greater influence for developing their mandates (Becker-Ritterspach & Dorrenbacher, 2011; Geppert & Dorrenbacher, 2014). The next section looks more closely at these three power sources.

Figure 2.5: Subsidiary Micro-Political Power Games



(Source: Bouquet & Birkinshaw, 2008a)

2.12 Developing Subsidiary Power Bases – Legitimacy, Resources & Networks

A number of studies have alluded to the different power sources available to actors who have the necessary social and political skill to leverage them. As Geppert and Dorrenbacher (2014) have observed, within these games the rules can be manipulated by the skills of key social actors in drawing on particular power sources that they can mobilise internally or externally. A power deficit can represent an opportunity for subsidiary managers if they tap into one or more of the following interrelated power sources: *legitimacy* (Birkinshaw & Fry, 1998; Birkinshaw & Ridderstrale, 1999; Bouquet & Birkinshaw 2008a; Barsoux & Bouquet, 2013), *critical resources* (Mudambi & Navarra, 2004; Cantwell & Mudambi, 2005) or *networks* (Dorrenbacher & Gammelgaard, 2010).

These power sources can allow for increased visibility and influence internally as the subsidiary manager with more legitimacy will receive favorable assignments and in turn those assignments can provide opportunities to access key personal ties and valuable information (Bouquet & Birkinshaw, 2008a). Barsoux and Bouquet (2013) advise a number of different ways in which each of these power sources can be leveraged. *Legitimacy* can be leveraged by uncovering top executive's preferences and in turn aligning the manager's values and objectives with these. This involves sensing and understanding key gatekeeper's priorities and seeking feedback to create this alignment. Getting 'recognised' is also another way to leverage legitimacy and involves self-promoting (appearing more competent) and ingratiation techniques (appear more likable). However, Barsoux and Bouquet (2013) posit that managers should be subtle in these tactics to avoid over promotion. Managers can also leverage legitimacy by reconfiguring their role in order to emphasise aspects at which they are more likely to excel as this involves a great deal of flexibility and foresight in crafting a more appropriate role that suits the manager and provides a platform to achieve greater legitimacy (Barsoux & Bouquet, 2013).

Secondly, Barsoux and Bouquet (2013) argue that managers can leverage their *resource* power bases by becoming the problem solvers for their counterpart's burdens. Identifying problems that nobody else has noticed and working to address these allows managers to develop influence over their counterparts, who begin to see them as valuable allies. However, managers need to balance between controlling and sharing these valuable power bases so that they do not get locked into a rigid position.

Finally, Barsoux & Bouquet (2013) argue that managers can enhance their *networks* as a power base in two ways; by building connections with central players in their current work environment and forging links by acting as a boundary spanner. Tapping into senior figures can offer a private view into the upper echelons of the organisation (Barsoux & Bouquet, 2013). Managers can also act as a link to other networks through a boundary-spanning role. This can be done through a 'shotgun approach' of bringing diverse groups together through forums and social interaction or a 'targeted' advance to determine what is scarce and then bridge this gap. Barsoux and Bouquet warn that this role could spark loyalty doubts in that boundary spanners may be viewed as identifying more with external interests and hoarding valuable information for manipulative obsequious purposes. This study illustrates that it is important to look beyond the titles and formal roles to discover the informal ties and dynamics of power sources. Managers that have the most accurate perception of the power distribution and networks of influence can have the most power (Andersson *et al.*, 2007; Krackhardt, 1990). Overall, Barsoux and Bouquet's (2013) work emphasises the importance of legitimacy and personal networks of key individuals as important power sources that managers can draw on for developing influence. The next section considers legitimacy as an undervalued power source in this regard.

2.13 Introducing Legitimacy as an Undervalued Subsidiary Power

Source

Drawing inspiration from Weber (1968) and Parsons (1960), Mudambi *et al.* (2014) have recently argued that, "the successful exercise of power requires that it is based on a *set of legitimating principles* that are specific to the organization" (2014: 2) {italics inserted}. In this case, subsidiaries need to establish some form of legitimacy before they can actually exercise their influence (Deephouse & Suchman, 2008). Hence,

legitimacy is a central construct in the literature on organisational power and influence and they are inexplicably linked in the sense that power can only be exercised when an actor of the organisation is viewed as legitimate and the legitimation of this power is derived from the initial social interaction between parties (Brenner & Ambos, 2012). Power is therefore a relative concept in the sense that it “is a property of a social relation; it is not the property of a social actor” (Emerson, 1962: 32). In this way legitimacy is predominantly a socially constructed phenomenon that originates from the social interaction between individuals (Suchman, 1995). Hence, Geppert and Dorrenbacher define power in the MNE as “the result of continuously socially constructed dynamic relationships among key actors, who make use of existing power resources and, in doing so, stabilize and destabilize established power” (2014: 12). The notion of power being socially constructed stems from seminal pieces by Berger & Luckman (1967), Weber (1967) and Weick (1979), where social construction can be defined as being “subject to interpretation depending on the perspective of a single individual” and therefore these individual’s perceptions can be altered, hence altering the course of power and influence. Hence, power is something that is established in social relations (Clegg *et al.*, 2006) and exists to the extent that these relations need each other for achieving their own interests in a resource exchange relationship (Becker-Ritterspach & Dorrenbacher, 2011).

Ultimately, these arguments observe that legitimacy forms the basis for establishing influence and exerting power (Parsons, 1960; Weber, 1947) and influence is a manifestation of this power (Birkinshaw & Ridderstrale, 1999) but legitimacy is an antecedent to both influence and power and this legitimacy is socially constructed between powerful individuals (Brenner & Ambos, 2012; Mudambi *et al.*, 2014). Drawing inspiration from these discussions, this study aims to answer calls for a more nuanced understanding of legitimacy as a power source for developing subsidiary power and influence in the context of subsidiary mandate development (Barsoux & Bouquet, 2013; Birkinshaw & Ridderstrale, 1999; Bouquet & Birkinshaw, 2008a; Gammelgaard, 2009; Kostova *et al.*, 2008). While legitimacy has been referenced to in the literature on subsidiary influence and power as an important power source, we have little understanding of how subsidiary legitimacy can be conceptualised as an antecedent to both subsidiary power and influence. Furthermore there has been little or no consideration of how power and influence is socially constructed between key

individuals at the HQ-subsiary interface. Thus an empirical gap exists regarding a more in-depth analysis of how subsidiary legitimacy is socially constructed between powerful individuals within the MNE. This study therefore aims to investigate how this legitimacy is then exercised as a subsidiary power source in the context of subsidiary mandate development.

Given that legitimacy has its roots in institutional theory, it is important to take a more in-depth analysis of institutionalism and the legitimacy construct itself. The next chapter reviews the literature on institutional theory and how it has been applied to the MNE. Chapter 3 will culminate in a theoretical framework summarising the important arguments for the different types of subsidiary legitimacy and how they can be used as power sources for establishing influence.

2.14 Concluding Remarks

This chapter provided a comprehensive background to the development of research underpinning MNEs and subsidiaries. Such a review was important in delineating the various roles that subsidiaries acquire and how these relate to their subsequent development. Inherent in this analysis is the relationship that the subsidiary has with its HQ and in particular how it can use its different power sources as a basis for establishing greater influence. This chapter concluded by emphasising the importance of legitimacy as a subsidiary power source. This issue has been somewhat overlooked in the micro-political dynamics of subsidiary mandate development. The next chapter uses this as a focal point and further exploring the importance of legitimacy in an institutional domain before highlighting the main arguments regarding institutional theory and its application in an MNE context. The chapter examines specifically how the different dimensions of legitimacy can be analysed as a power source for influencing the development of its mandate.

CHAPTER 3: INSTITUTIONAL THEORY IN THE MNE: LEGITIMACY AS A POWER SOURCE FOR SUBSIDIARY INFLUENCE

3.1 Introduction

This chapter introduces institutional theory with a particular focus on how thinking has evolved to take into account the strategic actions of organisations to conflicting institutional pressures. This chapter will explain the way in which these theories have been applied to the MNE before highlighting the incompatibility that has led to the need for a new focus in this area. Taking this into account the chapter will further elucidate the importance of legitimacy and demonstrate how the literature has portrayed legitimacy as a strategic resource that can be managed symbolically to influence important resource holders. The chapter concludes with a discussion of how different dimensions of legitimacy can provide us with a more comprehensive way to investigate the influence that subsidiaries have in the corporate mandate negotiation process.

3.2 Defining Legitimacy

As outlined above, this research adopts an institutionalist perspective of legitimacy and the way in which it can be exercised as a subsidiary power source. The existing literature on legitimacy offers a diverse range of definitions, measures and theoretical propositions, not all of which are fully compatible with each other (Bitekine, 2011; Deephouse & Suchman, 2008; Meyer & Scott, 1983; Suchman, 1995). Fundamentally, legitimacy has been portrayed as explaining the adequacy of an organisation as a theory, i.e. a completely legitimate organisation would be one about which no questions could be raised to the extent that “perfect legitimation is perfect theory, complete and confronted by no alternatives” (Meyer & Scott, 1983: 201). In early definitions, legitimacy has been assessed in terms of acceptability (Brown, 1997; Meyer & Rowan, 1977), taken for grantedness (Meyer & Rowan, 1977), reasonableness, appropriateness and congruence (Brown, 1998; Dowling & Pfeffer, 1978).

Mark Suchman's definition is the most widely adopted in the institutional literature (Johnson, 2004). Suchman defines it as,

generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions (1995: 574).

Zimmerman and Zeitz(2002) argue that legitimacy is a social judgment of acceptance, appropriateness and desirability that enables organisations to access other resources needed to survive and grow. There is a large body of literature that distinguishes other 'social judgments' (Bitekine, 2011) such as 'status' and 'reputation' from legitimacy (Deephouse & Carter, 2005). Fundamentally these social judgments all involve some degree of social interaction and exchange of information, opinions and expectations, which open the door for the sociopolitical influencing of these judgments (Geppert & Dorrenbacher, 2014).

Bitekine (2011) outlines two main types of legitimacy judgments that organisations are subjected to; *cognitive* and *socio-political legitimacy* judgments. Cognitive legitimacy allows the organisation to avoid evaluation or questioning of its activities as it is based on the spread of information about the organisation's past history as a member of a given industry (Bitekine, 2011). Sociopolitical legitimacy, also known as normative legitimacy (Greenwood *et al.*, 2002), is observed through the more tangible features of an organisation such as its personnel, structure, procedures, outcomes and connections, which are benchmarked against the social norms of acceptable behaviour (Aldrich & Fiol, 1994; Kostova & Zaheer, 1999; Meyer & Rowan 1977; Suchman, 1995). In the case of the former, Bitekine (2011) argues that evaluation stops when the organisation is classified as a member of an already legitimate class of organisations, whereas the latter receives constant scrutiny until it is perceived as beneficial to the whole group or society to which it belongs. I return to the different dimensions of socio-political legitimacy that are key for operationalising subsidiary legitimacy in the MNE at a later point in this chapter. In order to contextualise the application of legitimacy in an institutional setting it is first appropriate to document the main arguments surrounding institutional theories.

3.3 The Organisational Environment - Technical and Institutional Portrayals.

Early organisation-environment models emphasised the importance of technical flows among organisations viewing them primarily as production systems, with structures shaped by technical aspects of their environments (Perrow, 1967; Thompson, 1967). Environments were seen as task orientated: sources of information and stocks of resources necessary for carrying out specific tasks. By definition a technical environment is one in which a product or service is exchanged in a market so that organisations are rewarded for efficient work processes (Pfeffer, 1982; Scott & Meyer, 1983). These environments create pressures for efficiency and effectiveness therefore organisations are dependent on them for control and evaluation (Zelditch, 2004). Recognising the limited value of this perspective, institutional theorists have argued that this portrays an incomplete and limited analysis of an organisations' relationship with its environment (Scott & Meyer, 1991).

It was not until the 1970s, that a distinct paradigm came into dominance to address the social interdependence of organisations and environments (Meyer & Rowan, 1977; Silverman, 1971; Westney, 1993). Institutional environments are defined as “those characterised by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy” (Scott & Meyer, 1983: 149; Scott & Meyer, 1991: 123). Hence, institutional theory begins with the fundamental assumption that organisations are social as well as technical phenomena, and that their actions are not shaped purely by technical influences but by common understandings of social acceptance (Zucker, 1983: 105). In other words, organisational environments need to be conceptualised not only as a supply house of resources and targets of outputs, but also as a “source of meanings for the members of the organization” (Silverman, 1971: 19). In this way many dynamics in the organisational environment stem not from technological or material imperatives but rather from cultural norms, symbols, beliefs and rituals (Meyer & Rowan, 1977). Institutional theorists have further stressed that technical and institutional environments should not be viewed as mutually exclusive states, but that they can and do co-exist (Scott & Meyer, 1983; 1991). Ultimately, from an institutional perspective, organisations and their environments should be viewed as consisting of, and being

affected by diverse aspects of technical systems and social elements of institutionalisation (Pfeffer & Salancik, 1978). On this basis, this study will be more closely associated with the social embeddedness of the MNE environment, which considers how institutions and the process of institutionalisation affects the evolution of the MNE structure overall.

3.4 Defining Institutions and Institutionalisation

Institutional theorists postulate that it is often easier to gain agreement about what institutionalism is *not* than about what it *is* (Di Maggio & Powell, 1991). The concepts of ‘institution’ and ‘institutionalisation’ have been defined in diverse ways with substantial variation among different approaches, but ultimately its central tenets have remained consistent (Scott, 1987). According to Selznick (1957: 16-17), to institutionalise is to “infuse with value beyond the technical requirements of the task at hand” (Selznick, 1957: 16-17). More particularly, “institutionalization involves the processes by which social processes, obligations or actualities come to take on a rule like status in social thought and action” (Meyer & Rowan, 1977: 341).

There is considerable debate about what the core question of institutional theory should be in organisational analysis. Historically, it has focused on why organisations emerge in activities that are legitimate in the symbolic realm rather than the material one, why organisations adopt behaviours that conform to normative demands but conflict with rational attainment of economic goals or how purely technical or productive objects become infused with meaning and significance far beyond their utility value (Suddaby, 2010: 15). Organisations often behave in ways that defy economic logic or norms of rational behaviour and institutional theory offers a paradigm devoted to understanding that (Suddaby, 2010).

Institutions affect every day life through symbolic interaction and can be viewed as a mediating factor used to position both individuals and organisations in society (Friedland & Alford, 1991). In this way, they are constituted by symbols and society is composed of multiple institutional logics, which are available to individuals and organisations as bases for action. For example, Friedland and Alford (1991) outline how central institutions of contemporary western society – capitalism, family, democracy, bureaucracy and Christianity – are simultaneously symbolic systems and material

practices, which allows them be available to organisations and individuals to elaborate on. In this way, the material practice of the state is regulation of human activity whereas in religion or science, it is truth. However, these social relations always have both instrumental and ritual content. For example, democracy is practiced through voting and the symbolic nature of God is established as a material practice through prayer (Friedland & Alford, 1991). This view provides an example of the importance of establishing and developing institutions and material practices through symbols found in the social environment, a perspective that is important for the purpose of this thesis.

Viewing organizations as institutions means that organizations have a history, a culture, a set of values, traditions, habits, routines and interests. This contrasts with the economic or bureaucratic view of organizations that views organizations as formally rational instruments for the realization of clearly defined objectives. Calling organizations institutions means that they are not simply black boxes that produce goods and services, but human organizations driven by emotion and tradition

(Jaffee, 2001: 227 cited in Paauwe, 2004).

Richard Scott (2008) has attempted to craft an analytical framework of institutions and organisations by identifying three pillars that comprise institutions (Table 3.1). He defines institutions as “comprised of regulative, normative and cognitive elements that, together with associated activities and resources, provide stability and meaning to social life” (2008: 48). The regulatory pillar is composed of rigid institutions, or the rules and laws that exist to ensure stability and order in society. The cognitive pillar draws from the taken for grantedness of the way things are done, whereas the normative pillar goes beyond regulatory rules and cognitive structures to the domain of social values (Selznick, 1957). Ultimately, this framework explains how the behaviour of organisations is a response not solely to market pressures, but also to institutional pressures, e.g. from regulatory agencies, such as the state, and from general social expectations and the actions of leading organisations (Paauwe, 2004). These three pillars form a continuum moving from the conscious to the unconscious, from the legally enforced to the taken for granted (Scott, 2008: 50).

This logic has been one of the most influential and widely used in helping with the generative analysis of institutional theory in organisations. As a result, institutional

theory has developed over the years to become known as neo-institutionalism due to a number of influential authors (Di Maggio & Powell, 1983; Meyer & Rowan, 1977; Zucker, 1977). The central theme in neo-institutionalism is the study of cognitive and normative processes whereby “people and organizations conform *without thinking* to social and cultural influences... without thinking in the sense that these influences are taken for granted assumptions which actors perceive as being part of their object reality” (Paauwe, 2004: 43).

Table 3. 1: Three Pillars of Institutions

	Regulative	Normative	Cognitive
<i>Basis of Compliance</i>	Expedience	Social obligation	Taken for grantedness Shared understanding
<i>Basis of Order</i>	Regulative rules	Binding expectations	Constitutive schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic
<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules Laws Sanctions	Certification/ Accreditation	Shared logics of action Isomorphism
<i>Affect</i>	Fear/Guilt Innocence	Shame/Honor	Certainty/Confusion
<i>Basis of Legitimacy</i>	Legally sanctioned	Morally governed	Comprehensible Recognisable Culturally Supported

(Source: Scott, 2008)

In conclusion, institutionalists view organisations as social artifacts in that they do not exist independently of human intervention – but are created and maintained by our socially constructed nature of individuals relationships with each other. Organisations

consist of disputed goals in that they are often created to serve some purpose – but this does not mean that every member of a particular organisation shares those goals. An organisation's structures require human activity to be deliberately structured around particular purposes, coordinated and often controlled, meaning resistance is inevitable. This process calls for continuous processes of negotiating and reconciling understandings wherein which a key role is played by the symbolic role of rhetoric, discourse and language. This perspective arose more fully due to the emergence of neo-institutionalism.

3.5 The Rise of Neo-Institutional Theory

Against the backdrop of much research on the issue of organisational variation in the late 1970s (Hannan & Freeman, 1977), a plethora of scholars began to conceptualise a different approach to institutional analysis, one that focused again on the startling similarity between organisational forms. Meyer and Rowan's (1977) influential article on institutionalised organisations established the first building block of new institutionalism in organisational analysis and has been strongly recognised as the birth date of neo-institutionalism (Di Maggio & Powell, 1991). They embraced Berger & Luckmann's (1967) notion that institutionalisation is essentially a social process by which individuals come to accept a shared definition of social reality, which is taken for granted (Scott, 1987). From a neo-institutionalist perspective organisations that adopt those practices or structures that are deemed acceptable perform well not as they are the most efficient, but as these forms are most effective at eliciting resources from other organisations, which perceive them to be legitimate (Di Maggio and Powell, 1983; Friedland & Alford, 1991; Meyer & Rowan, 1977). An example of this would be the way in which Westernised organisations jumped on the bandwagon for the Japanese Total Quality Management (TQM) practices (Westphal *et al.*, 1997).

Meyer and Rowan believe that these formal organisational structures arise not only as a result of relational networks with their business counterparts but also due to the existence of shared belief systems in the institutional environment or what they call 'rationalized myths'. These myths are highly institutionalised or accepted as the right way to do operate, therefore their existence is "beyond the discretion of any particular individual participant or organization" (1977: 344). Consequently, organisations that adhere to these institutionalised myths are more legitimate, successful and likely to

survive as they are seen to be acting accordingly (Meyer & Rowan, 1977). For example, organisations may define and structure their activities around a particular set of functions – sales, finance, production – that reflect institutionalised classifications of social structure (Meyer & Rowan, 1977). As they are shared, institutional views in the environment about what organisations should look like and how processes or activities should be performed, organisations utilise these forms in their structure (Pfeffer, 1982). As Meyer and Rowan suggest;

“The building blocks for organizations come to be littered around the societal landscape...and because these building blocks are considered proper, adequate, rational and necessary, organizations must incorporate them to avoid illegitimacy

(1977: 345).

Di Maggio and Powell (1983) further elaborated on this seminal paper by attempting to identify why there was such homogeneity between these organisational forms and practices.

3.5.1 Isomorphism

Di Maggio and Powell (1983) built the second column of neo-institutional theory by revisiting Weber’s iron cage of bureaucratisation, arguing that homogeneity of organisational forms occurs as a result of processes that make organisations more similar without making them more efficient. Their unit of analysis was the organisational field, defined as “a recognised area of institutional life: suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar services or products” (1983: 148) that interact frequently and faithfully (Scott, 2008). People acting rationally make their organisations increasingly similar as they try to change them and the process that best captures this is ‘isomorphism’. This is a constraining process that forces one unit to resemble other units that are exposed to the same set of environmental conditions, hence becoming more homogenised.

Organisational isomorphism is defined as the resemblance of a focal organisation to other organisations in its environment (Di Maggio & Powell, 1983). Such isomorphism may come about through coercive, mimetic or normative pressures, a typology similar to Scott’s three-pronged approach mentioned above (DiMaggio & Powell, 1983). Coercive isomorphism occurs when both formal and informal pressures are exerted on

organisations by other organisations upon which they are dependent. These mainly include regulatory agencies, for example, governments issuing a mandate for a pollution control license. This leads to organisational structures becoming homogenised around 'regulative rituals' (Di Maggio & Powell, 1983). Mimetic isomorphism results from a standard response to uncertainty (Scott, 1995) when for example organisations 'model' themselves on successful organisations in their field if managers are uncertain of how to proceed in a given situation as this will yield a viable solution with little expense. Hence, when organisational environments create uncertainty, then organisations may model themselves on other similar organisations in their field that are perceived as successful or legitimate. Normative isomorphism usually arises from the pressures exerted from professionals such as consultancy firms or universities in that some form of practice is superior. These agencies can also create a pool of interchangeable people, occupying similar positions and dispositions across a range of organisational fields that limits variation and behaviour.

Most significantly, each isomorphic force proceeds in the absence of evidence that they increase internal organisational efficiency, but a fundamental proposition that stems from this is that isomorphism can lead to organisational legitimacy (Deepphouse, 1996; Di Maggio & Powell, 1991; Meyer & Rowan, 1977). Therefore, a defining proposition for neo-institutionalists is that organisations not only compete for resources and customers but also for political power and legitimacy (Di Maggio & Powell, 1983; Meyer & Rowan, 1977).

3.5.2 Importance of Legitimacy to Neo-Institutionalism

Organisations are embedded in their different institutional environments; therefore, they must transmit signs of legitimacy in order to remain on favourable terms with their resource holders (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Hence, institutionalists argue that managers need to convince important resource holders that they are legitimate as it is ultimately this legitimacy that is key for extracting resources from the surrounding society (Suchman, 1995). Consequently organisations will conform to the environmental prescription of what is deemed to be already legitimate, regardless of efficiency effects (Meyer & Rowan, 1977). Early adopters of these practices do so to improve efficiency but those who adopt at a later stage are generally attempting to achieve legitimacy (Deepphouse, 1996).

In this way organisational legitimacy provides a basis for decision-making that is different from means-end rationality (Zimmerman & Zeitz, 2002). Institutional theorists assume that bounded rationality and uncertainty are chronic conditions in organisations, meaning that managers frequently do not have clear and complete evidence that a given action is the appropriate way to accomplish a goal, or that one action is more effective than another (Meyer & Rowan, 1977). In the face of this uncertainty, social systems, such as the three pillars mentioned by Scott (2008), evolve prescribed rules (regulatory), norms (normative), and values (cognitive) that are socially reinforced throughout the system and that come to be accepted by organisations as 'legitimate' (Di Maggio & Powell, 1991; Meyer & Rowan, 1977; Meyer & Scott, 1983). When faced with uncertain decisions, managers refer back to these acceptable values in order to make a decision that is perceived as a legitimate action. This 'legitimacy', as a result, helps motivate resource holders by signaling that the organisation in question is properly constituted and committed to the socially accepted definitions of what constituents deem legitimate behaviour. Mark Suchman (1995) has outlined three overarching forms of legitimacy that are similar to Scott's conceptualisation and these are described below.

Firstly, pragmatic legitimacy rests on the self-interests of the subsidiary's immediate audiences, which in the case of mandate transfer involves mainly corporate HQ, often involves direct exchanges between the two. It involves three differing types; exchange legitimacy, influence legitimacy and dispositional legitimacy (Suchman, 1995). Exchange legitimacy is the support for a subsidiary's policy based on that policy's expected value to a particular set of constituents (Dowling & Pfeffer, 1975). Influence legitimacy is conferred when resource holders view the subsidiary as responsive to their larger interests. Dispositional legitimacy is understood as resource holders according legitimacy to those subsidiaries that are perceived to be honest, trustworthy and decent (Suchman, 1995). This is particularly significant in times of adversity where the belief in a subsidiary's good character will dampen any delegitimising claims (Elsbach & Sutton, 1992).

Secondly, moral legitimacy rests not on whether a subsidiary's activity benefits the resource holder but on whether an activity is considered the right thing to do. Often termed normative legitimacy (Deephouse & Suchman, 2008), a subsidiary demonstrating that it is appropriate and desirable through addressing norms and values, such as profitability, as well as fair treatment of employees, endorsements, and

networks – can acquire normative legitimacy and gain access to resources (Selznick, 1957). The key for a subsidiary in accessing resources is for it to address the norms and values held by those who control needed resources (Zimmerman & Zeitz, 2002).

Thirdly cognitive legitimacy is derived from addressing “widely held beliefs and taken for granted assumptions that provide a framework from everyday routines, as well as the more specialized, explicit and codified knowledge and belief systems that promulgate various professional and scientific bodies” (Scott, 1994: 81). It is however difficult to empirically establish the difference between normative and cognitive legitimacy. The prevailing cognitive framework prescribes a world-view describing what actions are effective. These include rules of action (like rules of a game) and actors, who learn who they are (identities) and what is expected of them (roles) from contact with ongoing systems (Zimmerman & Zeitz, 2002). Ultimately these three bases of legitimacy are decidedly different but may occasionally be in conflict (Scott, 2008). Therefore “as one moves from the moral to the cognitive, legitimacy becomes more elusive to obtain and more difficult to manipulate, but also becomes more subtle, more profound, and more self-sustaining, once established” (Suchman, 1995: 585).

The literature on subsidiary legitimacy has documented a wide range of distinct but interrelated and often times overlapping perspectives of legitimacy. For the purpose of this study I will refer to a recent summary of the key dimensions of legitimacy in the form of Bitekine (2011) who attempts to illustrate an ‘enumerative’ definition of the concept. He outlines the importance of identifying who the important audiences are that evaluate the organisation in the form of media, regulators, employees etc. More importantly he details the different types of legitimacy that are being scrutinised by these constituents. Building mainly on Suchman’s typology, Bitekine argues that these perceived dimensions involve the organisation’s processes, structures, outcomes of its activities, its leaders and its linkages with other social actors. Judgments are made by important constituents regarding the socially acceptable nature of each of these dimensions and whether or not the features of the organisation should be tolerated, encouraged, sanctioned or rather forced to change (Aldrich & Fiol, 1994; Meyer & Rowan, 1977). Ultimately, Bitekine believes that the socially constructed nature of legitimacy allows for the evaluator’s judgments to be altered by powerful individuals who are capable of enacting such influence mainly through social interactions. Table 3.2

below outlines these main dimensions of legitimacy and these will be considered in more depth at a later stage in this chapter.

Table 3.2: Dimensions of Legitimacy

Dimensions of Legitimacy	Definitions
Personal	Personal legitimacy generally rests on the charisma of individual organisational managers (Suchman, 1995)
Structural	Structural legitimacy conveys the message that an organisation is acting on collectively valued purposes in a proper and adequate manner (Suchman, 1995)
or Procedural	Organisations can garner procedural legitimacy by embracing socially acceptable techniques and procedures (Suchman, 1995)
Consequential	Based on evaluations of outcomes of the organisation’s activity (Suchman, 1995). Consequential legitimacy judges the subsidiary on what it accomplishes (Zott & Huy, 2007).
Linkage	Trading on the reputation of stakeholder relationships or character references (Zott & Huy, 2007) Organisations linkages with highly legitimate social actors in its environment (Baum & Oliver, 1991) Exchange partners who can potentially improve

(Adapted From: Bitekine, 2011; Suchman, 1995).

3.6 Process of Legitimation

Legitimacy itself should be distinguished from legitimation. Legitimation is the process of socially constructing a legitimate disposition (Bitekine, 2011). In order to maintain, extend or defend an organisation’s legitimacy managers ultimately engage in a process of legitimation (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Suchman, 1995). Drawing on Maurer, Dowling and Pfeffer (1975) define legitimation as “the process

whereby an organisation justifies to a peer its right to exist, that is to continue to import, transform and export energy material or information” (1971: 361). This is a process that goes beyond the mere recognition of legitimacy effects and identifies how key social actors can influence legitimacy through *extending, maintaining or defending* legitimacy (Deephouse & Suchman, 2008). A key argument for this thesis is that an organisation will typically attempt to *extend* its legitimacy when it is attempting to become established or enter a new domain of activity utilising new structures or processes (Ashforth & Gibbs, 1990). Hence, the subsidiary manager will look to extend or actively use the subsidiary’s legitimacy when attempting to influence the development of its mandate. These legitimation activities are likely to be intense and proactive, as management will attempt to win the confidence and support of its constituents (Ashforth & Gibbs, 1990).

According to Deephouse and Suchman (2008) legitimacy maintenance is the idea that the organisation already has been established as credible. This allows constituents to relax their scrutiny in the sense that “warm signals” or periodic assurances of “business-as-usual” usually reside. This means that once conferred, legitimacy tends to be taken largely for granted (Ashforth & Gibbs, 1990: 183). A favorable image acts as a sedative for resource holders where reassessments of legitimacy become increasingly obligatory if not ‘mindless’ (Ashforth & Fried 1988) and legitimation activities become increasingly routinised. *Defending* legitimacy is only necessary when the organisation’s extant legitimacy is threatened or challenged (Elsbach & Sutton, 1992). Managers’ initial reflex is to defend the status quo through denials or accounts. The majority of empirical legitimacy studies tend to investigate how organisations defend ‘legitimacy threats’ as a starting point of analysis (Elsbach, 1994; Elsbach & Sutton, 1992).

Ashforth and Gibbs (1990) have illustrated the way organisational legitimacy can be double-edged in that if an organisation protests its legitimacy too much then it can end up undertaking clumsy, overzealous or nervous attempts at legitimation. Before attempting to undertake an empirical investigation through the theoretical lens of legitimacy, it is important that the identification of the subject in question and the source of legitimacy be established.

3.6.1 Subjects of Legitimation

Deephouse and Suchman (2008) refer to the term ‘subjects’, as opposed to alternative descriptions such as ‘levels’ (Ruef & Scott, 1998), ‘focuses’ (Suchman, 1995) or ‘objects’ (Johnson, 2004) of legitimation. The rationale for using this term in the present study is that ‘subjects’ serves as a reminder that subsidiary managers may not be passive conformists but instead they can proactively respond to and manipulate the ways in which they create legitimacy (Ashforth & Gibbs, 1990; Oliver, 1991; Suchman, 1995). Subjects of legitimation are defined as “those social entities, structures, actions and ideas whose acceptability is being assessed” (Deephouse & Suchman, 2008: 54). For the purposes of this study the subjects of legitimation are United States (U.S.) MNE subsidiaries operating in the medical technology industry in Ireland. More specifically the subsidiary legitimacy is evaluated and based on its different structures, procedures, personnel and relationships (Scott, 2008).

3.6.2 Sources or Channels of Legitimation

A further central issue for legitimacy research is identifying who has collective authority over the legitimacy of these subjects (Deephouse & Suchman, 2008; Deephouse, 1996; Meyer & Scott 1983; Scott, 2008). These ‘sources’ who have collective authority over legitimacy are defined as “the internal and external audiences who observe organisations and make legitimacy assessments” (Reuf & Scott, 1998: 880). Deephouse and Suchman (2008) explain that deciding on who the sources are will depend mainly on the scope or focus of the research question. The sources may be the society at large, specific legitimacy granting authorities or the media (Bitekine, 2011). Despite this, attempting to conceive the organisations’ environment as encompassing every event that affects it, would not be useful in understanding how the organisation responds (Pfeffer & Salancik, 1978; Meyer & Scott, 1983). Meyer and Scott (1983) emphasise organisational legitimacy as derived from a wider environment, rather than as constructed by local actors in local situations out of their own distinctive or unique interpretations. Alternatively, Zimmerman and Zeitz (2002) argue that legitimacy is usually not directly observable and ultimately resides within the psyches of individual social actors who are deemed important to the subsidiary. People who have the capacity to mobilise and confront the organisation ultimately have the opinions that matter (Meyer & Scott, 1983). The organisation only needs to maintain a coalition of parties who contribute the resources and support necessary for it to continue its activities,

activities which are themselves the outcomes desired by the constituents' members (Pfeffer & Salancik, 1978). In this case, the sources of legitimacy have been narrowed down to both the subsidiary's HQ and the specific host country institutional environment as they are the entities who observe and make legitimacy judgements regarding any potential extension to the mandate of the subsidiary. They are also, in this particular case, the main sources that contribute the critical resources and support necessary for the organisation to continue its ongoing activities (Birkinshaw & Hood, 1998).

A major critique of institutional theory has been that it fails to explain the role of interest and agency in influencing these sources of legitimacy (Dacin *et al.*, 2002: 45-7). To fully understand how subsidiaries can be agents in the management of their own legitimation, it is important to firstly illustrate the way in which institutional theory has moved from a socially embedded perspective of organisations to one emphasising their strategic responses to institutional pressures.

3.7 Understanding Institutional Change - Agentic Institutionalism

Up until the 1990s, neo-institutionalism primarily focused on stability and isomorphism, but subsequently the focus moved, attempting to understand the more complicated process of institutional change. A key question became, 'given these institutions are so stable, how can they change over time?'⁶. A central issue that emerged concerned the paradox of embeddedness. Studies looked at how organisational actors, who were so deeply embedded in institutional environments, could actually go about changing them. How can organisations change if they are not aware that certain institutional pressures are restricting them? This shifting emphasis to institutional change has led to the emergence of what has become known as 'agentic institutionalism' (Green & Li, 2011). The structural approach to neo-institutionalism explained the similarity and homogeneity across organisations while overemphasising perhaps the structural and material aspects of organisations at the expense of the symbolic function (Alvesson, 1993).

⁶ This line of thinking was expressed by Dr. Trish Reay (University of Alberta) at an Autumn summer school for doctorate students at University College Dublin (UCD) in September 2011. A session was delivered on her work in 'Institutional Theory & Understanding Organisation' in which the author of this thesis attended.

Structural institutionalists have tended to emphasise the taken for grantedness of institutions and have thus portrayed social actors as ‘cultural dopes’ (Hirsch & Lounsbury, 1997) “blindly following the institutionalised scripts and cues around them” (Campbell, 1998: 382). As a result, structural institutionalism has long been condemned for its limited assumptions depicting organisations as overly passive and conforming entities (Di Maggio, 1988) depopulating both the ability of organisations to dominate or defy external demands and the usefulness to organisations of pursuing these types of strategies (Oliver, 1991). Christine Oliver explains,

institutional theorists have tended to focus on conformity rather than resistance, passivity rather than activeness, and preconscious acceptance rather than political manipulation, in response to external pressures and expectations (1991: 149).

Agentic institutionalism reintroduces an actor’s agency into institutional analysis. It assumes that fields are heterogeneous and thus contain multiple institutional settings that sometimes conflict with each other (Friedland & Alford, 1991; Seo & Creed, 2002). Although concerns with agency have a long tradition in institutional theory, most scholars (Suddaby, 2010) trace recent conceptions of agency in institutional theory to Di Maggio’s (1988) discussion of ‘institutional entrepreneurship’. Since then an emerging group of academics have become increasingly concerned with the effects of individual and organisational agency on institutions (Greenwood & Suddaby, 2006; Lawrence, 1999, 2004; Oliver, 1991, 1992; Seo & Creed, 2002). These academics argue that the potentially fatalistic implications of structural institutionalism are no longer universally being adhered to. Oliver’s groundbreaking work (1991, 1992) criticises seminal institutional pieces (Berger & Luckman, 1967; Meyer & Rowan, 1977) with regard to the lack of explicit attention concerning the strategic behaviours that organisations employ in direct response to institutional pressures. According to her, when the strategic responses of organisations to institutional pressures are taken into account then institutional theory can accommodate organisational choice, awareness, proactiveness, influence and self-interest (Oliver, 1991, 1992). Scott (2008) adds that this agency approach has been key in attracting the attention of strategic management scholars in particular to institutional ideas.

Oliver's (1991) work applies convergent insights from institutional and resource dependence perspectives to explain how organisations can use different strategies that vary in active organisational resistance from passive conformity to proactive manipulation (Table 3.3). However, Paauwe (2004) criticises Oliver's typology for not being a complete strategic overview itself. Firstly, her responses have been deemed too conforming (*acquiesce/compromise*) or negative (*avoid/defy/manipulate*) and not positive or constructive enough (*lead/initiate/develop*) (Paauwe, 2004: 45). Dacin *et al.* (2002) build's on Oliver's work by providing an overview of the role of power, interest, and agency in determining how organisations interpret and respond to institutions (Kraatz & Moore, 2002) arguing that actors are not passive – they make choices in the interpretation of the meaning put forth (Dacin *et al.*, 2002).

Table 3.3: Strategic Responses to Institutional Pressures

Strategies	Tactics	Examples
Acquiesce	<i>Habit</i> <i>Imitate</i> <i>Comply</i>	Following invisible taken for granted norms Mimicking institutional models Obeying rules and accepting norms
Compromise	<i>Balance</i> <i>Pacify</i> <i>Bargain</i>	Balancing multiple expectations Placating and accommodating institutional elements Negotiating with institutional stakeholders
Avoid	<i>Conceal</i> <i>Buffer</i> <i>Escape</i>	Disguising non conformity Loosening institutional attachments Changing goals activities or domains
Defy	<i>Dismiss</i> <i>Challenge</i> <i>Attack</i>	Ignoring explicit norms or values Contesting rules or requirements Assaulting the source of institutional pressure
Manipulate	<i>Coopt</i> <i>Influence</i> <i>Control</i>	Importing influential constituents Shaping values and criteria Dominating institutional constituents

(Source: Oliver, 1991).

This approach represents an ‘institutional strategy’ consisting of patterns of organisational action concerned with formation and transformation of institutions (Lawrence, 1999). The various tactics that social actors use to gain the cooperation of others has been portrayed as a ‘social skill’ (Fligstein, 2001), in effectively creating new institutions through ‘institutional entrepreneurship’ (Di Maggio, 1988; Eisenhardt, 1980). Institutional entrepreneurship is at an early stage of its development but is defined as the practice of creating norms, values, beliefs, expectations, models, patterns of behaviour, networks, frames of reference consistent with an organisations’ identity and current practices concomitantly getting others to accept these (Aldrich & Fiol, 1994; Di Maggio, 1988; Suchman, 1995). This has been referred to as “the shock troops of innovation” (Etzioni, 1987: 179; in Zimmerman & Zeitz, 2002), as it creates scripts, rules, norms, values and models that may shock society but that will lead to changes in it. Ultimately, the theoretical goals of this perspective are to explain institutional change by describing the types of actors who become institutional entrepreneurs, the field conditions that shape institutional entrepreneurship, and the social skills institutional entrepreneurs use to win interpretive struggles and contests (Hardy & Maguire, 2008).

More recently however, Suddaby (2010) states that institutional theory is starting to present organisations as ‘hypermuscular supermen’, single-handed in their efforts to resist institutional pressures and alter institutional logics. Suddaby argues there is a danger that this enthusiastic stampede to a hypermuscular view resembles that which followed Di Maggio’s paper on organisations as passive entities to isomorphic pressures. There is a risk that agentic institutionalists might incorporate a perspective that is too focused on agency, similar to the structuralist’s overly deterministic approach. Di Maggio (1988) has highlighted that institutional models need not consider the interests and actions of particular actors as the models are most appropriate regarding conditions where actors are incapable of recognising or rationally acting upon their interests. Under these conditions, he believes that norms and preconscious assumptions about the nature of reality are likely to shape action independently of individual or organisational interests. Scott (2008) recently issued a caution to institutional theorists such as Oliver who emphasise the strategic actions by organisations in response to institutional pressures. The quote below from Scott illustrates his warning not to lose sight of the distinctive properties of institutions:

A problem with the direct incorporation of a strategic choice perspective into institutional theory is that it discounts the social – fact quality of institutions. Rather than being social facts that make up the fabric of social life, they assume the special and arbitrary positions of dominant social agents...the notion that organizations act at times without choice or forethought is lost.... The institutional context then becomes.... of no special importance for understanding organisational action. It is simply a constraint to be managed like any other constraint, a choice among many choices (2008: 174).

Despite this, both strategic and institutional scholars recognise that organisations are ultimately affected and penetrated by their institutional environments. The overall argument incorporated for this study is that organisations should be constituted as active players, not passive pawns; capable of responding strategically to institutional pressures (Scott, 2008; Lawrence & Suddaby, 2006).

3.7.1 The Importance of Institutional Logics

The emergence of agentic institutionalism has given rise to a new direction for neo-institutionalism, which has fallen under the rubric of ‘institutional work’. Institutional work is defined as “the purposive action of individuals and organizations aimed at creating, maintaining, and disrupting institutions” (Lawrence & Suddaby, 2006: 215). It ultimately provides us with a way to examine the relationship between agency and institutions while addressing the paradox of embedded agency. Central to the idea of institutional work are institutional logics, which are often described as the discourse that encodes “the criteria of legitimacy by which role identities, strategic behaviours, organizational forms, and relationships between organizations are constructed and sustained” (Suddaby & Greenwood, 2005: 38). Institutional logics “form the framework for which within reasoning takes place” (Horn, 1983: 1) as they describe and prescribe what actions are legitimate for organisations, and thus limit the range of legitimate options available to actors (Friedland & Alford, 2001; Suddaby & Greenwood, 2005). According to Green and Li, these logics are defined as the “motives and symbolic actions that establish the rules or reasons for who gets to do what for what purpose in which way and in what settings” (2011: 15). Therefore, there can be any given number of competing or cooperating logics within a field that can be utilised strategically as a social resource by individuals to motivate or justify action (Oliver, 1991). A plurality of institutional logics may coexist in a given institutional field over time (Pache & Santos, 2010), however, little attention has been given to the interplay between logics and the

active role of agents managing legitimacy in such contexts (Lawrence & Suddaby, 2006).

Legitimacy becomes a crucial concept in the context of institutional work, given that institutional change requires legitimation (Erkama & Vaara, 2010). In particular, dramatic changes such as organisational restructurings or resource transfers imply ‘legitimacy crises’ that question not only the decisions at hand but also the legitimacy of the entire MNE and its management (Kostova & Zaheer, 1999). We argue that this is a key starting point for emphasising the importance of subsidiary legitimacy as a power source for mandate development. Developing a subsidiary’s mandate is a form of restructuring and hence the MNE and the subsidiary in particular will be exposed to such legitimacy attacks or questions when attempting to pursue moves of this nature that could potentially ‘challenge’ the prevailing norms of HQ and the MNE. Moving on from the more general arguments on institutional theory, the next part of this chapter examines the way in which institutional theory has been applied to the study of the MNE. This will provide us with an introduction to a more in-depth discussion on how the construct of legitimacy can be used as a power source to analyse the mandate development process at the HQ-subsiidiary interface.

3.8 An Institutional Approach to the Study of the MNE

In comparison to the dominant intra-organisational network perspective, the institutional perspective is viewed as a more valuable all-encompassing approach to the study of the MNE (Forsgren, 2008; Henisz & Swaminathan, 2008; Peng *et al.*, 2008). It goes beyond the notion of focusing solely on business networks and instead incorporates the entire host and home countries, viewing them as institutions in themselves. These represent markets and business opportunities, legal systems, political contexts, labour and financial markets, business systems and values (Forsgren, 2008). Institutional theory has until recently been primarily concerned with the relationship between the organisation and its environment rather than constructing a theory of the MNE (Barner-Rasmussen *et al.*, 2010). Perhaps the main contribution of the institutional perspective to the MNE is that it provides a powerful way of viewing the relationship between the MNE and the institutional environment (Meyer & Scott, 1983; Pfeffer & Salancik, 1978). Here the institutional environment is not only external to the organisation but it also “enters the organization” (Westney, 1993: 56) meaning that it

affects all aspects of organisational action. The institutional environment influences the beliefs and actions of individuals within the organisation, while at the same time organisations are carriers of their national environments. As Anthony Ferner (2005) and others have argued MNEs do not become detached from their home environments when they internationalise. Rather MNEs bring elements of their home institutional baggage with them, which influences the nature of subsidiary operations.

The literature in this area depicts two dominant varieties of institutionalism that have been used in recent years to analyse the MNE (Barner-Rasmussen *et al.*, 2010; Heidenreich, 2012; Geppert & Dorrenbacher, 2014; Jackson & Degg, 2008; Morgan & Kristensen, 2006). In the first perspective, ‘organizational neo-institutionalism’, relevant contributions have come in a series of articles from Sumantra Ghoshal and Eleanor Westney (1993) and Tatiana Kostova and colleagues (Kostova, 1999; Kostova & Zaheer, 1999; Kostova & Roth, 2002; Kostova *et al.*, 2008). They apply key tenets of neo-institutionalism originating from North American sociology, where the MNE is “characterized by substantial heterogeneity and complexity” (Roth & Kostova, 2003: 888). According to Kostova and Zaheer’s seminal piece, there are three main sources of heterogeneity in MNEs; the external environment, intra-organisational complexity and individual variability (Kostova & Zaheer, 1999). The starting point is that MNEs like all organisations are ‘socially embedded’, meaning that organisational behaviour is explained with reference to the social practices and interactions that surround the individual social relationships in the MNE (Heidenreich, 2012). MNEs will adopt practices and structures not just due to technical or efficiency reasons but also as they are commonly accepted ‘rules of the game’ (North, 1990) or institutional logics present in the corporate philosophy.

The second perspective takes the title of ‘comparative and historical’ (Morgan & Kristensen, 2006). Recent studies in this area have given prominence to the importance of the local host context showing that MNEs can build their organisational practices on host institutional foundations. Subsidiaries can mobilise national institutional resources to gain political power within the MNE. These studies assume that different capitalist societies, typically in the form of ‘liberal’ and ‘coordinated’ market economies, can have different effects on the internationalisation of MNE practices and how the HQ controls its power over its subsidiaries in these societies (Whitley, 1999). For example, this research has demonstrated that MNEs from more liberal market economies will

avoid investing in coordinated market economies, such as Germany, due to constraining host institutions (Whitley, 1999). These studies tend to focus almost solely on power that manifests from key features of the national business systems and less so from the contests and dynamic political processes that bring power relations to life in the HQ-subsidiary relationship (Geppert & Dorrenbacher, 2014). Both these perspectives ultimately portray the MNE context as;

Rejecting the economic accounts of MNEs; focusing on the social embeddedness of organizational practices in different institutional contexts; emphasising the ambiguity and uncertainty which this creates inside the MNE; recognising the role of politics in the working out of these ambiguities; highlighting the degree of isomorphism and divergence which remains within and between MNEs; and an interest in power and the ability of different actors within the MNE to shape the transfer, diffusion and implementation of organizational practices

(Morgan & Kristensen, 2006: 1473).

Ultimately, scholars residing in both perspectives reject the rational economic explanations of how MNEs and their subsidiaries work and instead focus on the social constraints and pressures that lead them to develop in particular ways (Geppert & Dorrenbacher, 2014), an argument that is continuously emphasised throughout this study. Adopting these institutional standpoints allows for viewing the MNE as a “contested social space, in which subsidiaries and HQ engage in negotiation and conflict over a multiplicity of possible future forms, directions and destinations” (Morgan & Kristensen, 2006: 1471).

3.8.1 Socially Embedded Nature of the MNE

The idea of the MNE as a “transnational social space” that is socially embedded, is a debate recently prompted by Morgan (2001). The social character is two-fold; in that it is socially embedded in national (home) and transnational (hosts) institutions; and MNEs are not just a means to achieve economic goals but sites for social interaction. The concept of ‘space’ suggests a geographical terrain, which is occupied and fought over by individual actors representing different subsidiaries, thus making the MNE a ‘contested social space’ rich in political maneuvering (Forsgren, 2008). These studies have also found cases of misunderstandings between the HQ and its subsidiaries, creating ‘battlefields’ and severe conflicts (Kristensen & Zeitlin, 2001, 2005). These arguments resonate with the intra-firm fight for subsidiary mandates.

Consequently, the delineation of corporate charters from HQ to its subsidiaries is not just seen as a coherent managerial approach toward the ‘transnational solution’ (Prahalad & Doz, 1987), but as a socio-political process. Subsequently, emphasis is put on the construction of social space that involves different ‘contextual rationalities’⁷ and therefore may be conflicting (Kristensen & Zeitlin, 2001). In this sense the fundamental question becomes how the boundaries of these social spaces are structured, managed, redefined, negotiated and used as resources (Morgan, 2001). Scholars in this area have argued that MNEs are not becoming coherent actors developing more integrated learning networks as predicted in evolutionary models of the MNE; instead they should be understood as battlegrounds where different social groups fight for social space (Kristensen & Zeitlin, 2001).

Viewing the MNE from this institutional standpoint allows for the investigation of how subsidiary and corporate managers negotiate over the direction, destination and terms and conditions of corporate mandates.

3.8.2 Application of Neo-Institutionalism to the MNE

Drawing on Forsgren (2008) this section details how institutional theory has been investigated in the MNE in two main ways. Firstly, cross-national transfer of policies and practices and how they are largely affected by the dual institutional context within which the MNE subsidiary is situated and secondly, studies that demonstrate how this dual institutional context creates conflicting pressures for isomorphism and legitimacy at the subsidiary level (Forsgren, 2008).

3.8.2.1 Transfer of Practices

Practice transfer in the MNE has dealt predominantly with the transfer of knowledge, capabilities and organisational practices within the MNE (Forsgren, 2008). Firms that try to disseminate their practices internationally to foreign subsidiaries are faced with barriers and problems located in the institutional environment of the subsidiary’s local host context (Ferner *et al.*, 2005; Kostova & Roth, 2002). These barriers arise due to the differences between the institutions of the country of origin and the receiving subsidiary’s country. This is known as the degree of institutional distance, defined as

⁷ ‘Contextual rationalities’ are context specific advantages that subsidiaries can garner from their local host environments and use them as power sources in the internal fight for mandates (Kristensen & Zeitlin, 2001).

the differences in regulatory, normative and cognitive institutions between countries (Ghemawat, 2001; Kostova, 1996; Xu & Shenkar, 2002). The greater the institutional distance the more difficult it will be to transfer a practice or policy from the HQ to the subsidiary. As Xu and Shenkar (2002) argue, a large institutional distance triggers the conflicting demands for external legitimacy in the host country and internal consistency within the MNE.

