Headquarters' Involvement in Managing Subsidiaries

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Abstract

Within contemporary research on the multinational corporation (MNC), the topic of headquarters' involvement has grown considerably in importance. As the central organisational unit in the MNC, headquarters has the potential to add value to the firm by performing an administrative and entrepreneurial role. While the administrative role concerns synergetic coordination and control activities, the entrepreneurial role pertains to developing and implementing new innovations such as management innovations at the corporate-wide level.

Existing literature has generated valuable insights into headquarters' administrative and entrepreneurial role and the potential to create value for the MNC. However, more research is needed on how headquarters can advantageously involve itself and integrate subsidiaries to ensure that their activities are aligned with the MNC strategy without impinging upon subsidiaries' autonomy and without incurring their resistance to headquarters' coordination, control, and innovation activities.

This thesis aims to advance our knowledge on headquarters' involvement in managing its subsidiaries. Within the administrative role, I examine coordination and control activities, and within the entrepreneurial role, I examine the process of developing and implementing management innovations and facilitating factors. The thesis draws on a single longitudinal case study of the development and implementation of a new performance management practice by a European MNC within the construction industry. During the fieldwork, I gathered empirical material from observations and interviews as well as secondary data. While this thesis has been carried out as a single case study, the outcome of the thesis is presented in four separate papers, exploring headquarters' involvement in coordination, control and innovation activities.

This thesis contributes to the literature on headquarters' involvement in managing subsidiaries by suggesting a collaborative approach to subsidiary engagement and participation that addresses 1) the issue of subsidiary demotivation by feeling degraded to an implementer, 2) the suitability issue by reducing the risk of mismatch between new headquarters integration and innovation activities and subsidiary contexts. Combining headquarters' and subsidiaries' stocks of perspectives and knowledge helps transcend the spatial, cultural, institutional and political boundaries between headquarters and subsidiaries.

Keywords: MNCs, headquarters' involvement, coordination, control, innovation, collaboration.

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HEADQUARTERS’ INVOLVEMENT IN MANAGING SUBSIDIARIES

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To my family
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CHAPTER 1 INTRODUCTION

1.1 Background

Within contemporary research on the multinational corporation (MNC), the topic of corporate headquarters\(^1\) (hereafter referred to as headquarters) has grown considerably in importance. In particular, questions about headquarters’ roles and responsibilities have attracted scholars’ attention (e.g., Ciabuschi, Dellestrand & Holm, 2012a; Egelhoff, 2010; Egelhoff & Wolf, 2017; Goold & Campbell, 2002, Kostova, Marano, & Tallman, 2016; Nell, Kappen, & Laamanen, 2017). Studies have shown that the headquarters has potential to add value to the MNC by influencing subsidiaries performance and innovation, managing cross-unit coordination, and the ways in which the firm addresses and profits from the different institutional environments to which it is exposed. Headquarters activities of administering the firm as a whole and maintaining continued profitability, can be grouped into two broad roles: an administrative and an entrepreneurial role\(^2\) (Chandler, 1991: Foss, 1997).

In regard to the administrative role, headquarters’ tasks include coordination and control of subsidiarity units’ behaviour and performance (Foss, 1997). This function allows the headquarters control over geographically and functionally dispersed subsidiary activities and over how resources and decision-making rights are employed, helping to minimise the risk of subsidiary managers acting against the MNC’s overall interests (Egelhoff, 2010). In addition to the administrative role, the entrepreneurial role of headquarters is related to ‘creating the positive’ (Foss, 1997), for instance, developing and implementing new corporate strategies, management practices, the acquisition and development of additional resources and markets, as well as synergy creation (Ciabuschi et al., 2011). These

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\(^1\) Corporate headquarters include staff functions and executive management with the responsibility for, or providing service to, the whole (or most of) the company, excluding staff employed in divisional headquarters (Collis, Young & Goold, 2007:385)

\(^2\) Also known as parenting activities (Goold & Campbell, 2002).
entrepreneurial activities are intended to add value to the MNC by allowing the firm to renew itself and combat any strategic inertia that can threaten its viability in the long run (Nell et al., 2017).

Research has shown that the type, frequency and locus of headquarters’ administrative and entrepreneurial activities depend on the organisational structure and strategy (Ciabuschi, Forsgren & Martín Martín, 2017). Although prior research assumed unilateral flow of communication and control from headquarters to subsidiaries, in this thesis, subsidiaries are regarded as semi-autonomous units generating knowledge locally that is to be used throughout the MNC. The headquarters holds the formal power over its subsidiaries through ownership but the headquarters ability to exercise power is constrained by the informal power of the subsidiaries, by virtue of resources and relationships they control (Bouquet & Birkinshaw, 2008).

Recognising that many of MNCs’ strategic resources are embedded in subsidiaries (Andersson, Forsgren & Holm, 2002; Nell & Ambos, 2013), inevitably raises questions about how headquarters involves itself in coordination, control and innovation activities. On one hand, subsidiaries that are embedded in their local market may provide the MNC a unique source of competitive advantage. Such local embeddedness means they are likely to become exposed to new knowledge, ideas and opportunities and can utilise these local linkages to engage in innovative activities and develop their own profile of managerial and technological competences (Ciabuschi et al., 2011). On the other hand, as subsidiaries become more embedded in the local market and develop distinctive competences of their own, the more likely it is that the knowledge that has been developed cannot be leveraged by the whole MNC due to geographical, cultural and institutional differences (Cantwell & Mudambi, 2005).

1.2 Headquarters’ challenges in multinational construction firms

As indicated above, managing subsidiaries across multiple countries, markets, technologies, and cultures is posing significant challenges for headquarters in MNCs. Such challenges can, however, be more prominent in certain industries, for instance, construction. The construction industry is a highly complex, uncertain and dynamic industrial environment (Dubios & Gadde,
It is therefore necessary for the headquarters to be sensitive to the firm’s environment and develop and implement different control, coordination and innovation strategies which are appropriate to its particular circumstances. Research has shown, however, that this is challenging for a number of reasons.

First, the construction industry is very diverse, ranging from simple housing developments to highly complex infrastructure projects. Unlike other sectors, where prototypes can be tested before real production gets underway, construction projects tend to be bespoke and unique, designed and built to meet a particular client’s product and service needs (Loosemore, Dainty & Lingard, 2003).

Second, construction is very much a multi-domestic business with highly localised markets, which is associated with high demands for local responsiveness (Bartlett & Ghosal, 1989). Therefore, in deciding on coordination, control and innovation activities, the headquarters has to take into account different national governmental regulations, environmental concerns and socio-political pressures. Not least the local construction traditions.

Third, construction is known to be an ‘inherently site-specific project based activity’ (Cox & Thompson 1997:128). The project based structure is made up of many different units which come together in pursuit of both shared project objectives and individual units’ objectives. These objectives are not necessarily compatible, which can lead to competing demands on those working within project based environments (Larsson, 2016). In addition, such a project based structure is likely to add to the complexity of managing subsidiaries. Because projects tend to differ substantially from one another and involve significant discontinuities to the flow of personnel, materials, and information (Schenkel, 2002), it becomes challenging for headquarters to capture the synergies between subsidiaries (Eccles, 1981).

Fourth and finally, a construction project typically relies on skilled manual labour supported by a management framework which has to coordinate many professional, construction and supplier organisations whose sporadic involvement will change through the course of the project (Schenkel, 2002). Hence, the fragmentation and dynamisms of construction projects and the need to integrate a wide range of occupational cultures to ensure that they contribute to overall firm objectives (Loosemore et al., 2003) provide a
relevant and highly interesting empirical context to study headquarters’ involvement in managing its subsidiaries.

1.3 Aim of thesis

Prior research has generated valuable insights on headquarters’ administrative and entrepreneurial roles in managing subsidiaries and highlighted the challenges that may occur as a result of headquarters’ involvement in coordination, control and innovation activities. However, more research is needed on how headquarters can involve itself and appropriately integrate subsidiary units to ensure that their activities correspond with the overall MNC strategy. Yet, at the same time, preserve subsidiaries’ autonomy to avoid disrupting their capacity for continued knowledge creation or creating a resistance towards headquarters’ integration and innovation activities (Ambos-Mueller-Stevens, 2017; Ciabuschi et al., 2011, 2012b; Nell et al., 2017). The aim of this thesis is therefore to advance our knowledge of headquarters’ involvement in managing subsidiaries. Within the administrative role, I examine coordination and control activities, and within the entrepreneurial role, I examine facilitating factors and the process of developing and implementing management innovations.

1.4 Outline of thesis

The remainder of the thesis is structured as follows. The next chapter provides a literature review on headquarters’ roles and responsibilities in the MNC, with a particular focus on coordination, control and innovation activities. I identify limitations with existing literature and formulate research questions for my empirical research. The third chapter describes the research design, data collection, and data analysis. Chapter Four provides an account of the empirical case of “ConstructionInc” and the development and implementation of a new performance management practice to achieve improved coordination and control of subsidiaries. Chapter Five presents a summary of the four papers included in this thesis. Chapter Six presents a concluding discussion where I present the results of the empirical research and relate my findings to prior research as well as highlighting the implications of this thesis.
CHAPTER 2 LITERATURE REVIEW

2.1 Headquarters’ roles and responsibilities in the MNC

It is argued that headquarters, as the central organisational unit, must add value to the MNC. Otherwise, there is no economic rationale for its existence (Forsgren & Holm, 2010). A review of the literature reveals that headquarters has a potential to add value to the firm’s business by performing an administrative and entrepreneurial role (Foss, 1997). Headquarters’ administrative role is associated with control activities, which help to limit opportunistic behaviour among subsidiaries. Such activities include the design of incentive systems, the monitoring of performance, and behaviour control (Egelhoff, 2010). Headquarters’ administrative role also consists of coordinating subsidiaries activities across markets, and achieve synergies by pooling resources and centralising value-adding activities. Subsidiaries that are specialised and focused on their own business are likely to lack an overview of the business needs of other subsidiaries. By administering subsidiaries and recognising that investments made in one market may pay off on another, headquarters has the potential to create value to the MNC. In addition, studies suggest that headquarters may add value to the MNC by creating an appropriate organisational context, and by designing suitable cross-unit linkages and incentives that will unlock potential synergies across subsidiaries (Ambos & Mahnke, 2010).

Headquarters’ entrepreneurial role involves headquarters’ mandate to identify and explore new business opportunities, to formulate new corporate strategies, to develop new management practices, and support innovation initiatives at the subsidiary level (Ciabuschi et al., 2011; Foss, 1997). It is assumed that the entrepreneurial activities have a potential to add value to the MNC by contributing to a level of performance in subsidiaries that is better than what they could have achieved as independent units (Goold, Campbell & Alexander, 1998).
While administering and/or being entrepreneurial are both roles that require knowledge, it has been suggested that the type of knowledge needed to perform the two roles differs (Forsgren & Holm, 2010:422). Because the administrative role focuses on coordinating and controlling subsidiary units and evaluating the results achieved, headquarters needs to know what control measures to select and how to identify signals of inadequate performance. As the entrepreneurial role focuses on innovating, for instance, new management practices, it is contended that a broader set of skills and information is being required. For instance, headquarters needs considerable insight into the activities and local context of subsidiaries to be able to identify synergies between subsidiary unit, know where and when knowledge development is needed as well as to adopt appropriate coordination and control mechanisms for this purpose (Ciabuschi et al., 2012b; Forsgren & Holm, 2010). In what follows, I review the literature on headquarters’ involvement in coordination, control and innovation activities. Based on this literature review, I then formulate research questions for my empirical study.

