GOING AGAINST THE GRAIN:
The Impact of Mandate Loss on Subsidiary Evolutionary Trajectories

ABSTRACT
We examine the event of subsidiary R&D mandate loss and processes that determine a subsidiary’s subsequent evolutionary trajectory. R&D mandates reflect a value adding activity, and the loss of such mandates corresponds to responsibilities being reassigned from a fully-fledged subsidiary. In order to explore what happens to subsidiaries that lose their mandates we make use of exploratory cases that centers on the interplay between the drivers of mandate loss and subsidiaries response post mandate loss. We observe that subsidiaries regularly survive and prosper post mandate loss, unpacking these counterfactuals is the core of the present paper. This allows us to elucidate how a subsidiary can exhibit a positive evolutionary trajectory post mandate loss. We make two distinct contributions. Firstly, we find that the informal dimensions of the mandates interact with the formal in a manner that facilitates influence over the resource and relationship portfolios that a subsidiary manages and develops. Secondly we find that the deployment of a subsidiary’s combining capabilities and slack resources are vestigial post mandate loss and that they are complimentary to the freed-up resources post loss, allowing positive trajectories.

Keywords: R&D Mandating, External Embeddedness, Capabilities, Evolution, Slack Resources
INTRODUCTION

In this paper we examine the event of R&D mandate loss and its impact on subsidiary evolutionary trajectories. Our analysis explores combinative capabilities of subsidiaries and their resource endowments as drivers placing subsidiaries on different evolutionary trajectories post mandate loss. Subsidiaries of multinational corporations (MNEs) are highly dispersed throughout the MNE network and are assigned a narrow set of value chain activities under mandated roles (Bartlett & Ghoshal, 1986, 1989; Rugman and Verbeke, 2011). Many MNEs now function as differentiated networks rather than as hierarchically run organizations with subsidiaries that all play similar roles (Nohria & Ghoshal, 1994; Rugman & Verbeke, 2003). It has therefore been argued that MNE subsidiaries face external environments with unique challenges, and by commanding an idiosyncratic set of competences MNE subsidiaries should be managed in a differentiated fashion. Specifically, subsidiary charters should be allocated differently across the organizations differentiated network and this has implications for how resources are allocated to subsidiaries (Bartlett & Ghoshal, 1986, 1989).

It was observed by Birkinshaw (1996) that mandates are the components of a charter that are made up of activities and roles and are dynamic phenomena that change over time and they can be either won or lost. In addition, a number of researchers (Birkinshaw, 1997, 2000; Cantwell & Mudambi, 2005; Paterson & Brock, 2002; Rugman & Verbeke, 2001; Taggart, 1997, 1998) have evidenced that subsidiaries develop mandate specific capabilities across its charter and have considerable latitude to pursue its own initiatives as they sees fit, thereby partly driving the subsidiary’s charter evolvement. Thus, subsidiaries have the ability to create capabilities and evolve under their value chain role encompassed within their charter (Birkinshaw, 1997; Birkinshaw & Hood, 1998).

For instance, subsidiaries are often assigned competence creating or competence exploiting mandates that are of importance for creating and sustaining the MNEs competitive advantage (Cantwell & Mudambi, 2005). Mandating is thus an important activity within the MNE, and even if a mandate is rescinded from a subsidiary this does not imply that the subsidiary is closed down. However, it affects the capabilities and the resources associated with the last mandate and the subsidiary’s scale and scope of its charter. Still, a subsidiary that does not retain a mandate is assumed to carry on operations and contribute to the MNEs

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1 Birkinshaw and Hood (1998) define charter in terms of markets served, products manufactured, technologies held, functional areas covered, or any combination thereof. The charter is typically a shared understanding between the subsidiary and headquarters regarding the subsidiary's scope of responsibilities. The subsidiaries' charter is made up of the bundle of mandates it has responsibility for which are generally specific to a product and function within the subsidiary’s scope of operations.
operations and competitiveness. However, little is known about the lives of subsidiaries post mandate loss and what could make them evolve despite a mandate being rescinded. Consequently, a study exploring the implications and outcomes of mandate loss in connection to a subsidiary’s charter and its evolution seems warranted. Empirically, we focus on R&D mandates as they reflect a value adding activity, and the loss of such mandates corresponds to responsibilities being reassigned from a fully-fledged subsidiary. This setting is opportune for investigating subsidiary evolution and the multiple resource profiles and capabilities that are attached to the mandated value chain roles.

Great strides have been made in overcoming the once high level of disagreement in the literature over the forms and the definition of exactly what constitutes a mandate (e.g., Rugman & Douglas, 1986; Birkinshaw, 1996; Cantwell & Mudambi, 2005; Mudambi, 2011), and in connection to mandates it has been noted that charters can atrophy (Birkinshaw, 1996; Birkinshaw & Hood, 1998). Reasons behind this are broadly twofold: corporate parent divestment and subsidiary neglect (Birkinshaw & Hood, 1998). The rationale for the shutdown, spinoff, or wind-down of charters and mandates may go well beyond simple rationalization considerations or internal competition (see Benito & Welch, 1997). The related reasons may range ‘from poor performance, to adverse governmental action and inability to fulfil the expected benefits of diversification moves, acquisitions, and cooperative ventures’ (Benito & Welch, 1997). The key point to be remembered here is that units ‘do not readily entertain withdrawal’ (Benito & Welch, 1997).

While the studies by Birkinshaw (cf. 1996; 1997; 2001) shed light on mandate gain and loss with respect to a subsidiary’s charter, subsequent research about corporate drivers for divestment (see Benito, 2005; Benito et al., 2003) finds that external environmental factors drive mandate loss propensity. Furthermore, internal politicking and competition drives charter loss (see Birkinshaw & Ridderstrale, 1999; Dörrenbächer & Gammelgaard, 2010; Galunic & Eisenhardt, 1996). However, there is a dearth of research examining the implications of mandate loss on subsidiaries role, charter evolution, and subsidiary responses to the loss ex-post (for review of ex-ante proactive defensive behavior see Delany, 2000). Thus we ask the following research question: how do the loss of a mandate impact the subsidiary’s role within the MNE, and what influence subsidiary evolutionary trajectories post mandate loss?

While there is no shortage of literature on issues of subsidiary strategy, structure, and mandate loss, the body of empirical evidence is less impressive. Theorizing about and empirical studies on the life and evolution of subsidiaries post mandate loss are in particular
shortage. This warrants an exploratory research approach. We approach our research question through an inductive study of the process of charter evolution of four fully fledged subsidiaries of two large Swedish MNEs over a 142-year period. Scholars have observed that within the network model of the MNE (Ghoshal & Bartlett 1991; Nohria & Ghoshal 1994; Rugman & Verbeke 2003) a subsidiary’s charter is the formal representation of its activities, responsibilities and roles within the MNE value chain and that it may evolve to be fully fledged and oftentimes possess potential and considerable latitude to formulate a strategy and make autonomous decisions (c.f., Ambos et al., 2010; Birkinshaw, 1997; Birkinshaw, 2000; Cantwell & Mudambi 2005; Rugman & Verbeke 2001).

Our depiction of the multiplicity of a subsidiary’s charter and its evolutionary process, by contrast, describes how subsidiaries identify the opportunity to reconcile capabilities and resource profiles in their operating unit as a means to offset charter depletion. In such settings, subsidiaries are increasingly torn between continuing with a depleted mandated role on a discretionary basis to maximize their unit’s contribution to the firm, to absorb the slack into the reaming charter, or mobilize the freed up capabilities and slack resources for obtaining a substitute mandate. Our examination of mandate loss and its affects on a subsidiary’s mandate portfolio change in the case of subsidiaries that are responsible for multiple mandate portfolios allows us to make the following contributions to the subsidiary mandate literature. First, we explore how inter and intra-MNE network dynamics affect subsidiary mandate development when subsidiaries mutually operate multiple mandates (Birkinshaw, 1996; Luo, 2005, Rugman and Verbeke, 2011; Kappen, 2011). Specifically, we contribute to the dialogue on the appropriation, influence and development of resources needed to carry out the mandate roles. Previous studies have focused on the evolutionary path of subsidiary roles from a replica or implementer to a strategic leader or world mandate (White & Poynter, 1984; Ghoshal & Bartlett 1989; Jarillo & Martinez, 1990; Taggart, 1997).