Due to these conflicting demands, the transfer process can become a negotiated one rather than an 'either-or' process, in which the practices can be debated and modified as the subsidiaries are in a position to mobilise resources that gives them the power to negotiate the terms of the transfer (Dorrenbacher & Gammelgaard, 2006). To a large extent these resources emanate from subsidiary manager's knowledge of their local institutional environment where the new policy is due to be implemented. Subsidiary managers' roles as 'interpreters' of the local institutional environment gives them more influence to deflect a practice from its original function, leading to a 'resistive hybridization', or they can engage in ritual compliance, draining the practice being transferred of its original function (Kostova & Roth, 2002). These differences can also constitute an influence base for the subsidiaries in their negotiations with the HQ about the transfer terms.

3.8.2.2 Managing Legitimacy in a Dual Institutional Environment

One of the main characteristics of the MNE is that it is a participant in a fragmented or pluralistic context, in which a variety of institutional agencies advocate different patterns of behaviour (Westney, 1993). The MNE is expected to conform to pressures of 'do in Rome as the Romans do' by conforming to the rules, laws, values and norms in the local country regardless of efficiency effects (Forsgren, 2008). The MNE subsidiary simultaneously faces pressures to conform to values, norms and locally accepted practices of the host country, and an imperative for consistency within the MNE (Chan & Makino, 2007; Rosenzweig & Singh, 1991). As Forsgren (2008) notes, the latter reflects the desire to replicate existing organisational features throughout the MNE and the tendency to apply a common control system in the MNE. If the adaptation to the local institutional environment is given too great a prominence then the MNE is at risk of falling apart. If conformity to the corporate system is prioritised too strongly then the multinational will risk losing its legitimacy in the different institutional environments. Rosenzweig & Singh (1991) demonstrated how the problem then becomes more

complex when one realises that there are conflicting pressures not only on every subsidiary, but also on every function and process within the MNE. Kostova and Roth define this institutional duality as two distinct sets of isomorphic pressures on the MNE subsidiary, “emanating from host as well as home country” (2002: 216).

MNE subsidiaries are therefore confronted with dual pressures for isomorphism within the MNE (internal legitimacy) and within the host country (external legitimacy) (Hillman & Wan, 2005; Rosenzweig & Singh, 1991; Westney, 1993). External legitimacy refers to the MNE subsidiary’s acceptance by external audiences in both the home and host environments while internal legitimacy refers to the need for subsidiaries to be accepted by both the HQ and other subsidiaries within the MNE (Kostova & Roth, 2002). Kostova and Zaheer propose that internal legitimacy is similar to external legitimacy in that it refers to the “acceptance and approval of an organizational unit by other units within the same firm and primarily the parent company” (1999: 72). Isomorphism with the HQ company’s practices is perhaps the most apparent form of internal legitimacy for a subsidiary (Hillman & Wan, 2005). Resulting similarities that may arise internally between HQ and foreign subsidiaries has been called *the mirror effect* (Brooke & Remmers, 1970 in Rosenzweig & Singh, 1991) resulting in subsidiaries effectively becoming ‘clones’ of sister subsidiaries.

Referring to this as ‘institutional pluralism’, Kraatz and Brock (2008) state that these organisations are ultimately playing the rules of two different games at that same time and are often attempting to be multiple things to multiple people. As these organisations are located in a pluralistic context, its external and internal constituencies are likely to trust them only with hesitation, and have the capacity to abruptly change direction and reprioritise its precedence. As a result, they are particularly concerned with gauging the subsidiary’s predictability and reliability (Kraatz & Brock, 2008). These arguments illustrate the complexity of subsidiary legitimacy while at the same time highlighting the significance of it as a resource to the subsidiary within the MNE.

3.8.2.3 Subsidiaries Responding to Conflicting Demands

When faced with conflicting external and internal legitimating demands, the subsidiary must decide which groups to attend to and which to ignore (Forsgren, 2008). The existence of these demands raises the possibility that the subsidiary may not be able to maintain the necessary levels of legitimacy or support, as favoring one group will

ultimately offend another. As Meyer & Scott noted, “the legitimacy of a given organization is negatively affected by the number of authorities sovereign over it and by the diversity or inconsistency of their accounts of how it is to function” (1983: 202). Oliver believes that where organisations face incompatible and competing demands from different constituents, conformity may be impossible as “the satisfaction of one constituent often requires the organisation to ignore or defy the demands of another” (1991: 162). If these subsidiaries were to go against the interference of any of these constituents it would result in them effectively “biting the hand that feeds them” (Scott, 1983: 106). In particular, Scott observed that some controls at local level are so complex and specialised that the end result is a “jungle of conflicting requirements at the local level” (1983: 105). However, subsidiaries can try to balance these demands without having to fully ignore a certain group or constituency. Crucial in this instance is that the subsidiary is aware of and able to counteract the difficulties that can affect the balancing of institutional duality.

3.9 The MNE as a Challenge to Neo-Institutional Theory

In a recent provocation, some of the leading proponents in the study of the institutional effects on MNEs have begun to re-examine the assumptions underpinning their earlier work (Cantwell *et al.*, 2010) by questioning the validity of the MNE as a context for investigating the main constructs of institutional theory. Most studies have adopted a narrow view of institutional theory drawing almost exclusively on the concepts of organisational field, legitimacy and isomorphism as the prominent pillars (Kostova *et al.*, 2008). However, these characteristics are not applicable to the MNE, as they are significantly different from domestic organisations. These differences are not only in degree but also in kind (Westney & Zaheer, 2001). Characteristics that are more closely associated with the MNE such as equivocality, heterogeneity, ambiguity and complexity challenge the distinctive institutional story that these organisations face (Kostova *et al.*, 2008).

Kostova *et al.* (2008) argue that in an MNE context organisational fields do not exist as these organisations face multiple, fragmented, often-conflicting institutional environments. Further, inconsistencies between these different environments and a lack of specified boundaries do not allow for the emergence of shared patterns necessary to define a field. According to Di Maggio and Powell’s arguments introduced earlier,

isomorphism is only possible in a defined field (Di Maggio & Powell, 1983), hence Kostova *et al.* (2008) argue that the MNE has no one defined field. Although MNEs exhibit some signs of isomorphism it has been argued that this may be a result of strategic choice rather than a need for legitimacy (Cantwell, Dunning & Lundan, 2008). The diverse multitude of these institutional systems allows for less dependence and increased latitude in picking and choosing which models to adopt and to what extent they should respond to institutional influences (Kostova *et al.*, 2008).

In defense of institutional theorists, Westney and Zaheer (2001) argue that the main concepts were developed largely against the backdrop of a relatively unitary environment but it clearly had considerable potential for theoretically grounding the organisational effects of the significantly distinctive types of pressures that the MNE faces. Most of the studies which looked at the MNE only started to emerge in the 1980s (Bartlett & Ghoshal, 1986; Hedlund, 1986; Porter, 1986; Prahalad & Doz, 1987) which ultimately meant that it was going to be difficult for institutional theory to incorporate itself into the multi-domestic environment of the MNE due to it setting its own foundations in writings previous to this era (Westney & Zaheer, 2001).

Despite these arguments, it is widely recognised that institutional theory can provide us with an appropriate theoretical framework to study the strategies of MNE subsidiaries (Hillman & Wan, 2005; Xu & Shenkar, 2002) due to the typified high uncertainty, complexity and multiple demands of multiple MNE environments (Kostova & Zaheer, 1999; Westney, 1993). However, imperative to future research in this area is the importance of the way in which legitimacy issues are dealt with by the MNE and its foreign subsidiaries (Hillman & Wan, 2005; Kostova & Roth, 2002; Kostova & Zaheer, 1999; Kostova *et al.* 2008; Rosenzweig & Singh 1991; Xu & Shenkar, 2002).

3.10 Legitimacy in an MNE Context

Institutional theorists have long argued that the MNEs performance is related to its ability to attain certain levels of legitimacy, without which they would not be able to access resources vital for their survival capability (Di Maggio & Powell, 1983; Kostova & Roth, 2002; Oliver, 1991; Suchman, 1995). Kostova and Zaheer (1999) explain that examining the MNE case can potentially extend theories of organisational legitimacy since the MNE challenges some of the underlying assumptions of these theories. This study will adopt the same approach as Kostova and Zaheer and other researchers

(Ashforth & Gibbs, 1990; Deephouse, 1996; Dowling & Pfeffer, 1975; Suchman, 1995) by investigating legitimacy at the level of the subsidiary.

Legitimacy is relevant to the MNE subsidiary as it can be used as a resource for gaining other resources (Zimmerman & Zeitz, 2002), and MNE subsidiaries like any other organisational form require resources and social support from the environment in order to grow and survive (Lu & Xu, 2006). Subsidiaries perceived as legitimate benefit from a higher probability of securing resources, while those who lack legitimacy are vulnerable to being viewed as “negligent, irrational and unnecessary” (Meyer & Rowan, 1977: 50). According to Westney (1993), mandate exchanges between corporate HQ and their subsidiaries will generate isomorphic pulls on the subsidiary (Westney, 1993). Alternatively, subsidiaries that draw most of their resources from local organisations, adopting the patterns institutionalised in the local environment would contribute to the subsidiary’s legitimacy and therefore to its ability to acquire the resources it needs from its local environment (Westney, 1993). As a whole, the legitimacy of the MNE subsidiary is the approval by its legitimating environment, which consists of the global environment or all of its home and host country institutional environments (Kostova & Zaheer, 1999).

A recent theme in the literature in this area involves a discussion on the social dynamics among actors involved in the management of their legitimacy (Rocha & Granerud, 2011). Within this the negotiation process is an important characteristic of institutional work (Rocha & Granerud, 2011). A legitimacy gap may emerge between a firm’s external image and its internal actions due to the decoupling process. This gap may have a negative effect on the possibility of the firm attracting locally qualified employees which in turn leads to workers being hired on short term contracts elsewhere (Rocha & Granerud, 2011). These findings support a more balanced understanding of institutional work, which avoids the conceptualisation of actors as ‘cultural dopes’ or as ‘hypermuscular’ institutional entrepreneurs (Lawrence *et al.*, 2009). Hence, subsidiaries are in an advantageous position to enact some form of agency when confronted with conflicting legitimating pressures.

3.10.1 The MNE as a Challenge to Legitimacy – Importance of Political Interaction

In order to look more closely at the management of subsidiary legitimacy in an MNE context it is important to take into account recent theoretical arguments in the area.

Kostova *et al.* (2008) in particular contend that the MNE context does not challenge the need for legitimacy due to the multiplicity and complexity of legitimating environments, intra-organisational complexity, diversity and ambiguity in the process of legitimation (Kostova & Zaheer, 1999). Therefore, it is impossible to achieve legitimacy through the traditional mechanisms described in neo-institutional theory but the MNE's emphasis should be on alternative legitimating mechanisms. The way to establish legitimacy in the eyes of important resource holders is to negotiate through political processes of interaction, communication or exchange which can all create a perception about the organisation without it having to necessarily implement certain models or practices. In this way, legitimacy is viewed more as a social construction, than a function of isomorphism, where symbolic image building becomes critical (Kostova *et al.*, 2008; Morgan & Kristensen, 2006). Kostova *et al.* (2008) claim that legitimacy in MNEs needs to be established symbolically through the mechanisms of praxis, discourse, sense making, symbolic interactionism, power and politics (Kostova *et al.*, 2008). Due to the high degree of uncertainty, ambiguity, complexity and dynamism of the subsidiary's pluralistic environment, subsidiary managers have to rely on symbolic means to strategically alter their levels of legitimacy (Clarke, 2011; Suchman, 1995).

Despite this, Kostova *et al.* (2008) maintain that MNE scholars should not abandon institutional theory. They argue that rather than advancing theory there must be a break from basic institutional ideas toward the development of sophisticated institutional theory applications for the study of the MNE. Refining institutional theorising is necessary as MNEs are embedded in multiple, fragmented, ill defined and constantly evolving institutional systems conceptualised at different levels of analysis, each characterised by a distinct institutional process (Kostova *et al.*, 2008: 1001). As a result, MNE relationships with their institutional environments are dynamic, discretionary, symbolic and proactive (Kostova *et al.*, 2008; Kraatz & Brock, 2008; Morgan & Kristensen, 2006). In keeping with the general shift in emphasis, MNEs have an important agency role reflected not only in their varying degree of compliance to institutional pressures (Oliver, 1991) but also in that they can understand, manipulate, negotiate and construct their institutional environments (Kostova *et al.*, 2008). In this way MNEs can be viewed as socially constructed phenomenon (Berger & Luckman, 1967), which are regarded as systems of shared meaning that are sustained through

social, political and symbolic processes (Pfeffer, 1981). Organisations develop social relationships with others through social processes of networking and negotiation, which facilitate the development of shared understandings. All organisations are part of a larger social system or environment on which they are dependent for resources. Hence, organisations that achieve legitimacy status find it easier to gain these resources (Suchman, 1995).

3.11 Differing Perspectives on Legitimacy

Studies have consistently portrayed legitimacy in two very distinct ways; either as a strategic resource or an institutional constraint (Aldrich & Fiol, 1994; Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978; Suchman, 1995). The distinction between these two views of legitimation is a matter of perspective with the former taking the viewpoint of subsidiary managers looking ‘out’, whereas the latter adopts the viewpoint of society looking ‘in’ (Elsbach, 1994). The strategic perspective adopts a managerial perspective, “emphasising the ways in which organisations instrumentally manipulate and deploy evocative symbols in order to garner societal support” (Suchman, 1995: 572). Institutionally (Di Maggio & Powell, 1983; Meyer & Rowan, 1977; Meyer & Scott, 1983; Zucker, 1987) it adopts a more detached stance, emphasising the ways in which sector-wide structuration dynamics generate cultural pressures that transcend any single organisation’s purposive control” (Suchman, 1995: 572). However, when investigating subsidiary legitimacy it is important to incorporate these two perspectives into a larger picture that highlights both the ways in which legitimacy acts strategically as a resource and institutionally as a taken for granted belief system (Suchman, 1995). Dowling and Pfeffer similarly argue that “organizational legitimacy is the outcome of, on the one hand, the process of legitimation enacted by the focal organisation, and on the other hand, the actions affecting relevant norms and values taken by other organizations” (1975: 125). This study will be more closely associated with the strategic legitimacy lens, as it will seek to investigate how subsidiary legitimacy can be leveraged as a power source. It will be closely aligned with those studies that have analysed the socially constructed nature of legitimation in MNEs (Geppert, 2003; Kostova & Zaheer, 1999).

3.12 Managing Legitimacy Strategically

Strategic legitimacy studies depict legitimacy as an operational resource that subsidiaries gain from their cultural environments and that they employ in pursuit of their goals (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1978; Suchman, 1995). Legitimacy can be as significant as other resources such as capital, technology or personnel. Legitimacy is particularly useful for the acquisition of other resources and can also be enhanced by the strategic actions of organisations (Zimmerman & Zeitz, 2002). According to Dowling and Pfeffer (1975), managers may have a high degree of control over the legitimation process (Suchman, 1995) such that actions that can be taken to legitimate an organisation are of principal importance as legitimate organisations have largely unquestioned freedom to pursue their activities. Also, as demonstrated above, the multiplicity of legitimacy dynamics creates considerable latitude for managers to maneuver strategically within their given environments (Ashforth & Gibbs, 1990; Oliver, 1991). Managerial initiatives can make a substantial difference in the extent to which organisational activities are perceived as desirable, proper and appropriate within any given context (Zott & Huy, 2007). Skillful legitimacy management requires a diverse arsenal of techniques and a discriminating awareness of which situations merit which responses (Suchman, 1995). More importantly, “legitimacy status is the *sine qua non* for easy access to resources, unrestricted access to markets and long term survival” (Brown, 1998: 35). Despite this, there have been very few studies that have investigated the specific mechanisms subsidiaries use to communicate or advertise their legitimating characteristics to potential resource providers such as corporate HQ (Elsbach, 1994). More specifically there has been a neglecting emphasis on the use of individual level tools such as spokespersons accounts in managing organisational legitimacy (Di Maggio & Powell, 1991).

Suchman (1995) argues that viewing legitimacy as something that operates at the preconscious or subconscious level means that a subsidiary is generally unaware of it, let alone able to strategically manipulate it. However, subsidiaries can exercise strategic choice to alter the type and amount of legitimacy they possess (Oliver, 1991; Suchman, 1995). This approach assumes a managerial perspective and emphasises the ways in which organisations can strategically operate symbols (Suchman, 1995). In a pluralistic environment, such as that which the MNE subsidiary faces, symbolic conformity with cultural norms and expectations is a prerequisite for subsidiary legitimacy (Kostova et

al, 2008; Kraatz & Brock, 2008). Subsidiary managers should seek to validate or affirm their identities through processes of symbolic exchange with different segments of their heterogeneous environments. It is through these processes that the subsidiary's various identities are legitimated over time (Kostova et al., 2008; Kraatz and Brock, 2008). Ultimately, strategic approaches have called attention to the role of managerial agency in addressing legitimacy (Elsbach, 1994; Oliver, 1991; Pfeffer, 1981; Pfeffer & Salancik, 1978). From this perspective legitimacy processes often involve conflict among organisations, which is typically addressed through negotiation, decoupling and impression management tactics (Elsbach & Sutton, 1992).

3.12.1 Impression Management Techniques

Impression management involves the “packaging of information in order to lead target audiences to desired conclusions” (Gardner & Avolio, 1998: 33). Through the lens of strategic legitimacy scholars have proposed impression management techniques as a way of managing organisational legitimacy more effectively (Ashforth & Gibbs, 1990; Elsbach & Sutton, 1992; Elsbach, 1994). The majority of these studies have generally investigated how organisations aim to restore their legitimacy after controversial events through exploring the reactions of firms facing legitimacy threats (Dutton & Dukerich, 1991; Elsbach, 1994; Elsbach & Kramer, 1996, Elsbach & Sutton, 1992). Elsbach (1994) demonstrated how managers can be “skilled users of cultural tool kits” (Rao, 1994: 4) who engage consciously in ‘performances’ to manipulate and shape the perceptions of their corporate managers (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978).

Impression management techniques are made up of two main dimensions, symbolic and substantive (Ashforth & Gibbs, 1990). The former uses political language and symbolic action to legitimate organisational actions and policies whereas the latter bases decisions on external constraint and power-dependence. *Substantive management* involves real material change in organisational goals, structures and processes and is defined as the structural transformation of action to conform to social values (Richardson, 1985). Examples of substantive legitimation involve the organisation trading the performance expectations of the societal actors it depends on (*role performance*) for critical resources and support. This may include providing a good return on shareholder equity, offering reasonably priced products or ensuring job security for employees. Another example would be conforming to the values, norms and

expectations of constituents, i.e. *coercive isomorphism* (Di Maggio & Powell, 1983). This concept signals the fitness – the apparent willingness and ability – of the organisation to fulfill constituent's role expectations (Meyer & Rowan, 1977). Alternatively the organisation can create a degree of freedom or dependence by *altering its dependence* on important resource holders. An example of this would include creating long-term contracts (Pfeffer, 1978). Finally, an organisation may attempt to *alter the actual socially institutionalized practices* by bringing them into conformity with its ends or means. Suchman (1995) provides the example of Tobacco coalitions lobbying and advertising intensely in a bid to alter the socially accepted view that cigarettes are bad for health, which will ultimately change the social construction of reality (if cigarettes are advertised and available then they can't be bad).

Symbolic management involves the organisation actually portraying that it has changed its ways or manage them symbolically so as to appear consistent with social values and expectations (Ashforth & Gibbs, 1990; Richardson, 1985). Weick (1979) has argued that managers should be regarded as more evangelist than accountant in that their work is more associated with managing myths, symbols and images. The language of symbolism has also been regarded as a particularly important catalyst for influencing the behaviours of others to ones advantage in a subtle but very powerful way (Edelman, 1964; Pondy, 1978:). “Symbols are the very stuff of management behavior. Executives, after all, do not synthesize chemicals or operate lift trucks; they deal in symbols” (Pondy, 1978: 10). Symbols can also be utilised through contextual settings, for example, building sizes, elevation of boardroom seating or offices (Pfeffer, 1981). These symbols are “concrete indicators of abstract values” (Firth, 1973: 54) that affect appearance and image through surroundings, furniture, décor and other visual artifacts used by managers during performances (Goffman, 1959).

A symbol is thus any thing or phenomenon, to which members attribute meaning in their attempts to comprehend the social fabric within which they are embedded and which therefore expresses the character of the organisation, stimulates an emotional response and conditions action (Brown, 1994). These types of symbols can include company products and logos (Daft, 1983), intentional actions and relationships rites and rituals, language in the form of slogans metaphors and jokes, and myths and stories (Brown, 1994). Symbols are not just simply reflections of organisation meanings; they are ongoing processes that constitute organisational life (Meyer & Rowan, 1977).

Symbolic acts are acts to which meaning is attributed beyond their substantive impact, and which may be deliberately employed in order to direct the attention of certain constituents, gain resources from them or restructure institutional pressures (Brown, 1994).

Environments have become increasingly more interconnected, regulated, legislated and complex that effective managerial action has become more difficult so the skills of symbolic reassurance and symbolic action are more important in motivating support for an organisation (Pfeffer, 1981). Pfeffer (1981) argues that if managers' use of symbolic action seems like a deceptive game then this is not the case. Pfeffer believes that management often do not realise themselves that they are partaking in symbolic acts. For example, someone who sits in a big office in a big building surrounded by materialistic possessions such as limousines, private jets etc then not only convinces others that they are in control and have power over substantive operations, but they are likely to convince themselves also.

Sometimes symbols are internalised and result in almost universal conformity, but sometimes they can be resources manipulated by individuals, groups and organisations (Friedland & Alford, 1991). Also regarded as a form of 'staging' (Gardner & Avolio, 1998), symbolism is something that stands for or suggests something else; it conveys socially constructed meanings beyond intrinsic or obvious functional use (Zott & Huy, 2007). Other more general studies on the management of symbols have illustrated how visual symbols such as clothing and spatial design are employed strategically in order to influence social interactions. 'Social competence' (Clarke, 2011) goes beyond the idea of "mere persuasion through linguistic or visual domains and encompasses the ability to correctly gauge the current moods or emotions of others, proficiency in inducing positive reactions in others by enhancing one's own appearance and image, effectiveness in persuasion, and ability to adjust to a range of social situations with a range of individuals" (Vecchio, 2003: 318). This involves a 'way of being' for managers and not simply the interactions with others (Clarke, 2011).

As discussed above, subsidiary legitimacy is most effectively managed symbolically through symbolic interactionism, as the subsidiary's relationship with its institutional environments is dynamic, discretionary, symbolic and proactive (Kostova *et al.*, 2008; Kraatz & Brock, 2008; Morgan & Kristensen, 2006). These arguments draw inspiration

from impression management techniques, which form the basis for issue selling perspective that was outlined in chapter two. Therefore, in order to understand how MNE subsidiaries effectively manage their legitimacy it is important to integrate these arguments more fully.

3.12.2 Managing Subsidiary Legitimacy Symbolically

Within the framework of impression management approaches, researchers have pointed to symbolic action as a means of creating the legitimacy that enables resource acquisition. A number of institutional theorists have also highlighted symbolic management as a possible way of overcoming the MNE as an object of analysis, especially in the domain of resource acquisition through legitimation (Kostova et., 2008; Suchman, 1995; Zott & Huy, 2007). Rao (1994: 30) has argued that legitimacy flows from symbols while Brown (1994) showed how organisational behaviour, which engages in politically motivated symbolic acts and myth making, can ultimately lead to organisational legitimacy. Indeed, Brown (1994) found that the decision to conduct market research was used as a symbolic device in a political game to legitimate the research team with respect to their constituents. In other words, the fact that the research had been commissioned was in some respects more important than the results themselves. The commissioning of product market research constituted symbolic rites of risk minimisation, which hid the true extent to which risk was actually being incurred, and led to members of the holdings board to overlook the substantive risk implications of the venture.

3.12.3 Legitimacy as an Entrepreneurial Resource

While most studies on legitimacy have considered how it can be maintained or repaired in established organisations (Patriotta *et al.*, 2011; Elsbach & Sutton, 1994), some conceptual arguments have looked at how legitimacy can be enhanced by strategic actions and hence used as a strategic resource for new ventures. Aldrich and Fiol (1994) posit that symbolic communication could facilitate cognitive legitimacy. Lounsbury and Glynn (2001) argue that ‘storytelling’ can be an important organisational symbol that helps legitimate new firms. Glynn and Marquis (2004) illustrate how organisational name changing can be regarded as a symbolic ‘grab’ at legitimacy. Clarke (2011) also considered how entrepreneurs developed an innate understanding of how visual symbols are utilised in interactions with stakeholders in order to acquire legitimacy and by extension much needed resources. This study found that, through an ethnographic

examination, stories alone are insufficient and that attention must be directed to the visual as well as the rhetorical impressions that visual surroundings, personal appearance, and expressiveness present about the subsidiary. .

Zimmerman and Zeitz (2002) provide a framework for this casual process that builds on Oliver's (1991) four basic legitimation strategies – *conformance*, *selection*, *manipulation* and *creation*. These strategies each achieve four different types of legitimacy, similar to Scott's three institutional pillars: socio-political regulative legitimacy, socio-political normative legitimacy, cognitive legitimacy and industry legitimacy. *Conformance* is the least strategic form and could involve 'following the rules' of the regulators in the form of government. *Selection* includes locating in more favorable environments either through location or shifting product domains. *Manipulation* merits substantial departure from prior practice such as lobbying for regulation changes or altering the existing ideas of given practices. *Creation* is the most strategic and involves the development of new rules, norms, values of beliefs that will benefit the organisation. "Uncertainty, turbulence, uniqueness, and complexity in the environment provide openings for organizations to strategically put forth the practices or models that strike external actors as appropriate or effective thus conferring legitimacy" (Zimmerman & Zeitz, 2002: 422) and consequentially, by proximity, resource acquisition (Di Maggio & Powell, 1991; Oliver, 1991; Scott, 2008). All of these conditions are highly prominent in the subsidiary environment, which means that they can act strategically in managing their legitimacy.

Zimmerman and Zeitz (2002) posit that legitimacy should be viewed as a continuous variable ranging in value from high to low and not as a dichotomous concept as viewed in previous research (Scott 1995). In this way multiple sources of legitimacy can be addressed concurrently and there also exists a 'threshold of legitimacy' that new ventures need to surpass in order to achieve further gains in legitimacy and resources. Hence their study defines legitimacy as a "social judgment of acceptance, appropriateness and desirability that enables organisations to access other resources needed to survive and grow" (Zimmerman & Zeitz, 2002: 414). Other institutional authors have built on these types of legitimacy strategies in the symbolic realm in order to explain how organisations can build 'higher levels of legitimacy' (Deephouse & Suchman, 2008).

Zott & Huy (2007) provide a particularly interesting perspective as they take into account the more symbolic nature of how legitimacy can be acquired. In effect they contribute to Kostova *et al.*'s (2008) calls for a better understanding of how legitimacy can be managed symbolically but this argument has not yet been considered in an MNE context. Zott and Huy (2007) have suggested that the different dimensions of legitimacy can be symbolically conveyed through certain actions. Four symbolic categories alluded to involve; conveying the entrepreneur's personal credibility, professional organising, organisational achievement and the quality of stakeholder relationships. Zott and Huy (2007) theorise how these symbolic actions can shape different forms of legitimacy while, in turn these different forms of legitimacy can represent some of the implicit assumptions that resource holders use to make decisions. This casual effect, from symbolic action to legitimacy to influencing utilises Suchman's (1995) different dimensions of legitimacy, namely; *personal, structural, consequential and linkage*. The next section considers these in the context of the MNE subsidiary.

3.13 Legitimacy as a Subsidiary Power Source

According to Suchman (1995) legitimacy can be anchored in distinct but interrelated dimensions such as; the personal legitimacy of the managers, organisational legitimacy of the organisation's structures and processes and the relational legitimacy of other individuals and organisations. Essentially, identifying clearly which aspects/dimensions of the organisation's activities, procedures, personnel and outcomes are being judged by important legitimating constituents is key for developing overall organisational legitimacy (Bitekine, 2011). It is also essential to identify the specific legitimacy audiences in order to operationalise legitimacy. Based on a number of seminal pieces, the next section outlines the main dimensions of subsidiary legitimacy in an attempt to emulate Bitekine's 'enumerative' approach to operationalising subsidiary legitimacy (Ahlstrom *et al.*, 2008; Ashforth & Gibbs, 1990; Baum & Oliver, 1991; Suchman, 1995; Zimmerman & Zeitz, 2002; Zott & Huy, 2007). The following segment looks more closely at this framework and attempts to tie together arguments from chapter two on the micro-political perspective to explain how these dimensions of legitimacy can be leveraged as power sources for the subsidiary when influencing the development of its mandate.

3.13.1 Personal Legitimacy

The starting point for this section revolves around arguments where subsidiary managers develop influence when they are part of a network of influence within the MNE (Barsoux & Bouquet; 2013; Gammelgaard, 2009). Personal legitimacy is a particular form of cognitive legitimacy and can be gained by displaying ‘personal credibility’ i.e. when managers are graduates from top business schools cognitive legitimacy is present (Bitekine, 2011; Suchman, 1995; Zimmerman & Zeitz, 2002). Zott & Huy (2007) have argued that when ‘personal commitment’ is conveyed by subsidiary managers to resource holders then *personal legitimacy*, defined as the display of personal drive, conviction, and vision in ways that might disrupt the old social order and initiate a new one can be gained (Suchman, 1995). Elsbach and Sutton (1992) illustrated how filling roles with members that have qualifications and certification isomorphic to the institutional environment signaled that they were prudent and rational in negotiations with legitimating constituents. Zimmerman and Zeitz (2002) argue that the presence of a top management team with good credentials indicates that the firm is aware of the most effective management techniques even if one cannot find out what managers know or if their techniques are effective. Personal legitimacy therefore rests on the charisma of leaders (Suchman, 1995) or in this case the individual accounts and characteristics of individual subsidiary managers. Other scholars have argued that an important means of acquiring personal legitimacy can be through personal networks (Aldrich & Fiol, 1994) as they can consist of ties to other parties worth ‘piggybacking off’ (Zimmerman & Zeitz & 2002). International scholars in the domain of subsidiary influence have for the most part failed to deliver an acceptable explanation of the micro-level political dynamics between individual managers at the HQ-subsidary interface (Geppert & Dorrenbacher, 2014). More importantly, they have failed to develop an understanding of how personal legitimacy is socially constructed between powerful social and political actors. A number of studies attempt to identify the specific characteristics or roles that personify individual subsidiary managers when attempting to develop subsidiary influence internally. These may help in understanding how personal legitimacy can act as a power source for subsidiary managers.

Firstly, Bartlett and Ghoshal (1992) discussed three roles of subsidiary managers within the transnational: bi-cultural interpreter, national advocate or defender, and front-line implementer. Bi cultural interpreters act as a ‘sensor’ or intermediary between

interpreting or explaining the local environment to corporate managers and ensuring that employees understand the MNEs strategies. National advocates and defenders act as ‘builders’ who feel responsible for defending why certain organisational structures may not be effective in their subsidiary or may not be adaptable to the local context hence they have a high sense of connection with their subsidiary. Front-Line implementers are ‘contributors’ who implement the corporate strategy in the subsidiary despite maybe potential disagreement. They attempt to convince employees of the merits of the strategy so it is important that they develop an understanding of the MNEs viewpoint.

Secondly, Molloy and Delany (1998) argue that subsidiary managers need to adopt a number of different roles for developing a more strategic mindset at three different stages of mandate development. Early on, the ‘subsidiary management team’ classifications build credibility internally within its given mandate by adopting roles of *performance optimizer* or *team leader/driver*. ‘Externally focused initiative-taking’ managers adopt roles of *sensors, visionaries, strategists or changers*. ‘Corporate interfacers’ classifications are the most advanced and operate at the level of HQ-subsidiary manager interaction. It involves roles of: *corporate influencer* – selling the subsidiary and the direction to the HQ; *street fighter* – fighting corporate resistance and politics; or *corporate strategist* – being involved and seeking to influence corporate direction.

There have been some studies that have associated themselves with more general arguments on the different roles of subsidiary managers. These reside mainly in the area of international human resource management and more recently the growing literature on global staffing mechanisms (Collings, Scullion & Dowling, 2009; Collings *et al.* 2010). Much of the literature in this area investigates and conceptualises the need for corporate managers to utilise the international transfer of managers very much as an informal coordination and control strategy among its foreign subsidiaries (Edstrom & Galbraith, 1977). Of particular relevance here, Harzing (2002) identified the different forms of informal control that can be fulfilled by expatriate managers (HCNs), those that are transferred directly from the corporate HQ to their foreign subsidiaries. Harzing’s study distinguishes between three different types of roles that expatriate managers use to try and informally control subsidiary operations. ‘Bears’ are surveillers that effectuate direct, explicit, formal control. “Bumble Bees fly from plant to plant and

create a cross pollination” of contacts within the MNE through socialisation (2002: 369). ‘Spiders’ establish networks of informal communication in order to establish control. More informal roles such as Spiders and Bumble-bees were seen to be more effective in subsidiaries that were quite independent from HQ. These informal influencing mechanisms provide a more subtle and powerful explanation of how influence can be socially constructed in and around the MNE.

Some interesting work has been done on the role of the ‘boundary spanner’ as a mechanism for the social construction of subsidiary influence in the MNE (Schotter & Beamish, 2012; Kostova & Roth, 2003; Vora *et al.*, 2007). Kostova and Roth define a subsidiary boundary spanner as an “individual employed at a subunit who currently has, or has previously had, direct contacts(s) with a headquarters representative (or representatives)” (2003: 304). R&D managers, sales representatives, human resource executives, IT professionals and the general managers are examples of professionals who can have explicit boundary spanning roles (Schotter & Beamish, 2011). Sully Taylor’s (2006; 2007) discussions around ‘high-value boundary spanners’ (HVBSs) highlight the important implications for selecting and developing these individuals for successful maneuvering within the MNE. Taylor’s work cites the importance of HVBSs building relationships and social capital with other HVBSs in both managerial positions and beyond as they possess important firm specific knowledge, capabilities and skills that make this cross-boundary activity so important. Taylor’s work calls for more specific research on the boundary spanning characteristics that make them more effective in their roles, such as integrity, humility, inquisitiveness, global mindset and building trust (Levy *et al.*, 2007). There is no clear consensus on how individuals within the MNE become boundary spanners and the extent to which the ‘boundary spanner’ role can be formalised or defined for that matter (Schotter & Beamish, 2011). There is also no concise understanding with regard to how the MNE can foster these boundary spanners or the way in which they are deployed throughout the corporate structure.

Other studies refer to inpatriates operating as subsidiary boundary spanners, or likewise, expatriates operating as HQ boundary spanners that can be deployed to gather, obtain and transfer knowledge a propos their respective counterparts (Reiche, 2011). Collings *et al.* (2010) found that the flow of international staffing has shifted from an ethnocentric home country model to a more transnational one where HQ now has to become more aware of how it can exploit the subsidiary inpatriate as an MNE resource.

The mandates that are bestowed upon expatriate managers for example to reduce subsidiary's strategic misalignment through social control mechanisms is however much different from the coordination task of an inpatriate boundary spanner (Tung, 1981). The boundary spanner has been defined more as a random function of "the right person being in the right place at the right time" (Schotter & Beamish 2011: 255) and as a result very few MNEs are able to foster their effectiveness (Kostova & Roth, 2003). Schotter and Beamish (2011) did allude to a number of circumstances that create favorable conditions for these boundary spanners, for example, the structure of the MNE may allow them to be actively involved at both the subsidiary and HQ levels functionally instead of role determined. Tenure (20 years or more) also allowed these individuals to create more trust from top management at HQ in order to legitimate their 'linking pin' roles. Other factors included age, locus of control, job involvement and behaviour (Reiche, 2011).

Schotter and Beamish (2011) also argue that boundary spanners are deeply embedded both the specific local context and the MNE as a whole, resembling Vora *et al's* (2007) arguments that these individuals are capable of playing a dual role within and around the MNE. In this sense their key contribution is the creation of trust between individuals and organisations (Mudambi & Swift, 2009). Building on Bartlett and Ghoshal's (1992) depiction of subsidiary manager's roles and applying role identification theory Vora *et al.* (2007) found that high levels of comparable dual identification were strongly associated with effective fulfillment of all three roles. Therefore, managers who developed strong dual identifications with both the subsidiary and the internal MNE interests meant that they were more effective in their roles. Mudambi and Swift (2009) add that the boundary-spanning role can help in brokering relationships between key decision makers as they can identify with the logic of both HQ and subsidiary managers can be particularly effective at crafting agreements. They can establish influence by brokering between social ties they have established at the HQ and the social ties they maintain at their home unit (Kostova & Roth, 2003; Reiche, 2011). These interactions can provide opportunities for the subsidiary to start interacting more with key corporate gatekeepers more regularly and hence develop the necessary social relationships (Adler & Kwon, 2002).

In order to develop these key social relationships at HQ subsidiary boundary spanners need to possess a certain amount of social and political skill (Harvey & Novicevic,

2004). Social skill involves the performances of boundary spanners in taking the perspective of others to influence them and redefine areas of social space (Giddens, 1984). Where there is more social turbulence or uncertainty, social skill can also play a powerful role in getting others cooperation (Fligstein, 2001). Political skill has been defined as “deliberate attempts to manage the meaning shared by others’ in an organization” (Ferris & Judge, 1991: 449) where this meaning is socially constructed and used as a form of social influence (Harvey & Novicevic, 2004). The dimensions of political capital for example, involve reputational capital (those known for ‘getting things done’) and representative capital (managers who have acquired support using their position or legitimate base of power). Harvey and Novicevic (2004) state that global leaders can develop a four component capital portfolio but ultimately these managers must possess the social and political skill to use their individual capital portfolio effectively.

Studies have demonstrated that subsidiary individuals who act as boundary spanners can draw on particular types of power within the MNE such as referent, individual, expert and informal legitimate power (Schotter & Beamish, 2011; Barsoux & Bouquet, 2013). These boundary spanners carry with them a high degree of personal legitimacy and as this legitimacy begins to grow so too does the number of influential actors across the MNE who become sympathetic to the subsidiary (Birkinshaw *et al.*, 2007; Bouquet & Birkinshaw, 2008b).

According to Birkinshaw and Bouquet (2008a) subsidiaries can develop a ‘cooptation of elites’ strategy in the form of deploying HVBSs across the MNE in order to tap into valuable knowledge. Despite this there is still a considerable dearth of research that aims to understand the purposeful ways in which subsidiary managers attempt to socially construct their legitimacy through the use of individual legitimate actors. Geppert and Dorrenbacher (2014) call for a greater understanding of how power and influence is socially enacted in micro-level interactions between powerful individuals at the HQ subsidiary interface. They argue that the social skills of these key actors allow them to enter into prominent positions as powerful brokers between HQ and subsidiary. In the same light this can be a risky approach as corporate managers might view these subsidiary boundary spanners as representing a threat to the status quo if their influence attempts are episodic or perceived tactical in nature (Kostova & Roth, 2003). Attitudes of distrust or cynicism can develop at HQ leading to a ‘social liability’ or illegitimate

claims (Kostova & Roth, 2003). Further, Becker-Ritterspach and Dorrenbacher (2011) posit that subsidiary managers can establish influence internally by deliberately designing career paths, positions and aspirations in order to strengthen social interaction or transferring managers laterally. All of these strategies increase lateral socialisation.

From the aforementioned arguments, it can be seen that subsidiary boundary spanners may use their position to help bridge and buffer interpersonal relationships between HQ and the subsidiary. However, these studies have not directly taken into account the personal legitimacy that these boundary spanners carry with them and how it can be exercised as a power source in establishing subsidiary influence through individual socio-political interactions with HQ managers. Boundary spanners can act as subsidiary 'agents' and are more successful in influencing if they establish a level of trust and legitimacy at the corporate HQ (Harvey & Novicevic, 2004). They can undertake certain issue selling strategies such as lobbying, framing and packaging particular types of messages to key individuals at HQ (Ling *et al.*, 2005). The 'politicking' process that takes place between these individuals becomes an essential element in a subsidiary's influence over corporate gatekeepers. This study aims to investigate how these boundary spanners can leverage their personal legitimacy to develop the necessary personal ties with powerful political and social actors within the HQ in order to further influence the development of the subsidiary's mandate. The next section considers the impact of a subsidiary's consequential legitimacy.

3.13.2 Consequential Legitimacy

Consequential legitimacy is based on the evaluation of outcomes of the subsidiary's activities (Bitektine, 2011; Suchman, 1995). A subsidiary's performance of certain activities or importance of its outcomes is generally judged against the performance of other internal units (Andersson *et al.*, 2007; Tavani *et al.*, 2013). It is logical to assume that consequential legitimacy manifests itself through intra-firm dynamics (Suchman, 1995). In this way the extent to which a subsidiary's power source can be leveraged depends largely on the subsidiary's position in its internal network (Geppert & Dorrenbacher, 2014). Intra-firm competition can be unleashed and stimulated by HQ applying a cherry-picking approach (Geppert & Matten, 2006). However, competition between units may also be as a result of subsidiary initiative to further develop or gain new mandates (Becker-Ritterspach & Dorrenbacher, 2011). Established organisations in this regard can therefore use their performance record to acquire legitimacy and access

resources (Zimmerman & Zeitz, 2002). Bouquet and Birkinshaw (2008a) argue that subsidiaries can gain influence by highlighting their importance to the MNE as a whole through ‘image control’ where they point out their strong track record thereby leading to an acknowledgment from HQ they are in a superior position to other internal sites (Gammelgaard, 2009; Luo, 2005). For example, Ambos *et al.* (2010) demonstrate that a subsidiary can boost its influence based on the success of a past initiative. The logic from the HQs perspective is that any “investment decision is uncertain and that by deciding in favor of a subsidiary that has already been successful in the past, corporate management is reducing the extent of that uncertainty, thereby providing a strong justification for its decision should it prove, in retrospect, to be poor” (Birkinshaw & Hood, 1998: 788). In this way, subsidiaries operate in an environment of cooperation with other internal MNE units, which involves both collaboration and competition with other internal subsidiaries (Luo, 2005). Luo argues that the strategic links between internal subsidiary units are not polarised dichotomies of cooperation and competition but instead they are “simultaneous inclusive interdependences comprised of cooperation and competition as two interrelated but separate axes” (2005: 73). Hence, subsidiaries will differ and fluctuate in their levels of cooperation and competition depending on the evolution of their role (Birkinshaw & Hood, 1998).

Luo’s typology involves the *aggressive demander*, which is considerably offensive and proactive in vying for limited corporate resources at the expense of peer subsidiaries (high competition, low cooperation). *Silent implementers* operate in insignificant markets and therefore independently and reactively execute their role as the HQ boyscout, not needing to compete with other units for HQ resources (low cooperation, low competition). *Ardent contributors* are the centres of excellence in a specific functional or product area whose capabilities and expertise are leveraged or disseminated to peer subsidiaries (Frost *et al.*, 2002). As ardent contributors already possess a pool of unique knowledge and resources, they do not need to compete for HQ resources (High cooperation, low competition). Finally, *network captains* possess “many distinct competencies that are shared within the MNE network and occupies a global strategic leader position in an important market or product area, maintaining both high cooperation and high competition with peer units” (Luo, 2005: 83). Due to the competitive nature of the market and institutional pressures this type of subsidiary competes with peer subsidiaries for HQ resources. These subsidiaries are competent but

not self-sufficient so their strategic leader roles cannot be independently fulfilled. Therefore they are involved in a two directional and mutually supportive knowledge sharing process with peer units (high competition, high collaboration). This study aims to show that these arguments are important for understanding how subsidiary outcomes are judged against sister units and as a result how they achieve consequential legitimacy from HQ.

Tavani *et al.* (2013) have also demonstrated how engaging in RKT can allow subsidiaries to direct HQ attention to their specific capabilities and allow them to develop influence as a consequence of this activity. Subsidiaries can enhance their influence if they partake in this form of activity as it allows them to showcase the different outcomes that they are contributing to the overall MNE. Bouquet and Birkinshaw (2008a) argue this micro-political strategy resembles a process of *coopetition* constituting the most complex yet least available type of micro-political game involving the simultaneous pursuit of cooperation and competition with other parts of the corporate network (Bouquet & Birkinshaw, 2008a). Competition may help foster performance between peer units while cooperation advances the sharing of best practices internally (Luo, 2005).

In this way, issue-selling techniques of RKT and micro-political coopetition strategies allow for the showcasing of ‘organisational achievement’. Organisational achievement can enhance a subsidiary’s *consequential legitimacy*, as all organisations should be judged on what they accomplish, according to the rationalist model (Meyer & Rowan, 1977). Other micro-political actions here have involved manufacturing prototypes, setting up product demonstrations or trial sites and offering awards to present partially working artifacts for working products and technologies (Zott & Huy, 2007). Subsidiary managers could also redefine means or ends by attempting to frame an issue in terms of other values that are seen as legitimate by HQ such as age and size (Zott & Huy, 2007).

Molloy and Delany argue that too often corporate managers ultimately judge their subsidiaries on what they accomplish (Meyer & Rowan, 1991) and subsequently “influence comes out of the barrel of performance” (1998: 26). Reputation and credibility are manifestations of past performance (Deephouse & Suchman, 2008). However, legitimacy, no matter what the results, depends more on the knowledge and perceptions that key corporate individuals have about the subsidiary (Zimmerman &

Zeitz, 2002). In this light, Suchman (1995) argues that credibility based on past performance can result in a subsidiary falling short so they often may need to develop other powerful ways of convincing HQ that they are the right organisation for the job. Therefore, the way in which subsidiary's leverage the consistency of their achievements and capabilities can be important for enacting the resulting consequential legitimacy as a power source to influence the development of their mandates.

3.13.3 Structural Legitimacy

As seen above, MNE subsidiaries lack legitimacy if they are perceived as loosely committed to the other subsidiaries or if their structures and procedures deviate from HQ objectives (Bouquet & Birkinshaw, 2008a). Structural legitimacy is defined as an indicator of an organisations capacity to perform certain types of work and therefore can become markers of organisation worth or 'rightness' in certain functional areas (Suchman, 1995). For the purpose of this study, structural legitimacy will consist of procedural legitimacy as Suchman (1995) posits that they blend together as structures consist of stably replicated procedures. It is important for those subsidiaries who operate in remote host countries to align their practices with corporate values and norms (Kostova & Zaheer, 1999; Westney, 2005). Subsidiary managers may need to partake in internal legitimisation in order to develop a greater degree of influence over their corporate HQ (Gammelgaard, 2009). Isomorphism with the HQ company's practices is perhaps the most apparent form of internal legitimacy for a subsidiary (Hillman & Wan, 2005). Chain and Makino (2007) argue that firms can gain legitimacy in their institutional environments if they mimic the organisational practices and structures of successful firms. Structural legitimacy can be enhanced through enacting symbols of professional organising (Zott & Huy, 2007), for example where formal structures and processes ensure skeptical resource holders that state of the art practices are present and that they are "the right organization for the job" (Suchman, 1995: 581). Zott and Huy show how entrepreneurs gain needed resources by implementing professional services through establishing formal roles such as CFO or vice president and company websites. Further, establishing elaborate offices, dress code or sophisticated rigorous recruiting techniques can help enhance structural legitimacy (Suchman, 1995). Organisations may adhere to *ceremonial conformity* by adopting highly visible and salient practices that are consistent with social expectations while leaving the essential machinery of the organisation intact (Meyer & Rowan, 1977) i.e. providing the appearance of action

without the substance (Ashforth & Gibbs, 1990). Elsbach and Sutton (1992) demonstrate how this may be employed through close links with the media or issuing spokespersons accounts.

The last chapter detailed that subsidiary managers who may be unsure about the types of behaviors that determine being a 'good corporate citizen' can participate in micro-political strategising in the form of 'feed-back seeking' (Bouquet & Birkinshaw, 2008). Feedback seeking is defined as "the conscious devotion of effort toward determining the correctness and adequacy of behavior for attaining value added states" (Ashford, 1986: 466). Seeking feedback allows subsidiary managers to align their structures and processes with corporate executive's objectives and preferences (Barsoux & Bouquet, 2013). In this sense subsidiary managers need to establish 'who the key players are at HQ that they need to influence, what do they want and how do they want it' (Molloy & Delany, 1998). This is a process that should identify who the key gatekeepers are, how the decisions get made and subsequently deploy certain issue selling techniques such as '*framing*', '*fitting*' or '*aligning*' subsidiary structures around corporate preferences (Gammelgaard, 2009; Molloy & Delany, 1998). These preferences may also reside in key individuals who operate in corporate offices. In this regard Gammelgaard (2009) argues that PCNs are more effective at these issue-selling strategies as they have built up more knowledge and contacts at HQ than HCNs. This might seem similar to the process of isomorphism, however Ahlstrom *et al.* (2008) argue that it resembles more closely a process of 'watching' and 'copying' in order to know what the 'hot buttons' of these gatekeepers are (Molloy & Delany, 1998). The next section considers the final dimension of legitimacy.

3.13.4 Linkage Legitimacy

Much of the literature on the MNE subsidiary argues that the subsidiary's local environment is an important source of power as it is the local environment that distinguishes subsidiaries internally (Andersson *et al.*, 2007; Davis & Meyer, 2004). Prior studies have illustrated that subsidiaries that operate in 'strategic locations' i.e. of strategic importance of its local environment to the MNE, are more influential in the sense that they are capable of performing a full range of value-chain activities (Bartlett & Ghoshal, 1986; 1989). Other studies have built on this notion and argued that the local subsidiary network can be crucial for developing a subsidiary's power base (Andersson *et al.*, 2007). More specifically, others have identified the central actors in

this regard such as governments, media, trade unions and NGOs (Becker-Ritterspach & Dorrenbacher, 2009; Bouquet & Birkinshaw, 2008a). These studies ultimately argue that it is important to consider the significance of a subsidiary's local linkages when attempting to influence the transfer of HQ resources internally. According to Collings *et al.* (2010) the Irish institutional landscape enjoys a high level of legitimacy and influence as a location for FDI. Applying these insights and building on arguments from Chen *et al.* (2011), this thesis argues that subsidiaries can leverage this local market legitimacy as a power source to prompt more influence over HQ. Locally bound linkages of subsidiary legitimacy become an essential factor for influencing the transfer of resources from HQ to subsidiary. As Dorrenbacher and Gammelgaard (2010) note, when attempting to influence HQ, subsidiary managers should design their issue-selling strategy in such a way as to clarify the value of the subsidiary's connections with host country institutions and partners, as this can be hidden or overlooked by HQ. In this sense a subsidiary's evolution may take on a logic of its own in that managers' own initiative and discretion affects how well a subsidiary takes advantage of its locational advantages (Cantwell & Mudambi, 2005).