2.1.1 Headquarters’ administrative role: headquarters as a coordinator

Coordination is here defined as the communication of information and data between geographically dispersed locations in MNCs in order to synchronise and harmonise management decisions and actions (Roche, 1996). International business scholars have long been interested in examining different coordination mechanisms available to headquarters and their effectiveness (e.g., Bartlett & Ghoshal, 1989; Brenner & Ambos, 2013; Gupta & Govindarajan, 1991; Martinez & Jarillo, 1989; O’Donnell, 2000). Scholars have, for instance, studied the role of policies, rules, and guidelines in integrating the widespread network of subsidiaries and maximising their usefulness to headquarters (Hedlund, 1981; Kostova et al., 2016; O’Donnell, 2000). Other scholars have focused on the use of more subtle, informal coordination mechanisms such as expatriation, centres of excellence, and the diffusion of shared values to harmonise and synchronise subsidiary management (Björkman, Barner-Rasmussen, & Li, 2004; Nohria & Ghoshal, 1994; Turner & Makhija, 2006).
The persistence of institutional and cultural differences and the increase in local competition require considerable adaptations and some level of autonomy in subsidiaries. At the same time, increasing interdependencies, cost pressures, and corporate standards require certain levels of control, coordination, and conformity throughout the MNC. Consequently, headquarters must consider a series of complex trade-offs when designing coordination strategies (Mudambi, 2011). However, one limitation in existing research is that theory has remained lopsided about identifying effective coordination strategies designed at and implemented from the headquarters (Björkman et al., 2004; O’Donnell, 2000: Turner & Makhija, 2006). In other words, research has concentrated more on headquarters’ design of coordination strategies leaving us with a limited understanding of how headquarters can work together with subsidiaries to advantageously draw on their diverse knowledge and perspectives to develop efficient coordination (Birkinshaw, Ambos & Bouquet, 2017: Cano-Kollman, Cantwell, Hannigan, Mudambi, & Song, 2016). Absent in this literature is a profound discussion on how coordination emerges and, in particular, how coordination capabilities are developed in the interaction between headquarters and subsidiaries. This leads to the formulation of Research Question I: *How are coordination capabilities developed in headquarters-subsidiary relations?*

### 2.1.2 Headquarters’ administrative role: monitoring and control through technology

Questions of how headquarters should control subsidiary activities to ensure efficiency and strategic alignment in the MNC are well-debated in the international business literature (Ambos, Asakawa & Ambos, 2011; Bartlett & Ghoshal, 1989; Doz & Prahalad, 1981; Gates & Egelhoff, 1986; Gupta & Govindarajan, 1991). Control in this context is defined as any process, mechanism and/or instrument applied by the headquarters to obtain control over how resources and decision-making rights are employed which helps to minimise the risk of subsidiary managers acting against the MNC’s overall interests (Brenner & Ambos, 2013). Recognising that the headquarters typically relies on multiple control mechanisms and strategies to manage its subsidiaries, scholars have studied centralisation (Gates & Egelhoff, 1986), expatriate managers (Egelhoff, 1984), the transfer and diffusion of business practices, policies and procedures (Björkman & Lervik, 2007; Doz & Prahalad,
However, the sheer size and geographical scope of MNCs have led researchers to highlight information and communication technology (hereafter referred to as management technology) as effective means of headquarters’ control of its subsidiaries. Particularly, research suggests that management technology may improve headquarters’ ability to assess business opportunities, supporting strategic decision-making (Kettinger, Marchand, & Davis, 2010), and facilitating scorekeeping as well as strengthening accountability among subsidiaries (Busco, Giovannoni, & Scapens, 2008). For instance, Quattrone and Hopper (2005) analyse the effects of implementing an Enterprise Resource Planning system (ERP) upon management control in two MNCs. Their findings show that how the technology was configured in each MNC created different forms of distance and relations between the headquarters and its subsidiaries and had profound effects on control. Based on their case study, they suggest that management technology, such as ERP can be used to both maintain and collapse distance between the headquarters and subsidiaries. In addition, Finnegan and Longaigh’s (2002) study illustrates how MNCs are reducing the independence of individual subsidiaries and increasing the level of integration between subsidiaries units. This enables headquarters to take responsibility for many operations that were previously left to individual subsidiaries in order to ensure global efficiency and local responsiveness.

Although extant literature has acknowledged management technology as an important tool for headquarters to use in order to achieve greater control of its subsidiaries, surprisingly little research has been generated on how management technology and its features affect headquarters’ control of subsidiaries (Ambos & Mueller-Stewens, 2017; Menz, Kunisch & Collis, 2015; Finnegan & Longaigh, 2002). Questions such as “what sort of control does technology enable?” and “how does technology transform the way headquarters control its subsidiaries?” remain unanswered. This leads to the formulation of Research Question II: How is technology used as a means of headquarters’ involvement in managing its subsidiaries?
2.1.3 Headquarters’ entrepreneurial role: innovation generation facilitators

Headquarters’ involvement in generating novel management practices, processes and techniques—also commonly known as management innovation (Birkinshaw, Hamel, & Mol, 2008; Hamel, 2006)—is of key importance for the competitive advantage of MNCs (Ciabuschi et al., 2017). The generation of new management innovations ensures value creation as they invigorate efficiency, effectiveness, and flexibility across the firm because new practices are typically sought to be leveraged by headquarters and subsidiaries.

Current literature on the generation of management innovation has focused on identifying moments in the generation process and the role of external and internal change agents in driving the innovation (Birkinshaw et al., 2008). Literature on the generation of management innovation has also highlighted leaders and their behaviours (Vaccaro, Volberda, & Van Den Bosch, 2012), top management team constellations (Mihalache, Jansen, Van Den Bosch, & Volberda, 2012) and management characteristics such as managerial tenure and managerial education (e.g., Kimberly & Evanisko, 1981; Damanpour & Schneider, 2006). In addition, other scholars have studied the generation of variations in business processes such as offshoring business activities (Jensen & Pedersen, 2011) as well as the mechanisms for the external capture and internal transfer of tacit practices in an MNC context (Tallman & Chacar, 2011).

Although the existing literature has provided valuable insights into the generation of management innovations, it leaves us with limited understanding about generating management innovations in an MNC context and the processes involved in transcending institutional, cultural, and professional boundaries typical to such a complex organisation. In order to develop new management innovations that provide value to the whole MNC, a collaboration between the headquarters and subsidiaries is often required in order to access and integrate unique knowledge and perspectives (Berry, 2014; Cano-Kollmann et al., 2016). However, such cross-border collaboration for generating knowledge is not without its difficulties. Research shows that when knowledge is embedded in different functional domains, local practices, and traditions, the challenge becomes how to integrate the knowledge and transform it to effectively develop new management innovations (Hong, Snell,
In the organisation and management literature, scholars have long recognised ‘boundary objects’ as particularly effective in providing a concrete means of representing different functional interests and facilitating their negotiation, translation, and transformation of knowledge in innovation settings (Carlile, 2002, 2004). Boundary objects such as databases, prototypes, process maps and reporting forms have been suggested to facilitate innovation because they are able to span knowledge boundaries between diverse occupational communities (Star & Griesmer, 1989). Boundary objects have the capacity to provide a common frame of reference for communication across different domains of knowledge and practice, allowing different parties to more explicitly articulate their own (tacit) knowledge, and then to transform it so as to bring forth new knowledge (Carlile, 2002, 2004). Despite their capacity to span boundaries in innovation work, we still know little about the role of boundary objects in an MNC setting and how they facilitate the generation of new management innovation. This leads to the formulation of Research Question III: How do boundary objects facilitate the headquarters’ involvement in generating management innovations?
2.1.4 Headquarters’ entrepreneurial role: development and implementation of management innovations

A review of the literature reveals that the generation and implementation of management innovations are treated as temporally separated processes. Whereas the generation process refers to the creation of new ideas, processes and practices, the implementation process pertains to the activities devoted to executing the created ideas, which is manifested in their adaptation, translation and/or adoption (Ansari, Fiss, & Zajac, 2010, Birkinshaw et al., 2008; Hamel, 2006; Vaccaro et al., 2012).

Although this dualistic perspective may have some analytical benefits, it is problematic because it does not account for many important aspects related to the dynamic interplay between the two processes of generation and implementation. There is ample evidence that subsidiaries may not adopt new practices, leading to their rejection or merely a ceremonial adoption whereby the subsidiary portrays practice adoption without actually using it (Kostova, 1999; Kostova & Roth, 2002; Nohria & Ghoshal, 1997). This may be due to a lack of motivation on the part of the subsidiaries, in particular, the ‘not invented here syndrome’ (Katz & Allen, 1982). If this is the case, the subsidiary rejects a practice because it has not been engaged in its generation and feels degraded to the role of an implementer (Kostova, 1999). It seems plausible that this may be avoided if the subsidiaries were engaged during the whole process of new practice development.

Additionally, there may be a suitability issue, whereby the practice lacks context-specificity in relation to the local needs of the subsidiary. This mismatch between the practice’s content and design and the local, contextual requirements often curtails new practices to scaling across MNCs. The result is that a great deal of adaptation, adoption, translation, or indeed re-inventions are required to make them suit multiple different local contexts (Jensen & Szulanski, 2004; Tippmann, Sharkey Scott, & Mangematin, 2012). Such a misfit can also lead to subsidiary’s non- adoption of, or resistance to adopting, the suggested practice. Similarly, it seems possible to circumvent most of these challenges if the perspectives of different subsidiaries were taken into consideration throughout the whole process of the practice innovation.
Yet, the dichotomous approach to management innovation is highly prevalent in prior MNC literature. Prior research recognises that innovation processes in MNCs are interdependent, with subsidiaries and headquarters being involved and contributing with their knowledge (Bartlett & Goshal, 1989; Doz, Santos, & Williamson, 2001). Moreover, headquarters, but equally subsidiaries, may be the source of new knowledge (Ambos, Ambos, and Schlegelmilch, 2006) and innovations (Ciabuschi et al., 2011) such as new practices (Tippmann et al., 2012). It is also acknowledged that the implementation of management innovations very often requires their translation and adaptation (Ansari et al., 2010; Ansari, Reinecke, & Spaan, 2014; Damanpour, 2014). However, the emphasis has thus far been on examining how to adjust fully pre-generated new practices to facilitate their implementation. Similarly, another strand of literature on the replication of practices in MNCs emphasises the need for local adaptations to bring best practices in par with the different institutional contexts of subsidiaries (Jensen & Szulanski, 2004; Kostova & Roth, 2002).

In this way, most prior research fundamentally sees best practices as largely developed and tested in one unit (either headquarters or subsidiaries), hence given ex ante and ready to be leveraged in other MNC units (e.g. Kostova, 1999; Kostova & Roth, 2002; Szulanski, 1996). Therefore, we lack a suitable alternative to this dichotomous approach to innovation, especially one that overcomes the disconnection between generation and implementation (Moorman & Miner, 1998a; Miner, Basoff & Moorman, 2001; Montuori, 2003). This leads to the formulation of Research Question IV: How can the headquarters involve itself in the generation and implementation of new management innovations?
2.2 Summary of literature review

In this chapter, I have reviewed the literature on the headquarters’ administrative role in managing subsidiaries, with a particular focus on coordination and control activities as well as the headquarters’ entrepreneurial role in managing subsidiaries, with a focus on the generation and implementation of management innovation. It emerged from the literature review that when performing both administrative and entrepreneurial roles, the headquarters need to, on the one hand, balance the need for central control in order to give direction and structure their activities. On the other hand, however, headquarters’ involvement may destroy value, because of their lack of context-specific knowledge as well as overly tight monitoring of participative processes that require substantial subsidiary engagement. As such, appropriate value-adding headquarters’ interventions are required. However, what constitutes appropriate headquarters’ involvement in coordination, control and innovation activities is largely unknown.

