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**The Multi-Lens Approach to Understanding Subsidiary
Contributory Role Development**

A thesis presented in partial fulfilment of the requirements for the degree
of

Doctor of Philosophy

in

Management

At Massey University, Albany

New Zealand.

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2018

ABSTRACT

The contributory role of a foreign subsidiary refers to the intra-firm international responsibilities, through which the subsidiary contributes its firm-specific advantages to the multinational enterprise (MNE). This thesis examines development of subsidiary contributory role in terms of role expansion and role renewal. This research area has not been adequately explored in depth in prior research.

The thesis addresses this research gap by grounding empirical research in multiple theories, the insights of which have not been sufficiently used to study (but are important to understand) this research area. These theories are the attention-based, global production network, institutional, resource-based, and resource dependence theories. Guided by these theories and based on the empirical data from nine case studies of foreign-owned subsidiaries in New Zealand, the thesis has developed two theoretical frameworks, named as the ‘subsidiary role expansion’ and ‘subsidiary role renewal’ frameworks respectively.

The subsidiary role expansion framework suggests that subsidiary role expansion, which can occur at five levels, is affected by a combination of four factors which are identified as: (i) the parent’s positive attention; (ii) internal and external (local/global) linkages/embeddedness of the subsidiary; (iii) institutional forces in local, internal and/or transnational settings; and, (iv) deployment of superior resources by the subsidiary.

The subsidiary role renewal framework provides insights into the subsidiary’s renewal/reacquisition of endangered and reallocated international responsibilities. This framework argues that endangerment and/or reallocation of a subsidiary’s international responsibilities results from the combined or individual effects of several factors. These factors include: (i) the parent’s negative attention; (ii) the parent’s limited attentional capacity; (iii) the MNE’s internal restructuring; and, (iv) subsidiary-level superior resources lacking the parent’s recognition, lacking a mobility barrier, or failing to create the MNE’s dependence. The framework analyses patterns of combined and individual effects of the parent’s positive attention and the subsidiary’s deployment of superior resources on the subsidiary’s renewal or reacquisition of endangered and reallocated international responsibilities.

These two frameworks contribute to the subsidiary development literature by providing new insights into the development of subsidiary contributory roles. These frameworks have practical implications for subsidiary managers, corporate executives, and public policy makers.

ACKNOWLEDGEMENTS

I am indebted to my parents for their love, support and patience throughout this PhD journey. Their encouragement and emotional support motivated me to strive to complete this PhD degree. I thank you for all your support from my early age to the present day.

I would like to express my deep gratitude for my supervisors, Associate Professor Paul Toulson, Dr Yuanfei Kang, Professor Martina Battisti, and Associate Professor Martin Perry. I would like to thank Associate Professor Paul Toulson, Dr Yuanfei Kang and Professor Martina Battisti for their supervision of most part of this thesis and their guidance through the completion of it. I would like to thank my former primary supervisor, Associate Professor Martin Perry, for his guidance through the first stage of the thesis and the first round of data collection, and for accompanying me for the first three interviews. Thank you for all your encouragement and support throughout this study. Without you all, it would have been impossible for me to have achieved this.

I would like to thank all the participants for volunteering their time in this research thesis. Without their dedicated participation, I would not be able to conduct this thesis.

I would like to thank Richard Gyde, Jackie Bell, Vanessa van der Ham and Lilia Sevillano for reading the draft versions of the thesis and giving me valuable feedback.

15 August, 2018

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LIST OF ABBREVIATIONS

| | |
|--------|---|
| AS/NZS | Australian/New Zealand Standard |
| ASEAN | Association of Southeast Asian Nations, The |
| BE | Bachelor of Engineering |
| BSE | Bovine Spongiform Encephalopathy |
| BTech | Bachelor of Technology |
| CE | European Conformity |
| CEO | Chief Executive Officer |
| e.g. | exempli gratia (for example) |
| EU | European Union, The |
| FDA | Food and Drug Administration, The |
| FDI | Foreign Direct Investment |
| FIFA | International Federation of Association Football, The |
| FSA | Firm-Specific Advantage |
| GCC | Global Commodity Chain |
| GPN | Global Production Network |
| GVC | Global Value Chain |
| HACCP | Hazard Analysis and Critical Control Points |
| IBM | International Business Machines Corporation, The |

| | |
|------------|---|
| IP | Intellectual Property |
| IPC | Institute for Printed Circuits |
| IRB | International Rugby Board, The |
| ISO | International Organization for Standardization, The |
| i.e. | id est (that is to say) |
| JV | Joint Venture |
| MasterSpec | Master Guide Specification |
| MD | Managing Director |
| mil | million |
| MNE | Multinational Enterprise |
| NatSpec | National Building Specification |
| NZ | New Zealand |
| OECD | Organisation for Economic Co-operation and Development, The |
| PhD | Doctor of Philosophy |
| QA | Quality Assurance |
| QM | Quality Management |
| R&D | Research and Development |
| RO | Research Objective |
| RoHS | Restriction of Hazardous Substances Directive |
| ROI | Return on Investment |

| | |
|------|--|
| UFB | Ultra-Fast Broadband |
| US | United States, The |
| WELS | Water Efficient Labelling and Standards Act, The |

CHAPTER 1 - INTRODUCTION

1.1 BACKGROUND OF SUBSIDIARY CONTRIBUTORY ROLE

DEVELOPMENT

How multinational enterprises (MNEs) use their firm-specific advantages (FSAs) to overcome their liability of foreignness in overseas markets has long been under scrutiny in international business literature. FSAs refer to advantages and strengths specific to a particular firm and which potentially form the basis for its competitive advantage over rival firms in home and overseas markets (Dunning, 1980, 1988, 1994; Dunning & Lundan, 2008; Rugman & Verbeke, 1992). These advantages include both asset-specific and transaction cost-minimising advantages. The former are derived from the MNE's possession of assets (e.g., knowledge base and capabilities). The latter reflect the MNE's ability to minimise transaction costs because of its capacity to exploit location advantages and its own assets from multinational locations (Dunning, 1980, 2003; Dunning & Lundan, 2008; Dunning & Norman, 1983; Narula, 2014). It has been claimed that in order for the MNE to gain a competitive advantage in the global market, it must possess FSAs that can be effectively leveraged on an international basis (Álvarez & Cantwell, 2011; Birkinshaw, Hood, & Jonsson, 1998; Rugman & Verbeke, 2001).

While the conventional models of MNEs viewed foreign subsidiaries as the mere exploiters of home-based FSAs (Dunning, 1980), research since the 1980s has identified them as the contributors to these advantages (Achcaoucaou, Miravitlles, & León-Darder, 2014; Bartlett & Ghoshal, 1986; Birkinshaw et al., 1998; D'Cruz, 1986; Enright & Subramanian, 2007; Ferdows, 1997; Gupta & Govindarajan, 1991; Jarillo & Martínez, 1990; Randoy & Li, 1998; White & Poynter, 1984). Particularly through the 'heterarchical' view of MNEs (Hedlund, 1986, 1993; Hedlund & Rolander, 1990), foreign subsidiaries have been increasingly seen as operating within networks of organisations and are the candidates for contributing to FSAs, as they seek and offer opportunities that could be ultimately exploited on an international basis (Hedlund, 1986, 1993; Hedlund & Rolander, 1990). The main implication of this body of literature is that foreign subsidiaries can be potentially identified as the ideal unit of analysis in efforts to understand how FSAs are created within the MNEs.

Birkinshaw et al. (1998) use the term ‘subsidiary contributory role’ to refer to the extent to which a foreign subsidiary has international responsibilities through which it adds to the stock of the MNE’s FSAs. They argue that “the ability of the corporate system to effectively leverage [the subsidiary’s] activity in the global market is what eventually makes the subsidiary’s resources part of the firm-specific advantage” (p. 236). Thus, to have a contributory role, subsidiaries must have international responsibilities, and must contribute to development of internationally-exploitable FSAs. This term ‘subsidiary contributory role’ represents a continuum ranging from a low level to a high level. While this term will be defined more precisely later, it can be understood at this stage that the different levels of contributory roles are distinguishable according to the extent to which subsidiaries add to the stock of FSAs (Birkinshaw et al., 1998).

The subsidiary development literature suggests that a subsidiary contributory role can be gained, expanded, and evolved from a lower level to a higher level (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Chen, Hsu, & Caskey, 2013; Delany, 1998, 2000; Dörrenbächer & Gammelgaard, 2006; Kacani & van Wunnik, 2017). Building upon the ‘heterarchical’ view of MNEs (Hedlund, 1986, 1993; Hedlund & Rolander, 1990), this body of literature views foreign subsidiaries as semi-autonomous ones having potential to create and enhance international responsibilities and resources through their own entrepreneurship and/or establishing own internal and/or external network relationships. These new or enhanced subsidiary-level resources and international responsibilities ultimately add to the stock of existing FSAs, thereby enabling them to earn a contributory role, to attain a higher contributory one, or to expand their existing contributory role (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Chen et al., 2013; Delany, 1998, 2000; Dörrenbächer & Gammelgaard, 2006; Kacani & van Wunnik, 2017). Gaining a sustainable position for these resources and responsibilities is important because they can be lost or endangered through factors such as changes in the headquarters’ strategies (Balogun, Jarzabkowski, & Vaara, 2011; Birkinshaw, 1996; Birkinshaw & Hood, 1997). In this regard, ‘subsidiary contributory role development’ has been used as a term to refer to growth, enhancement and/or sustainability of a subsidiary’s resource profile and international responsibilities (Birkinshaw & Hood, 1997).

More specifically, the research subject of the thesis, subsidiary contributory role development, is built upon the existing literature on subsidiary development. Two distinct forms of this development are identified from this body of literature. The first is ‘subsidiary role expansion’, and the second is ‘subsidiary role renewal’. The former term is used to refer to the subsidiary’s expansion into new international responsibilities to expand its existing contributory role or to attain a higher contributory one (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Chen et al., 2013; Delany, 1998, 2000; Dörrenbächer & Gammelgaard, 2006; Kacani & van Wunnik, 2017). Prior research suggests that the subsidiary’s intra-firm role expansion is likely to be driven by one or more of the three groups of drivers: (i) its parent; (ii) its initiatives and network relationships; and/or, (iii) the host country’s supportive policies and business environment (Achcaoucaou et al., 2014; Achcaoucaou, Miravittles, & León-Darder, 2017; Birkinshaw & Hood, 1997; Dörrenbächer & Gammelgaard, 2006; Dörrenbächer & Geppert, 2009b; Figueiredo, 2011; Mattes & Späth, 2013; Rezende, Correa, & Versiani, 2014). The levels of the subsidiaries’ role expansion can vary ranging from low to high level. Four levels of subsidiary role expansion are identified in the initial theoretical framework (Chapter 3) but are refined into five levels in the emergent theoretical framework based on the empirical data analysis (Chapter 7).

The second form of subsidiary contributory role development is ‘subsidiary role renewal’, which is defined in this thesis as a subsidiary’s renewal or reacquisition of endangered or reallocated international responsibilities. Only a few studies have studied this form of role development (Balogun et al., 2011). Therefore, little is known in the extant subsidiary development literature about patterns of subsidiary role renewal and mechanisms driving them. The thesis identifies two patterns of role renewal, named as ‘renewal of endangered mandates’ and ‘renewal of reallocated mandates’. Prior research suggests that the subsidiary’s responsibilities can be acutely in danger of being eliminated from the corporate system, or of being lost to other units as a result of factors such as the headquarters’ actions and a shift in the parent’s strategy (Balogun et al., 2011; Birkinshaw, 1996). Its responsibilities may be reallocated to other units by the parent (Dörrenbächer & Gammelgaard, 2006, 2010), resulting in the loss of these responsibilities. Some subsidiaries may still have the potential to regain these endangered or reallocated responsibilities (Balogun et al., 2011). Their renewal or reacquisition of these endangered or lost

responsibilities would eventually result in regrowth of their responsibilities, or enhancement of survival of endangered ones. Taken together, subsidiary contributory role development is defined as the subsidiaries' role expansion at various levels and their renewal of endangered or reallocated international responsibilities.

Subsidiary contributory role development is important for at least two reasons. First, international responsibilities of foreign subsidiaries are critical to future growth and survival of the MNEs in international markets (Birkinshaw et al., 1998; Birkinshaw & Pedersen, 2009). Second, subsidiary contributory role development has important impacts on the economic growth of the host country. There is a consensus that activities of the MNEs' foreign subsidiaries can contribute to creating employment, growth of the host country's economy, and development of local firms (Birkinshaw & Hood, 1997; Coe, Hess, Yeung, Dicken, & Henderson, 2004; Fitzgerald & Rowley, 2016; Henderson, Dicken, Hess, Coe, & Yeung, 2002; Narula & Pineli, 2017; Østergaard, Reinau, & Park, 2017; Scott-Kennel, 2004, 2007). A direct impact of international responsibilities of the subsidiaries on the host country's economy is their generation of export revenue (Birkinshaw & Hood, 1997).

Despite the importance of understanding the topic of subsidiary contributory role development, theory-building research on this topic is considerably deficient. Little scholarly attention has been paid to this topic in recent years, thus calling for more exploratory research on it (Rezende et al., 2014). More specifically, there is a dearth of detailed theory-building research on what drive the subsidiaries' role expansion at various levels and their renewal of lost or endangered international responsibilities. Only a few studies about the issue of subsidiary role renewal exist (e.g., Balogun et al., 2011). Thus, the existing literature does not provide a detailed picture of the topic of subsidiary contributory role development as a whole.

Consistent with prior research, a multinational enterprise is defined as an organisation with value-added activities performed in at least two countries (Rugman & Verbeke, 2001). In this thesis, the terms 'the MNE', 'the parent', 'the parent company', and 'the corporate headquarters' will be used interchangeably, although the use of the term 'the MNE' has been confined primarily to the firm as a whole. A subsidiary, in this thesis, is defined as an MNE's entity operating in a host country (Birkinshaw & Hood, 1998; Birkinshaw et al., 1998;

Cavanagh & Freeman, 2012). It may have been established through different entry modes, such as greenfield, acquisition, or a joint-venture arrangement (Birkinshaw & Hood, 1998). The thesis will however mainly focus upon wholly-owned foreign subsidiaries. These subsidiaries have a clear parent-subsidiary relationship in terms of internal governance structure (Birkinshaw & Pedersen, 2009) and can therefore aid in understanding how it affects development of their international responsibilities.

1.2 THE MULTI-LENS APPROACH TO UNDERSTANDING SUBSIDIARY CONTRIBUTORY ROLE DEVELOPMENT

Theory-building on the subsidiary's contributory role development is still in an infancy stage (Rezende et al., 2014). Thus, this thesis aims to contribute to the extant subsidiary development literature through an application of multiple theoretical perspectives: (i) the attention-based theory; (ii) the global production network (GPN) theory; (iii) institutional theory; (iv) the resource-based theory; and, (v) the resource dependence theory. These theories appear to provide important insights into the subsidiary's contributory role development. Nevertheless, their insights have not yet been adequately explored.

1.2.1 ATTENTION-BASED THEORY

Prior research suggests that the parent can drive or facilitate the subsidiary's intra-firm role expansion by means of investments, technology and knowledge transfer, and new product or market mandate assignments (Achcaoucaou et al., 2014; Birkinshaw & Hood, 1997; Chang, 1995; He, Khan, & Shenkar, 2018; Mattes & Späth, 2013). The parent company is also found to be an important player in the renewal of subsidiary roles/mandates already removed by it (Balogun et al., 2011).

The attention-based theory is a useful perspective, as it is helpful to understand the parent's decision-making in resource allocation and mandate assignments. The theory posits that decision-makers are selectively attentive to limited core stimuli which they perceive as having greater legitimacy, value and relevance to the organisation, while disregarding others. What they are attentive to is assumed to influence their decision-making (Ocasio, 1997). From this attentional perspective, the parent's decisions on resource allocation and mandate assignments can be seen as the products of its attention to limited stimuli that it perceives as

being legitimate, valuable and relevant to the MNE (Ambos & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008).