However, research has found that subsidiaries tend to operate a variety of responsibilities, rather than a single responsibility (White & Poynter, 1984; Birkinshaw, 1996; Rugman and Verbeke, 2011). Therefore, our research empirically compliments the studies of the impact of mandate loss on inter and intra-MNE network dynamics in multiple mandate operations. By investigating the processes of influence over managing the bundle of mandates and the resource structuring ex-ante, we attempt to elucidate practical implications for subsidiaries on how to control their current mandate portfolio in order to survive and prosper.

Furthermore, we extend the mandate development literature in two ways, firstly instead of explicitly emphasizing parent-driven or subsidiary-driven explanations of mandate
development, we take a heterarchy approach to the development of subsidiary mandate portfolios. We pay attention to the phenomenon of inter and intra organizational influence (Galunic & Eisenhardt, 1996; Luo, 2005; Garcia-Pont, et al, 2009), in response to the growing importance of subsidiary roles in mandate development. In particular, we examine the effect of subsidiary network dynamics on its influence over its mandates (Birkinshaw, 1996; Birkinshaw & Lingblad, 2005). Secondly and more novel, we provide empirical evidence that subsidiaries deviate from formal authority over mandates by utilizing its informal influence to structure resources and create slack in human and capital resources which is re-combinable after a mandate loss, if the subsidiary is operating a variety of responsibilities.

The paper proceeds as follows. We provide an overview of the literatures on subsidiary roles and the evolution of subsidiary charters, and follow this with a process model of the subsidiary role and charter evolution. Our methods are explained and we describe our empirical setting, and latterly we lay out the key findings. Then we move into the theory development part of the paper, first formalizing our insights into the capability and resource recombination and redeployment processes post loss in the subsidiary’s charter then moving to a more general set of arguments about how charter sustainability processes transpire in MNEs.

**SUBSIDIARY MANDATE BUNDLES AND EVOLUTION**

Several facilitators of internationalization such as advanced information and communications technology and supply chain management allow for: (a) straightforward MNE access to – and bundling of internal resources with – the distinct location advantages of a larger number of host countries, and (b) improved internal coordination among specialized subsidiaries (Rugman & Verbeke, 2011). Hence, MNEs can now more easily fine-slice value chain activities, optimize the location of specific narrow activity sets and coordinate these across borders, and de-internalize business functions considered less critical or where bundling is more difficult (Dicken, 2007; Kedia & Mukherjee, 2009; McLaren, 2000; Mudambi, 2008). Many subsidiaries therefore specialize in narrow activity sets within the MNE’s value chain, where bundling of internal competences with external resources is feasible and effective, and subsidiaries may thus perform different roles in each value chain activity (Jensen & Pedersen, 2011). The landscape of fine-sliced value chains calls for a better understanding of the processes of bundling location advantages in host environments with subsidiary internal competences, and how this relates to the bundle of mandates that makes up a subsidiary’s charter.
A charter stems from the responsibilities attached to the mandates that units such as subsidiaries have, and how changes are made by subsidiaries in order to comply with highly dynamic environments (Galunic & Eisenhardt, 1996). It has been evidenced that within the MNE network subsidiaries compete for mandates with other subsidiaries and in small incidences they also compete for charters, as subsidiaries can have similar capability profiles but also strive for upgrading (Andersson et al., 2007; Birkinshaw, 1996; Birkinshaw & Ridderstrale, 1999; Galunic & Eisenhardt, 1996).

The subsidiary charter is made up of the bundle of mandates it has responsibility for which are generally specific to a product and function within the subsidiary’s scope of operations. Within the subsidiary evolution literature, the term charter is based on the elements of the business in which the subsidiary participates and for which it is recognized to have responsibility for within the MNE (Birkinshaw & Hood, 1998). There are three drivers of subsidiary evolution through charter extension or depletion; these are headquarters assignment and internal network contingencies, subsidiary choice or decision-making space, and local environmental determinants (Birkinshaw & Hood, 1998). The business activities that a subsidiary is engaged in are founded on the resources and capabilities that develop in a subsidiary. The resources that are bundled in a subsidiary can be defined as the stock of available factors owned or controlled by the subsidiary (Birkinshaw & Hood, 1998). These are determining aspects of subsidiary evolution and the evolutionary trajectory of a charter is dependent on the resources and capabilities attached to mandates that make up the charter. The increase or loss of capabilities coupled with the establishment or loss of business responsibilities are the foundations of subsidiary evolution (Birkinshaw & Hood, 1998). Subsidiary evolution and development have been used interchangeably but are distinctive from one another as the later can relate to any contingency that can affect the growth or decline of subsidiary’s resources that do not necessarily affect capabilities.

**Mandate Resources and Capability Development**

Capabilities in general are understood as the ability of a firm to integrate, build, and reconfigure internal assets and competencies so that they are able to perform distinctive activities (Teece et al., 1997). Operational capabilities are understood as the capacities that enable ‘a firm to perform an activity on an on-going basis using more or less the same techniques on the same scale to support existing products and services for the same customer population’ (Helfat & Winter, 2011). Capabilities have been shown to enhance both renewal
(exploration) and modification (exploitation) of subsidiaries charters (Birkinshaw & Hood, 1998), and that they form the bedrock for the development of mandated activities and roles.

Operational capabilities are linked to how subsidiary mandates provided in the past and present influence the mandates that will be delivered upon in the future (Kaplan & Orlikowski, 2013; Løwendahl, Revang & Fosstenløkken, 2001). To leverage the learning accumulated from previous and current mandated activities subsidiaries need particular types of operational capabilities. The capability literature, however, identifies that it is difficult to distinguish between operational and dynamic capabilities as change always is occurring to some extent (Helfat & Winter, 2011). Thus, we draw on Kogut and Zander's (1996) combining capability in our study which is at once an operational and dynamic capability. By focusing on the combining activities forming the resource bundling in each mandated role, the operational capabilities from the constellations of practices will be exposed. Further, by identifying the modification, renewal and changes amid charter extension, the dynamic aspect of the combining capability will be exposed. Resource bundling in relation to mandated roles entails managing resources.

Sirmon et al. (2007) have argued that resource management connects to the comprehensive process of structuring, bundling, and leveraging the firm’s resources with the purpose of creating value for customers and competitive advantages for the firm. Each of these three processes has three sub-processes. Structuring involves acquiring, accumulating, and divesting resources to form the firm’s resource portfolio. Bundling refers to integrating resources to form capabilities and involves stabilizing or making minor incremental improvements to existing capabilities, enriching which extends current capabilities, and pioneering which creates new capabilities. Leveraging concerns mobilizing, coordinating, and deploying resources. Each process and associated sub-processes are important and require synchronization for managing resources in a beneficial way that allows for evolution (Sirmon et al., 2007). It is important to distinguish between the processes of structuring, bundling, and leveraging from the actual resources being managed (Sirmon et al., 2008). Ray, Barney, and Muhanna (2004:24) suggest that processes are ‘actions that firms engage in to accomplish some business purpose or objective’. Thus, the processes of resource management refer to what Kraaijenbrink et al. (2010) call managerial capabilities.

Furthermore, building on the argument that subsidiary managers, through their network relationships, build and exert influence over the subsidiary’s resource profiles (Andersson and Yamin, 2011; Mudambi, 2011; Mudambi, Pedersen, Andersson, 2014) we also draw on Helfat et al’s (2007) related framework based on asset orchestration. The framework posits
that asset orchestration, being both raw and enriched resources, consists of two primary processes - search/selection and configuration/deployment. The search/selection process requires managers to identify assets that they can perceivably acquire, make investments concerned with them, and design organizational and governance structures for the firm as well as create business models. The configuration/deployment process requires the coordinating of co-specialized assets, providing a vision for those assets, and nurturing innovation. As with the resource management framework, fit among these processes is argued to be important for realizing the potential of the firm’s resources to facilitate creation of competitive advantages.