Addressing this gap, I formulated four research questions: (I) How are coordination capabilities developed in headquarters-subsidiary relations? (II) How is technology used as a means of the headquarters’ involvement in managing its subsidiaries? (III) How do boundary objects facilitate the headquarters’ involvement in generating management innovations? (IV) How can the headquarters involve itself in the generation and implementation of new management innovations? The results of the research based on these research questions contribute to develop our understanding of headquarters’ involvement in managing subsidiaries.
3.1 Research design

The empirical study is based upon the generation of qualitative data from a single case study. I chose a longitudinal single case study design in order to gain insights that were rich and relevant for the aim of the thesis. This design offered a contextual richness and uniqueness that could increase the understanding about how headquarters involve itself in coordination, control and innovation activities and why certain actions are taken (Piekkari, Welch, & Paavilainen, 2009). In addition, a real-time case is particularly fruitful when seeking to understand events as they unfold, rather than leaning on retrospective accounts of the happenings (Eisenhardt & Graebner, 2007). According to Gummesson (1988:76) “the detailed observations entailed in the case study method enable us to study many different aspects, examine them in relation to each other, view the process within its total environment and also use the researchers’ capacity for ‘verstehen’”. Thus, the use of a longitudinal single case study allowed me to conduct in-depth research into a headquarters’ actions, activities and the artefacts they use in coordination, control and innovation activities (Piekkari et al., 2009) and to investigate the process dynamics (Van den Ven, 2007).

The case company is a large European MNC (hereafter referred to as ConstructionInc) active in the construction industry. The company has operations in 10 countries including Central Europe, the Nordic countries and the United States. ConstructionInc’s operations are divided into four operating segments: (1) Construction, which includes both building construction and civil construction, (2) Residential Development, which develops residential projects for immediate sale, (3) Commercial Property Development, which initiates, develops, leases and divests commercial property projects, and (4) Infrastructure Development, which specialises in identifying, developing and investing in infrastructure projects. The subsidiaries within and between these
segments collaborate in various ways, creating operational and financial synergies that generate increased value (see Chapter 4 for more information).

Access to ConstructionInc was negotiated with top management, and I assured confidentiality to encourage my access to extensive data and to gain more open and detailed answers from informants. Prior to the main study, I conducted a pilot study to identify a suitable case (Silverman, 2010). During the pilot study, 12 face-to-face interviews were conducted (see Table 2). Before conducting the interviews, an introduction letter about my research project was distributed to the informants via email. This was highly useful as it enabled the informants to obtain an understanding of the research project. My intention with the pilot study was primarily to gain an understanding of the headquarters’ involvement in managing its international network of subsidiaries in order to identify a suitable case to study in-depth. The second objective was to establish important contacts and identify informants at an early stage of the research.

At first, I considered the possibility of examining four internal expert groups (Information Modelling, Sustainable Environment, Health Care, and Operational Performance) and their work of creating and implementing new corporate business practices across subsidiaries. The four cases differed in terms of their strategic areas (Construction, Infrastructure, Residential Development), the maturity of the groups, their size, and their resources. However, during my pilot study, I took the decision to follow only one group, the Operational Performance Taskforce, as it was named, as they had just been assigned the strategic initiative to develop and implement a new performance management practice (PMP) within the Residential Development Unit (see Chapter 4 for a detailed empirical story). I selected this case based on its ability to offer fruitful insights for theory and its potential to develop a deeper understanding of the headquarters’ involvement in managing its subsidiaries (Eisenhardt, 1989).

Both the context of the Residential Development Unit and the strategic initiative to design and implement a new PMP were of particular relevance for the purpose of this study. First, this initiative aimed to introduce a comprehensive change in how ConstructionInc measured, assessed and controlled the performance of its subsidiaries in the Residential Development Unit. This initiative was triggered by a crisis and the urge to improve the efficiency and quality of managing construction projects within its
subsidiaries, coupled with a desire to harmonise financial reporting practices across them. Given the extent of the changes required, it was necessary to generate and implement a new PMP, the essential aspect of the headquarters’ involvement. I was thus likely to be able to observe a real-time process of the headquarters’ involvement in coordination, control and innovation activities in an MNC.

Second, the Residential Development Unit had encountered substantial challenges in previous coordination and control efforts and therefore intended to adopt an alternative approach. The headquarters sought to involve subsidiary managers in the generation and implementation of the new PMP from day one. To this end, headquarters set up a taskforce consisting of four senior managers from the headquarters. These managers were deemed to possess the required cooperative skills to work closely with subsidiary managers throughout the process. While I did not know this when choosing the Residential Development Unit for this study, it proved important for my subsequent theorisation of the headquarters’ involvement in coordination, control and innovation activities. Hence, the Residential Development Unit and the PMP initiative provided an interesting and relevant empirical context to explore headquarters’ involvement in managing subsidiaries. To clarify the terms used to describe my case: the term “PMP” is used in this ‘Kappa’, Paper III and Paper IV. I use the term “technological platform” in Paper I and, in Paper II, I use the term “Onepagem” to refer to my case, which is the technological platform included in the new PMP.

3.2 Data collection

The study was conducted openly with ConstructionInc staff being aware of the nature and purpose of the research. As a platform for my in-depth study of the headquarters’ involvement in managing its subsidiaries, the data collection focused on the headquarters’ initiative to develop and implement a new PMP to achieve greater coordination and control of them. I was given extensive access to the Residential Development Unit where I collected data about the headquarters as well as about all of its six subsidiaries in the Nordic countries and Central Europe. Given this extensive access, it was possible for me to collect real-time data on the entire process of developing a new PMP to its end when the new practice was declared embedded as part of the Residential Development Unit’s standard operating procedures. I used multiple
approaches during data collection (Gioia, Corley, & Hamilton, 2013), specifically semi-structured interviews, observations, and secondary data.

3.2.1 Interviews

I have conducted a total of 46 semi-structured interviews with managers from the headquarters (31) and subsidiary units (15) during the period between October 2012 and November 2016 (see Appendix A for details). Because of the thesis’s purpose, it was important for me to identify informants who could provide me with detailed information about the headquarters’ actions, activities and the artefacts they used in the process of developing and implementing the new PMP. To identify informants, I followed the snowball sampling principle. The snowball principle is useful when processes are complex and actors are not immediately visible (Miles & Huberman, 1994). Informants were initially purposefully selected (Eisenhardt, 1989) in collaboration with top management, but these and others were later contacted on my own initiative. I searched for people involved in the particular PMP initiative. To gather multiple perspectives on the studied phenomenon, to compensate for individual biases and to allow for cross-checking the information provided by different informants, I interviewed numerous managers from the headquarters (executive managers, senior construction experts, business developers and financial controllers) as well as from its subsidiary units (regional managers, business unit managers and financial controllers).

In the first round of interviews, my questions were rather open. This was to learn about the PMP project and to understand its key activities and the choices made over time (Langley, 2009). Therefore, I asked informants to explain their experience of critical events in the development and implementation process and what actions followed such events. I sought to collect the personal views of each informant and encouraged openness with simple questions such as: What triggered the strategic initiative? What did the generation and implementation processes look like? Why was the specific layout and content of the PMP like this? In what way have you been involved? What has been going well? What has been challenging? I re-interviewed key informants to ensure follow through from one interview to the next (Patton, 2002). Because the study was longitudinal, I gradually learned more about the headquarters’ actions and activities in relation to the PMP project so that in the subsequent
rounds of interviews, my questions became more in-depth and focused. The informants’ responses gave me ideas about what to ask other informants. For example, by studying the answers from the taskforce, I could formulate better questions for the top management and subsidiaries and vice versa.

Each interview lasted 50-90 minutes and all were audio-recorded and transcribed. In addition, a group interview with the taskforce was carried out. I asked the informants to describe the PMP process in a chronological manner and explain the actions, activities, and events that took place during the process and the underlying motives for such actions. Using such a forum for discussion was also helpful as it may trigger the articulation of the managers’ more tacit knowledge, conveying thoughts and assumptions that I have not been able to capture during the one-to-one interviews (Patton, 2002).

There are also limitations associated with the interviews, which I have tried to minimise with the help of my longitudinal approach. Interviews, for example, have the weakness that the information obtained from informants can be influenced by retrospective and polished answers (Eisenhardt, 1989). By interviewing informants in the ongoing PMP project, as well as after the project was finished, I thereby reduced these negative effects. Furthermore, during my interviews, at times, I found it challenging to get the informants to talk about more sensitive things such as specific individuals’ conflicting views and behaviours, and disruptions. I soon learned that the informants’ stories were often well structured and solution driven, but contained little information about the problems and challenges in the PMP project. In order for me to go beyond the ‘official’ story and obtain more detailed and context-specific answers, gaining trust was essential. Therefore, I made sure to take a few minutes before each interview to explain to informants the role I had as a researcher and to assure their anonymity. I also tried not to take their answers for granted and therefore made small comments such as “is it so?” or “really?” to trigger further elaboration. In addition, I found that knowledge of the construction setting was key. It was important for me to use and understand the context-sensitive language when discussing the PMP project to create a conversation style that enabled the informants to describe their experiences without me constantly interrupting them with questions about terms.
3.2.2 Observations

Observations played a fundamental role in my data gathering, especially for tracking the real-time moments during the generation and implementation process (Langely, 2009). Participating in the activities of the informants is as much a way of generating research material as it is of getting access to the meaning that a situation has for them (Bernard, 2002). Between January 2013 and December 2014 (see Appendix B for details), I followed the taskforce in their work of developing and implementing the new PMP in the Residential Development Unit. The generation process was fragmented in time and the interacting actors were geographically dispersed. The taskforce came together at the headquarters for a three-hour meeting once a week, separated after it and came together the following week for a new one. Between the meetings, the members worked on their specific tasks, and all contact among them was via email and telephone. This meant that, if I wanted to follow the development and implementation process, I had to attend those meetings.

The formal taskforce meetings were the primary forum where decisions on the content and design of the PMP were taken, based on insights from the ongoing feedback from subsidiaries. As such, the taskforce meetings were the critical forum of exchange related to the headquarters’ involvement in the control, coordination and innovation activities. I was invited to attend all taskforce meetings and to attend as many as my schedule allowed. In general, this led to my attendance at one to two meetings per month, permitting a relatively complete coverage. At the meetings, I sat at the same round table as the taskforce. I always informed them about my role as an observer and that I did not intend to participate in the conversations (Czarniawska, 2007). Being fluent in the native language of ConstructionInc’s home country and in English enabled me to follow discussions with ease.

I used a research diary for recording meeting notes, observations and interpretations. I took notes on what type of questions and concerns were raised in regard to the ongoing development and implementation of the new PMP and the strategies for engaging subsidiaries in it. I also took notes on the type of feedback received in interactions with the subsidiaries (i.e. feedback received from visits to subsidiaries, as well as through phone calls and emails correspondence between the team members and subsidiaries’ staff) and from top management (i.e. when top managers were present at taskforce meetings—at least fortnightly; and when the taskforce presented updates at corporate
management meetings—usually on a quarterly basis).