Studies have demonstrated that external legitimacy in the local environment should go beyond nurturing personal contacts and should be determined by all the various stakeholders on whom the subsidiary is dependent (Forstenlechner & Mellahi, 2010; Kumar & Das, 2007). Ahlstrom *et al.* (2008) illustrated that organisations operating in uncertain environments often pursue legitimacy by associating themselves with well-understood and accepted entities. Chinese firms in Ahlstrom *et al.*'s study that created promotional company videos and displayed pictures of central government official visits to the firm, achieved associated external legitimacy. Firms also attempted to demonstrate connections with top officials and principles of important state enterprises to key resource holders. Studies have argued that cultivating external legitimacy through personal ties with powerful political and social actors can change from asset to liability when there is an unexpected change in political leadership (Rodriguez, Uhlenbruck & Eden, 2005). Bucheli and Kim (2012) develop the concept of 'obsolescing legitimacy', in that the MNE can shape the local political environment in which they operate, however in the event that the political regime changes, the subsidiary's political connections may become a liability in the eyes of the new regime hence generating legitimacy problems for the MNE subsidiary. Others have posited that

subsidiaries can achieve external legitimacy if they integrate the so-called ‘legitimate actors’ that they hire from the local workforce within the MNE subsidiary (Boddeyn & Brewer, 1994; Forstenlechner & Mellahi, 2010; Hillman & Wan, 2005).

Zott & Huy (2007) found that entrepreneurial activities that enacted symbols of ‘stakeholder relationships’ also fostered linkage legitimacy in acquiring valuable resources. This involved mentioning relationships with famous people or companies, dropping high profile names, sending flowers, customised email greetings on special occasions and offering gifts displaying corporate logos. These gesture are use din an attempt to influence corporate memory for repeat business (Zott & Huy, 2007). Another source is endorsements (which are favorable opinions given by one organisation to another which serves as a vote of confidence for the endorsed organisation). Examples of endorsements may be positive press coverage (Zimmerman & Zeitz, 2002), product endorsements by celebrities or sponsorship of sporting/community events (Ashforth & Gibbs, 1990). Hence firms can appear trustworthy, decent or wise and achieve linkage legitimacy by trading on the reputation of its partners or character references (Suchman, 1995). Ultimately, these linkages are key for subsidiaries when attempting to leverage power internally but more importantly there is a need to understand more fully the ways in which key subsidiary actors emphasise, utilise and reinforce these legitimate links at HQ when attempting to develop their mandates.

These arguments can help in attempting to operationalise subsidiary legitimacy in an MNE environment. Despite widespread interest in this debate among academics, practitioners and policymakers, empirical research on subsidiary legitimacy as a power source in the context of mandate development has received little or no attention, in large part due to the difficulty in operationalising legitimacy as a construct. This framework can help to explain how subsidiary managers may use their different types of legitimacy as power sources when influencing their HQ. Our study draws on arguments from micro-politics and issue selling in the MNE and utilizes these as ‘conceptual cues’ to illustrate this relationship.

3.14 Research Questions and Research Objectives

Within the context of the relevant literature, this section poses pertinent research questions and develops ‘sensitizing concepts’ (Blumer, 1964) or ‘structural signals’ (Dabos & Rousseau, 2004) from the literature that form the basis for the empirical study.

This study seeks to contribute to the theory of subsidiary influence by investigating the factors that contribute to such influence. The empirical data are drawn from four U.S. MNE subsidiaries in the medical technology industry in Ireland. The primary research question posed is:

How can subsidiary legitimacy be deployed as a power source in influencing the development of the subsidiary's mandate within the MNE?

More specifically this study seeks to address the following sub-question:

What types of subsidiary legitimacy are the most appropriate power sources and in what circumstances can each of these be leveraged?

Adapting the main arguments in the micro-political perspective of the HQ-subsubsidiary relationship, this study incorporates work from leading institutional theorists on the most relevant types of legitimacy as a subsidiary power source in helping to explain a more nuanced approach to subsidiary influence and hence mandate development.

3.15 Concluding Remarks

Chapter two provided a comprehensive background to the development of research underpinning MNEs and subsidiaries. Building on that, this chapter explored, in greater depth, the literature surrounding legitimacy in MNE subsidiaries. Together, they developed an argument that the politically driven nature of the HQ-subsubsidiary relationship has opened up a window of opportunity for a more in-depth examination on the dynamics of subsidiary legitimacy as a power source for establishing subsidiary influence. This chapter concludes that, by applying an institutional lens to the HQ-subsubsidiary relationship, subsidiaries that aim to establish greater influence in developing their mandates must first be able to leverage their legitimacy. This conceptual argument will form the basis for empirically investigating and analysing the connection between subsidiary legitimacy as a power source for influencing the development of their mandate. The next chapter describes the research context wherein which this study takes place.

CHAPTER 4: THE RESEARCH CONTEXT

4.1 Introduction

This chapter outlines the research context in which this empirical study took place. It will introduce the importance of FDI to the Irish landscape principally as a global hub for medical technology companies. More specifically, this chapter will discuss the importance and prominence of U.S. MNEs to this particular industry. Subsequently, the chapter will document the four main case companies that were investigated for this study and give an overview of the corporation on a global scale before recording the MNE's presence through achievements in Ireland.

During the 'Celtic Tiger' years, from 1994-2007, the Irish economy expanded rapidly, mainly due to a low corporate tax rate, low European Central Bank (ECB) interest rates and the escalation of the property market. This unsustainable boom led to the decline of the property market and the collapse of the Irish banking sector. The subsequent financial crisis that Ireland went through in 2007-2008 plummeted the Irish economy into recession for the first time since the 1980s, resulting in an economic depression in 2009. The resulting troika agreement with the International Monetary Fund (IMF) in 2010 made Ireland the first state in the Eurozone to go through such a process⁸. At the time of writing⁹ the Irish industrial landscape was going through a transitional stage. On a global scale Ireland is beginning to reestablish itself as a credible player.¹⁰ Despite these difficulties one area that has been significant in Ireland's eminent return to economic revitalisation of FDI activity in the economy (IDA Ireland 2014). Since the occurrence of this economic downturn, MNEs have contributed significantly to the steady re-growth of the Irish pro-business philosophy, and their increased activity has helped enhance the nation's attractiveness for inward investment. It has been

⁸ As outlined by the Central Statistics Office (CSO) in Ireland.

⁹ Early 2014.

¹⁰ The Global Innovation Index (2013) ranked Ireland 10th out of 125 countries globally with particular emphasis on its local innovation ecosystems.

demonstrated that Ireland has a national competitive advantage in the medical technology sector, indeed, this industry is currently one of the primary factors driving the development of Ireland's economic renaissance (Collins & Grimes, 2011). Therefore, it is important to understand how the main players in this sector operate and function in their contribution to the development of the Irish economy (Barry, 2007).

The major advantages of Ireland as a nation in terms of the macro-political factors that attract investment from MNEs are relatively well documented in the form of low corporation tax, flexible capable workforce, good infrastructure, and a generally pro business environment¹¹. However, what is much less evident, both from an academic standpoint and in practical terms, is an understanding of the micro-dynamic interactions between current MNE divisions operating in Ireland and their corporate counterparts abroad. These interactions can be key in finalising the corporate investment based decisions that ultimately develop the strategic role of the subsidiary and subsequently the Irish economic surrounding (Geppert & Dorrenbacher, 2014). The next section examines Ireland's development over the past several decades as a location for FDI.

4.2 Ireland as a location for FDI

Since the 1960's, Ireland has had a very successful industrial policy of attracting inward investment from foreign owned companies, predominantly in Information Communication Technology (ICT) and Life Science industries (Collins & Grimes, 2011). Due to the relative economic openness and small size of the Irish economy, an exogenous development policy has made sense in this regard, but this model has also resulted in exposure to turbulent dynamics in the global economy (Begley *et al.*, 2005). There are a number of studies that attempt to document 'who' the MNEs in Ireland are and the evolution of their operations (Barry, 2007; Begley *et al.*, 2005; Collings *et al.*, 2008; Jacobsen & Kirby, 2006; McDonnell *et al.*, 2007). Historically, Ireland's business proposition has relied on the lower end of the value-chain, predominantly in fundamental manufacturing activities (Barry, 2007). Begley *et al.* (2005) have documented the five separate phases of MNE investment in Ireland over the preceding half century, outlining the transitional nature of business opportunity for MNEs in

¹¹ Organisation for Economic Cooperation & Development (*OECD Economic Surveys: Ireland 2013*). OECD Publishing.

Ireland from its initial focus on low-cost manufacturing to its aspirations for leading-edge, knowledge intensive activity. The model illustrates how each phase has brought about “increasingly complex MNE participation in products made, activities undertaken and business models incorporated” (2005: 203). Below is an adaptation of Begley’s FDI model, incorporating the changes that have taken place since 2010 and the key sectors targeted by the IDA for the current decade (Table 4.1). This information is also based on ‘Horizon 2020’, the IDA’s strategic blueprint for attracting FDI into Ireland for the coming decade, which sets out a number of milestones that will develop investment further up the value chain of the MNEs concerned. In the first four stages, the evolution of the subsidiaries’ roles progressed from lower to higher value added activities, primarily in manufacturing.

Ireland’s 0% tax on exports in the 1960’s attracted raw material imports from mature industries controlled mainly through the use of U.S. expatriate managers (Barry, 2007). Pharmaceutical companies dominated the landscape in the 1970’s and there was a growing emphasis by MNEs on the use of youthful Irish managers (Begley *et al.*, 2005). The imprint of the ICT sector and further penetration from U.S. medical device companies permeated the Irish landscape in the 1980s with a focus on software development (Barry, 2007). This era saw the establishment of the first European Union (EU) distribution centre for Digital, and the first signs of increasing subsidiary influence due to Irish managerial talent capable of harvesting add-on investments to their manufacturing (Begley *et al.*, 2005). The 1990s saw a change to more advanced manufacturing activities like supply chain management and the establishment of the International Financial Services Centre (IFSC). The IFSC was a major initiative to diversify from a manufacturing base to a more sophisticated model, resulting in “nearly every major player in information technology following Intel to Ireland” (O’Hearn, 2000: 74). Since 2000, there has been a fundamental transition to Ireland’s position in the global value chain, with a substantial drive from Science Foundation Ireland (SFI) to promote science, technology and innovation, including the commercialisation of research at third level institutes and the creation of stronger links between industry and the local institutions (IDA Ireland 2013). The recession in 2008 has not affected the growth of FDI and companies such as Google, E-bay, and others in areas of bio-pharmaceuticals and e-business are still locating their research and design (R&D), European and even global HQ in Ireland. In 2010 Ireland actively pursued investments

capable of bringing in research, design and innovation (RD&I) facilities, as well as marketing and shared service operations in industries such as cloud computing, Intellectual Property (IP) trading, biotechnology and Internet services (IDA Ireland 2013). The ability of MNEs already located in Ireland to maintain as well as secure and grow their ongoing operations is of vital importance to Ireland's continued economic growth (Delany, 2000). According to an Irish Management Institute (IMI) report, in 2013, fewer MNEs (71%) attempted to win new mandates than in 2010 but a higher proportion of these were successful (87%). Within this, 60% of the respondents surveyed reported that they have won new mandates from their global HQ for their Irish operations. The greatest geographical competition for this investment was from the United Kingdom (U.K.), China, U.S. and India. In 2012, for example there was a record 145 FDI investments secured, of which 66 were first time investors, resulting in 6,750 jobs gained, providing €517 million to the Irish economy (IDA Ireland 2013). According to the IDA, there are now over 1000 overseas companies operating in Ireland (of which 384 are U.S. companies, and 78 are medical technology companies) with over 146,000 employees and €100 billion worth in exports. Ireland now hosts 8 out of the world's top 10 ICT companies, more than 50% of the world's financial service firms, 3 of the world's top 5 gaming companies (IDA Ireland 2013). Despite this there are a plethora of scholars that argue against the loss of sovereignty among other problems with what is referred to as a 'corporate takeover' of the Irish landscape (Allen, 2007). The next section discusses more specifically the importance of the medical technology sector in Ireland.

4.3 Medical Technology Sector in Ireland

According to the Irish Medical Devices Association (IMDA), Ireland has the highest concentration of medical-device businesses anywhere in the world outside of the U.S.¹². Ireland is already well recognised globally as having a leading medical technology cluster and advances in the convergence of its different industries is an opportunity that Ireland is well positioned to utilise (Giblin & Ryan, 2012). Medical devices, biotechnology, ICT, software, diagnostics and pharmaceuticals in particular are coming together to form new innovative combinative capabilities such as telemedicine and bioinformatics in ICT and Healthcare and regenerative medicine between medical

¹² See Appendix D for an IMDA map of the Medical Technology Companies operating in Ireland.

technology and bio (IDA Ireland 2013). The IDA defines a medical technology company as one that “primarily designs or manufactures medical technology products and or solutions” (IDA Ireland 2013). The medical technology sector in Ireland is extremely diverse and can be categorised into eight different subdivisions, namely; Diagnostic; Ophthalmic; Orthopedic; Contract Research, Development, Design/Manufacturing; Connected Health; Service; Vascular; and Hospital and Homecare (IMDA). These medical technology companies are heavily involved in a variety of activities ranging from R&D to manufacturing. The IDA are considered key to the success of this approach and they have become known as “public servants with flair” (Jacobsen, 1994: 104).

Illustrative of the scale of the sector, Ireland exported medical technologies worth €7.3 billion in 2010 up 14% from 2008 (IDA Ireland 2013). It is the second largest exporter of medical products in Europe. Eleven of the world’s top thirteen medical technology companies; seventeen of the world’s top twenty-five medical device companies and twenty of the world’s top thirty medical technology companies are located in Ireland. This sector employs over 25,000 employees making Ireland, per capita, the largest medical technology employer in the EU with output per employee rising 16% in 2010 (IDA Ireland 2013). The total value added by medical device companies in 2009 was €3.32 billion up 21% from 2008 out of a total €122billion in IDA clients. The success of these foreign investments are concentrated in certain particular regions which are considered in the next section.

4.3.1 Western Region

In 2002, the IDA developed the National Spatial Strategy (NSS) to achieve a more balanced perspective of how local regions may act as network gateways and hubs with a strategic mandate to attract FDI. These regions and their respective gateways included; the West (Galway); North West (Sligo, Letterkenny, Derry); Mid West (Shannon, Limerick); South West (Cork); East (Dublin); South East (Waterford); North East (Dundalk) and Midlands (Athlone, Tullamore, Mullingar). Within these regions the BMW (Border, Midlands and Western) is considered a central hub or cluster for medical device companies. This region boasts 29 of the 78 U.S. medical technology companies operating out of Ireland and 18 of these reside in Galway and Mayo (IDA Ireland 2014).

The Western region comprised of Mayo and Galway and its principal gateway of Galway City incorporates a main hub in Ballina. This region is heavily populated by overseas companies, almost 80 in total, 63% of these accounting for medical device companies, with over 16,000 employees (IDA Ireland 2013). There is a network of local institutions operating in this sector constituting IDA business and technology parks and major third-level institutions of which the National University of Ireland Galway (NUIG) has established globally recognised industry-academic research centres.¹³ The nature of investment from MNEs in the medical technology sector in the Galway region has developed significantly over the years with only one company investing in 1980 to nineteen companies investing in 2009 (Giblin & Ryan, 2012).

4.4 U.S. MNEs In Ireland

There has been ‘a distinctly American flavour’ to investment in Ireland over the last fifty years (Allen, 2007; Begley *et al.* 2005; Collins & Grimes, 2011) and their effects are as burgeoning today¹⁴. Ireland continues to punch above its weight in attracting inward investment from U.S. companies and in 2012 U.S. firms exported an estimated €100 billion from Ireland to global markets (IDA Ireland 2013). There are a total of 700 U.S. companies operating in Ireland employing over 155,000 people, which accounts for 70% of all IDA supported employment (IDA Ireland 2013). Collectively U.S. companies have invested \$188 billion in FDI in Ireland (five times greater than it was ten years ago) representing 5% of all U.S. investment in the EU and 5% worldwide, equating to more than the total invested in the BRIC (Brazil, Russia, India, China) economies combined (AMCHAM 2013). A record 148 investments had been made in 2011 resulting in 13,000 new jobs, with more than 70% originating in U.S. firms. Additionally €700 million of investments was made in R&D projects in Ireland with over €500 million of this originating from U.S. firms (IDA Ireland 2013). U.S. MNEs operating in Ireland therefore continue to play a leading role in contributing to the development of a number of its significant industries.

U.S. affiliate assets in Ireland have risen by 645% between 2000 and 2009 from \$100 billion to \$800 billion resulting in 12,000 employees being added between this time

¹³ These centers include Regenerative Medicine Institute (REMEDI), National Centre for Biomedical Engineering Science (NCBES) and the Digital Enterprise Research Institute (DERI).

¹⁴ According to the IDA (2013), the U.S. is the single largest source of FDI in Ireland.

(IDA Ireland 2014). So much so that Ireland ranks as the fourth largest market in the world for U.S. service exports and on the other hand 25% of Ireland's FDI exports go to North America (IDA Ireland 2014). Over the last 50 years, Ireland has in effect gone through an FDI process of 'Americanisation' (Murray, 2008) and therefore it is key that we investigate the dynamic relationships between these U.S. MNEs and their corporate counterparts. Some scholars have criticised the Irish politicians acquiescent disposition to these U.S. MNEs and argue that U.S. corporate interests now dictate Irish social and economic policy. According to Allen, Ireland has developed a reputation as a global tax haven for sheltering corporate global maneuverings coupled with an ability to "skim along the bottom of the international regulatory screen" (2007: 103). This is an issue that will have growing concerns for MNE activity in Ireland if the U.S. government decides to legislate how U.S. MNEs undertake their tax transfer schemes. The next section gives a more detailed overview of four of these U.S. subsidiaries operating in the medical device sector in Ireland. These are the four case companies that have been chosen for the empirical investigation of this study. Chapter five gives an outline of the particular sampling techniques that were used for choosing these companies.

Table 4.1: Phases in the Development of MNEs in Ireland

(Source Begley *et al.*, 2005)

<i>Decade/Policy Context</i>	<i>Ireland Advantage</i>	<i>New Sectors</i>	<i>Nature of Activities</i>	<i>New MNEs</i>
1960s <i>Liberalisation of the economy</i>	<ul style="list-style-type: none"> - Low tax regime - Low costs - Capital grants 	<ul style="list-style-type: none"> - Electrical and mechanical components, - Textiles 	Low-value manufacturing and assembly	General Electric; Magna Donnelly; Burlington;
1970s <i>Accession to EU</i>	<ul style="list-style-type: none"> - As above - IDA/government flexibility and familiarity with MNEs 	<ul style="list-style-type: none"> - Pharmaceuticals and chemicals ingredients - Computer components 	<ul style="list-style-type: none"> - Manufacturing and assembly - ‘Repetitive’ manufacturing in capital-intensive sectors 	Pfizer; Penn Chemicals Digital; Wang; Nortel
1980s <i>Investments in ‘skill-based’ education</i> <i>Creation of IFSC</i>	<ul style="list-style-type: none"> - Low tax and capital grants – Government Responsiveness - Manufacturing and MNE management expertise - High availability of technically educated workforce - Entry to Fortress Europe - Sub-supply industries 	<ul style="list-style-type: none"> - Computer manufacturing - Medical devices - Software manufacturing (Exits of firms in low-tech sectors) 	<ul style="list-style-type: none"> - Sub-assembly and finished products manufacturing - Advanced and high skill manufacturing - Emerging investments in related activities, e.g., logistics, supply chain, customer services 	Bausch & Lomb; Lotus; Lucent; Microsoft; Intel; EMC; Apple
1990s <i>‘The Celtic Tiger’</i> <i>Rising Cost Base</i>	<ul style="list-style-type: none"> - Low tax and capital grants for manufacturing and export - Educated workforce across a range of disciplines, particularly in ICT - Sophisticated management expertise in MNE operations - Cluster effects and access to University system - Access to Europe - Government responsiveness 	<ul style="list-style-type: none"> -Software localisation and development -Financial services - Advanced medical devices (Exits in sectors requiring ‘low costs’) 	<ul style="list-style-type: none"> - Increasingly sophisticated supply-chain activity - Software development - Call-centres in a range of sectors - Financial services -Supply-chain activities 	Dell; Xerox; Boston Scientific; Guidant; Citibank; Accenture
2000s <i>Knowledge Economy</i>	<ul style="list-style-type: none"> Low tax for all activities - R&D support and infrastructure - Highly educated and adaptable workforce - Orientation to knowledge-intensive economy - Base for EU activities - Agile government 	<ul style="list-style-type: none"> Software development e-Business Bio-pharmaceutical (Ongoing exits of ‘low-cost’ activities and manufacturing) 	<ul style="list-style-type: none"> -Knowledge-intensive activities in customer service, supply-chain and HQ functions - R&D activities -Sophisticated manufacturing in regulated, demanding environments 	Google; e-Bay; Genzyme; Wyeth Biopharmaceuticals
2010s <i>Smart Economy</i>	<ul style="list-style-type: none"> - Development of an ecosystem around local institutions - Convergence of different sectors - Transformational approach - Corporate tax and grants 	<ul style="list-style-type: none"> - Cloud Computing services - Services Innovation - Convergence - Clean tech - Indigenous sector 	<ul style="list-style-type: none"> - RD&I activities - Shared services centres & internet focus -EU and Global HQs est. - IP trading - Financial analytics -Nano-tech surgical implants 	Facebook (2008), PayPal,

4.5 CASE I: HEALTHCO¹⁵.

HEALTHCO is an independent, employee-owned company that develops, manufactures and markets healthcare products and services to healthcare professionals and patients. HEALTHCO employs in excess of 3,400 people in more than ninety countries worldwide and has five major manufacturing facilities located in India, the U.S., Denmark and Ireland. HEALTHCO was formed in the 1920s, as a small printing company under its entrepreneurial founder. From its inception, HEALTHCO appeared to develop a solid reputation for quality and service with the founder's philosophy of 'only first class is good enough'. In the 1940s, the company was purchased and the current name adopted. It also began developing products in the medical domain at this time. The 1960s saw the company's reputation in the development of healthcare products prosper, which led to the opening of their first major production plant in the mid-west of the U.S. The corporate HQ remained there and two further manufacturing plants were built in the 1970s.

Before leaving, the company owner and founder set up a private trust, which ensured that the company would continue to be independent and employee-owned. In the 1990s they expanded into the mother baby care business with another acquisition. HEALTHCO is today seen as serving the global healthcare community in ostomy care, continence care, wound care and mother baby care. HEALTHCO are considered to have a high level of expertise in product development, manufacturing and distribution of ostomy and continence care products.

4.5.1 HEALTHCO in Ireland

HEALTHCO set up a major manufacturing division in the West of Ireland in the 1970s, which today employs over 450 people in new product development and manufacturing. HEALTHCO's Irish division can be very much viewed as having a strategic role within the corporation along the lines of a primary centre of excellence for the development of ostomy and continence care products. Drawing on responses from interviews with subsidiary managers in this study and other media reports, it was identified that HEALTHCO set up in Ireland for a number of reasons. The first of these involves

¹⁵ These four companies are given pseudonyms to provide anonymity.

Ireland joining the EU in 1973, which meant there were no tariff barriers from shipping into the EU from the U.S. The IDA also provided very generous grant aid to greenfield sites at the time, and Ireland is an English-speaking nation, which made it an easy transition. Ireland also had low labour costs, a close proximity to Europe and a well-educated workforce. According to interviewees, one of the biggest reasons however for HEALTHCO setting up in the west of Ireland was the personal preferences of the founder. The founder was a family orientated individual and he viewed HEALTHCO as a family business, where he wanted the workers to take on a strong sense of ownership and view the company as being their own entity. The founder viewed Ireland as consisting of the type of community that would gather around the company to help and support it (Financial Controller HEALTHCO).

HEALTHCO's Irish subsidiary is currently going through a major restructuring, and are growing and diversifying rapidly, with over half of the global investment from corporate HQ currently coming into its Irish facility (Plant Manager HEALTHCO). This has meant that over the last several years the corporation as a whole has become more diversified and there is much more interaction across the different divisions but this has not come without a great deal of complexity. According to the Vice President (VP) of R&D at HEALTHCO, 98% of the Irish plant's products are exported worldwide to markets such as Europe, U.S., South America, Africa and the Middle East with just 2% destined for Ireland. It was also one of the first companies in Ireland to receive the 'Excellence Through People Gold Standard Award', an indicator of its quality people management practices.

In 2007, HEALTHCO received the Environmental Management System (ISO 14001¹⁶) award, in recognition of its measure to protect the local environment. HEALTHCO has been part of the Irish economy for thirty-six years, contributing more than €52 million annually and €40 million spending on salaries and materials annually. HEALTHCO have set up a dedicated new product development (NPD) department in the Irish plant with the focus of expanding the range of product possibilities for the new generation of continence care products. The company has also in the last year established a research

¹⁶ ISO 14001 is a particular form of international quality standard from the International Organisation for Standardisation that recognises an organisations ability to control their environmental impact. Other relevant standards for medical device companies in this study include ISO 9000 awards for high standards in quality management practices.

and technology development team to explore new material and technologies in the longer term that will support the NPD team in its shorter-term focus. The Irish division recently earned a significant extension to their mandate as HQ invested €65 million in an expansion project to its Irish facility, which added an extra 250 high-end research and development engineer and managerial jobs to the subsidiary. The project also created over 200 jobs during the construction period, which added over 100,000 square feet to the plant. The expansion allowed for increased manufacturing capability in both the company's ostomy and continence care product ranges.

4.5.2 Evolution of the Irish Subsidiary's Mandate

HEALTHCO's Irish subsidiary has an extensive and established history. It is one of the largest employers in the local area and as a result it is considered an important contributor to the both the Irish economy and internally within the MNE. More importantly the Irish plant has benefited greatly from some major restructurings and the internal drive to expand growth across the EU. For example, there have been a number of occasions where activities in other EU subsidiaries have been divested into the Irish plant. Historically, the Irish subsidiary has largely been a manufacturing based site but over recent years it has attracted investments from HQ in marketing and product development but more significantly an extensive R&D base. It appears that HEALTHCO, as an MNE, has developed a much more complex corporate model over the last two years. It has evolved from a decentralised to a more integrated structure globally, meaning that certain decision-making responsibilities for existing product innovations are made outside the Irish plant. Subsidiary managers at HEALTHCO expressed concern that as the company starts to expand the subsidiary will also have to develop, which will expose it to more challenges. However, the Irish subsidiary has received more investment than any of its sister subsidiaries over the last five years.

4.6 CASE II: MEDCO.

MEDCO is a global leader in medical technology and develops a wide range of products and therapies with emphasis to diagnose, prevent and monitor chronic conditions. MEDCO was founded in the U.S. in the 1940s, starting as a medical equipment repair shop and growing since into an MNE that uses technology for debilitating, chronic diseases where conditions are treated and managed. In the 1960s, the company internationalised by building major manufacturing plants in Canada,

France, Japan and Latin America and today they operate over 250 manufacturing facilities, sales offices, research centers, education centers and administrative facilities that serve a market of 8 million customers and patients in over 120 countries. They further developed in the 1980s and 1990s through the acquisition of other medical technology companies enabling them to enter new markets such as Ireland. Their corporate HQ is based in the mid-west of the U.S. and they employ over 45,000 employees worldwide. According to company annual reports, MEDCO rely heavily on the universal application of their founding mission written 40 years ago, which is centered around the concept of an ethical framework that provides their employees with an ‘inspirational goal’. Over the years they have adopted additional technologies including radio frequency therapies, mechanical devices, drug and biologic delivery devices and diagnostic tools, which are today used to treat more than 30 chronic diseases. MEDCO also have a number of cross-business groups globally that leverage best practices through MEDCO international, quality and operations, strategy and innovation and healthcare regulatory policy. Their expertise in the treatment of heart disease is a result of pioneering use of electrical stimulation to improve the technological aspects of their innovations.

MEDCO operate regional headquarters in Switzerland and Japan and their stocks are traded on the New York stock exchange. According to annual company reports, financial revenue for the year ended April 27th 2012 was over \$16 billion. They have a number of different divisions worldwide each contributing a different percentage of annual revenue to the company. These divisions, and their contribution to MEDCO revenue for 2012 include; Cardiac Rhythm Disease management (31%), Spinal (20%), cardiovascular (21%), Neuro-modulation (11%), Diabetes (9%), Surgical Technologies (8%). At the end of 2012, 38% of MEDCO’s revenue was coming out of new products introduced in the last 3 years whereas 21% of their revenue is coming out of emerging markets such as central and eastern Europe (1%), greater China (2%), South Asia (4%). However, 55% of their revenue still comes from the U.S. market and 25% from Western Europe. In 2008, MEDCO was named on Fortune magazine’s annual list of ‘America’s most admired companies’ for the eleventh consecutive year and ranked in the top ten in its industry sector.

4.6.1 MEDCO in Ireland

MEDCO Galway is one of the biggest sites in the MNE, together with the Puerto Rico and Mexico sites. Of the total revenue for the MNE just over 13% of it (\$2.5billion) comes out of the Galway site. The Galway subsidiary employs over 2,500 employees in the west of Ireland, making them the largest medical research centre in Ireland. MEDCO also has a sales and shared service office in Dublin supporting key businesses including Cardiac Rhythm Disease Management, Neuro-modulation, Spinal and Biologics, Diabetes and Cardio-vascular. According to the 'Great Places to Work Institute' MEDCO has been ranked in the top ten best places to work for in Ireland since 2010. They claim to be highly concerned with ensuring environmental sustainability using ISO393 certificate in 'Energy Management System Standards' in order to reduce energy usage. In addition to this they also hold an 'Integrated Control Pollution License', which governs all site activities. They also possess other important certifications in quality such as ISO1400, which all appear to give the MEDCO plant in Galway significant credibility globally. Since this study's inception, MEDCO Galway have built an innovation centre for the development of relationships with customers locally. It provides up to 100 more jobs and features state of the art facilities, including virtual labs, wet labs and innovation workshops. In 2012 however, it was announced that pre tax profits at the Galway site slipped 21% on the previous year despite a 9% increase in turnover. MEDCO's Galway subsidiary predominantly derives its revenues from sales of healthcare products principally to group companies in the U.S. and Switzerland.

4.6.2 Evolution of the Irish Subsidiary's Mandate

MEDCO has been present in Ireland since the late 1990s and their facility in the west of Ireland develops and now manufactures a number of key medical technologies for the treatment and management of cardiovascular and cardiac rhythm disease. MEDCO acquired an Irish based firm that had already developed an established global technology centre for the manufacturing and R&D of stents in cardiovascular. In 2002, MEDCO recognised its Irish subsidiary as a COE in the Cardiac Rhythm management division. The Irish plant currently has over one hundred people employed in R&D with an ability to take projects from initial conception through to commercialisation. Since its inception MEDCO's Irish subsidiary has developed its mandate within the MNE from predominantly line production to what is at present a lean manufacturing focus.

According to industry reports, the Irish subsidiary has developed this leadership role within the MNE mainly through a focus on improving efficiency and reducing waste, which has subsequently moved them further up the corporate value chain in terms of the types of functionality they are now looking to attract from HQ. Since 2003, the Irish site has also added over two thousand employees gaining significant developments in R&D functionality and it appears that they are now a vital cog in the overall corporate structure.

MEDCO is the second largest of the MNEs investigated in this study and has recently experienced a change in top management in the corporate U.S. As a result, a new business unit structure has been established. This involves a matrix structure and has slowly meant more interaction for the Irish subsidiary with corporate. MEDCO has gone through a slight recasting of its strategic values and in the early 2000s the Irish subsidiary recognised it was viewed as a site that was not open enough and difficult to get information from. On this basis, Irish managers decided to change their policy and become more transparent, mainly with the strategic objective of attracting more business from corporate. Since 2003, the plant has added over 1000 employees, illustrating the significant development of its mandate. The next section considers the third company involved in this study.

4.7 CASE III: PHARMCO.

PHARMCO is the second largest of the four companies investigated for this study and is headquartered in the Massachusetts area. In 2008, the principal executive office was moved from Bermuda to Dublin. In 2009 it changed from a limited company to a public limited company (PLC) and shares began trading on the New York stock exchange. As of December 2012, the company's revenues were \$11.9 billion and it is operating in over 70 countries worldwide with over 43,000 employees and its products are sold in over 140 countries worldwide. Officially, PHARMCO was established as a stand-alone entity in 2007 after they were spun-off divisionally from a major conglomerate that had originally acquired an Irish company. Its growth strategy has been dominated by acquisitions (8 in 2012) which has led to integration issues and an increasingly complex global structure. PHARMCO is a relatively new company and therefore a lot of their global integration systems are only starting to take shape. For example, PHARMCO

have recently set up a HR shared services facility in Prague in order to develop a more integrated talent management system globally.

Table 4.3 depicts PHARMCO's General Business Unit (GBU) structure with associated annual revenues since 2010. PHARMCO manufactures, distributes and services a diverse range of product lines in three different segments: Medical Device, Pharmaceuticals and Medical Supplies. These divisions have pioneered products in areas such as surgical stapling, wound care, electro surgery and pulse oximetry. According to annual reports, in the last five years PHARMCO has more than doubled its R&D spending, now employing over 2000 R&D personnel globally and in 2012 they invested \$1.3 billion acquiring growth assets with over 14,500 patents, where R&D spend came to \$600 million in 2012. PHARMCO has over 50 manufacturing facilities in 18 different countries worldwide and in 2012 new R&D centres also opened up in India, France and the U.S. They are also heavily involved globally through philanthropic initiatives funding more than 300 financial grants in 2012 and also donating funding to natural disasters in Haiti and the U.S. In total Table 4.2 illustrates that PHARMCO have 350 facilities worldwide; 277 facilities in Medical Devices, 33 in Pharmaceuticals and 29 in Medical Supplies with 11 corporate facilities. According to their annual reports, PHARMCO's competitors are very diverse and depend on the different business divisions. In medical devices companies such as Boston Scientific, Johnson and Johnson, Baxter and Stryker exist whereas in Pharma major players include Pfizer. There is much more intense competition in medical supplies due to economies of scale and innovative low cost suppliers where major players include Becton Dickinson and C.R. Bard.

Table 4.2: PHARMCO Manufacturing Facilities & Overall Manufacturing Production by Region¹⁷

Americas (84%)	Europe/ Middle East (11%)	Asia –Pacific (5%)
United States (26)	Ireland (4)	China (1)
Mexico (3)	France (2)	Japan (1)
Canada (2)	Germany (2)	Malaysia (1)
Brazil (1)	Israel (1)	Thailand (1)
Dominican Republic (1)	Italy (1)	
Puerto Rico (1)	Netherlands (1)	
	United Kingdom (1)	

Table 4.3: PHARMCO GBUs¹⁸

PHARMCO Divisions	2012 (Sales \$)	2011 (Sales \$)	2010 (Sales \$)	Main Product Areas
Medical Devices	8.1billion (68%)	7.8billion (68%)	6.7billion (64%)	Vascular; Oximetry & Monitoring; Energy Devices; Endomechanical instruments
Pharmaceuticals	2billion (17%)	2billion (17%)	2billion (17%)	Specialty; Active; Contrast and Radio Pharmaceuticals
Medical Supplies	1.7billion (15%)	1.8billion (15%)	1.7billion (17%)	Nursing care; Medical surgery; original equipment

4.7.1 PHARMCO in Ireland

Although PHARMCO has over 30 years of manufacturing experience in Ireland under another company name, it was officially set up in Ireland in the mid 2000s under its current name. PHARMCO employs over 1,500 people in Ireland and operates several

¹⁷ Sourced from PHARMCO Annual Report 2012

¹⁸ Sourced from PHARMCO Annual Report 2012

production facilities in the west, midlands and Dublin. One of the midlands facilities has been in operation for twenty years and now employs approximately 500 people, where it manufactures a range of respiratory devices and services that facilitate the monitoring, diagnosis and treatment of these conditions. Another plant has been in operation since the early 1980s and employs over 400 people in manufacturing, quality engineering, supply chain and site support services as well as R&D. This plant accommodates a number of European Middle East and Africa (EMEA) functions such as regulatory and quality affairs. The Dublin plant set up in early 1990s and employs over a 100 people mainly handling customer service for the EU and Middle East. In 2010, a European service centre was set up in Dublin where it now employs over 200 people. Central Dublin is also home to PHARMCO's principal executive offices.

4.7.2 Evolution of the Irish Subsidiary's Mandate

The Irish site in the western region is the focus for this study and it is positioned primarily in the medical devices division where it operates under the respiratory and monitoring unit. The subsidiary's mandate is focused mainly in capital equipment manufacturing, of critical care ventilators, monitors, and sensors and has been in operation for 16 years, employing approximately 400 people. It is a unique site internally in that it is the only one that manufactures capital equipment in this way with a core technology in hardware, homecare ventilators and patient monitors in oxymetry. Despite being one of Ireland's largest private investors in R&D technologies, the western subsidiary has limited R&D capabilities and those it has access to are located in sister subsidiaries in Ireland. In 2011, PHARMCO announced an investment of close to a million euros in the form of several development projects between its midlands and western plants and other projects that would be run at independent sites and third level institutions. Also in 2010, they announced similar R&D focused projects with the western plant and a local university. Moreover in 2011 one of the midlands plants suffered significant job losses, illustrating the dynamic nature of the evolution of the western plant's mandate from corporate HQ. It appears that the PHARMCO 'Irish model' in general has been used as the benchmark for setting up operations abroad due to its successful disposition in the past. PHARMCO have expressed their desire to use Ireland as a pilot for its increased dedication to pushing innovation through increased R&D investment and a much more focused growth strategy.

Historically, PHARMCO's reputation globally had been tarnished with a number of corporate scandals, therefore the MNE was divided up into stand-alone entities, where some were spun-off and others were renamed. PHARMCO's structure was historically one of little interaction between plants and the CEO of the MNE who has changed a number of times since 2007. Currently they are moving from a hybrid to a more purposive integrated matrix structure. With this they are transforming to a decision making model where an executive committee or the "C-suite" will make specific resource allocation decisions. A corporate source described how PHARMCO's "Irish HR model" has become a centre of excellence in itself and this has been mainly due to the role of the Irish managers as "cute whores and political animals" (EMEA HR Director). He cited how they have been successful in dealing with what is an "unforgiving evolutionary international model" that other internal sites have not been able to manage as effectively.

4.8 CASE IV: CHEMCO.

CHEMCO was established in the 1980s and its corporate HQ operates out of the north west of the U.S. Its main operations consist of the development, manufacture and distribution of medical technologies in diagnostic and interventional radiology, cardiology and endoscopy procedures and is the world's leading producer in digital inflation technology. The company has also established itself as a world leader in homeostasis valves and is renowned for its capabilities in product innovation, customer service and product quality. More specifically, its primary products reside in interventional and diagnostic procedures and consist of inflation devices used in angioplasty and stent replacement; diagnostic and therapeutic catheters, diagnostic and hydrophilic products for monitoring, and products for treating uterine fibroids, hyper vascular tumors, guide wires, catheters and disposable syringes. The company sells its products through a direct sales force, distributors and other manufacturers while serving hospitals, radiologists, neurologists, physiatrists and other medical practitioners such as nurses and technicians. A newly created division has increased their focus in the gastroenterology medical device market allowing them to take advantage of the next-generation stent technology used in the lungs and esophagus.

Globally, CHEMCO employs approximately 2,500 people of which 130 are dedicated to domestic and international sales. CHEMCO has a number of facilities distributed

worldwide, several factories in manufacturing in Ireland; the U.S. (procedural trays and packs); Netherlands (customer service and EU distribution); and France with other functional offices operating out of the U.S. Denmark, Japan and China. R&D activities are primarily conducted out of The U.S., France and Ireland. The company's initial business plan focused on venture capitalists but soon became a public corporation and by the late 1990s it was one of the fastest growing companies in its industry, operating quarterly revenues of \$20 million. During this time it had also developed into a vertically integrated company, handling its own product design, manufacturing, marketing and distribution, which increased its customer interaction and feedback facilitating the company's innovative knowledge. According to annual reports, CHEMCO reported revenues of \$400million in 2012 and their owner's vision is to become a billion-dollar company. They are currently growing rapidly through acquisitions and increased introduction of new products and despite financial turmoil in Europe, direct sales grew by 31% in 2011 and their new model as a master importer grew in China by 66% in 2011.

CHEMCO compete with a number of large MNEs such as Boston Scientific, Pfizer, Johnson & Johnson, Abbott and also some medium sized companies. At the end of 2011, CHEMCO owned as many as 400 U.S. and international patents and patent applications and a number of their foreign facilities have received various ISO certifications including Ireland, U.S., Netherlands and France. Much of the corporation's success appears to be as a result of its Founder, who is also currently the Chief Executive Officer (CEO) and Chairman. Despite being a large MNE that is rapidly internationalising the CEO runs the company like a family business, with a strong emphasis on creating and maintaining personalised relationships with all local subsidiary managers. Their acquisition of *Bioco¹⁹ in 2010 was a significant strategic investment and a statement of intent to become a more advanced player in what is ultimately their most profitable market going forward. Table 4.4. depicts CHEMCO global annual revenues since 2009 in each of its divisions. Revenues for 2012 were almost \$400 million, up from 2011 and based on current information are expected to increase again by approximately nearly 20% by 2014.

¹⁹ This pseudonym is used to provide anonymity

Table 4.4: CHEMCO Global Revenue²⁰

	2011 \$(million)	2010 \$(million)	2009 \$(million)
<i>Cardiovascular</i>	347,430	287,707	249,800
<i>Endoscopy</i>	12,019	9,408	7,622
Total Revenue	359,449	296,755	257,462

4.8.1 CHEMCO In Ireland

CHEMCO’s manufacturing facility opened in Galway in the mid 1990s with the aim of expanding its manufacturing, distribution and to a lesser extent its research capabilities. The Irish site’s workforce has increased by over 40% over the last two years and it currently employs over 400 employees. It is essentially a COE for guidewire technologies and the facility has developed from a manufacturing site to what is now the principal manufacturing plant for CHEMCO’s leading global product in inflation devices. Products developed include specific guide wires, inflation syringes and homeostasis valves and it is the market leader in these products with a 40-50% of the world market share. The Irish plant has been the beneficiary of a number of significant corporate investments over the last five to ten years but none more so than a recent facility opening in May of 2012 worth over €20 million. The facility doubled the capacity of the site and added over 200 jobs in considerable R&D activities, shared services and operations support. The new building is the European HQ, operating on a greenfield site where it will be responsible for providing general financial and operational management to all European operations. The CEO commented in the media on the reasoning behind this investment and the following quote highlights the corporate perspective of it’s Irish operations; “our high level of satisfaction with our Galway facility’s ability to take on new challenges and its successful track record in developing new products over the past 16 years were major factors in implementing this

²⁰ Sourced from CHEMCO Annual Report 2012

crucial investment there. In addition, we believe the proven commitment of the Irish management team and workforce will help to ensure that these latest developments will be implemented successfully and result in the facility increasing its already significant role in our global business” (IDA Ireland 2013).

4.8.2 Evolution of the Irish Subsidiary’s Mandate

CHEMCO are a very small MNE and have a rather unique set up structurally, especially when it comes to its dealings with the Irish subsidiary. The CEO and Chairman is very much the face of the company and takes a hands-on approach almost running it like a family firm. The Irish subsidiary’s most recent corporate investment of \$20 million, which was a plant expansion and the construction of a state of the art R&D facility, has effectively transformed the Irish subsidiary into the company’s European HQ and appears to have enhanced the entire site. The Irish subsidiary is considered a big cog in a small wheel but is a COE in the manufacturing of guide wires. It appears to be rapidly growing in this area and looking to expand by identifying new opportunities in other related product areas, mainly through its growing R&D operations. The subsidiary has more recently openly expressed an interest in purposely positioning itself to be the central hub for operations support when entering emerging markets such as China and Brazil. Selling the subsidiary’s future role in this regard may provide them with a number of avenues for influencing future corporate investments in the site.

4.9 Concluding Remarks

This chapter has given an overview of the research context wherein the empirical study was undertaken. Adapting Begley *et al.*’s (2005) framework, it documented the way in which Ireland has transformed from a low-cost manufacturing location for FDI to one that is now solely focused on developing a smart economy through a more collaborative approach of convergence and specialisation. The importance of Ireland’s current policy of attracting FDI from U.S. MNEs and more specifically in the medical technology sector. The four case companies, which are the main focus of this study’s empirical investigation, were described with a thorough analysis of their overall corporate configuration and more particularly the significance of their Irish operations to this model. The next chapter will look more closely at the main research design that was used for this thesis.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 Introduction

The main focus of this study is on understanding how subsidiary legitimacy can be leveraged as a power source in influencing the development of the subsidiary's mandate within the MNE. In order to investigate this issue a particular focus has been given to the dynamics that take place between individual managers at the HQ-subsiidiary interface with regard to subsidiary mandate development. This chapter will outline the particular methodological decisions taken in the process of conceptualising and designing the research that was undertaken for the aforementioned purpose. The chapter will open with a discussion regarding the main theoretical philosophies in the form of positivism and phenomenology, and the phenomenological stance of the researcher is outlined. It will subsequently explain the case study approach as the chosen qualitative research method while the rationale for choosing the study's main unit of analysis, in the form of four medical technology MNE subsidiaries, is given. Following this, the study's main data collection and analysis techniques are examined prior to concluding with an evaluation of the research design, incorporating the validity, reliability, and generalisability of the study.

The research design described below was very much of a qualitative nature, encompassing thirty semi-structured personal interviews with subsidiary managers across each case study (this included one interviewee from an IDA representative).

5.2 Theoretical Foundations – Philosophical Underpinnings

Thomas Kuhn describes scientific paradigms as “universally recognised scientific achievements that, for a time, provide model problems and solutions to a community of practitioners” (1962: 8). Qualitative and quantitative research designs are closely associated with, and affected by, different philosophical stances and an understanding of these suppositions can assist the researcher in clarifying what evidence to collect and how to collect it (Johnson *et al.*, 2006). The research process traditionally consists of two dominant philosophical paradigms; positivism and phenomenology. Positivists inherit two assumptions; an ontological belief that reality is external and objective, and an epistemological conception that significant and relevant knowledge should be based on observations of this external reality. The phenomenological paradigm²¹ has an ontological assumption that reality is socially constructed (Saunders *et al.*, 2009) and an epistemological curiosity of human behaviour from the researcher’ own frame of reference, as social reality is within us, consequently affecting the reality we investigate (Hussey & Hussey, 1997). Social reality is not independent of the mind therefore what is researched cannot be unaffected by the process of research (Bryman & Bell, 2007).

Positivists associate themselves with quantitative data techniques, as the role of the researcher should be to test theories and provide material for the development of laws (Bryman & Bell, 2007). In this way, the study of human behaviour should be conducted in the same light as the study of the natural sciences, where these researchers adopt the philosophical stance of the ‘natural scientist’ (Saunders *et al.*, 2000). Scientific knowledge is collected and measured through factual data and one’s values are typically treated as only subjective feelings, attitudes or preferences about objective states of affairs. Hence, the world and its objects, us included, become ‘objectified’, with the social scientist, as outlined by Turner, occupying a “disinterested viewpoint detached from any values, taking an outsiders perspective, a viewpoint standing above or apart from the social arena” (2006: 48). Therefore, positivists focus on causal relationships among events for the purpose of producing generalisations and associated context-free universal laws. Objectively the researcher should remain completely independent from the research, starting with a theory or hypothesis about

²¹ This paradigm is also known as ‘interpretivism’ or ‘social constructionism’ (Berger & Luckman, 1967).

the nature of the world and seeking data that will confirm or disprove that theory. According to Easterby *et al.* (2008), the main strengths of the positivist paradigm is that it can provide holistic coverage in understanding a range of situations, as they are generally prompt and economical ways of collating statistics from large samples. However, these methods can be quite inflexible and artificial in that they are not very effective for understanding socially complex processes and situations, thus not very helpful in generating new theories (Easterby *et al.*, 2008).

Alternatively, social constructionists' appreciate the different complex interpretations and meanings that people place upon their experience rather than searching for fundamental laws to explain their behaviour. Properties should be inferred subjectively through sensation, reflection and intuition as human interests guide the way we think and construct our knowledge of the world (Easterby *et al.*, 2008). Phenomenology is rooted in work from Kuhn (1962), Krupp (1964) and Silverman (1970), and is associated with qualitative techniques that have the ability to contribute to generating new theories, by developing a greater appreciation for how issues can change over time while understanding people's meanings behind this change (Bishop, 2007). More importantly, these techniques gather natural data capable of being adjusted and altered as new issues emerge over time (Eisenhardt, 1989). On the other hand, they can be time consuming as data collection and analysis are generally difficult and tediously iterative activities (Easterby *et al.*, 2008).

As Van Maanen explains, the main objective of the social constructionist is to "uncover and explicate the ways in which people in particular work settings come to understand, account for, take action and otherwise manage their day to day situations" (1979: 523) guided by constant analytical reviewing (Miles & Huberman, 1994). Qualitative data require a great deal of care and self awareness by the researcher as this close position to the research is at risk of double interpretation, where the researcher may inadvertently attempt to provide an interpretation of others interpretations (Turner, 2006). Krupp (1964) acknowledged organisations as human creations as people have thought of them in that way and have acted on these thoughts, hence these people can only be temporarily 'detached' from these thoughts for the purpose of analysis (Turner, 2006). Ultimately, this study trusts that science is an activity in which the objective character of things should result from the social process, where meaningful human action or lived experience should be described in their own terms instead of reducing

them to deterministic universal laws. Table 5.1 outlines the key contrasting implications of positivists and social constructionists.

Table 5.1: Contrasting Implications of Positivism and Social Constructionism

	Positivism	Social Constructionism
The observer	Must be independent World is external and objective	Is part of what is being observed World is socially constructed and subjective
Human interests	Should be irrelevant	Are the main drivers of science
Explanations	Must demonstrate causality	Aim to increase general understanding of the situation
Research progresses through	Hypotheses and deductions	Gathering rich data from which ideas are induced
Concepts	Need to be defined so that they can be measured	Should incorporate stakeholder perspectives
Units of analysis	Should be reduced to simplest terms	May include the complexity of whole situations
Generalisation through	Statistical probability	Theoretical abstraction
Sampling requires	Large numbers selected randomly	Small numbers of cases chosen for specific reasons

Source: (Easterby-Smith *et al.*, 2008).

5.2.1 Phenomenological and Qualitative Approach of this Study

Van Maanen defines qualitative research as an umbrella term to cover an “array of interpretive techniques that can describe, decode, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world” (1979: 520). The reclamation of applying a qualitative research paradigm to international management has been emphasised consistently from a variety of influential scholars over the last several decades (Balogun *et al.*, 2011;

Birkinshaw *et al.*, 2011; Cavusgil, *et al.*, 2008; Marschan-Piekkari & Welch, 2004; Pratt, 2009). In these considerations, qualitative research is uniquely suited to opening the black box of MNE issues regarding the ‘how’, ‘who’ and ‘why’ of how social experience is created and given meaning (Doz, 2011: 583). As Birkinshaw *et al.* (2011) note, qualitative research can play an important role in garnering a deeper understanding and developing a more dynamic, process orientated model of the micro-processual interactions between individuals within and across the MNE and its different environments (Tung, 2008). Furthermore, a qualitative approach is important for investigating the complex and dynamic relationships between HQ, its subsidiaries and their broader external institutional environment and the nuances of the associated micro-processes (Collings & Dick, 2011).