*Formal And Informal Mandate Scope and Its Importance For Subsidiary Evolution*

According to Ghoshal and Bartlett (1990), the MNE can be viewed as an interorganizational network in which the relationships between the operating units form a multinational network. They argue that the nature of control relations between MNE units "can be explained by selected attributes of the external and internal network in which it is embedded" (p. 604).

Early research took a clear corporate headquarters perspective and stressed organizational structure and formal control mechanisms for organizing and coordinating MNEs’ foreign subsidiaries resources (Martinez & Jarillo, 1989). The basic premise of these arguments is born out of resource dependency, were influence accrues from the control of specific resources that are critical for coping with the demands of the external environment (Pfeffer and Salancik, 1978). In this context, Pfeffer (1981) defined organizational success as the maximization of influence over other interconnected organizations, based on the exchange of resources. Organizations that lack critical resources will seek relationships with other organizations in order to obtain needed resources. While Pfeffer and Salancik (1978) initially framed resource dependency theory as an explanation of the relationships between independent organizations, the theory is also applicable to relationships among units within organizations like the MNE (Andersson and Forsgren, 1996; Mudambi and Pedersen, 2007; Mudambi, Pedersen and Andersson 2014).

The influence that arises from being the focal interface in the host environment provide foreign subsidiaries with specific local knowledge, which in turn creates bargaining power (Andersson, Forsgren and Holm, 2002; Andersson, Forsgren and Holm, 2007; Mudambi, Pedersen and Andersson 2014) when negotiating with headquarters and competing with counterpart subsidiaries. Bouquet and Birkinshaw (2008) also supported this notion in an effort to integrate the literature on power and influence in MNEs and argued that
organizational subunits within MNE networks share interdependencies that cannot be explained with hierarchical relationships alone. These arguments are only the tip of the iceberg in regards empirical validation (Mudambi and Pedersen, 2007). The resource dependency perspective has been used for explaining how the dynamics between internal and external organizational dependencies can create influence (Mudambi, 2011; Mudambi, Pedersen and Andersson, 2014) and conflicting interests between headquarters and foreign subsidiaries (Andersson, Forsgren and Holm, 2007; Schotter and Beamish, 2011). The general belief is that while subsidiaries evolve, the relationships between MNE headquarters and subsidiaries change in such a way that hierarchical dependencies become undermined by increased multi-directional inter-dependencies. This is due to growing subsidiary influence over stocks of strategic resources that are predominantly related to their increasing connectedness within the host country environments (Andersson, Forsgren and Holm, 2002; Andersson, Forsgren and Holm, 2007; Mudambi, Pedersen and Andersson 2014; Cantwell, Hannigan, Mudambi and Song, 2016). Focus on HQ-driven design and control systems in the early 1980s shifted in the broader field from hierarchical conceptualizations of the MNE toward an increasing recognition of the important role of local/regional subsidiaries and their developing linkages in the global MNE network.

The importance of network embeddedness has also been noted in research in business-to-business marketing, in which tools for empirical studies of exchange relationships between firms have been developed (Ford, 1990; Håkansson, 1982; Turnbull and Valla, 1986). A growing body of such research shows that firms in business markets establish, develop, and maintain close, working relationships with important market counterparts (Anderson and Narus, 1984, 1990; Hallen, Johanson, and Seyed-Mohamed, 1991). In line with this research, a number of studies have also demonstrated how subsidiaries are engaged in networks of business, technological and administrative relationships which generate influence for the focal subsidiary (Andersson and Forsgren, 1996; Andersson, Forsgren and Holm, 2002, 2007; Andersson and Yamin, 2011; Garcia-Pont et al, 2011). These networks, which are invisible to those who are not engaged in them, provide the subsidiary with both opportunities and constraints in its ability to influence resources and strategies of the firm.

In the preceding section we have introduced the notion that over the growth period towards being fully fledged a subsidiary will experience the benefits of the relaxation of hierarchy and
an increase in heterarchy (Bartlett and Ghoshal, 1988; Hedlund, 1986; Nohria and Ghoshal, 1994; 1997). This movement towards heterarchy has shifted emphasis toward viewing the subsidiary as active contributors to overall MNE strategy development (Birkinshaw et al., 1998). Researchers argue that subsidiary managers need to be involved in addressing issues that affect the entire MNE and at the same time be allowed to act as active entrepreneurs for their respective subsidiaries (Birkinshaw, 1997). Here, in the preceding chapters, we squarely lay the ability of a subsidiary to balance and manipulate this duality through its internal and external network relationships it builds and can leverage off (Andersson and Forsgren, 1996; Galunic & Eisenhardt, 1996 Andersson, Forsgren and Holm, 2002; Luo, 2005; Garcia-Pont, et al, 2009; Andersson and Yamin, 2011; Mudambi; Pedersen and Andersson, 2014).

Furthermore, there has been increasing calls for research that examines the roles of individuals in the context of power, politics, and conflict between MNE headquarters and foreign subsidiaries (see Andersson, Forsgren and Holm, 2007; Dörrenbächer and Geppert, 2011; Schotter and Beamish, 2011). In the preceding synthesis we make the case that research has typically investigated conflict situations under the assumption that subsidiary managers are inherently opportunistic following self-centered interests by gaining power and autonomy for career reasons or other selfish ambitions (Taplin, 2006). We highlight that it is only recently, that researchers have begun to investigate issues related to managerial role duality (Vora et al., 2007) and isomorphic pressures in the context of the MNEs. Bouquet and Birkinshaw (2008) hypothesize about how subsidiary managers can successfully influence their own destiny’s through micro-political bargaining. The micro-political perspective is specifically concerned with individual managers and their subjective interests in strategizing, organizing, and interactions between managers across functional and national divisions. However, in the synthesis of the theory in the preceding chapters we highlight that there exists significant scope for investigating the power and influence, predicated on intra and inter organizational network relationships, that allows the management of the subsidiaries mandate resource profile and its evolution in the changing intra-corporate network.

**METHODOLOGY**

**Research Setting and Sampling**

Given the explorative nature of our research questions we adopted a theory-building approach whereby the emergent theory is grounded in the data (Glaser & Strauss, 1967; Yin, 2003). The research design entails in-depth case studies (Lervik, 2011; Siggelkow, 2007), using an embedded research design to collect data on different data point within the cases. This
research is the result of a broader 36-month study of the charter evolution process in four subsidiaries with data collected from two organizations: Alfa Company and Beta Company which are two MNEs with their corporate headquarters located in a Northern European country. Alfa and Beta develop and produce both high- and low-tech products and provides services related to these. Customers include large private businesses, scientific and academic institutions, and the government sector.

The divisions of each of the companies are distinguished according to product, market (i.e., nature of end-user), and technological dimensions. In choosing an industry setting for our empirical work, we were guided by prior studies that argued that the industrial equipment industry is a particularly suitable setting for studying managerial processes (e.g., Adler et al., 1999; Bartlett & Ghoshal 1986, 1989; Zimmermann, Raisch & Birkinshaw, 2015). The sampling was guided by the following criteria: subsidiaries (1) had become fully fledged through the incremental gain of mandates to their charter, (2) had experienced changes or mandate losses (typically within three years), (3) were currently undergoing either continued growth to their charter or undergoing a closure. Four subsidiaries were identified in this way (see Table 1). The unit of analysis concerns the charter change experienced by a subsidiary and associates to the loss of a mandate. We focus on the loss of R&D mandates as they reflect value adding activities and the subsidiary being fully fledged. A subsidiary’s charter typically included the responsibility over one or more related businesses.

***Insert Table 1 about here***

**Data Collection**
We negotiated access to the aforementioned subsidiaries of Alfa and Beta with senior management, and promised confidentiality in order to facilitate openness during data collection and enhance the possibility of extensive access (Miller, Cardinal & Glick, 1997). Data collection comprised four phases: (1) study of secondary sources, (2) interviews with senior-level divisional headquarters informants, (3) interviews with subsidiary managers (general and R&D managers), and (4) review of archival materials.