In addition, I also shadowed the director of the taskforce while attending a two-day meeting at a subsidiary in Central Europe. This meeting, as part of the taskforce activities, was initiated because the subsidiary had been reluctant to utilise the new practice. The main purpose of attending this event was to gain an understanding of the discussions that took place during the process of generating and implementing the new practice. Attending such an event enabled me to better grasp subsidiary-specific issues that were subsequently discussed among the taskforce and top management at the headquarters. Such discussions also involved how the PMP would be adjusted in relation to the issues raised by the various subsidiaries. This was highly important as it helped me observe how the new practice emerged incrementally after several rounds of iteration between the headquarters and its subsidiaries. Thus, by combining interviews with observations, I could draw on the strength of each method while limiting any negative aspects. One weakness of observations, for example, can be the fact that they are local and momentary. I could draw on the strength of observations—to get close to practice in the making—while at the same time using the strength of interviews, which is to link such episodes across time, including episodes which occurred outside of my observations (Czarniawska, 2007; Patton, 2002).

3.2.3 Secondary data

I collected available company documents and material to better understand the background to the PMP project (see Table 1 for a description). This included copies of relevant presentations given to explain the development and implementation process, presentations given by the project team to subsidiaries and top management, internal reports, project updates, communication strategies, strategy documents, and intranet information. The secondary data was helpful in facilitating discussions with informants about the themes that emerged from the data. It allowed me to confirm or discard the impressions from observations and interviews and to track changes made to the PMP. In addition, I used the secondary data as a complementary data source (Corley & Gioia, 2011), providing valuable insights into the storyline of the generation and implementation processes, in particular, the evolution of the PMP as it emerged over the 2.5-year period.
Furthermore, this research meets many of the criteria laid down by Lincoln and Guba (1985) for the trustworthiness of qualitative data. During this research project, I had a prolonged engagement with the research site (the headquarters). The multiple sources of evidence allowed me to pursue a ‘triangulation’ strategy: to continuously compare the evidence coming from different sources and to allow multiple voices to be heard. The contacts with key informants and the final group interview provided important feedback and a means to validate my interpretations of how the headquarters involved itself in the development and implementation of the new PMP so as to increase the coordination and control of its subsidiaries.

<table>
<thead>
<tr>
<th>Table 1. Secondary data</th>
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<tr>
<td><strong>Type of Data</strong></td>
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<tr>
<td>Internal documents</td>
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<tr>
<td>Annual reports</td>
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<tr>
<td>Project biography</td>
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</tbody>
</table>
3.3 Organising the data

The collection of material was structured in the sense that all my documents, notes, recordings, and transcriptions were digital, stored on my computer and organised by date and data source type. The process of collecting material was less bound by a structure in order to allow for alterations in strategy, for example, in terms of adding new sources or adjusting focus. To complement the interview records, I used a separate diary where I noted down general impressions on what happened during the interview and ideas about the possible theoretical implications of what had happened. During observation sessions, I took notes on my computer. I also kept a pen and notebook close, to make notes whenever needed. For instance, this could be something taskforce members said during coffee breaks, or just a memo of something I thought was interesting and wanted to look into later. Directly after observation sessions, I summarised my impression and thoughts, noting everything that was interesting or surprising.

When looking back on the notes taken during the first observation sessions, I wished they had been more extensive. Although I summarised my thoughts directly after each meeting, had I known from the beginning how useful I would find these sentences in later stages during the analysis, I would have spent more time elaborating my reflections of what had been observed.

3.4 Analysing the data

In the process of analysing the data, I continuously went back and forth between my empirical observations and theory. By doing so, I was able to develop an understanding of both the theory and the phenomena under investigation (Dubois & Gadde, 2002). One illustration of this is that I initially set out to explore management innovation in the MNC with a focus on how such a process emerged and was implemented across subsidiaries. However, during the initial data analysis and while data collection was still taking place, I observed how the data also conveyed information about the way the headquarters involved itself in the process. The data indicated that ConstructionInc’s headquarters had changed from a hierarchical approach to inviting the subsidiaries into the process of generating and implementing the new PMP. This headquarters’ focus on collaboration and participation was
surprising and did not fit existing theory on headquarters’ involvement in coordination, control, and innovation. Following this discovery, it became apparent that the data collection and analysis centred on the collaboration between the headquarters and its subsidiaries in developing and implementing the new PMP.

The mode of analysis took place in the following three stages. First, I began by transcribing the 46 interviews (approximately 350 pages of transcriptions). I sent each interview transcription to the relevant informant to check for potential misunderstandings or mistakes, receiving only two replies. One informant wished to correct some numbers that he had reported incorrectly during the interview. The other informant was concerned about sensitive financial information and strategies which had been given to me during the interview. In my corresponding email, I assured the informant of full anonymity and explained that I treat my data with the greatest care. Through this procedure, I could validate the trustworthiness of my information and thus increase the rigour of the study (Lincoln & Guba, 1985). I did not, however, transcribe all observation sessions as it would be too time consuming. Instead, I listened to my recordings from the observations and transcribed those parts (50 pages of transcriptions) I considered to be relevant and useful to my research questions.

Second, after transcribing the material, I generated a detailed case description which incorporated data from interviews, observations and archival material (Langley, 1999) to describe the organisational context, challenges in headquarters-subsidiary relations, and the strategic initiative to develop and implement a new PMP. Based on the case description, I created a timeline integrating critical events in the PMP’s generation and implementation (see Figure 1) and the views of the headquarters and its subsidiaries, to draw insights about how the headquarters involved itself in managing its subsidiaries. I combined the case writing with the data collection, allowing insights and questions from the case to inform future data collection (Yin, 1984). I shared the case description with key informants to assess its reliability and comprehensiveness and gain their feedback.

Third, to investigate my research questions about the headquarters’ involvement in coordination, control and innovation activities and its theoretical implications (see Table 2 for detailed overview of research questions and empirical material), I read through the raw data and created in
vivo codes or short phrases for critical passages, which I clustered into meaningful groups. Here I used the computer software NVivo for coding my material. NVivo was instrumental because it made the material searchable in terms of theoretical and empirical themes. I read through the raw data, asking how coordination in headquarters-subsidiary relations is achieved. I noticed how the taskforce approached the coordination of the subsidiaries as an intentional but evolving process under mutual influence. I observed that some codes described a circular movement of learning by doing and selection, bringing to mind the dynamic capabilities framework. Dynamic capabilities represent collective processes and skills that are developed when used (Teece, Pisano, & Shuen, 1997; Zollo & Winter, 2002). Thus, through a dynamic capability lens, I further explored how the taskforce responded to the subsidiaries’ needs and requirements, what kind of mechanisms they used in engaging in value-added conversations with the subsidiaries, and how this influenced the coordination of the subsidiaries.

In reading the raw data, I observed how the new PMP afforded new ways of controlling subsidiaries. Informants from the headquarters described that “performance is visible to everyone”, “the standardised format increase transparency”, “we have now limited subsidiaries possibility to make adjustments”, and “this form of forward looking control was not possible before”. This insight drew my attention to the affordance literature (Leonardi, 2011; Treem & Leonardi, 2012) and guided my focus on control as an affordance and how the new PMP transformed the headquarters control of its subsidiaries. Furthermore, early insights from the raw data suggested that spreadsheets, cost components, and benchmarking reports, were critical in establishing common ground between the headquarters and its subsidiaries in the work of developing the new PMP. I, therefore, paid special attention to the points in the data where the participants’ knowledge differed, how they accessed, negotiated and integrated their knowledge, and the impact this had on the PMP development process. These insights led me to focus on the role of boundary objects (Carlile, 2002, 2004) in developing the new PMP.

Finally, crucial insights from the raw data indicated that the generation and implementation of the new PMP took place simultaneously. Informants from the headquarters talked about “implementation from day one” and “involving subsidiaries from the start”. They described the issues, frustrations, and challenges experienced with a previous, failed attempt to introduce a new management practice and how they had changed their approach. This meant
that the task was not just to generate new ideas but also to discover, through a process of improvisation, what problems could be linked to the implementation of these ideas. In order to understand how the generation and implementation of the new PMP took place in parallel, I coded instances related to the emergence of new knowledge as a result of these collaborative, improvisatory interactions between the headquarters and the subsidiaries, drawing on improvisation literature (Miner et al., 2001). These interactions took the form of boundary spanning activities, which brought my attention to the works of Birkinshaw et al., (2017), Schotter et al., (2017). Moreover, the management of the collaborative efforts between the headquarters and its subsidiaries brought to the fore some themes echoed in the literature on the role of a headquarters in MNC innovation activities (Ciabuschi et al., 2011; 2012a).

Overall, I adopted prescribed methods for data collection and analysis that sought to increase the trustworthiness of the findings. First I had a prolonged engagement with the research site, during which the data was collected in realtime, to become familiar with the context and data (Lincoln & Guba, 1985). Second, I used multiple sources of data and multiple levels of informants to triangulate perspectives (Eisenhardt, 1989). Third, wrote detailed descriptions and asked for and received informant feedback to capture a rich context and to ensure the quality and validity of interpretations (Langley, 2007). Fourth and finally, I engaged in discussions with other researchers about my observations and emergent findings. They were able to ask for further insights, suggest means of gaining additional clarification and offered alternative explanations for initial findings (Corley & Gioia, 2011).
<table>
<thead>
<tr>
<th>Research Question:</th>
<th>How are coordination capabilities developed in headquarters-subsidiary relations?</th>
<th>How is technology used as a means of the headquarters' involvement in managing its subsidiaries?</th>
<th>How do boundary objects facilitate the headquarters' involvement in generating management innovations?</th>
<th>How can the headquarters involve itself in the generation and implementation of new management innovations?</th>
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<tbody>
<tr>
<td>Data collection focused on:</td>
<td>The process of developing coordination capabilities</td>
<td>Onepagern (as part of the PMP) and what form of control the new system afforded the headquarters</td>
<td>The aspects and functions of boundary objects in developing the new PMP</td>
<td>The interaction between the headquarters and its subsidiaries in developing and implementing PMP</td>
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<tr>
<td>Number of interviews:</td>
<td>35</td>
<td>28</td>
<td>28</td>
<td>46</td>
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<td>Example of interview questions:</td>
<td>What were the key events? What were the key decisions in the process and why? What were the key actions? What did the communication between the headquarters and subsidiaries look like?</td>
<td>What does the new technology enable? How do you use it? What can be controlled for now in comparison to prior control mechanisms?</td>
<td>What does the innovation process look like? What are the key events and actions? Who is involved? Problems and challenges in the process of developing? How are problems and challenges solved?</td>
<td>What does the process look like? Why such a process? What is the aim? Who are involved? Why them? Describe the relation to the subsidiaries?</td>
</tr>
<tr>
<td>Purpose of observations</td>
<td>To observe and track how the taskforce coordinate the innovation process, to identify key events and actions.</td>
<td>To observe how the new technology mediates the innovation process, what it enables, what it hinders and how that affects MNC control</td>
<td>To observe taskforce sayings and doings in the generation process, how they communicated within the team and what communication tools they used</td>
<td>To observe the nature of the questions raised regarding development of PMP and how the taskforce responded to the feedback obtained from interactions with subsidiaries and from top management</td>
</tr>
<tr>
<td>Secondary data</td>
<td>To investigate events, actions, and communication between headquarters and subsidiaries</td>
<td>To study the structure, terminology and content of the new technology</td>
<td>To follow the development process of the new practice to see how the format and layout take shape</td>
<td>To explore the dialogue between the taskforce, top management and subsidiary units, the content of the new practice and the decisions and action taken</td>
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<tr>
<td>Internal documents</td>
<td>Fine-grained tracking of historical events, actions and performance</td>
<td>Fine-grained tracking of historical events, actions and performance</td>
<td>Fine-grained tracking of historical events, actions and performance</td>
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<td>Global versions of annual reports 2006-2012</td>
<td>To reconstruct the history of the strategic initiative and triangulation of informants’ assertions about the initiative</td>
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<td>Project biography</td>
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4.1 Company background