Consistent with these assumptions of the attention-based theory, previous research suggests that the parent is more likely to be motivated to make investments and assignments when stimuli are legitimate. Prior research, for instance, points out how the headquarters' assignments and investments can be helped by legitimate stimuli such as a subsidiary's proven capabilities and track record, and its investment proposals supporting corporate objectives and norms (Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016; Gammelgaard, 2009). The literature on foreign direct investment suggests that a parent's investment in a particular location is likely to be an outcome of its attention to important and legitimate stimuli from this location, such as the host country's specialised technology and knowledge, and low-cost and high-quality resources from the host's location (Nachum & Zaheer, 2005). Likewise, a parent is likely to be motivated to assign internally-contested product mandates to the subsidiary with relatively higher level of superior capabilities (legitimate stimuli) (Dörrenbächer & Gammelgaard, 2010; Lampón, González-Benito, & García-Vázquez, 2015; Szalavetz, 2016). These previous studies are thus congruent with the attention-based theory as they highlight how a parent's decisions on resource allocation, investments and mandate assignments tend to be the outputs of its allocation of attention to legitimate stimuli.

Despite such useful insights of the theory into the headquarters' assignments and investments, the research gap here is a lack of detailed, theory-building research on how a parent's allocation of its attention leads to the subsidiaries' role expansion at various levels and their role renewal. Thus, this thesis aims to address this research gap by seeking to understand the effects of the parent's attention on their role expansion at various levels and their role renewal. In doing so, the thesis is expected to extend the attention-based theory with the extant subsidiary development literature.

1.2.2 GLOBAL PRODUCTION NETWORK THEORY

Prior research suggests that the subsidiary can absorb technologies and knowledge that are important to its intra-firm role expansion through establishing network linkages and embedded relationships with internal and/or external network actors (Achcaoucaou et al.,

2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Pu & Soh, 2018). Nevertheless, little is known about the patterns of linkage formation, or the combinations of different types of internal and external linkages (Scott-Kennel, 2007), that drive subsidiary role expansion at various levels. The thesis addresses this research gap by empirically exploring how different levels of subsidiary role expansion are shaped by the combinations of different types (e.g., the ‘technical’ and ‘business’ types) of internal and external linkages.

The GPN theory is used as a guiding frame to explore these different combinations of internal and external linkages that drive subsidiary role expansion at various levels. The theory sees a foreign subsidiary as having potential to establish different types of network linkages with internal and external actors from different geographical scales, ranging from local to global. Through these linkages, the subsidiary is assumed to have potential to develop over time (Henderson et al., 2002).

When analysing the effects of the subsidiary’s external embeddedness and network linkages, most previous studies tend to focus narrowly on the effects of its linkages with local actors (e.g., Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Pu & Soh, 2018). While global actors (such as global customers) may contribute to the creation of new products for the global market (Birkinshaw & Prashantham, 2012), most previous studies have not given enough attention to how external network relationships with these global actors can shape development and expansion of subsidiary contributory role (international responsibilities). To address this shortcoming in the existing literature, the thesis draws on the GPN theory by viewing foreign subsidiaries as having potential to drive intra-firm role expansion through establishing different types of internal, external local, and external global network linkages. More specifically, through this GPN theory lens, the thesis seeks to understand how subsidiary role expansion at various levels is driven by the combinations of different types of internal, external local, and external global network linkages. In doing so, the thesis is expected to extend the existing literature with the GPN theory.

1.2.3 INSTITUTIONAL THEORY

The contributory role subsidiary operates in the host country’s environment, and it may serve internal and/or external foreign markets. At the same time, it belongs to the internal

environment. Therefore, understanding institutional influences from different settings (local, transnational and internal) on subsidiary role expansion at various levels is crucial.

Institutional theory is an important perspective that can be used to deepen the understanding of the effects of institutional forces in different settings (local, transnational and internal) on subsidiary role expansion. The theory posits that the institutional environment within which firms (subsidiaries) are operating is likely to have an important effect on their entrepreneurial efforts. Firm-level studies have identified key dimensions of the country's institutional environment that can assist entrepreneurship of firms. These dimensions are: (i) the country's policies and regulatory framework; (ii) its financial system; and, (iii) its skill development system (Bowen & De Clercq, 2008; Whitley, 1994, 1999). In the highly-regulated product industry, the country's regulatory framework in terms of its stringent level of regulations can position domestic firms (subsidiaries) in the export markets and enable their geographical expansion into these markets (Nadvi & Wältring, 2004). A well-developed credit system can enhance the capacity of firms (subsidiaries) to raise financial capital for their operations (Edgington & Hayter, 2013). The host country's quality education system (skill development system) can produce quality local graduates, who can be potential contributors to the subsidiary's entrepreneurial efforts (Dimitratos, Liouka, Ross, & Young, 2009). Thus, institutional theory can be used to understand how the host country's institutional setting can influence development of the subsidiary's contributory role and international responsibilities.

Institutional theory also sheds considerable light on how the internal environment and a well-defined external institutional context can become sources of constraints on activities of the subsidiary by means of institutional isomorphic pressures. A quality management standard may be legally mandated by foreign governments (Henson & Humphrey, 2010; Nadvi, 2004), or may become gradually institutionalised as an established industrial norm in a given institutional setting (Quadros, 2004). The MNEs may also develop internal quality management standards to which all subsidiaries are required to conform (Kostova & Roth, 2002). Institutional theory posits that by adhering to these practices institutionalised in internal and external settings, the subsidiary is able to enhance its legitimacy in the respective environments, which is a necessary condition for its long-term survival (DiMaggio & Powell, 1983; Kostova & Roth, 2002; Kostova, Roth, & Dacin, 2008; Marano & Kostova, 2016;

Pfeffer & Salancik, 2003). Of particular interest to this thesis is whether and how the subsidiary's new international responsibilities (such as new product areas) must conform to these practices and standards (such as quality management standards) which have been institutionalised in internal and transnational settings in order to establish legitimacy of these new responsibilities.

Despite useful insights of the theory into institutional influences from different settings (local, transnational and internal), their effects on subsidiary role expansion at various levels have not yet been studied in depth. By exploring the effects of institutional forces in these different settings on the different levels of subsidiary role expansion, the thesis aims to address the research gap, and to extend the extant subsidiary development literature with institutional theory.

1.2.4 RESOURCE-BASED AND RESOURCE DEPENDENCE THEORIES

There is evidence of parent-driven mandate loss, some of which result from intra-firm competition for the focal subsidiaries' mandates (Balogun et al., 2011; Birkinshaw, 1996; Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016; Verbeke & Yuan, 2018). Thus, understanding how the subsidiaries strive to sustain their ongoing or renewed contributory role is important in order to gain a full understanding of subsidiary contributory role development.

Building upon the resource-based theory, prior studies have identified attributes of resources that can enhance the subsidiary's ability to cope with internal competition for its mandates and/or to sustain these mandates. These resource attributes are: (i) superiority of its resources over other internal resources; (ii) achieving the parent's recognition; and, (iii) resource immobility (Birkinshaw et al., 1998; Cerrato, 2006; Dörrenbächer & Gammelgaard, 2010; Rugman & Verbeke, 2001). The resource dependence theory suggests that a subsidiary's resources have a tendency to weaken internal competition for its mandate when they create the MNE's resource dependence (Dörrenbächer & Gammelgaard, 2010). To ensure such a dependence of the MNE, the theory posits that these resources must be scarce, non-substitutable with other internal resources, and strategically critical to the MNE (Dörrenbächer & Gammelgaard, 2010; Pfeffer & Salancik, 2003).

The above discussion suggests that the resource-based and resource dependence theories are the important perspectives, as they are helpful to gain an understanding of how the subsidiary deploys resources to cope with internal competition for its mandates, and to sustain its responsibilities. Nevertheless, prior research has not adequately explored how different combinations of attributes of resources determine sustainability of subsidiary contributory roles. In addition, little is known about how a weakened internal competition, which results from the subsidiary's deployment of resources, contributes to its expansion of an intra-firm role.

Through the lenses of the resource-based and resource dependence theories, the thesis aims to address these research gaps by identifying attributes of specialised resources of the subsidiaries, and by exploring how different combinations of these resource attributes determine their ability to expand and sustain their (ongoing or renewed) contributory role. By doing so, the thesis is expected to extend the extant subsidiary development literature with the resource-based and resource dependence theories.

1.2.5 COMBINATION OF THE THEORETICAL LENSES

The above discussion highlights the attention-based, GPN, institutional, resource-based and resource dependence theories as the important perspectives that are helpful to deepen an understanding of the subsidiary's contributory role development. Thus, another important theoretical issue is how subsidiary contributory role development can be better understood through the combination of these multiple theoretical lenses.

Prior research has shown how subsidiary role expansion and role change are the results of a particular influencing factor, or the combined effects of different influencing factors (i.e., the parent company's assignments and investment, the subsidiary's entrepreneurial activities, and/or the external environment) (Dörrenbächer & Gammelgaard, 2010; Filippov & Duysters, 2012; Filippov & Duysters, 2014; Golikova, Karhunen, & Kosonen, 2011; Pedersen, 2006; Rezende et al., 2014; van Egeraat & Breathnach, 2012). Thus, another research opportunity is to explore, through the above-discussed multiple theoretical lenses, how subsidiaries' role expansion at various levels and their role renewal result from the combined and individual effects of their network linkages, their deployment of resources,

corporate attention, and institutional forces in different settings (internal, local and transnational). Little is known about the combined effects of these factors.

1.3 SUMMARY OF RESEARCH GAPS

The research gaps are summarised, as follows: There is a dearth of detailed theory-building research on the subsidiaries' role expansion at various levels and their renewal of endangered and reallocated international responsibilities. More specifically, this research area has not been explored in depth through the lenses of the attention-based, GPN, institutional, resource-based and resource dependence theories.

The attention-based theory provides important insights into how a parent's attention can influence its mandate assignments and resource allocation. Nevertheless, there is a lack of detailed, theory-building research on how its attention shapes the subsidiaries' role expansion at various levels and their role renewal. From the GPN theory perspective, the subsidiary has potential to develop over time by establishing different types of network linkages with internal and external actors from various geographical scales ranging from local to global (Henderson et al., 2002). Extant knowledge is, however, limited about how the combinations of different types of internal, external local and/or external global linkages drive different levels of subsidiary role expansion.

Institutional theory is helpful to understand potential influences of institutional factors in different settings (local, transnational and internal) on subsidiary role development. Nevertheless, how institutional forces in these different settings affect subsidiary role expansion at various levels has not yet been explored in depth. The resource-based and resource dependence theories provide important insights into what types of resource attributes can weaken internal competition for mandate, and enhance mandate sustainability. However, prior research has not provided sufficient insights into how different combinations of attributes of subsidiary resources affect the expansion and sustainability of subsidiary contributory roles. Finally, little is known about combined or individual effects of the factors derived from the multiple theoretical lenses (i.e., corporate attention, network linkages, the subsidiaries' deployment of resources, and institutional forces in different settings) on role expansion at various levels and role renewal.

1.4 RESEARCH GOAL AND OBJECTIVES

In light of the research gaps discussed above, a deeper understanding of subsidiary contributory role development through the lenses of the attention-based, GPN, institutional, resource-based and resource dependence theories is needed. The major forms of subsidiary contributory role development include: (i) subsidiary role expansion; and (ii) subsidiary role renewal. Different patterns of role development can exist within each of these forms. That is to say, various levels in role expansion and different patterns of role renewal (i.e., renewal of endangered mandates and renewal of reallocated mandates). Therefore, the **research goal** of the thesis is:

To provide insights through a multi-lens perspective into ‘role expansion’ and ‘role renewal’ as the major forms of subsidiary contributory role development and, more specifically, into the different patterns of role development within each of these two major forms.

This **research goal** seeks to explore the different major forms of subsidiary contributory role development, i.e., ‘role expansion’ and ‘role renewal’, rather than one specific form given little empirical attention to the issue of subsidiary role renewal. More specifically, it aims to provide insights through a multi-lens perspective into the different patterns of role development within each of these major forms, since there is a lack of detailed, theory-building research on this area.

Building on the work of White and Poynter (1984), prior research has defined the subsidiary’s intra-firm role as having operational responsibilities along three dimensions: product, value-added (functional) and geographical (Birkinshaw & Hood, 1997; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Enright & Subramanian, 2007; Filippov & Duysters, 2012). Consistent with earlier studies, subsidiary role expansion at various levels, and the different patterns of subsidiary role renewal (i.e., renewal of endangered mandates, and renewal of reallocated mandates) will be explored in terms of changes in the product, value-added and geographical scopes of international responsibilities (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Filippov & Duysters, 2012; He et al., 2018; Verbeke & Yuan, 2018).

Importantly, the thesis will examine how the different patterns of role expansion and role renewal result not only from individual effects of the factors derived from a multiple theoretical lens (i.e., corporate attention, network linkages, institutional factors, and resource deployment by the subsidiary) but also from their combined effects. Prior research suggests that role change events can be driven by a particular influencing factor or by a combination of multiple influencing factors (Dörrenbächer & Gammelgaard, 2010; Filippov & Duysters, 2012; Filippov & Duysters, 2014; Golikova et al., 2011; Pedersen, 2006; Rezende et al., 2014; van Egeraat & Breathnach, 2012). Taken together, the following research objectives are formulated in order to address the research goal:

Research objectives (ROs):

RO1: To explore the major forms of subsidiary contributory role development (i.e., ‘role expansion’ and ‘role renewal’) in terms of changes in the subsidiary’s international mandates in product, value-added and geographical areas. More specifically, to identify the different patterns of role development within each of these major forms.

RO2: To investigate how subsidiary role development in terms of role expansion results from the individual and/or combined effects of the factors drawn from the multiple theoretical lenses.

RO3: To investigate how subsidiary role development in terms of role renewal results from the individual and/or combined effects of the factors drawn from the multiple theoretical lenses.

These research objectives are interrelated and cannot be considered in isolation. RO1 serves as a precedent for RO2 and RO3. Specifically, the thesis will first identify different patterns of ‘role expansion’ and ‘role renewal’ in line with RO1. This will be followed by an exploration of the individual and combined effects of the factors derived from the multiple theoretical lenses on these different patterns of ‘role expansion’ and ‘role renewal’ in addressing RO2 and RO3.

1.5 RESEARCH DESIGN

The thesis is situated within the realism research paradigm because of the time- and context-bound reality of subsidiary contributory role development. The full materialisation of the

interplay between contributory role development and its drivers (e.g., internal and external resources, and network linkages) is likely to be determined by contextual factors (e.g., corporate executives' attentional processing, internal competition for mandate, and the subsidiary's institutional environments). Prior research suggests that the temporal horizon of the subsidiary's role expansion path is considerably long, as it evolves over time when it interacts with its internal and external environments (Achcaoucaou et al., 2014; Figueiredo, 2011; Figueiredo & Brito, 2011; Mattes & Späth, 2013). Thus, the reality of subsidiary contributory role development is both time- and context-bound. As a result, it would be difficult for a one-way value-free quantitative research method to adequately describe this time- and context-bound reality.

Realists seek to construct different views of this time- and context-bound external reality (Robson, 2011; Sobh & Perry, 2006). They claim that this time- and context-bound external reality can be best understood when different sources of information are collected and triangulated (Riege, 2003). Thus, they have explicitly advocated value-laden qualitative strategies, such as a case study design (Sobh & Perry, 2006).

In addition, an exploratory nature of the research area makes a qualitative research is most appropriate for this thesis, as this type of research is more likely to be qualitative oriented. Particularly, using an interview method would allow the researcher to get into the topic, enabling a deeper exploration of the undetermined constructs and contextual factors, which may affect the research subject (Guest, Namey, & Mitchell, 2012; Parkhe, 1993; Robson, 2011).

Among various qualitative research strategies, a multiple case study design was chosen for the following reasons. First, a case study research uses different sources of information, and is thus able to provide an in-depth understanding of the phenomenon under investigation (i.e., subsidiary contributory role development) in each case (Dyer & Wilkins, 1991; Yin, 2014). Second, a case study design is able to describe a time- and context-bound reality, and how things changed over time. By simultaneously collecting and triangulating different sources of data, it can effectively describe the long-term role expansion paths of the subsidiaries, and the context in which they occur (Dyer & Wilkins, 1991; Halinen & Törnroos, 2005; Pettigrew, 1997; Yin, 2014). Finally, a multiple case study design involving

diverse (typical and atypical) cases was chosen because of its ability to aid in gaining more theory-driven variance and inferences (Pauwels & Matthyssens, 2004, p. 129), and in a “richer theory building” (Perry, 1998, p. 792).