First, we focused on secondary data about each organization (i.e., at a general MNE as well as at headquarters and subsidiary levels). This data emanates from annual reports, press releases, the organizations’ websites and other commentaries - all of which helped us develop

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2 The company names are anonymized by request of the subsidiary managers.
an understanding of the MNE organizational structure, the focal subsidiaries and their strategies as well as what subsidiary charters and mandates existed. Second, we conducted 12 semi-structured interviews with both corporate and divisional headquarters managers lasting approximately between 80 to 120 minutes each. This yielded data about the R&D mandating practice within the MNEs in relation to their subsidiaries. We also received suggestions from these managers for contacting initial key respondents within the subsidiaries. These respondents suggested other people to talk to, and we kept interviewing until perceived saturation. We picked respondents within the subsidiary with different functional responsibilities representing a variety of viewpoints. This process is acknowledged to limit biases from retrospective sense-making and impression management as it is more unlikely that a varied sample of informants represents similar biases (Eisenhardt & Graebner, 2007).

Third (as our main data collection technique), we interviewed three senior-level managers (including general managers; R&D managers and marketing managers) at each of the four corresponding subsidiaries to further explore subsidiary charters and mandates, how the subsidiary appropriated resources from its external network, and the support structures as well as bundling routines that were in place for the subsidiary to develop capabilities related to mandates. Where feasible we interviewed multiple informants on multiple occasions from each subsidiary to guard against possible individual response bias (Miller et al., 1997).

In total, this accounts for 36 interviews (12 with corporate and divisional headquarter managers, and with 24 subsidiary managers). All interviews were conducted face-to-face on-site at the divisional headquarters of the respective MNEs and were conducted when the managers from the different subsidiaries were visiting divisional headquarters. While the managers were present we had the opportunity to spend days with the managers from the respective subsidiaries. This allowed us to interact informally with them - for example during lunches and site tours - but also with people who were not formally interviewed for this study. These informal interactions and the managers’ extended visits enabled us to gauge the general atmosphere and social report between subsidiary managers and headquarter managers, serving as useful background information to the data collected. All interviews were conducted in English. Notes were taken during interviews and were recorded for accuracy and transparency, transcribed verbatim, and coded. In total, the interviews encompass about 1300 pages of double-spaced text. To triangulate the interview data we reviewed the available archival material, including selected internal reports, communications, strategy documents, and intranet information, which yielded rich contextual data on the subsidiaries.
Data Analysis

We started the analysis by writing out detailed case narratives using temporal bracketing to make sense of the episodes and to reconstruct the history of the subsidiaries’ role evolution after gaining their first R&D mandate (the development of capabilities and their mandate portfolios characteristics) to the period after loss of the R&D mandate. Our elucidation of these narratives proceeded in three main steps: (1) analysis of subsidiary mandate profiles, (2) tracing resource appropriation and bundling from the internal and external sources, and (3) analysis of outcomes and implications for the subsidiary related to R&D mandate loss. In applying temporal bracketing we captured three process episodes; the period before and after R&D mandate gain where the capacity to manage mandates and develop capabilities has been shown internally is narrated in an episode we call *Mandate Management Capacity.*

The period between the R&D mandate gain and the loss is the period where the subsidiary structures resources and combines operational capabilities developing mandate capabilities is narrated in a process episode we call *Mandate Capability Development.* The process post mandate loss is characterized by availability of slack resources and routines that can be recombined and is narrated in a process episode we call *Resource Recombination Process.* In these narratives we made extensive use of citations from both the primary and secondary sources in order to stay as close to the original data as possible. Further, while reliability is debated in qualitative research (Armstrong, Gosling, Weinman & Marteau, 1997), we used narratives to increase the rigor of our qualitative analysis. The narratives were subsequently sent to interviewees for additional feedback. We used these narratives to compare and contrast mandate portfolios and operational capabilities, the characteristics of the drivers underlying the loss, and the mechanisms allowing the subsidiaries to respond.

Drawing on existing literature on subsidiary evolution (Birkinshaw, 1996; Birkinshaw & Hood, 1998) we focused particularly on understanding why and how subsidiaries evolve their charters, the logic behind the structure of their R&D networks and their resource bundles, and how their resource combination processes unfolded pre- and post-mandate loss. For example, we searched for conditions that shed light on the mandates assigned and taken away from subsidiaries (Birkinshaw, 1996; Cantwell & Mudambi, 2005). We then looked for key themes using Nvivo to organize core and recurrent expressions, like continued experience with locals, learning and training, resource synergy’s, and freed up capital and space. We grouped raw data that contained key expressions into categories (Coffey & Atkinson, 1996) and labelled them *first-order themes* (Nag et al., 2007). In this process, we looked at the raw data and their categories, but later we consulted established concepts from the capabilities and
evolutionary literatures, like capability development (Teece et al., 1997), slack resources (Bourgeois, 1981), and charter and roles (Birkinshaw, 1996; Birkinshaw & Hood, 1998). Using this previous theory, as well as the nature of the integration process, we collapsed the first-order themes into second-order categories, which we subsequently combined into overarching concepts.

For instance, increased influence with internal and external counterparts is a category from the early phase that acts as signals of mandate management capacity. Hence, we defined mandate management capacity as the overarching concept. Similarly, in line with Teece et al. (1997) and Helfat et al. (2007) categories from the early phase for capability development can be portrayed as resource structuring or knowledge complexity. For the third overarching concept we term resource recombination as slack resource availability and capability recombination. By adopting this process we identified the categories and dimensions of analysis by continually re-reading the interview transcripts, juxtaposing them with existing theory similar in form to Dubois and Gadde’s systematic combining (2002). This contributes to the depth, openness, and detail that are benefits of a qualitative inquiry (Patton, 1990). The structure of the data is presented in Figure 1. During the final step of the analytical process we searched our data for signs of relationships between the categories which is in line with axial coding as described by Corley and Gioia (2004).

***Insert Figure 1 about here***

**FINDINGS**

**Processes of Charter Sustainability**

From the early information gathering we identified two second-order categories: influence on external environment and internal influence. On the one hand, if - over time - a subsidiary’s influence directed toward its external environment and it in turn develops a high level of internal influence, then the subsidiary would show mandate management capacity. On the other hand, if the subsidiary’s external influence is atrophied or its internal influence is considered by intra-firm affiliates as low, threat to the charter will be high. In all the subsidiaries of Alfa and Beta the frequency and nature of both internal and external linkages - particularly those that are of a higher-level of technological knowledge - were over time shown to intensify in influence on the subsidiaries and their ability to exert influence.
Mandate Management Process

In 2005 Beta India developed a training program with a local university in Bangalore and software diagnostics project with a sister subsidiary in the U.S. to design new techniques for testing hardware with embedded software. This new technique proved to be substantially cheaper and had quicker feedback times and was subsequently adopted by the MNE and diffused to other subsidiaries within the MNE. In the case of Beta India they experienced increased influence both within the MNE and towards local partners. The mandate management process was typically characterized by the subsidiary developing external and internal influence as the subsidiary management developed efficiencies and skills based on their existing mandate portfolio and it benefited from increased influence and trust over its portfolio. In the case of all four subsidiaries of Alfa and Beta gradual information about external opportunities was presented to the subsidiaries headquarters as opportunities were realized with external counterparts and the subsidiaries influence increased or was on par with the external counterparts’. This was best highlighted by the general manager for Beta India:

“there has been periods of strong and slow growth for the company.... everyone is scared of closure during the slow periods.... for us maintaining a powerful position locally allowed stable and increased efficiency in our operations and the possibility to explore areas for growth...... when we communicate this to other units in the company I think it reinforces our reliability.”