ConstructionInc is today ranked among the top ten largest contractors in the world. Founded over 120 years ago, ConstructionInc was initially a manufacturer of concrete products. In the 1950’s, the company took on its first projects overseas, building power plants, infrastructure, schools and hospitals in several developing countries such as Bangladesh, India, Saudi Arabia and Panama. Between 1960 and 1980, ConstructionInc was conducting infrastructure projects in the Middle East and in North America. During this period, ConstructionInc also made its first acquisition in North America. Between 1990 and 2000, the company gradually transformed into a global firm and expanded its operations by acquiring construction companies in North America, Central Europe, and the Nordic countries. At that time, the total number of employees reached 80,000. However, during the following years, especially between 2000 and 2008, ConstructionInc had to downsize and restructure its business to increase profitability and subsequently focus on selected home markets, divesting itself of its operations in Asia, Africa, and Russia.

Today, ConstructionInc employs 45,000 employees, located in 10 different countries in Central Europe, the Nordic countries and North America. It reports revenues of approximately 17 billion U.S. dollars. To reiterate, the company’s operations are conducted through four business streams: Construction, Residential Development, Commercial Property Development and Infrastructure Development. Construction is ConstructionInc’s largest business stream and involves the construction of buildings, industrial facilities, infrastructure, and residences. Residential Development develops housing for sale primarily to private home buyers. Commercial Property Development initiates, develops, invests in, leases out and sells commercial property projects, with a primary focus on office buildings, shopping centres, and logistics. Infrastructure Development develops, invests in, operates and
sells public-private partnership infrastructure projects, such as highways, hospitals, schools and power plants.

4.2 The PMP case

Already in 2007, ConstructionInc made its first attempt to develop and implement management practices to coordinate and control subsidiaries in the Residential Development Unit. The initiative was a response to inefficiency, poor cooperation, lack of commitment and a fragmented building process. The aim was to establish capabilities in the unit to sustain yearly product cost improvements by increasing the degree of standardisation. Given the extent of the changes required, it was necessary to develop both new technological tools and working processes. These new tools and processes were supposed to cover all aspects of housing projects including planning, designing, construction, and evaluation.

The development of the new management practices took place at the headquarters, and the project team consisted of managers from the headquarters, external architects, and external management consultants. The project team started off with ten members but quickly grew bigger. At its largest point, the team consisted of 70 members. This project team was divided into smaller working groups of 6-7 members and these groups interacted in the format of workshops where the new practices took shape. A selection of standardised components was one of the important prerequisites for creating technical solutions that would support an efficient design, shorter production times and cost reduction. Standardisation took place in terms of predetermined sizes, dimensions and interfaces as well as a limitation on variety, which ensured interchangeability and compatibility. This regulated virtually all aspects of how houses were to be constructed, even down to the level of what nail or screw to use in what dimension of beam when constructing a particular element of a building. As a result of differences in legal requirements and construction traditions in the different countries, a completely new set of standards was developed. When I entered the organisation in October 2012, I was informed that the project had recently been called off. The project failed because subsidiaries did not adopt the developed ‘best’ practice, arguing that it was too complex, too radical and poorly adapted to their local conditions and traditions.
Still facing the problems of operating on many, partly different markets, the headquarters did not give up its ambition to seek synergies. With sharply decreasing profitability in the Residential Development Unit, a push to try again came in 2012, triggered by the realisation among top management that a new attempt to coordinate and control subsidiaries was needed. In 2012, a taskforce was set up consisting of four senior construction experts who were deemed to possess specific cooperative skills who would be working closely with subsidiary managers throughout the process. The taskforce members had professional and educational backgrounds which were similar in some ways yet different in others. The two most senior members had 25 and 20 years of employment respectively within the company. Both have held managerial positions on an international, regional and national level and had a vast experience in managing cross-border knowledge transfer projects. Of the other two team members, one had been employed within ConstructionInc for 12 years, with a management consultancy background, and the other for 3 years, with a financial analyst background. The first three members had similar educational backgrounds in civil engineering and the fourth specialised in civil economics.

In contrast to the prior initiative (in which three of the members had been involved) which was carried out in a top-down manner resulting in poor results, the taskforce now decided to enter a joint collaborative process with subsidiaries. One informant explained: “we have to appreciate and make use of their (local subsidiary) expertise and competence” (interview, Taskforce Manager 1, February 2013). According to another informant, the decision to involve subsidiaries in the development and implementation process was done in order to “increase acceptance and usage of the new practice” and “add value to both” (interview, Taskforce Manager 3, February, 2014). The conclusion was that regardless of the theoretical finesse of the new PMP it might fail if subsidiary conditions were not sufficiently considered.

The taskforce meetings, that took place at the headquarters on a weekly basis, was the primary forum where decisions on the content and design of the PMP were taken. The meetings usually followed a standard agenda covering development and implementation issues, feedback received from subsidiaries and top management as well as planning for upcoming subsidiary visits and top management meetings. During the summer of 2012, a first draft of the PMP was developed (see figure 1). The draft contained a technological
platform (Onepagern) generating spreadsheets and a reporting system containing a start-up package of templates and hand-on guidelines, conveying the main objectives of the new PMP - to increase cost transparency and quality in the financial reporting of subsidiaries.

One of the recurrent mantras guiding the work of the taskforce was “we cannot think of developing the PMP separately from its implementation”. They, therefore, spent a lot of time visiting subsidiaries and participating in meetings at local sites to understand their current situation and obtain valuable feedback. Implementation of the gestating PMP on the ground gave subsidiaries the opportunity to discover problems related to its execution. For example, at the beginning of 2013, the taskforce experienced a lack of engagement and picked up signals of frustrations among managers during subsidiary site visits. After discussions among the members in the taskforce as well with subsidiary managers, the taskforce learned that the PMP was too detailed and complex and subsidiary managers did not see how such a practice would benefit them in their financial reporting. The taskforce realised that the first drafts of the PMP suffered from what the members referred to as “best practice syndrome”, which meant that the new PMP contained traits of the former best practice project in which the headquarters had sought highly detailed control and little room had been left for subsidiaries’ input. In responding to subsidiaries’ feedback and suggestions for improvements, the taskforce modified graphs, tables, and information text (see March 2013, Figure 1).

In addition, as illustrated in Figure 1 (see February 2013), subsidiaries experienced issues when trying to use the gestating PMP on a daily basis, a frequency that would be on par with the headquarters’ aspirations. The taskforce had the initial ambition that the new PMP should be mandatory for subsidiaries in their daily work. However, rather soon into the development and implementation process, they noted that subsidiaries were not using it, still preferring their old, local reporting systems. After some discussions with the top management, the taskforce took the decision to abandon the idea and instead make the use of PMP mandatory only in subsidiaries’ quarterly reporting.

The development and implementation of the new PMP was a continuous process of negotiation between the taskforce, the top management, and subsidiaries regarding the content and functionality of the new PMP. The
discussions focused on the definitions of key financial indicators, which were central components of the gestating PMP (see April-September, 2014, Figure 1). The objective was to create a common understanding and agreement on all key alignment issues, for instance, cost components, quality improvement, and cost transparency. According to one taskforce manager: “we bring back to the table the feedback we receive from subsidiary visits and our conversations with top management where we make further adjustments (...) it is a constant process of fine-tuning where the PMP becomes better following each round” (interview, Taskforce Manager 3, February 2013). Similarly, a quote from a subsidiary manager illustrated the negotiation process as: “they (taskforce managers) would come to our office and present their ideas and we discuss things concerning the content (of the new PMP), such as project profitability and calculations of cost components, in an effort to reach an agreement” (interview, Subsidiary manager 2, April 2014). As a result of these discussions and negotiations, changes to the format of the PMP (see January 2013, Figure 1), and redefinition of cost components (see October 2014, Figure 1) were made.

Furthermore, these interactions between members of the taskforce and between the taskforce and subsidiaries were assisted by the components of the new PMP: spreadsheets, key performance indicators and benchmarking reports. One taskforce manager said: “it helps us to make sense of the situation, identify the areas we need to work on more and to drive the process in a collective manner” (interview, Taskforce Manager 3, May 2014). The local differences and dependencies that were brought to the surface during these interactions between the taskforce and subsidiaries kept the innovation process in motion by prompting further iterations. For instance, as the PMP took a firmer shape and the cost calculations became more stable, the senior management requested a quarterly profit delivery plan and further analytical scope in the PMP portfolio (see November 2014, Figure 1). Responding to this top management request, the taskforce developed a simulation modelling function, providing the headquarters a 16-quarter profit forecast. Previously, headquarters could only undertake a three-quarter profit forecast. The taskforce also added a detailed roadmap to the PMP, visualizing the status and project pipelines of each residential project in the subsidiaries (November 2014, Figure 1). By modelling the graphs in the PMP, the headquarters was better equipped to identify and assess potential risks and their effects on a specific target. Thus, the simulation modelling function together with the
detailed roadmap facilitated the headquarters’ strategic planning and risk assessment in the Residential Business Unit.

The taskforce kept reframing the new PMP until the parties agreed on the format and the definitions of cost components were set. In January 2015, the project was declared finished as the PMP was implemented in the subsidiary units and the taskforce was dissolved.
CHAPTER 5 SUMMARY OF THE PAPERS

While this thesis has been carried out as a study on headquarters’ involvement in managing its subsidiaries, the thesis ‘product’, however, takes the form of four written papers, exploring headquarters’ involvement in coordination, control and innovation activities (see Table 2 for a detailed overview). The papers differ in terms of focus and in terms of which parts of the empirical material I used for analysis. For example, whereas Paper I focuses on how coordination capabilities can be developed in the interaction between the headquarters and its subsidiaries, Paper IV develops a model which integrates the moments of generation and implementation of management innovation, explicating how MNCs can advantageously intertwine these two processes in time and across geographies. In Paper II, I focus on management technology and explore how management technology affordances transform headquarters control of its subsidiaries and in Paper III, I address boundary objects and how they facilitate headquarters’ and subsidiaries’ collaboration to co-generate a new management innovation. This should be an indicator of the richness of the data, allowing different questions to probe into parts of the material. In correspondence with the thesis’s methodological approach, the papers do not represent parts of a whole empirical account. Rather, the material that I have collected and used in the papers highlights different dimensions of the headquarters’ involvement in coordination, control and innovation activities. Below I present a brief summary of the papers and their main findings (see Table 3).
5.1 Developing coordination capabilities in the multinational corporation

Paper I sets out to explore how coordination capabilities are developed in the interaction between headquarters and subsidiaries. Theory on MNC coordination has mostly focused on identifying effective organisational coordination tools, designed at and implemented by the headquarters (e.g., Björkman et al., 2004; O’Donnell, 2000: Turner & Makhija, 2006). This reflects a perspective where a distinctive capability is exported from one unit (headquarters) to another (a subsidiary). Research has, therefore, remained limited in its ability to explain how coordination occurs in interaction between a headquarters and its subsidiaries.