The thesis adopts Strauss and Corbin’s qualitative research procedures to reinforce the theory-building process that is built upon a multiple case study design (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). Their research approach employs specific techniques, such as a constant comparison method and theoretical sampling, to ensure the conceptual density of the emerging theory. In line with their approach, the data collection and analysis processes of this thesis are interconnected. The data analysis of the thesis began as soon as the first piece of the data was collected. The data was analysed using a constant comparison method, by which incidents in the findings were constantly compared throughout the research process. Consistent with Strauss and Corbin’s approach, the sampling process of the thesis was based on a theoretical sampling, wherein the data analysis and the emergent theoretical concepts directed the next data collection to further explore these concepts (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998).

The thesis involves nine in-depth case studies, and employed semi-structured interviews with subsidiary managers and secondary data analysis as the main data collection techniques. The thesis explores the subsidiary perspective in depth in order to gain a deeper understanding of the subsidiaries’ contributory role development. In total, 30 semi-structured interviews with subsidiary managers from nine foreign-owned subsidiaries in New Zealand were conducted. Wherever possible, interview data from one participant were triangulated with those from another participant(s), as well as with the secondary data. The thesis employed this data triangulation method as a tactic for producing an accurate representation of perceptions of the corporate executives. The secondary data employed by this thesis included information collected from corporate websites, annual reports of the corporate headquarters, and news, trade magazines and reports in which the corporate executives were interviewed. It has been argued that annual reports can reflect perceptions and insights of corporate executives (Bouquet & Birkinshaw, 2008).

In addition, this data triangulation method and the use of secondary data are useful methods in dealing with long-term contributory role development of the subsidiaries. The temporal

horizon of the role expansion paths of the foreign subsidiaries tends to be considerably long. Like more previous studies, the thesis has to draw on the retrospective data to analyse these long-term role expansion paths (Birkinshaw & Hood, 1997; Dimitratos et al., 2009; Dörrenbächer & Gammelgaard, 2006, 2010; Figueiredo, 2011; Figueiredo & Brito, 2011; Mattes & Späth, 2013; Rezende et al., 2014; Sandvik, 2010). Most of these secondary data employed by the thesis have been produced at different time points, and therefore can reduce retrospective bias as well, when describing these long-term role extension paths of the subsidiaries (Birkinshaw & Hood, 1997; Piekkari, Nell, & Ghauri, 2010; Rezende et al., 2014). In addition, data triangulation can significantly mitigate retrospective bias (Piekkari et al., 2010).

1.6 RESEARCH MOTIVATIONS

This thesis has been motivated by two major factors. The first comes from the significance of the research topic. Subsidiaries play a crucial role in contributing to growth and survival of the MNEs in the global market (Birkinshaw et al., 1998; Birkinshaw & Pedersen, 2009). They are also the contributors to the host country's economy, more directly to its export revenue (Birkinshaw & Hood, 1997). Theory-building empirical research on development of subsidiary contributory roles is, however, far from sufficient, as indicated above. Therefore, the thesis aims to contribute an in-depth understanding of this development and the underlying mechanisms of it.

The second motivation for conducting this research comes from the potential of the thesis to contribute to the subsidiary development literature through an application of the multiple theories: the attention-based, GPN, institutional, resource-based, and resource dependence theories. These theories are helpful to explain subsidiary contributory role development. Nevertheless, their insights have not yet been explored in depth, as discussed above. Therefore, through an application of these theoretical perspectives, the thesis aims to contribute to the extant literature on subsidiary development by extending it with these theories.

1.7 RESEARCH CONTRIBUTIONS

The thesis makes theoretical and practical contributions. In terms of theoretical contributions, it contributes to the subsidiary development literature by developing two emergent theoretical frameworks and a set of theoretical propositions based on the empirical findings. These frameworks are named as the emergent ‘subsidiary role expansion’ and ‘subsidiary role renewal’ frameworks respectively. Guided by the reviewed theoretical perspectives (the attention-based, GPN, institutional, resource-based, and resource dependence theories) and based upon the empirical findings, these frameworks and propositions provide new insights into subsidiary contributory role development. By doing so, they extend the literature on subsidiary development with these theoretical perspectives.

The emergent ‘subsidiary role expansion’ framework provides unique insights into how subsidiary role expansion at various levels can be shaped by the combinations of: *(i)* presence or absence of the parent’s positive attention; *(ii)* the respective patterns of internal and external (local/global) linkages; *(iii)* institutional factors in local, internal and/or transnational settings; and, *(iv)* the subsidiaries’ deployment of superior resources. A set of theoretical propositions were established to elaborate the combined and individual effects of these factors on subsidiary role expansion at various levels. These effects have not yet been explored in depth in the extant literature on subsidiary development.

Guided by the reviewed theoretical perspectives, the emergent ‘subsidiary role renewal’ framework identifies the combined and individual effects of the factors on the endangerment and loss of international responsibilities. These factors are: *(i)* the parent’s negative attention; *(ii)* its limited attentional capacity, defined as its incapacity to detect and recognise key stimuli for decision-making (Ocasio, 1997); *(iii)* the MNE’s internal restructuring; and, *(iv)* subsidiary-level superior resources lacking a parent’s recognition, its resource dependence or a mobility barrier. The framework identifies patterns of combined or individual effects of *(i)* the parent’s positive attention and *(ii)* the subsidiary’s deployment of superior resources on the renewal of endangered and lost international responsibilities. The findings regarding these patterns of combined and individual effects of the factors on the renewal of international mandates are relatively new to the subsidiary development literature.

The findings have practical implications for: (i) subsidiary managers; (ii) headquarters executives; and, (iii) policymakers. They provide subsidiary managers with important insights into the development of subsidiary contributory roles. The findings suggest that corporate executives may not have enough information about the subsidiary's operations (Bouquet, Birkinshaw, & Barsoux, 2016; Rugman & Verbeke, 2003). Thus, the subsidiary's international mandates can be endangered or reallocated to other subsidiaries as a result of their misprocessing of a 'wrong' stimulus. Therefore, the findings suggest that corporate executives should take into account the subsidiary's 'voice' when reducing the latter's international responsibilities. For policy makers, the findings suggest the need to promote the country's regulatory framework, financial system and skill development system as they are revealed by the findings as the facilitators of the subsidiaries' role expansion at various levels.

1.8 ORGANISATION OF THE THESIS

This thesis is organised into eight chapters, as follows:

Chapter 1 provides an overview of the research topic, and the research goal and objectives. The research design is briefly discussed. The motivations for conducting the topic of subsidiary contributory role development, and the research contributions are explained. The structure of the thesis is outlined.

Chapter 2 provides a review of the extant subsidiary development literature and other relevant literature. The attention-based, global production network, institutional, resource-based, and resource dependence theories are reviewed to provide the theoretical foundation for the thesis. Potential influencing factors for subsidiary contributory role development are derived from these theoretical perspectives. A review of the relevant literature on these influencing factors is provided. The chapter concludes with an identification of the research opportunities arising from the research gaps and issues in the subsidiary development literature.

Chapter 3 develops the research framework that contains an initial theoretical framework, the definition of the research goal and objectives, and methodological considerations. The main purpose of this framework is to guide the empirical component of the thesis. Rationale

for the choice of a qualitative multiple case study design, and Strauss and Corbin's qualitative research procedures is discussed.

Chapter 4 elaborates the detailed methodological steps taken by the thesis. The empirical setting of the thesis is described as the foreign subsidiaries in New Zealand. Data collection and analysis procedures are outlined. Establishment of trustworthiness, and ethical considerations are then discussed. This is followed by a brief description of the sample case subsidiaries.

Chapters 5 and 6 present the empirical findings. As the first part of the empirical findings, *Chapter 5* presents the findings about subsidiary role expansion at five levels that are evident in the sample subsidiaries. As the second part of the empirical findings, *Chapter 6* presents the findings regarding events characterising subsidiary role renewal (i.e., mandate endangerment, renewal of endangered mandates, mandate reallocation, and renewal of reallocated mandates).

Chapter 7 discusses the research findings by developing two emergent theoretical frameworks: the emergent 'subsidiary role expansion' and 'subsidiary role renewal' frameworks. While the former provides insights into subsidiary role expansion at five levels, the latter sheds light on the contributory role renewal of the subsidiaries. A set of theoretical propositions are also proposed.

Chapter 8 concludes the thesis by highlighting the theoretical contributions and practical implications of the findings. Future research directions are then suggested by addressing limitations of the thesis.

CHAPTER 2 - LITERATURE REVIEW

The research aim of this thesis is to provide insights through the lenses of the attention-based, GPN, institutional, resource-based and resource dependence theories into subsidiary contributory role development. A comprehensive review of these theoretical perspectives and the existing literature on this development is provided in this chapter. The chapter identifies specific research opportunities arising from the research gaps and issues in this body of literature.

The chapter contains four sections, as follows: Section 2.1 provides background information on subsidiary contributory role development, and a review of existing research directions in the subsidiary development literature. The terms ‘subsidiary contributory role’ and ‘subsidiary contributory role development’ are defined in this section. The classification framework for various levels of subsidiary contributory roles is presented. The five aforementioned theories are reviewed in Section 2.2 to provide the theoretical foundation for the thesis. Through these theoretical lenses, Section 2.3 then identifies the potential influencing factors for subsidiary contributory role development. The chapter concludes in Section 2.4 with an identification of specific research opportunities arising from the research issues and gaps in the existing subsidiary development literature.

2.1 BACKGROUND INFORMATION AND RESEARCH ON SUBSIDIARY CONTRIBUTORY ROLE DEVELOPMENT

This section provides background information on subsidiary contributory role development. It defines the terms ‘subsidiary contributory role’ and ‘subsidiary contributory role development’. The classification framework for different levels of subsidiary contributory roles is developed. Since the thesis takes ‘subsidiary contributory role development’ as a research subject, a review of existing research directions in the subsidiary development literature is undertaken in this section.

2.1.1 BACKGROUND AND DEFINITION OF SUBSIDIARY CONTRIBUTORY ROLE

FSA or ownership advantages refer to advantages and strengths specific to a particular firm that potentially form the basis for its competitive advantage over rival firms in home and

overseas markets (Dunning, 1980, 1988, 1994; Dunning & Lundan, 2008; Rugman & Verbeke, 1992). FSAs include both asset-specific and transaction cost-minimising advantages. Asset-specific advantages derive from a firm's possession of its assets. They include: its knowledge embodied in product and production technologies; its relational assets (that is, its within-firm and inter-firm relationships); and, its functional capabilities such as accumulated expertise in marketing and research and development (R&D). Transaction cost-minimising advantages reflect an MNE's ability to minimise transaction cost as a result of its ability to coordinate its assets located in multinational locations and/or to take advantage of locational advantages from these heterogeneous contexts (Dunning, 1980, 2003; Dunning & Lundan, 2008; Dunning & Norman, 1983; Narula, 2014). The early works on foreign direct investment tend to assume that these FSAs, particularly asset-specific ones, are developed in the home country, and then transferred to foreign subsidiaries (Dunning, 1973, 1980; Dunning & Buckley, 1977). As observed by Rugman and Verbeke (2001), subsidiary-level entrepreneurial efforts potentially leading to creation and augmentation of these advantages are largely neglected in these early works.

Research in the 1980s and the 1990s, however, began to acknowledge foreign subsidiaries as the potential contributors to development of MNE-level FSAs. A paradigmatic shift from a 'hierarchical' to a 'heterarchical' view of the MNE was evident in this era. Foreign subsidiaries in a heterarchical MNE are viewed as operating within networks of organisations and as the candidates for contributing to the MNE's FSAs, as they seek and offer opportunities that can be ultimately leveraged on the global basis (Hedlund, 1986, 1993; Hedlund & Rolander, 1990). In parallel with this paradigmatic shift, researchers in this era propose different tools to classify different strategic roles played by foreign subsidiaries, and to capture different natures of their contribution to MNE-level FSAs. Table 2-1 describes the dimensions used by the early subsidiary role typologies to define subsidiary roles. The work of White and Poynter (1984) is one of the first pioneering studies on the classification of different roles pursued by foreign subsidiaries. It classifies their distinctive roles in terms of their contribution to the product, value-added (functional) and geographical (market) scopes of activities. Other typologies are based on dichotomous or trichotomous dimensions, resulting in three to six subsidiary roles.

Table 2-1: Dimensions used by the early subsidiary role typologies

| Authors | Dimensions used by the early subsidiary role typologies |
|-------------------------------|--|
| White and Poynter (1984) | Product scope of activities/responsibilities; Value-added scope of activities/responsibilities; Geographical scope of activities/responsibilities. |
| D'Cruz (1986) | The extent of the subsidiary's decision-making authority; The extent of the subsidiary's global market involvement. |
| Bartlett and Ghoshal (1986) | The competence of the subsidiary; The strategic importance of the subsidiary and its local environment to the MNE's global strategy. |
| Jarillo and Martínez (1990) | The extent of global integration of the subsidiary's functional activities; The extent of the subsidiary's responsiveness to the local market. |
| Gupta and Govindarajan (1991) | The extent of knowledge inflow from the MNE to the subsidiary; The extent of knowledge outflow from the subsidiary to the MNE. |
| Ferdows (1997) | Proximity to the market; Access to low-cost local resources; Access to skills and knowledge. |
| Randoy and Li (1998) | The extent of resource inflow from the MNE to the subsidiary; The extent of resource outflow from the subsidiary to the MNE. |

These dichotomous or trichotomous dimensions employed by the early subsidiary role typologies are unable to capture different natures of the subsidiaries' contribution that may vary across other potential dimensions (Cavanagh & Freeman, 2012; Enright & Subramanian, 2007). As observed by Enright and Subramanian (2007, p. 900), "the prevalence of two- [or three-]dimensional specifications has a similar effect of under-specification of subsidiary types within the MN[E]. There are many potential dimensions along which subsidiaries may differ. Failure to capture a sufficient richness in dimensionality can give rise to a partial picture of what is going on in reality." A notable exemption is the work of White and Poynter (1984). Avoiding use of extreme opposed categories, their work identifies different natures of subsidiaries' contributions according to the level to which they contribute to the three scopes of activities (the product, value-added and geographical scopes).

To avoid the above-mentioned pitfall associated with the early dichotomous or trichotomous typologies, Birkinshaw et al. (1998) use the term 'subsidiary contributory role' to refer to the extent to which a foreign subsidiary contributes to the MNE's FSAs that can be effectively exploited in the international marketplace. This term represents a continuum ranging from low- to high-level contribution rather than being based on non-continuous, extreme opposed

dimensions. This term is thus deliberately broad in scope so that different scenarios of the subsidiaries' contributions to the MNE's FSAs are considered. The MNE's competitive advantage in the international marketplace tends to be derived from FSAs that can be leveraged on an international basis (Álvarez & Cantwell, 2011; Birkinshaw et al., 1998). Therefore, a contributory role subsidiary must develop FSAs that can be effectively exploited in the international marketplace. It must be acknowledged that some of these advantages created at the subsidiary level are 'sticky', and thus cannot be easily transferred to the MNE's other locations. In such a case, these advantages can be better embodied in finished or intermediate products rather than be transferred to other parts of the MNE. Thus, advantages created by the subsidiary ultimately become part of MNE-level FSAs, when they are recognised by the parent through either being transferred to the MNE's other international operations or embodied in internationally sold products (Birkinshaw et al., 1998; Birkinshaw & Pedersen, 2009; Rugman & Verbeke, 2001).

Therefore, the term 'subsidiary contributory role' has been used to refer to the extent to which a foreign subsidiary has international responsibilities and/or creates new ones on behalf of the MNE as a whole (Birkinshaw et al., 1998). The work of Birkinshaw et al. (1998) recognises, and their empirical findings show, that the subsidiary's contributory role (international responsibilities) can be given by the parent, or earned and expanded through its autonomous activities (initiatives). There is also a widespread acknowledgement that some subsidiaries are capability creators, while others are capability exploiters/utilisers with a low level of capability creation. The latter exploit the MNE's existing capabilities to serve designated markets, while the former are the creators of new assets and capabilities through their own initiatives (Achcaoucaou et al., 2014, 2017; Cantwell & Mudambi, 2005; Enright & Subramanian, 2007). A distinction between activities of these two types of subsidiaries is provided in Table 2-2 below. There is a consensus in the literature that these new capabilities created through such autonomous actions of the subsidiary can contribute substantially to creation of new FSAs (Achcaoucaou et al., 2014, 2017; Cantwell & Mudambi, 2005; Enright & Subramanian, 2007). These new capabilities could potentially provide the MNE with new business opportunities, and could also benefit it to compete effectively in the international marketplace (Álvarez & Cantwell, 2011; Andersson, Dellestrand, & Pedersen, 2014;

Birkinshaw, 1997; Birkinshaw & Fry, 1998; Enright & Subramanian, 2007; Kacani & van Wunnik, 2017; Rugman & Verbeke, 2001; Wu, Wang, Hong, Piperopoulos, & Zhuo, 2016).