Our interviews revealed that in the process of creating mandate management through horizontal and vertical activities subsidiaries performed two activities - relationship building and linking - which facilitated subsidiary internal operations and external opportunities. This involved building relationships externally and linking the derived know-how to subsidiary operations and clarifying the reporting of the subsidiaries operations and any external opportunity of value so the internal counterparts could understand the subsidiaries value and the value of the opportunity being communicated. The general manager for Alfa China gave a good example of these tandem processes:

“I came in just after we started operations, we were still young... but we understood that to create good relations in our market we had to understand the informal rules and regulations of doing our business.... when we were familiar with this we found it easier to scale operations.”
All subsidiaries from which we collected data were advanced in that their abilities in detaching specific knowledge from its external source that were both applicable to their portfolio’s but also communicable as opportunities; this was illustrated by the R&D manager for Beta US:

“I started my journey with Beta in Sweden and have been out here now for a few years, one thing I have noticed is the older more advanced the unit is, the more efficient they are in their ability to order and communicate their activities…. This works in our favor as we are considered reliable and a technology source for other units.”

Generating internal reliability and influence was largely focused on emphasis of visualizing/communicating operational delivery and innovative developments to both satisfy and catch the eye of the divisional management but also to balance or edge the influence that the subsidiaries had over sister subsidiaries. This was nicely put by the R&D manager Beta India:

“we were the center for diagnostics on all flagship products…. we were the link between testing and development here in India, Canada, the US and Sweden… the quality and speed of our delivery did not go unnoticed back in Sweden and Canada.”

While internal influence in the process of mandate management was typically characterized by the acquisition, accumulation, and sharing of subsidiary resources and competences and the visual transmission of novel information about technology, the external influence process was characterized by brand strength and relational dynamics. Relations to external counterparts in Alfa and Beta’s subsidiaries were predicated in their start-up phases by locking in to external partners due to headquarters corporate reputation. After lengthy periods, the relationship dynamics became important as in the case of Alfa and Beta’s subsidiaries their superior resource endowments and skills allowed them to leverage adaptions they had made to local buyers and suppliers. One such case is best exemplified by the R&D manager from Alfa India:

“since we started in India we have been one of two main suppliers to Rtech3.... In the course of our relationship with Rtech we have adapted large portions of our software process to their

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3 To preserve company anonymity, the customer name is anonymized.
requirements... so that in 2010 they approached us to take responsibility of this process.... we managed to negotiate that they bear the cost of all engineers on their side and use our tool which we still controlled.”

In this instance Alfa India offset the considerable cost of developing this R&D tool by releasing proprietorship to a buyer, and in the process gained new and unfamiliar ways of innovating the tool and maximizing influence over the buyer due to continued control over the R&D tool.

All four subsidiaries were heavily embedded in their respective local research contexts and due to their significant investments in collaborative projects with universities and research institutes they were all recipients of serendipitous influence. To elaborate, as the subsidiaries became increasingly interdependent with local research counterparts in projects ranging from embedded and process software development and engineering, the subsidiaries were for instance able to influence not just requirements and standards in student training and education but also accumulated increasing leverage over the R&D profiles of the research counterparts. For instance, by triangulating the interview data from each of the subsidiaries and their ongoing adoptions to local long-term cooperation agreements and changing educational packages, we could identify that subsidiary external influence increased favorably for the subsidiaries. This typically presented itself as complimentary innovative knowledge in familiar technological domains bred through familiarity and new technological knowledge through subsidiary commitment to reciprocal projects.

In sum, the subsidiary is exposed to environmental counterparts who can be seen as buyers, suppliers and competitors and the conditions of their relationships dynamics influence the subsidiary's external influence which is beneficial for its operations and innovation development. Further, the local market influence will be orientated toward both competence exploitation and development. As exampled above, both operational and innovative activities can be influenced in a number of dimensions that correspond to local market counterparts. Favorable influence over subsidiary operations and competence development can be viewed as a source of competitive advantage for both the subsidiary and the MNE (Andersson et al., 2002; Mudambi & Navarra, 2004). Thus, subsidiaries influencing advantages emanating from their external environment is of use to the MNE and subsidiaries located elsewhere in the internal network. Therefore, external relationships providing influence for operational and competence development are an enabling subsidiary resource that can enable influence over headquarters and sister subsidiaries. This dual influence stood out amongst the subsidiaries
from Alfa and Beta as underlying characteristics of the mandate management process and as an antecedent to the following two processes depicted below.

**Mandate Capability Development Process**
While the above process was under-written by the subsidiaries’ ability to generate influence over their mandates, and involved partners externally and internally, the mandate capability development process was as characterized by two themes: resource portfolio structuring and learning complexity. Resource portfolio structuring was initiated by subsidiary managerial action being focused on realizing competitive advantage from resources of the subsidiary. The subsidiaries of Alfa and Beta (at their different evolutionary stages) each had to identify, accumulate, and acquire resources and in the process gained legitimacy with stakeholders from which they generated resources. During each stage of the subsidiaries of Alfa and Beta’s charter evolution, resource structuring evolved through four episodes: startup, growth, fully-fledged, and depletion. In the startup stage resource-structuring behaviors were predominantly focused on the support of the subsidiaries business model. This involved activities such as capital acquisition as well as hiring and equipping employees with operational and marketing skillsets. Due to the size of the subsidiaries at the start-up stage, external partnerships with suppliers were established to counter the limited number of employees and enable the start-up to build scale. This was exemplified by the general manager from Beta U.S.:

> “when we opened here in the U.S. we were predominantly focused on the ramp-up and the resources we need to support this.... we needed local partnerships to acquire resources and remain flexible not over committing to much resources as they were in short supply and better opportunities might come up.”

In the start-up stage all subsidiaries concentrated on structuring their resource portfolio and this enabled subsequent resource bundling underpinning capability development on which the subsidiaries business model operated. This was best communicated by the general manager of Alfa India:

> “we had obvious concerns over adequate production and distribution capacity.... we experimented with resource allocation early on quit a lot to find the best operational mix.”
As the subsidiaries evolved, it transpired that subsidiary managers from both Alfa and Beta acquired and developed enhanced skills and formalized the structuring of procedures combined with the introduction of more developed managerial hierarchies necessary to effectively manage the resources of the subsidiaries. For example, during the growth stages of both Alfa China and Beta U.S., operational functions required supportive bundles of resources to enrich these functions. The subsidiary’s bundling actions focused on supporting novel operational capabilities and enabling the employee growth requirements such as adequate training and incentive packages. The general manager from Beta U.S. made the following observation:

“we threw a lot of money at bringing people into the units here and fine tuning our routines to a sufficient level of compatibility across the unit.... so of course we had to support this and try to retain these guys.”

Importantly, as a secondary process to the mandate management process, the capability development process in each of Alfa and Beta’s subsidiaries show evidence that as they grew they accumulated debt or external equity to sustain the process. Connections to internal and external stakeholders through network relationships became important because managers developed skills in accessing and building relationships with internal and external counterparts allowing the subsidiaries to mobilize and leverage its resource portfolio in support of developing efficiencies and innovations in their operations. Apropos subsidiaries that improperly manage their resources structuring and portfolio will be penalized in terms of mandate loss. Over time the subsidiaries of Alfa and Beta achieved greater clarity in their internal and external environments and were able to source experienced human capital to help refresh and improve their resource portfolios. In addition to acquiring fresh human capital the subsidiary managers from Alfa and Beta had to address the increasingly bureaucratic structure that they had developed to manage and sustain the resource profile. The R&D manager from Beta India stated that:

“I remember about three years after we got the software activities and that delivering on our operations was going well... we didn’t want to be complacent with our renewal effort...t so the unit’s managers decided to adjust some of our systems in the unit to initiate balance between efficiency and innovation.”
The resource bundling in Alfa and Beta’s subsidiaries allowed them to pursue efficiency in their existing operations with a commonality across the subsidiaries that they each required differing emphases in terms of resource structuring processes during their evolutionary trajectories. The resources that contributed to the development of their mandates required integration into subsidiaries’ operations, and the bundling of resources to create capabilities in the subsidiaries of Alfa and Beta often necessitated new bundling processes to stabilize subsidiary operations. The R&D manager at Alfa India made the point that:

“over the course of my time here we have found it useful to make small adjustments to our resources…. our employees and their knowledge is obviously our main resource... we require them to attend training twice a year to stay on top and develop their skills.”