To analyse how coordination capabilities are developed in the MNC, Paper I draws upon a dynamic capability perspective (Zollo & Winter, 2002). Based on the case study data, a model of ‘headquarters designed bottom-up coordination’ process is developed. The model demonstrates how ConstructionInc gradually built up coordinating capabilities and illustrates how power is not only exerted from one side only (e.g., the headquarters to its subsidiaries), but grows through a process of ‘refining’, ‘suggesting’, ‘engaging’, and ‘evaluating’. In the refining phase, a combination of internal stimuli (e.g., the MNC strategy, deficits in existing coordination and managers’ expertise and experience) and external stimuli (e.g., intensifying competition in the market) serve as important inputs in drafting the new PMP. The findings revealed that, rather than commanding subsidiaries to abide by new coordination rules, a phase of suggesting emerges.

In this suggesting phase, the headquarters presents the draft to its subsidiaries with the aim of involving them into a value-added constructive dialogue to create agreement on all key alignment issues (Zollo & Winter, 2002). Interestingly, the data reveals that suggesting was not considered sufficient to create the necessary commitment to the new ways of coordinating proposed by the headquarters. Instead, engaging emerged as a distinct phase. This refers to the set of activities enacted by the headquarters in an attempt to engage and create commitment among the subsidiary managers. Data reveals that this engagement phase, with emphasis on educating subsidiaries, not only serves the function of implementing the new process and embedding the headquarters’ values, it also contributes to new information and can thereby
provide the diversity needed to start an evaluation phase of the coordination cycle in which local variations are embedded (Zollo & Winter, 2002).

The model also illuminates factors influencing coordination capability development: subsidiary readiness and the identification of key subsidiary personnel roles and characteristics. Subsidiary readiness refers to subsidiaries’ levels of insight, as perceived by the headquarters, regarding the usefulness and value of the new technological platform. The headquarters continuously checks up on each subsidiary unit to assess how much progress has been made and thereafter targets education and marketing efforts towards that subsidiary in accordance with its level of progress. In the suggesting phase, a key success factor was identified as meeting managers of the right ‘calibre’; at the right level in the hierarchy, with the right formal competence, hierarchical position, and background. This is referred to as the formal characteristics of key subsidiary personnel. The data shows that in the engaging phase it is important for headquarters to consider the informal characteristics of key subsidiary personnel. Since the coordination process depended on a relatively small number of employees, the success of PMP implementation in each country depended on the traits of these persons. Findings reveal that when the headquarters adjusted to adapt to such idiosyncratic features, the level of success in implementing the coordination processes was significantly higher.

Paper I offers two main contributions to theory. The first contribution is to develop a model of a ‘headquarters designed bottom-up coordination’ process. This model depicts how coordination capabilities co-evolve through the continuous integration of headquarters’ and subsidiaries’ knowledge and mutual adjustment to such knowledge. The second contribution is to adopt a dynamic capability perspective in an MNC context. Paper I demonstrates that MNCs constitute a context in which dynamic capabilities can play a vital role in coordinating subsidiaries.
5.2 Management technology as a means of headquarters control: an affordance perspective

Paper II sets out to study how management technology transform headquarters’ control of subsidiaries. Existing research on management technology in the context of MNC control suggests that technology offers headquarters a more efficient control by enabling detailed and direct monitoring of subsidiaries performance, access to real-time data, support strategic decision-making and increase transparency (Busco et al., 2005; Kettinger et al., 2010). Thus, management technology has created a whole new set of options for gathering, organising and using information for control purposes.

However, a literature review on management technology in the context of headquarters’ control of subsidiaries reveals that scholars have mostly focused identifying and implementing various management technologies in order to limit unwanted actions among subsidiaries and to achieve MNC objectives. Yet there is little empirical research into how these technologies transform headquarters’ control of subsidiaries and how they affect headquarters-subsidiary relations (Ambos & Steven-Mueller, 2017; Finnegan & Longaigh, 2002). Addressing this gap, this paper adopts an affordance lens to investigate how management technology transform headquarters’ control of subsidiaries. An affordance lens suggests that people assimilate and respond to technology based on perceived affordances rather than on a fixed set of features build into the underlying technologies (Leonardi, 2011; Treem & Leonardi, 2012). In this paper, I use Treem & Leonardi’s (2012) four affordances of social media: ‘visibility’, ‘persistence’, ‘editability’, and ‘association’ as a framework to analyse how management technology transform headquarters’ control.

My findings demonstrate that Onepagern’s features afforded multiple control mechanisms that transformed headquarters’ control: from decentralised, fragmented and static to central, situated and dynamic. More specifically, the affordance ‘visibility’ enabled headquarters greater monitoring, tracking of costs, transparency, accountability, ranking of business units and peer pressure. The affordance ‘persistence’ permitted headquarters consistency and quality in subsidiaries financial reporting as well as the possibility to track costs. The affordance ‘association’ led to an increasing awareness of each other’s roles and responsibilities, supporting development of ‘common
ground’ between headquarters and subsidiaries, as well as within and among subsidiaries, accountability, facilitate conformation to headquarters’ conventions, and development of peer pressure.

My findings also reveal that the affordance ‘editability’ was controlled, thus eliminating subsidiaries possibility to manipulate information. In addition to Treem & Leonardi’s (2012) four affordances, I identified ‘simulation’ (Zammuto et al., 2007) as an influential affordance. It allowed headquarters’ control in advance and at distance, hence facilitate greater strategic flexibility.

Paper II offers contributions to the literature on control in headquarters-subsidiary relations. In particular, this research adds to our understanding of management technology as a means of headquarters’ control by providing an empirical examination of how management technology affordances transform the headquarters’ control of its subsidiaries. The study showed that management technology played a key role in facilitating visibility and shared awareness, accountability and transparency in building blocks of social interaction among the headquarters and all its subsidiaries, bringing forth a new form of control that is central, situated and dynamic.

5.3 Co-generating management innovation in MNCs: the role of boundary objects

Paper III sets out to explore how boundary objects facilitate the co-generation of management innovations in the MNC. Generating management innovations that accommodate the contextual needs of the subsidiaries requires collaboration between MNC units, such as headquarters and subsidiaries located in different settings, to draw on and interlink their diverse knowledge and perspectives (Cano-Kollmann et al., 2016; Tippmann, Sharkey-Scott, & Parker, 2017). A management innovation team may consist of individuals representing different professional, functional, technical, geographical, and cultural backgrounds (Tallman & Chacar, 2011). These differences often result in collaboration and knowledge integration problems, thus creating boundaries to innovation (Carlile, 2002, 2004).
Prior research on the generation of management innovations has focused on identifying the stages in the generation process (Birkinshaw & Mol, 2006), internal and external change agents (Mol & Birkinshaw, 2014) as well as leadership and top management team characteristics (Mihalache et al., 2012; Vaccaro, 2010) driving the innovation generation process. Scholars have also studied communities of practice in relation to MNC innovation (Tallman & Chacar, 2011) as well as boundary spanning activities to assist innovation work (Birkinshaw et al., 2017; Schotter et al., 2017). Although prior research has advanced our understanding of generation of management innovations in general, we need to know more about the generation of management innovations in an MNC context. In particular, how headquarters and subsidiaries can collaborate to co-generate new management innovations.

In exploring this question, Paper III adopts a ‘boundary object’ lens (Carlile, 2002, 2004). Boundary objects are seen as an important means of translating knowledge from one specialist knowledge domain to another. They can be both concrete objects and abstract concepts (Star & Griesemer, 1989), but their common and defining characteristic is that they contain some ‘interpretative flexibility’ (Carlile, 2002) that allows them to be used to provide a common frame of reference for communication across different domains of knowledge and practice.

Based on the case study, I describe in Paper III how the PMP (including drafts of spreadsheets, charts, KPIs) emerged as a boundary object. This paper provides an illustrated example of how boundary objects facilitate headquarters’ and subsidiaries’ collaboration to co-generate management innovations. Five facilitating aspects of boundary objects have been identified. (1) Sharing and embedding of experiences: the drafts of spreadsheets, KPIs, roadmap and benchmarking reports become the medium for sharing experiences which then became embedded and materialised in the drafts. (2) Learning by doing: the loose drafts of spreadsheets, KPIs, roadmap and benchmarking reports facilitated an on-going process of learning by doing. The flexible drafts allowed the headquarters and subsidiaries to contribute with their unique knowledge and experiences to generate a fully-fledged new practice. (3) Explicating local differences: the work of defining KPIs highlighted differences in headquarters’ and subsidiaries’ understandings of how to measure and calculate cost components. The discussion around KPIs triggered the explication of participants’ knowledge and local understandings and provided a concrete means to translate and learn about the differences.
between the headquarters and subsidiaries. (4) **Collaborative exploration**: the interaction between participants, including the negotiation of knowledge, compromises, and joint learning facilitated transforming the local understandings of the headquarters and subsidiaries to create a shared understanding and to drive the development process in a collective manner. (5) **Visual representation**: the charts, diagrams, a roadmap and benchmarking reports enlisted participation and stimulated a focused forward-leading discussion, where new ideas and insights were translated between participants. By modifying graphs and concepts in the spreadsheets, staff in the taskforce, subsidiaries and top management together identified possible problems and solutions and incorporated new insights into the emerging practice.

Together, these aspects connected and embodied the knowledge of both the headquarters and the subsidiaries. In particular, they created an ‘in vivo laboratory’ in which local knowledge was unlocked and accessed, enabling the diverse knowledge of headquarters and subsidiaries to be combined into a new hybrid form of knowledge.

Paper III offers a contribution to the literature on the generation of management innovation by exploring the facilitating role of boundary objects in headquarters’ and subsidiaries’ collaboration to co-generate management innovations. This paper also adds to the theory on boundary objects by identifying, on a micro level, five facilitating aspects of boundary objects in an MNC innovation context.
5.4 Management innovation in multinational corporations: an improvisational approach

Paper IV sets out to build theory on an improvisational approach to management innovation by fusing the moments of generation and implementation. This paper builds on the idea that the current assumption that generation and implementation moments are temporarily separated may cause major impediments to leveraging new practices across the MNC. One example is motivation issues due to the ‘not invented here’ syndrome (Katz & Allen, 1982) where the subsidiary rejects the new practice as it has not been engaged in its generation and feels ‘degraded’ to the status of an implementer (Kostova, 1999). Additionally, there may be a suitability issue, whereby the practice lacks context-specificity in relation to the local needs of the subsidiary. This mismatch between practice and local context requirements leads to some difficulty in the scaling of new practices across MNCs as many changes or indeed re-invention are required to make them suit multiple, different local contexts (Jensen & Szulanski, 2004; Tippmann et al., 2012). Such a lack of context-specificity of these new practices can also cause subsidiary resistance in adoption or, indeed, non-adoption.