Studies that have investigated how legitimacy is gained, shaped or formed in the struggle for organisational resources, have agreed that further exploratory methods are necessary due to the complexity involved in its socially constructed nature (Zott & Huy, 2007). More recently, researchers have also used a qualitative research design mostly in the form of case studies and in-depth interviews to investigate different forms of legitimacy management in an MNE context (Ahlstrom *et al.*, 2008; Brenner & Ambos, 2012; Erkama & Vaara, 2010; Forstenlechner & Mellahi, 2010; Rocha & Granerud, 2011; Tregaskis, 2003). Indeed, Kostova *et al.* (2008) have appealed for an understanding of legitimacy in an MNE context from a more socially constructed standpoint where symbolic interactionism, sensemaking, power and politics are critical mechanisms. As this study is attempting to contribute to a greater appreciation of how legitimacy can be used as a power source for influencing the development of a subsidiary’s mandate, the research questions and objectives mentioned above require the adoption of a specific research design that is capable of generating deeper answers and insights. Hence, the theoretical perspective of this research is phenomenological and largely in line with Eisenhardt’s (1989) and Eisenhardt and Graebner’s (2007) qualitative design of case studies. Case studies are appropriate for a generating a deeper understanding of the complexities and dynamics of those processes related to subsidiary legitimacy as a socially constructed power source. The next section considers the case study design for this study.

5.3 Designing Case Studies as a Research Strategy

Building on a number of methodological ‘anchors’ in case study design (Eisenhardt, 1989; Miles & Huberman, 2004; Yin, 2009; Weick, 2007) this research exercises an inductive case study approach. Case studies are considered critically appropriate tools for exploring the early stage relationship between key variables in close interactions with manager’s real life situations (Gibbert *et al.*, 2008). Case studies can help the researcher go deep in complex matters, which are not wholly understood (Yin, 1994). Whereas quantitative studies have major advantages in answering ‘how much’, they are less appropriate for assessing ‘how’ and ‘why’ questions, which are of pivotal interest for this research (Yin, 1994). According to Deephouse and Suchman (2008), legitimacy is considered an abstract unobservable concept that has proven difficult to measure but measures can be devised. Scholars posited that empirical work in this area would greatly benefit from an intensive case study method, which would allow for an extensive range of interview and documentary evidence to measure the various types of legitimacy (Zimmerman and Zeitz, 2002).

In designing the case study framework, the researcher was conscious that the primary purpose of the research was to develop theory, not test it, hence Eisenhardt’s (1989) ‘theoretical sampling’ was adhered to, where cases were selected on their suitability for illuminating and extending relationships and logic among constructs. The goal of theoretical sampling is to choose cases which are likely to replicate or extend emergent theory where the phenomenon of interest is ‘transparently observable’ (Eisenhardt, 1989). A multiple-case study approach was undertaken as, according to Yin (1994), this sort of study typically provides a stronger base for theory building as theory is well grounded, more accurate, and more generalisable (Eisenhardt & Graebner, 2007). This enabled comparisons to be drawn that clarified whether an emergent finding was idiosyncratic to a single case or consistently replicated by several cases (Eisenhardt, 1991), as propositions are more deeply grounded in varied empirical evidence. Drawing on Eisenhardt and Graebner (2007) this research investigated four cases as they offered four times the analytical power of one case yielding more robust, generalisable, and testable theory than single-case research.

The objective in selecting the case studies for this research was to choose an appropriate population that would minimise irrelevant variation and define the limits for

generalising the findings (Eisenhardt, 1989). The cases were chosen to find examples of U.S. MNE subsidiaries based in the medical technology sector in Ireland that had recently been successful in extending their operations through corporate investment. To ensure that the data collected reflected genuine experience rather than a priori judgments about the mandate, only subsidiaries that had gained an extension to their mandates in the last three years were considered. Therefore, information-orientated selection was more appropriate, as opposed to random case selection (Flyberg, 2001). The context chapter has outlined the significant growth in U.S. investment in this particular industry and the contribution of subsidiary mandate extensions in this regard. Hence, it was logical to presume that these subsidiaries would exhibit characteristics to illustrate the phenomenon being investigated.

The main sampling source for identifying suitable subsidiaries in this industry was the IDA's company database, while further sampling was carried out through media reports regarding mandate extensions to subsidiaries in order to reinforce the choice of a suitable sample in this industry. At the time of undertaking this research a number of identifications were made regarding the breakdown of medical device companies in Ireland (Table 5.2). Of the ten companies identified, which broadly suited these terms, four were willing to provide full access to the subsidiary management team and potential access to corporate. The selection of case companies ultimately included one small, two large and one medium U.S. owned MNE subsidiary, thus exhibiting a degree of variability within the sample. Each subsidiary differs in size and turnover but all develop medical technology products. Subsidiary mandate extension through corporate interaction represents a critical activity in all of the chosen subsidiaries.

Therefore the case samples were selected based on the following fundamental criteria:

- Each of the subsidiaries must belong to a medical technology MNE of U.S. origin and be based in the west of Ireland.
- The subsidiaries must have been successful in gaining corporate investment over the last three years (from 2009-2012).
- The subsidiaries must provide sufficient access to the researcher to those managers who were directly involved in day to day contact with corporate.

Table 5.3 below details the profiles of the four case companies. The next section outlines the main data collection techniques in the form of semi-structured interviews.

Table 5.2 Case Sampling Procedures

Sampling Criteria	No of Companies
Medical device companies in Ireland	252
U.S. origin	78
Located in the West Region	29
Received significant mandate extensions in previous 3 years	10
Willingly provided open access	4

Table 5.3: General Profile of the Case Companies

<i>Cases</i>	<i>Estd.</i>	<i>No. of Plants Globally</i>	<i>No. of Employees Globally</i>	<i>MNE Revenue (2012)</i>	<i>Est. in Ireland</i>	<i>Interviews</i>	<i>No. of Employees in Irish Subsidiary</i>	<i>Subsidiary</i>	<i>Irish Subsidiary 'Role'</i>	<i>Last Mandate Extension</i>	<i>Functional Expertise in Irish Subsidiary</i>
HEALTHCO	1920s	4	3,400	N/A ²²	1970s Greenfield	7	450	Ostomy & Continence Care	Regional HQ; COE for Catheters	Facility Expansion (2011) €65m	Manufacturing R&D Marketing
MEDCO	1940s	250	45,000	\$16B (13% out of Irish plant)	1990s Acquisition	8	2,500	Cardio-Vascular	Regional HQ; COE for Catheters	250 jobs Customer Innovation Centre (2011)	Manufacturing R&D
CHEMCO	1980s	14	2,700	\$390m	1990s Greenfield	6	440	Endoscopy	Regional HQ; COE for Guide-Wires	200 jobs Facility extension, R&D €20m (2012)	Manufacturing R&D Shared-services
PHARMCO	2000s	350	43,000	\$11.9B	2000s Spin-off	8	400	Ventilators & Monitors	Capital Equipment Manufacture	R&D Collaboration Projects €25m (2011)	Manufacturing

²² This is a private company that does not disclose its revenue information publicly.

5.4 Data Collection

This study employed a triangulation of documentation analysis and interviews in collecting the data necessary to address the main research question. Firstly, documentation analysis was carried out in the form of company websites (subsidiary and respective MNEs), annual company reports, newspapers, media reports, industry websites²³, and any administrative documents received from interviewees (e.g. internal reports). The primary collection tool was semi-structured personal interviews of which 30 in total were performed, from a time period of December 2011 to December 2012 (7 interviews were held first in HEALTHCO, followed by 8 in MEDCO, 6 in CHEMCO and 8 in PHARMCO respectively). The rationale for constructing these interviews was based on the assumption that “people constructing their organisational realities are knowledgeable agents, namely that people in organisations know what they are trying to do and can explain their thoughts, intentions and actions” (Gioia *et al.*, 2013: 17). At the heart of all rigorous qualitative research is the semi-structured interview (Easterby *et al.*, 2008), and as this was an exploratory study, semi-structured personal interviews were helpful to find out firstly ‘what’ was happening but also to seek insights into ‘why’ this was happening (Saunders *et al.*, 2009). In particular, the semi-structured nature allowed for a change in the order and type of questions depending on the interviewee and the flow of the conversation (King, 2004).

Initially, contact was made through email (See Appendix A), which outlined the overall purpose of the study, and was sent to either a contact²⁴ in the company or the Plant Manager. This research chose to target and interview the subsidiary’s Plant Manager first, a choice motivated by the fact that subsidiary managers have the most power in decision making and therefore will have a greater understanding of who has been

²³ Websites here included: www.imda.com (Ireland’s medical technology trade association); www.idaireland (the state agency responsible for the development of FDI in Ireland) www.medteciireland.com and www.amcham.ie. The author signed up for regular news feeds and press release notifications through email from all of the above websites and also media release updates from company websites on decisions such as acquisitions, divestments, presentations or product releases.

²⁴ In most cases the researcher refrained from using cold calling techniques and instead sought to establish contact in the subsidiary in the form of a weak tie (Granovetter, 1985). For example, in the case of HEALTHCO, the researcher had a professional contact that was familiar with the Plant Manager in that subsidiary. Contact subsequently proceeded through mentioning this contact in an email to the Plant Manager in order to establish trust and familiarity.

involved in the mandate development process (Delany, 2000; Welch *et al.*, 2002). Fortunately, access was granted in first instance in all subsidiaries, while all interviewees gave permission to record the interview, which allowed for full attention and undistracted discussion on behalf of the researcher. Channeling Gioia *et al.* (2013), this study was careful not to promise ‘confidentiality’ to interviewees, which would have precluded most reporting, instead it provided ‘anonymity’, hence the use of the manager’s roles and not their names.

Considerable depth, as opposed to breadth was the primary motivation regarding interviewee selection where informants were chosen according to guidelines for ‘purposeful sampling’ (Lincoln & Guba, 1985). As mentioned, primary interviews with the subsidiary Plant Manager proved successful in gaining access to subsequent managers, allowing for a snowball sampling technique. Subsequent interviewees were all involved in the top management team of the subsidiary and therefore all had top roles adding further depth to the interviewees responses. Initial data gathered from the Plant Managers helped adjust and modify the interview schedule for residual interviewees. Interviews lasted anywhere from sixty minutes minimum to a hundred and twenty minutes maximum averaging about seventy five minutes in total. The semi-structured nature helped enhance the collection of relevant data and also allowed for the emergence of new concepts to be further elaborated on. From an interpretive perspective, it was seen as important to develop an understanding of the meaning behind the responses of interviewees thus ‘probing’ techniques were an important tool for this study (McCracken, 1988). Probes allow for depth and understanding of the data obtained as interviewees may use and incorporate words and their understanding of ideas in different ways. The opportunity to probe allowed the interviewee to contemplate their own words when generating responses (Silverman, 2007). Probing techniques used involved prefacing questions with phrases such as ‘that’s interesting...’, ‘tell me more about...’, ‘can you give me an example of...’ or ‘reflection’ (Gray, 2007) techniques where respondent’s statements were paraphrased back as questions (Saunders *et al.*, 2009) in order to provoke further extrapolation of the underlying reasons to ‘why’ this was the case (Berry, 2002; McCracken, 1988). Probing on sensitive issues also involved introducing a third party’s (document information or previous interviews) assessment to stimulate the interviewee to further elaborate on or revise their responses without directly challenging their original response (Dorrenbacher & Gammelgaard, 2006). In

this way the researcher acted as a ‘glorified reporter’ whose main role was to give an accurate account of the informants interpretations, minimising the risk of imposing previous constructs as a priori explanations of their experience, but also creating opportunities for the discovery of rich new constructs not previously identified by the researcher (Gioia *et al.*, 2013).

One major challenge this study faced was gaining access to corporate interviewees. It was initially the aim of this study to include the HQ perspective in the form of interviews with corporate U.S. executives, as it would add further weight to the findings (Welch *et al.*, 2002). Unfortunately, this was not possible in every case and therefore alterations had to be factored in to the interview schedule and selection of participants who could assist in this regard. For example, a corporate perspective was achieved in HEALTHCO, but interviewees in the other three sites were effectively both subsidiary and corporate representatives in that they held two roles. The line of questioning here took a somewhat different approach and probing revolved around trying to determine what the corporate perspective was on a number of different issues that the subsidiary managers had highlighted. For the most part these corporate representatives were able to provide assumptions of how corporate reacted in certain instances; hence their perspectives were important for triangulating the other subsidiary manager’s comments²⁵. Most subsidiary managers interviewed also obtained global roles, which added more depth to the interviewee candidates and their understanding of what corporate valued. An interview was also performed with a single representative from the IDA, who was identified by a number of subsidiary managers as a key mediator in the HQ-subsidary relationship and the attraction of FDI extensions.

One of the main limitations when conducting interviews is the perceived possibility of bias (Miles & Huberman, 1994). Response bias was controlled in this study by building the credibility of the study in the eyes of the interviewee, where the researcher portrayed an in-depth knowledge of the company and research topic itself (King, 2004). Interviewees were provided, where the time schedule of the participant permitted, with an outline of the interview themes in order to stimulate more in-depth responses (Saunders *et al.*, 2009). Trust was further enhanced by introducing the research topic to

²⁵ As will become clear in the findings these corporate representatives had a seat at the corporate table, hence they were able to have direct exposure in terms of what the main decisions were and how these were decided upon.

the interviewee before asking them some general ‘open questions’ on the background of the company and their work experience in general (Saunders *et al.*, 2009). Following Healey and Rawlinson, (1994), more sensitive questions were asked toward the end of the interview after trust and confidence was built up. The interviewee was also conscious of engaging in some questions of a critical nature so as not to ‘go native’ by getting too close to the interviewee or adopting their perspective too closely (Van Maanen, 1979).

Additionally, when the interview had formally been brought to a close the interviewer once again probed the respondent on some of the main issues discussed in a more informal manner, which allowed for more candid summary of responses. This was a key technique for enhancing the quality of the data collected and avoiding a biased interpretation from the researcher, as it allowed for an evaluation in the adequacy of aforementioned responses (Saunders *et al.*, 2009). While recording the interviews also reduced bias, this was supplemented with ancillary note taking during the interview (Ghuri & Gronhaug, 2005). This involved making notes on what interviewees said, conscientiously trying to use their terms, not the researchers, to help understand their lived experience and to make them feel more comfortable (Gioia *et al.*, 2013). The use of open questions was sometimes used to avoid bias but these were backed up with more probing questions as outlined earlier (Easterby *et al.*, 2008). Critical incident technique was also factored into the interview schedule as it allowed for the generation of responses that were grounded in real life experiences of the interviewees (Saunders *et al.*, 2009). Questions in this regard revolved around recent mandate gains and how these were attained or more current interactions with corporate executives and the purpose behind these.

Other secondary data collection was collected in the process of visiting the interviewees. Interviews were held on site in manager’s offices or in common meeting rooms in the subsidiary in order to develop an air of comfortableness and familiarity with the interviewees surroundings (Saunders *et al.*, 2009). This allowed the researcher to have informal conversations with other staff members such as security guards, administration staff, employees on arrival and in some instances informal discussions were held with employees from HQ and other internal subsidiaries who were visiting the Irish subsidiary on those days. These conversations allowed for subtle probing

regarding the way the subsidiary may have changed its behaviour for example when U.S. executives came to visit. Examples here involved reserved parking spaces, raising the American flag for site visits or sporting announcements of recent achievements on the lobby welcome screens²⁶. Two interviews²⁷ were held over the phone due to those managers being positioned in the U.S. at that time. Table 5.4 below gives a detailed breakdown of the interviewee respondent's profiles from each company with particular emphasis on the significant experience and global roles that these managers have acquired over time.

²⁶ The next chapter considers the impact of these observations in more depth.

²⁷ The VP of R&D at HEALTHCO and the EMEA HR Director at PHARMCO were both carried out through phone interview as these interviewees were both working outside of Ireland at the time.

Table 5.4: Profiles of Interviewee Respondents

HEALTHCO					
<i>Name</i>	<i>Title</i>	<i>Joined</i>	<i>Gender</i>	<i>Past Experience</i>	<i>Education</i>
Interviewee 1	Plant Manager	2000	Male	Business Unit/Site Director (9years), Operations Director (3years)	Industrial Engineering degree, IMI in Trinity (2003)
Interviewee 2	Director of Strategic Planning and Infrastructure	1978	Male	Mechanical Engineer (14years), Plant Manager (14years)	Degree in Mechanical Engineering
Interviewee 3	Financial Controller	1993	Female	19 years in HEALTHCO	Degree in Accounting and Finance, Chartered Accountant
Interviewee 4	Research and Technology Development Manager	2010	Male	Product Development Engineer, R&D Engineer (1year), R&D Manager (1year)	Diploma Industrial Engineering, BSc Product Innovation, MBA Strategic Direction, Financial Analysis and Business
Interviewee 5	New Product Development Manager	2004	Male	Product Development Manager (4years), Senior Product Development Engineer (6years)	BSc Material Science, MBA Business Administration
Interviewee 6	Global Marketing Manager	1999	Male	Senior Product Development Manager (5years), New Product Development Manager (6years)	Degree Mechanical Engineering, Masters Computational Fluid Mechanics, MBA

Interviewee 7	Vice President Research and Development	1997	Male	VP for R&D for last 15 years	Project Management. Undergraduate in NUI Galway
MEDCO					
Interviewee 1	Manufacturing Director	1997	Female	Production Manager	N/A
Interviewee 2	Senior HR Program Manager	July 2004	Male	HRIS Analyst and Rewards Program Manager at MEDCO (2years), HRIS Analyst for MEDCO (2 years), Adjunct Lecturer NUI Galway (1 year)	Bachelor of Commerce degree, MBS HRM & IR
Interviewee 3	Senior Engineering Manager	N/A	Male	N/A	N/A
Interviewee 4	Senior HR Manager	1999	Male	Personnel Officer (5 years), Employee Relations Specialist (2 years), Rewards Manager (2 years)	Undergraduate and masters degrees in HRM, Advanced certificate in strategic HR
Interviewee 5	Senior Manufacturing Director (VP Director of Manufacturing)	1986	Male	Manufacturing Engineer, R&D Manager	N/A
Interviewee 6	R&D Director	1997	Male	R&D Manager	Mechanical engineering undergraduate and masters
Interviewee 7	Vice President Global	1980s	Male	Mechanical Engineer (2 years), Advanced	Manufacturing

Interviewee 8	Vascular Operations			Engineering Manager, Director of Operations	technology degree, IMI Masters in Management
	Lean Sigma Master Black Belt	2004	Female	Senior HR Generalist (2 years),	Undergraduate and Masters in IR HR, Diploma in Business Coaching
CHEMCO					
Interviewee 1	Director Human Resources Europe	2008	Female	HR Manager (4 years), Career Coach	Diploma in Management, Diploma in Business Coaching, Undergraduate in Services Marketing
Interviewee 2	VP European Operations	1999	Male	Quality Manager (1year), Managing Director	Science Degree, Diploma in quality engineering
Interviewee 3	Director of Engineering/Facilities, Europe	2000	Male	Engineering Technician	Degree in Mechanical Engineering
Interviewee 4	Senior R&D Manager	2005	Male	Technician, Manufacturing Engineer.	Degree in Mechanical Engineering
Interviewee 5	Vice President International Finance	1997	Male	Management Accountant (2years), European Controller	MBS Banking & Finance, ACCA, Degree in Business
Interviewee 6	Vice President	2011	Male	Quality Assurance & Regulatory Affairs	Degree in Mechanical

	Regulatory Affairs Europe			Manager, Director of Design Assurance	Engineering, Masters in Operations and Quality Management
PHARMCO					
Interviewee 1	Plant Manager	2008	Male	Senior Director Manufacturing (12years), Product Development Engineer (2years)	Undergraduate in Bio-Mechanical engineering, MBA Business Management
Interviewee 2	R&D Sustaining Manager– Advanced Parameters	1996	Male	Senior Software Engineer, Principal Design Engineer, Engineering Manager	Undergraduate electronic engineering, Masters in Bio-Medical Science
Interviewee 3	Engineering Manager	1996	Male	Vendor Assurance Manager, Supply Chain Manager, Vendor Engineer.	Degree in manufacturing, diploma in mechanical engineering
Interviewee 4	Financial Controller	2006	Male	Senior Financial Accountant (2years)	Undergraduate in business, CIMA chartered accountant
Interviewee 5	Senior Quality Assurance (QA) Director	2007	Male	Senior QA Manager, Director of QA	Degree in Microbiology, Masters in biotechnology, Diploma Pharmaceutical Manufacturing Technology

Interviewee 6	Quality Manager	2007	Female	Head of Quality Engineering & Validation	Degree in Chemistry, Masters in Quality
Interviewee 7	Vendor Engineer	2006	Male	Vendor Engineer	Degree in Engineering
Interviewee 8	EMEA HR Director	N/A	Male	Senior HR Manager, HR Director, HR Manager, HR Consultant	Degree in HR, Post Diploma and Masters in HRM & IR
IDA Representative	West Regional Business & Relationship Manager	2012	Female	Regional Press PR Communications Executive, IDA West Region Executive	Masters in Rural & Urban Planning Development

5.4.1 Interview Schedule

This study approached the data gathering process in a manner consistent with replication logic in that interview questions²⁸ that guided our understanding were largely based a number of different categories of legitimacy identified from previous work (Ahlstrom *et al.*, 2008; Bitekine, 2011; Suchman, 1995; Zimmerman & Zeitz, 2002; Zott & Huy, 2007). Early observations were based on and guided or influenced by some initial hunches and frames of reference from the literature on subsidiary influence (Siggelkow, 2007; Suddaby, 2006). These ‘sensitizing concepts’ (Blumer, 1964) or ‘structural signals’ (Dabos & Rousseau, 2004) provided the researcher with a frame of reference when drafting the interview schedule. After initially building the necessary trust with the interviewee through the deployment of open inquiries (as mentioned above), subsequent questions surrounding the original role of the subsidiary and its evolution were considered in order to establish the level of subsidiary influence and provide initial context for later sections. Subsidiary role evolution was mainly framed with regard to understanding corporate extensions to the subsidiary’s scope of activities over time, focusing particularly on the extensions to their operations in the last three years (Dorrenbacher & Gammelgaard, 2006). Interviewees were asked to elaborate on how these extensions had initially come to be and what the subsidiary manager had learned from these.

Ensuing sections largely focused on the main sources of legitimacy for the subsidiary in the form of its relevant environments i.e. internally with corporate and sister units and externally in the Irish institutional landscape (Birkinshaw & Hood, 1998; Kostova & Zaheer, 1999). Focusing on these environments provided the basis for extrapolating the different types of legitimacy that were ultimately at the subsidiary managers disposal. In this regard there were specific sections on the subsidiary’s relationship with other internal subsidiaries in the MNE and the competitive or collaborative nature of these relationships. Questions here revolved around such aspects as knowledge sharing initiatives, cross-functional teams or competition for mandates and the implications of these in terms of influencing corporate (Tavani *et al.*, 2013). Given that the evolution of the subsidiary role is largely determined by its relationship with HQ this issue was approached several times from different vantage points during the interview

²⁸ See Appendix B for a copy of the interview schedule that was used for this research.

(Dorrenbacher & Gammelgaard, 2006). Questions concerned contact time with HQ, channels of communication, personal relationships, initiative taking and general influencing approaches of subsidiary managers (Bouquet & Birkinshaw, 2008a). The subsidiary's relationship with the local institutions in an Irish context were also considered (Ahlstrom *et al.*, 2008). Managers were asked about the nature of their relationships with regulatory authorities, key governmental officials, universities, competition and local relationships in general. These responses were further triangulated with the interviewee from the IDA representative and the secondary data obtained from informal on site discussions and company reports. Questions to corporate representatives revolved around the perceived importance of the subsidiary's relationships internally and externally and the degree to which corporate view those relationships as important. All of these considerations allowed for subtle probing of the subsidiary manager's perspectives regarding the different types of legitimacy and the way in which they attempted to leverage these as a power source for influencing corporate. The next section describes how the researcher moved from a descriptive and thorough summary of the data to the development of a central theoretical analysis.

5.5 'Doing Data Analysis'

Drawing inspiration from Eisenhardt and Graebner (2007), the researcher's interpretation of the qualitative interview data for this study was very much an iterative concurrent process of constant comparison between data analysis and data collection. As Doz notes, this form of 'doing analysis' (Miles & Huberman, 1994) progressively shapes new theories, in the mind of the researcher, over time in a recursive interplay between rich data and emerging conceptual insights that can be related to existing theories and also allow one to create new theoretical insights (2011: 584). Upon consulting the literature this research process was viewed as transitioning from more inductive to an 'abductive' fashion in that data and existing theory were juxtaposed in tandem (Gioia *et al.*, 2013; Pauwels & Matthyssens, 2004). This process signified a constant dialogue between the researcher and the emerging theory resulting in theoretical ideas being continuously refined as the analysis progressed (Dubois & Gadde, 2002).

A distinctive feature of this abductive reasoning was the flexibility it afforded to the researcher in recognising important themes, patterns and relationships as they emerged throughout the process of the data collection and analysis phases (Eisenhardt, 1989). The main advantage here was that the researcher was afforded the freedom to readjust the interview schedule based on these emerging concepts that were initially channeled through interviewee responses and the additional use of field notes, individual case reports and a running commentary to oneself (Van Maanen, 1988). Other abductive techniques used here involved listening to transcripts repeatedly in order to get a holistic grasp of how the data would be theorised (Dick, 2006). Hence, adjustments were made in the form of adding questions to the interview protocol, allowing further probing of emergent themes in order to improve resultant theory (Eisenhardt, 1989). In this way some constructs emerged from the analysis process instead of being fully specified a priori allowing the researcher to stay closer to the data while avoiding speculation. An example of this occurred in the form of the personal legitimacy of the boundary spanner as a power source for the subsidiary, which was a theme that emerged from the data collection process.

Data cleaning was performed by transcribing all interviews verbatim and allocating each individual transcript into separate documents in order to address credibility and confirmability (Saunders *et al.*, 2009). The structure of data collection varied from one interview daily minimum, to three interviews daily maximum. Data from each case had been collected individually and sequentially (i.e. HEALTHCO, MEDCO, CHEMCO, PHARMCO) where initially within-case analysis and subsequently cross-case analysis took place to determine the appropriate themes that were emerging. Drawing on Eisenhardt (1989), within-case analysis was performed, through detailed individual case study write ups, which allowed for an intimately familiar understanding of the emerging patterns to each individual case before generalising patterns across case. Cross-case analysis was subsequently carried out listing similarities and differences between the major themes in the form of dominant patterns and deviating occurrences, which improved the accuracy and reliability of the associated patterns (Eisenhardt, 1989).

The micro-analytical approach adopted, within the aforementioned process, largely followed the conventions of template analysis, where the researcher produced a list of

codes (a template) representing themes identified in the textual data (King, 2004). The initial provisional template for the analysis was constructed with a series of broad categories that linked into the research questions and interview questions. This template was further modified as categories were reformulated and added.

Drawing on seminal qualitative analysis techniques the modification and evolution of this template proceeded along three distinct paths (Gioia *et al.*, 2013; Saunders *et al.*, 2009) (as depicted in Figure 5.1). Firstly, each interview was transcribed and large chunks of data were effectively ‘summarised’ into key words. This was done individually for each interview in each case and subsequently across cases. In these initial stages, often termed ‘open coding’, a multitude of codes and categories emerged where the researcher extrapolated a number of ‘first order codes’ of analysis that were derived from the language of what informants used, which in this study originated from the interview transcripts (Gioia *et al.*, 2013). The researcher was conscious of adhering faithfully to the interviewee terms in this regard by carefully listening repeatedly, reading, rereading and interpreting the transcripts so as to identify relations among these first order concepts.

The second step involved ‘categorising’, where categories were developed along side the data in order to recognise relationships, themes and patterns between other potential categories (Saunders *et al.*, 2009). The identification of these categories was guided by the research question and generally the main sources for deriving these categories were from terms that emerged from the data, terms used by participants and terms derived from existing literature (Corbin & Strauss, 2008). Hence these categories were internally meaningful to the data while also being externally meaningful to other categories (Saunders *et al.*, 2009). In this regard theoretical sampling was used to help scrutinise the data for convergent concepts or quotes and their relationships with first order codes. Several overlapping categories were merged as a result and these were labeled ‘second order’ codes (Gioia *et al.*, 2013). Second order codes were grounded in more theoretical language and related to what the theory was saying in this case particular attention was given to the themes that ‘leaped out’ due to their relevance to the existing literature (Corbin & Strauss, 2008). These second order themes were drafted around the understanding of micro-political strategies in the subsidiary power

literature as subsidiary managers alluded to a number of different approaches that coincided with Bouquet and Birkinshaw's (2008a) subsidiary influence typology.

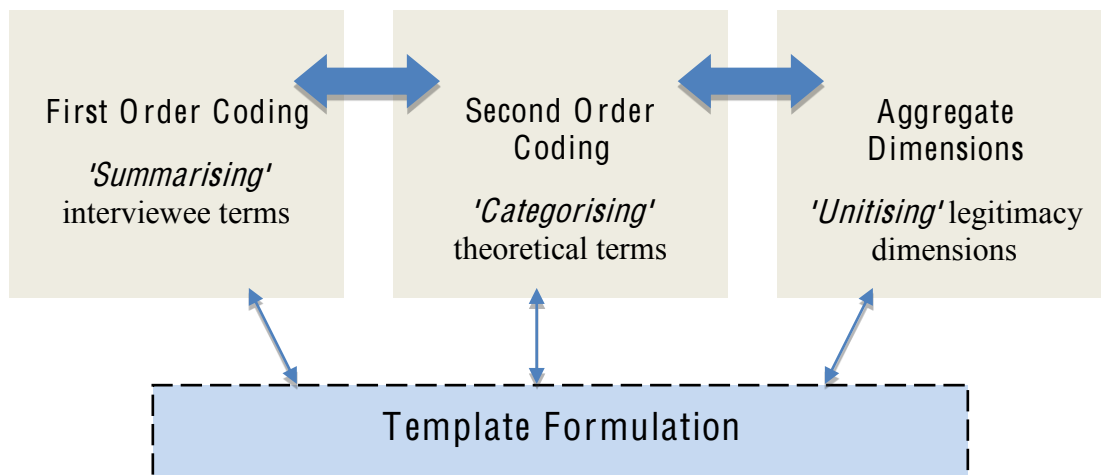
Thirdly, as the research reached a more mature point, a process of 'unitising' the data was carried out, where relevant chunks of the data, in the form of rich quotes, were attached to these categories (Saunders *et al.*, 2009). Constant comparison techniques were used here to establish category commonalities and validate whether a theme was indeed a reportable finding (Ambos *et al.*, 2010). In this final stage, first and second order codes, derived from the data, existing literature and emerging themes, were compared with what is known about legitimacy from previous research. After each interview the model of these legitimacy strategies was adapted incrementally, based on new information provided and subsequently discussed with the next interviewee for validation and additional comment (Eisenhardt, 1989). In keeping with other work on legitimacy in an MNE context (Ahlstrom *et al.*, 2008), this study reviewed interview transcripts and notes carefully and meticulously until a defined group of subsidiary legitimacy dimensions that represented and summarised the data were identified. This form of selective coding resulted in aggregate dimensions or principal categories with an emphasis on recognising and developing an explanatory theory²⁹.

The final template consisted of broad categories in the form of subsidiary micro-political strategies and subsidiary legitimacy strategies as outlined above. An example of this process was the check adjustment loop system alluded to by subsidiary managers (first order code), which was effectively a feedback seeking mechanism (second order code) in order to be seen as structurally legitimate (aggregate dimension). This whole selective process was executed manually and guided meticulously by the research question, which had the effect of reducing and rearranging the data through the aided use of visual matrices (Miles & Huberman, 1994) instead of using any automated system such as NVivo. The researcher adhered predominantly to Miles and Huberman's (1994) assertions that phenomenologist's do not generally use automated coding systems, but assume rather through continued analysis of the data and through vigilance over one's philosophical assumptions, one can determine the essence of what is a

²⁹ See Appendix C for a complete overview of this categorical template analysis and the different codes that were identified.

consistent understanding of a person’s meanings and actions. The next section considers how this study attempted to adhere to a number of evaluation tests.

Figure 5.1: Structure of Categorical Template Analysis



5.6 Evaluating the Research Design

The most influential model used to ensure the rigor of case study research adheres to the more positivistic stance of ‘the natural sciences’ (Eisenhardt & Graebner, 2007; Gibbert *et al.*, 2008; Welch *et al.*, 2011) consisting of four research criteria: construct validity, internal validity, external validity, and reliability (Cook & Campbell, 1979; Silverman, 2006; Yin, 2003). Construct validity is relevant in the data collection phase and considers issues of operationalisation, as it flows from the ability to narrowly define theoretical constructs (Bacharach, 1989; Denzin & Lincoln, 1994; Suddaby, 2006). This study adhered to this test by adopting different angles of examining the same phenomenon, through collecting different data sources in the form of interview data, company reports, media reports and visits. A detailed and comprehensive literature review was carried out and documented in chapters two and three culminating in a coherent conceptualisation of the main research constructs. Other actions involved relaying interview transcripts to peers, while allowing a clear chain of evidence for the reader in reconstructing the research process (Gibbert & Ruigrok, 2010). This involved

outlining how the planned data collection process differed from the actual process in the form of time frame, interview selection approach and organisational access (Gibbert & Ruigrok, 2010; Yin, 1994). Internal validity decisions are made in the design phase but applied to the data analysis phase (Yin, 1994), to ensure that data is not based on a few well-chosen, cherry-picked examples of ‘anecdotalism’ (Silverman, 2005: 211). This study followed Silverman’s (2005) strategies for establishing internal validity, by ‘pattern matching’ between relationships in the current data and from previous research, and ‘constant comparisons’ techniques of within and cross-case analysis mentioned earlier (Eisenhardt, 1989).

This study also adhered to external validity tests in the form of ‘analytical generalisation’ (Eisenhardt, 1989), by providing a clear rationale for the case study selection and ample details of these cases giving a reasoned appreciation for sampling choices (Cook & Campbell, 1979; Gibbert & Ruigrok, 2010). This study is one of theory building rather than seeking generalisability through representativeness (Leonard-Barton, 1990). Reliability allows for replication of the study and it was ensured through recording all face-to-face interviews, carefully transcribing these tapes verbatim as well as presenting long accurate extracts of data in the findings section (Gibbert & Ruigrok, 2010). Although this study was undertaken from a subsidiary perspective, attempts were made to carry out interviews with individuals who were working in the HQ or who had spent time over there in some shape or form as a corporate employee. Most interviewees also had global roles with direct access to corporate allowing for an understanding of corporate philosophies if not perspectives. Additionally, transparency and replication were ensured here through a case study database of transcripts, summaries, comparisons and company information (Yin, 1994). Table 5.5 below provides a summary of this study’s adherence to these research evaluations.

Table 5.5: Evaluating the Research Design's Adherence

Design Test	Research Study's Adherence
<p>Construct Validity (establishing correct operational measures for the constructs being studied)</p>	<p>Clear explanation of construct operationalisation Transcripts relayed to peers Clear chain of evidence in research process regarding access, time frame, interviewee selection and alterations</p>
<p>Internal Validity (presence of casual relationships between variables and results)</p>	<p>Pattern matching between cases Constant comparison techniques Careful attention afforded to the views of alternative interviewees and context of the study</p>
<p>External Validity (generalisability of the findings)</p>	<p>Drew on data from multiple cases Related study's findings to existing literature and previous findings</p>
<p>Reliability (concerned with ability of the findings to be repeated with the same results)</p>	<p>Copy of interview guide in appendices and recordings and transcripts of all interviewees were maintained Case study databases were maintained</p>

5.7 Concluding Remarks

This chapter detailed a clear and coherent rationale for this study's methodological approach. After introducing the researcher's main theoretical assumptions in the form of phenomenological interpretivism, the chapter proceeded to discuss the case study method for conducting qualitative research. The reasoning for the particular cases was chosen in light of the research questions before the data collection and analysis as an iterative flexible process was subsequently described, providing particular attention to the associated interview schedule as the main data collection tool. The chapter concluded with a brief evaluation of the research design and the associated research actions taken to adhere to these tests. The next chapter presents the analysis of the empirical interviews that were carried out with the four MNE subsidiaries.

CHAPTER 6: EMPIRICAL FINDINGS

6.1 Introduction

This chapter outlines interviewee's responses in relation to a variety of key themes that were derived from an analysis of relevant literature on subsidiary legitimacy. The chapter introduces the four case studies through a summary of their roles within the MNE. The subsidiary manager's mindset is subsequently considered before highlighting the importance placed on concentrating corporate attention through informal selling channels. The chapter details subsidiary managers' responses on how the subsidiary's legitimacy can be used as a power source when attempting to influence the development of their mandates. Before concluding some of the interviewee's main power quotes are depicted to reinforce these considerations.

6.1.1 Setting the Scene

From the outset it became apparent that the interactions Irish subsidiary managers had with their U.S. corporate offices were of a politically charged nature. Of additional significance was the way subsidiary managers generally approached these political dynamics with a specific mindset of how to influence this process. Figure 6.1 sets the scene for the rest of this chapter regarding the particular stance that these Irish subsidiary managers took in attempting to influence this political process.

Figure 6.1: Setting the Scene

Mandate Process
<p>“At the higher level you can get an appreciation for the fact that all it is is egos bouncing off each other at the end of the day.... its our CEO’s executive staff who have their own opinions.... it comes down to individual wishes and desires at that point and what ever their motivations might be so it definitely gets more political, a lot of the strategies that we talk about at lower levels of the organisation you might think that they are developed in a very objective logical rational manner, it is anything but”</p> <p>(VP Regulatory Affairs CHEMCO).</p>
Subsidiary Manager’s Approach
<p>“The whole area of attracting to Ireland and expansion in Ireland, its very much a lot of selling the plant and selling its achievements and what it can do and making sure that awareness is out there... it is all about creating a solid reputation that you can achieve and you are successful and selling that back to the parent company so that you can bring that and show your successes....we have had other MEDCO plants who would not have gotten good results and try to benchmark off us...and then be a benchmark for other plants to come and see what we can do. All of this supports when decisions are being made where HQ are going to invest the next project in”</p> <p>(Manufacturing Engineering Manager MEDCO).</p>

The next section outlines the extent to which subsidiary managers have earned corporate investment mainly through their own initiative taking vis-a-vis waiting for corporate direction. The strategic mindset of each subsidiary management team with regard to their approach in attempting to earn investment is also considered.

6.2 Receiving or Earning Investment – HQ or Subsidiary Determined?

One of the first concerns that were important to determine was the degree of influence these subsidiary managers had over corporate investment. D’Cruz (1986) and Wolf (1986) highlighted the significance of distinguishing between the subsidiary ‘earning’ and ‘receiving’ mandates as gifts from corporate. It was evident that subsidiary managers felt they had to be proactive in stimulating a rationale for investment from HQ. Irish subsidiary managers did not necessarily develop an explicit strategy of aiming to win a particular mandate but instead they focused heavily on the longer-term process of championing and triggering avenues for potentially new assignments (Birkinshaw, 1997). When managers were questioned with regard to how investments were allocated throughout the MNE, the majority of interviewees explained that investment decisions were a result of a combination of both corporate and subsidiary action.

MEDCO’s Irish site is involved in the higher value products and has five businesses compared to six years ago where they only supported one business. This reflects an expanded charter as the site has grown and therefore their portfolio is now broader. The HR Manager at MEDCO explained that corporate investments generally have been a “two-way street”, where they either get direction from corporate or the subsidiary carry out initiatives themselves, which they subsequently attempt to communicate back to HQ. The Manufacturing Engineering Manager at MEDCO reinforced this view with a particular example of an extension they received for their catheter stating, “there was a Pharma group put together consisting of a mixture across all divisions and we would be at those meetings and explaining to them what we can do, so saying come and visit us to see how we can help. Or it could be going to corporate saying we want to do something”. He added that it is important to earn mandates and that “if you lie low and wait for it to happen it might happen but it will come at a much slower pace or at a much lower level”. An example of a recent investment to build a customer innovation

centre that stemmed very much from the subsidiary manager's own initiative and the corporate interviewee outlines below how the Galway site went about generating that investment;

The idea was born here, was developed here, was pushed here, it was people here that went out and got stakeholders on our side at corporate, people of influence, in terms of selling the case and presenting a compelling case of why this makes sense, presenting a case of why its not just good for Galway but its also good for business. At the end of the day its about what makes sense for business, if Galway can benefit from that great, but business comes first and eventually we got enough of support on our side at influential levels throughout the corporation and got it to a point where it got reviewed and improved

(VP Global Vascular Operations MEDCO).

At HEALTHCO, 80% of their overall corporate revenue comes from Europe. The Irish site has benefited the most from corporate investments and recently acquired a 50% extension to the plant from 75,000 square feet to 160,000, which cost €100 million. HEALTHCO's corporate interviewee described the dual approach to how this investment was decided upon by saying, "it is not exactly driven by corporate, the final decision is made by corporate but obviously the Irish plant earned that investment" (VP of R&D). The Plant Manager added that, "HQ sanctioned and approved but the agenda behind that was very much subsidiary driven...the door was open at corporate as they felt we had already proved we could do it". This particular extension added a significant R&D mandate to the Irish site and has been vital to their increased profile both internally and externally.

At PHARMCO, the Engineering Manager described the same "collaborative approach" between HQ and the Irish subsidiary, but the general consensus from interviewees was that they had less influence than the other three case companies and most mandate extensions were very much driven by corporate from the outset. A quote below from corporate representative at PHARMCO, who was the Senior QA Director, illustrates the neutral position of the Irish site with regard to their inability to be able to influence corporate investors or those at "The Big C";

It is very much corporate driven, not a huge amount of visibility [from the Irish subsidiary]...The way we are structured is that the centre for R&D is based in the U.S. for our products they [the Galway subsidiary] would have limited scope for autonomy but trying to force that agenda does not really work.

PHARMCO managers appeared to be resigned to the fact that their scope for “forcing the corporate agenda” was very much a case of receiving and less so as a result of earning them (Financial Controller PHARMCO). As the Plant Manager at PHARMCO outlined, “we are left on our own out here, there would be infrequent interactions when it comes to strategic planning, the occasional business meeting quarterly”. It appears that the PHARMCO subsidiary’s lack of R&D capabilities has meant that they have less visibility internally and therefore less influence at HQ. The presence of R&D operations in the other three case companies seems to have given them more exposure at HQ, implications of which are further delineated in later arguments.

At CHEMCO, the most recent expansion to their operations was primarily driven from the subsidiary management team’s initiative. Their VP of European Operations believed the expansion was, “more driven by the senior management team [in Ireland], we said look we need to do something, that was a tougher one from a project management point of view as it was an extension to our current building and that was a more complex integration in many ways”. The Irish subsidiary has grown by over 30% in 2011 and generally interviewees feel that when it comes to investment decisions they are “always pushing at an open door.... as corporate are quite happy with the way things are going in Galway” (VP European Operations CHEMCO). CHEMCO’s VP of Regulatory Affairs was mindful that when other companies were pulling back in the last year they have added over a hundred employees. Key to the significant degree of influence was the subsidiary’s VP of European Operations and the relationship he had developed with the corporate CEO that allowed him a rather autonomous role for generating initiatives. All interviewees in CHEMCO cited the significance of this relationship and he himself considered this in the quote below;

One of the things that I do a lot with our CEO is that I constantly have the antenna up in here in Europe for constant tuck in acquisitions, opportunities that are coming up in new products or fledgling

companies.... So I would see that as an important strategic advantage that we have here, so that we are not just seen as an operation for tax but we are also seen as part of my job and senior management job is to seek out opportunities strategically for the business going forward...I have a strong hand there... I have never had corporate refuse to look at something that I would have recommended

(VP of European Operations CHEMCO).

It appeared that the relationship between CHEMCO's Irish subsidiary and its corporate division was one of a politically charged nature and this has been advantageous for the Irish site. On balance, when analysing the manager's elaboration in answering these questions, mandate extensions appear to have generally tended to start out as a result of the Irish subsidiary managers deliberate initiative maneuvers and alternatively get 'signed off on' by corporate. The next section discusses recent changes in the strategic mindset of the subsidiary top management teams to become a more appealing site for the allocation of corporate investment.

6.2.1 Strategic Mindset for Earning Investment

Interviewees described a particular process they undertook to change their strategic mindset over the past decade. In effect they decided, as a management team, it was necessary to develop a strategy that would allow them to start earning investments and not just receive them from corporate. This mindset is important in establishing the approach the subsidiary managers will take from the outset in their relationship with corporate. For example, interviewees at three of the four subsidiaries (HEALTHCO, MEDCO, CHEMCO) described critical incidents where they had deliberately decided to change as a management team in becoming more strategic in how they went about politically influencing corporate. They reflected on a how they were not acting strategically enough as a site and were too insulated from corporate, resulting in less visibility and exposure. All three sites outlined a process, throughout a similar period in the early 2000s, where they sat down as a management team and discussed "how do we get more recognition for what we are doing?" (Plant Manager HEALTHCO). MEDCO managers considered developing a role in the subsidiary dedicated to attracting and lobbying for new business. This did not come to fruition as corporate would react negatively due to the fact that it may cause unhealthy competition. The quote below

from the Plant Manager at HEALTHCO articulates his politically charged disposition in how he wanted their top management team to be more subversive in their mindsets;

We had a strategy back in 2001 in terms of our mandate to make it very attractive here to keep putting investment in so we followed a whole series of strategic initiatives, overtly and covertly to make sure that we were seen as a core entity in the corporation...we were pretty clear about what are we trying to do here.

This manager had completed an MBA course in 2008 which exposed him to much of the theoretical literature outlined in chapter two and was purposeful in the language he used to describe his methods for contacting corporate managers³⁰. MEDCO managers took a similar approach where they made a decision to ‘open up’ and attempt to be a more ‘attractive’ destination in order to expand their mandate and gain more corporate investment. MEDCO interviewees highlighted that in the early 2000s, as a site, they did not share enough and were not connected to corporate or other sites to the degree required to gain more investment. HEALTHCO’s Plant Manager summed up his thoughts by adding, “there is a whole series of things we did to make sure that we managed the plant carefully....and it all fed into the same discussion [at HQ]. ‘Should we invest in HEALTHCO?’ – absolutely!”

Although, PHARMCO are much more orientated towards the boyscout mindset, they did mention that they have strategies for how the plant operates but less so with regard to deliberately attracting investment. A quote below from the Engineering Manager at PHARMCO illustrates how the subsidiary’s most effective route for attempting to influence investment from corporate was through targeting new acquisitions of product lines;

Any time there is an acquisition you look at maybe if its something we can acquire but ensure that when there is an acquisition then you are the number one name on the senior management team’s list or when they are

³⁰ The Irish Management Institute (IMI) provides an MBA, on which Ed Delany is the chief strategy advisor and delivers sessions on his research regarding subsidiary mandate development, which was outlined in chapter two and provides a major theoretical foundation for this thesis. The Plant Manager at HEALTHCO was exposed to these ideas when he completed this course, hence the use of his explicit language of ‘covert’ and ‘overt’ initiatives.

going to develop a new product and make a decision on where to put it, you want to be the first person there for it, you want them to say lets put it to Galway.

At CHEMCO, the Irish subsidiary's role is expanding rapidly as they have been the beneficiaries of significant amount of corporate investment and they do not necessarily have to go searching for it as much as PHARMCO. However, a quote below from the Director of Engineering at CHEMCO outlined an explicit strategy for 'chasing' certain products;

We want to go after specific projects. We can look at the projects that the guys are working on and the positions that they are going for and we can say okay this should come to Galway for these reasons. Sometimes you might go and acquire a company or technology or whatever so you might go and say well this ticks the boxes in terms of margin, technology and this is the right place to do it.

However, CHEMCO are not as well advanced in terms of their structures for dealing with this emerging change and they are conscious in preparing for what they do realise will eventually be an increase in layers of management. The R&D Manager outlined a number of initiatives they are currently working on with consultancy companies to try and prepare management for these changes so that they do not loose legitimacy in the eyes of corporate managers.

In summary, three of the four cases had developed a subversive approach to influencing HQ. MEDCO have managed to balance effectively the subversive and boyscout approaches. CHEMCO are at an earlier stage of development therefore they are entering a period of extensive growth that will challenge their already politically charged relationship with HQ. HEALTHCO are operating on the extreme subversive side with their Plant Manager describing 'covert' initiatives they have undertaken. This is a potentially dangerous strategy as it could spark reactions from HQ. PHARMCO subsidiary managers are effectively boyscouts, as it appeared managers did not have the relative R&D capabilities to provide them with the confidence to approach the development of their mandate in a more subversive way. This difference is further

explored in the following sections. The next segment expands on the notion of establishing a ‘recognition strategy’ and examines manager’s responses in relation to the importance of creating informal selling channels to increase internal embeddedness at HQ.

6.3 Getting Closer to H Q – Creating Informal Selling Channels for

Internal Embeddedness

In order for subsidiary managers to receive further recognition for what they were doing, they first had to establish a platform for developing their internal embeddedness with the corporate offices. It emerged that subsidiary managers placed a great deal of importance on informal interactions and relationships that they had built with key corporate managers. These informal interactions were exploited as selling channels in the form of leveraging corporate visits and engaging and indulging corporate individuals.

6.3.1 Concentrating Corporate Attention

A way in which subsidiary managers developed their internal embeddedness with corporate HQ was through the use of informal selling mechanisms in order to attract the attention of key corporate individuals. A factor that was highlighted across all four cases was the importance of establishing informal selling channels for managing these relationships through visits between corporate and subsidiary plants. Visits were mostly organised on a formal basis but managers believed despite the formality of these arrangements the informality that ultimately permeated the subsequent interactions was much more important in terms of providing subsidiary managers with an effective engagement tool. Managers at HEALTHCO outlined the importance of the need to be seen in corporate by “walking the corporate corridors” and the risks of “being out of sight out of mind” at corporate (Global Marketing Manager HEALTHCO). For example, the VP of International Finance at CHEMCO discussed the importance of selling the Irish subsidiary at formal events such as yearly reviews and site presentations. The Plant Manager at HEALTHCO added that this formality is “in every way a dog and pony show. That is not where real business is done. Real business is done in the indirect, the side meetings when I am over there or meeting someone else or

when there is an issue, how did we perform and it is the consistency that people see. It is about making sure that those informal reviews are managed carefully and you cannot manage them if results are not good but if they are good then its making sure that they are acknowledged and when its being acknowledged then you can reinforce it”.

Developing informal selling channels with corporate allowed Irish subsidiary managers to not only attract corporate attention but more specifically ‘concentrate corporate attention’. The Manufacturing Director at MEDCO illustrated her thinking behind this in the following quote;

I am working with my counterparts over there to invite over the key people who are involved in funding projects and their superiors. We identified at a minimum the guys who are involved in the process...we need to influence people and we need to get the resources to do that so he is going over there to be a part of that process and that will be effective as not only will you be heard on that in terms of what your needs are but the visit concentrates people’s attention as you are there and you are coming over for a purpose and it gets attention. It is a way of informally influencing.