The R&D manager from Alfa China made a complimentary comment:

“we use SAP and SCRUM along with other systems.... our internal systems are important for communication inside our company and with our local partners.... we update it on and ongoing basis.”

In Alfa and Beta’s subsidiaries the operational and R&D resources were continuously bundled to extend them as a means to both update and extend skills. The development of, for instance, software development capabilities were enriched by learning new coding skills and extending the repertoire of the subsidiaries current skills by constant internal training. Further, subsidiaries would add complementary resources from the resource portfolio to their current bundle to develop additional capabilities, again drawing on software development activities the subsidiaries were shown to acquire external knowledge that was complimentary to the capability. The R&D manager Beta India gave a good example of this:

“we were aware of our limitations in our mature skills and resources in R&D..... we had to developed and acquire new resources to enhance the development of skills and capabilities... in 06 we acquired a local software company to compliment and update our software skills.”

**Resource Recombination Process**

Slack resource availability and capability redeployment ability were identified as two second-order categories. If the subsidiaries prior to being depleted of mandates had developed influence and well-structured as well as flexible resource bundles directed toward its mandate
capabilities, then resources and capabilities become sticky to the subsidiary. The removal of a mandate creates slack in resources and routines that oftentimes are complimentary to existing slack and subsidiary operational capabilities. Specifically, the combining capabilities that underpinned the structuring and bundling of knowledge and skills were seen to be largely sticky to subsidiaries. These two categories of the resource recombination process were captured by the divisional VP of Alfa who had been the country manager for Alfa India prior to taking up his present position:

“I have travelled with Alfa.... in the last 20 years I have worked in Sweden, China and the US.... in my time travelling with the company I have consistently seen that unless you clear out operations from a unit completely and close it that unit will fight like crazy for its life..... if there is anything that they can leverage to survive or grow they will use it....

The VP of Alfa continued:

“I remember when I was in the US when our center lost the engine design and production activities to India.... it was depressing time but the MD John4 had okayed his engineers to develop the engine together with a group of local customers.... they had shared the burden of costs and engineers in these engine development projects.... after the activities were moved to India the projects continued as they needed to respond to the customer a lot of our innovations continued to come from there.”

We observed that each of Alfa and Beta’s subsidiaries utilized resources effectively and had learnt over time to structure them so their bundles had flexibility in that they could be adjusted or mobilized at short notice. This finding is largely in line with Stinchcombe, (1965) and Thompson (1967) argument that age is a moderator of the effectiveness with which firms deploy resources. Subsidiaries of Alfa and Beta created substantial resource endowments but in the case of all of the subsidiaries under observation scarcity of resources was an issue in their early stages of start-up which bred a form of frugalness amongst the senior managers. As such it was observed that in Alfa and Beta’s subsidiaries’ start-up and growth periods were the result of excess financial and human resources.

This was due largely in the start-up stage to the underestimation of the projected income as a means to “create a buffer in senior managements’ expectations” (as communicated by

4 Name made anonymous.
the financial director for Beta U.S.), and in the growth stage of learning how to conduct current operations more efficiently. This meant that there was excess capital in the start-up period of the subsidiaries, which was the case of Beta U.S. when it partly absorbed into a developmental software development project with a local university. With regards to the human resources during the growth stage of the subsidiaries of Alfa and Beta fewer skilled employees were used but the employee number remained. The marketing manager from Beta U.S. made a very succinct point about this:

“I have moved about the company and was in Germany when we started operations there and moved to the US shortly after we open….. I am originally an engineer and only moved into marketing when I moved over…. we did well in both Germany and the US cause we regularly overachieved on returns that could be reused to hire highly trained employees with broad skillsets.”

The impact of age provides insights into the effectiveness with which young and old firms deploy their slack resources to improve performance. Beta India renew capabilities or build new competencies, whereas other established firms may have fewer resource demands. We observed that the slack resource availability at the subsidiaries of Alfa and Beta provided the flexibility for the subsidiaries to plan a course of positive reaction when trying to adapt to the mandate loss. The slack financial and human resources that had been built up and not absorbed were complimentary to the freed up resources when the mandate was lost and acted as a buffer to the shock and influenced responsive strategies of the subsidiaries. To highlight this, the R&D manager from Beta India made this comment:

“when we lost the software development back to Sweden it was a tough time…. it was one of the activities that offered real-time response to the customers and really allowed us to interact with them. It was such an important function for us…. I approach our MD at the time about the possibility of offering it as paid service for our customers…. he greenlighted it and we kept the engineers on…. you know what though about a year later the whole company rolled this idea out across the other units as a paying service…. and two years later we got the activity back with further testing and diagnostics responsibilities.”

What we observed was also that the subsidiaries of Alfa and Beta adapted to mandate loss by reconfiguring their resource endowments both to support their exiting capabilities and to form new capabilities. Another way subsidiaries supported and formed capabilities was by shifting resources into previously explored opportunities. We observed that it holds true that
subsidiaries with slack resource endowments (in capital or human resources) are more able to respond to shocks like mandate loss, thereby influencing a upturn in their charter or sustained role as illustrated by the general manager for Alfa India:

“anyone who has spent time in a large company abroad will know that a constant worry is that they will be closed down or restricted in their operations….we plan for these types of situations by having a healthy portfolio of new projects supported by a healthy reserve in our finances.”

We observed that operational capabilities that were developed in the subsidiaries of Alfa and Beta were specific to the subsidiaries but had three commonalities. First, they were specifically grounded in the managerial routines and actions and as such were context specific to each subsidiary. Second, they were largely specific to the individual mandates of the four subsidiaries to facilitate the functioning of the individual mandate. A third commonality was that they had characteristics of combining and synthesizing ability between mandate in a charter so as to drive efficiency and opportunities for the overall charter.

All three communalities were important for subsidiaries ability to respond to mandate loss and to recombine resources. The capabilities that were affected by the loss will either disappear or - more reasonable to assume - is that they remain in the subsidiary and will either atrophy or be redeployed. While our observations can be conceived as mandate specific to the subsidiaries of Alfa and Beta an important point we observed was that operational capabilities were re-deployable to existing mandates or in support of new ones. This was pointed out to us by the general manager of Alfa India:

“when we lost of software development we tried to redeploy the resources and routines towards a project we were doing feasibility on in testing and diagnostics…. we had to make a few changes but it was a painless transition…. about a year and half later we given responsibility for companies testing and diagnostics…. it was a huge success.”

In Alfa and Beta’s subsidiaries there was one pattern that emerged across all subsidiaries; each subsidiary was able to redeploy the routines underpinning the lost mandate to either ongoing activities or new initiatives. The characteristics of this category was twofold, firstly the routine of combing the learnt knowledge of implementing and synergizing the lost mandate to the portfolio was absorbable into the existing charter and this allowed continued charter growth or a sustained subsidiary role. Secondly, in all four subsidiaries the portfolios
of experimental projects in operations and R&D were able to absorb the freed up routines and slack resources to attract a new mandate. The general manager for Beta India gave a good example:

“we have lost activities in engineering and software to China and Germany in the last 9 years but what we have done on these occasions is looked at what is freed up and what competences remain and then focused them toward a new project or one that has been around for a while …. if that hasn’t worked we just move them elsewhere in the unit.”

Overall, the removal of the R&D mandates from the subsidiaries of Alfa and Betas can be seen as a consequence of the rationalization and relocation within their respective divisions. The mandate management process amongst the subsidiaries of Alfa and Beta was characterized by their access and influence to the range of the resource in the external environment and its influence on the subsidiaries functional spheres, i.e., operations, finance, personnel, and information and physical resources. Moreover, although the divisional headquarters was initially dependent on the market access-related resources of the subsidiaries, the relative importance of the subsidiaries markets was diminishing in comparison to the subsidiaries that gained the mandates. However, the degrees of formal and informal control over the mandates that the subsidiaries developed defined the degree that they designate and leverage the resources portfolios of the bundle of mandates. In this regard, the interviews revealed that the subsidiaries were able to manage the mandates in a manner that allowed them to create and silo slack in their human and capital resources of their mandates. It is also shown that the subsidiaries were able to create complimentary capabilities across their charter. This situation of “mandate management and resource flexibility” allowed the subsidiaries to respond to the mandate loss as they could support pipeline initiatives with the accumulated slack, substitute the loss with a remaining mandate or lobby the headquarters for a new mandate.