Based on the case study, Paper IV develops an improvisational approach to management innovation in MNCs. By drawing on improvisation literature (Moorman & Miner, 1998b; Weick, 1993), we develop a model illustrating how a simultaneity between moments of creation and generation can be achieved. This model of an improvisational approach conceives of the creation of management innovation in the MNC as a journey that starts with the formation of a loose proposal by the headquarters (that ‘smuggles’ their intention to resolve a management problem) and proceeds through a laborious process of interactions and negotiations during which the germination of new knowledge leads to the emergence and implementation of the new management practice.

More specifically, Paper IV finds that temporal coupling exhibited in headquarters’ scripting, progression from fluidity to crystallisation and interlacing of problem finding and joint solution development, allowed headquarters to sketch some of the functionalities that the new PMP should achieve, while leaving leeway for subsidiaries to incorporate their context-specific desires. The script has then progressed from fluidity to crystallisation.
through repeated iterations of moment-to-moment dispersed problem finding with joint solution development. It emerged from the findings that scripting and the progression from fluidity to crystallisation not only enabled headquarters to incorporate their intentions, it also served as tool to elicit participation from subsidiaries.

Paper IV also finds that headquarters’ involvement- the governing of the improvisational approach to management innovation- was achieved through two practices: subtle controlling and persuasion to convince of benefits. Together, these shaped the organisational context in which the generation and implementation of the new PMP unfolded. Findings reveal that this enabled a top-down-bottom-up approach whereby headquarters succeeded in eliciting subsidiary managers’ cooperation throughout the entire process. Finally, Paper IV reveals how a conscious combination of different boundary spanning interactions have proven crucial for the innovation process. It emerged from the findings that three forms of boundary spanning activities, immersion in local practice, the transformation of knowledge and the use of boundary objects, can tightly connect the headquarters and its subsidiaries. This leads to geographic coupling and the associated knowledge creation that builds on the diverse knowledge of the headquarters and its subsidiaries.

Paper IV contributes to the literature on management innovation in MNCs by developing a model which integrates the moments of generation and implementation, explicating how MNCs can advantageously intertwine and mobilise the efforts and skills of both parties in time and across geographies. The findings also contribute to the literature on boundary spanning in MNCs by showing how the capacity for new knowledge creation is augmented when consciously combining different boundary spanning activities. Finally, Paper IV extends the literature on headquarters’ involvement within innovation activities by detailing an improvisational approach to management innovation, including the practices of headquarters’ involvement through subtle controlling and persuasion to convince of benefits.
### Table 3. Main findings from papers and contribution to aim of thesis

<table>
<thead>
<tr>
<th>Paper I</th>
<th>Main Findings from Paper I:</th>
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| How are coordination capabilities developed in interaction between headquarters and subsidiaries? | • Coordination capabilities develop in mutual headquarters-subsidiary interactions.  
  • This is an interactive circular process of refining, suggesting, engaging and evaluating.  
  • The process facilitates real-time learning which, in turn, enables a continuous refinement of new practices. |

<table>
<thead>
<tr>
<th>Paper II</th>
<th>Main Findings from Paper II:</th>
</tr>
</thead>
</table>
| How does management technology transform headquarters control of its subsidiaries? | • Technology affordances facilitate visibility, shared awareness, accountability and transparency in building blocks of social interaction among the headquarters and its subsidiaries.  
  • A new form of control emerges: central, situated and dynamic. |

<table>
<thead>
<tr>
<th>Paper III</th>
<th>Main Findings from Paper III</th>
</tr>
</thead>
</table>
| How do boundary objects facilitate headquarters and subsidiaries collaboration to co-generate a new management innovation? | • They facilitate the sharing and embedding of experiences in learning by doing. They explicate local restrictions, collaborative exploration and visual representation.  
  • They facilitate the headquarters and subsidiaries collaboration to co-generate management innovations. |

<table>
<thead>
<tr>
<th>Paper IV:</th>
<th>Main Findings from Paper IV</th>
</tr>
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</table>
| How can MNCs use an improvisational approach to management innovations? | • Generation and implementation processes co-occurred through ‘temporal coupling’.  
  • The innovation process is governed by a particular kind of ‘headquarters’ involvement’, creating a conducive organisational context for the unfolding collaboration.  
  • Headquarters and subsidiaries achieved knowledge creation to develop the new practice through ‘boundary spanning’ interactions. |
CHAPTER 6 CONCLUDING DISCUSSION

The aim of this thesis was to advance research on headquarters’ involvement in managing subsidiaries. I have examined headquarters’ involvement in coordination and control activities which is usually associated with the administrative role. I have also examined headquarters’ involvement in the generation and implementation of a new management innovation, which is usually associated with the entrepreneurial role (Foss, 1997). Four research questions were developed: (I) How are coordination capabilities developed in headquarters-subsidiary relations? (II) How is technology used as a means of headquarters’ involvement in managing subsidiaries? (III) How do boundary objects facilitate headquarters’ involvement in generating management innovations? (IV) How can headquarters involve itself in the generation and implementation of new management innovations? In answering these questions, four separate papers have been presented. The main findings and conclusions of the separate papers were summarised in Chapter 5 (see Table 5). In what follows, I will discuss how the aggregated findings from the four papers contribute to developing our understanding of headquarters’ involvement in managing its subsidiaries.

6.1 Theoretical contributions

As highlighted in the introductory chapter, studies on headquarters’ involvement have enlightened us on how headquarters, when carrying out administrative and/or entrepreneurial activities, can disrupt subsidiaries potential to create new knowledge and capabilities. A top-down, headquarters driven initiative may encounter scepticism and reluctance by subsidiaries. It likely also suffers from deficiencies rooted in the lack of the headquarters familiarity with and knowledge of various local contexts. The headquarters knowledge is often too far removed from local contexts. Its involvement in coordination, control and innovation activities which require considerable
subsidiary knowledge and expertise, may be seen as an undue interference with subsidiary matters (Ciabuschi et al., 2011, 2012b; Egelhoff, 2010; Forsgren & Holm, 2010; Nell & Ambos, 2013). Although scholars have identified challenges and tensions created as a result of headquarters’ involvement in coordination, control and innovation activities, existing literature remains, however, vague on how headquarters can manage these challenges and create potential to add value to the MNC through its interventions.

My findings support recent claims in the literature that headquarters roles are becoming more involved and hands-on (Good & Campbell, 2002; Nell et al., 2017). The design of this study with real-time longitudinal data allowed me to follow a headquarters involvement in the generation and implementation process of the new PMP through interviews, observations and secondary material. As such, the case study design enabled me to observe the unfolding events, actions and interactions between the headquarters and its subsidiaries. In particular, how the headquarters approached its subsidiaries and invited them into the development and implementation of the new PMP. Based on the detailed insights generated from this case study, I have developed an understanding of headquarters’ involvement in coordination, control and innovation activities being more inclusive and collaborative than initially perceived, which I expand upon in what follows.

This thesis advances research on headquarters’ involvement in performing the administrative role (Foss, 1997). Prior research has predominantly focused on the headquarters’ ability to plan efficient coordination centrally and to select the appropriate coordination mechanisms to be implemented (e.g., Björkman et al., 2007; Hedlund, 1981; Nohria & Ghoshal, 1994; O’Donnell, 2000; Turner & Makhija, 2006). This thesis shows, however, that by taking subsidiary knowledge and context into account, the headquarters is more likely to identify appropriate synergies and access capabilities located within these local units. As demonstrated in Paper 1, coordination capabilities develop and co-evolve through the four recurring phases of interaction: refining, suggesting, engaging, and evaluating between headquarters and its subsidiaries. This process is shaped by three contingency factors: subsidiary readiness and the formal and informal characteristics of key subsidiary personnel.
Each phase in the cycle contributes to real-time learning where new knowledge could trigger another variation of the cyclical process (Zollo & Winter, 2002). This iteration leads to a continuous integration of the headquarters’ and subsidiaries’ knowledge and a mutual adjustment to such knowledge. Paper I offers insight into how headquarters and its subsidiaries can work together to advantageously draw on their diverse forms of knowledge and perspectives to develop efficient coordination.

The findings from Paper II advance our understanding of how management technologies may transform headquarters’ control of subsidiaries. By adopting an affordance lens, we learn that technological features affording visibility (Treem & Leonardi, 2012) not only enables greater monitoring of subsidiary management performance, it also enables the headquarters and its subsidiaries to learn coordinate their work together (Zammuto et al, 2007). As such, this visualisation affordance allows the headquarters and its subsidiaries to gradually develop patterns about how to react to potential future events. The data also reveals that features affording association (Treem & Leonardi, 2012) may increase accountability. The findings show that association together with visualisation create a ‘common ground’ of social action that enables the headquarters and its subsidiaries to come together more easily. This ‘common ground’ contributed to an increased awareness of roles and responsibilities among the involved parties (Zammuto et al., 2007). Paper II demonstrates that management technology affordances engender multiple control mechanisms that facilitate visibility, shared awareness, accountability, and transparency in building blocks of social interaction among the headquarters and its subsidiaries, yielding a new form of control that is central, situated and dynamic.

In addition, this thesis advances research on headquarters’ involvement in performing an entreprenurial role (Ciabuschi et al., 2011, 2017; Foss, 1997). Paper III highlights boundary objects and shows how they facilitate the collaboration between headquarters and subsidiaries in co-generating management innovation. Specifically, Paper III reveals that objects such as KPIs, a roadmap and benchmarking reports enable collaborative and participatory interactions between the headquarters and its subsidiaries. In particular, these boundary objects facilitate the sharing and embedding of experiences, learning by doing, explicating local differences, collaborative exploration, and visual representation. These five facilitating aspects of
boundary objects are critical in connecting the headquarters and its subsidiaries in the generation of management innovation. They unlock the dispersed knowledge that often remains tightly locked in its location (Szulanski, 1996), allowing the diverse knowledge of the headquarters and its subsidiaries to be amplified into a new hybrid form of knowledge (Cook & Brown, 1999), thereby avoiding the risk of developing a new management innovation designed and proscribed from the perspective of one dominant party (Katz & Allen, 1982). Hence, the inclusion of various perspectives and knowledge from across the subsidiaries and headquarters from the outset allows the generation of a new management innovation that is sensitive to the critical demands of various subsidiary contexts.

Finally, by drawing on my longitudinal single case study, I was able to theorise the near co-occurrence of generation and implementation both as a conscious deliberate choice and as an open-ended process that allows for new creative explorations (Anderson et al., 2014). Building on the case study, my theorisation brings together the moments of generation and implementation, both temporarily and geographically, in terms of the interactions between headquarters and subsidiaries as the new PMP comes into being. Paper IV identifies and describes three main components to headquarters’ involvement in developing and implementing new management innovations.

The first component is temporal coupling, consisting of scripting, a progression from fluidity to crystallisation and the interlacing of problem finding and joint solution development. Temporal coupling enables the fusing of the generation and implementation in time, whereby the new emerging practice was simultaneously created and used as it was developed, and thus progressed from a proposal to a fully-fledged practice. The second component is the headquarters involvement that occurs through subtle controlling and persuasion to convince its subsidiaries of the PMP’s benefits. It sets an organisational context in which the headquarters achieved its ambitions to implement a management innovation across its subsidiaries while ensuring their active and fruitful participation throughout the process.

The third component is interactions mediated by boundary spanning activities. The fusing across geographies, and thus the creation of new knowledge that builds on the diverse perspectives of the headquarters and its subsidiaries, is attained through complementary boundary spanning activities, namely the use of boundary objects, knowledge transformation and headquarters managers’
participating in local practices. Together, these components fuse the moments of generation and implementation, both temporarily and geographically, in the interactions between the headquarters and its subsidiaries as the new management innovation comes into being.