Subsidiary managers also mentioned the significance of being proactive when developing an agenda for these corporate visits. Not only was it vital to have Irish subsidiary managers visit the corporate offices but also critical to have key decision makers from corporate visiting the subsidiary. Subsidiary managers placed a high degree of significance on a number of issues surrounding these visits. MEDCO managers highlighted the importance of this point in the form of corporate visits being a time to show off their particular capabilities and this is reflected in the quote below;

You do need that element of rapport if you like with key decision makers, so for example we have invited the current CEO to here later in the year and the previous CEO was here. So we can show what Galway can do, show our reputation, what we have achieved and with success comes more success that is what we have to try and build on

(Manufacturing Engineering Manager MEDCO).

The importance of the subsidiary being proactive in getting corporate managers to visit the Irish subsidiary was also highlighted by the Senior HR Manager at MEDCO, “we think we have good stuff to show them and we have a good story to tell and the best way for them to experience that is for them to be here”. However, subsidiary managers were also extremely purposeful in visiting the U.S. HQ themselves. According to the HR Manager at MEDCO, it is important to know what is happening on the corporate “grapevine” as this can be vital to having an input into the early stage of new products and also putting yourself on a strategic project. He added;

You have to be seen over there. You will lose touch, if I wasn't over there I would just be a name that's in a remote location doing some good work but now we have a name and a relationship and it's very different. You get to hear news.

His Senior HR counterpart added:

When I go [to corporate] I will wait an extra day or two and make it my business to go around and meet certain people that I have worked with on teams that I may not have already met or to go meet someone to find out about something that is going on that I know is of interest or benefit to us here in Galway, so you make use of the opportunity to go do some bench marking, meet some people, just do some networking...I think it is important to have contacts there.

(Senior HR Manager MEDCO).

The corporate representative at HEALTHCO, once a subsidiary manager, was adamant it was this approach that allowed him to make the move to the corporate offices where he now resides. He gave an example of when he worked in the Irish plant;

I always insisted through that strategic plan that everyone that works a lot with corporate needs to spend more and more time in corporate. I purposely took every opportunity that I could to come over, just building that relationship...So for example if I was to come to the U.S. for 2 days work I would purposely stay for two more days just talking to people and involving people in what we were doing, just so they would begin to trust the organisation more

(VP of R&D HEALTHCO).

An interesting finding in this regard was the preparation that goes into these corporate visits. It seemed as if getting the corporate individuals over to visit was only the first stage of the process, but how to influence them once they arrived was as important. Since CHEMCO's recent expansion the number of visits from key corporate individuals has increased and it has created more exposure and visibility for the plant, which has fashioned an opportunity for them to interact more and hence try to concentrate corporate attention. The following quote demonstrates this line of thinking;

If the founder comes over here we would go and do a number of presentations to him in terms of what we are working on, what we think we should be working on, the benefits of doing that, the opportunities that are here. So we would take advantage of doing that, but on a more formal basis they do what they call a retreat maybe twice a year where everybody gets together in the U.S. and they present the goals and objectives of each company or site... When the CEO comes over here he walks out on the floor he knows people by name, its brilliant because the guys can see, he comes over and listens they bring him around, he knows the people on the projects...its great because you can get decisions very quickly, at the end of the day he makes the decisions and if he is over here and he likes a proposal that we put to him we will go and sanction that so there is no red tap or delay in terms of going through different layers to get decisions...

(Director of Engineering CHEMCO).

Managers at PHARMCO expressed different opinions when considering corporate attention and its effects. They generally believed that any attention from corporate, especially in the form of corporate visits, was not positive and the Plant Manager stressed this point to other managers in the subsidiary, citing most corporate attention usually as "uncomfortable attention", as depicted below;

We didn't get a lot of attention last year but that is a good thing...as you are going to get a lot of attention if things aren't going well, if you are not hitting your targets or there are quality problems well then you are going to get an awful lot of uncomfortable attention

(Plant Manager PHARMCO).

The R&D Sustaining Manager reinforced this point by stating it is very difficult to attract key executives to the plant “unless there is a big problem”. The Financial Controller added perspective on what corporate managers expect when they arrive at the Irish subsidiary emphasising the extent to which the subsidiary will go to oblige this. He stated that corporate “would have an entourage with them and they would expect to see their name on the visit welcome screen, you would have to be prepared for it, make sure your notice boards are up to date and if there was a new initiative that you had that well marker out and strategically placed”. Managers at PHARMCO perceive attention as a negative aspect of HQ interaction in comparison to the other three subsidiaries’ positive approach. The fact that there was less contact in the form of visits seems to have been an obstacle to creating the informality that is evident in the other three cases and most interactions are done on a formal basis.

From arriving at all four subsidiaries to carry out the interviews, all of the aforementioned insights seemed the case. For example, the security guard had conversed about the chauffeur cars that would be sent to the airport for these corporate executives and the reserved parking spaces that were held for them. Upon entering the main reception, there are glass cabinets, filled with awards that the plant had received, pictures of recent public expansions or investments and big screens or posters displaying the subsidiary’s mission, values and strategic objectives. All of this was created to influence corporate perception and impressions of the plant, and it appeared to be emphasised more when corporate were visiting, exemplified by the fact that whenever these visits’ were taking place the Irish and U.S. flags were hung outside but taken back down after they had left. The Director of R&D at MEDCO summed up this whole process when he described the importance of first building relationships through the talented individuals in the organisation, subsequently selling yourself through visits and a process of PR but that timing in this process is key, so being able to show your specific capabilities for example through having a prototype ready when the corporate managers are attending a site visit. Another area highlighted by this interviewee was the significance of being “good at being able to tell a story of what we do and when he comes we make sure that we have the right products out”. For example, “everybody walks the same facility but we purposely showcase what he needs to see. When the VP of the structural heart business shows up he walks the exact same line but will see

everything structural heart related...so he will see the innovation and technologies that guys are developing”.

The next section considers another important informal selling channel in the form what goes on when these social encounters take place.

6.3.2 Engaging and Indulging Corporate

Interviewees expressed the importance of how to treat corporate once they had arrived at the Irish subsidiary. The R&D Manager at CHEMCO expressed the view of treating corporate to a friendly environment particularly when it comes to exchanges outside of work matters, stating, “a lot of people will come over and travel with their wives for the weekend so the usual thing will be that we will put the map down and show them where to go and who to talk to so they appreciate that”. The Senior QA Director at PHARMCO gave an example when he entertained a corporate manager at one of the All-Ireland Gaelic hurling³¹ finals and claimed that some of the corporate executives almost had Irish citizenship at this stage as they had visited so much. The CEO of CHEMCO enjoys “coming to Galway, he feels very comfortable in Galway, he likes the city, the restaurants, he will get his own car, he just likes the buzz in Galway” and managers believed this makes a huge difference to their influence (R&D Manager CHEMCO). The corporate interviewee at HEALTHCO reiterated the importance of treating the corporate employees well and doing things to make them feel welcome. He also gives an insightful example of how this affects the way corporate managers make their investment decisions in the corporate offices³².

Interviewees at MEDCO also pointed to the emphasis they placed on entertaining corporate managers beyond the normal business requirements in order to “make it easy for them to do business with us”, so much so that the VP Director of Manufacturing admitted they had been criticised in the past by fellow employees for over indulging. The corporate view at MEDCO (VP of Global Vascular Operations) reinforced this

³¹ Gaelic Hurling is one of the two traditional ‘Gaelic games’ (along with Gaelic football) that are celebrated nationally in Ireland every year with a competitive competition in the form of the All-Ireland Championship. The final of these championships culminates in Dublin’s Croke Park, the fourth largest sporting stadium in Europe with a capacity of 82,300 people.

³² A quote to resemble this interviewee’s thinking can be seen in Table 6.2 (VP of R&D).

point when he was operating as a subsidiary manager by saying, “when people come here we like to take them out, but you got to be careful too, you cannot go overboard because people might think we are too loose with how we spend our money so you do not want to create the wrong impression”. The corporate interviewee at HEALTHCO added that corporate do place a great deal of emphasis on how engaged the Irish plant is when corporate are over visiting;

What is much more important is that people engage with the people that come over, listen to them and act on what they do whereas before there would have been an attitude of we will sit and listen to the yanks for two days and then we will go back to what we were doing and that also shakes credibility. They are actively seeking support from the corporate units encouraging people to come over, in fact requesting it and I think when you get to that level of engagement there is a lot of trust and that’s absolutely critical. When some guys here at engineer level or technician level and they do make a difference and the HEALTHCO guys recognise that and it goes a long way.

(VP of R&D HEALTHCO).

Interviewees responses here recognise not just the importance of getting corporate to visit but also engaging and indulging corporate so that they will leave with a lasting impression that Ireland is a beneficial place to invest in.

This section has outlined that for Irish subsidiary managers to get ‘recognised’ at corporate for the value they were adding to the MNE, they needed to develop their internal embeddedness at corporate through the creation of informal selling channels. Interviewees responses in this regard highlighted the importance of getting closer to corporate HQ in the form of concentrating attention through corporate visits and engaging and indulging corporate individuals. The next sections consider how these channels allowed subsidiary managers to create a platform from which they could leverage their legitimacy as a power source.

6.4 Leveraging Subsidiary Legitimacy as a Power Source

The following sections outline interviewee's responses in relation to the appropriate forms of subsidiary legitimacy and when each type of legitimacy was most effectively leveraged as a power source for influencing corporate. The four forms of legitimacy outlined below are personal, consequential, structural and linkage. These particular forms were all exercised in particular instances, of which are delineated below.

6.5 Populating the Corporate Structure – Personal Legitimacy

As outlined above, these Irish subsidiaries have developed their roles significantly over the last decade and in most cases these changes have allowed subsidiary managers to foster greater engagement with corporate managers. This section details responses from Irish subsidiary managers on how this increased embeddedness has allowed them to develop subtle ways of percolating or infiltrating the corporate offices with Irish subsidiary managers on a more permanent basis than just occasional visits. Expanding on this observation, the personal legitimacy of the subsidiary managers was leveraged as a power source in two main ways; through the use of boundary spanners and external reporting lines. These micro-political tactics allowed subsidiary managers to tap into the networks of influence residing at HQ.

6.5.1 'Having a Few Friends at Corporate'

One particular issue which materialised throughout the interviews, after surfacing at an early stage with the HEALTHCO Plant Manager, was the importance of “having a couple of friends in corporate”. Subsidiary managers described the significance of having a contact at corporate that had come from the subsidiary plant itself and was now operating out of corporate offices. The Plant Manager at HEALTHCO described the success of a particular initiative they proposed to HQ in this regard by stating, “it has gone much better than I would have ever hoped. I put that down to the fact that we had built up a lot of friends over the years... the Global Director of Engineering came from here too, and the VP for overall R&D came from here so we have been able to populate the corporation's structure to a degree”.

The Plant Manager at HEALTHCO further emphasised that he actively promotes the credibility of his Irish managers so that they will be considered for potential positions in

the corporate offices. This showed a highly mindful approach to utilising a strategy of ‘pollinating’ (Harzing, 2002) subsidiary contacts in corporate and then exploiting their personal legitimacy to build the reputation of the subsidiary at corporate HQ. This pollination strategy allowed for subsidiary managers to leverage these, what effectively became inpatriates, in that they started out as Irish employees and hence have always “donned the green hat”³³ (VP of Global Vascular Operations MEDCO). This was skillfully performed most evidently in HEALTHCO and MEDCO through careful informal conversations where the subsidiary manager would identify future roles in HQ and promote the potentially ‘suitable’ capabilities of their most credible employees. This involved a significant degree of ‘spade work’ from the subsidiary manager in terms of searching for future mandate proposals from HQ, knowing what their strategic direction was and in what areas they were planning to develop their corporate capabilities.

The corporate interviewee at HEALTHCO reflected on the importance of these thoughts by saying, “one of the great things in the Irish plant is the people, even the new people...we have been able to hire top class people with great experience and that’s a great advantage”. He went on to outline how the personal credibility of these managers was critical to the subsidiary’s profile by citing below a particular example where the Plant Manager had turned around the Irish subsidiary’s profile through an efficiency review initiative;

He is the person that I credit with really turning around the [subsidiary] and building its credibility. It was him that initiated the efficiency review, it was him that had the leadership to stand up and say we are inefficient, we are embarrassed by it but we are going to change it. Since then it has just been building momentum. The current Plant Manager now has been able to continue this work and also build the credibility as well. The credibility is critical, without that credibility and some level of sponsorship from corporate; decisions will not go their way. So the leadership of the plant is absolutely critical and crucial.

(VP of R&D HEALTHCO).

³³ ‘Donning the green hat’ was an expression referred to by several interviewees in relation to influencing HQ for the Irish subsidiary’s advantage.

The New Product Development Manager at HEALTHCO gave an example of a specific time when he felt that their contact at corporate had made a very strong recommendation for the new R&D team to be located in the Irish plant. He believed that it was a significant contributing factor in their success of that decisions outcome. He stated, “these contacts help a lot in terms of trying to promote internally. For example, I have no doubt that our current VP for R&D in corporate made a very strong recommendation for the new R&D team to be located in our plant and that would have carried a lot of weight over there. So these contacts can be very influential”. This belief was reinforced by the HEALTHCO corporate contact himself, when he reiterated, “I think the Irish contacts have helped. Up until seven or eight years ago we didn’t move people around like they are now and I was certainly the first to move around going to the U.S. and a number of years after that the engineering manager moved over here too. And I think both he and I have proven our worth here and have integrated with the Americans”.

The Senior HR Manager at MEDCO echoed these views with his own experience explaining how he developed his own personal legitimacy through his constant willingness to “do a bit of work” and as a result “your name gets out there as somebody who might have an interest in the subject matter or has something to say or might do a bit of work on the project which often I find is the leading influence as to whether you will be on the project or not”. The most insightful remarks in this regard were made by the HR Manager at MEDCO when he added that investments and decisions are made with regard to the subsidiary manager in question and not just the subsidiary itself as “they [corporate] become aware of Galway and the people, the people is a very strong part of it, so they do not give anything, they give things to the person”. When pressed on the mechanisms they utilise in this regard, the HR Manager at MEDCO also acknowledged that they had an explicit strategy for populating the corporate structure based on the successfulness of past managers who had operated out of corporate and how these are now effectively ‘friends’ at the corporate table.

MEDCO’s past success has allowed them to almost create a succession planning system for staffing key positions in corporate. Their Senior HR Manager openly talked about how MEDCO has fundamentally become a “talent exporter”, especially for key

positions at corporate. He admitted to the significance of this in that they feel that it is “important to have contacts over there”. The Manufacturing Engineering Manager at MEDCO had alluded to this point but reinforced it more emphatically through the importance of a game of influencing;

So we would have had people who have left here and gone to different levels in other plants or in the corporation and all of that gives you a good reputation up there...the global ops VP, so he would be very much discretely pushing the Irish agenda, he worked here for a number of years so he would be out there saying this is what Galway has done so ye should go and see it. In a way he is influencing, influencing is important in this game, the key decision makers, if you can be linked to them and influence them, if you get isolated from those decision makers then you are in trouble.

The corporate interviewee at MEDCO stressed the importance of these contacts in building a perception around the personal legitimacy of the managers who work at the subsidiary and also the associated perceptions of the Irish subsidiary’s profile internally;

The main advantage of having people in higher level positions in the corporation that have come from Galway or Ireland, is that it sends out a message, as most people that have come out of here and gone to the U.S. have really progressed through the company and risen to high levels so that sends a very strong message about the capability of the people we produce here in Ireland, it sends a strong message about our education system and peoples ability to be leaders and work with other people. So I think that is a bigger advantage in so far as it creates a great impression around our people. So they are saying that our people that go over there, if this is what they are like and this is what they are made of well this is a reflection of the people that are left in Galway as well as maybe the more influential side too but I think mostly it is the perception around the capability

(VP Global Vascular Operations MEDCO).

At PHARMCO it was clear that they were not operating at the same level of influence in terms of deliberate population strategies but they were conscious of targeting key people at corporate whom they had relationships with. Globally, PHARMCO has a policy of developing leaders and this was an area where interviewees had hoped to take advantage of, something that they have not done enough of to date. The Senior QA

Director at PHARMCO remarked on how he has regularly been assigned to help integrate acquisitions across the MNE and felt that this role could help him create more visibility in the U.S. Despite this, PHARMCO had not attempted to leverage the personal legitimacy of their subsidiary managers. The current Plant Manager at PHARMCO was a U.S. expatriate who was on a three-year contract in the Irish subsidiary. Much of the contact that was going to, and, coming in from corporate seemed to be channeled through this manager, which appeared to limit the other subsidiary managers exposure to HQ. The absence of influence in this regard appeared to be due to their lack of embeddedness with corporate HQ, and as a result they would have no platform from which to populate the HQ.

At CHEMCO the VP of International Finance identified their strategic intent to populate the corporate offices but noted that they had not yet had the opportunity to properly initiate this strategy as “business here [in Ireland] is growing so quickly there is a lot of opportunity here so its hard to make the switch”. As already mentioned their MD has developed a very close-knit relationship with the CEO meaning that they have not felt the need to populate the corporate HQ as much as other subsidiaries. Informal interactions with the CEO allows CHEMCO managers to develop initiatives on “touting the notion of doing business in Ireland” and CHEMCOs R&D Manager reinforces this point below;

He’s [the CEO] the man, the father figure, the visionary...and very much the first question out of his mouth is how is the wife and kids so it is a very personalised relationship...he’s very visible around the place... he does not have an entourage with him... he wants people to see him being visible...everybody knows how he sounds, what he looks like, what he wants, he’s a very real person, it is informal but its his way of checking to make sure things are up to scratch.

The VP of Regulatory Affairs at CHEMCO recently joined the company mainly as a result of the CEO’s influence. This VP mentioned the advantages of having a close relationship in terms of making investment decisions as “things move very quickly, so when something is decided on...he can make it happen very quickly by his own energy but he has an organisation that is built up around him and that responds to that”. More generally, this manager had strong views on the role on internal politics and added that

“we all have our channels of influence in terms of through R&D, operations etc. but essentially our CEO or anyone who influences him we need to be connected to”.

Overall HEALTHCO, and MEDCO have used the personal legitimacy of their managers to populate the corporate HQ through boundary spanners while subsequently leveraging these contacts in order to develop a power base at HQ. PHARMCO’s lack of embeddedness appeared to stunt them from realising or achieving this strategy as a potential way to win over corporate managers. CHEMCO were more geared towards targeting key individuals in corporate, particularly in the form of their CEO. They have been focusing more on the leveraging the opportunities within their subsidiary as opposed to migrating elsewhere.

6.5.2 Informal Branches of Influence – External Reporting Lines

Interviewees across all subsidiaries agreed that the creation of external reporting lines due to growing significance of the subsidiary’s role created another avenue for engaging with key decision makers and leveraging their personal legitimacy. The R&D Sustaining Manager at PHARMCO explains below how his subsidiary was becoming more influential, due to the fact that they were creating more visibility by establishing external reporting lines at HQ;

The more branches you have out from the plant, if you have a structure where it is only your plant manager reporting out of the plant then you do not have as much a chance to get visibility or input or therefore influence, whereas now we have at a manager level, maybe six people reporting externally at various levels or senior levels at our divisional headquarters. So it gives us an opportunity to influence and hopefully get more work. For instance when I moved in to my position in sustaining first I was reporting into the sustaining director and we managed to take on more people and do more work here in Galway, so my latest global assignment would not have been possible only for my last position. That manager position would not have been created if I hadn’t taken the step a few years ago for the previous position and now we have that and we also have another management position where we have more ownership and more responsibility.

At CHEMCO managers developed a significant amount of international roles that obliged external reporting lines to corporate offices. The VP of International Finance for example was very focused on this issue and he was adamant with regard to its

significance in “developing expertise you have within the plant, its not just one dimensional and you know how business works in a number of different facilities”. This individual alluded to using his international role in actively attempting to influence investment decisions and attracting them into the Irish plant. He emphasised how emerging markets were a growing opportunity for the Irish plant to rationalise the allocation of investment into Ireland and that this was something he was very involved in. He stated that, “we are pushing the boundaries into the newer markets which is exactly what we need as they are the ones that are growing at a rapid rate because you want to be part of that growth and be able to influence it and manage it, that’s where my focus has been on for the last number of years”. Ultimately he was hopeful that his international role could allow the Irish subsidiary to be a conduit between corporate and the dynamics the MNE was increasingly facing in emerging markets such as China and Brazil.

However, dual reporting lines also created some difficulty in that managers may have two domains to report to and end up having conflicting agendas where the subsidiary’s current products might not be the priority at any one time. The Financial Controller at PHARMCO expressed his views on this issue;

It has its good and bad points in terms of congruence at the local level might not always be optimised with sustaining having a different reporting structure from the plant so we want our projects to come first in the pipeline where as their priorities might not always be the plant where as if it was a department within the plant or a department reported through the plant manager you would have more control over the allocation of the resources.

The Director of R&D at MEDCO highlighted the advantage of having a direct reporting line into corporate for his function in that “the benefit is being at the table and being able to influence in what we do and strategically what we get involved in”.

From these arguments it is clear that subsidiary managers who have direct reporting lines to corporate should not view this as a formal control mechanism but should attempt to leverage and influence their corporate contacts. Additionally they need to balance a dual role of reporting, which is not at the expense of the subsidiary. Corporate representatives at HEALTHCO and MEDCO added that Irish subsidiary managers who

had dual roles with an external reporting line allows for the subsidiary to achieve greater exposure to other sites internally and also to the corporate offices. Most managers that were interviewed had some form of direct contact with HQ that was formally built into their role. PHARMCO did appear to have less external reporting obligations and this did seem to impact on the amount of exposure they had to what was actually happening in other sites across the MNE. These external reporting lines allowed for Irish subsidiary managers to tap into networks of at HQ and subsequently ascertain what was on the corporate agenda.

6.5.3 Overpopulating the Corporate Headquarters

While having direct lines to corporate is advantageous, equally so is considering the effects of how and when subsidiary managers leverage the personal legitimacy of those contacts. For example, managers conveyed that this was fundamentally a dangerous political game to be playing as it could backfire if they were perceived to be overly forceful in the way they leveraged these contacts. CHEMCO's VP of International Finance gave an example of a period where their subsidiary had effectively infiltrated the corporate offices with a number of Irish managers, which they felt were potentially key contacts. However, a temperament of discontent and defensiveness developed at CHEMCO's HQ, as they believed the subsidiary was effectively trying to capture their [corporate] business. As a result corporate managers at CHEMCO had developed a nickname for the Irish managers, which the VP of International Finance did not wish to provide due to anonymity purposes. The corporate interviewee at MEDCO also expressed the disconcerting position that he was in when making decisions at HQ and how he had to make objective decisions regarding investments. As he explained, "you cant be seen to be wearing the green jersey all the time and I would never push to bring a product in to Galway that does not make sense...So when you are in a global role you have to be seen to be objective also in terms of making decisions or doing analysis for what makes sense for Galway" (VP of Global Vascular Operations MEDCO).

The Lean Sigma Master at MEDCO conveyed her concern over the negative effects that this type of strategy may have by stating;

I think it helps from the point of view that he is aware of what is going on in Galway and therefore has the opportunity to identify in discussions or strategies or goals or objectives where Galway might be a suitable fit for

that. Personally though he needs to be seen to be objective and fair but sometimes even when Galway seems to be the right place to go for political reasons he might have to select somewhere else. If there is somebody that they can communicate easily with corporate on the basis that he used to work here. He has a global staff reporting to him, one of which is Galway and he probably has to go out of his way not to concentrate on Galway.

It appeared as if HEALTHCO, MEDCO and CHEMCO had all run into problems in this form. MEDCO and HEALTHCO in particular developed ways to circumvent these retaliation mechanisms from corporate. Interviewees in these instances referred to managing their relationship with corporate managers in such a way that they were not perceived by corporate as acting in a premeditated or manipulative manner. This point coincides with the importance of not over promoting the subsidiary or its managers' personal legitimacy.

As alluded to earlier, some interviewees attempted to undertake 'covert initiatives' in order to overcome the narrow focus from corporate. Below the Plant Manager at HEALTHCO details how he went about this;

Another covert action is IT resources, I felt we had lost our opportunity to get an increased IT functionality in to here for supporting Europe, primarily because we probably had the wrong person leading that function, they were not capable of having the credibility and potential competency to win more of that functionality, that's changed, now we have people who are considered very capable, so we are all of a sudden now discussing whether there is European roles that we could locate in HEALTHCO from an IT perspective. All of these are covert in the sense that I am not saying to anybody, certainly not my boss who is based in the U.S., oh by the way I am trying to pull in functionality into here because I think its good for the plant, because they wont recognise that. Their vision is blurred anything beyond that. I would deliberately work with managers here in terms of their communication agenda with people. I would deliberately promote their abilities to other people and if possible get them to work with that person so that if an opportunity eventually comes up, then they think of that person.

HEALTHCO's Director of Strategic Planning and Infrastructure outlined a situation where he had undertaken a covert initiative without corporate knowledge to develop new machinery. Upon discovering this corporate reacted negatively as they felt the Irish plant had over stepped its mandate and was at risk of giving away trade secrets which

resulted in a “few serious confrontations between this side of the Atlantic and the parent company”. Even though they eventually had given permission to implement the initiative there were bad relations for a few years after and this manager described how he nearly lost his job. Corporate had changed reporting lines in order to monitor the plant more closely after that “so they now began to get their own back on us”. This Director was adamant that it was an initiative they had to take on surreptitiously as corporate would have said no at the outset. In the long run this experience provided the subsidiary manager with the knowledge of how to approach and influence the corporate head office;

At the end of the day when they saw the results coming from the plant which were fantastic they had no choice but to say yes ye were right ye did good and of course they wanted to claim that they invented it anyway...Dealing with head office at times can be difficult, HQ likes to keep control of what happens in the remote location and they like to feel that they are a part of it and they are responsible for it and they know what is happening and sometimes they are too restrictive on what you can do so you have to find ways around that, and once you find a way around that and you do it and you then own up and say you've done it, and if it turns out fine then you are the hero but if it does not then... we have been fortunate here in that everything we touched has turned to gold over the last ten years.

A quote below from the Senior HR Manager at MEDCO illustrates how their relationship with HQ was in the past in that they had not received much attention from corporate and how this was both good and bad at the time in that it allowed them to go off and do their own things and be covert in many instances;

I think HQ never exerted enough influence in the first place. They kind of left you off and they were only concerned with their own well-being, very U.S. focused, if you were outside the U.S. you were left to your own devices...People taking their eye off you allows you to do stuff and then its done when they come back, where corporate are chopping and changing between leaders. You can make hay when some of that stuff is going on, go off and do your stuff, do the stuff that is to your advantage, its easier to ask for forgiveness than permission and we have certainly worked off that principle, for example even the building we are sitting in today was built without permission. What happened was the person who planned it is now the head of operations for MEDCO, so he had permission to build the ground floor but they built the upper floor too as it only cost a little bit more money, they didn't fit it out or anything they just built it, so then when corporate

came here we showed them that we had all this extra space here so that attracted in R&D and suddenly we had an R&D division.

The preceding section illustrates that mandate extensions are not necessarily given to the subsidiary itself but they can also be given more specifically to those individuals who carry a significant degree of personal legitimacy. Alternatively, the personal legitimacy of boundary spanning individuals can be leveraged by subsidiary managers to develop greater influence at corporate. HEALTHCO have been the most ‘covert’ in the way they have deployed these individuals with what seems like the most risky approach to infiltrating the corporate HQ. MEDCO and CHEMCO have also experienced both the positive and negative implications from this type of approach to influencing HQ. As mentioned above it appears PHARMCO have not been as exposed to these dynamics due to their lack of embeddedness with HQ.

The next section discusses the dynamics involved in the nature of internal competition for mandates and how Irish subsidiaries have attempted to leverage their consequential legitimacy by differentiating themselves from other sites.

6.6 Intra-Firm Coopetition Dynamics

This section details interviewee’s responses in relation to how subsidiaries emphasise the consistency of their achievements and capabilities for leveraging their consequential legitimacy. Consequential legitimacy is based on the evaluation of outcomes of the subsidiary’s activities (Bitektine, 2011; Suchman, 1995), which are generally judged against the performance of other internal units (Andersson *et al.*, 2007; Tavani *et al.*, 2013). In this sense, consequential legitimacy manifests itself as a subsidiary power source in intra-firm dynamics. Irish subsidiary managers attempted to leverage this power source by establishing bases of comparison between themselves and other internal subsidiaries. They attempted to do this in two ways. Firstly by developing an ‘image control’ mechanism in the form of transmitting a consistent message of their credibility and past achievements to HQ. Second, by attempting to balance collaboration and competition internally through sharing and ‘stealing’ of best practices and in some instances reversing the transfer of knowledge from HQ to the subsidiary by becoming initiative exporters.

6.6.1 Establishing Bases of Comparison

The general consensus among subsidiary managers was that, despite collaborating with different sites internally, it was imperative to subtly “make the playing field more advantageous” (Global Marketing Manager HEALTHCO). For example, in 2012, PHARMCO was the corporation’s top performing site internally. PHARMCO has an approach that “all the plants are rated on a league system against your Key Process Indicators (KPIs), quality targets and all that so you always like to be doing better than other plants” (Financial Controller). A quote from the Plant Manager at PHARMCO illustrates the Galway subsidiary’s particular mindset as a result;

PHARMCO is a very performance driven culture. There are Key Process Indicators that we use to track your performance so overall financially from a safety perspective and certainly I would love to say that ‘hey I am the top plant in the business unit’ or the company of course. But it is healthy, it is not unhealthy.

PHARMCO’s Engineering Manager also stated that he was conscious that the subsidiary had to stay as competitive as possible. He felt it was key to always try and bring to the table “things to make us stand out internally”. The corporate interviewee at PHARMCO highlighted the consequences of not being competitive in that “some plants are competitive and do well whereas others aren’t as competitive and they tend to lose certain product lines” (Senior QA Director PHARMCO). Similarly the corporate perspective from MEDCO was that they accepted that “there is a lot of competition between plants. Obviously every plant is looking out for itself and wants to win as much opportunity as possible ...we do not want it to become stifling either where people want to keep everything to themselves and are not prepared to share... where internal competition is healthy” (VP of Global Vascular Operations MEDCO). Other comments below suggest that managers in the MEDCO subsidiary were mindful of establishing their differences to other internal sites;

From some initiatives some plants would say they have certain things done but when you get down deep they do not have it done at all so there can be an element of talking it up but I suppose that is just an element of competitive rivalry. Every plant is competing to get more business so some plants are a bit more competitive than others... For example the plant in the

U.S. has had FDA issues so they are unlikely to get a new product in comparison to a plant that has no FDA issues

(Manufacturing Engineering Manager, MEDCO).

HEALTHCO's Plant Manager alluded to the way their site has been better able to manage when "things go wrong" and how their sister subsidiaries have tended to have nasty financial surprises over the years. The corporate executive at HEALTHCO admitted that it is important to corporate that plants differentiate themselves from one another in order to attract investment but in a more indirect manner; "Indirectly yes... When there is an investment to be made we will look at where the best place to put it strategically is" (VP of R&D). Therefore interviewees felt there was an advantage to optimising their distinctiveness in relation to other subsidiaries internally.

6.6.2 Consistent Message of Credibility and Competence – Image Control

Irish subsidiary managers appeared to be very mindful of where their main expertise and the subsidiary's core capabilities lay. They believed that articulating and promoting this as a clear and consistent message to corporate over time allowed them to build a strategy of 'image control' at corporate that was positive and reinforcing. Subsidiary managers felt that when attempting to influence HQ they needed to reinforce their position by referring to these capabilities and achievements. CHEMCO legitimated their site through their developed expertise in certain areas and also through their success story of a consistent track record.

We are the wire development experts. So we have created that technology in here so there are some key technologies that are required for that product. We have developed in that and this particular new product we are looking at developing requires those confidences and technologies. We have built up our core technology base and now we are in a very strong position to say well this is the right place for this product to go to and this is the right place to design, build and develop it

(Director of Engineering at CHEMCO).

This same manager detailed how CHEMCO has had seven years of growth for every quarter and they pride themselves in achieving their KPIs and this has increased

“confidence from the U.S. guys to say okay the guys in Galway deliver and do what they say they are going to do and as a result from a business point of view it makes sense to do it here”.

Managers at HEALTHCO stressed the importance of ‘hammering home’ their past achievements to corporate and also through ‘telling a story’ of their reputation when corporate visited the site. The corporate interviewee at HEALTHCO acknowledged that the Irish plant had gained a reputable profile with corporate managers when their management team decided to formulate a strategic plant committee to improve their operational excellence efficiency (OEE). The plant was at 46% efficiency and needed to get to 80%. The plant publicised these numbers to corporate openly and expressed a desire to improve them. The VP Director of Manufacturing at MEDCO also described their approach when they had a problem. She stressed that promoting the confidence to corporate that the subsidiary is doing everything they can to solve the issue will help keep corporate confident that they subsidiary has control over any potential issues and this method has been effective in the past. The HR Manager at MEDCO developed an opinion on this issue outlining the message they are sending to HQ;

Bring your expensive product and we will make it cheaper, we will drive down costs out of your expensive process and when you have that done you might want to move it somewhere else and we are okay with that, our strategy here is give us those high end products, those high gross profit inefficient processes, we will strip the cost out of them for you and maximise your profit take and if you want to move them on after that then that’s fine, then we will take the next one. Rarely have we not exceeded others expectations but sometimes we may not have exceeded our own.

Another important extension to this argument was the way in which Irish subsidiary managers had incrementally built on what they may have already achieved in certain areas in a rather opportunistic manner. The HR Manager at MEDCO demonstrates this below below;

So the way a lot of these things work is that you will take in a small amount of work so regulatory affairs will take in maybe a small global project or quality will take in maybe field assurance which will deal with complaints, they will have a good system there and they will start to take in complaints from maybe not only our product but maybe from another smaller product

and then someone will take not that Galway is willing to do this so suddenly our field assurances are taking all the complaints for the cardiovascular division, not just for products manufactured out of Galway so they would coordinate all of that

(HR Manager MEDCO).

The R&D Sustaining Manager at PHARMCO added that they too attempted to emphasize their track record as much as they could by outlining, “you want them to say this is what they have done in the past, they have always brought it in on time, they have always brought it in on budget, taken cost out of it and they have always produced a very good product”.

This finding was highlighted across all four cases. The important point for interviewees was not just the actual achievement of a consistent track record but the way in which subsidiary managers built a brand around the consistency of this track record in certain activities. This form of image control was pursued relative to other subsidiaries in the MNE as a way to differentiate the Irish subsidiary. Overall, these arguments illustrate how subsidiary managers attempted to control their image through telling a consistent story at corporate regarding their successful track record.

6.6.3 Best Practice ‘Sharing’ and Stealing – Initiative Exporting

Molloy and Delany argue “since competition with other internal subsidiaries is a central strategic agenda, it is imperative for the subsidiary to be “*vigilant* and *proactive* in advocating bases of comparison” that reflect more accurately and favorably on its reputation (1998: 37). However, there is a danger that the subsidiary can be too vigilant and not in accordance with the inherent internal collaboration that is advocated within most corporate structures. An important consideration for subsidiary managers is to reflect on how they can balance this internal collaboration with a vigilant proactive strategy for competing in corporate mandate extensions. Irish subsidiary managers argued that the best way to achieve this balance was to be the leader in sharing best practices so that they could initiate a strategy of coopetition (Luo, 2005). Managers at all subsidiaries considered how best practice sharing was promoted by corporate in terms of being collaborative with other plants internally. However, it appeared that Irish subsidiary managers attempted to be the forerunner in establishing best practices and

would share these with other subsidiaries in such a way that they were seen by corporate to be ‘taking the lead’. A quote below illustrates this line of thought;

It is also good for Galway in terms of the confidence that we have been able to develop in the methodology has helped the corporation to have confidence in their strategy which means there is a reinforcing loop between what we are doing to help the strategy and confidence in sticking to that strategy...Every plant wants to be at the top of their game so for example when one plant has a best practice then their sites will try to adopt that best practice because they want to be seen at the leading edge but also they have problems that they need to solve and somebody else has found the solutions so they take it on board...two weeks ago I was at a global conference for sharing practices across sites and the Galway model was presented as a model that other sites could adopt and learn from

(Lean Sigma Master MEDCO).

The Senior HR Manager at MEDCO described the importance of being a best practice exporter, but that they are “not afraid to steal with pride”. He stated;

Generally we take and try and improve. The knowledge sharing happens in one of two ways. One we go out to look and see who does it better or benchmarking or two we see where someone has one an award or somebody does something and you get wind of it so you say that sounds interesting so you chase after it yourself. Its more individual initiative there’s a lot of that knowledge sharing, people wanting to go out and find out about it, so it is less deliberate

(Senior HR Manager MEDCO).

This interviewee also explained how they share these best practices in order to be seen as the forerunner and hence a ‘good corporate citizen’ but it also helps them build their profile internally. He cites a recent example of an initiative they shared that they didn’t have to;

That is now being exported at the multinational basis, there is no deliberate strategy to export that but we shared what we were doing, we got recognised for it and others copied and benchmarked off us so that’s a lot of the way that it can go from the outside back to the inside, it is seen to be best practice, people can benchmark copy it and it goes back by osmosis probably as opposed to being a deliberate strategy....Being the first out there with stuff is more important than being the only one with it and nobody knowing about it. There is more to be gained in being seen to be leading edge than to be leading edge and nobody knowing about it.

An important extension to this argument was the fact that MEDCO in particular had achieved a status of becoming an “initiative exporter” (Senior HR Manager MEDCO). This was something that was also cited in other subsidiaries but MEDCO were the most deliberate in that they seemed to use this strategy as a profile builder.

The Manufacturing Engineering Manager at MEDCO also outlined some of the “softer” initiative sharing that he was involved in. He discussed an initiative that they had started themselves as he believed that the HQ could not “see outside the country and they do not understand”. Hence the Irish subsidiary saw this as a simple and effective way of developing their reputation regarding a ‘global diversity’ initiative. This Manager believed that approaching corporate with initiatives like this initially have no effect but further down the line when you share them with other sites and they start to take on momentum then corporate want to know more and they start to develop an appreciation. The corporate view was that the Irish MEDCO site had established itself as one of the main plants for piloting initiatives due to its success in this area;

There are a number of initiatives where it would be piloted in Galway first... run for 6-12 months and then scale it into other plants around the world. If the pilot falls then the initiative will never take off. So I think it says a lot for Galway the trust is there at corporate level so it is a big vote of confidence in the site

(VP Global Vascular Operations).

CHEMCO managers developed this insight further by highlighting how they have changed the transfer of knowledge, which originally came from HQ to them but now they are sharing these as best practices and the effects this has had on their profile. The VP of International Finance at CHEMCO described an instance where they had developed a capability in accountancy and how they used this to their advantage to attract business away from their U.S. counter parts. A lot of this was down to the manager himself and the experience he had built up over the years;

So from a finance perspective we have set up a shared services function to support all of the U.S. business and it has morphed over a number of years as newer entities were added. We had a lot of inter company accountancy experience, dealing with foreign currencies, dealing with different markets, it gave us an advantage over our U.S. colleagues, we were able to go and say listen, you are setting up these entities so we will look after them for you from a finance perspective rather than waiting to be asked

(VP of International Finance CHEMCO).

This manager went on to explain that they had been strategic in targeting an area where corporate did not know much about so that they could promote the subsidiary's achievement to corporate and eventually share their knowledge with them;

The EPA award would be an example of this as they are not overly conscious of the environment in the U.S. We did a recycling program and they are now looking at this project so they have come back and asked questions about that. We are using a lot of chemicals now also at the moment, which they will eventually be using in the U.S. so they are constantly over here asking questions about that. And we would also send people over there to them for a couple of months to get them set up.

The preceding section has outlined the different mechanisms that Irish subsidiary managers deployed in order to leverage their consequential legitimacy as a power source. Consequential legitimacy is leveraged through establishing bases of comparison with other internal units in two main ways. Transmitting a consistent message of their achievements and track record and more significantly through becoming best practice sharers in the form of exporting initiatives and reverse transfer knowledge processes. Partaking in these micr-political strategies allowed the subsidiary to leverage the consequential legitimacy that manifests from intra-firm dynamics. The next section considers the importance of structural legitimacy as a power source for the subsidiary.

6.7. Check and Adjust – Importance of Strategic Alignment

This section considers responses from interviewees as to how the subsidiary legitimates itself structurally in its relationship with HQ. Three main ways in which Irish subsidiaries attempted to implement a more structurally similar design to corporate emerged and these are outlined below.

6.7.1 Strategic Fit – Framing and Fitting

Subsidiary managers were questioned with regard to the extent they felt they had to abide by corporate direction as the literature illustrates that those subsidiaries that are not abiding by the corporate values can lack the necessary legitimacy (Kostova and Zaheer, 1999). The general consensus was that subsidiary managers attempted to conform to the same structural approach that HQ valued. Most significantly it emerged that managers at MEDCO had developed an informal system that allows them to be ‘constantly tapped into’ what changes are being carried out at corporate and subsequently adjusting the subsidiary’s structure accordingly. The Lean Sigma Manager at MEDCO highlighted the importance of this ‘check adjustment loop’ system below;

We are aligned to the corporate strategy and seen to be making a big contribution to that strategy ...So we are aware of the change in the new CEO and the change in the strategy so one of the things that we have been working on as a site over the last number of years is our strategy deployment process and the frequency of the ‘check adjust loop’ - the check with the corporation and adjust your strategy. So at one point in time we probably had a particular frequency on that so we are trying to accelerate that to every quarter so at every three months if there is a change in his strategy we have a system now in which it will filter through to Galway quite quickly, and that’s been critical to Galway being a best practice in the current strategy because we have been tied well into the strategy of the organisation in terms of knowing what to focus on.

At MEDCO, a new CEO had been appointed, which provided the subsidiary with a major opportunity to determine what he was “hot on” (Senior HR Manager MEDCO). As he was new to the role, the Senior HR Manager mentioned how they needed to find out the best way to influence him.

The Plant Manager at PHARMCO pointed to the importance of showing corporate managers who visit that the site was in line with the overall corporate strategy;

We would try to tie in with some of those elements, so we talk about if the company is big into diversity or employee development etc so we would want to make sure that we hit on those points to show how this site is supporting the overall strategy but certainly take these people on a plant tour, there is a lot of interest right now in what is happening with these new programs so how's that production still coming together, show them the new products and that always goes over well.

Managers at CHEMCO believed that their new building was a statement of intent, not just for the plant internally but also for the surrounding area and the competition that resided there. The CHEMCO staff in the older building had now referred to it as the "Golf and Country Spa" (R&D Manager CHEMCO). The VP of International Finance outlined that "people only see the front piece of it and they walk into reception and see all the marble, they had a certain speck that they wanted us to achieve. We have actually surpassed that now. The VP of European Operations added, "down to the color of the tiles we kept them very involved in that project. If you go over and see it, it looks more like a five star hotel in the front lobby than a manufacturing facility but its really built to CHEMCO's standards". The VP of International Finance added that the extension expanded as it morphed into a "monumental structure" that was not initially planned for and in some ways surpassed corporate expectations.

HEALTHCO's VP of R&D also highlighted the importance of structural fit from a corporate perspective saying that the Irish subsidiary was empowered to make their own decisions provided they stay within the overall strategy of the corporation. MEDCO's VP Director of Engineering stated that their portfolio framework detailing a longer term focus of each product they currently possess has allowed them to 'talk' to corporate and allowed corporate to understand their structural arrangement in terms of what products will likely need more investment. The Senior Director of Manufacturing at MEDCO reminisces below about the time when they could more or less do what they wanted but now it is different and they have to align themselves with corporate values;

It is a little more difficult to go off and spend something and then ask for forgiveness after that, you do now have to set a strategic plan and make

sure that you are aiming in the same direction of the business units that you are serving and then put a capability in place that's supporting their strategies as well as your own.

Subsidiary managers felt they had to be aligned in some form with the overall strategy but also felt they needed to reiterate that they were making a significant contribution in this regard. MEDCO's check adjustment loop system allows them to constantly tap into corporate affairs and other subsidiaries did not have advanced mechanisms in this sense.

6.7.2 Strategic Flexibility – Adjusting and Aligning

Another important theme that emerged from the interviewee's responses, that allowed Irish subsidiary managers to keep themselves structurally legitimate, was their ability to strategically adapt to the conflicting and changing demands from corporate. This notion of strategic flexibility is one that appeared to ultimately place Irish subsidiary managers in a positive light with corporate executives. This was most evident in PHARMCO due to the fact that they had less exposure to corporate and their corporate structure was extremely dynamic with a high degree of acquisitions. Interviewees at PHARMCO expressed the importance in positioning themselves and their strategy so they were in the right place when opportunities from these acquisitions did arise. The R&D Sustaining Manager at PHARMCO outlines below how they have used this characteristic to their advantage to become "engineers of flexibility", especially with regard to its relative internal profile;

It is the flexibility of the people, we have had a lot of challenges, and the engineers etc have always been flexible and willing to adjust to make the changes needed to be successful. That has definitely set us apart. I was in a position where I was managing a company we had acquired in France and I was dealing with a guy there for a while, I could see the difference, we are closer to the U.S. culture than we are mainland Europe. I do not mean to stereotype but typically in France, they have really good engineering styles and did things well but they decided how they were going to do it and they stuck to it, they didn't have the flexibility or the willingness to change whereas we did which is probably closer to the U.S. culture where things go up and down which can be frustrating. We have embraced that and it has helped us... We have always chopped and changed and got on with the corporate initiatives, we have changed as required, we have had to shut down lines, taken in more lines, we have had our ups and downs and we have survived it and been flexible enough.

The Senior HR Manager at MEDCO argued that other sites internally have developed somewhat of a distasteful impression of them due to their flexibility in being able to get things done. Further, managers at MEDCO and CHEMCO cited a concern with regard to remaining ‘strategically relevant’ as their corporation becomes more exposed to emerging markets. MEDCO’s VP of Global Vascular Operations expressed this concern below with regard to the Irish site and also outlined the mindset the site is taking to be ready for this;

All of those emerging economies are a long way away from Galway... a lot of those emerging economies cant afford to pay what developed economies are paying today and we are in a high cost location so our biggest challenge is with all the change that is going on in the medical technology industry, where all the growth is in India, China, Russia etc how do we continue to be a key part of MEDCO, when the growth is not around us here in Europe, its there, geographically a long way away from here. So how does this site continue to be a vital cogknowing that this is happening around us right now. We are here in Ireland we are a small outpost here in Europe so how do we stay relevant, this world is changing radically in every industry, the growth that is happening in those areas for example. We have no plants over there but we are looking at a number of pilot projects in countries like that. We will certainly have something in the future so the question is what will Galway’s role be in that.

The next section looks at another dimension of this strategic flexibility in the form of consolidating existing subsidiary product lines.

6.7.3 Consolidating to Move up the Value Chain

As mentioned previously Irish subsidiary managers discussed how the overall landscape of FDI in Ireland was changing in terms of the type of functionality that was now being won by Irish subsidiaries. Interviewees were mindful of consolidating existing or more advanced product lines in order to acquire potentially more significant functionality from corporate. The Plant Manager at PHARMCO explained his predicament when attempting to influence corporate decision makers and he has to consolidate on product lines of lower value in order to get higher value products in due to the constraints for production space;

We have had high level conversations about how much space could be freed up and that is when you get creative, how do we leverage what we have here, what are the products that do not make a lot of sense, is there something of higher value that we can put here, take a look at the portfolio of what we manufacture what potentially makes sense to them, move it out of here...a new acquisition in the U.S. for example about six months we acquired a company that makes products very similar to ours so strategically I know that the company does not have a track record of maintaining U.S. manufacturing presence, so probably a decision will be made on that location, I think I am well located because those products are very similar so I have been making sure that my boss understands that if there is a consideration for where to put that particular product, certainly we have the technical resources, the overhead that can be leveraged, do I have the space to accommodate that, so when we think about facility planning etc when trying to make sure we have free and available space or if there is a higher value product that is moved in is there something of lower value that can be moved out. So there is constantly conversations like that which are happening ”.

More generally, PHARMCO managers felt they were not necessarily positioned to go hunting for business but instead they try to position themselves to be in the ‘right place at the right time’ when opportunities arose. These desires were also combined with strategic moves to progress up the value chain by the Plant Manager at HEALTHCO.

This section has summarised interviewees’s comments regarding the way in which subsidiaries have attempted to leverage their structural legitimacy through feedback seeking mechanisms. They have done this through aligning, and framing their initiatives with corporate strategy, adjusting and fitting their strategic positions according to overall corporate dynamics and consolidating low value products for higher margin products to increase their importance in the MNE. The next section looks at subsidiary managers’ comments regarding their interactions with their local institutional environment.

6.8 Leveraging Linkage Legitimacy from Local Institutional Resources

This section details interviewees responses regarding the way they clarified the value of their connections with host country institutions and partners, as this can be hidden or often overlooked by HQ. When managers were questioned about their relationships with local institutional bodies and other connections present in the Irish institutional landscape there was a resounding consensus that these provided the subsidiary with

considerable support. Subsidiary managers were questioned and probed on their relationships and associations with a number of local institutional bodies such as the IDA, IMDA, Irish Business and Employer's Confederation (IBEC), SFI or links to Universities and government officials. It is well documented in the institutional literature that the subsidiary's local contextual rationalities can provide subsidiary managers with 'institutional tool kits' when attempting to influence corporate managers (Williams & Geppert, 2011).

A number of different themes emerged across all the four cases regarding the strategic deployment of these 'contextual rationalities' when attempting to gain greater internal visibility.

6.8.1 Ireland Inc. Identity

An overarching theme emphasised by interviewees was the impact that Ireland as a whole provided due to its small size and the resulting significance for developing relationships. The corporate interviewee at MEDCO, spent six years as the head of the local American Chamber of Commerce (AMCHAM) and his thoughts below set the scene for the importance of the small size of the Irish institutional landscape and how this provides subsidiary managers with noteworthy leverage to impress and influence corporate;

They [corporate] comment on it, because the U.S. is such a big place they just wouldn't have the same networking capability, in Ireland we are small, so in this case I think our small size works in our favor in so far as everybody knows everybody, there is a very tight network between companies, between multinationals and indigenous companies who are supporting us, between multinationals and academia, with the government

(VP of Global Vascular Operations MEDCO).

Managers at CHEMCO proudly noted that not only was the Western region itself seen as an important cluster for their companies but that the whole Irish landscape had developed in to a cluster mainly due to this relatively compact size. The following quote illustrates this;

We would be more akin to the life science alley in Boston in terms of the clusters but Ireland now itself, you used to talk about Galway being a cluster, but now really if you look at the IMDA they have a map of the medical device companies around Ireland and Ireland has become a cluster

then you start linking in 4th year education and research and consultants, hospitals etc. Government policy with respect to new business start ups and funding tied all together becomes a very powerful engine for indigenous medical device start ups but also makes it very attractive for FDI to continue in the area

(VP Regulatory Affairs Europe CHEMCO).