Moreover, there was support of Alfa’s and Beta’s subsidiaries efforts to move up the hierarchical ladder in the network and to gain fully fledged statues. This created a dual resource dependency and relationship strengthening situation were the increasing development of relationship influence was reinforced by the resource dependency between the headquarters and counterpart subsidiaries. Consequently, even though the divisional headquarters removed their R&D mandates the interview data evidenced that the depletion
was not fatal. The interview data evidenced that the subsidiaries ability to manage the mandate resources where they could accumulate slack was, together with the freeded up slack from the removal, complimentary in furthering pipeline initiatives, consolidating the remaining charter or even continuing the activities on a discretionary basis.

DISCUSSION AND OBSERVATIONS

Mandate Management Process
In the processes described above, subsidiaries used their influencing ability in their external mandate relationships to guide their influence in the MNE environment. In the mandate management process, due to the initial external relationship creation the subsidiaries spent time supporting and extending the influence on resource appropriation and mandate reliability, both internally and externally. As the mandate management process gained traction and matured for the subsidiaries, the capability development process became visible. This is not to say that the processes did not emerge in parallel but that it was typically more prominent when the mandate management process was more evolved. The mandate capability development process was generally initiated when subsidiaries had developed their relationships within and external to the MNE sufficiently in order to appropriate resources to support and compliment the resource portfolio.

The mandate management process is grounded on internal and external relational attributes that lie within the locus of their influence. We assume as a baseline condition that the subsidiaries have the requisite skills to do their job to an acceptable level in their start up stage, hence our focus is on those internal and external relational attributes that support and increase operational and entrepreneurial influence. Based on our findings and reading of the literature, we believe these influencing attributes are best associated with the subsidiaries internal and external relationships.

The mandate management process was facilitated by the influence on human resource management that included the focus of mastering and influencing the processes of recruitment, training and development of employees. Another area related to the mandate management process is the subsidiaries influence on the communication structure of its formal channels in its external partnerships and cross-unit projects. Figure 2 depicts subsidiary survival and evolution with respect to units that exhibited strong influence, continued learning and improvement and at the same time had implemented the mandate management process. The subsidiaries of Alfa and Beta each had to compete with internal and external actors and the ability to create influence on internal actors to placate the power balance with headquarters and sister subsidiaries was important to overcome resource
limitations. The influence maintained over external partners was important as it allowed for the maximization of utility and exchange which reinforces the subsidiaries efficiency, learning, and resource appropriation. Over time the influence born out of the subsidiaries internal and external relationships acted as important determinants of business scope and allowed the subsidiaries to imbibe important resources. This leads us to make our first observation:

**Observation 1:** As the subsidiary grows, the mandate management process emerges due to the ability to influence counterparts inside and external to the subsidiary. What unfolds is that subsidiary managers’ experience increased relational-based influence with external counterparts and within the organization that allows favorable resource accumulation and flexibility.

**Mandate Capability Development Process**

As resources were appropriated, subsidiaries had to allocate them in a supportive manner towards each mandate which required the structuring of relevant and supportive resources (i.e., a form of synthesizing per mandate took place). As capabilities developed for each mandate and supportive capabilities emerged to facilitate complementarities between mandates there was a need to bundle and introduce new or extended resources to support the bundle of resources underpinning the development of the maturing capabilities. The richness and strength of these two processes were important to the subsidiaries as they came under threat.

The growth of subsidiaries is contingent on them developing managerial and operational capabilities based on their mandates. The subsidiaries of Alfa and Beta exhibited variation in the abundance of certain resources in the start-up stages and as a consequence two observations emerge; the variation in the abundance of resources in certain areas (such as human capital) substituted for lack of others (such as physical capital), and how these different levels of resources develop into resource portfolios in the growth stage - which the subsidiaries could optimally adjust – is contingent on subsidiary learning and influence. At the subsidiary level, the creation and management of operational capabilities gradually evolved from the management of particular resources and knowledge to a more interdependent mandate capability development system. We observed that the creation and development of capabilities was predicated when enhanced interdependence is created with internal and external counterparts. The capability process emerged as the combination of the interdependent structuring and bundling was mastered. The findings show that the creation of
mandate capabilities concerned the structuring of activities through the acquisition of capital and human resources.

In the framework we elucidate (see Figure 2) resources were stabilized and enriched vis-à-vis the mandate capabilities in an evolutionary process and supported the development of capabilities as well as enabled the extension or creation of new capabilities. Learning was shown to be important in the mandate capability development process as the knowledge residing in the subsidiaries had to be continually implemented, renewed, or complimented in order to sustain or extend the pattern of activities which combined to form the aforementioned interdependence which is a foundation to the capability development process. We found that the accumulated knowledge constituted abilities, and that resource structuring can be conceived as an iterative process enabling the release of human resources that complimented the specializations of the subsidiaries and thus the mandate capability development process. It was also observed that there are two sub-processes of bundling resources: proactive and incidental. The combining and adding of relevant capital, physical and human resources is an active process were the managers of the subsidiaries of Alfa and Beta were shown to learn over time and their ability to implement bundling depended on the nature of their resource endowment and the pursuing capabilities. The incidental bundling process involved the learning patterns that emerged in capability development. We observed that learning in subsidiaries is inherently in the mind of the individual and that the gradual emergence of operational and managerial capabilities was largely through constant learned alterations. As a result, we make the following observation:

*Observation 2: The mandate capability development process is driven by frontline managers who engage in interdependent proactive or incidental resource management activities that are sticky to their context and are to some degree predicated by the complimentary managerial vertical and horizontal influence.*

**Resource Recombination Process**

We observed that the organizational, physical, and human slack created by the subsidiaries of Alfa and Beta were complimented by the freed up slack that was created by the loss of the mandate. The existence of organizational slack was either provided by headquarters or oftentimes emerged as a corollary of the enhanced performance of Alfa and Beta’s subsidiaries. We observed that the subsidiaries had the capacity to contiguously enrich and develop capabilities in their production and R&D delivery and processes. As the subsidiaries
had mastered the processes of managing their mandates and developing capabilities on the mandates, the underlying resources and activity patterns enabling the capabilities were heavily attached to the subsidiaries respective context.

Additionally, we observed the degree of slack present at mandate loss was complimented by resources being freed up. However, this was contingent on the degree of the robustness of the subsidiaries management of resources. Strong resource management was complimented with by a flexible control system in the larger MNE that allowed more control for the subsidiaries over their resource allocation processes. Pre-mandate loss the subsidiaries had received a high degree decision-making rights, which was contingent on the influence subsidiaries exerted over time in the management process resulting in a high degree of discretion to employ their resources, specifically knowledge in planned activities that served their contexts.

Over the given periods of the subsidiaries’ evolution, their learning and flexibility towards their resource patterning routines and activities complimented by influence negating that internal control mechanism allowed for optimal resource allocation. Familiarity with this over time disciplined recombination of capital and knowledge and the selection of allocation to ongoing or new activities. This was born out due to the built up influence in the mandate management process creating a high level of discretion over resource allocation decisions facilitating familiarity with the resources and the orchestration in to capabilities. During the growth period this fostered an environment in the subsidiaries where it was safer to experiment with efficiency seeking and new projects due to the buffer of the accumulated slack capital and knowledge. A consequence of this was that when the mandate was lost they had a slack buffer that was complimented by freed up resources.