Table 2-2: Activities of capability-creating and capability-utilising subsidiaries

| Examples of activities of capability-creating subsidiaries | Examples of activities of capability-utilising subsidiaries |
|---|---|
| <p>Activities leading to creating capabilities that are of a more novel nature relative to the MNE's existing practices:</p> <ul style="list-style-type: none"> • Home-based augmenting investment; strategic-asset seeking investment • New product design; new product technology; development of prototypes, products or components; development of new inputs for the MNE • Major improvements to machinery; new process technology • Undertaking specialised functional areas (management and R&D) for a particular product lines(s) on behalf of the MNE as a whole | <p>Activities leading to gaining capabilities that are of a more duplicative nature relative to the MNE's existing practices:</p> <ul style="list-style-type: none"> • Home-based exploiting investment; market-servicing investment • Assimilating product technology from the MNE or that already exists in the MNE; minor adaptation of the MNE's products to market needs; Product quality improvement • Minor process adaptation and improvements to launch existing products; assimilating process technology from the MNE or that already exists in the MNE |

Source: adapted from Achcaoucaou et al. (2014, 2017); Cantwell and Mudambi (2005); Enright and Subramanian (2007)

Birkinshaw et al. (1998) refer to high contributory role subsidiaries as those with a wide range of international value-added responsibilities and with a high level of capability creation activities. Examples are world mandates and centres of excellence. These scholars refer to low contributory role subsidiaries as those with a narrow range of international responsibilities and with a low level of capability creation.

Several studies have agreed with the work of White and Poynter (1984) that subsidiary roles can be best identified based on the extent to which the subsidiaries have the product, value-added and geographical scopes of responsibilities (e.g., Birkinshaw & Hood, 1997; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Enright & Subramanian, 2007; Filippov & Duysters, 2012). The product scope refers to the range of products or product lines offered by the subsidiary. The value-added scope refers to its value-added activities adding value to these products or product lines. These activities include, but are not limited to, marketing,

R&D, production, and after-sales services. The geographical scope refers to the range of geographical markets served by the subsidiary (White & Poynter, 1984). Enright and Subramanian (2007) observe that these three scopes have been consistently used as defining tools to classify and understand subsidiary roles in the subsidiary literature.

An output of the subsidiary's capability-creating activities (as well as its capability-utilising ones) (refer to Table 2-2 above in this section) is an increase in the product, value-added and/or geographical scopes of its responsibilities (Dörrenbächer & Gammelgaard, 2006; Enright & Subramanian, 2007). Examples of such increase will be provided later (refer to Table 2-4 in Section 2.1.3 below).

Building upon these earlier works, the thesis proposes a working definition of a 'contributory role' as: the extent to which a subsidiary has and/or creates international responsibilities in terms of the product, value-added and geographical scopes. This working definition is consistent with the original definition of the term 'contributory role': the extent to which a foreign subsidiary has international responsibilities and creates new ones on behalf of the MNE as a whole (Birkinshaw et al., 1998). Justification for use of the product, value-added and geographical scopes to define this term is also consistent with the pioneering work of Birkinshaw et al. (1998) on this term. Their work refers to activities/responsibilities of a contributory role subsidiary as any value-added activities such as R&D, product management, and manufacturing. In this thesis, the terms 'international responsibility', 'international mandate' and 'mandate' will be used interchangeably, since each of the three has been used to refer to a subsidiary's responsibilities beyond its national market (see Birkinshaw, 1996).

2.1.2 THE CLASSIFICATION FRAMEWORK FOR SUBSIDIARY CONTRIBUTORY ROLES

Five types of subsidiary contributory roles are identified from the existing literature: (i) single-activity subsidiary; (ii) rationalised operator; (iii) regional implementer; (iv) regional mandate; and, (iv) world mandate. This led to the development of the classification framework for the various levels of subsidiary contributory roles. This framework is depicted in Table 2-3. The term 'contributory role' represents a continuum ranging from low- to high-levels (Birkinshaw et al., 1998). Therefore, the framework identifies the different levels of

contributory roles according to the degree to which the subsidiary has and/or creates international responsibilities in terms of its product, value-added and geographical scopes.

Table 2-3: The classification framework for the various levels of contributory roles

| Contributory role (from 'low' to 'high' contributory roles) | The degree to which a subsidiary has and/or creates international responsibilities in terms of the product, value- added and geographical scopes |
|---|--|
| ○ Single-activity subsidiary | ▲ Low |
| ○ Rationalised operator | |
| ○ Regional implementer | |
| ○ Regional mandate; World mandate | ▼ High |

The Single-Activity Subsidiary. The single-activity subsidiary is defined as one that is established to rationalise a single activity of the MNE, such as the MNE’s procurement function or trading operation (Narula, 2003). Some MNEs are product manufacturers, branded merchandisers, retailers, or global trading companies. These MNEs may establish single-activity subsidiaries in foreign locations that engage solely in acquiring raw resources or in coordinating local sourcing networks. Thus, this type of subsidiary contributes to the MNE’s rationalisation strategy by securing efficient supply, and to development of transaction cost-minimising advantages (Dicken, 2015; Gereffi, 1994; Narula, 2003). Apart from this single value-added activity, a single-activity subsidiary may not have other product and value-added responsibilities. Resources it acquired from the host market may be further processed by the MNE’s other foreign units, or may be traded in the global market. Therefore, this type of subsidiary has the geographical scope of international responsibilities. The alternative terms that have been used to refer to this type of contributory role include ‘trading affiliate’ and ‘resource-extractive affiliate’ (Narula, 2003).

The Rationalised Operator. The rationalised operator has production responsibilities for a narrow range of product(s) within a particular product line, or for intermediate products within a particular value chain (Birkinshaw & Hood, 1997; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Kacani & van Wunnik, 2017; Narula, 2003; Pearce, 2001; White & Poynter, 1984). This type of subsidiary typically contributes to the MNE’s global

rationalisation strategy. Such contribution tends to derive from its excellence in production and/or from its capacity to exploit the host country's location-specific advantages (for example, cheap inputs) or to realise economies of scale (Narula, 2003; Pearce, 2001). Therefore, the rationalised operator tends to be the contributor to development of the MNE's transaction cost-minimising advantages.

A 'pure' rationalised operator engages primarily in production responsibilities. It may perform process improvement to be able to manufacture products assigned by the parent (White & Poynter, 1984). Other major value-added activities, such as product development, R&D, and marketing, are carried out by other units (Narula, 2003; Pearce, 2001). Thus, this type of subsidiary is a capability utiliser with a low level of capability creation. Its finished products may be exported to the MNE's global market, while its intermediate products may be subsequently exported to and processed by other units in different locations (Kacani & van Wunnik, 2017; White & Poynter, 1984). Therefore, the value-added scope of activities for a rationalised operator is considerably narrower (Birkinshaw & Morrison, 1995). Compared to a single-activity subsidiary, it however tends to have wider international responsibilities in product and value-added scopes.

The Regional Implementer. A regional implementer is designed to launch the MNE's global products in the regional market. R&D and product development activities are likely to occur in other parts of the MNE. Thus, like a rationalised operator, a regional implementer is a capability utiliser. It typically has a low level of capability creation (Birkinshaw, 1998; Enright & Subramanian, 2007).

A regional implementer tends to have broader value-added responsibilities than a rationalised operator. In addition to production responsibilities, it may also undertake other value-added activities, such as sales and marketing, after-sales services, and minor product/process adaptations (Birkinshaw, 1998; Enright & Subramanian, 2007; Narula, 2003; Pearce, 2001). These activities are important to achieve responsiveness to the regional markets, leading to augmentation of existing asset-specific advantages. Birkinshaw (1998) calls this type of contributory role a regional hub.

The World Mandate and Regional Mandate. The world mandate and regional mandate subsidiaries have worldwide or regional market responsibility for a particular product line or the entire business of the MNE. They have broad value-added responsibilities (including R&D and production responsibilities) for this line of product or business. The distinction between these subsidiaries and regional implementers lies primarily in the extent to which they have mandates for development (capability creation) activities. The mandate subsidiaries (the world mandate and regional mandate subsidiaries) have mandates for development of new product (and process) areas for this particular product or business line, and therefore perform a higher level of capability creation (Birkinshaw & Hood, 1997; Birkinshaw & Morrison, 1995; Delany, 1998, 2000; Papanastassiou & Pearce, 2009; Pearce, 2001). Thus, their contribution to creation of new asset-specific advantages is substantially higher than that of a regional implementer.

2.1.3 THE DEFINITION OF SUBSIDIARY CONTRIBUTORY ROLE DEVELOPMENT

The thesis is now in a position to discuss the research subject: subsidiary contributory role development. The three terms, ‘subsidiary development’, ‘subsidiary role development’, and ‘subsidiary contributory role development’, can be used to refer to growth, enhancement, and/or sustainability of a subsidiary’s resource profile and responsibilities (Birkinshaw & Hood, 1997). Growth and enhancement of its resource profile will lead to its acquisition of a more advanced subsidiary role, or to extension of its existing role and responsibilities (Birkinshaw & Hood, 1997; Dörrenbächer & Gammelgaard, 2006). Achieving a sustainable position for these resources and responsibilities is also an integral part of subsidiary development, in part because they can be lost or endangered as a result of factors such as a change in corporate strategy (Balogun et al., 2011; Birkinshaw, 1996; Birkinshaw & Hood, 1997).

In this thesis, these three terms (‘subsidiary development’, ‘subsidiary role development’, and ‘subsidiary contributory role development’) will be used interchangeably. A subtle difference between them lies in the fact that the term ‘subsidiary contributory role development’ is concerned primarily with development and expansion of a contributory role (a subsidiary role with international responsibilities), while the other terms may or may not. The terms ‘subsidiary development’ and ‘subsidiary role development’ may also represent

development and expansion of local product/market responsibilities (Rezende et al., 2014; Sandvik, 2010). The term ‘subsidiary contributory role development’ will be defined more precisely later in this section.

In line with the work of White and Poynter (1984), prior research has described a subsidiary’s role development in terms of an increase in one or more of its responsibilities in product, value-added, and geographical scopes (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Filippov & Duysters, 2012; He et al., 2018; Verbeke & Yuan, 2018). According to White and Poynter (1984), “changes along one or more of these [scopes of responsibilities] represent a fundamental shift in the strategy of a subsidiary” (p. 59). Examples of a subsidiary’s expansion of its product, value-added and geographical responsibilities are provided in Table 2-4.

Table 2-4: Examples of product, value-added and geographical area expansion

| Examples of product area expansion | Examples of value-added area expansion | Example of geographical area expansion |
|---|--|--|
| <ul style="list-style-type: none"> • Introducing new products within an existing product line • Producing relatively more sophisticated or advanced products based on a new product or production technology • Expanding into a new product or business line | <ul style="list-style-type: none"> • Expanding into a new function area (e.g., R&D, marketing, and sales and distribution) • Undertaking product/process development and enhancement tasks (e.g., new product development, process improvements, and introducing a new product or production technology) | <ul style="list-style-type: none"> • Expanding into a new geographical market |

Source: adapted from Achcaoucaou et al. (2014); Birkinshaw (1996); Dörrenbächer and Gammelgaard (2006)

Two major forms of subsidiary contributory role development are identified: (i) subsidiary role expansion; and, (ii) subsidiary role renewal.

Subsidiary role expansion. The term ‘subsidiary role expansion’ is used in this thesis to refer to a subsidiary’s expansion of its existing contributory role without moving towards a more advanced contributory role, or its evolution towards a more advanced one (Birkinshaw, 1996; Chen et al., 2013; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Kacani & van Wunnik, 2017). A capability utiliser may attain a world or regional mandate status by taking

on a product development and design function, or by achieving process innovations through its own initiatives (Birkinshaw & Hood, 1997; Dörrenbächer & Gammelgaard, 2006; Kacani & van Wunnik, 2017). In such a case, the subsidiary evolves towards a more advanced contributory role by expanding its value-added scope of international responsibilities (Birkinshaw, 1996; Chen et al., 2013; Delany, 1998; Dörrenbächer & Gammelgaard, 2006). In some cases, a subsidiary may expand its existing contributory role by extending into the new product or value-added areas without moving towards a more advanced contributory role (Chen et al., 2013; Delany, 1998, 2000).


It must be acknowledged that the term ‘role expansion’ can also represent expansion of a subsidiary’s product or value-added responsibilities with a focus on serving its local market (Rezende et al., 2014). In this thesis, this term will be reserved only for expansion of its contributory role or international responsibilities.

A subsidiary cannot assume a new contributory role or expand its existing one by merely increasing the scale of its existing international responsibilities. Dörrenbächer and Gammelgaard (2006) point out that a change in scale reflects the degree of change itself and does not represent the actual introduction of new FSAs. It does not represent a fundamental change in the subsidiary’s strategy, and thus does not lead to a role development. As they note,

“differentiating between scale and scope has the following effect: it [subsidiary role development] is the *actual introduction* of a new geographical market, product or value-added activity that is seen as a fundamental change, rather than the degree of change itself. A subsidiary that gains a mandate to start R&D activities has developed its role in the MN[E] organi[s]ation, even though the activity might be carried out only by few engineers. A later extension of the R&D activity is, though, not interpreted as a role development” (Dörrenbächer & Gammelgaard, 2006, p. 268).

The levels of role expansion may vary ranging from low to high level of expanded international responsibilities. Table 2-5 ranks subsidiary role expansion at four levels in terms of the degree to which subsidiaries expand and/or create international product, value-added and market responsibilities.

Table 2-5: Subsidiary role expansion at four levels

| Subsidiary role expansion at various levels (from 'low' to 'high' level of expanded international responsibilities) | The degree to which a subsidiary expands and/or creates its international responsibilities in terms of product, value-added and geographical scopes |
|--|---|
| ○ Extension of only the geographical mandate |  |
| ○ Development of the rationalised operator role | |
| ○ Development of the regional implementer role | |
| ○ Development of the regional mandate and world mandate roles | |

Extension of only the geographical mandate is an example of role expansion at a low level. A subsidiary may penetrate new markets with existing products, but may not introduce new product and value-added areas of responsibilities (Delany, 1998). This level of role expansion also includes extension of the primary mandate of a single-activity subsidiary. By definition, this type of subsidiary has only a single value-added activity and geographical area of responsibilities; it does not have product and other value-added responsibilities (Narula, 2003). Therefore, unless it evolves towards a more advanced contributory role, extension of this primary mandate can be seen as changes merely in its geographical mandates. These subsidiaries add to the stock of the MNE's FSAs by transforming existing FSAs or locational advantages into internationally-exploitable FSAs (Rugman & Verbeke, 2001).

In the development of the rationalised operator and regional implementer roles, subsidiaries extend into new product responsibilities designated to them by the corporate group, and perform production area responsibilities to produce these products (Athreye, Tuncay-Celikel, & Ujjual, 2014; Kacani & van Wunnik, 2017). The development of a regional implementer role tends to be encompassed by changes in broader value-added responsibilities than that of a rationalised operator role. In addition to production area responsibilities, a regional implementer may carry out other value-added activities to achieve responsiveness to the regional markets. These activities, for example, include adapting the group's products to

regional market requirements (Athreye et al., 2014) and/or after-sales services (Birkinshaw, 1998). They augment existing asset-specific advantages.

Subsidiaries assuming the world mandate and regional mandate roles are strategically responsible for the MNE's product line(s) for the global or regional market. The development of these contributory role subsidiaries is thus typically driven by a high level of their capability-creating activities, such as creating new product lines and/or developing new product (and process) areas within existing product line (Birkinshaw & Hood, 1997; Delany, 1998, 2000; Kacani & van Wunnik, 2017). These activities contribute to a substantial change in the stock of the MNE's FSAs.