This interviewee took his point further and reflected on how most managers in these medical device companies had developed a significant network of professional colleagues in other MNEs. He outlined another consideration that was touched on by subsidiary managers across the different cases, which was the importance of establishing and leveraging contacts from previous jobs in other medical device companies and how this was effectively more important for building personal careers and experience. Ultimately, a number of the interviewees had developed experience in competitor companies through which they acquired a great deal of experience and knowledge that they apply to their current role. Interviewees believed that this gave Irish subsidiaries an advantage over other internal sites from different countries that might not have the same level of connections in a more loosely integrated institutional landscape. CHEMCOs VP of Regulatory Affairs reiterates this point below;

My own network is broad and the medical device sector in Ireland is small so its good to be able to call on past colleagues to bounce stuff off them I have often done that in terms of helping frame your own thoughts in terms of establishing a position on a particular issue...its more a case of adding to the pool of expertise that builds the strategy and each person comes to that with a unique set of experiences, skills etc that informs that process and arguably the more experience you have the more you can bring to that depending on what you've been through.

The VP of European Operations at CHEMCO also commented on the corporation's perception of the pro-business Irish landscape and the importance of leveraging that perception to their advantage. He stated that "the corporation see Ireland as being pro-business, see the management team as being connected to that pro business network and that's what you have to keep going".

6.8.2 Political Endorsements

The strength of these subsidiary manager's relationships with influential political figures was a trend that emerged as an important legitimating link. Not only was it evident that managers had strong relationships with local political institutions but they actively voiced the importance of leveraging these contacts to impress corporate managers. Across all cases managers gave examples of how they implemented strategies allowing them to leverage this relationship to their advantage at key times in their development. Managers at MEDCO cited how they strategically invited the top executives from corporate and the board of directors over in order to impress them with some of the infrastructural changes that had taken place locally. The following quotes illustrate this point:

It is a massive deal. There is a new CEO appointed in the last year so we have invited him over a lot. Previously to him we had his boss over and the board of directors, we would get the Taoiseach down, we opened the new road from Shannon to Gort, got that open for them so this is a very big deal for them and it seen as a massive opportunity. The road was two weeks away from being open but they just got a Garda escort at the time. This is a symbol of what we will do to get them here. Political endorsements like this are massive so for example our Taoiseach would have met our current leader at a conference already, our Taoiseach would have been down here on site twice

(HR Manager MEDCO).

The opening of the road got a lot of press but behind that there was a lot of seriousness the fact that we are in the west of Ireland so it could be seen that we are a little isolated from where the major markets are to some degree. So one of the things that we wanted to get the message across is that the infrastructure in Ireland is good, so things like when we have people in here we constantly talk about the infrastructure and support within Ireland so for instance sterilisation sites, we can sterilise our products in 5 different ways within an hour and a half in Galway, so its very rare that any other sites would have that type of capability

(Senior Manufacturing Director MEDCO).

Managers at CHEMCO also referred to the impact of their relationship with certain political figures and how they had used this to their advantage. They cited an example of a new facility they had been opening and the way in which they managed to use their political connections to their full advantage in order to "stroke the corporate ego" (VP

European Operations CHEMCO). Corporate interviewees believed that executives in the U.S. were very impressed by some of these relationships and the degree of influence that the Irish subsidiary managers had over these.

6.8.3 Local Professional Agency Associations

Using local consultancies as linking associations for acceptable behaviour is also considered an important legitimating mechanism. Managers were questioned on whether they had used consultancies when helping to approach corporate with certain initiatives and some managers were skeptical with regard to the impact that local consultancies would have in terms of influencing corporate managers. Interviewees at MEDCO cited a number of different examples where they used local consultancies for developing talent management systems but not so much with a direct focus of influencing corporate. The Research and Technology Development Manager at HEALTHCO was skeptical and outlined that consultants can stifle as much as help promote initiatives in that they can tell you everything that is wrong but not actually help promote the positives of the initiative. As CHEMCO was going through a number of major management restructuring programs they were involved in the use of local consultants in order to help train employees for medium level management positions and they viewed that as something that had to take place in order to align themselves with the growth. However, the longest serving interviewee argued that he used consultancy companies frequently to push through initiatives at corporate. The Director of Strategic Planning and Infrastructure at HEALTHCO discussed a particular case where he had identified an opportunity for the corporation to save millions. He described the process he had to go through in attempting to convince corporate managers that this was good business. The quote below outlines a strategic move to legitimise his initiative by associating it with a “big name” consultancy company that he learned would have greater influence at corporate;

I got a local consultant that I used to work with here out of Dublin...he did some work for me on it, we put together some numbers and we could see how we could save millions by consolidating some production...so I made that proposal to my boss in the U.S. ... and he said the Board of Directors in the U.S. will not accept this. They will not accept John Kenna, who's John Kenna? He said that they are going to need somebody big. So we got Cap Gemini consultants out of the Netherlands, spent six months with them where we looked at not alone Europe but all our manufacturing, the U.S.

plants and India etc and so we came up with a new footprint which said the same thing for Europe that I had said previously with John Kenna. So we proposed it, it went to the board of directors and they approved it. So then we implemented it

(Director of Strategic Planning & Infrastructure HEALTHCO).

This particular example highlights the significant impact that associating the subsidiary with a legitimate organisation, which the HQ views as a “big name”, can have. More importantly it illustrates how this subsidiary manager learned from his first mistake and why he now utilises this legitimacy strategy when approaching corporate managers with a major initiative. However, as only some managers could see the value in this approach this highlights the importance of knowing when and how to use this strategy.

6.8.4 IDA – A Nimble Link to Corporate

Interviewees from all sites were in agreement that local agencies were very helpful in serving them with a number of different issues. What was of particular relevance was the understanding that these agencies were there but the most important issue was how managers leveraged their support. Managers at HEALTHCO were conscious that it was up to the subsidiary itself to be proactive in strategically utilising these institutions. HEALTHCOs Financial Controller explains;

They have the knowledge as to what is out there and what is available and they are benchmarking within the med tech sector. The IDA actually facilitate this too in that they will say we are down in company X and we have a contact so do you want to come down and visit them? So it is a very open platform so this is what helps Ireland Inc. we are so small that we can do that.

At PHARMCO, the R&D Sustaining Manager was one of the most active in terms of pushing the Irish site’s agenda for gaining corporate investment, especially in terms of R&D and therefore he was highly active in searching for grants through local governmental agency interaction. He cited a particular example where they had targeted IDA funding in order to develop their R&D capabilities with corporate. In general he was very positive about the types of advantages the IDA had provided their site especially in terms of “packing a punch” with corporate gatekeepers in that;

They go out and have been to our corporate offices and meet key people within the organisation on a regular basis. They see us as being one of the big players and are always looking to promote investment. They do stuff like making them aware of the initiatives that are happening but also they would canvas for input, as they are developing the strategy, say for example one of the areas the IDA is looking at is communications, how to link the companies in the medical devices sector, so they would have reached out and asked for our input on that. So it is not just a sales pitch, its building relationships and canvassing for input in developing their IDA strategy

(R&D Sustaining Manager PHARMCO).

The same manager went on to note “you could spend a full time job just keeping up with what all the local institutional bodies were doing” and that it was a good thing that they were all there but if there “was less of them and they were more integrated it would be better”. All of these views were backed up from a corporate perspective at HEALTHCO where the interviewee cites a particular example of the type of interactions that can benefit the Irish subsidiary’s influence at corporate. This outlook was the general consensus from corporate interviewees who viewed the IDA as a very valuable agency and also agreed that Irish subsidiaries’ had developed an influential relationship with them, which has helped them increase their profile internally in the MNE. The quote below illustrates this perspective;

We play that at two levels, at the local level and at corporate level. The IDA have been fantastic, they have supported the plant since we opened in 1975. They were instrumental in us setting up the new R&D facility there in 1997. They funded a number of projects after that that has led to the products that are now leading to the expansion of the plant. They have done a super job and continue to do it and have been extremely supportive of us and it does make a difference when you have a state authority like that getting in behind you and supporting you and helping you cut through barriers that may arise.

(VP R&D HEALTHCO).

6.8.5 Awards and Certifications – Embellishing Initiatives

There is an expectation that acquiring certain industry standards in the form of environmental awards or other internal corporate recognitions would help enhance the role of the subsidiary internally. Managers were probed regarding the importance they placed on achieving awards and certifications for their subsidiary and more specifically

if they targeted specific initiatives owing to this. Some managers were skeptical about the extent to which corporate valued these issues. The consensus was that when these issues were linked to certain initiatives then they could be effective at soliciting linkage legitimacy as a power source. Subsidiaries that were strategic with regard to the types of investments they were targeting would attempt to acquire an award or industry standard certification that was specific to the new product being allocated by corporate. The Plant Manager at HEALTHCO outlined his views on how the achievements of certain awards and certifications influenced the perception of corporate through “marketing” the overall internal profile of the Irish subsidiary, especially when advocating bases of comparison with other subsidiaries;

So we set up trying other things like for instance, getting the ISO certification award for environmental management.... in getting that it has ironically helped us hugely because no other plant in the corporation has it, we did it fairly quietly initially but when we got the award we let everybody know. Ironically from the people running the company they had no interest whatsoever, because they viewed it as ‘who gives a shit, what does this mean?’ But subsequent to that a lot of our sales teams in Europe have said this is a big push now, is your product environmentally managed, is your waste stream, are you looking after the environment and the fact that we have this since 2006 and we can demonstrate our carbon footprint, how we do it, we recycle our waste, the fact that we have such a good story developed over that period of time has given us tremendous credibility. So other plants are looking at this thinking okay how do we get it and some are saying it takes an awful lot of energy and they’ve decided not to bother. For us as a European plant its been a really nice thing to say because say oh great this is another example of how we are really ahead of the game.... it is all about managing a perception too.

Subsidiary managers promoted these awards internally in their own subsidiary in the form of social awards and other employee engagement schemes. They were philanthropic with local charity and community endorsements and they promoted a ‘Healthy Workforce’ initiative for their employees but none of this was carried out at corporate. The HR Manager at MEDCO believed that these “embellishments” could help when promoting their subsidiary internally at HQ;

You do get good promotion out of awards like this and it does send your status as a site up. If you do not get them it goes the opposite direction... those awards such as having no quality issues are huge for the site reputation. In terms of

corporate citizenship, MEDCO by its nature as a healthcare company would be a caring enough company and we would continue that on here.

The Manufacturing Engineering Manager at MEDCO outlined an initiative they had undergone without direct interaction from corporate. He explained how corporate did not care much initially but the subsidiary developed a reputation at a later date once the success of this initiative was witnessed by targeting certain awards and then promoting these across other sites. MEDCO identified the importance of being culturally diverse and they knew this initiative would be significant for attracting business when the corporation started to operate more in emerging economies. The quote below illustrates this point;

We got a national award for it and then this diversity inclusion came on board and obviously it was discussed at a bigger window and the idea became how can we expand that out a little bit more to incorporate the whole. Now our company is very much focused in markets in the Asian development countries like China and India so being culturally diverse is important, especially if you want to bring products into those markets so that you are incorporating the needs of the country rather than building the standard model and saying we will take this and forget everything else so that's being pushed at a corporate level at the minute so that has helped. We have a good reputation here over the years of people with special needs, running programs in so far as being able to accommodate them in certain work.

(Manufacturing Engineering Manager MEDCO).

6.8.6 University Engagement

Another important source of linkage legitimacy was the subsidiary's strong ties to local universities and institutes. All cases cited specific examples where they have used universities to help reinforce their profile in certain instances or initiatives to corporate managers. In some cases managers also cited the way they have attempted to influence the development of these institutions for the benefit of their own operations. Most of these managers were operating in R&D or engineering positions but for MEDCO there was a clear case where the HR managers were very strategic in their use of their local university resources.

CHEMCO have not had as much interaction with these institutions to date as the other subsidiaries but their R&D Manager discussed his interaction with universities and the increased importance that he believes they will play as they start to carry out more R&D. His R&D team had always consisted of maximum three engineers, until the last year where it now consists of a dozen and growing. He outlines the interaction he has had in the past with universities and the likely future relationship;

We have been doing more and more testing with more people lately, so I would say we are more open to calling the university now than before if we had a problem... we do not have any formal project going on with them we use it as a problem solving tool as opposed to looking for knowledge. As we get bigger we will have to have a doorway in and we need to be thinking of a strategy of how we would use the facilities or what we would actually want from it whether its looking at a manger doing a post-grad, working on a particular project or whatever. We have also had two other masters students working on two theses for me, one on R&D development tool kit, the structure of R&D and the tools we use and the other is looking at iterative redesign

(R&D Manager CHEMCO).

The Director of Engineering at CHEMCO added that “we are fortunate that we have a good hub, we have graduates coming out that understanding this industry and we are able to get the benefit of this straight away”. In the HEALTHCO site managers had recently extended their R&D function and the New Product Development Manager was one of the most actively involved with local universities. He gave an example of how they highlight this relationship internally with corporate;

We do work with the college of Art and Design in Dublin because we do short projects on particular design subjects and that works out really well for us and we do sell that internally... When we do our reviews with the vice president we say ‘okay this is the stuff that came back from the college of art and design’.

(New Product Development Manager HEALTHCO).

MEDCO utilised its relationships with the university strategically to help deliver with initiatives and improve its profile at corporate. Their HR managers cited particular

examples of when they sought help from a university professor to help both the initiative they were proposing and the personal legitimacy of the manager leading it.

With an employee engagement project we undertake a few years ago that is now being expanded across the corporation and the big take out from that is the way we got the university involved. So MEDCO are starting to do that a lot more now. So for example one of my colleagues got a university lecturer to do a talent management master-class and that definitely promoted his reputation up the ranks because he is adding a lot more value than someone who is sitting there

(HR Manager MEDCO).

The Senior HR manager, who was the person leading this initiative gave his view on this particular issue;

Personally I found it very effective. Its another way we stand out I think, certainly within the HR function, its not only do we produce new initiatives but we produce initiatives that are based on research. So we do not just say this is a good idea that everyone else is doing so therefore we are going to do it too. We go back a step and figure out why this is a good idea for us and is there a sound base on which you make that decision so everything back to literature reviews etc so we have definitely used that model. I have been involved in projects with and without the universities but we always have to ask ourselves what is best for us and why are we doing this so that is an academic approach to doing certain things in some ways so I think that helps us stand out and survive in the longer term so I think that influence from the university has been really important for us.

The quote below details the effect that these links have on the corporate perception of them as a site and he described what he felt was a key indicator that these links were important;

The only proof I have of it is when they start to copy us in other HR sites where they reach out and start to engage in a similar way. I have not seen any other site do it as successfully as we have so far but I certainly seen them starting to try and leverage local universities but it is a bit too much hard work for some of them. When you think of Ireland and its size, population and close community links, you have those connections, which are easier made versus some of our sites in cities with the same population the size of Ireland so its not as easy and straight forward for them when you bring that size to bear. We are able to link with our universities without having to give them massive grants or building them buildings, yes we give them money and support but in the U.S. I would imagine it is a much more costly and formal

affair. For example, one of my contacts in Minnesota is doing a Doctorate in the local university but in no way would he be able to use the university as much as we have used ours over here on certain projects etc, he would not get time.

(Senior HR Manager MEDCO).

Perhaps the most important insight was given by the Senior Director of Manufacturing at MEDCO when he discussed the importance of influencing the curriculum in universities. Courses such as science and engineering are setting up their syllabus in line with what their subsidiary's capabilities are to ensure that graduates have the necessary skills that will suit the development of their subsidiary. He mentioned, it is important to make "sure that we have the right caliber of people to the organisation and being able to influence the syllabus of the engineering and science courses". He outlined that they do this through having some of their senior managers lecture on important courses or by having managers on advisory boards for the college so that the connection and influence is strong for developing their subsidiary. These examples demonstrate the power and influence that subsidiaries have over the university's development and how they leverage this for their own advantage especially in relation to attracting further business.

Interestingly, the Plant Manager at PHARMCO, who is an American Expatriate, highlighted how the subsidiary's interaction with local universities is perceived from a U.S. managerial standpoint.

We would definitely interact with local institutions typically more so here than in the U.S.... I am not so sure if that is a cultural thing here or what but there seems to be much more interaction at that level... having a number of educational institutions around makes the company very aware of that and that's probably one of the reasons why there was such a focus here.

6.8.7 Cartels for Influence

A number of managers in different sites pointed to the significant advantage that collaborating with other medical device companies in the western hub could have. The Director of Engineering at CHEMCO for example describes it best when he discusses

an initiative that he led when himself and a number of other managers “looked at all the utilities, electricity, oil gas whatever else and we got together and we went to the oil companies and said okay we have pooled all our resources and we want to buy whatever amount of oil and we want a deal on that so there are initiatives like that we do share”. His Financial Controller also expressed how the med-tech hub could provide companies with a platform to use when benchmarking what is out there and they have used the IDA as a facilitator in identifying what the benchmarks are. The Lean Sigma Manager at MEDCO outlined how she had leveraged an opportunity that the IMDA had provided to go and visit the Toyota plant and learn more about their Lean Sigma process to improve her own knowledge. The VP of European Operations at CHEMCO outlined in more depth the extent to which they go to in terms of establishing cartels with other competitor MNEs operating in Galway in order to lobby the Irish government over important issues;

We work a lot for them in terms of getting cartels going with regard to security, landscaping, purchasing power for oil, gas etc the other bigger items in terms of AMCHAM so I would know their president very well so a lot of those big business issues we would try and lobby together on those also. That is more at U.S. government level and Irish government level so that the Irish government do not let any of our corporation or infrastructural issues get in the way.

The above section highlighted managers’ views in relation to the importance of locally bound linkages of subsidiary legitimacy and how these can become an essential power source for influencing the development of their mandate. The responses from interviewees appear to illustrate that the use of power resources within the subsidiary is not determined by national institutional linkages alone, but depends more on the way in which the subsidiary manager can leverage these. The next section outlines the potential risks involved in aggressively pursuing the aforementioned legitimacy as a power source.

6.9 Getting Too Close to HQ

This section details managers responses regarding the negative affects of getting too close to HQ. According to Bouquet and Birkinshaw (2008b), receiving too much

positive attention from corporate can result in high and unreasonable expectations for subsidiary performance and a drain on time from corporate visits.

Findings across all cases expressed concern from subsidiary managers that they needed to be conscious of not over advertising their subsidiary's accomplishments, creating too much visibility and being overly exposed to legitimacy judgments from HQ. Irish subsidiary managers were aware of this issue and believed that in some cases promoting their subsidiary too much subsequently led to negative reactions internally from sister subsidiaries or HQ. Most interviewees expressed a concern that maybe they had either promoted themselves too much or that this could be a challenge for them in the future.

For example, HEALTHCO had taken on more investment than it had planned for or anticipated and its legitimacy was coming under serious scrutiny from corporate. The Irish subsidiary won significant investment from corporate over the last decade. The comment below gives an accurate insight into the subsidiary managers' thoughts on this issue;

If you are winning loads of investment then people look positively on you as a plant but the negatives of that are that you have to deliver on it. So you need to balance that, in what you can take on you can deliver and that you do not take on too much and then suddenly your focus is not on anything in particular... the plant has taken on and won a lot and we have found that we work within our comfort zones, so we knew the businesses that we were working in pretty well. Now we have taken on Product A so then there was a total mind set change needed and it has required a lot more focus and it has taken a lot more than we thought it would take...we now have our new building and the capacity so its natural more new things will come here because other facilities do not have it but you can not start going around with a swagger saying give me this because they will ask what you have done with what you have already got

(Global Marketing Manager HEALTHCO).

The corporate interviewee at HEALTHCO reinforced these concerns when he admitted that they have tarnished the gloss of their own image;

That is currently a big concern right now...I wonder have they taken too much on because they did not have a good yearand they have struggled, and have had a severe challenge in keeping up with the demand and that is tarnishing their credibility. There is no doubt about that. They need to get on top of it and they need to put it right otherwise people will be reluctant to

make significant future investments....The problem is there is so much going on there....and they are just struggling right now. I think they will be fine if they really get on top of it in the next two years but they are having a hard time and that is a risk, that their credibility will be tarnished long term. It is already tarnished short term right now but hopefully it wont be long term

(VP of R&D HEALTHCO).

Managers at MEDCO expressed the same concern but in a different format, they were conscious that other subsidiaries internally would react negatively to the “greedy” nature of over promoting and effectively taking business from them. MEDCO managers were aware of the perception and reaction of other internal plant managers with regard to receiving too much attention from corporate and how this made them stand out too much, effectively becoming a target for other managers. They realised that at certain stages in the promotion process a silence strategy could be as effective, as outlined below;

There definitely is resentment from some sites where we have taken their business. And I visited there around a time when the last of it was moving out and they were very resentful, I felt it at a personal level, they were resentful of Irish people in general because they saw us as responsible for the demise of their manufacturing site. I sat in the meeting and I have to say I did not feel that sorry for them because they were not doing anything to secure the future of the other things they had. They were not building strategies, if we were in Galway and we were losing business it would not be acceptable to sit back and say its fine we will be okay

(Senior HR Manager MEDCO).

The Senior QA Director at PHARMCO gave a different perspective from the aforementioned arguments. He believed that the Irish psyche could be forward and outgoing in terms of trying to gain the attention of corporate managers. When he was questioned with regard to the achievements of the Irish subsidiary and how these were viewed at corporate he responded;

It would be something we are proud of but you know the Irish culture we are not great at self promoting, as a culture we do not do the high fives so id say we will be quietly proud of it. It is something we could be much better at. There is a challenge of the Irish people, of instilling greater confidence and

then promoting ourselves a bit better. When we do interact with U.S. counterparts we do a good job but when we go back to our normal lives we are not quite the same.

The R&D Manager at CHEMCO discussed their latest corporate investment and the fact it was so high profile it has put pressure on them to deliver and unlike the situation at HEALTHCO, they have not yet reached a point where their results are starting to see the effects. Nevertheless, it is a condition CHEMCO managers are aware of. The VP of International Finance at CHEMCO added that “you have to do it in a subtle way so that you are not seen by your peers in other facilities to be kind of pushing yourself at their expense all of the time, so you have to be careful in how you do that”.

Another concern evident at CHEMCO was the close relationship managers had developed with their CEO. Eventually, when he does have to resign it may have an impact on the way they channel their influence and who they target. Therefore, managers in this site will have to start establishing a broader span of influence at corporate and not just rely on one source.

As a business grows, the organisational structures have got to change to do that effectively, he can not have the same grasp on detail that he would like to have so he is going to have to let go of a lot of the detail and trust and put individuals in place that are going to manage that organisation for him...there is too much emphasis and dependency upon the energy level of a single individual and that is not good for him, the organisation or the shareholders. What needs to be done is how can we distribute that load so that comes back to organisation management structure

(VP Regulatory Affairs Europe CHEMCO)

These findings illustrate how subsidiary managers take active interest in the amount of internal selling they convey to corporate managers. PHARMCO need to be proactive in how they leverage their forms of legitimacy, whereas HEALTHCO need to keep silent and worry about their current operations. MEDCO appear to be at the top of their game as a global subsidiary and they have learned from the difficulties of over promoting. CHEMCO are entering a stage where HEALTHCO were a few years ago, rapidly

growing and taking on new operations. In this sense they need to be aware of how they are constantly updating and communicating their current situation with corporate.

Table 6.1 below represents a summary of subsidiary manager's 'power quotes' (Corley & Gioia, 2004) or 'proof quotes' (Pratt, 2008) regarding the main themes of subsidiary legitimacy that were documented in this findings chapter.

Table 6.1: Representative Quotes & Associated Themes

Internal Embeddedness	
HEALTHCO	<p>“When people came to Ireland one of the problems we had was they would always complain about the journey from Dublin to the West but there was not much we could do about that so I started to get the plant guys to lay on taxis for the Americans who would be tired when they arrive in so they do not want to drive on the wrong side of the road. Taxis at that time were about €300 so I said lets organise taxis for them even if they are only technicians, who cares. We want these guys coming back to us thinking the best of us, of the Irish plant and it worked, people love going to there...of the nicest things I feel is when we have new products and there is an option to do the initial work in Ireland or one of the plants in the U.S. even the Americans here say we want to do it in Ireland”</p> <p style="text-align: right;">(VP of R&D)</p>
MEDCO	<p>“I am working with my counterparts over there to invite over the key people who are involved in funding projects and their superiors. We identified at a minimum the guys who are involved in the process...we need to influence people and we need to get the resources to do that so he is going over there to be a part of that process and that will be effective because not only will you be heard on that in terms of what your needs are but the visit concentrates people’s attention because you are there and you are coming over for a purpose and it gets attention. It is a way of informally influencing”</p> <p style="text-align: right;">(Manufacturing Director)</p>
CHEMCO	<p>“We need to be walking the corridors, making sure that you are in touch with the Directors and VPs in corporate so that they know you and see you so often that they almost regard you as not being remote from them...there was a few of us that were constantly being over there anyway as part of our work so we tended to go around and talk to as many people as you could and let them know you were there... You need to be seen and you are trying to instill that when the subsidiary comes up in conversation that people will remark on how well they are doing and when it comes to decisions about where we would find a resource or where would takes new product that people automatically say that Ireland seems to be the most progressive. So it at least keeps us fresh in their minds. At the end of the day a lot of the directors and VPs are based there so you do need to generate that and keep visible to people. And it also protects when nothing is perfect either. You are going to have some problems whether its a production fan or a line went down and people will look at that and say they will address it because they seem to be progressive”</p> <p style="text-align: right;">(Plant Manager)</p>
PHARMCO	<p>“We did not get a lot of attention last year but that is a good thing...because you are going to get a lot of attention if things are not going well, if you are not hitting your targets or there are quality problems well then you are going to get an awful lot of uncomfortable attention it is very difficult to attract key executives to the plant unless there is a big problem” (Plant Manager)</p>

Personal Legitimacy	
HEALTHCO	<p>“It has gone much better than I would have ever hoped. I put that down to the fact that we had built up a lot of friends over the years... the Global Director of Engineering came from here too, and the vice president for overall R&D came from here so we have been able to populate the corporation’s structure”</p> <p>(Plant Manager)</p>
MEDCO	<p>“We have been very lucky in that a lot of the leaders in Galway have progressed up the ranks. So the head of Global Manufacturing has come from Galway so that is a help because you are represented in a lot of those boards...that is the unwritten rule so it is not spoken about but it is the unwritten tendency and anybody that represents teams would always try to get products to keep jobs here”</p> <p>(HR Manager)</p>
CHEMCO	<p>“So one of the things is that the group are getting bigger, everybody kind of calls me so one of the things that is very important is that promoting the new people in terms of the awareness from the broader group in HQ that there are more people in R&D here so getting the guys to travel to HQ and getting them to meet their peers and the senior people over there so that they will know who they are working with in the project teams and to get a flavour. That is something that we have actually done and there are some more team members that need to travel over if not this year then early next year”</p> <p>(Plant Manager)</p>
PHARMCO	<p>“This is absolutely critical particularly for people in leadership roles, it is vital because the heart of the decision making process happens outside of the plants, key decisions do not get taken at plant level in general. To be honest my main reason for taking the role in the U.S. is to try and influence that little bit more and try and get greater visibility...the more people you have in higher positions the more influence you can have so I will be in the same building as him”</p> <p>(Senior QA Director)</p>
Consequential Legitimacy	
HEALTHCO	<p>“For instance if there is a new product and HEALTHCO does not have an issue with it but the other plant does then its like a little flag that makes things happen”</p> <p>(Plant Manager)</p>
MEDCO	<p>“There are a number of initiatives where it would be piloted in Galway first... run for six to twelve months and then scale it into other plants around the world. If the pilot falls then the initiative will never take off. So I think it says a lot for Galway the</p>

	trust is there at corporate level so it is a big vote of confidence in the site” (VP Global Vascular Operations)
CHEMCO	“When I joined here most of the technology transfer was coming from the U.S. to here. What the team and I have succeeded in doing is that we have reversed that trend so now we are becoming the experts and the guys in the U.S. are coming to us and asking us for direction and guidance and the flow has shifted in that there is more coming from Ireland across to the U.S. now. As a company we are very much in favor of sharing those competencies because we are all experts in our certain fields, we should all try and share that knowledge and that is what we should strive to do it” (Director of Engineering)
PHARMCO	“You cannot be down at the bottom for too long. There is a whole set of metrics that the plant has to meet, so if you are meeting your metrics then you will be well up on the league table and this is important” (R&D Sustaining Manager)
Structural Legitimacy	
HEALTHCO	“A lot of those opportunities are opportunistic in terms of eventually they come around and you might get a play at one of them but it has been an opportunistic road to success with a plan behind it” (Plant Manager)
MEDCO	“If there is a change in this strategy [corporate] we have a system now in which it will filter through to Galway quite quickly, and that has been critical to Galway being a best practice in the current strategy because we have been tied well into the strategy of the organisation in terms of knowing what to focus on” (Lean Sigma Master)
CHEMCO	“Down to the color of the tiles we kept them very involved in that project. If you go over and see it, it looks more like a five star hotel in the front lobby than a manufacturing facility but it is really built to CHEMCO’s standards” (VP of European Operations)
PHARMCO	“It is difficult to know what is coming down the road, it could be a major investment or a major cut, so you have to position your base broad enough so that you have a bit of sustaining, quality etc so you want to be in a position that when opportunity arises you want to have the right base to build on” (R&D Sustaining Manager)

Linkage Legitimacy

HEALTHCO	<p>“I learned very quickly that if you want to impress the head office managers over there then you need a nice big rubber stamp with a big name that they all know, Deloitte or CapGemini and that will really turn them on. Where as if you come in with your own ideas like myself and I have been in this business all my life and I know more than any of them it still wont impress them, they wont care. I realise that there is no point in me hiring an engineer to go and do that, so I went out and got Marsh Risk Consulting who are one of the biggest risk management companies in the world and they did a lovely scoping study for me which costs \$50,000. I then presented that to the management board in the head office over in the U.S. and they all said go ahead and spend your half a million dollars on this program in your five plants. So they love when they see that big name”</p> <p style="text-align: right;">(Director of Strategic Planning & Infrastructure)</p>
MEDCO	<p>“There is a new CEO appointed in the last year so we have invited him over a lot. Political endorsements like this are massive so for example our Taoiseach would have met our current leader at a conference already, our Taoiseach would have been down here on site twice. So for someone that is the president of a company to meet what he calls is the president of a country and for him to say how flexible he is and how he can do business with, it is a nice one”</p> <p style="text-align: right;">(HR Manager)</p>
CHEMCO	<p>“Our corporate guys made such a huge deal about it, we were lucky in that they both made a connection, certainly helped the fact that Enda Kenny [the Taoiseach] knew me from back in the day, it is really seen as important for the company, everybody likes getting their corporate ego stroked, he knew me, it was a big deal, it made national TV...The following weeks staff meeting was very well managed locally. It was probably the single biggest corporate event”</p> <p style="text-align: right;">(Plant Manager)</p>
PHARMCO	<p>“We have a government affairs office in Dublin and they interact with the government quite a lot and if there is any event happening they get politicians in”</p> <p style="text-align: right;">(R&D Sustaining Manager)</p>

Getting Too Close to HQ

HEALTHCO	<p>“We are going through a degree of constipation at this moment in the sense that we have grown, there is an awful lot coming at us, I think over half the investment in the company is coming into here and that is wonderful in one sense but from managing that complexity that has thrown up a lot of issues...As a facility deciding there is areas of opportunity to grow our mandate that we should go after but we may not want to go after it publicly because people might say what the hell has it got to do with you”</p> <p style="text-align: right;">(Plant Manager).</p>
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MEDCO	<p>“A lot of our competing internal sites are very pissed off at us at this stage so they would probably be trashing us a small bit... obviously they do not like us too much because we took their jobs... There is a huge amount of bad blood between subsidiaries internally so we would be training a lot of our key project leaders on influencing skills and communication skills on cultural awareness in order to deal with these issues and we would also strategically place managers in those positions so they’d be assessed to go into those positions of dealing with other sites” (HR Manager).</p>
CHEMCO	<p>“You walk in and you see the building here with 20 million invested inside of it, somebody has to pay the mortgage on it, by virtue of the fact that we are here... We have invested in a lot of equipment and a lot of people so the expectation is that we perform and we asked for it so we got it” (R&D Manager).</p>
PHARMCO	<p>“The problem is you are an American company so this can be a difficult concept to sell so generally when the corporation see the site it is a different side that they see so we would not be a hugely particular issue for corporate counterparts because the facility will do a very good sell when they are interacting on a day to day basis but its just an Irish psyche that we are not great at promoting ourselves” (Senior QA Director).</p>

6.10 Concluding Remarks

This chapter presented the analysis of interviewee's responses from four U.S. MNE subsidiaries based in the Republic of Ireland. The discussion focused on cross-case analysis of the key themes that emerged within and across each case. This chapter considered each case in terms of its overall corporate structure and cited examples of the way in which corporate investment is both driven initially from corporate direction but predominantly through subsidiary initiative in most cases. The findings also outlined the importance of developing a subsidiary's internal embeddedness in order for them to concentrate corporate attention and hence get more recognition from HQ. This increased engagement allowed subsidiary managers to develop a platform from which they could leverage their different types of legitimacy as a power source for influencing corporate. The chapter concluded with a consideration of how some subsidiary managers have to a degree over promoted their achievements and taken on too much investment and as a result their legitimacy has been tarnished. The next chapter will consider the implications of these findings in further detail in relation to the theoretical arguments portrayed in chapters two and three.

CHAPTER 7: DISCUSSIONS & CONCLUSIONS

7.1 Introduction

This chapter revisits the theoretical insights derived from legitimacy in light of the empirical analysis in an effort to underscore the key findings and contributions of this particular study. The discussion addresses the primary objective of the study, which is to explore the relationship between subsidiary legitimacy as a power source in influencing HQ with regard to subsidiary mandate development. In doing so, it specifically addresses how subsidiary managers developed their embeddedness with HQ through a number of informal selling channels in order to get more recognition for the value they were delivering to the MNE. Getting closer to HQ provides subsidiary managers with a platform for leveraging their legitimacy. A model of the way in which subsidiary legitimacy is socially constructed as a power source through a number of different micro-political strategies is subsequently developed, drawing on the theoretical and empirical considerations of the study. This model brings together the key contributions of the research. This chapter also summarises the main conclusions that can be drawn from this study, as well as managerial implications, some recommendations for future direction and associated potential limitations. It begins by revisiting the research questions before highlighting the originality of this study's perspective.

7.2 Revisiting the Main Research Questions and Objectives

This study sought to answer the following primary research question:

How can subsidiary legitimacy be deployed as a power source in influencing the development of the subsidiary's mandate within the MNE?

More specifically this study attempted to address the following sub-question:

What types of subsidiary legitimacy are the most appropriate power sources and in what circumstances can each of these be leveraged?

7.3 The Main Contributions of the Study

In a general sense this research attempts to generate a greater understanding of how subsidiary managers effectively influence their corporate counterparts in order to develop subsidiary mandates further. A key theme which emerged was the shift from acquiescent boyscout to a more subversive, proactive approach in Irish subsidiary managers' mindsets when attempting to 'get closer' to corporate. In order to establish influence over corporate managers, subsidiary managers felt they needed to be more integrated with HQ by concentrating corporate attention through informal selling channels such as encouraging corporate managers to visit the Irish plant and subsidiary managers traveling to the corporate offices. The development of these interpersonal relationships was considered key for establishing who the main corporate gatekeepers were with regard to decision-making and how they could be targeted as well as what were the most effective means to do so. This allowed subsidiary managers to establish a platform for developing recognition at HQ. With this platform in place, subsidiary managers utilised a number of different micro-political strategies when engaging or interacting with corporate gatekeepers. Further, these micro-political strategies allowed subsidiary managers to exercise particular forms of subsidiary legitimacy as key power sources for establishing influence internally.

This research has added to the literature on subsidiary influence by providing a more in-depth understanding of how subsidiary managers can leverage legitimacy as a power source through the subsidiary's outputs and consequences, techniques and procedures,

structures, leaders and local connections (Di Maggio & Powell, 1983; Oliver, 1991). A major contribution of this study is that it illustrates how legitimacy is socially constructed through everyday organisational struggles between key officials at the HQ-subsubsidiary interface (Birkinshaw & Ridderstrale, 1999; Rocha & Granerud, 2011). The explanatory nature of this research allows for in-depth analysis of the micro-foundations of subsidiary influence (Geppert & Dorrenbacher, 2014), by conveying how subsidiary managers can strategically manage their legitimacy in different ways. Findings have illustrated that establishing legitimacy at corporate is an antecedent of the subsidiary manager establishing influence over HQ and subsequently a fundamental component for developing their corporate mandate.

Overall the main contribution of this study lies in the way it brings together arguments from the micro-political perspective of the HQ-subsubsidiary relationship and legitimation within the MNE in order to explain how Irish subsidiary managers have become global leaders within their MNE. In doing so, the findings indicate a greater understanding of how different levels of subsidiary legitimacy can be strategically altered through processes of interaction, persuasion, symbolism, power and politics in order to influence important resource holders (Clark & Geppert, 2011; Kostova *et al.*, 2008). Additionally, this study also answers calls from Geppert and Dorrenbacher (2014) by illustrating how power and influence is socially constructed in micro-level interactions between powerful individuals at the HQ-subsubsidiary interface. Hence, the findings here propose that legitimacy can be conceptualised as the missing link in efforts to explain more fully the micro-level foundations of subsidiary power and influence (Bouquet & Birkinshaw, 2008a; Geppert & Dorrenbacher, 2014; Mudambi *et al.*, 2014; Tavani *et al.*, 2013). The next section details the starting point for establishing subsidiary influence.

7.4 HQ-Subsubsidiary Embeddedness through Informal Selling Channels

The findings of this study illustrate that in order for subsidiary managers to partake in the micro-political strategies necessary for leveraging their legitimacy as a power source, they must first establish a platform for doing so. This platform is generated in the form of developing a greater degree of internal embeddedness with the corporate HQ. The following section highlights how subsidiary managers created this platform through informal selling channels and the associated mindset of each subsidiary.

7.4.1 Detailing the Mindset of the Subsidiary

An important starting point for contextualising this study was to establish the ongoing mindset of the subsidiary in their approach to interacting with corporate managers. It became apparent that the mindset of the Irish subsidiary directly affected the amount of interaction they had with corporate managers and subsequently the amount of influence they were able to establish as a result.

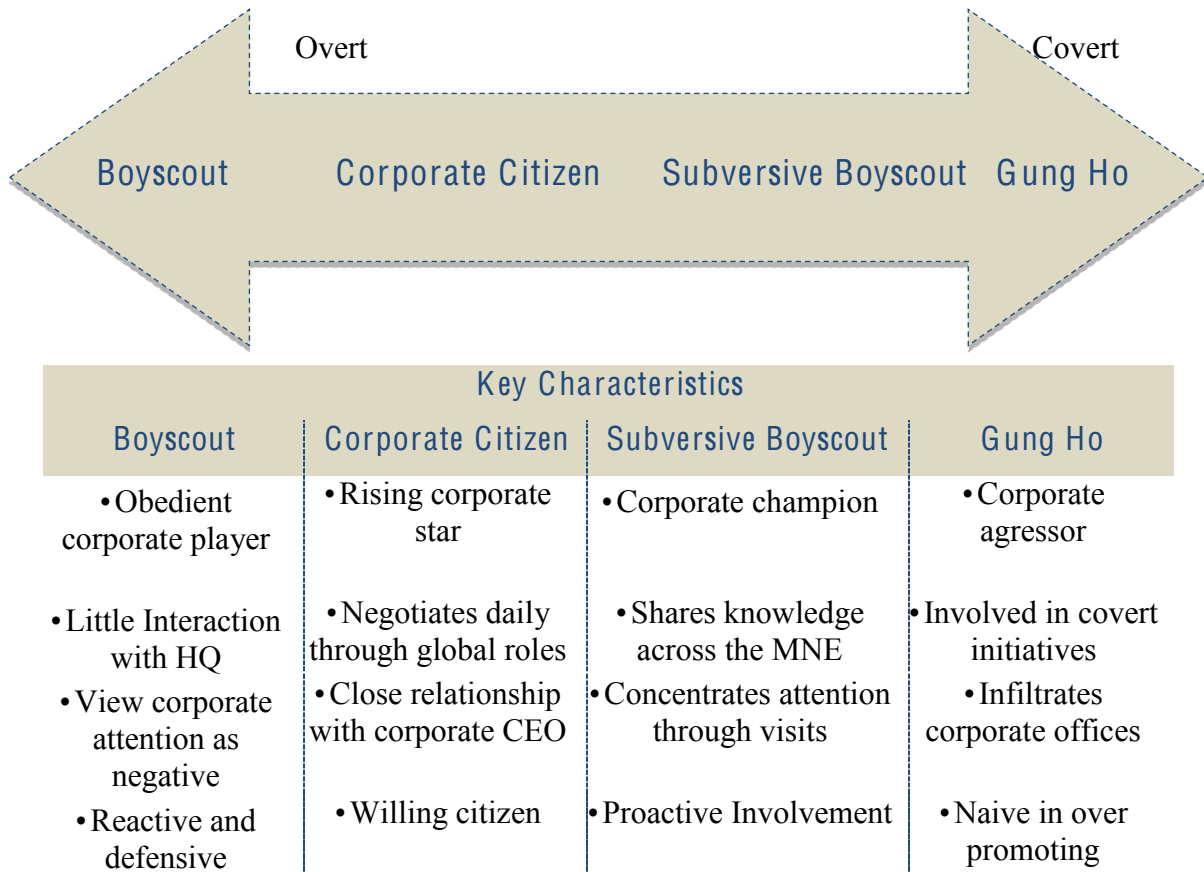
The literature on subsidiary influence indicates that when the subsidiary management team creates a strategic plan, their mindset is a defining principle for establishing success (Morgan & Kristensen, 2006). Molloy and Delany (1998) distinguish between a boyscout and a subversive mindset as an either or approach but the findings above suggest that Irish subsidiaries need to be able to work within both mindsets and apply them distinctively as various interactions arise with corporate. Subsidiaries firstly need to act as ‘boyscouts’ or ‘good corporate citizens’ (Bouquet & Birkinshaw, 2008a) by aligning their interests with corporate values. Alternatively, they have to be ‘subversive’ ‘autonomous bastards’ (Taggart, 1997) to ascertain what these corporate preferences may be as they are constantly changing. The findings outlined above advance Molloy and Delany’s (1998) typology showing how some subsidiaries adhered to the subversive mindset or the proactive philosophy of ‘plan or be planned for’ while balancing the boyscout aspect when needed.

This subversive mindset is key for those subsidiaries attempting to advance up the corporate value chain and hence develop their role internally. MEDCO are the global leaders of the four cases in this regard. In all the four examples of subsidiary legitimacy mentioned earlier, MEDCO have developed significant leverage in each. HEALTHCO is a global leader but are currently going through a stagnation period as they have effectively taken on too much investment and results have declined as a consequence. Their VP of R&D admitted that corporate were worried about the Irish site’s current position. To account for this they have created a monitoring mechanism in the form of an expatriate assignment. HEALTHCO’s legitimacy has been significantly affected as they appear to have over-indulged in the success they have gained. The extreme covert nature of HEALTHCO’s Plant Manager may have been an issue that HQ view negatively. CHEMCO on the other hand are growing at a rapid pace and their Irish site has been the main beneficiary of corporate investment. The main determinant of this is their small size and the close connections they have built between managers at the

subsidiary and HQ. Moving forward CHEMCO would benefit from avoiding overestimating what they can achieve, which HEALTHCO has been negatively affected by as a result. Finally, PHARMCO were the least dynamic case in terms of subversiveness. Their managers illustrate examples of micro-political behaviour but are content maintaining the status quo (Bouquet & Birkinshaw, 2008a).

In this sense all the four sites are at significantly varied stages in the development of their relationships with HQ. Subsidiary managers must balance between the ‘gung ho’ approaches of subversiveness, witnessed in HEALTHCO and to a lesser extent CHEMCO, and the sterile disposition of playing the good corporate citizen at PHARMCO. MEDCO perform a good fit between both of these mindsets. Figure 7.1 below depicts the continuum of subsidiary mindsets and shows each current stage of the four subsidiaries. HEALTHCO are opportunist and covert in the way they approached HQ hence they operate at the extreme covert end of the continuum. Due to perceived efficacy with corporate decisions PHARMCO did not see any benefit in trying to ‘force the corporate agenda’ and hence subsidiaries here were acting on the extreme overt end of the mindset continuum. Therefore, the mindset of the subsidiary should be viewed as a matter of degree rather than an either or concept, which oscillates between boyscout and subversive actions dependent on the circumstances. This mindset contributes to the degree of internal embeddedness that the subsidiary is able to establish with HQ.

Figure 7.1: Subsidiary Mindset Continuum



7.4.2 Developing Greater Recognition through HQ-Subsidiary Embeddedness

Managers at CHEMCO, HEALTHCO and MEDCO all developed an explicit strategy guided through the foundational principle of “how do we get more recognition for what we are doing?” (Plant Manager HEALTHCO). Interviewees at HEALTHCO and MEDCO in particular developed a strategy based upon building their internal embeddedness with corporate. The subsidiaries believe that they had been too insulated from corporate and hence need to develop a subversive approach to interacting and engaging with corporate officials. Subsidiary managers thoughts on this strategy resonate with Yamin and Andersson (2011) who confirm that establishing a high degree of internal embeddedness at HQ is a prerequisite to subsidiary influence. Furthermore, our findings contribute to Tavani *et al.* (2013) who argue that HQ-subsidiary integration can increase the ability of the HQ to recognise the competencies residing at the subsidiary where such recognisability can then be used by the subsidiary as a platform for increasing bargaining power (Birkinshaw & Hood, 1998; Mudambi *et al.*, 2014). As Becker-Ritterspach & Dorrenbacher outline, subsidiary embeddedness with HQ is likely

to lead to an 'informal mandate' in the sense that "HQ and other subsidiaries recognise the subsidiary as having specialized capabilities" (2011: 154). The logic for the importance of HQ-subsubsidiary embeddedness ultimately comes from Andersson *et al.* who state that "although there has been an increased focus on the external embeddedness of MNE subsidiaries, the MNE is above all a mandated structure in which interdependencies with other parts lay the foundations as well as setting the limits, for the execution of subsidiary influence" (2007: 816). For example, the Senior HR Manager at HEALTHCO was cognisant of Andersson *et al.*'s argument stating, "in reality power has been dispersed from the centre. But at the end of the day they can close us down in the morning because they have the ultimate decision, but to do that they would be cutting their own throats because the amount of revenue coming through this site...but the ultimate power still resides with corporate". There is however also a need for the subsidiary to increase recognition as HQ is perceived as a rationally bounded entity that will not necessarily possess the relevant knowledge to ascertain the amount of value that the subsidiary can potentially add to the overall MNE (Ciabuschi *et al.*, 2012). Similarly, responses from Irish subsidiary managers in HEALTHCO, MEDCO and CHEMCO in particular outline that developing a greater degree of integration with corporate offices provides recognition at HQ and subsequently establishes a platform for further engagement.

One of the main ways that subsidiary managers developed their embeddedness with HQ was through informal selling channels. Issue selling is defined as "directing top managers attention to particular issues and helping them understand such issues" (Ling *et al.*, 2005: 637). Our findings illustrate how subsidiary managers attempt to "concentrate corporate attention" (VP Director of Manufacturing MEDCO) mainly through these informal selling channels. Instead of developing a formal role for investment lobbying at HQ, which was strongly considered, Irish subsidiary managers created an informal mindset of "knocking on the corporate door" or "walking the corridors" (Global Marketing Manager HEALTHCO) in order to know what was taking place on the corporate "grapevine" (HR Manager MEDCO). A general consensus formed on the belief that explicit campaigning for corporate investment is treated with a negative reaction from HQ as it signifies an air of competition against other subsidiaries and not in keeping with overall corporate culture. A technique Irish subsidiary managers used resembles Dutton and Ashford's concept of lobbying through "personal appeals,

behind the scenes negotiations or discussions in halls” (1993: 419). Studies have illustrated that subsidiary managers gain influence by engaging in these lobbying, politicking, promoting and advertising techniques (Delany, 2000; Gammelgaard, 2009; Geppert & Dorrenbacher, 2014; Ghoshal & Bartlett, 2005). Irish subsidiary managers performed this type of ‘lobbyism’ (Mudambi & Navarra, 2005) through increasing the amount of visits between the subsidiary and the HQ. The strengthening of social interaction between corporate and subsidiary managers through increased corporate visits to Ireland, coupled with subsidiary visits to the U.S. provided the main political arena for these informal selling channels. Travelling to the corporate offices as much as possible was an important way to sell the Irish subsidiary and to “keep fresh in corporate minds” (Global Marketing Manager HEALTHCO). As the Plant Manager at HEALTHCO stated, “we were trying to get the site seen as a location for a significant number of visits...so they [corporate] go back and say wow this is great”. These comments resonate with Molloy and Delany’s (1998) arguments that subsidiary managers can undertake low risk moves to influence HQ through ‘corridors of indifference’ or general ‘skunkwork’ at the HQ-subsidary interface.

As the effectiveness of this informal lobbying depends largely on the relationship between the issue seller (subsidiary manager) and the receiver (corporate manager) (Ling *et al.*, 2005), Irish subsidiary managers reinforced this strategy by engaging and indulging with corporate managers. Corporate managers were often treated to local events in a persuasive attempt to leave a lasting impression so that “it would make it easy for them to do business with us” (VP Director of Manufacturing MEDCO). The corporate manager at HEALTHCO (VP of R&D) acknowledged that these tactics influence corporate managers when making future investments in initial product work and when he used to work for the subsidiary he would “pay €300 for taxis to bring them [corporate] down from Dublin so that these guys would come back to us thinking the best”. Managers generally believed that formal settings such as yearly events or monthly meetings were no effective arenas to lobby or engage purposely with HQ, as this would appear self-serving and breed a negative reaction from the rest of the MNE internally. Other studies in this area have focused more so on the informal social mechanisms that the HQ uses to control subsidiaries in the form of cross functional teams, personal visits, staffing mechanisms (Brenner & Ambos, 2012). Bouquet and Birkinshaw (2008b) argue that corporate visits can be a sign of ‘negative attention’ that

can drain time, suffocate and even disempower the subsidiary. However, the findings here demonstrated that these visits can in fact be powerful informal arenas for selling the subsidiary to HQ and generating positive attention. Therefore the findings in this regard emphasise the importance of these informal selling channels from the subsidiary perspective. In doing so they further arguments in the literature on issue selling (Ling *et al.*, 2005) but focus more on the importance of these for developing subsidiary embeddedness with HQ.