6.1.1 Towards a collaborative approach to headquarters’ involvement in managing subsidiaries

This thesis contributes to literature on headquarters’ involvement in managing subsidiaries by suggesting a collaborative approach. Such approach offers new insight into the classical distinction between the administrative and the entrepreneurial role (Egelhoff, 2010), by merging the two roles. This thesis suggests that through its subtle involvement, headquarters can initiate innovative ways of administrating, and inject somewhat structured inputs in subsidiaries’ innovative ventures. As demonstrated in the PMP case, the headquarters at ConstructionInc needed to find a response to the issue of eliciting active participation from subsidiaries, some of which were resistant to the intention of designing and rolling out of the new PMP. In addition, multiple, sometimes conflicting, perspectives between the headquarters and its subsidiaries and between subsidiaries required alignment.

This thesis demonstrates that headquarters’ attention can be translated into a particular kind of headquarters’ involvement by subtle controlling and persuasion to convince of benefits to elicit the active participation of subsidiaries in coordination, control and innovation activities. This addresses the motivation issue and avoids the danger of subsidiaries feeling degraded to the status of being a mere implementer (Kostova, 1999), making it less likely that they reject the adoption of a new coordination, control and innovation activity due to the ‘not invented here’ syndrome (Katz & Allen, 1982). In addition, the act of headquarters’ scripting can be used to loosely contour headquarters’ coordination, control and innovation activities, while leaving sufficient openness for spontaneous new knowledge creation and exploration. Cycles of dispersed problem finding and joint solution development by headquarters and subsidiaries can offer the possibility to learn about country-specific issues as well as headquarters’ concerns relating to the new activity from local implementation. This may also enable a joint solution development whereby new knowledge is created to progress the gestating activity.
A collaborative approach also offers insight into the suitability issue where there is an incompatibility between new headquarters governance activities and subsidiary contexts that may lead to difficulties in leveraging them across the MNC (Jensen & Szulanski, 2004; Tippmann et al., 2012). Including various perspectives and knowledge from across the subsidiaries and headquarters from the outset allows the headquarters to develop coordination, control and innovation activities that are sensitive to the critical demands of various local contexts. This thesis shows that this can be achieved through an interlacing of dispersed problem finding and joint solution development as the various subsidiary concerns arising from the early and continuous implementation of the gestating practice could be addressed on an ongoing basis. Reducing the motivational and suitability issues is also facilitated by a focus in the interaction between headquarters and subsidiaries on boundary objects. By cross-fertilising and integrating different knowledge and perspectives, the headquarters and subsidiaries foster a fertile ground for the generation of new forms of hybrid knowledge. Combining headquarters’ and subsidiaries’ stocks of knowledge helps transcend spatial, cultural, institutional and political boundaries between headquarters and subsidiaries.

Awareness of the effects of the headquarters’ roles and activities in coordination, control, and innovation may help managers at the headquarters to improve their approach to managing subsidiaries. As discussed in this thesis, the headquarters is able to add value to the MNC if it manages the delicate act of controlling and coordinating subsidiary units to ensure that their activities are aligned with the overall MNC strategy and, at the same time, preserve subsidiary autonomy to avoid disrupting their capacity for continued knowledge creation and innovative activities (e.g., Ciabuschi et al., 2011, 2012a). In this respect, a collaborative approach to the headquarters’ involvement in coordination, control and innovation activities provides some practical implications. For the headquarters, this may mean altering their approach to intervention. For instance, in developing coordination capabilities as well as innovating new management practices, it is important to be present at local sites in order to engage in subsidiary work and to nourish the critical feedback loop through which new knowledge is created. Through immersion in local contexts, the headquarters is likely to develop knowing in practice (Orlikowski, 2002), which may lead to new insights on how to accommodate to subsidiaries’ context-specificities.
A collaborative approach to the headquarters’ involvement also requires different engagement activities from subsidiary managers. It is important that they fully embrace the opportunities for voicing their feedback and insights so that the iterative moments of creation are influenced by their knowledge and they are willing to make trade-offs as new practices, processes, and techniques gestate. Also important is that they regard the headquarters’ managers as facilitators as well as collaborative partners.

Furthermore, this study suggests headquarters should use spreadsheets, cost components, and benchmarking reports in the interaction between the headquarters and its subsidiaries where individuals tend to hold different backgrounds, competences, and interests. These boundary objects can facilitate the interaction between them by creating a common ground, on which their existing knowledge and perspectives are negotiated, translated and transformed. Here, a new form of knowledge is created, encompassing the diverse expertise and interests.

This thesis also sheds light on technology affordances and their effect on the headquarters’ involvement in managing its subsidiaries. For instance, when the headquarters seeks greater monitoring and accountability of its subsidiary units, it should consider technology features that afford visibility. Features affording persistence may improve the subsidiary units’ consistency, quality, and transparency. Furthermore, features affording association may improve the delineation of roles and responsibilities as well as accountability. Finally, features affording simulation may lead to strategic flexibility by anticipating risks and opportunities. Brought together, these affordances may open up new and more effective ways of controlling MNCs’ widespread network of subsidiaries in advance and at a distance.

6.2 Limitations and suggestions for future studies

As for all methodological choices, single case study research has limitations in terms of its restricted potential to generalise to other cases and the limited potential to search for commonalities between multiple cases (Yin, 1994). The results from this study reflect one single firm and the case presents special conditions that are unique to that particular case, both of which may have an impact on the relationship between that particular headquarters and its subsidiaries. As an alternative to a single case study design, I could have used
a multiple case study. However, I argue that a multiple case study approach would have limited my ability to find deeper, less obvious patterns. A single case study allowed me to explore the headquarters’ involvement in depth, thus generating profound theoretical insights that would be difficult to achieve with multiple case studies (Piekkari et al., 2009). Although this case only characterises ConstructionInc’s specific situation, challenging integration and innovation trade-offs like this one are certainly common for other MNCs too. Thus, a longitudinal single case study can generate significant theoretical insights into a headquarters’ involvement in managing its subsidiaries that can be of value for further generalisations.

In addition, I studied a firm in the construction industry, which is associated with strong pressures for national responsiveness. Further studies may explore the extent to which the findings can be transferred to firms in other industries, for example, to industries where there are stronger pressures for global integration and perhaps a lesser need for sensitivity to different local contextual requirements. In addition, my study focuses on a setting in which most subsidiaries are wholly owned, which allowed me to hold ownership constant. Other patterns are likely to emerge in different firm settings as the degree of influence and hierarchical control that the headquarters has over its subsidiaries may vary and influence what constitutes the most appropriate headquarters’ involvement.

The themes explored in this thesis can act as a starting point for setting out new research directions that have so far been unexplored or only partially understood. A collaborative approach to the headquarters’ involvement in managing subsidiaries opens up for new research directions. For example, a fruitful extension of this research could, therefore, be to continue to explore coordination capabilities in the MNC. For instance, at what phases in the coordination cycle are specific capabilities most effective?

Another area of investigation into a headquarters’ involvement in managing its subsidiaries could be to further examine the role of technology in managing subsidiaries and the potential effects technology may have on the control itself. Scholars are also encouraged to study boundary objects and how a mutual focused discourse on these objects overcomes typical boundaries related to the headquarters’ involvement in managing its subsidiaries. As my study was concerned with the generation of a management innovation in the MNC among a group of managers from the headquarters and its subsidiaries, it may be the case that the mechanisms identified will be different if the unit
of analysis was individual or organisational, or the innovation took place within only the headquarters or only the subsidiaries. Future research can meaningfully extend my arguments to these scenarios. Another fruitful avenue would be to explore what boundary spanning activities the boundary object mechanisms enable.

Finally, there is considerable potential in further pursuing investigations into a collaborative approach to the development and implementation of new management practices. My case firm was urged to innovate by introducing a new PMP, and it would be interesting to explore to what extent the findings in Paper IV apply to other types of corporate practices, processes, and techniques. Moreover, my case study of a new PMP is an example of an incremental innovation. Therefore, future research could examine an improvisational approach for radical innovations, including technological product and service innovations. More generally, I believe that the improvisational approach to innovation proposed in Paper IV can inspire further research pertaining to all kinds of knowledge creation, creativity and innovation activities within the MNC.
SVENSK SAMMANFATTNING

Inom forskningen av multinationella företag har ämnet för huvudkontorets roll och funktion fått en allt mer framträdande roll. Studier visar att huvudkontoret, som den centrala enheten, har potential att addera värde till det multinationella företaget genom att besitta och utföra en administrativ och en entreprenöriell roll. Medan den administrativa rollen är relaterad till koordinerings- och kontrollaktiviteter så är entreprenörsrollen relaterad till att utveckla och implementera nya innovationer, såsom management innovationer.

Den nuvarande forskningen har bidragit med värdefulla insikter gällande huvudkontorets administrativa och entreprenöriella roll och potentialen att skapa värde till det multinationella företaget. Mer forskning behövs således om hur huvudkontoret kan involvera sig och på lämpligt sätt integrera dotterbolagen för att säkerställa att deras verksamhet överensstämmer med övergripande mål och strategier i bolaget utan att det påverkar dotterbolagens självständighet och förmåga till kunskapsskapande samt också utan att ådra sig motstånd mot huvudkontorets koordinerings-, kontroll och innovationsaktiviteter.

Syftet med denna avhandling är att öka vår förståelse för huvudkontorets involvering i styrningen av dotterbolag. Inom den administrativa rollen undersöker jag koordinerings- och kontrollaktiviteter och inom entreprenörsrollen undersöker jag utveckling och implementering av management innovationer och faciliterande faktorer i innovationsprocessen.

Avhandlingen baseras på en longitudinell case study av ett europeisk multinationellt bolag inom byggbranschen och huvudkontorets initiativ att utveckla och implementera en ny performance management praktik bland dotterbolag. Fältstudien är baserad på data från observationer, intervjuer och sekundärt material. Denna avhandling är baserad på en fältstudie och rapporteras i fyra artiklar, vilka utforskar huvudkontorets involvering i koordinerings-, kontroll och innovationsaktiviteter.
Denna avhandling bidrar till forskningen om huvudkontorets involvering i styrning av dotterbolag genom att föreslå ett alternativ approach som betonar samarbete mellan huvudkontor och dotterbolag. En samarbetsbaserad approach bygger på dotterbolagens aktiva deltagande och kunskapsbidrag. Studiens resultat indikerar att en samarbetsbaserad approach kan bidraga till att reducera motstånd hos dotterbolag, bättre anpassade praktiker till lokala sammanhang, och därmed ett ökat värde till det multinationella bolaget generellt. Att kombinera huvudkontorens och dotterbolagens olika kunskaper och perspektiv hjälper till att överskrida de geografiska, kulturella, institutionella och politiska gränserna mellan huvudkontor och dotterbolag.

*Nyckelord: multinationella företag, huvudkontorets involvering, koordinering, kontroll, innovation, samarbete.*


Finnegan, P. & Longaigh, S. 2002. Examining the effects of information technology on control and coordination relationships: an exploratory


## Appendix A

### List of informants

<table>
<thead>
<tr>
<th>Date</th>
<th>Type &amp; Length</th>
<th>Professional title</th>
<th>Interview location</th>
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<td>Pilot study</td>
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## Appendix B

### Overview of observation sessions

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