Subsidiary role renewal. As the second form of subsidiary contributory role development, 'subsidiary role renewal' is defined in this thesis as a subsidiary's renewal of endangered or reallocated international responsibilities. There is little detailed research on this form of role development (Balogun et al., 2011). Thus, little is known in the extant subsidiary development literature about patterns of subsidiary role renewal and mechanisms driving them. The thesis identifies two patterns of subsidiary role renewal, named as 'renewal of endangered mandates' and 'renewal of reallocated mandates'. The former can be characterised by events such as 'mandate endangerment' and 'renewal of endangered mandates', and the latter by events such as 'mandate reallocation' and 'renewal of reallocated mandates'. 'Mandate endangerment' is referred to as a situation in which subsidiary mandates are in danger of being eliminated from the corporate system, or of being lost to other units (Balogun et al., 2011; Birkinshaw, 1996). 'Mandate reallocation' occurs when subsidiary mandates are reallocated to other units by the parent (Dörrenbächer & Gammelgaard, 2006, 2010).

While some subsidiaries do not regain these endangered or reallocated mandates (Birkinshaw, 1996; Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016), the others may still have potential to regain (part of) these mandates (Balogun et al., 2011). Therefore, 'renewal of endangered mandates' is referred to as an event in which the subsidiary renews endangered mandates by securing the parent's continuing support for them. 'Renewal of reallocated mandates' is defined as an event in which the subsidiary renews reallocated mandates by reacquiring them. Such a mandate renewal would eventually

result in regrowth of its resource profile and responsibilities, or enhancement of survival of endangered ones (Balogun et al., 2011).

The terms ‘strategic renewal’ and ‘subsidiary role renewal’ are not treated as synonymous in this thesis. In the former, a subsidiary’s existing strategies (for example, its product offerings or business areas) are redefined into somewhat different ones. Such a strategic renewal may not necessarily result in growth of its resource profile, or enhancement of sustainability of its endangered one (Verbeke, Chrisman, & Yuan, 2007). On the other hand, when a subsidiary renews its reallocated or endangered international mandates, this renewal may not necessarily redefine its strategies into different ones.

Taken together, ‘subsidiary contributory role development’ is defined as the subsidiaries’ role expansion at various levels, and their renewal of endangered or reallocated international responsibilities. The review of existing research directions in the subsidiary development literature is provided below.

2.1.4 EXISTING RESEARCH DIRECTIONS IN THE SUBSIDIARY DEVELOPMENT LITERATURE

Several previous studies on subsidiary role development tend to use the subsidiary development framework developed by Birkinshaw and Hood (1997, 1998) as a guiding tool to analyse intra-firm role expansion of foreign subsidiaries (e.g., Filippov & Duysters, 2012; Filippov & Duysters, 2014; Rezende et al., 2014). The framework is concerned with expansion of ongoing-subsidiary roles, through which subsidiaries add to the stock of subsidiary-level and MNE-level resources. Taking a heterarchical view of MNE, this framework sees a foreign subsidiary as a semiautonomous one that has potential to develop over time through its own entrepreneurial pursuits and network linkages (Birkinshaw & Hood, 1997, 1998). Similar to other previous studies on subsidiary development, this framework focuses on expansion of ongoing-subsidiary roles rather than on subsidiary role renewal. To date, only a few studies (e.g., Balogun et al., 2011) have examined subsidiary role renewal, which is to be discussed below.

More specifically, the framework developed by Birkinshaw and Hood (1997, 1998) identifies three drivers of subsidiary role expansion as: (i) parent; (ii) subsidiary initiative, defined as

a subsidiary's entrepreneurial efforts in creating new FSAs, or in enhancing existing ones; and, (iii) supportive policies and business environment in the host country. Based on this framework, temporal duration of subsidiary role expansion can be seen as rather long, since it tends to involve a series of the subsidiary's initiatives and/or interactions with its parent company and also the external environment (Achcaoucaou et al., 2014; Birkinshaw & Hood, 1997; Figueiredo, 2011; Figueiredo & Brito, 2011; Rezende et al., 2014). The rest of this section is devoted to a review of existing literature on these three drivers. Their effects on mandate endangerment, reallocation, and renewal events will also be reviewed.

2.1.4.1 The Parent Company

The parent company possesses a formal hierarchical position, and can control critical resources, which may not be readily available to the subsidiary (Birkinshaw & Hood, 1997; Mudambi, Pedersen, & Andersson, 2014). Through this resource-based power, it can exert influences on subsidiary role development (Birkinshaw & Hood, 1997). A direct means through which a parent influences subsidiary development is making mandate/resource allocation and divestment. An indirect means is delegating autonomy to the subsidiary (Adeyemi, Slepnirov, Wæhrens, Boer, & Wu, 2014; Birkinshaw & Hood, 1997; Birkinshaw & Ridderstråle, 1999; Cavanagh, Freeman, Kalfadellis, & Cavusgil, 2017; Chang, 1995; Kacani & van Wunnik, 2017; Mattes & Späth, 2013).

Making mandate/resource allocation and divestment. New product mandates, product technologies and investment from the parent company can serve as the driving force of subsidiary role expansion (Chang, 1995; Suh, Wang, Nam, & Zhang, 2014; van Tuijl, 2013, 2014). There is a consensus that a parent company can drive the initial founding of a subsidiary's role by making substantial investments and transferring important resources (Adeyemi et al., 2014; Birkinshaw & Hood, 1997; Golikova et al., 2011; He & Khan, 2015; He et al., 2018; Mattes & Späth, 2013). Studies have shown how subsidiaries evolve over time as a result of sequential investments from the parent. Such sequential investments often result from learning the parent gained from its earlier investment in the host country, or from its earlier international expansion experience in different countries (Chang, 1995; Horn, 2016; Suh et al., 2014).

Birkinshaw and Ridderstråle (1999) put forward the notion of ‘corporate immune system’ to advance an understanding of how a parent’s management can act as a barrier to subsidiary role expansion and initiatives. They define ‘corporate immune system’ as the tendency that parent’s management views (promising) subsidiary initiatives as harmful ones and therefore rejects these initiatives without knowing their long-term advantages in advance. Evidence suggests that these resisting forces from corporate executives are likely to stem from their ethnocentric approach to mandate assignment, their suspicion of the unknown, their resistance to change, and resistance from competing units (Birkinshaw, 1996; Birkinshaw & Ridderstråle, 1999). Based on foreign subsidiaries in Hungary, Dörrenbächer and Gammelgaard (2004) find that subsidiaries there remains undeveloped, although the host country’s infrastructure is generally supportive. They argue that German parents’ ethnocentric attitude towards mandate assignment is a major barrier to capacity of these subsidiaries to receive new product mandates from the parents.

The parent can play an important part in mandate endangerment, reallocation and renewal events. Prior research suggests that subsidiary mandates that lack the parent’s recognition and that are strategically isolated from the group’s core business are likely to be in danger of being eliminated from the corporate system (Birkinshaw, 1996). Reasons behind parent-driven mandate reallocation include inferior performance and capabilities of the focal subsidiary (Dörrenbächer & Gammelgaard, 2010; Kemeny, Rigby, & Cooke, 2015; Lampón et al., 2015; Nachum & Zaheer, 2005; Navaretti, Castellani, & Disdier, 2010), and a shift in the MNE’s strategy towards the globalisation of its activities (that is to say, the MNE’s internal restructuring) (Achcaoucaou et al., 2014; Balogun et al., 2011). Additionally, the parent often has considerable influences on renewal of subsidiary roles and mandates, which it has already reallocated to other units (Balogun et al., 2011).

Autonomy delegation to the subsidiary. An indirect way in which the parent influences subsidiary role expansion and initiatives is through delegating autonomy to the subsidiary (Birkinshaw, 1997; Birkinshaw & Hood, 1997; Birkinshaw & Prashantham, 2012; Cavanagh et al., 2017; Delany, 2000; He & Khan, 2015; Raziq, Borini, & Perry, 2014; Sandvik, 2010; Sargent & Matthews, 2006). Evidence suggests that subsidiary autonomy can serve as a key facilitator of global market initiatives, which are aimed to create new products/services and

value-added mandates for the global or regional market (Birkinshaw, 1997; Birkinshaw & Prashantham, 2012; Gurkov, 2016; Kacani & van Wunnik, 2017; Raziq, Borini, et al., 2014).

Conversely, subsidiary autonomy is observed to be less relevant for development of the regional implementer and rationalised operator roles, and internal market initiatives. This is explained by the fact that a regional implementer extends into product responsibilities designated by the parent (Kacani & van Wunnik, 2017). The rationalised operator, and internal market initiatives are typically aimed at achieving reconfiguration and rationalisation of activities within the MNE. These activities often require a high degree of the parent's formal approval and that of inter-unit interactions, all of which can eventually put the subsidiary's autonomy under threat (Birkinshaw, 1997; Birkinshaw & Hood, 1997; Birkinshaw & Prashantham, 2012; Chiao & Ying, 2013; Kacani & van Wunnik, 2017; Raziq, Borini, et al., 2014).

2.1.4.2 The Subsidiary

Subsidiary-level drivers can be summarised as: (i) a subsidiary's initiatives and network relationships; (ii) its deployment of specialised resources; and (iii) its micro-political negotiation tactics.

Subsidiary's initiatives and network relationships. Prior research suggests that proactive subsidiary initiatives (in terms of development of new products, processes, businesses, and markets) are drivers of subsidiary role expansion (Delany, 1998, 2000; Filippov & Duysters, 2012). More recently, some studies have shifted focus to how these initiatives can be fuelled by the subsidiary's establishment of network relationships with internal and external actors. Of particular interest in these studies is how these relationships provide important innovation and knowledge inputs into its creation of product- and production-related competence (Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Filippov & Duysters, 2014; Lim, Hemmert, & Kim, 2017; Pu & Soh, 2018).

However, most of prior studies are concerned with how these internal and external network relationships shape a subsidiary's innovation performance, or its expansion of local product/market mandates (e.g., Achcaoucaou et al., 2014, 2017; Clancy, Ryan, Andersson, & Giblin, 2018; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Filippov & Duysters,

2014; Gilmore, Andersson, & Memar, 2018; Lim et al., 2017; Lo, 2016; Pu & Soh, 2018). Thus, less attention has been paid to how these network relationships affect the development of contributory roles (international responsibilities), though a few exceptions exist (e.g., Filippov & Duysters, 2014). How these internal and external network relationships contribute to subsidiary role expansion at various levels has not been adequately explored in depth. A review of existing literature regarding how a subsidiary's internal and external network interactions can fuel its role expansion is provided later (see Section 2.3.2).

Deployment of specialised resources. The MNE is often thought of as a competitive arena, in which subsidiaries may contest mandates of each other (Birkinshaw, 1996; Birkinshaw & Lingblad, 2005; Birkinshaw & Ridderstråle, 1999; Dörrenbächer & Gammelgaard, 2010; Gurkov & Morley, 2017; Lampón et al., 2015). There is evidence that subsidiaries lost their roles and mandates to competing units in their competition for these mandates (Balogun et al., 2011; Birkinshaw, 1996; Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016; Verbeke & Yuan, 2018). Thus, prior research suggests that the subsidiary must possess and deploy specialised resources, defined as those that are superior to those of other units (Birkinshaw et al., 1998; Cavanagh & Freeman, 2012), to be able to outperform other units in internal competitions for mandates (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015), and to sustain its existing mandates (Dörrenbächer & Gammelgaard, 2010). A review of existing literature regarding how a subsidiary's deployment of specialised resources can enhance mandate sustainability is provided later (see Section 2.3.4).

Micro-political negotiation tactics of subsidiary managers. A stream of research adopts a micro-political perspective to explain subsidiary role development. This perspective focuses on lobbying and negotiation skills of subsidiary managers and their interpersonal relationships with headquarters executives, and examines how these affect different scenarios in role change (Balogun et al., 2011; Dörrenbächer & Gammelgaard, 2006; Dörrenbächer & Geppert, 2009a, 2009b; Mattes & Späth, 2013).

Research has shown how micro-political negotiation skills of subsidiary managers can shape subsidiary role expansion. Dörrenbächer and Gammelgaard (2006) reveal that micro-political negotiation skills and lobbying tactics of subsidiary managers are important in attracting additional product mandates from the parent. Dörrenbächer and Geppert (2009a,

2009b) find that subsidiary managers' personal objectives and career aims may motivate them to pursue an initiative by negotiating it with the corporate headquarters. Mattes and Späth (2013) find that outcome of the negotiation between the parent and the subsidiary for mandate assignment depends on internal and external power resources available to each of the two parties. Koveshnikov, Ehrnrooth, and Vaara (2017) develop a theoretical model that conceptualises the subsidiary's negotiation with corporate executives for its new local initiative as a multi-level discursive struggle between them: (i) a struggle over decisions and actions; (ii) a struggle over power and relations; and, (iii) a struggle over their worldviews.

To date, only a few in-depth studies have addressed the issue of the subsidiary's role renewal or its reacquisition of endangered and reallocated mandates. Through the lens of a micropolitical perspective, Balogun et al. (2011) demonstrate the influences of subsidiary managers' micropolitical negotiation skills on the role renewal process. They show that these micropolitical skills are important to regain a local market mandate lost to a rival unit. However, the work by Balogun et al. (2011) is concerned with the subsidiary's renewal of the lost local market mandate rather than the lost contributory role (international responsibilities). The intensity of intra-firm competition for a local product/market mandate may not necessarily be the same as for that for international ones.

2.1.4.3 The Host Country

A host country's supportive policies, and the availability of quality local graduates can facilitate subsidiary role expansion. The host country's policies can facilitate the subsidiary's access to expertise of local R&D institutions by encouraging inter-firm cooperation (Figueiredo, 2011; Figueiredo & Brito, 2011; Giroud, Ha, & Yamin, 2014; Girouda, Ha, Yamin, & Ghauri, 2014). Evidence shows that high-quality local graduates can contribute to a subsidiary's initiatives, consequently leading to its evolution towards a more developed level (Dimitratos et al., 2009). Gilmore, Dellestrand, and Andersson (2017) demonstrate that a subsidiary with slack human resources is more likely to be able to exhibit a role expansion after a mandate loss.

One of the major shortcomings of the subsidiary development framework developed by Birkinshaw and Hood (1997, 1998), as pointed by van Egeraat and Breathnach (2012), lies in its conceptualisation of the external environment. This framework and the consequent

empirical works on subsidiary development tend to regard the host countries as identical as the external environment, thus largely overlooking influences of institutions in the foreign markets (see Achcaoucaou et al., 2014; Birkinshaw & Hood, 1997; Figueiredo, 2011; Figueiredo & Brito, 2011).

Some other subsidiaries have a more thorough treatment of the external environment (Filippov & Duysters, 2012; Tavares, 2001; van Egeraat & Breathnach, 2012). Tavares (2001) incorporates different spatial scales, ranging from the 'local' to the 'global', into a conceptualisation of the external environment. In this conceptualisation, the parent, the subsidiary, and the external environment as the developmental drivers were seen to mutually interact with each other, and their interactions in turn influence subsidiary role expansion. This analytical framework receives empirical support. Filippov and Duysters (2012) have examined and found the impact of the European economic integration on evolution of foreign subsidiaries in the Central Europe. van Egeraat and Breathnach (2012) have found that the global regulatory, competitive and technological environments can give rise to changes in a corporate strategy, which would in turn influence subsidiary role evolution.

It is important to acknowledge that three groups of factors (parent, subsidiary, and external environment) can influence role change events and subsidiary role expansion in isolated or combined ways. Research suggests that subsidiary role expansion is driven by one or more of these factors (Filippov & Duysters, 2012; Filippov & Duysters, 2014; Golikova et al., 2011; Pedersen, 2006; Rezende et al., 2014; van Egeraat & Breathnach, 2012). Likewise, a mandate loss event can be driven by a combination of these factors. Using the case of a German-owned subsidiary in Hungary, Dörrenbächer and Gammelgaard (2010), for instance, demonstrate how a parent-driven mandate reallocation occurs as a combined result of the host country's disadvantage and the subsidiary's lack of specialised resources.

To turn to the research gaps, although the topic of subsidiary contributory role development can be traced to two decades ago, theory-building for this topic as a whole is still in an infancy stage, thus necessitating more exploratory studies (Rezende et al., 2014). More specifically, there is little detailed, theory-building research regarding the various levels in subsidiary role expansion and the different patterns of subsidiary role renewal. Only a few studies about the issue of subsidiary role renewal exist (e.g., Balogun et al., 2011). This thesis has potential to

improve the understanding of this research area through an application of multiple theoretical approaches, which have not been adequately used to study it. These theories are reviewed in the following section. The specific gaps in the literature of subsidiary development, and the opportunities for this thesis to extend the literature with these theories are identified in the later part of the chapter.