The next section addresses more specifically the secondary research question by detailing the most appropriate types of subsidiary legitimacy and the particular circumstances in which these were leveraged as a power source. Channeling a number of key scholars in this area the following sections demonstrate that an MNE subsidiary's legitimacy is determined mainly by its personnel, structures, intra-firm and external relationships (Bitekine, 2001; Deephouse & Suchman, 2008; Suchman, 1995; Zimmerman & Zeitz, 2002; Zott & Huy, 2007). Irish subsidiary managers participated in a number of different micro-political strategies, which leveraged the different forms of subsidiary legitimacy in four main ways; the legitimacy of the subsidiary's key personnel, their intra-firm relationships with other subsidiaries, HQs values and objectives and local institutions in the external environment.

7.5 Leveraging Personal Legitimacy to Tap into Networks of Influence

In an effort to address how legitimacy is constructed between key individuals at the corporate-subsidary interface, establishing or tapping into the networks of influence at corporate is important. The findings of this study provide evidence to the argument that legitimacy is not driven solely by an organisations' need to acquire resources, but may also be driven through individual preferences and interests of key power brokers (Becker-Ritterspach & Dorrenbacher, 2011; Bouquet & Birkinshaw, 2008a). This section details how subsidiary managers leveraged their personal legitimacy³⁴ to access networks of influence within and around the MNE, particularly at HQ. According to Barsoux and Bouquet (2013), managers who lack legitimacy will find it harder to exercise their voice (Bouquet & Birkinshaw, 2008b) and be 'heard' while also having

³⁴ Defined in the literature as the personal drive, conviction, vision, charisma or mere willingness of a manager to legitimate their position in the eyes of important resource holders (Suchman, 1995; Zott & Huy, 2007).

problems in connecting with influential power brokers. Subsidiary managers at these Irish subsidiaries participated in a cooptation of elites strategy within the MNE (Bouquet & Birkinshaw's, 20008a). The subsidiary managers employed this strategy in two main ways: talent exporting in the form of boundary spanners and through the use of global roles that provide external reporting lines.

Barsoux and Bouquet (2013) advise that legitimacy can be leveraged through self-promotion of a manager's willingness to endeavor difficult projects other managers across the organisation may avoid. Zott and Huy (2007) have shown how highlighting the notion that entrepreneurs who display personal commitment can obtain personal legitimacy in order to influence important resource holders. Our findings draw similar results in the context of the MNE. Irish subsidiary managers of the U.S. MNEs believe that displaying personal motivation and willingness to take on difficult tasks is a major contributing factor influencing the development of a subsidiary's mandate. This allowed managers to distinguish themselves from other internal subsidiary managers who were not as forthcoming in this regard. Subsidiary managers also believed that this created a perception at HQ that these Irish managers were willing to put themselves forward for challenging projects. Certain managers in MEDCO had also subsequently developed a track record for executing these difficult tasks. For example, managers at MEDCO were extremely proactive and conscious that promoting themselves constantly for more complex projects that other managers did not want to take on, provided them with an opportunity to leverage their personal legitimacy for handling similar tasks in the future. An example of this was illustrated by the Senior HR Manager at MEDCO who was deliberate in promoting himself for projects that other subsidiary managers across the MNE viewed too difficult. This manager established himself in this regard to add to his personal legitimacy within the company to manage additional projects in the future for the subsidiary. His HR counterpart reinforced the significance of this personal legitimacy by stating "they [corporate] give things to the person... as your name gets out there".

7.5.1 Boundary Spanners and Talent Exporting

Our findings illustrate that Irish subsidiary managers in most cases purposely sought to deploy boundary spanners across the MNE and subsequently leverage their personal legitimacy in an effort to create more exposure for the subsidiary by tapping into the upper echelons of the corporation. Boundary spanners are defined as individuals

employed at the subunit who currently have, or previously have had direct contacts with HQ representatives (Kostova & Roth, 2003). Other studies have demonstrated that managers can derive considerable power by maintaining a boundary-spanning role between two networks, allowing them advanced access to valuable information thus promoting their ideas successfully to senior executives (Reiche, 2011; Schotter & Beamish, 2012). Barsoux and Bouquet (2013) demonstrate that ‘targeted boundary spanning’ is effectively achieved by determining areas to be improved on in the subsidiary, whereas a ‘shotgun’ approach involves using ‘matchmaking’ abilities to develop connections.

Subsidiary managers from Irish subsidiaries exemplified both of these approaches when purposely deploying boundary spanners at HQ. A strategic example of this was illustrated by the Plant Manager at HEALTHCO, who promoted the capabilities and experience of his managers to “populate the corporate structure” so that Irish employees could be positioned throughout the corporation but mainly at HQ. The Plant Manager argued that these roles could be used as influential contacts in sourcing and leveraging key players at corporate and ultimately influencing these to help win more business for the Irish plant. This ‘pollination’ (Harzing, 2002) strategy provided Irish subsidiaries with an opportunity to have “more friends at corporate” (Plant Manager HEALTHCO) who have “donned the green hat” (VP Global Vascular Operations MEDCO) and are “constantly pushing the Irish agenda at HQ” (Manufacturing Engineering Manager MEDCO).

Subsidiary managers believed that these individuals acted as ‘subsidiary soldiers’ by ‘infiltrating’ corporate offices and played a boundary-spanning role in feeding valuable information back to the Irish subsidiary. In this way, these subsidiary boundary spanners performed a number of different activities. They help identify the key players and influencers at corporate offices, the influencers’ preferences, and how the subsidiary managers can go about targeting them. They can effectively relay this information back to the subsidiary managers. These arguments echo Molloy and Delany’s (1998) calls for an increased awareness of subsidiary managers regarding when and how they target their legitimating accounts when presenting individual proposals to HQ. In this regard, our findings illustrate that “political skill in influencing the parent is essential” and this requires an ability to build up personal relationships on an ongoing basis and subsequently leverage these relationships when the time is right (Molloy & Delany,

1998: 33). Irish boundary spanners in our case were aware of the “hot buttons” (Molloy & Delany, 1998) of these gatekeepers and pressing these in order to provide the subsidiary with significant strategic leverage. Findings here contribute to other studies that suggest ideas expressed by these power brokers are likely to be considered more legitimate by important constituents in higher-level positions (Bouquet & Birkinshaw, 2008a; Burt, 2004) and boundary spanners can perform as ‘matchmakers’ between key individuals by creating forums where ideas and information can be exchanged (Barsoux & Bouquet, 2013). A major contribution of our study is the confirmation that connecting with these boundary spanners can endow subsidiary managers with an exclusive lens to the upper echelons of the HQ.

This study’s findings are perhaps most pertinent to the arguments of Sully Taylor’s (2006; 2007) discussions around ‘high-value boundary spanners’ (HVBSs) and the important implications for selecting and developing these individuals for successful maneuvering within the MNE. Taylor’s work cites the significance of HVBSs building relationships and social capital with other HVBSs in both managerial positions and beyond. HVBSs possess important firm specific knowledge, capabilities and skills that make this cross boundary activity a significant role. Taylor calls for more specific research on the boundary spanning characteristics that make these individuals more effective in their roles, such as integrity, humility, inquisitiveness, global mindset and building trust (Beechler *et al.*, 2004). This study advances Taylor’s conceptual discussion on HVBSs but more specifically in the context of how subsidiaries can leverage their personal legitimacy as a power source. We argue that Irish boundary spanners are competent in building social relationships particularly in the context of corporate HQ. Furthermore, from a subsidiary perspective, the findings illustrate that these boundary spanners are not just a result of “the right person being in the right place at the right time” (Schotter & Beamish, 2011: 255) but instead they are very purposely positioned within the MNE by the subsidiary manager.

Furthermore, interviewees at MEDCO, for example, believe that they are “talent exporter[s]” as they have a record of filling many key strategic roles in other sites across the corporate structure. The personal legitimacy of this talent has allowed the subsidiary to enhance its influence in relation to its position *vis-a-vis* corporate and it now performs a vital role in the MEDCO corporate structure. The Senior HR Manager at MEDCO outlined how these contacts have helped funnel through more “infiltrators”

and how this is vital for providing the subsidiary with a voice in the corporate offices. A quote below illustrates this point;

When corporate has looked for new leaders, the best people have probably come from Galway, or they have gotten those positions and they could probably influence that... the former head of Galway would have taken the next job up in the corporation and he would have taken the next job up again and the next job after that and his predecessor would have kept following him then...Somebody who has started here in operations is now a senior person in corporate and it is a huge advantage to us, that person knows us well, knows our capability, and can speak for us as he is coming from a position of knowledge when they are considering our site. When we are three thousand miles away that is important to have somebody who knows our capability and can influence at that level who knows what our strengths are and what our aims are

(Senior HR Manager MEDCO).

This thesis' findings extend Bouquet and Birkinshaw's (2008a) conceptual argument such that this strategy exemplifies a micro-political game of "cooptation" based on simple individual moves, focusing on 'talent exporting' as a strategic corner stone of subsidiary power game strategies. As the personal legitimacy of subsidiary individuals expands so too does the number of influential actors across the MNE who become sympathetic with the subsidiary (Birkinshaw *et al.*, 2007; Bouquet & Birkinshaw, 2008). Ultimately, this cooptation of elites or population strategy provides the subsidiary with a continuous exchange of valuable information with HQ and a stable connection to individuals in influential positions (Bouquet & Birkinshaw, 2008a). Our findings demonstrate that this micro-political cooptation strategy provides the subsidiary with an opportunity to leverage the personal legitimacy of its boundary spanners. This form of talent exporting is a consideration that has not yet been looked at empirically in the literature on subsidiary influence and in this light is a major contribution of this thesis that extends theoretical arguments in this area (Collings *et al.*, 2010).

7.5.2 Branches of Influence

Another dimension of this argument is that Irish subsidiary managers have developed 'global roles', which has allowed them to create 'branches of influence' in the form of connections to key individuals within the MNE. Irish subsidiary managers operating in global roles were ultimately reporting directly to two managers, one in their Irish site

and one in the HQ. This was common across all cases. Although it did pose some reporting and conflicting issues, managers in these roles agreed that it provided them with a window to access important information at corporate and more formally a “seat at the corporate table” (Director of R&D MEDCO) where key corporate elites ultimately reside and make the final decisions (Delany, 2000). These global roles allowed Irish subsidiary managers to refer back to the Irish site the key issues at corporate and how the subsidiary may tailor its behaviour to efficiency in the relevant agenda topics³⁵. Therefore, subsidiary managers in these global roles were in a sense operating as boundary spanners as they could maneuver between the subsidiary and the HQ.

These global positions were leveraged most effectively at CHEMCO as they were a smaller subsidiary, thus these roles provided them with more exposure and visibility across the MNE. The VP of International Finance leverages his role as a “conduit between growing development in emerging markets and the HQ in the U.S.”. Building on the idea of talent exporting, interviewees at HEALTHCO, MEDCO and CHEMCO stated that they were developing ‘succession plans’ in the event they or other top managers leave the firm. The subsidiary managers viewed this as an important mechanism to keep the power they had developed in these roles within the subsidiary and pass it on to their successor. For example, the Quality Assurance Manager at PHARMCO had used his experience in integrating acquisitions to take on a six-month post in the HQ. This manager perceived this role as a deliberate opportunity to build the reputation of the subsidiary at HQ. Since this research took place, the Plant Manager at HEALTHCO, seemingly a key individual to the Irish plant’s success, has recently been inpatriated to HEALTHCO’s HQ for a two year term while his current position is filled by a U.S. expatriate³⁶. This has both positive and negative consequences for the subsidiary. It is positive in that the former Plant Manager is now effectively operating in a boundary-spanning role for the subsidiary. This inpatriate can build up key contacts at HQ during this time and source key information (Reiche, 2011). The negative effect of

³⁵ The way in which the subsidiary subsequently tailored its behaviour on the basis of this information or ‘agenda topics’ is explained more fully in section 6.7 in the form of structural legitimacy.

³⁶ This U.S. expatriate is a Parent Country National (PCN) and research has illustrated that PCNS are deployed largely as a form of HQ attempting to establish social control over subsidiaries (Brenner & Ambos, 2012; Collings *et al.*, 2007; Gammelgaard, 2009; Harzing, 2002).

this strategy is it signals a monitoring mechanism from HQ, as HEALTHCO's Irish subsidiary has not been achieving targets of late³⁷. The findings in this thesis resonate with Stahl *et al.*'s (2002) conceptualisation of 'career games' regarding the importance of managing a successful subsidiary abroad allowing managers to 'leap' into higher level management positions within the MNE. Yet there has been no study that has attempted to look at these micro-political career games from a subsidiary manager perspective and how this contributes to subsidiary influence.

Our findings provide evidence regarding the use of boundary-spanning roles and talent exporting as potential micro-political approaches to future research in this area. The case studies have shown risks associated with leveraging this particular type of legitimating mechanism. Both MEDCO and CHEMCO highlight examples when they had 'overpopulated' the HQ with Irish boundary spanners, creating a feeling of resentment and protectionism at corporate. The last section of this chapter considers the risks of this strategy in more depth.

7.5.3 Contribution

The discussion piece above contributes to calls for a greater understanding of how power and influence is socially enacted in micro-level interactions between powerful individuals at the HQ-subsidary interface (Bouquet & Birkinshaw, 2008a; Geppert & Dorrenbacher, 2014). The empirical findings point to the key role of the legitimacy of individual subsidiary managers and particularly the boundary spanner in establishing influence at corporate. These 'subsidiary champions' (Cantwell & Mudambi, 2005) influence critical corporate decisions by developing legitimate accounts of both the subsidiary and the different reasons why its managers are the 'right people for the job'. Irish boundary spanners acted as 'legitimacy brokers' and proved to be politically savvy at key times in taking initiatives through relentless deployment of personal legitimacy accounts. A key contribution of this study to the field of subsidiary influence points to the significance of the subsidiary boundary spanner, or Taylor's (2007) HVBSs, as a legitimating mechanism within the MNE and how they can be deployed and strategically crafted by the subsidiary in order to infiltrate the corporate HQ. The findings demonstrate originality by illustrating the use of subsidiary boundary spanners and their associated personal legitimacy as a way to develop the subsidiary's network

³⁷ Further explanations regarding the negative consequences of this mechanism are outlined in section 6.9.

centrality (Gammelgaard, 2009) within the MNE. In doing so we have combined arguments from Suchman (1995), Zott and Huy (2007) and Bouquet and Birkinshaw (2008a) to illustrate that personal legitimacy is leveraged as a subsidiary power source by participating in the cooptation of elites. This involves the deployment of subsidiary boundary spanners through talent exporting mechanisms and the ancillary leveraging of global roles.

This study illustrates that mandate extensions are not purely based on subsidiary characteristics alone, but more specifically they are given to individual subsidiary managers based on the personal legitimacy they possess. I extend conceptual arguments from Bouquet and Birkinshaw (2008a) who posit that subsidiary managers with more legitimacy receive favorable assignments and in turn those assignments provide exposure and opportunities of influence for the subsidiary within the MNE. Ultimately, a key contribution of this research is that it explains how leveraging personal legitimacy as a power source through the cooptation of elites can offer a private view into the networks of influence that reside at the upper echelons of corporate HQ (Barsoux & Bouquet, 2013). The next section discusses another form of subsidiary legitimacy.

7.6 Leveraging Consequential Legitimacy through Coopetition

This segment details how subsidiary managers leverage their consequential legitimacy by participating in micro-political strategies of coopetition. Our findings regarding how subsidiary managers achieve legitimacy in relation to their internal position within the MNE resonate with arguments in the literature on coopetition (Becker-Ritterspach & Dorrenbacher, 2011; Bouquet & Birkinshaw, 2008a; Luo, 2005; Tsai, 2002). Consequential legitimacy is based on the evaluation of a subsidiary's outcomes and these outcomes are judged largely by the HQ against the performance of other units internally (Andersson *et al.*, 2007; Becker-Ritterspach & Dorrenbacher, 2011). According to Geppert & Dorrenbacher (2014), the extent to which a subsidiary's power source can be leveraged depends largely on the subsidiary's position in its internal network. Irish subsidiary managers in this study attempted to leverage their consequential legitimacy as a power source mainly through coopetition tactics in the form of 'image control' and RKT techniques.

7.6.1 Image Control

Firstly, subsidiary managers highlighted the importance of sending out a ‘consistent message’ to corporate of their successful track record in certain functions. Track record is defined as “the extent to which it has delivered over the years results at or above the expectations of the parent company” (Birkinshaw & Hood, 1998: 788). A motto of Irish subsidiary managers appears to be “with success comes more success” (Manufacturing Engineering Manager MEDCO). Interviewees emphasised the importance of reinforcing this successful track record at HQ. Irish subsidiary managers are aware of their main expertise and where their subsidiary’s core capabilities lie. They feel its imperative to ‘sell’ these competences back to corporate. Articulating and promoting this allows managers to “build an image” of, and “tell a story” about, their subsidiary at corporate that is positive and reinforcing (Director of R&D MEDCO). For example, CHEMCO were specialists in wire development and their VP of International Finance attempts to use this as a selling point in further becoming the key business internally for that functionality stating, “we always refer to our achievements and we communicate them back to HQ”. MEDCO’s HR Manger outlined the sales pitch they express to HQ by stating, “we do not sell ourselves as a low cost site, we say bring your worst problem here and we will fix it for you”. The Senior Manufacturing Director at MEDCO added “we can sterilise our products in five different ways within an hour an a half in Galway, so its very rare that any other sites would have that type of capability”.

Irish subsidiary managers therefore showed signs of micro-political ‘image control’ techniques similar to those proposed by other scholars, mainly by emphasising their track record (Ambos *et al.*, 2010; Bouquet & Birkinshaw, 2008a). Maintaining a track record can instill confidence that the subsidiary is a reliable and trustworthy actor within the MNE (Bouquet & Birkinshaw, 2008b). According to Gammelgaard (2009), this image control can lead to acknowledgement or recognition from HQ that the subsidiary is in a superior position vis-a-vis other internal sites in the form of mandate extensions. Similarly, research on legitimacy emphasises the way established organisations use their performance record to acquire legitimacy and access resources (Zimmerman & Zeitz, 2002). These studies link legitimation with the communication of ‘internally consistent stories’ and argue that legitimacy depends on how well organisational stories are told in terms of coherence and consistency (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Rao, 1994; Suchman, 1995). Although some authors dispute that once legitimacy is

conferred, it is subsequently reassessed less vigilantly (unless major mishaps occur) (Ashford & Gibbs, 1990; Suchman, 1995), the common view amongst Irish subsidiary managers in our study is that this form of consequential legitimacy had to be constantly referred to and reinforced at HQ. This finding is reflected in the literature on subsidiary mandates that depict the struggle for mandate development as a politically contested terrain (Kristensen & Zeitlin, 2005). Similar to Zott and Huy (2007), interviewees in our study cited examples of producing product prototypes to demonstrate to corporate managers to make them aware of their progress in certain functions. The site visits mentioned earlier in this chapter provided a context wherein which to demonstrate the success of these prototypes informally to corporate executives.

According to Birkinshaw and Hood (1998) the logic from HQ in this regard is that they view any investment with uncertainty therefore by deciding in favor of a subsidiary that has already been successful in the past they are minimising risk and also providing strong justification if it does prove to be a poor decision in retrospect. Therefore, this form of micro-political approach to image control resonates closely with the competitive side of cooptation, in the form of establishing bases of comparison with other internal subsidiaries (Garcia-Pont *et al.*, 2009). For example, the Plant Manager at PHARMCO cites their formally rated league system as a reason why he feels obliged to “distinguish myself against my peers from a performance standpoint”. CHEMCO’s VP of Regulatory Affairs echoes these thoughts by stating, “you have to be able to show what you can bring to the table so what you can offer and your influence is directly related to that”.

Molloy and Delany (1998) contend that all too often corporate managers ultimately judge their subsidiaries on what they accomplish and subsequently “influence comes out of the barrel of performance - but you have to use it” (1998: 26). Reputation and credibility are manifestations of past performance (Deephouse & Suchman, 2008) whereas legitimacy, no matter what the results, depends more on the knowledge and perceptions that key corporate individuals have about the subsidiary’s performance (Zimmerman & Zeitz, 2002). Our findings echo this line of reasoning by illustrating that credibility based on past performance may not be a sufficient enough form of subsidiary power internally. Irish subsidiary managers develop other more powerful ways of showcasing or reinforcing these organisational achievements to corporate executives in the form of image control tactics.

7.6.2 Initiative Exporting & RKT

A second approach to leveraging consequential legitimacy through cooperation is collaborative best practice sharing. Irish subsidiaries have managed to develop a role for themselves as the global leader in sharing best practices within the MNE. MEDCO, CHEMCO (and HEALTHCO to a lesser extent) have all undertaken strategies in this regard, allowing Irish subsidiary managers to enhance the internal profile of the subsidiary and establish optimal distinctiveness internally (Garcia-Pont *et al.*, 2009). What appears significant here is the legitimacy that the subsidiary receives as a result of becoming an “initiative exporter” (Senior HR Manager MEDCO). Taking on the role of best practice developers increases the Irish subsidiary’s chances of securing future investment in the early stage development of initiatives. MEDCO in particular receives significant investment from HQ on the basis that they have become an initiative exporter. MEDCO subsidiary managers share best practices with other sites and they demonstrate this potential at annual corporate events. MEDCO interviewees believe that these events provide them with an opportunity to emphasise the contribution the Irish subsidiary makes to other internal subsidiaries and the MNE overall. The Director of Engineering at CHEMCO reinforced this point by stating, “sharing the information shows how confident we are of what we are able to do...if we say we have developed this technology and we are willing to share it then it creates the openness and vice versa also...We set the standard and example of going to visit them and expect the same share of knowledge that we do here”. The Lean Sigma Master at MEDCO added that she was “at a global conference for sharing practices across sites and the Galway model was presented as a model that other sites could adopt and learn from”.

Subsidiary managers described that they too use benchmarks with other internal sites when developing their own operations. Managers stated they were “not afraid to steal with pride” (Senior HR Manager MEDCO). This form of sharing is “dependent on individual factors as you have people that are more political than others and some will share more than others” (Plant Manager PHARMCO). Although these best practice sharing and initiative exporting strategies are ultimately collaborative efforts internally, they allow Irish subsidiaries to achieve legitimacy as they are the subsidiary “leading it” (HR Manager MEDCO), not other sister sites. Comments below illustrate the importance of being a first-mover in best practice sharing;

HQ encourages best practice sharing so much that people are typically applauded for coming out and coming up with the great idea first, so the competitive idea would be for people to come up with that great idea first and then be competitive and share it

(Plant Manager PHARMCO).

Trying to be at the forefront to bring change and then be a benchmark for other plants to come and see what we can do. All of this supports when decisions are being made where HQ are going to invest the next project in

(Manufacturing Engineering Manager MEDCO).

“Seen to be making a big contribution” (Lean Sigma Master MEDCO) was the predominant mindset of Irish subsidiary managers and is a key way for them to leverage consequential legitimacy over their internal sister sites. PHARMCO was not as advanced in this regard as the other subsidiaries in our study. This appears to be a result of the boyscout mindset of the subsidiary management team and their lack of embeddedness with HQ. Alternatively subsidiary managers at HEALTHCO are strategic in achieving comparative advantage through any means necessary. A quote from the New Product Development Manager at HEALTHCO describes an example of taking part in annual events to breed positive relations with HQ and the effects this had on other subsidiaries’ relationship with HQ;

Every two years we have what is called a tech forum and it is where all the technical functions of the company come together at the headquarters and there are podium presentations, poster presentations and demonstrations. Its been running since 2004 so we have always contributed very strongly to that and we had a review of our overall R&D resources a couple of weeks ago, and one of the points that corporate brought up was that was it on the agenda for HEALTHCO to contribute to this forum again and we said it was and somebody there made the comment ‘you can always count on HEALTHCO to support the event!’ It was good to hear that because we always do. Two years ago one of the groups in the U.S. did not support it, they said they were too busy, we were too busy too but we still did it and that was remembered and cast up to them again in a meeting a few weeks ago where it was said ‘you guys did not do anything the last time so ye need to buck up this time

(New Product Development Manager HEALTHCO).

In the majority of cases, Irish subsidiary managers had outlined that they had indeed shifted the balance of power from HQ to the subsidiary through reversing the flow of knowledge transfer. Tavani *et al.* (2013) have demonstrated that when a subsidiary frequently engages in RKT activities its capabilities gain greater legitimacy in the MNE. This activity ultimately functions as a platform for subsidiary power (Schulz, 2001). Irish subsidiary managers recognised that RKT can be used as a means of directing HQ's attention to the subsidiary (Ambos *et al.*, 2010). Irish subsidiary managers performed an issue selling technique similar to Ling *et al.*'s (2005) concept of 'packaging'. This is defined as presenting an issue to HQ in a way that attracts greater attention. Irish subsidiary managers in some cases drew attention to the development of expertise in an area that corporate was less knowledgeable in order to trigger positive attention from HQ. For example, The VP of International Finance at CHEMCO described how the Irish subsidiary developed expertise in environmental awareness and "corporate are now constantly over here asking questions about it...and we would also send people over there to them for a couple of months to get them set up". A quote below from the Senior HR Manager at MEDCO illustrates the importance the Irish subsidiary placed on RKT;

Galway is definitively a good initiative exporter, from my own function's perspective we have exported regionally group wise depending on the initiative, for instance giving every employee a total rewards statement once a year, we went and we did it, it was something corporate had been talking about for a long time so we went and did it and then we went and helped other regions do it also because we managed to devise and simple model that made it easy to do and shared it with other people so that went Europe wide and EMEA wide also

(Senior HR Manager MEDCO).

Developing a position of sharing best practices has been shown to enhance the subsidiary's influence internally (Andersson *et al.*, 2007; Mudambi & Navarra, 2004). Pfeffer and Salancik (1978) argue from a resource dependency perspective that if an organisation has competencies that another organisation is dependent on they develop influence over them. While similar findings emerged in our study, it builds on these arguments by showing that these strategies can be vital for leveraging the resulting consequential legitimacy as a precursor to subsidiary influence. Irish subsidiaries in this case have shown how they can become leaders in best practice sharing and have purposely used this to develop an impression of their outcomes, achievements and

successes at HQ. Therefore one of the main reasons Irish subsidiary managers were sharing these best practices was to leverage consequential legitimacy for being an ‘initiative exporter’ over other competitor subsidiaries internally.

7.6.3 Contribution

The arguments outlined above are closely aligned with those that depict the MNE as an internal market system where intra-firm dynamics generate micro-political power games in the fight for mandate extensions (Dorrenbacher & Gammelgaard, 2006; Gammelgaard, 2009). Enhancing what some studies have called optimal distinctiveness by establishing bases of comparison in MNE intra-firm interactions was a key consideration for Irish subsidiary managers (Ambos *et al.*, 2013; Garcia-Pont *et al.*, 2009; Yamin & Andersson, 2011). Therefore this thesis’ findings indicate that the extent to which subsidiary power can be leveraged depends largely on MNE intra-firm dynamics (Becker-Ritterspach & Dorrenbacher 2011). Bouquet and Birkinshaw (2008a) have described how ‘coopetition’ strategies constitute the most complicated form of micro-politics through simultaneous cooperation and competition with other internal subsidiaries (Luo, 2005). In this thesis, Irish subsidiary managers participated in this coopetition strategy in two main ways; competitive image control techniques (Bouquet & Birkinshaw, 2008a) and collaborative initiative exporting or RKT activities (Tavani *et al.*, 2013). Our findings make a significant contribution to the work of Tavani *et al.* (2013) by demonstrating that when a subsidiary frequently engages in RKT activities its capabilities gain greater legitimacy in the MNE vis-à-vis other internal units. As Andersson *et al.* (2007) posit, the ultimate test for subsidiary influence is its ability to function as a provider of competence to other internal subsidiaries. Ultimately, we show that when Irish subsidiary managers participate in informal ‘coopetition’ mechanisms, such as image control and initiative exporting, they leverage their consequential legitimacy as a subsidiary power source.

However, the findings here also demonstrate that there can be a danger when trying to leverage consequential legitimacy in that the subsidiary may be seen as too vigilant and not in keeping with the inherent corporate collaboration that is advocated within every corporate structure. An important consideration for subsidiary managers is to reflect on how they can balance this internal collaboration with a vigilant proactive strategy for

competing in corporate mandate extensions³⁸. The next section outlines how subsidiary managers leveraged their structural legitimacy by aligning their structural forms with those of HQ.

7.7 Leveraging Structural Legitimacy through Feedback Seeking

This section details how subsidiary managers leveraged their structural legitimacy as a power source by participating in micro-political strategies of ‘feedback seeking’. As the literature has suggested, MNE subsidiaries may lack legitimacy if they are perceived as loosely committed to the other subsidiaries or their structures and procedures deviate from HQ (Bouquet & Birkinshaw, 2008a). From the HQ perspective, compliance is induced from subsidiaries by enacting sanctions, tolerance or active support of the subsidiaries’ behaviors (Bitekine, 2011). Irish subsidiary manager’s compliance was mainly driven by the motivation for mandate extension but also the fear of mandate loss. Our findings illustrate how subsidiary managers attempted to align their structural arrangements with corporate interests in order to ensure this support from HQ. The idea that subsidiary managers often try to achieve some form of similarity with head office is far from novel but the way Irish subsidiary managers initiated this strategy points to a highly political endeavor, encapsulating a number of different dimensions.

Subsidiary managers feel that the most effective way to leverage power in these functions is “to be seen to be aligned to the corporate structure” (Lean Sigma Manager MEDCO). Managers described the importance of developing similar values to what key power brokers at corporate in each of these functions had a particular preference for at a given time. For example, subsidiary managers at MEDCO are aware of a change in their CEO at HQ. Based on this change MEDCO managers have sought information on what the new CEO was ‘hot on’ (Molloy & Delany, 1998). Managers at MEDCO source critical information from key individuals in the corporate structure regarding this new executives’ preferences and values. The sourcing of information happens predominantly through the deployment of boundary spanners and global roles outlined earlier. As mentioned earlier these contacts in boundary spanning positions are key for keeping the Irish subsidiary involved in any significant changes taking place within the MNE. MEDCO’s Senior HR Manager’s quote below illustrates this example;

³⁸ Section 7.9 develops these arguments further.

The new CEO is coming in November, that will be a major opportunity for the site we will be pulling out all the stops for that... We will look to find out what is the kind of stuff he is interested in from other site visits and what are the questions he has been asking so that we can make sure we can answer them and that the answers are positive. We will contact other sites by function to identify this, so for example one of the things we know he is going to look for is a talent review. This is something he is hot on, so we are looking at how we are managing talent and what is our processes, he has made a lot of changes there can we embrace them or is our system robust enough to answer the questions he might have and if it is not then we need to fix them before he gets here. So he has put a new emphasis so we need to up our game in that area to impress him when he gets here so we need to have something else in place by then that is better than what he has seen elsewhere.

As mentioned earlier, MEDCO managers have in place an informal procedure in the form of a 'check adjustment loop system' to keep up to date with any changes in the corporate structure that may impact on the subsidiary. They highlighted the importance of a rapid response by checking every quarter to see if there were any changes worth noting. CHEMCO were so closely aligned to their corporate CEO that they did not need such a system in place³⁹. Managers at CHEMCO believed that they have gotten more heavily involved in Lean Sigma, not only as a performance improving mechanism but also as it has presented them quite well to their CEO. The recent major investment at CHEMCO as of late has resulted in significant growth and with it a closer relationship with corporate. CHEMCO subsidiary managers mentioned the interior resemblance of their new site to the HQ in the U.S. and how they were obliged to build a subsidiary that resembled the "corporate standards of a wow campus" (R&D Manager CHEMCO). The following quotes emphasise this point; "They had a certain speck that they wanted us to achieve. We have actually surpassed that now..." (VP International Finance CHEMCO) ... "Down to the color of the tiles we kept them very involved in that project. If you go over and see it, it looks more like a five star hotel in the front lobby than a manufacturing facility but it is really built to CHEMCO's standards" (VP European Operations CHEMCO). These arguments are closely aligned to those in the literature that state enacting symbols of professional organising demonstrate important structural 'legitimators' in the form of an organisation's impressive buildings and front offices (Zott & Huy, 2007).

³⁹ The way in which MEDCO used this check adjustment loop system to influence their new executive is considered in more depth in section 7.8.

According to Suchman (1995), structural legitimacy is an indicator of an organisations capacity to perform certain types of work and these structures can subsequently become markers of the organisations worth in certain functional areas. Mudambi *et al.* (2014) further these arguments by showing how subsidiaries can generate specific power bases within certain functional areas or the control of resources related to that function. This thesis demonstrates similar results. For example, MEDCO appeared to have a significant competence in their HR function while PHARMCO seemed to have developed power in their Quality Assurance systems. Both of these subsidiaries had built significant global roles in these functions. HEALTHCO were more varied in their functional expertise but had recently taken on R&D functionality and as a consequence their focus seemed to be on developing these operations further. As CHEMCO were at a fledgling stage in terms of their functional growth they were beginning to establish a foothold in their R&D activities. Their R&D Manager expressed his concern for the way this growth is managed moving forward in that they have not previously managed an R&D department of this size. As a result of this each subsidiary appeared to be well advanced in certain distinctive functionalities and therefore had a greater degree of power in these areas. This observation is therefore concomitant with Mudambi *et al.*, (2014) who argue that having superior capabilities recognised in several functions, compared to one, is more advantageous for subsidiary power. As a result, subsidiary managers appeared to be functionally embedded in terms of having more knowledge about what corporate power brokers valued in these specific functions. A drawback of this strategy is that these subsidiaries may be too concentrated on one area and if corporate changes its focus Irish subsidiaries' competences in these functions may be deemed less significant. The next section considers how subsidiary managers attempted to manage these changes.

7.7.1 Remaining Strategically Relevant

Studies have shown that mandates have a high degree of mobility depending on the intensity of negotiation and restructuring within the MNE (Dorrenbacher & Gammelgaard, 2010). Galunic and Eisenhardt (1996) explain that these mandates are not rigid but adaptive in that corporate misalignment will lead to the subsidiary losing its mandated activities. In all cases Irish subsidiary managers highlighted the dynamism of their corporate structure regarding the constant changes that were being enforced by HQ. Managers referred to the importance of their strategic flexibility in adapting to

these corporate restructurings in order to remain ‘relevant’ (Mudambi *et al.*, 2014). It appeared that what was relevant in corporate was constantly changing and subsidiary managers felt they had to move further up the corporate value chain in order to be seen as relevant at corporate.

For example PHARMCO in particular were a dynamic MNE, with an international strategy based on acquisitions, hence the subsidiarys’ mandate was at risk of constantly being restructured (R&D Sustaining Manager). Due to mainly physical space restrictions, PHARMCO has developed an ability to consolidate old product lines when they want to attract investment in higher value added areas. The subsidiary positions their space capacity so they create room for potential work in higher valued functions such as R&D for example. When PHARMCO’s HQ would acquire a product line in a similar area through an acquisition they usually would allocate the acquired company’s operations to another plant internally, and hence the Irish plant “wanted to be seen as structurally the right plant for that particular reallocation” (R&D Sustaining Manager PHARMCO). This strategy resembles Ling *et al.*’s (2005) issue selling approach of framing such that Irish subsidiary managers would make HQ aware of the fact that they had space to take on the acquired company’s activities. MEDCO subsidiary managers described that their strategy was constantly changing as they reallocated space in their Irish site in order to attract more higher valued products from corporate particularly in R&D also. The Plant Manager at HEALTHCO described this flexible approach to their structure as an “opportunistic road to success with a plan behind it” as they had to try and take advantage of whatever came their way. Similarly, Mudambi and Navarra have described the MNE as a “sea of opportunism” where subsidiaries may take advantage of any opportunity that may arise (2004: 386).

This finding illustrates that strategic alignment is a strategy that is more effective in times of uncertainty. Similar to Ling *et al.*’s (2005) notion of issue selling MEDCO felt they had to frame and fit their talent management structures around what the new CEO valued. Molloy and Delany (1998) explain that in the ladder of mandate development, occasions of uncertainty or ‘snakes’ can be a risk to the subsidiary’s mandate. Corporate restructurings are considered snakes to the subsidiary’s mandate development (Delany, 2000). Thus Irish subsidiary managers felt that remaining structurally aligned or strategically relevant during these restructurings is key for avoiding any loss in mandated operations but also being opportunistic in positioning their subsidiary for

potential extensions (Delany, 2000). Consolidating existing operations to make ‘space’ for potential activities from acquired firms that may move the subsidiary further up the value chain was a key strategy for Irish subsidiaries. Consolidation in this way showed that the subsidiary had the legitimate structures in place to acquire an extension in certain functional areas. The Plant Manager at PHARMCO was extremely strategic in the way he aligned the subsidiary internally stating, “we have had high level conversations about how space could be freed up...is there something of higher value that we can put here”.

7.7.2 Contribution

The ‘check-adjustment loop’ system at MEDCO is a powerful example of how subsidiaries attempt to seek feedback at HQ. This procedure provided subsidiary managers with a mechanism for constantly updating the appropriateness of their structures in accordance with HQ preferences. This argument adds to Bouquet and Birkinshaw’s (2008) idea of feedback seeking for subsidiary influence, defined as “the conscious devotion of effort toward determining the correctness and adequacy of behavior for attaining value added ended states” (Ashford, 1986: 466). Traditionally studies have considered such monitoring approaches from a HQ perspective but our findings demonstrate that subsidiaries also need to perform such approaches. These strategies are most effective when subsidiary managers are unsure about what initiatives to pursue or about what power brokers at HQ constitute as legitimate. Therefore, in times of uncertainty either through corporate restructurings, acquisitions or change in leadership, Irish subsidiary managers participated in feedback seeking strategies. This type of micro-political strategy involves a high degree of strategic flexibility in order to remain strategically relevant by aligning the subsidiary’s main structures with corporate.

Another important consideration in this regard is that what might be viewed as legitimate can be down to an individual executive’s preferences for a certain type of functional structure. Therefore, it is essential that subsidiary managers are aware of how to play the corporate game. Playing the corporate game in this sense may mean that what is deemed legitimate may reside in an individual executives’ preferences at HQ more so than the corporate system as a whole, as was seen at MEDCO. Ahlstrom *et al.* (2008) have argued that this is not so much a form of isomorphism as it is a strategy of ‘copying’ the CEO’s preferences. Chan and Makino show that firms can gain legitimacy in their institutional environments by ‘mimicking’ the practices of successful

organisations or as the Manufacturing Engineering Manager at MEDCO stated, “it is all about ticking the corporate boxes”. This thesis hence draws support for Barsoux and Bouquet (2013) who indicate that subsidiary managers should question and establish, ‘who is the boss, what do they want and how do they want it?’. Subsidiary managers aligning their interests is one step but they must also make sure that key individuals at HQ notice and recognise this by drawing their attention to their legitimate structures or else their good work may fall under the corporate radar (Barsoux & Bouquet, 2013; Tavani *et al.*, 2013).

The next section considers the importance of linkage legitimacy as a subsidiary power source.

7.8 Leveraging Linkage Legitimacy Through Representation and Coalition Building

This section outlines the micro-political strategies of representation and coalition building used by Irish subsidiary managers in order to leverage the associated legitimacy that these linkages provided. Much of the research on subsidiary mandate development has promoted the significance of location advantages for the MNE (Cantwell & Mudambi, 2005). Furthermore, research has illustrated that when subsidiary managers associate themselves with these advantages or linkages to highly legitimate social actors or institutions in their local contexts they can enhance their own ‘linkage legitimacy’ (Baum & Oliver, 1991; Bitekine, 2011; Boddewyn, 1995; Suchman, 1995; Zott & Huy, 2007). According to Suchman (1995), an organisation can trade on the reputation of key institutional bodies in the local environment (Suchman, 1995). Our findings contribute to arguments in this area by revealing that Irish subsidiary managers were highly involved in associating themselves with legitimate actors in the local environment. Two significant lines of thought emerge in this regard. Firstly, these connections are of little relevance to the subsidiary unless the subsidiary manager is socially and politically skilled in emphasising and showcasing them to corporate at key times. Secondly, the local institutions in the Irish institutional landscape have proved to be excellent in the way they too involve themselves in this relational display.

It is well documented in the institutional literature that the subsidiary's local contextual rationalities can provide subsidiary managers with extensive resources and 'institutional tool kits' when attempting to create a positive perception locally (Geppert *et al.*, 2003; Williams & Geppert, 2011). The local Irish landscape in particular has an extremely pro-business orientation and therefore has established a number of different institutional bodies in assisting both local business and MNEs (Collings *et al.*, 2008; Collings *et al.*, 2010; Monaghan *et al.*, 2014). Irish subsidiary managers in all cases recognised that the considerable compactness of Ireland's geographical landscape has proven a major advantage as it allows them to connect and develop relationships from a number of different avenues, at an extremely efficient pace. The important issue here however is making HQ aware of these connections. MEDCO were particularly conscious of creating awareness of this at HQ and how it contributed to the subsidiary's effectiveness. The VP of Global Vascular Operations, witnessed the corporate perspective on this issue;

Corporate, by any distance, they would not have that same level of connection and I have heard it commented on, 'its great that you guys can have access to government'..... So do corporate recognise it? Yes. Are they impressed by it? Absolutely yes.

An implication of this is the extent of relationships and experience that Irish subsidiary managers were able to develop from previous positions in other competitor companies or significant tenure in their current roles. Managers had built up an array of external relationships and experience over their careers and they were conscious of making corporate aware that they were very much 'tapped in to' the local pro-business network.

7.8.1 Stroking the Corporate Ego

It has been illustrated in the literature that demonstrating connections with top governmental officials and principles of state enterprises can assist in obtaining preferential treatment from key constituents (Ahlstrom *et al.*, 2008). There were a number of explicit examples in the findings of this study indicating how local subsidiary managers use endorsements from political figures when attempting to influence HQ. Of consequence to our findings is the significant influence subsidiary managers have over top government officials. Subsidiary managers describe their informal relationship with political figures, which provided them with relatively easy access to the Prime Minister

if corporate managers were visiting the Irish site or a new building was being opened. In this regard, Bouquet and Birkinshaw (2008a) argue that subsidiary managers can get involved in micro-political game playing of representation through formal political alliances or other strategies where different categories of social actors have decided to pursue power as a collective entity. According to Baum and Oliver (1991), leveraging the linkage legitimacy that results from this micro-political action can decrease the chances of being perceived by HQ as self serving. As constituents who hear third party descriptions of positive attributes are more likely to be believed as legitimate rather than first person accounts (Inman *et al.*, 2004). The HR Manager at MEDCO stated that, “for someone that is the President of a company and for him to meet what he calls the president of a country..it is a nice one”, while the Director of Engineering at CHEMCO added, “when you talk to some of corporate that were over here they equate that to meeting Obama, so that is how huge it is, that is how big they see it, so the likes of Enda Kenny coming down here, opening the facility spending time with the owner, that is very important”. An explicit example was also cited in MEDCO when they had invited their executive team over to the Irish subsidiary to visit and the extent they went to create a positive perception in this light is highlighted below;

We would get the Prime Minister down, we opened the new road from Shannon to Gort, got that open for them so this is a very big deal for them and it seen as a massive opportunity. The road was two weeks away from being open but they just got a [police] escort at the time. This is a symbol of what we will do to get them here.

(Senior HR Manager MEDCO).

In effect subsidiary managers in this study use political endorsements as legitimate links for influencing HQs perception or “stroking the corporate ego” (VP of European Operations CHEMCO).

Subsidiary managers also referred to the importance of the IDA as a nimble link to corporate headquarters. The IDA is a well-recognised world-class promotional agency for its influence in attracting FDI into Ireland (Barry, 2007). What our findings illustrate is that these subsidiaries were strategic in the way they deployed these “public servants with flair” (Jacobsen, 1994: 104) as one interviewee commented, “the IDA can also be used as a network facilitator or a medium with HQ...but like I said they will give you

the cake but its up to you to come along and take the slices...the resource is there if you want to eat it. The IDA are however very responsive and nimble” (Financial Controller HEALTHCO). In HEALTHCO for example, the Irish Prime Minister and the Head of the IDA had travelled over to the corporate offices to thank HEATHCO executives for their support to Ireland and the corporate perspective at HEALTHCO was adamant about the impact of this connection stating, “without the IDA’s support I would question whether a lot of this [investment] would have gone on”. These findings support other studies that emphasise the importance of Ireland’s local supporting institutions (Monaghan *et al.*, 2014) but further these arguments by illustrating Irish subsidiary managers as “political animals” (EMEA HR Director PHAMRCO) in the way they leveraged these power sources as legitimate links internally.

7.8.2 Embellishing Initiatives

Studies have also demonstrated how companies strategically seek certifications such as ISO 9000 or Quality Assurance Programs in order to enter certain markets or create new product lines (Ahlstrom & Bruton, 2002; Ahlstrom *et al.*, 2008). It emerged in our findings that subsidiary managers believe this type of strategy has helped convince HQ that they are abiding by certain standards or have developed expertise in certain areas of corporate interest. In all cases these certifications have been vital for Irish subsidiaries especially when attempting to develop new products or promote initiatives at HQ. However, the effectiveness of this action as a power source appeared to be conditional on its timing. For example, when subsidiary managers were developing an initiative for entering into a new product line or establishing new functional expertise they enact these strategies to “embellish” the HQ’s perception of the subsidiary’s legitimate disposition for the proposal (New Product Manager HEALTHCO). Irish subsidiary managers promote the fact that they had achieved this status if they were targeting business in certain functions as mentioned earlier. They would seek to achieve quality standards in certain areas before HQ would allocate an extension. The VP of International Finance at CHEMCO described how they had taken advantage of an Environmental Protection Agency (EPA) award they received;

Eventually it syncs and they come over here and ask questions to try and use our knowledge and experience about the achievement. The EPA award would be an example of this as they are not overly conscious of the environment in the U.S. We did a recycling program and they are now looking at this project so they have come back and asked questions about

that. We are using a lot of chemicals now also at the moment, which they will eventually be using in the U.S. so they are constantly over here asking questions about that.

MEDCO had cited examples of certain awards they had received in relation to HR practices such as diversity initiatives to accommodate workers with special needs. MEDCO had won a national award in this regard which subsequently generated interest from HQ and this initiative is now being shared as a best practice across the MNE. Key in instigating HQs interest was the national award they received as initially when MEDCO set up the initiative locally corporate did not have any interest as “they do not see outside their own country and they do not understand” (Manufacturing Engineering Manager MEDCO). This finding supports Ahlstrom *et al.*'s (2008) arguments that establishing standards in accordance with legal regulations may assure key constituents the company acts legitimately according to the letter of the law. However, Irish subsidiary managers demonstrated that the linkage legitimacy that results from this embellishment is only an effective power source when leveraged in certain instances, such as entering new domains of activity or proposing new initiatives to HQ.

7.8.3 Cartels of Influence

Another interesting finding with regard to linkage legitimacy as a power source is subsidiary managers from each case describing situations where they develop ‘cartels’ with competitors. The purpose of these is to gain lobbying influence over supplier issues such as security, landscaping, oil and gas and going to connections at local government. These cartels provide an image of influence to corporate HQ by conveying linkage legitimacy and ultimately augmenting the subsidiaries existing voice both locally and at HQ. Findings illustrate that Irish subsidiaries are part of a major cluster that save in costs when they lobbied suppliers. These arguments are closely aligned to those of institutional theorists, who have shown that firms can manipulate existing environments by coming together to shape certain regulatory bodies, policy makers and society in general (Di Maggio, 1988; Fligstein, 1997). More importantly Irish subsidiary managers believed that this strategy provided them with more power at HQ as it impressed corporate managers.

7.8.4 University Engagement

Universities have also provided subsidiary managers with legitimating mechanisms when approaching HQ with certain initiatives. Strategic examples of these were seen in MEDCO and HEALTHCO. The New Product Development Manager at HEALTHCO utilises the College of Art and Design in Dublin to help them with certain design features and they cite this relationship in presentations to corporate. As highlighted earlier, the Senior HR Manager at MEDCO described an example where he had sourced a Professor in a local university when proposing a new initiative in a talent management master class he was delivering to HQ. This Professor acted as a legitimating mechanism to show that the subsidiary's initiative was linked to local specialist knowledge. This was ultimately a major way of making them "stand out", as "not only do we produce new initiatives but we produce initiatives that are based on research" (Senior HR Manager MEDCO) and they have witnessed other internal sites copy their approach in this regard. This manager detailed that in the U.S. the HQ or other sister subsidiaries would not have the same connections to universities in the same way that Irish subsidiary managers have. Furthermore, subsidiary managers in MEDCO for example described that they have purposely attempted to influence the curriculum of the science degrees in universities for the betterment of future graduates as potential employees for the subsidiary. MEDCO managers have developed positions as adjunct lecturers in local universities and have advised lecturers on what skills they value in future graduates. This example shows evidence for Allen's (2007) conceptualisation of the rise in the 'corporate university' in that large MNEs are able to influence the development of local institutions in such a way that coincides with the subsidiary's development. Other studies have shown similar results regarding the power that Irish subsidiaries can have over their local institutions (Collings *et al.*, 2008) but our findings argue that in long term influencing local universities can contribute to the influence that the subsidiary may have internally in the MNE, in that they are associating themselves with these legitimate knowledge repositories. This finding adds to other work in the literature on institutional entrepreneurship (Oliver, 1991).

7.8.5 'Turning Corporate On'

The most resounding illustration of linkage legitimacy came in the form of an initiative proposal that the Director of Strategic Planning and Infrastructure at HEALTHCO was attempting to get approval for at HQ. He identified an opportunity to save millions in

machinery operations but had to convince corporate that it was a legitimate initiative. With initial difficulty, due to a lack of establishing legitimacy, he sought a more legitimate mechanism in the form of an international specialist consulting company to help legitimate his claims for new machinery in the subsidiary. He argued that its important to know what “turn[s] corporate on”, similar to Molloy and Delany (1998) who mention pushing the hot buttons of key corporate individuals being a crucial determinant of subsidiary influence.

I learned very quickly that if you want to impress the head office managers over there then you need a nice big rubber stamp with a big name that they all know, Deloitte or CapGemini and that will really turn them on. Where as if you come in with your own ideas like myself and I have been in this business all my life and I know more than any of them it still wont impress them, they wont care

(Director of Strategic Planning HEALTHCO).

This was an example of the social and political skill of a subsidiary manager who knew what it took to legitimate his initiative in the eyes of corporate and he went about this by creating a link with an internationally recognised consultancy operation in the specialised area. This connection allowed him to influence corporate in the form of a legitimate link and he developed knowledge for future initiatives in that he would use similar strategies to establish power and “get what he wanted”. This example resonates with that of Birkinshaw and Ridderstrale’s (1999) ‘corporate immune system’ and they too highlight the importance of establishing legitimacy when faced with this barrier. Therefore, our study adds to their work but goes further explaining that linkage legitimacy in particular is a very powerful way for subsidiary managers to effectively overcome this immune system and overturn any initial rejections they might receive from corporate managers.

7.8.6 Contribution

All of the examples outlined above show the range of legitimating mechanisms in the subsidiary’s local institutional environment that subsidiary managers can use to help “pack a punch with initiatives at HQ” (Research & Technology Development Manager HEALTHCO). For Irish subsidiaries, links to local institutional agencies, government officials, educational institutions, legitimate private firms and other forms of certification can be leveraged as a subsidiary power source within the MNE.