Further we saw that the learning patterns through its growth stages imprinted on the subsidiaries so that not only were significant amounts of capital and human resources reserved, but the familiarity with their combinations meant that the freed resources after the mandate loss meant that they could be recombined in support of a new project (initiative) or absorbed in support of enhancing the remaining mandates. This was important for the subsidiaries ability to sustain their trajectories as in all the subsidiaries observed there were two avenues to correct the shock of losing a mandate. Elaborating on this we make two key observations: as the subsidiaries were fully fledge they had the property rights of the mandates to explore innovative projects and create efficiencies based on the mandates pre loss and as the process of resource re-combination orientated the slack towards complementary
activities of either an operational or innovative endeavor post loss. Thus we make the following observation:

Observation 3: The subsidiaries familiarity and flexibility with its resource management process and the slack accumulated in capital and knowledge resources during the growth period of the subsidiary can be utilized as a buffer for exploitation of operational activities and exploration of new projects. The familiarity with the slack resources can combined with the freed-up resources post mandate loss can be recombined in support of operational or explorative activities.

***Insert Figure 2 about here***

CONCLUSIONS

Contrary to the evolutionary approach to mandate development (Jarillo & Martinez, 1990; White & Poynter, 1984), we identify how subsidiaries design and redefine their resource portfolio in times of crisis by emphasizing intra-MNE dynamics. In this paper, we scrutinize two strategic moves of a subsidiaries mandate portfolio change: losing a current mandate and the evolutionary trajectory post loss. We argue that mandate domain changes represent subsidiary strategic behavior, in response to the movements of other subsidiaries (Birkinshaw, 1996; Andersson, Forsgren and Holm, 2007; Dörrenbächer & Gammelgaard, 2010). Our empirical findings confirm the competitive dynamics and the influence yielded by subsidiaries are the canvass on which mandate portfolio depletion plays out. Specifically, when influence over mandates is built up during the development of a subsidiary’s charter our examination evidences that subsidiaries create and silo resources that taken together with the sticky capabilities which they develop on the mandates, which are not hollowed out when a mandate is lost, allows them to consolidate or enhance their charters.

Moreover, the empirical results from the mandate management process show that subsidiaries are more likely to evolve positively in environments where there is intense competition and potential substitutability (Birkinshaw, 1996; Galunic & Eisenhardt, 1996), but where they have built the capability to manage and influence the mandates first. With close attention to strategic interdependence among subsidiaries and their derived influence, this study advances the field of research in mandate development. Specifically, we elucidate the underexplored phenomenon of managing mandates in complex multiple mandate operations. Extant mandate literature has offered insightful explanations of a subsidiary’s role change, such as replica toward world mandate or competence exploiting toward competence
creating (Taggart, 1997; White & Poynter, 1984; Cantwell and Mudambi, 2005). However, much less attention has been paid to the multiple mandate operations of subsidiaries (Rugman and Verbeke, 2011). In practice, the domain of mandates is ambiguous at best and many subsidiaries have mutual responsibilities, such as collaborative technology and product development mandates (Frost et al., 2002; Birkinshaw, 1996; Kappen, 2011). We incorporate both competitive and relationship logics in order to explore the complexity of inter-unit strategic linkages in mutual mandate operations, were subsidiaries build influence and silo resources and capabilities for crisis. Thus, we have enriched the mandate development literature by comprehensively explaining the impact of both competitive and cooperative dynamics on charter change, in the case of multiple mandate operations.

Further, we address the phenomenon of intra-MNE competition (Galunic & Eisenhardt, 1996; Luo, 2005). In this paper, we pay particular attention to the competitive dynamics that play out between subsidiary units in the networked MNE. As subsidiaries develop mandate management capacity and leverage the associated influence accumulate, they attract more resources and knowledge. As a result, they seek more influential positions within the MNE network by redefining their existing mandate portfolio (Birkinshaw & Morrison, 1995; Feinburg, 2000; White & Pointer, 1984). Changing mandate portfolios should lead to power shifts among subsidiaries, however we elucidate a picture were the vestigial nature of a subsidiaries influence of its relationships and resources allows recombination processes of post mandate loss. Here we contribute to the logics on intra-MNE cooperation and competition and the micro-political arena that it encapsulates. In addition to the cooperative logic which is a prevalent perspective in intra-MNE networks, we extend the discussion of intra-MNE dynamics. This is achieved through examining increasing competitive pressures from peer subsidiaries and the focal subsidiaries ability to exert influence both in this competitive environment and over its own resource and relationship profiles.

Cumulatively our examination of a subsidiary’s multiple mandate responsibility and the subsidiaries influence over the mandate resources contributes to the subsidiary strategy stream, specifically it adds to the emerging subsidiary resource management stream. Our elucidation of how a subsidiary silos slack on its portfolio of mandates introduces the degree of influence it holds over internal and external counterparts and the resources it generates. We introduce a finer granted elucidation of subsidiary choice in regards development of its charter, the novelty of the choice of human and capital slack advances our understanding of how and why managers create slack. More importantly through the understanding of how managers designate slack we also elucidate how they re-combinative and when managers
Furthermore, our findings have two major practical implications. Firstly, we direct managerial attention toward the competitive dynamics of subsidiary relations. Subsidiaries often engage in collaborative works and share managerial knowhow with peers; however, they are less likely to share collective goals and interests completely (Ghoshal & Bartlett, 1990; Luo, 2005). Thus, the influence they develop and the competitive pressures they face in the internal network of the MNE is another critical dimension of intra-MNE dynamics. Our analysis of competitive dynamics among peer subsidiaries has important implications for both headquarters and subsidiaries. Headquarters can maximize the global efficiency of the whole MNE network when they appropriately manage competitive dynamics among subsidiaries. Subsidiaries can create a competitive edge when they successfully differentiate themselves from rival subsidiaries and cultivate their relationship influence which hold similar positions. Hence, we believe that our focus on competitive logics contributes to the mandate portfolio management by offering new insight into intra-MNE dynamics.

Secondly, the study exposes important intra-MNE dynamic effects on mandate management and resource development. The headquarter-subsidiary relationship tends to dominate the MNE network, so managerial decisions are heavily influenced by parent resources and attention (Birkinshaw & Hood, 1998; Egelhoff et al., 1998; Ambos, Andersson and Birkinshaw, 2010). Indeed, the financial and managerial support of parent firms help subsidiaries obtain autonomous positions among subsidiary units. However, managers should carefully design and redefine their mandate and resource portfolio to designate areas where slack can be created as parent resources are not always assured and portfolios can atrophy. Subsidiaries can successfully extend their business domains and maintain a competitive edge within the network when they appropriately adjust their mandate and resource portfolios in response to the strategic moves of their rival subsidiaries.
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<td>General manager (200), R&amp;D manager (190), Marketing manager (90)</td>
<td>(India)</td>
<td>Retrospective &amp; real time</td>
</tr>
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FIGURE 1: STRUCTURE OF THE DATA

Representative Quotes

- "Improperly show writers that our abilities here are superior to other units... This effort has increased our influence on budget, flexibility, and customer engagement."
- "Our relationship with headquarters has improved gradually as we have shown that we are effective, and that there was no such friction, but that a lack of communication within the company isn’t essential in the case of our division."
- "For more than 12 years we have been good at what we do so there is more flexibility given, but we also face constraints for other units."
- "In the last 5 years our growth, or other overseas units, has made it easier to negotiate on project parameters and delivery schedules."
- "Involvement in the activities of design (software) has allowed us in larger time monitoring and production of units abroad."

- "Once we had control of resources it made combining our activities and workload easier."
- "Each time we have received a new set of responsibilities, our subsidiary has achieved the required performance levels set by headquarters... This was because of the high integration amongst the managers of the new activities and support."
- "Our subsidiary’s growth has mainly been due to an accumulation of knowledge of project routines that work and our current quality on shared projects."
- "The skills we have developed over time have largely been critical in the upgrading of these skills and implementing training packages as we have developed.

Themes

- Subsidiary TMT vertical influence
- Subsidiary TMT horizontal influence

Overarching Concepts

- Mandate management process
- Structuring the resource portfolio
- Capability development process
- Slack resource availability
- Capability redeployment ability
- Resource recombination process
FIGURE 2: INTEGRATIVE FRAMEWORK OF THE SURVIVAL PROCESS

Processes of Subsidiary Survival

- Subsidiary horizontal influencing activities
- Subsidiary vertical influencing activities
- Mandate Management Process
- Capability Development Process
- Resource Structuring activities
- Subsidiary Resource Bundling activities
- Resource Recombination Process