2.2 THEORETICAL APPROACHES

This thesis aims to improve the current understanding of subsidiary contributory role development through an application of multiple theoretical approaches: the attention-based, GPN, institutional, resource-based, and resource dependence theories. These theories provide important insights into subsidiary contributory role development. Nevertheless, these insights have not been adequately pursued.

The above discussion suggests that the direct way in which the parent company affects subsidiary role development is through making mandate/resource allocation (Adeyemi et al., 2014; Birkinshaw & Hood, 1997, 1998; Birkinshaw & Ridderstråle, 1999; Chang, 1995; Kacani & van Wunnik, 2017; Mattes & Späth, 2013). The attention-based theory is an important perspective that can shed light on how a parent's attention influences its decision-making in resource allocation and mandate assignments (Ocasio, 1997). Its insights have not been sufficiently used to study the research area of this thesis. Thus, they are reviewed in this section.

There is evidence that the subsidiary's internal and external local network relationships can act as drivers of its initiatives and creation of product- and production-related competence (Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Filippov & Duysters, 2014; Lim et al., 2017; Pu & Soh, 2018). Little is reported about how these relationships affect subsidiary role expansion at various levels. Also, the subsidiary's potential to develop its contributory role through its external global network relationships is relatively overlooked. The GPN theory is an important perspective that provides insights into how the subsidiary can enhance its developmental prospects by establishing spatially-extended network relationships with internal and external network actors (Henderson et al.,

2002). Its insights are reviewed in this section to provide a theoretical foundation for the thesis.

Contributory role subsidiaries operate in the host country's environment. They may serve internal and/or external foreign markets. Current understanding of the influences from transnational institutions as well as from internal institutions is limited. Institutional theory is reviewed in this section to gain an understanding of potential influences of institutional forces in different settings (local, transnational, and internal) on subsidiary role expansion.

Existing understanding of how a subsidiary deploys its specialised resources in light of intra-firm competition for its mandate can be advanced through the lenses of the resource-based and resource dependence theories. A thorough review of the aforesaid five theoretical perspectives is provided in this section. Specific research gaps in the extant subsidiary development literature will be identified in more details later in this chapter.

2.2.1 ATTENTION-BASED THEORY

Ocasio (1997) introduces the attention-based theory to explain how an organisation's decision-making is influenced by the way in which decision makers distribute and allocate their attention. Attention (or corporate attention) has been defined as the noticing, encoding, and interpreting of available stimuli, and accompanying focusing of time and efforts (Bouquet & Birkinshaw, 2008, p. 579; Ocasio, 1997, p. 189).

The theory is premised on three principles. The first holds that, at a given time, decision makers restrict their attention to particular issues (that is, an organisation's problems, opportunities and threats) and answers (that is, different available strategies to solve issues); issues and answers they are attentive to influence their decision-making. Their attention to these issues and answers is seen as the result of their evaluation of stimuli (such as economic market, institutional rules, technology, and resources) from internal and/or external environments (Ocasio, 1997). They are more likely to give their attention to important stimuli which they perceive as being legitimate, valuable and relevant to the organisation, while disregarding others (Ocasio, 1997; Ocasio & Joseph, 2005).

The second principle suggests that attentional processes of decision makers are triggered by the situation they are experiencing or the context they are located in (Ocasio, 1997). According to this principle, their attentional processes are situated in the organisation's procedural and communication channels, all of which provide raw stimuli for their decision-making (Ocasio, 1997; Ocasio & Joseph, 2005). The third principle holds that their attentional processes are influenced by rules of the game, different actors involved in their attentional process (including other corporate executives, subsidiary managers, and external organisations), and availability of intra-firm resources (Ocasio, 1997).

These three principles have the following implications. First, a subsidiary's ability to gain resources and mandates from the parent can be seen to be contingent on the degree to which stimuli from its operations and locations (such as its investment proposals, resources, capabilities, and locational advantages) are valuable, legitimate and relevant to the MNE. Second, although corporate executives have an ultimate control over their attentional processes, subsidiaries still have potential to devise lobbying strategies (such as the development of attractive investment proposals) in order to influence these processes (Ocasio, 1997).

Bouquet and Birkinshaw (2008) focus on positive aspects of the parent's attention, and identify two types of positive corporate attention which can facilitate its supportive actions. They are relative and supportive positive attention. The parent's relative attentional processing can be seen as a competitive process, in which different subsidiaries compete for its attention. Corporate executives are, however, more likely to give their attention to the subsidiary that they perceive as having superior performance or resources (stimuli) over those of other units. Such type of attention is referred to as corporate relative attention. It has been defined as "the perceived level of recognition and credit given to a focal subsidiary [or its location] relative to the level given to other subsidiaries in an MNE [or other locations]" (Bouquet & Birkinshaw, 2008, p. 579).

Prior research suggests that some of headquarters' assignments are 'competitive' processes. Different units compete for these mandates (Balogun et al., 2011; Birkinshaw & Ridderstråle, 1999; Mattes & Späth, 2013). In this regard, the notion of corporate relative attention appears to be useful in understanding how a parent's assignment of an internally-contested

product/market mandate might be an outcome of its evaluation of stimuli exposed by different units.

Supportive attentional processing of corporate executives may not necessarily be a competitive process. In this type of processing, they focus their attention on a particular subsidiary to enable its development by means of providing valuable resources (Ambos & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008). Prior research suggests that some of the parent's investment and mandate assignments result primarily from its motivation to enable a focal subsidiary's future development (Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016; Gammelgaard, 2009).

The above discussion suggests that the notions of corporate relative and supportive attention can shed light on a parent's behaviour in resource allocation and mandate assignment. As will be discussed later, a research gap is a lack of detailed research into the effects of these two types of corporate attention on subsidiary role expansion at various levels, and contributory role renewal of the subsidiaries. This research area thus offers an opportunity for the thesis to extend the extant subsidiary development literature with the attention-based theory. The notions of corporate relative and supportive attention are reviewed in more details later in Section 2.3.1. Specific research gaps will also be identified in that section.

2.2.2 GLOBAL PRODUCTION NETWORK THEORY

The GPN theory is able to serve as a framework for analysing configurations of globally- or geographically-distributed production networks, and their effects on development of regional economies and firms (foreign subsidiaries) (Bair, 2005; Coe, Dicken, & Hess, 2008; Henderson et al., 2002). Economic activities in these GPNs are conceptualised as being organised in complex vertical, horizontal, diagonal, and non-linear network configurations. While being distributed across various geographical scales (ranging from local to global), these networks are situated in broad social, political, economic and institutional structures, in which major actors, such as MNEs, governments, labour organisations, consumers and civil society organisations, attempt to influence network activities (Coe et al., 2008; Henderson et al., 2002). The theory sees foreign subsidiaries as having potential to develop and expand an intra-firm role through their complex network relationships in their production

networks. More specifically, the theory encompasses three core concepts, value, power, and embeddedness (Henderson et al., 2002), as follows:

Value. Value has been defined in terms of surplus and economic rent. It may be created, enhanced, and captured in GPNs (Henderson et al., 2002). Value may be created through different means including: creation of technologies and organisational practices; forming new network relationships; establishing brand reputation; and gaining access to inputs. These processes are seen as dynamic, in that value may be continuously enhanced by network members (Dicken, 2015; Henderson et al., 2002). For example, although technologies and organisational practices may be created initially in the home country and later transferred to the host environment (Phelps & Waley, 2004), the subsidiary may enhance them on its own by embedding in GPNs (see Coe et al., 2008; Dicken, 2015; Henderson et al., 2002).

Value may be captured by network actors and locations in which GPNs are embedded (Dicken, 2015; Henderson et al., 2002). Evidence shows the impact of the subsidiary's functional expansion (that is, its value enhancement activities) on its capture of additional values (Burger, Jindra, Marek, & Rojec, 2018) and new product mandates from the parent (Szalavetz, 2017). For the benefits of its economy, host government may also attempt to capture processes of value creation and enhancement in their territories by making policy reforms, offering infrastructure assistance, and granting subsidies to firms (subsidiaries) (Henderson et al., 2002; Kraemer & Dedrick, 2002; Pike, Rodríguez-Pose, & Tomaney, 2006).

Power. GPNs are situated in multi-scalar social, political, economic and institutional structures, in which actors (such as MNEs, governments, non-governmental organisations, and consumers) may attempt to exercise power over each other and to influence network activities (Coe et al., 2008; Dicken, 2015; Henderson et al., 2002; Levy, 2008). These networks can be thought of as contested fields, in which these actors have their own priorities, build coalitions with the others, and challenge others' agendas (Coe et al., 2008; Levy, 2008). This argument leads to the suggestion that both agencies and structures are important in shaping GPNs (Coe et al., 2008). One proposition holds that while actors (agencies) may pursue their priorities alongside structures (such as host country legal regimes), their economic incentives (for example, profits for firms; wages for labours; and economic power

for governments) are still important to stabilise the GPNs (Levy, 2008). Thus, “power relationships within GPNs are highly asymmetrical” (Dicken, 2015, p. 66). For example, in Dell Computer’s GPN, the national and sub-national governments contest with each other to capture the company’s value creation and enhancement activities in their locations by offering tax incentives and infrastructure assistance (Kraemer & Dedrick, 2002).

Embeddedness. Embeddedness represents an idea that economic exchanges and activities are embedded in ongoing social relationships (Granovetter, 1985). GPNs are thought to be characterised by two forms of network actors’ embeddedness: territorial and network embeddedness. Their territorial embeddedness occurs when they join existing local/national networks of firms in a particular node of GPN (Henderson et al., 2002; Molina-Morales, Martínez-Cháfer, & Belso-Martínez, 2018), or create a new one in these locations (Aslesen, Hyde, & Wallevik, 2017; Barzotto, Corò, & Volpe, 2018; Belussi, Caloffi, & Rita, 2018; Henderson et al., 2002). These network relationships are, at the same time, constrained, or influenced, by social and institutional structures already existing in these places (Henderson et al., 2002). Network embeddedness refers to network relationships between actors from different spatial scales, irrespective of where they are from. The GPN theory is premised on the assumption that these spatially-extended network relationships arise as the result of actors’ rapid deployment of advanced communication technology. These relationships are fundamental to emergence and development of value creation and enhancement activities over territorial space (Henderson et al., 2002).

The theory holds the notion that strength of a subsidiary’s embeddedness in the local environment determines its potential to upgrade its resource profile and consequently its intra-firm role (Coe et al., 2008). “The competence of a firm’s subsidiary unit is driven (at least partly) by environmental factors derived from the dynamics of the location in which it is situated. The competencies of a corporate unit are created over extended periods as a firm interacts with its surrounding environment” (as cited in Coe et al., 2008, p. 280; Dicken & Malmberg, 2001, p. 356). The notion of ‘network embeddedness’ also provides useful insights into how a subsidiary’s complex spatially-extended network relationships with internal and external actors can act as the important sources for prospects for its role expansion.

The GPN analysis is more analytically flexible in analysing development of foreign subsidiaries than the earlier attempts, such as the global commodity chain (GCC) and global value chain (GVC) frameworks. All three conceptualisations (the GPN, GCC, and GVC frameworks) share a similar purpose, which is to explain how production systems are geographically distributed and organised, and how these in turn affect development of firms (subsidiaries) and local and regional economies (Bair, 2005; Coe et al., 2008; Gereffi & Fernandez-Stark, 2016; Gereffi & Lee, 2016; Henderson et al., 2002).

Criticism has been, however, levelled against the premises of the GCC/GVC frameworks on the chain conception (Coe et al., 2008; Henderson et al., 2002). These frameworks give a greater emphasis on vertical inter-firm interactions, which usually occur within a particularly supply chain or value chain (Gereffi, 1994, 1995, 2001; Gereffi & Fernandez-Stark, 2016; Gereffi, Humphrey, Kaplinsky, & Sturgeon, 2001; Gereffi, Humphrey, & Sturgeon, 2005; Gereffi & Korzeniewicz, 1994; Gereffi, Korzeniewicz, & Korzeniewicz, 1994; Gereffi & Lee, 2016; The Global Value Chain Initiative, 2014). “The metaphor of the chain gives the impression of an essentially linear process of activities that ultimately result in a final commodity” (Henderson et al., 2002, p. 444). Being grounded in the chain conception, the GCC/GVC analyses appear to have difficulties in including other forms of complex, horizontal and/or non-linear interactions between actors in the analyses of firms’ (subsidiaries’) upgrading potentials (Coe et al., 2008; Henderson et al., 2002). As observed by Coe et al. (2008, pp. 274-275), “in reality, each stage of a production chain is embedded in much wider sets of non-linear/horizontal relationships. Such a multi-dimensionality must be incorporated in any analysis of production networks”. Additionally, in these GCC/GVC frameworks, the scope for foreign subsidiaries to expand a contributory role tends to be narrowly analysed within the existing chain (van Tuijl, 2013, 2014). Therefore, their development prospects through extra-chain positions cannot be adequately captured.

On the other hand, foreign subsidiaries in a GPN analysis can be seen as belonging to more than one GPN at the same time, when they are identified as primary units of analysis. In analysing their developmental prospects, a GPN analysis can therefore include their complex vertical, horizontal and/or non-linear relationships with firms, non-firm actors and external chain agents from various production networks (Coe et al., 2008), while such complex network relationships cannot be adequately captured in the GCC/GVC analyses.

Considerable attention in the GCC/GVC frameworks has been given to lead firms (parent companies and MNEs) as main drivers of foreign subsidiaries' development (Gereffi & Fernandez-Stark, 2016; Gereffi & Lee, 2016; van Tuijl, 2013, 2014). "One of the major hypotheses of the [GCC/GVC] approach is that development [of firms and subsidiaries] requires linking up with the most significant lead firms in the industry" (Gereffi, 2001, p. 1622). In contrast, a GPN analysis is inclusive of the interactions with diverse groups of actors, including lead and lesser firms as well as non-firm actors, when analysing subsidiaries' developmental prospects. As Henderson et al. (2002, p. 450) note, "lesser firms incorporated into [global production] networks have the possibility of combining with other lesser firms to improve their collective situation within the GPN[s]" (Henderson et al., 2002, p. 450).

In short, the GPN theory is an important perspective that can aid in understanding how a subsidiary's complex network relationships with internal and external actors from different special scales can serve as important drivers of their role expansion (Henderson et al., 2002). A gap in the literature, as will be discussed later, is that very little is known about how these network relationships influence subsidiary role expansion at various levels. A review of the extant subsidiary literature on the notion of embeddedness is undertaken in Section 2.3.2. Specific research gaps in this body of literature will also be identified in that section.

2.2.3 INSTITUTIONAL THEORY

Institutional theory is concerned with how behaviours and activities of organisations are shaped and constrained by institutional environments within which they operate. The earlier work by Selznick (1957) is commonly referred to as old institutionalism. It lays emphasis on the rational-actor model, that is, organisations' choices as the bases for their compliance with environmental demands. It focuses on "dynamics, change, social construction, and values" (Hirsch & Lounsbury, 1997, p. 407). In this view, institutions are viewed as socially-constructed shared beliefs, and as the outcomes of a socialisation and change process, wherein organisations are infused with norms and values from their institutional environments (Hirsch & Lounsbury, 1997; Kostova et al., 2008; Selznick, 1957, 1996).

New institutionalism, also known as neo-institutionalism, rejects this rational-actor model. It attends to influences on deeper social structures (including social rules, norms, and schemas) on organisations' behaviours (Scott, 2005). It focuses on “statics, outcomes, cognition, the dominance and continuity of the environment” (Hirsch & Lounsbury, 1997, p. 407). In this approach, an institutional environment is conceptualised as an organisational field, which is defined as “those organi[s]ations that, in the aggregate, constitute a recogni[s]ed area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organi[s]ations that produce similar services or products” (DiMaggio & Powell, 1983, p. 143). This organisational field is where distinct patterns of practices emerge and become institutionalised through a structuration process (DiMaggio & Powell, 1991). Once the field is well-established and highly-structured, organisations are thought to simply conform to the outcomes of the structure of the field (DiMaggio & Powell, 1983, 1991). The theory rests on four assumptions: *(i)* institutions are rules, structures and social norms, imposing guidelines on organisations; *(ii)* they are institutionalised, and are therefore characterised by inertia, that is, a tendency to resist change; *(iii)* organisations conform to these institutions in order to gain legitimacy; and, *(iv)* history matters, as existing institutions can have path dependence on and can be recreated and reproduced by past ones (Scott, 2005).