The line of reasoning in this regard is closely linked to those studies that portray the internal MNE as a political arena affected by the degree of external embeddedness of each of its geographically dispersed subsidiaries (Andersson et al., 2007; Dorrenbacher & Gammelgaard, 2006; Geppert *et al.*, 2003; Kristensen & Zeitlin, 2005). Monaghan *et al.* (2014) demonstrate that the local Irish context consists of coalitions of supra-national institutions that support subsidiary managers in initiating and negotiating the early stages of mandate development. These supra-national institutions were key in showcasing Ireland's local resources, cultivating local relationships, enabling learning and enhancing the identification of possible inward investment opportunities for MNEs. Becker-Ritterspach & Dorrenbacher (2011) have also attempted to identify the 'crucial actors' in the subsidiary's local environment in the form of governments, media, trade unions and non-governmental organisations (NGOs). Other studies have shown subsidiaries can develop external legitimacy in the eyes of local institutions through a variety of different techniques such as hiring the local workforce (Forstenlechner & Mellahi, 2010), making charitable donations (Ahlstrom *et al.*, 2008) or entering into strategic alliances (Dacin, Oliver & Roy, 2007). These studies fail to illustrate the intricacies of the way in which subsidiary managers actively leverage these institutions for linkage legitimacy with a purpose for creating more visibility or recognition at corporate. This is a key contribution of the current study's findings.

This study further illustrates that the application and effectiveness of these mechanisms depends crucially on the timing of their deployment. Subsidiary managers leveraged these links by enacting micro-political strategies of representation and coalition building (Bouquet & Birkinshaw, 2008a) when entering new domains. This timing is dependent upon the political savyness of the individual subsidiary manager regarding when to apply these, how to leverage these and in what way to approach HQ with these connections. Building on Heidenreich's (2012) conceptual arguments this thesis finds that the use of power resources within the subsidiary is not determined by national institutional linkages alone, but depends more so on skillful subsidiary actors who succeed in surfacing and demonstrating these national specificities within their corporate power games. The findings of our research contribute to Heidenreich's (2012) theoretical argument by showing that Irish subsidiary managers were extremely skilled both socially and politically in emphasising the important legitimating accounts that these external relationships bestowed on the subsidiary when entering new domains of

activity. Fligstein's (1997, 2001) sentiments on the importance of 'social skill' and Harvey's (1999) work on 'political skill' resonate with the findings of this study. The findings also demonstrate that this power source can be effective when the subsidiary manager's initiative has been ignored or its development becomes stunted by political resistance at HQ, as was the case in Birkinshaw and Ridderstrale's (1999) corporate immune system. Hence by participating in micro-political representation or coalition building strategies, Irish subsidiary managers leveraged their linkage legitimacy for establishing influence within their MNE.

The next section discusses the risks associated with pursuing these types of strategies.

7.9 Balancing the Double Edge of Subsidiary Legitimation

Although subsidiary managers in this study participated in leveraging their legitimacy through micro-political strategies, these tactics were not without their risks. Our findings, similar to Ashforth and Gibbs (1990), illustrate that there is a 'double-edge' to overly promoting the success of an organisation to important constituents. Those subsidiaries that protested their legitimacy too much to corporate were seen as self-serving or manipulative. Ultimately, subsidiaries in this respect confront a 'self promoters paradox', as the need for greater legitimation confronts the organisation the more suspect HQ will be (Ashforth & Gibbs, 1990). Our findings illustrate that informal ways of leveraging legitimacy, such as the micro-political strategies outlined above - boundary spanning mechanisms, image control, RKT, feedback seeking and third party associations - can be more effective than explicit forms such as press releases, annual reports, presentations or formal lobbying (Ashforth & Gibbs, 1990; Mudambi & Navarra, 2004). Irish subsidiary managers believe the latter represents a strategy that is too deliberate and publicised. Taggart (1997) has warned against the HQ's perception of those subsidiaries who are perceived as self-serving and who become 'autonomous bastards' with 'empire building' notions. Mudambi and Navarra discuss the perception of those subsidiaries that may be perceived by corporate as acting with 'self interest seeking or guile' (2004). This thesis illustrates that there are risks or a 'dark side' (Eden & Lenway, 2001) associated with over leveraging the legitimacy power sources mentioned above. We demonstrate that subsidiary power and influence in the MNE is something that should be viewed as a balancing exercise. Similarly, Yamin and Andersson discovered that although a subsidiary's internal embeddedness boosts its

visibility at corporate, this visibility may prove to be somewhat of a “double edged sword and paradoxically works against the subsidiary’s importance” (2011: 155). In other words, internal embeddedness may potentially reduce the positive impacts associated with external embeddedness. For example, subsidiaries should not just focus on winning fights internally (Bouquet & Birkinshaw, 2008a; Kristensen & Zieitlin, 2005) but, “there is a give and take so you have to know what battles to fight in, the ones you really believe in, and there are others you have to let go, you cannot win them all you have got to let them [corporate] win some too” (Global Marketing Manager HEALTHCO). The Director of R&D at MEDCO added that once you build a good reputation it is important that you do not keep talking about yourself all the time, as being greedy can be a destructive strategy”. The HR Manager at MEDCO described how he felt personal resentment from other plants internally as “we had taken some work away from them, such that a lot of other internal plants had become very pissed off at us”. As Geppert and Dorrenbacher (2014) outline, it is important to identify and interpret the rules of the game in the process of playing so that key actors can decide whether or not they may need to mobilise greater resources in order to play the game successfully.

These negative reactions internally were evident regarding the use of cooptation and competition strategies in particular. In the case of deploying subsidiary boundary spanners as legitimating brokers, the findings here explain that their roles or presence may induce doubts at HQ regarding subsidiary boundary spanner’s loyalty. Irish subsidiary managers described how their boundary spanners were in some cases perceived as identifying more with the subsidiary or hoarding information that could be used opportunistically by the subsidiary. This finding builds on Barsoux & Bouquet (2013) who indicate that there is considerable risk when attempting to influence key constituents. This risk can materialise in the form of subsidiary managers appearing ‘sycophantic’, ‘naive’ or ‘manipulative’ (Barsoux & Bouquet, 2013). This example was witnessed particularly in CHEMCO, MEDCO and HEALTHCO that have all received varying degrees of internal resentment from both competing sites and corporate head office as they had too many boundary spanners circumnavigating the corporate playing field. Therefore, subsidiary managers need to show a degree of tentativeness and guile when deploying boundary spanners. The Plant Manager at MEDCO expressed that as he was a corporate representative operating out of the subsidiary plant, it was important

that he was not over-promoting the subsidiary and he was fair when proposing initiatives or assessing options at the top table. This manager however added that “we [subsidiary] would be naive to think that there are people at corporate looking out for Galway and wondering where Galway is”.

Indeed, the analysis suggests that subsidiary managers at HEALTHCO in particular were victims of being ‘politically naive’ (Molloy & Delany, 1998) and in effect they have taken on too much investment. The VP of R&D at HEALTHCO mentioned how the subsidiary’s results had been declining and this was a result of them taking on more than they could handle, becoming “victims of their own success”. He explained that this decline in performance has created a negative perception at HQ about whether the Irish subsidiary is capable of handling more investment in the near future. As outlined earlier, the Plant Manager at HEALTHCO has been given a role in the HQ for two years and an expatriate manager from HQ has now taken over the Irish plant. This is an example of ‘uncomfortable attention’ from HQ in the form of monitoring the current situation in the Irish plant due to their recent slip in performance. The West Regional Manager for the IDA expressed concern with this and acknowledged that they were closely monitoring its development while at the same time catering for any of the expatriate’s requests. The Global Marketing Manager at HEALTHCO outlined that they may now need to stop promoting and focus on what they have for the time being as they have become somewhat ‘constipated’.

These findings resonate with theoretical arguments from Birkinshaw & Bouquet (2008b) who allude to the importance of a ‘silence strategy’. Andersson *et al.* (2007) argue that speaking up sometimes may be more detrimental to future opportunities than keeping quiet. The Global Marketing Manager at HEALTHCO reinforced this stating, “we have won a lot and now we probably do not need to promote our selves to win more business, we have enough right now that we just need to stay focused on, deliver on it and once we start delivering on this then we can go again. But we do not want to keep looking for more because someone will say that we are just being greedy and we have to play it fair too sometimes”. Delany (2000) has shown that it is imperative to constantly defend, consolidate and extend the subsidiary’s operations. However, our findings add originality to this argument by showing that subsidiary managers need to more specifically know when it is wise to make an attempt at extending their operations. Being constantly connected to corporate affairs through the check

adjustment loop process that was witnessed at MEDCO can help with this. Subsidiary managers need to be conscious of not being ‘overly embedded’ with HQ, as was the case at HEALTHCO. As Bouquet and Birkinshaw (2008b) have argued, receiving ‘too much positive attention’ can lead to unrealistic expectations from HQ. In effect our findings illustrate that, for subsidiaries, knowing when to stay quiet is just as, if not more important, than knowing when to use their voices (Birkinshaw & Bouquet, 2008b). In line with Bouquet & Birkinshaw’s analogy, HEALTHCO have exercised their ‘voice’ louder than what their weight (strategic role) could handle as they did not have the relevant capabilities to manage the amount of investment they had won from corporate. This is an interesting finding from this thesis and may be developed further through examining the importance of silence as a micro-political strategy.

Alternatively PHARMCO had not exercised their voice as much as they should have and the Senior QA Director was adamant that they needed to promote themselves more to HQ. As outlined earlier CHEMCO are an interesting case and appeared to be over reliant on channeling their influence through their relationship with their CEO. CHEMCOs Irish operations have been rather one dimensional in their explicit focus on this individual and that as the subsidiary starts to grow they will need to develop more influential connections at corporate. One effect of this is that by relying on this individual they have not yet managed to populate the corporate structure as much as MEDCO for example. This is the risk currently facing their subsidiary and as they grow they will need to develop a more widespread approach to the way they influence within the MNE.

The previous sections have outlined that there are a number of micro-political strategies that positively affect the different forms of legitimacy necessary for establishing subsidiary power and influence internally. Taken together the main contributions of this study illustrate that the more legitimacy a subsidiary is able to leverage, the more influence it has in developing its mandate. However, it is important to note the dangerous paradox that subsidiary managers face when attempting to leverage this legitimacy in that they may become too closely engaged with HQ and there is a risk that they may be perceived as too self serving or vigilant. The next section will discuss more generally some of the key contributions of this study.

7.10 Channels of Subsidiary Legitimacy

The findings of this research build on a number of other studies that aim to identify the main sources or avenues that contribute to the subsidiary's legitimacy within the MNE (Kostova & Zaheer, 1999; Rosenzweig & Singh, 1991; Westney, 1993). Scholars have argued that identifying these sources is a difficult task and trying to conceive of every legitimating body would not be a practical approach (Deephouse & Suchman, 2008; Meyer & Scott, 1983). As mentioned above, these domains of legitimacy in large MNEs are complex and multifaceted (Kostova & Zaheer, 1999), but our findings indicate that there is often a way for politically skilled subsidiary managers to manage and strategically alter these complexities. This thesis illustrates that these sources or domains are more like channels of legitimacy in that subsidiary managers can use them to alter and enhance the legitimacy that flows from or resides in them. The way in which these complex channels can be identified and prioritised for the MNE subsidiary is done so by participating in the micro-political arena within the MNE environment. Building on Birkinshaw and Hood's (1998) depiction of how a subsidiary's role evolves, the findings of this thesis suggest that a subsidiary's legitimacy flows from three principle channels;

1. The subsidiary managers' ability to make the HQ aware of its achievements and capabilities.
2. Internal dynamics in the MNE in the form of
 - a) The values and preferences of the corporate HQ
 - b) Intrafirm interactions
3. The subsidiary's local institutional environment

This typology is similar to that of Westley *et al.* (2006) who argue that the redistribution of power should be more adequately conceptualised as a general game of "social innovation", consisting of three interconnected strategies; developing connections, learning through confrontation, and collaborating with powerful allies. Our findings resemble this three-pronged approach in an MNE subsidiary context. Firstly, subsidiary managers need to develop a greater understanding of who the key power brokers within the MNE are. Boundary spanners and global roles are key micro-political strategies for leveraging personal legitimacy and hence tapping into networks of influence within the MNE. Secondly, subsidiary managers need to learn from confrontations with other

internal sites and leverage their consequential legitimacy through image control and initiative exporting or RKT strategies. Also in this context, subsidiaries should learn to leverage their structural legitimacy from feedback seeking and issue selling techniques with HQ. Finally, subsidiary managers need to collaborate with important local institutions in order to exercise linkage legitimacy internally. Hence, these particular channels of legitimacy are key considerations for how a subsidiary leverages its legitimacy as a power source in order to influence the development of its mandate. Conceptualised in this way identifying and exploiting these channels of legitimacy can be the missing link in efforts to explain more fully the micro-level foundations of subsidiary power and influence within the MNE (Geppert & Dorrenbacher, 2014; Mudambi *et al.*, 2014; Tavani *et al.*, 2013).

7.11 Understanding Subsidiary Legitimacy through Micro-Politics

Building on other studies, this thesis depicts subsidiary mandate development as a significant context wherein which to study the socio-political dynamics of subsidiary power and influence (Dorrenbacher & Gammelgaard, 2006). The transfer or extension of these mandates exposes the subsidiary's existing activities to original routes of functioning or new domains of activity, which subsequently exposes the subsidiary to legitimacy evaluations from HQ (Birkinshaw & Ridderstrale, 1999; Bouquet & Birkinshaw, 2008a). In order to understand how subsidiary power is exercised in influencing the transfer of mandates there is a need to shed more light on the set of legitimating principles specific to the subsidiary (Mudambi *et al.*, 2014). However, there is little empirical research on the different interests, identities and behaviours of key actors involved in legitimising the MNE subsidiary (Geppert & Dorrenbacher, 2014). This thesis has attempted to fill this gap by illustrating how legitimacy can be used as a power source for influencing subsidiary mandate development.

Indeed legitimacy is anchored in distinct but interrelated dimensions and identifying which aspects of a subsidiary's legitimacy is ultimately being evaluated is key for manager's who wish to strategically manage it. Following other arguments in the literature, this thesis has identified the enumerative dimensions of legitimacy in the form of; personal, consequential, structural and linkage (Bitekine, 2011; Suchman, 1995; Zott & Huy 2007). The findings of this study also contribute to calls for a more nuanced understanding of how legitimacy in the MNE can be garnered or leveraged

through the political interactions that take place within the MNE (Clarke & Geppert, 2011; Kostova *et al.*, 2008; Morgan & Kristensen, 2006; Rodriguez *et al.*, 2006).

The findings indicate that Irish subsidiary managers are key political actors in shaping the development of the overall MNE strategy. According to Krackhardt (1990), subsidiary managers who are equipped at ‘diagnosing the political landscape’ typically have the most influence over power distribution and networks of influence within their MNE (Krackhardt, 1990). Ultimately, Irish subsidiaries demonstrated that mandate extensions may not necessarily be given to the most powerful or competent subsidiaries, instead they can be won by those that are socially and politically skilled at playing the corporate game (Barsoux & Bouquet, 2013; Molloy & Delany, 1998). The findings of this research further arguments from Geppert and Dorrenbacher (2014) by identifying what the specific types of subsidiary power games are and how these power games are played within the MNE. We also confirm the particular local and internal resources that subsidiary managers draw upon when entering and partaking in these power games. Irish subsidiary managers illustrated that by participating in these power games subsidiaries can leverage different forms of legitimacy as power sources and use these legitimate power sources to sow the seeds of subsidiary influence within the MNE. The next section introduces the theoretical framework generated from this study.

7.12 Theoretical Framework

Figure 7.2 brings together the theoretical insights emerging from the current study, which could form the basis for further empirical testing of the findings in this study. A key point of departure in understanding the nature of subsidiary influence was establishing a way to get recognised for how the subsidiary adds value within the MNE. Tavani *et al.* (2013) and Mudambi *et al.* (2014) have referred to the importance of gaining recognition for the subsidiary’s accomplishments and capabilities. These scholars however do not provide detailed accounts of how subsidiaries develop this recognition. Our findings illustrate that Irish subsidiary managers need to become internally embedded with their corporate HQ to have a better chance at receiving greater HQ recognition. Irish subsidiary managers in some cases effectively balanced a mindset of subversiveness with a boyscout mentality in order to become more internally embedded within corporate HQ. As the framework illustrates this collective mindset of the subsidiary management team determines the culture of the subsidiary when

approaching their corporate counterparts. They attempted to embed themselves by developing greater network centrality through such informal selling channels as ‘walking the corporate corridors’, inviting U.S. managers over to the subsidiary and treating them to an ‘Irish welcome’. All of this allowed the subsidiary to become more recognised internally by concentrating corporate attention. The framework below illustrates that these informal interactions function at the HQ-subsidary interface. Hence, a major contribution of this study demonstrates how Irish subsidiary managers purposely developed a strategy around enhancing their internal embeddedness with HQ in order to develop more recognition and not just attract corporate attention (Ambos *et al.*, 2010; Bouquet & Birkinshaw, 2008b) but concentrate HQ attention through informal selling mechanisms.

This embeddedness provides Irish subsidiary managers with a platform for undertaking a number of micro-political strategies and issue selling techniques. The micro-political arena is one that subsidiary managers penetrate once they develop their internal embeddedness. Micro-political strategies provide subsidiary managers with a way to leverage and reinforce their different types of legitimacy as a necessary power source for influencing the development of their mandates within the MNE. As mentioned earlier, subsidiary power and influence stems from a number of ‘legitimizing principles’ (Mudambi *et al.*, 2014) and the findings confirm four types that are particularly relevant for developing a subsidiary’s mandate. These four types of subsidiary legitimacy are generated from the subsidiary’s two main political arenas; the internal MNE and the external host country.

Personal legitimacy can be leveraged as a power source when subsidiary managers undertake a ‘co-optation of elites’ (Bouquet & Birkinshaw, 2008a) strategy in deploying HVBSs (Taylor *et al.*, 2007) throughout the corporate network or through leveraging the global roles they have established at the Irish subsidiary. This allows Irish subsidiary managers to tap into the key networks of influence by ‘having a few friends at corporate’ (Molloy & Delany, 1998). Our study adds originality here by indicating that these roles carry with them a high degree of personal legitimacy that is a necessary power source for understanding more fully the micro-foundations of socio-political influencing that takes place between individuals at the HQ-subsidary interface. These boundary spanners act as subsidiary ‘agents’ and are more successful in influencing if they establish a level of trust and legitimacy at the corporate HQ (Harvey & Novicevic,

2004). They can undertake certain issue selling strategies such as lobbying, framing and packaging certain kinds of messages to key individuals at HQ (Ling *et al.*, 2005). The ‘politicking’ process that takes place between these individuals therefore becomes an essential element in a subsidiary’s influence over corporate gatekeepers. However, our findings also add to other research by showing there is a risk that the subsidiary and the boundary spanner can be viewed by corporate as too vigilant and self-serving or with resentment from other internal subsidiaries if they pursue this strategy too vehemently (Beamish & Schotter, 2012; Taggart, 1997).

The second type of strategy that Irish subsidiary managers pursue involves cooptation in intra-firm dynamics. Building on arguments from Tavani *et al.*, (2013), Mudambi *et al.*, (2014) and Dorrenbacher and Gammelgaard (2010), our findings illustrate that taking part in RKT activities allows Irish subsidiaries to exercise consequential legitimacy as a power source. Some Irish subsidiaries have become best practice sharers’ and initiative exporters for the rest of the corporate MNE. The significance of selling these achievements back to HQ is carried out through image control techniques. Irish subsidiary managers are constantly attempting to create and reinforce consistent messages around their credibility, consistency and track record in order to generate optimal distinctiveness internally (Garcia De-Pont *et al.*, 2009; Molloy & Delany, 1998). This allows them to have some degree of image control over how they are perceived at corporate. Drawing on Luo’s arguments, these Irish subsidiaries (MEDCO, HEALTHCO & CHEMCO in particular) are for the most part “network captains as they possessed many distinct competencies that are shared within the MNE network...maintaining high cooperation and high competition with peer units” (2005: 83). Firstly, taking the lead in sharing these activities allows subsidiaries to be portrayed as good corporate citizens. Reinforcing and emphasising that they have shared these results in the development of a greater degree of bargaining power internally in the MNE. Therefore subsidiaries leverage their consequential legitimacy through these cooptation strategies.

Irish subsidiary managers also participate in micro-political ‘feedback seeking’ (Bouquet & Birkinshaw, 2008a) strategies in order to ascertain what key individuals at the corporate offices really valued. The ‘check adjustment loop’ process witnessed at MEDCO allowed Irish subsidiary managers to tap into what the ‘hot buttons’ of key corporate executives are and subsequently framing, fitting, aligning and adjusting the

subsidiary structures and processes around these values. In this way Irish subsidiary managers are able to leverage their different structures as a power source by implementing micro-political ‘feedback-seeking’ strategies in order to align themselves with HQ particularly in certain functions where the subsidiary has developed a strong power base.

The final power base for subsidiary managers stems from the linkage legitimacy they generate through the local connections they have in the Irish environment. Our study contributes to and builds on arguments from Andersson *et al.* (2002; 2007) and Chen *et al.* (2011) by illustrating that Irish subsidiary managers leverage the linkage legitimacy they receive from ‘crucial actors’ (Becker-Ritterspach & Dorrenbacher, 2011). These actors consist of political endorsements, regulative authorities and cartels with other medical device companies as a power source to prompt more influence over HQ mandate investments. Other examples here include embellishing certain initiatives with certifications or awards and selling these back to HQ as legitimate endorsements when attempting to enter new domains of activity (Zimmerman & Zeitz, 2002; Zott & Huy, 2007). The strategic importance of the Irish subsidiary’s local environment and their embedded relationships are an important source of linkage legitimacy and hence subsidiary influence within the MNE. Therefore, the major contribution of this study comes in the form of the aforementioned conceptual framework.

This thesis has aimed to answer the primary research question of *how can subsidiary legitimacy be deployed as a power source in influencing the development of the subsidiary’s mandate within the MNE?* This study has addressed this gap for subsidiary legitimacy as a power source by detailing that the types of legitimacy necessary for influencing the development of a subsidiary’s mandate are most effectively leveraged through different micro-political strategies. Overall findings indicate that subsidiary managers need to develop a greater degree of internal embeddedness with their HQ in order to concentrate corporate attention and subsequently get more recognition for the value they are adding. This will provide subsidiary managers with a platform from which they can undertake a number of micro-political strategies, wherein which they can leverage the legitimacy that is a key power source within the MNE.

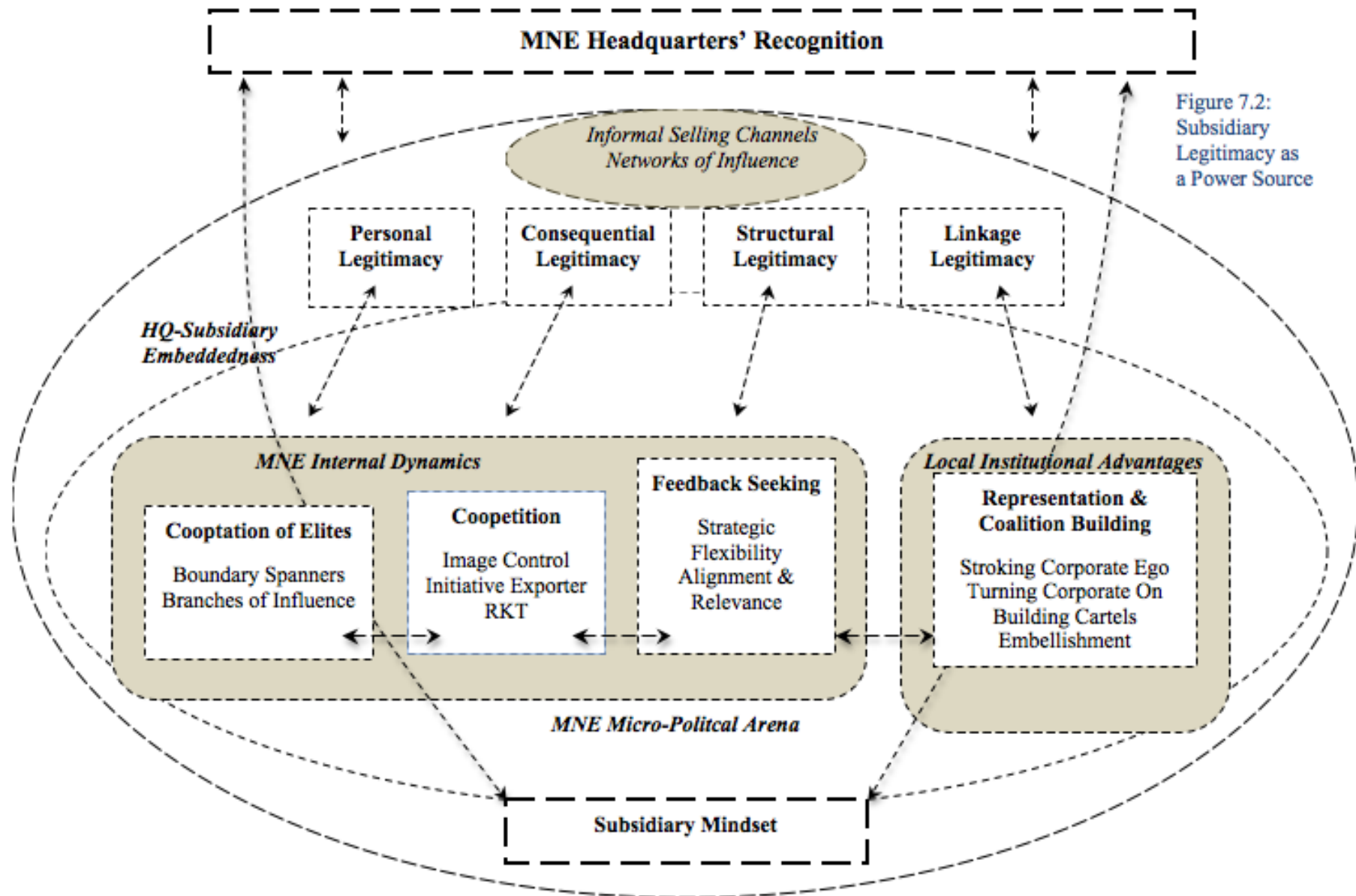


Figure 7.2:
Subsidiary
Legitimacy as
a Power Source

7.12.1 Concluding Propositions

In order to reinforce the key arguments from this thesis, several fundamental concluding propositions, which are drawn from the aforementioned theoretical framework, are stated below:

P₁ – MNE subsidiaries gain recognition from HQ by establishing a greater degree of embeddedness through informal selling channels.

P₂ – Personal legitimacy is leveraged as a subsidiary power source within the MNE by participating in micro-political strategies of talent exporting.

P₃ – Consequential legitimacy is leveraged as a subsidiary power source within the MNE by engaging in micro-political strategies of image control and reverse knowledge transfer.

P₄ – Structural legitimacy is leveraged as a subsidiary power source within the MNE by partaking in micro-political strategies of feedback seeking.

P₅ – Linkage legitimacy is leveraged as a subsidiary power source within the MNE when the subsidiary associates itself with legitimating bodies in the external environment through micro-political strategies of representation and coalition building.

P₆ – Knowing when to initiate a silence strategy can be an important way to avoid negative attention from corporate HQ and hence act a power source for the subsidiary.

7.13 Conclusions and Recommendations

From the outset, this study aimed to establish an understanding of how the MNE subsidiary can leverage the different power sources at its disposal in the internal struggle for mandate development. It further sought to determine what types of legitimacy were the most appropriate power sources and in what circumstances these could be leveraged. The MNE has become viewed as a federative structure where influence and power is fought over in everyday occurrences that ultimately helps the MNE develop and evolve its overall structure (Andersson *et al.*, 2007; Chen *et al.*, 2011). On taking a subsidiary perspective this study sought to explore the effects of subsidiary legitimacy on its influence over corporate HQ. In doing so this study adds to the scarce empirical research on subsidiary influence in its relationship with corporate HQ (Geppert & Dorrenbacher, 2014) and how legitimacy can be an important antecedent for subsidiary influence. The main conclusion from the discussion is that the way in which the subsidiary utilises its different legitimating mechanisms depends on the mindset, political skill and general interaction dynamics between key power brokers at the HQ-subsidary interface.

This study contributes to arguments in this area from Tavani *et al* (2013), Yamin & Andersson (2011), Garcia De-Pont (2009) and Mudambi *et al.* (2014) in that internal embeddedness with HQ is a critical starting point for establishing subsidiary influence. An important conclusion from this thesis is that the way in which to most effectively develop this internal embeddedness is through informal selling channels such as increasing the amount of corporate and subsidiary visits as they allow for concentrating corporate attention. Another key conclusion here is that the creation of these informal selling channels, which led to greater embeddedness at HQ, allowed subsidiary managers to create a platform from which they could more easily develop and leverage their legitimacy as a power source for influencing the development of their mandates.

The overall contribution of this study lies in its analysis of the different legitimacy mechanisms that subsidiary managers can deploy to influence their corporate counterparts. This research has addressed a hitherto neglected issue in the MNE subsidiary influence literature, namely a more in depth explanation of the effects of subsidiary legitimacy in developing influence over corporate investment allocations. This research illustrates how different types of subsidiary legitimacy (personal,

consequential, structural, linkage) can be generated as power sources in influencing subsidiary mandate development. It highlights how subsidiary managers who become in effect more socially embedded with their HQ can indeed deploy different legitimating mechanisms more successfully. Current considerations of this phenomenon have only alluded to legitimacy generally as an important way to overcome power deficits but they have not empirically investigated the enumerative dimensions of legitimacy and the extent to which subsidiary managers can strategically leverage different accounts of their legitimacy to HQ (Barsoux & Birkinshaw, 2013; Bitekine, 2011). This study has made a major contribution to the literature on subsidiary mandates and power with regard to the micro-level foundations of subsidiary influence. It has answered calls for an investigation of how legitimacy can be managed from a more micro-political perspective (Bouquet & Birkinshaw, 2008a; Kostova *et al.*, 2008) while also giving greater understating to the way in which the socio-political dynamics between different individuals at the HQ-subsiary interface can facilitate subsidiary influence (Geppert & Dorrenbacher, 2014). This thesis has built on and adapted from a number of different pieces of work on subsidiary influence (Andersson *et al.*, 2007; Bouquet & Birkinshaw, 2008a; Molloy & Delany, 1998; Tavani *et al.*, 2013) and combined these with seminal pieces on how the strategic use of legitimacy can provide access to resources (Suchman, 1995; Zimmerman & Zeitz, 2002; Zott & Huy, 2007).

7.14 Implications for Subsidiary Management

This study is particularly relevant for subsidiary managers who are interested in enhancing their roles internally within the overall MNE, and it offers suggestions regarding the internal campaigning of Irish subsidiary managers for future investment from U.S. corporate offices.

Firstly, our findings illustrate the importance of developing closer relations with corporate HQ in order to become a more strategically important cog in the overall MNE. Subsidiary managers in most cases developed strategies that allowed them to become more internally embedded, which permitted them to identify who the main corporate gatekeepers were. In this light subsidiary managers should, if not already doing so, reshape their strategies so that they have greater interaction with their corporate HQ on a daily basis. Secondly, this study suggests that it is important to have individuals operating in boundary spanning roles within and around the MNE. These

boundary spanners are those individuals who have previously worked with the subsidiary and still have a high degree of commitment to the development of the Irish subsidiary. Current employees who have global roles and external reporting lines to HQ are also individuals capable of playing boundary-spanning roles. These individuals are key for both establishing contacts and balancing the flow of important information from HQ to the subsidiary and this information can be used to influence important decisions makers. Therefore subsidiary managers who are capable of penetrating MNE networks of influence need to start promoting the capabilities of their employees so that they can be deployed in influential positions across the MNE.

Maintaining a culture of competitive collaboration (coopetition) is something that most subsidiaries in this study have managed to undertake successfully to their advantage. Irish subsidiary managers who are looking to extend their mandates must take the lead globally as MEDCO and HEALTHCO have done by becoming initiative exporters to the rest of the MNE. This involves taking on those difficult projects that no other site is capable of executing. The paradox that subsidiary managers must unravel is how to effectively balance this approach of being competitive with other internal sites while also becoming the chief 'best practice orchestrator' across the MNE and back to HQ. This study also points to the importance of identifying corporate priorities or values and subsequently fitting, framing and aligning the subsidiary's current strategy around this perspective. Managers at MEDCO, HEALTHCO and CHEMCO in particular were extremely effective in this regard as some of their managers had been 'playing the corporate game' for a long period and as a result knew what 'buttons to press'. Therefore, Irish subsidiary managers should look to fit certain parts of their structures and processes around the core values or emerging trends that corporate are looking to advance on and invest in. If Irish subsidiaries have become competent in certain functionalities, as is the case above, they should attempt to leverage this expertise in an effort to build a greater foothold in other functional areas. In other words power is more sustainable if it is allocated across several functions.

Finally, the local Irish environment has an abundance of legitimating mechanisms that can be reinforced at HQ but it is not the development of these relationships alone that is important, it is the skill of Irish subsidiary managers in emphasising these back to HQ and more particularly knowing when to execute these relationships. Subsidiary managers should be conscious that deploying these relationships in certain ways could

help establish linkage legitimacy in the eyes of corporate HQ and hence lead to more opportunities for extending their operations. These representation and coalition building strategies manifested themselves in the form of closer links to universities, key officials in government, other competitors in the same cluster or region and other big names that may have an impact at corporate.

7.15 Limitations of the Research

There are a number of limitations that this research must allude to and subsequently suggestions for future research are posed in and effort to address such limitations.

The main aim of this study was to explore the phenomenon of MNE subsidiary legitimacy and its effect on subsidiary influence. Four subsidiaries, belonging to different MNEs in the same industry, within a specific region were chosen. Although this allowed for cross comparisons and contrasts to be drawn between subsidiaries, its limitation lies in the generalisability of the study across other industry settings or geographical regions. In order to increase the generalisability of these findings in terms of representativeness, it is suggested that future research incorporate subsidiaries of industries whose legitimacy is rather weak. The unique regional context of the study may be generalisable to other within-country regions but does not generalise to them. The decision to focus the study on U.S. based subsidiaries was made for several reasons. A single host country design controls for major variations in institutional settings, as national institutions such as labor markets and university-firm linkages are likely to have an important effect on the process and mechanisms through which the knowledge travels (Frost, 2001). Both Ireland and the U.S. are key players in the global market and the U.S. accounts for a significant portion of foreign investments in Ireland (Giblin & Ryan, 2012). Employing a single FDI home country and a single host country helps control for the factors particular to the home and host countries (e.g. cultural political, social and economic factors). This narrow focus was also selected on the basis that inductive research has to move through phases of literal and theoretical replication before any attempt at generalisability is appropriate (Birkinshaw, 1996; Yin, 1984). Focusing on a single country's subsidiaries located in another single country in a single time period is appropriate for this initial study as it ultimately helps enhance internal validity (Cook & Campbell, 1979).

However, a further limitation in this regard is that the research was effectively carried out as a ‘snapshot’ (Saunders *et al.*, 2009) of subsidiary mandate gain for a certain period of time (2009-2012) where the path dependent tendencies of the subsidiary’s relationship with the HQ were not taken into account. The way in which a subsidiary’s mandate develops is largely dependent on the historical evolution of how its role has developed within the MNE (Birkinshaw & Hood, 1998). Further studies could take a more longitudinal perspective in order to incorporate the effects of this path dependent analysis.

This study may also suffer from the limitation of ‘falling in to the predictable’ in terms of the perspective that has been taken. Brock (2000) has emphasised that perspective does have a huge impact on which factors of the MNE are emphasised in a study. For example, he argues that researchers from larger countries are more likely to see things from the corporate viewpoint, whereas those from smaller economies, such as Ireland, will be more interested in subsidiaries. Therefore, those emphasised from the subsidiary perspective view subsidiary initiative as the most important factors for investigation (Paterson & Brock, 2002). In order to overcome this limitation further studies can seek to apply a more in-depth investigation of subsidiary legitimacy more fully from a corporate HQ perspective assuming that access is not a major inhibitor as was the case in this study.

It is important to note that it was not possible to identify explicitly the extent to which the individuals from subsidiaries who were sent to the corporate headquarters were done so in the form of a deliberate subsidiary strategy. For example, although Irish subsidiary managers did mention that they had considered creating informal roles or positions for lobbying corporate executives, they did not refer to the calculated selection of these boundary-spanning individuals according to certain criteria or individual characteristics. It is intended that the findings in this thesis can help future studies in this area investigate this particular issue in more depth.

7.16 Future Research Recommendations

When it comes to the importance of linkage legitimacy there are a number of complex issues that arise between the subsidiary and its local institutional environment. Firstly, MNE subsidiaries that have significant influence in their host country’s political institutions can act as institutional entrepreneurs (DiMaggio, 1988) in shaping and

legitimising existing political regimes (Bucheli & Kim, 2012; Cantwell *et al.*, 2010). An interesting line of thought in this regard could be to investigate the way in which a small country like Ireland has become dependent on its foreign MNEs and how its institutional landscape is adapting to and being shaped by the demands and behaviour of these MNEs. Issues that arise here would involve the importance of spin-off entities into the local economy when these MNEs divest their operations and the effects that this can have on the local institutional infrastructure. Furthermore, recent arguments around Ireland's corporate tax rate have also questioned the legitimacy of Ireland as a location for large U.S. MNEs in particular. This issue is currently damaging the international perception of Ireland as a 'haven' for tax evasion and not just tax avoidance for U.S. MNEs and would therefore be an appealing direction of research for legitimacy purposes.

Alternatively, considering the internal relationship between individual managers at the HQ-subsubsidiary interface, light needs to be shed on the important role that subsidiary HVBSs can play in developing contacts and influence at HQ. These managers can play boundary-spanning roles that are important conduits for demonstrating legitimating accounts of the subsidiary's key personnel, procedures, structures and local connections to HQ. The role of the 'boundary creatures' (O'Creevy *et al.*, 2011) themselves as legitimating mechanisms at HQ is an important area that needs to be investigated further with regard to how subsidiaries can influence corporate individuals. However, subsidiary managers also need to be aware of the risks that these boundary spanners can pose if they are seen as being too vigilant, self serving or tactful and not in keeping with overall corporate values. These boundary spanners need to be politically and socially adroit in balancing relationships at HQ while at the same time pushing for more subsidiary recognition. This study's findings illustrate that carrying out further empirical work in relation to this phenomenon can help advance our understanding of the socio-political dynamics of individuals at the HQ-subsubsidiary interface and contribute to calls for more empirical work in this area from a number of scholars (Geppert & Dorrenbacher, 2014; Kostova & Roth, 2003; Schotter & Beamish, 2012; Taylor, 2006; 2007).

7.17 Concluding Remarks

This study has shown how subsidiary managers can use their structures, processes, personnel and relationships to develop the different types of subsidiary legitimacy that is necessary for influencing corporate HQ. The major contribution of the research lies in the way it signifies the importance of subsidiary legitimacy as a precursor to explaining the micro-level foundations of subsidiary influence. It illustrates how micro-political strategies between individuals at the HQ-subsidary interface are crucial for understanding how subsidiary managers leverage their legitimacy as a power source for influencing the development of their mandates.

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APPENDICES

Appendix A: Correspondence to Potential Interviewees Requesting Participation

Dear _____,

I am currently working as part of a research team at NUI Galway who are studying U.S. multinational subsidiaries in Ireland. Our focus is on those subsidiaries that have successfully negotiated expansions in their operations over recent years. We aim to explore what resources successful subsidiaries use in negotiating with headquarters and further key advantages which Irish subsidiaries enjoy. We are aiming to unpack the dynamics of the relationship between subsidiary and corporate managers from a subsidiary perspective and to understand how the subsidiary can be more successful in attracting further investment. We very much view your company as a success story and would be very interested in gaining some insights into your success story.

Ideally, the process we would like to use in your company is similar to what we are doing elsewhere, namely to meet a representative cross section of people and to talk through the various issues mentioned through interview or discussion format. Also, we would hope to talk with top management and representatives of other departments, which are considered key to the success of your company. It is of course our standard practice that all participating companies will be appropriately anonymised. No company or person will be identified in any way. I would add that all researchers working on this project have a great deal of experience in conducting this kind of study.

I realise that you probably receive many requests for research access but I do hope our project will be of interest. We would consider this project to be at the cutting edge in terms of international management research and would provide a feedback report to yourselves, which would give an objective assessment of the key dynamics of your subsidiary's success. Further, the success of this project is very much dependent on the cooperation of organisations like your own.

I appreciate you may well have queries and may require some further information before committing to working with us. We would be very happy to travel to the plant and discuss the project further. Equally, we would be happy to answer any queries by phone or email. You will find my full contact details below.

Thank you for your time and I hope that we can arrange a way of working together.

I look forward to hearing from you.

Kindest Regards,

Kieran Conroy.

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Appendix B: Interview Schedule

Subsidiary _____

Interviewee _____

Date & Time _____

I. Background Information:

1. Can you give me a quick synopsis of your career so far in this company and before you came here i.e. education, past experience.
2. What is your job title, role and responsibilities within the subsidiary, and the corporation? How long have you worked within this multinational enterprise (MNE)?
3. Have you had any global assignments within the MNE or been involved in any? Where and how long for?
4. Which core area of medical technology is the subsidiary involved in and what are your core products?
5. How long has the subsidiary been located in Ireland? How many people are employed in the subsidiary?

II. Subsidiary Role and Evolution:

6. History of the subsidiary in the region:
 - Initial reasons for locating here in your view?
 - Was this through greenfield investment or acquisition?
7. How has the role of the subsidiary evolved over time and in what way?
8. What area of business is the subsidiary predominantly involved in?
 - (1) Sales and services
 - (2) assembly
 - (3) manufacturing
 - (4) product/process development
 - (5) R&D
9. Does the subsidiary hold any formal titles, such as centre of excellence etc?
10. What distinctive expertise does the subsidiary possess relative to other subsidiaries in the corporation?
11. What are the key challenges that the subsidiary has faced in the past?
 - How have these hampered the subsidiary's reputation, internally and externally?

- How were they overcome?
- Was there a lot of negative media coverage?
- What was the main reaction from corporate and how did the subsidiary attempt to combat this?

12. What do you think are the key challenges that the subsidiary faces in going forward?

- Does the plant strive to become a centre of excellence or more within the corporation or are you happy with where you are?

III. Mandate Extension

13. Tell me about a recent extension to the subsidiary's operations and how the extension of these responsibilities came about?

- Was this corporate or subsidiary driven?
- Was there a proposal process and was there any bargaining or competition between other subsidiaries for this particular investment?
- Have you had many proposals accepted/rejected in the past?
- Do you spend much time doing proposals or how many on average would you do a year?

14. Has there been more or less interaction with corporate managers since being awarded this particular extension?

15. Was there a lot of media attention internally or externally over this recent extension in operations?

- Do you think this affected the subsidiaries profile in any way?
- How was this extension viewed internally from other subsidiaries and headquarters (HQ)?
- Give me an example

16. Would you say you have learned anything from this process in terms of your relationship with corporate managers? Any key things that have/have not worked etc

17. The following categories of activity extension have been identified:

1. Decided mainly by corporate without consulting with this subsidiary.
2. Decided mainly by corporate after consulting with this subsidiary.
3. Decided jointly with equal weight being given to the views of corporate and subsidiary
4. Decided mainly by this subsidiary after consulting with corporate
5. Decided mainly by this subsidiary without consulting with corporate

Referring to the above, please indicate below which category (1,2,3,4,5) best describes the decision-making authority that this subsidiary has:

- Entering new markets
- Subsidiary strategy formation
- Introduction of new products/services
- Product pricing

- Changes in product design
- Hiring top management in the subsidiary
- Marketing
- R&D

IV. Intra-Firm Dynamics

18. Does what happens in other subsidiaries affect the way in which you develop your strategy?

- Relationship in general with other subsidiaries and subsidiary managers?
- Do you attempt to differentiate your subsidiary from others and if so, how?

19. Do you feel that in order to promote your plant/site internally you need to try and highlight the differences between yourselves and other internal plants?

20. Have you witnessed intense competition from other internal sites?

21. Is knowledge shared or is there much interaction between managers in general?

- Global training programs, cross-functional teams, yearly functions etc?

22. Where is the subsidiary situated in the MNE in terms of importance in relation to other sister plants?

- Is there a formalised competitive structure from corporate?

23. How does the subsidiary performance compare to sister plants on key metrics?

24. Has the Irish subsidiary ever taken operations or investment away from other subsidiaries in the form of functionality and if so how did that subsidiary react after this occurred?

25. Have you ever noticed any resentment from other internal subsidiaries? If so in what form is this usually expressed?

V. Corporate-Subsidiary Relationship

26. How does the Galway plant try and attract the attention of corporate?

27. Do you have much direct contact with HQ and if so in what way?

- What percentage of subsidiary's top management team has come from corporate or other subsidiaries? Top 5 positions?
- Or vice versa, what percentage of top managers in the U.S. have come from Irish subsidiaries?

28. Does your role allow for much influence over key investment decisions at corporate?

29. Have you developed any personal relationships with any executives at corporate?

- Is there an active/formal program within the plant to try and build relationships and credibility within the MNE?

30. Is contact generally made informally or formally?

- Which avenue do you feel is more effective for influencing and why?
- Do you feel that the development of these relationships provide a useful avenue for influencing investment decisions?

31. Do you think that corporate is consistent in its decision-making across all subsidiaries?

32. When corporate is evaluating subsidiary performance, how much emphasis do you think is placed on the following evaluation criteria:

- Financial performance,
- Market share,
- Productivity,
- Knowledge development of the subsidiary
- Strategic importance of local environment
- Subsidiary top management team
- Competent individuals within the subsidiary

33. Have you ever taken on an initiative or seen an opportunity for development on your own without feeling the need to inform corporate initially?

- What has been the resulting effect or reaction from the corporate HQ if this occurred?
- Was the initiative successful in the end?

34. Have you ever received requests for further information from corporate about an initiative that you were undertaking?

- Or have your initiative ideas ever been turned down or dismissed by corporate managers?
- Are there proposals made to corporate managers regarding new initiatives etc? do you have any hard copies as an example?
- Are these often done formally or informally?

35. What happens if the corporate asks you to undertake a policy that does not suit your subsidiary?

- Has there ever been a case where yourself and the corporate have come to a disagreement over terms and conditions or particular mandates?

36. How many times a year would corporate managers or associates visit the plant? Give me an example of a typical day where they may come to the Irish plant and what goes on?

37. Who (from corporate and subsidiary) is generally involved in these interactions?

38. Are greater preparations made in the knowledge that these corporate managers are attending the plant? Give me an example (employee dress code, do they meet employees, are particular employees picked out for interaction?)

39. Do you go for dinner or drinks after a meeting with corporate? Where would you bring them and why?

40. Do engineers travel to corporate to promote or share new product ideas – how often?

41. Are visits encouraged and are opportunities taken advantage of to present the subsidiary's achievements and plans?

42. When do you ever get opportunities to do this?

- Quarterly magazines internally?
- Meetings? Interactions?
- Building a rapport with corporate?
- Meetings held over phone or face to face- does it make a difference?
- Internal functions forums, presentations etc

43. What is the standard process for presenting new product development or initiatives to corporate? Do you provide prototypes or go through reviews?

44. Tell me about any awards the company has received and how you think this has helped the company's profile? Have these awards been emphasised to corporate in the fight for internal investment?

45. Do you think it is important to promote the site/plant to corporate in order to influence their perception of the plant and is this something that is emphasised to other subsidiary managers?

VII. Local Institutional Environment:

46. Evaluate (from 1 to 7 (where 1= very strong, and 7 = very weak), how well the following represent resources which you draw upon:

- Host government and its agencies
- Professional Industry Associations (IMDA, IDA, SFI)
- Local university/academic institutions/research consortiums
- Local suppliers
- Local end users
- Local competition

- How and in what way are these specific relationships used?
- Does the subsidiary have a high/medium/low dependency on these partners?

47. Do you believe that host government is providing adequate after-care policies to sustain and develop your operations?

- Hampered or helped in relationship with corporate?
- Promote and strengthen ties to local environment?

48. With the subsidiary located in two environments - internal and external – is there a trade-off having to share globally while allowing for local adaptations, and to share locally while developing global interactions?

- Are you obliged to refer to the local environment requirements more so than corporate or vice versa?
- Do you feel that corporate influence over you has grown less weaker when you develop your relationships in the local Irish context? Can you give me an example if so?

49. Are you associated with endorsements to any local businesses or charities, community events etc? Has this been important to your company and how?

50. Do you ever attempt to learn from or collaborate with other competitor companies in Ireland?

- Can the IDA be a facilitator for this?
- Are these highlighted internally/externally?

51. How often are media events set up in the local environment?

52. Are political figures in the Irish context encouraged to visit the site much? If so when do they most often do so?

53. Have these political figures ever met U.S. executives and if so when and why?

54. Have you experienced any difficulties with any of the legal institutions in Ireland and if so what were they? Have corporate been aware of this? Can u give me an example of some regulatory agency that you may have to have gone through in Ireland in order to fully take on board the mandate?

55. Have you ever modeled yourself on another organisation or subsidiary in Ireland or abroad?

56. Have you ever used consultancy firms or universities for help? Give me an example? Would you be partial to targeting specific universities for hiring graduates?

Appendix C: Categorical Analysis

1 st Order themes (Summarising)	2 nd Order themes (Categorising)	Aggregate Dimensions (Unitising)
<ul style="list-style-type: none"> • How do we get more recognition from corporate? • Communication Channels • Getting closer to corporate • Corporate and subsidiary visits • Informal interactions 	<ul style="list-style-type: none"> • Internal embeddedness • Concentrating attention • Informal Selling Channels <ul style="list-style-type: none"> • Corporate Visits 	Recognition strategy
<ul style="list-style-type: none"> • Time spent in corporate, • Experience with Initiative taking • Walking the corridors of corporate • Having friends at corporate • Covert promoting 	<ul style="list-style-type: none"> • Cooptation • Boundary spanner deployment <ul style="list-style-type: none"> • Branches of Influence 	Personal legitimacy
<ul style="list-style-type: none"> • What are corporate doing? • Have there been any changes recently in corporate strategy or personnel? • Check adjustment loop • Importance of flexibility 	<ul style="list-style-type: none"> • Feedback seeking • Framing or fitting • Adjusting and Aligning <ul style="list-style-type: none"> • Consolidation 	Structural legitimacy
<ul style="list-style-type: none"> • Knowledge shared • Competitive league tables • Best practice leader • Being consistent - no setbacks • Taking on difficult projects 	<ul style="list-style-type: none"> • Coopetition • Image Control • RKT activities • Initiative Exporter 	Consequential legitimacy
<ul style="list-style-type: none"> • Corporate visits to Irish subsidiary • Irish political figures in the U.S. • University interaction locally 	<ul style="list-style-type: none"> • Political endorsements <ul style="list-style-type: none"> • Representation • Coalition building 	Linkage legitimacy

Appendix D: Map of the Medical Technology Sector in Ireland