Building upon new institutionalism, Scott (1995, 2005, 2014) defines institutions as regulative, normative and cultural-cognitive structures that impose constraints on organisations (see Table 2-6). Regulative institutions regulate future behaviour by means of establishing rules and sanction mechanisms. To organisations, the logic of regulative processes is that of instrumentality involving calculated actions to maximise their utility. Rules and enforcement mechanisms are established to safeguard their self-interests, and to maximise their utility by coercing others through institutional actions. Organisations conform to these rules to avoid sanctions and to be accorded rewards. Therefore, rule systems, coercive pressures, sanctions, and expedient compliances are integral parts of regulative institutions (Scott, 1995, 2005, 2014).

Table 2-6: Regulative, normative and cultural-cognitive institutions

| | <i>Regulative institutions</i> | <i>Normative institutions</i> | <i>Cultural-Cognitive institutions</i> |
|-----------------------------------|--------------------------------|---------------------------------|--|
| <i>Basis of compliance</i> | Expedience | Social obligation | Taken-for-grantedness; Shared Understanding |
| <i>Basis of order</i> | Regulative rules | Binding expectations | Constitutive schema |
| <i>Mechanisms</i> | Coercive | Normative | Mimetic |
| <i>Logic</i> | Instrumentality | Appropriateness | Orthodoxy |
| <i>Indicators</i> | Rules; Laws; Sanctions | Certification; Accreditation | Common beliefs; Shared logics of action; Isomorphism |
| <i>Affect</i> | Fear; Guilt; Innocence | Shame; Honour | Certainty; Confusion |
| <i>Basis of legitimacy</i> | Legally sanctioned | Morally-governed | Comprehensible; Recognisable; Culturally supported |

Source: Scott (2014, p. 60)

Normative institutionalism stresses shared norms as the bases for creating socially-expected obligations. These norms define social prescriptions and appropriate conducts for organisations. The underlying logic of this institutionalism is that of appropriateness. That is, organisations match their actions with their role within the situation they encounter. Organisations conform to normative standards because they feel that they have an obligation to conform to them, rather than because of their fear of being sanctioned through regulative processes (Scott, 1995, 2005, 2014). As noted by Scott (2005, p. 410), “rules are not simply externally enforced, but internali[s]ed by actors” through a socialisation process.

Cultural-cognitive institutionalism focuses on organisations’ shared interpretation of a cultural system. Their shared interpretation creates constitutive schema, that is, the common definition of the situations for the proper course of action. Once the cognitive structure is well-established, organisations are thought to simply adopt practices that are well-accepted and practised in their cultural system because other practices are not conceivable. New comers follow established routines because these accepted practices are taken for granted as the way things are done (Scott, 2014). These routines are known as mimetic isomorphism (DiMaggio & Powell, 1983). Cultural-cognitive institutionalism is thus underlain by logic of orthodoxy. That is, organisations perceive their actions and beliefs as correct for a particular situation (Scott, 2014).

New institutionalism can be applied to various levels of analysis: from level of the ‘world system’ to that of the ‘organisational field’ and that of the ‘organisational subsystem’ (Scott, 2014). The field-level analysis, however, is the most frequently used institutional analysis in the international business literature (see Hillman & Wan, 2005; Kafouros & Aliyev, 2016; Kostova & Roth, 2002; McGaughey, Kumaraswamy, & Liesch, 2016; Shirodkar & Konara, 2017; Xu & Shenkar, 2002; Yang & Rivers, 2009). At this level, regulative institutions refer to the country’s laws and regulatory environment; normative ones include norms and values associated with professions or the industry; cultural-cognitive ones refer to a cognitive structure of the organisational field that creates the constitutive schema, which provides a common definition of the situations (Hillman & Wan, 2005; Kostova & Roth, 2002; McGaughey et al., 2016; Xu & Shenkar, 2002; Yang & Rivers, 2009).

Foreign subsidiaries still belong to an internal organisational field, which is characterised by a set of regulative, normative and cultural-cognitive institutions. These internal institutions are strong in exerting isomorphic pressures on them (Kostova et al., 2008), as are external ones. Subsidiaries are, therefore, likely to be subject to institutional duality; that is, institutional pressures from both internal and external environments (Liou, Rose, & Ellstrand, 2012).

Institutional theory is useful to understand the effects of internal and transnational (global/foreign market) institutional environments (Kostova et al., 2008; Marano & Kostova, 2016). Extensive research has acknowledged emergence and increasing significance of global standards in the global market (Delmas & Montes-Sancho, 2011; Guler, Guillén, & Macpherson, 2002; Nadvi, 2008; Nadvi & Wältring, 2004; Quadros, 2004; Reardon, Codron, Busch, Bingen, & Harris, 2000). A standard can be defined as a set of benchmarks, which convey information about a product’s technical specifications and the process by which it was produced (Nadvi, 2008; Nadvi & Wältring, 2004). Regulative institutions of overseas markets can impose coercive pressures on foreign subsidiaries by legally mandating a particular quality management (QM) standard, or by enforcing regulations to safeguard safety of their population (Henson & Humphrey, 2010; Nadvi, 2004). As the standard is increasingly required by lead firms, and adopted by many organisations in high frequency, it may become gradually institutionalised as an established industrial norm in a given organisational field. When the field is well-established, it may impose normative isomorphic

pressures on newcomers into the field (Quadros, 2004). As consciousness rises about a particular standard among consumers and the wider public, the cognitive structure of that institutional environment may induce foreign subsidiaries to adopt that standard (that is to say, mimetic isomorphic pressures) (Quadros, 2004). The MNEs may also develop firm-specific QM standards (Kostova & Roth, 2002).

Institutional theory also provides important insights into how the local institutional context may influence level of entrepreneurial efforts of firms (foreign subsidiaries) within that environment. Whitley (1999) identifies four key dimensions of a country's institutional environment that may influence level of a firm's entrepreneurial activities and that of innovation outputs of that country. They are:

- (1) *State policies and regulations* - The extent to which the state's policies and regulations promote innovation;
- (2) *The financial system* - The degree to which financial capital is available to firms through a credit-market versus a capital-market financial system of the country;
- (3) *The skill development and labour system* - The extent to which the country has well-developed educational and skill development systems, which promote practical skills and learning; the extent to which labour market is controlled by trade unions and professional associations; and,
- (4) *Norms and values governing trust and authority relationships* - The degree to which norms and values governing trust and authority relationships affect exchange relationships between firms, and between employers and employees.

The country's (i) policies and regulations, (ii) financial system, and (iii) skill development and labour system directly affect economic behaviours of business firms. They are therefore regarded as formal institutions (Whitley, 1994, 1999). Djelic and Quack (2003) regard these institutional arenas as regulative ones because they are made up of formal rules and regulations. Norms and values governing trust and authority relationships are normative and cultural aspects of the country's institutional framework. They may not directly influence economic behaviour, and are therefore regarded as informal institutions (Whitley, 1994, 1999).

The emergence of and structuration for each of the four said institutional features may result from their interactions throughout the history (Whitley, 1999). For example, the government's economic policies may promote the country's financial system, which may lead to emergence of new patterns of financial institutions. Levine, Loayza, and Beck (2000) demonstrate that the country with regulations giving a high priority to creditors and rigorously enforcing contracts, and with high-quality accounting standards is more likely to have better functioning financial intermediaries. Chortareas, Girardone, and Ventouri (2013) show that banks in the countries with a higher degree of financial freedom and regulations safeguarding banks' degree of freedom are more likely to benefit from cost advantages and to show bank efficiency. Sufian and Habibullah (2010) suggest that a country's overall economic freedom tends to have a positive impact on banks' profitability. Likewise, the government's policies and regulations targeting at industrial growth may lead to the emergence of new patterns of skill development (Whitley, 1999).

In summary, institutional theory can be used to deepen the understanding of institutional influences or pressures from different settings (local, transnational and internal). Of particular interest to this thesis are their effects on subsidiary role expansion at various levels. A research gap, as will be discussed later, is a lack of detailed research on these effects. Potential effects of these different institutional environments are reviewed in Section 2.3.3.

2.2.4 RESOURCE-BASED THEORY

The resource-based theory is concerned with how a firm can achieve a sustained competitive advantage by deploying idiosyncratic, immobile resources (Barney, 1991, 2014; Barney & Arikan, 2001; Barney, Wright, & Ketchen, 2001). The theory identifies resources as all assets, capabilities, organisational processes, knowledge, and information controlled by a firm. It categorises them into four types: financial, physical, human, and organisational capital. Financial capital refers to a firm's access to financial resources from internal and external sources. Physical capital includes its physical technologies, plants, equipment, and access to raw materials. Human capital consists of experience, judgement, relationships, and knowledge of individuals within a firm. Organisational capital refers to organisational attributes (including organisational culture, a firm's formal and informal coordinating and control systems, its reputation in the market, and its internal and external relationships).

Capabilities have been defined as its ability to deploy resources to achieve a desired end (Barney, 2014).

The theory is built upon two assumptions: the assumptions of resource heterogeneity and resource immobility (Barney, 1991, 2014; Barney & Arian, 2001; Barney et al., 2001). The assumption of resource heterogeneity holds that resources are heterogeneous across firms within a particular industry. This assumption leads to a proposition that a firm can create at least a *temporary* competitive advantage by formulating and implementing strategies that are simultaneously based on resources that are valuable, rare, and non-substitutable. These resources must be valuable in responding to environmental threats and opportunities. When these valuable resources are rare and non-substitutable, rival firms cannot easily implement identical strategies (Barney, 2014; Barney & Arian, 2001).

The assumption of resource immobility posits that the value of these valuable, rare and non-substitutable resources to a firm's competitive position can be long-lasting when they are imperfectly mobile across firms (Barney, 1991, 2014; Barney & Arian, 2001; Barney et al., 2001). Resources will be imperfectly mobile, when they are either costly to imitate, or inelastic in supply. When a firm's resources creating a competitive advantage can be observable and imitable at no cost disadvantage, competing firms can develop such resources, thus resulting in its short-lived competitive position. Therefore, in order for valuable, rare, non-substitutable resources to create a long-lasting competitive position, they must be inimitable or imperfectly mobile across firms. A firm's resources are costly to imitate, when they are path dependent on unique historical events and circumstances, when their relationships with the firm's competitive advantages are causally ambiguous to rival firms, or when they are built upon the firm's organisational culture or complex social relationships (Barney, 2014; Barney & Arian, 2001). Building upon these two assumptions, firms are thought to gain a sustained competitive advantage, when resources underpinning their strategies are valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991, 2014; Barney & Arian, 2001; Barney et al., 2001).

Criticism has been levelled against the theory's inability to explain interplay between the firm's resource creation process and generating its competitive advantage in a dynamic environment (Black & Boal, 1994). This led to revision of the theory. In the revised work, a

new resource attribute, called *organisation*, was identified. It explains that firms must organise other complementary resources and capabilities to fully realise the potential of their valuable, rare and inimitable resources in a dynamic environment (Barney, 1997).

Because the resource-based theory is a ‘theory of the *firm*’, two types of advantages must be distinguished: firm-specific advantages and (sustained) competitive advantage. A FSA “simply refers to the [MNE’s] ability to overcome its liability of foreignness”. A (sustained) competitive advantage refers to the MNE’s position in the market or industry against rival firms (Birkinshaw et al., 1998, p. 224). Subsidiary-level research has given a particular emphasis on the subsidiary’s contribution to FSAs in the development of its contributory role, rather than to its contribution to MNE-level competitive advantage (Birkinshaw & Hood, 1997; Birkinshaw et al., 1998; Cavanagh & Freeman, 2012). This is primarily because the resource-based theory assumes that resources are created and held at the firm level. In reality, resources within the MNE are held at various levels, both firm- and subsidiary-levels (Birkinshaw & Pedersen, 2009). As Birkinshaw and Pedersen (2009) observe, “rather than simply analysing subsidiary-level resources in terms of their potential for competitive advantage, the issue is more one of combining or leveraging them on a global basis (p. 375) ... because the subsidiary is just one part of the whole (p. 380)”. The MNE’s sustained competitive advantage has been thought to be generated, when subsidiary-level resources are combined and leveraged with MNE-level firm-specific advantages in the international marketplace rather than if they are employed separately (Birkinshaw & Pedersen, 2009; Rugman & Verbeke, 2001). Therefore, when examining creation of the MNE’s sustained competitive advantage, a firm-level analysis rather than a subsidiary-level analysis is more relevant.

To qualify as a useful perspective for this research thesis, the resource-based theory must provide sufficient insights into how the subsidiary’s deployment of resources can enhance its ability to pre-empt internal competition for its contributory role and to enhance sustainability of this role. This is because product or market mandates and investments from the parent may be contested by different subsidiaries (Birkinshaw & Lingblad, 2005; Dörrenbächer & Gammelgaard, 2010). There is evidence that parent-driven mandate reallocation can occur as a result of such internal competition for mandates (Balogun et al.,

2011; Birkinshaw, 1996; Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016; Verbeke & Yuan, 2018).

The resource-based theory indeed provides such theoretical insights. Through the assumption of resource heterogeneity, resources can be viewed as heterogeneous across the MNE (Andersson et al., 2014; Najafi-Tavani, Giroud, & Sinkovics, 2012; Rugman & Verbeke, 2001). Physical and human capital may be held primarily at the subsidiary level (Birkinshaw & Pedersen, 2009). There is a consensus in the literature that subsidiaries can create, augment or nurture the stock of their resources (such as their physical capital) by embedding in external environment over an extended period of time (Andersson et al., 2014; Figueiredo & Brito, 2011; Moore & Heeler, 1998; Rugman & Verbeke, 2001).

Building upon this assumption of the theory, subsidiary-level research has identified resource attributes that are more likely to be found in a contributory role subsidiary. They are: (i) the extent to which a subsidiary's resources are specialised, or superior to those of other units; and, (ii) the extent to which these resources achieve a parent's recognition. These resource conditions are thus less stringent than those put forward by the resource-based theory (that is, valuableness, rarity, non-substitutability, and non-imitability of resources) (Birkinshaw et al., 1998, p. 224; Cavanagh & Freeman, 2012, p. 605). Research suggests that the subsidiary facing a fierce internal competition for its mandate must possess specialised resources to outperform other contesting units in such competition (Dörrenbächer & Gammelgaard, 2010). These specialised resources must receive parent's recognition so that a subsidiary can enhance legitimacy and long-term continuity of its existing contributory role (Birkinshaw, 1996; Birkinshaw et al., 1998; Rugman & Verbeke, 2001). Prior research suggests that mandate reallocation can occur when a subsidiary lacks specialised resources (Balogun et al., 2011; Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016). Its mandates can be endangered when its resources lack a parent's recognition (Birkinshaw, 1996; Rugman & Verbeke, 2001).

Building upon the assumption of resource immobility, prior works theorise that a subsidiary can enhance the likelihood of sustainability of its responsibilities when its critical resources are characterised by a mobility barrier. That is to say, these resources cannot be easily diffused internally (Cerrato, 2006; Rugman & Verbeke, 2001). Such a claim therefore

implies that a subsidiary's mandate cannot be sustained in the long run, or, at worst, may be lost to rival unit, when a mobility barrier is absent in its critical resources underpinning this mandate.

In summary, the resource-based theory provides important insights into how a subsidiary can enhance its potential to pre-empt internal competition for its mandate and to enhance sustainability of its mandate by deploying specialised resources. A review of the extant literature on the three resource conditions (that is, *(i)* specialised resources; *(ii)* parent's recognition; and, *(iii)* mobility barrier) will be provided later in this chapter (see Section 2.3.4).

2.2.5 RESOURCE DEPENDENCE THEORY

The resource dependence theory is another theory that sheds light on how a subsidiary's resources on which the MNE depends enhance the former's ability to cope with internal competition for mandate (Dörrenbächer & Gammelgaard, 2010). The theory is concerned with how an organisation's behaviour is influenced by its dependence on external resources (Pfeffer, 2009; Pfeffer & Salancik, 1978, 2003). The theory gives an emphasis on the concept of power to explain inter-organisational relationships and interdependence. Power is assumed to stem from asymmetric interdependence. That is to say, power of A on B derives from dependence of B on A's resources (Hatch & Cunliffe, 2013; Pfeffer, 2009; Pfeffer & Salancik, 1978, 2003). The theory is premised on an assumption that to create dependence of an organisation, external resources must meet three conditions: *(i)* they must be strategically critical to the survival of that organisation; *(ii)* they must be scarce; and, *(iii)* they must be non-substitutable with other resources. If these strategically important resources are plentiful or substitutable, they cannot create dependence of that organisation (Pfeffer & Salancik, 2003).

However, an organisation may attempt to, and has potential to, reduce its dependence on external environment by using different strategies, including directly controlling interdependence through mergers and vertical integrations, and forming inter-organisational or contractual relationships (Pfeffer, 2009; Pfeffer & Salancik, 1978, 2003). Meta-analyses confirm that organisations form mergers, joint ventures, and different forms of inter-

organisational relationships partly to manage their dependence on external resources (Drees & Heugens, 2013; Hillman, Withers, & Collins, 2009).

From the resource dependence perspective, a parent company's fiat and resource-based power cannot be seen as absolute. A subsidiary can still be regarded as having potential to gain an intra-organisational power, when it controls resources that are critical to the MNE's survival (Mudambi et al., 2014). Being subordinate to the parent company, it does not hold a formal position of authority in the organisation's hierarchy (Dörrenbächer & Gammelgaard, 2006; Mudambi et al., 2014). Nevertheless, its ability to influence the parent's strategic decisions and directions can be considered as the basis for its intra-organisational power (Mudambi et al., 2014).

According to the resource dependence theory, a subsidiary's resources ultimately create the parent's dependence, when they are: (i) scarce; (ii) non-substitutable with other internal resources; and, (iii) critical to the continuity of the MNE's operation. Because these resources are not only strategically important to, but also scarce and non-substitutable within the MNE, there are no alternative places to source from, thereby ensuring the MNE's dependence on the subsidiary (Pfeffer & Salancik, 2003). Prior research suggests that these resources ultimately weaken an internal competition as a result of the MNE's resource dependence (Dörrenbächer & Gammelgaard, 2010).

In summary, the resource dependence theory provides an important insight into how unique resources creating the MNE's dependence can enhance the subsidiary's ability to cope with internal competition for its mandate. Specific research gaps in the extant subsidiary development literature will be identified later in this chapter (see Section 2.3.4).

2.3 IDENTIFYING THE POTENTIAL INFLUENCING FACTORS

Four groups of influencing factors are derived from the five above-reviewed theoretical perspectives. These factors are: (i) corporate attention; (ii) embeddedness and network linkages; (iii) institutions; and, (iv) resource deployment. Their potential effects are reviewed in this section. Specific research gaps are also identified.

2.3.1 CORPORATE ATTENTION

Based on the attention-based theory, this section identifies two types of corporate attention: (i) corporate relative attention; and, (ii) corporate supportive attention (Bouquet & Birkinshaw, 2008). Their potential effects are reviewed in this section.

Corporate relative attention. The relative attentional processing of corporate executives can be seen as a ‘competitive’ process, in which different subsidiaries compete for their attention (Ambos & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008). The foreign direct investment (FDI) literature and the existing subsidiary literature on corporate attention are the important starting points for understanding potential effects of a parent’s relative attention on its mandate assignments. This body of literature suggests that the parent may selectively give its attention to important stimuli from certain locations for its decision-making, while disregarding those from others. These stimuli capturing its relative attention include, but are not limited to: (i) strategic importance of subsidiary resources to the MNE as a whole; (ii) large market size; (iii) a host country’s specialised technology and knowledge; and, (iv) low-cost and high-quality resources from host locations. Research indicates that parent companies are more likely to be attentive to powerful foreign subsidiaries, on which the MNE as a whole depends. The larger a host country’s market size, the more likely their positive attention to this market (Bouquet, Barsoux, & Levy, 2015; Bouquet & Birkinshaw, 2008; Dörrenbächer & Gammelgaard, 2016). Geographical isolation from such market can result in considerable administrative and trade costs, and therefore demands their special treatments, such as opening new plants and establishing administrative functions (Blonigen, Davies, Waddell, & Naughton, 2007; Egger, 2008). Parents may also invest their time and efforts in specialised knowledge and technologies from foreign locations. They may also be attentive to low-cost, high quality resources from these locations (Nachum & Zaheer, 2005). At this point, it can be presumed that the notion of corporate relative attention can aid in understanding how a parent’s assignments of internally-contested product/market mandates might be the outcomes of its evaluation of stimuli from different locations or different units.

Although the FDI literature provides useful insights into the effects of positive corporate relative attention on initial founding of subsidiaries, existing knowledge is limited about its effects on their role expansion at various levels beyond their founding stage. Prior research

demonstrates that the 2008 global financial crisis led MNEs to reallocate product and production mandates of high-cost units to relatively lower-cost units (that is to say, parents' positive relative attention to the latter). This resulted in upgrading of the latter units (Szalavetz, 2016). There is, however, little detailed research on how positive corporate relative attention affects expansion of these new charters and responsibilities, which have already been reallocated from other units.

Corporate relative attention can also be 'negative'. A negative corporate relative attention is defined in this thesis as a situation in which a parent perceives a subsidiary's resources as being inferior to those of other units. Negative corporate relative attention can bring about miserable situations such as parent-driven mandate reallocation. Evidence indicates that a subsidiary can lose its mandate to a rival unit with relatively higher level of specialised resources for carrying out that mandate (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016).

Corporate supportive attention. A parent's positive supportive attention may not necessarily be an outcome of its relative evaluation of stimuli from different subsidiaries. In this type of attentional processing, corporate executives tend to focus their attention on stimuli from a particular subsidiary with the aim of facilitating that unit's development. Their positive supportive attention is likely to bring about their provision of valuable resources to the subsidiary (Ambos & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008; Conroy & Collings, 2016). A positive corporate supportive attention can be initiated by stimuli such as: (i) a subsidiary's proven capabilities and track record; and, (ii) its investment proposals supporting corporate objectives and norms. Prior research suggests that these types of stimuli tend to facilitate the parent's approval of the subsidiary's investment proposals (Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016; Gammelgaard, 2009).

Conversely, a parent's negative supportive attention can give rise to endangerment of subsidiary mandates in the corporate system. A parent's negative supportive attention is defined in this thesis as its negative attitude towards subsidiary resources and mandates, which may not necessarily be the result of its favour of other subsidiaries or locations. Subsidiary mandates exhibiting an unproven performance (Benito, 2005; Birkinshaw, 1996; Li & Liu, 2015) and strategically isolated from the MNE's core business are likely to run the

risk of losing a parent's continuous support. In other words, these mandates capture negative corporate supportive attention. These mandates are likely to be in danger of being phased out from the corporate system (Birkinshaw, 1996).

From the attention-based perspective, a subsidiary may not be passive in attentional processes of corporate executives. It may devise attention-seeking strategies or raise its 'voice' to trigger these processes and to attract the parent's positive attention (Ambos & Birkinshaw, 2010; Birkinshaw, Bouquet, & Ambos, 2007; Birkinshaw & Ridderstråle, 1999; Bouquet, Morrison, & Birkinshaw, 2009; Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016). A subsidiary's 'voice' refers to its 'bottom-up' attention-seeking approach which it uses to gain a parent's positive attention (Bouquet & Birkinshaw, 2008). These attention-seeking strategies, for example, include development of attractive investment proposals, building interpersonal relationships with corporate executives, and demonstrating new subsidiary initiatives and opportunities (Birkinshaw et al., 2007; Bouquet & Birkinshaw, 2008; Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016). From the attention-based perspective, corporate executives are selective in investment proposals from subsidiaries, and are more likely to be attentive to those that they perceive as being highly valuable, legitimate and relevant to the organisation, and supporting corporate norms and objectives (Ocasio, 1997; Ocasio & Joseph, 2005). A subsidiary may seek to improve legitimacy of its investment proposals and initiatives by demonstrating market opportunities, by matching its initiatives with corporate norms and objectives, and by demonstrating a strong track record (Birkinshaw & Ridderstråle, 1999; Bouquet & Birkinshaw, 2008; Gammelgaard, 2009). In addition, research also suggests that subsidiary managers may use their prior interpersonal relationships with corporate executives to capture the latter's attention to their investment proposals and initiatives (Birkinshaw et al., 2007; Birkinshaw & Ridderstråle, 1999). Prior research points to how the subsidiary's 'voice' and micropolitical negotiation skills are important in regaining the lost local product mandate from the parent (Balogun et al., 2011). Little is, however, reported about how parent's positive attention influences a subsidiary's renewal of the lost contributory role or international mandates.

A review of extant literature reveals the following research gaps: Previous studies on corporate attention tend to use the attention-based perspective in a descriptive way (e.g.,

Dörrenbächer & Gammelgaard, 2016; Gammelgaard, 2009). There is a dearth of theory-building research on the effects of positive corporate attention, though a few exemptions exist (e.g., Conroy & Collings, 2016). By integrating the attention-based perspective with institutional theory, Conroy and Collings (2016) explain that parent's positive supportive and relative attention can be facilitated by legitimacy of subsidiary executives and by that of past initiatives. Nevertheless, little is known about the effects of a parent's positive relative and supportive attention on subsidiary role expansion at various levels and subsidiary role renewal.

2.3.2 EMBEDDEDNESS AND NETWORK LINKAGES

The term 'embeddedness' refers to an idea that economic exchanges/activities are embedded in ongoing social relationships (Granovetter, 1985). The terms 'linkages' and 'network linkages' are used in this thesis to refer to the relationships between a foreign subsidiary and its internal and external network actors (Figueiredo, 2011; Scott-Kennel, 2007). Their exchange relationships lie between two extremes. At one extreme, these relationships occur in 'arms-length' type linkages. These linkages are often referred to as the lowest-level embedded linkages. Quality of information exchanged between network actors is low, as information exchanged in these linkages is limited to price data and information readily available in the market (Andersson, Forsgren, & Holm, 2002; Figueiredo & Brito, 2011; Uzzi, 1996, 1997).

At another extreme, a subsidiary's exchange relationships with its network actors are of the 'embedded' type. These relationships are long-lasting, and based on trust and reciprocity (Andersson et al., 2002; Powell, 1990; Uzzi, 1996, 1997). From a sociological perspective, reciprocity does not refer to exchange of equivalent value, but is described in terms of indebtedness and obligation, and is furthered by taking a long-term view. When being based on a long-term perspective and reciprocity, collaborations are more likely to cultivate trust (Powell, 1990). 'Embedded' relationships are characterised by three features: (i) trust; (ii) fine-grained, holistic information exchange; and, (iii) joint problem-solving (Uzzi, 1996, 1997). Following earlier works (Achcaoucaou et al., 2014, 2017; Figueiredo, 2011), this thesis focuses upon quality of a subsidiary's individual linkages with network actors, which has been referred to as the relational aspect of embeddedness.

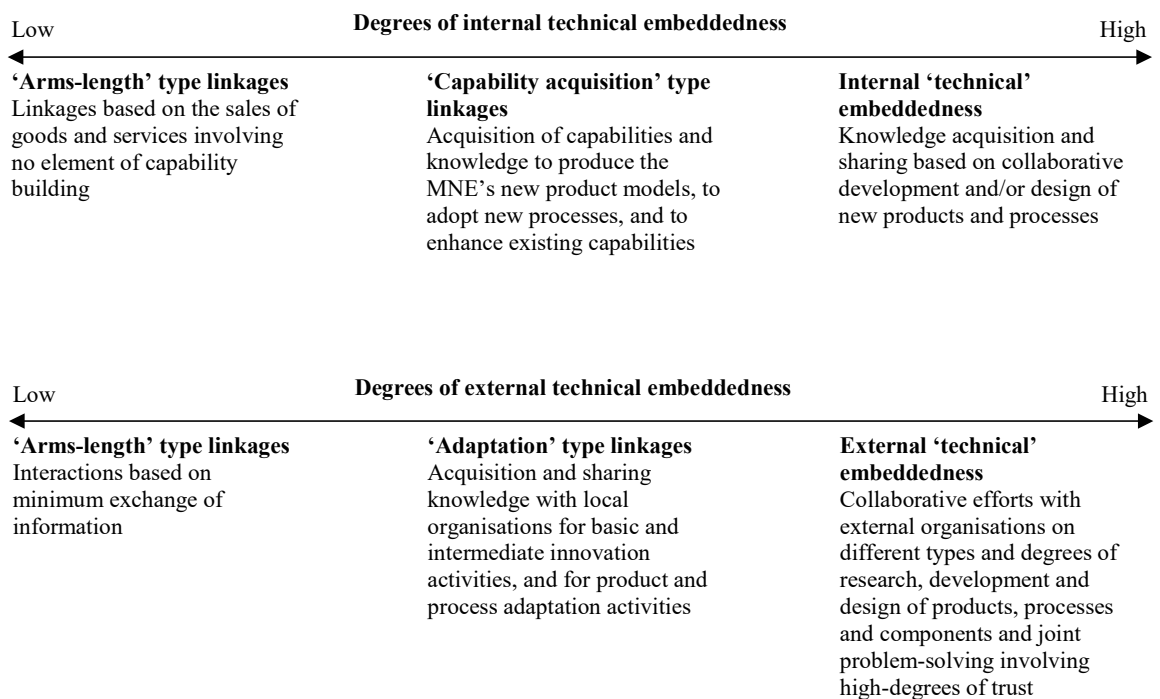
In the context of foreign subsidiaries, network relationships with corporate headquarters and peer subsidiaries are referred to as ‘internal embeddedness and/or network linkages’ (Achcaoucaou et al., 2014, 2017; Figueiredo, 2011), and those with external actors as ‘external embeddedness and/or network linkages’ (Andersson et al., 2002; Figueiredo & Brito, 2011; Uzzi, 1996, 1997). A major shortcoming in the existing subsidiary development literature is that most previous studies tend to restrict their empirical investigations to a subsidiary’s linkages with local network actors, thus leading to an inadequate attention to those with global actors outside the host country (e.g., Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Pu & Soh, 2018). A few exceptions however exist (e.g., Athreye, Batsakis, & Singh, 2016). From the perspective of the GPN theory, a main implication of the notions of ‘territorial and network embeddedness’ is that a subsidiary can establish complex network relationships with actors from both internal and external networks in various spatial scales (Henderson et al., 2002). Thus, building upon the GPN theory, this thesis regards a subsidiary’s external embeddedness and network linkages as involving not only those with local network actors but also those with global ones (such as global customers and suppliers).

A subsidiary’s intra-firm role expansion is described as a long-term evolution in previous studies (e.g., Achcaoucaou et al., 2014; Figueiredo, 2011; Figueiredo & Brito, 2011). These studies suggest that the level of its R&D mandate status is influenced by the extent to which it is embedded in internal and/or external (local) network relationships over an extended period of time, and by the level of learning efforts it makes to acquire new competences through these relationships.

Andersson et al. (2002) have identified technical and business embeddedness as two dimensions of embeddedness that can affect a subsidiary’s expansion of its product and value-added (production and business) areas. *Technical embeddedness* refers to dependencies between a subsidiary and its network actors relating to creation of products or production processes. *Business embeddedness* denotes their dependencies with respect to development of business practices, such as marketing and management practices. These two dimensions of embeddedness appear to be helpful to understand how a subsidiary’s ‘technical’ and ‘business’ embeddedness in internal and external networks shape its expansion of product and value-added (production, business, and marketing) areas.

Building on the previous studies, Figure 2-1 identifies and ranks different types of internal and external technical linkages in terms of degrees of their technical embeddedness. ‘Capability acquisition’ type internal technical linkages, and ‘adaptation’ type external ones lie somewhere between the two extremes of the ‘high’ degree and the ‘low’ degree of technical embeddedness. A review of existing literature regarding different types of internal and external technical linkages as well as internal and external ‘business’ embeddedness is presented below. Specific research gaps are also identified.

Figure 2-1: Different types of internal and external technical linkages



Source: adapted from Achcaoucaou et al. (2014); Figueiredo and Brito (2011); Forsgren, Holm, and Johanson (2005)

2.3.2.1 Internal Embeddedness and Network Linkages

The review here seeks to understand potential effects from different types of internal linkages, including: (i) internal ‘technical’ embeddedness; (ii) ‘capability acquisition’ type internal technical linkages; and, (iii) internal ‘business’ embeddedness. Definitions of the former two are provided in Figure 2-1 above.

Internal 'technical' embeddedness. Internal 'technical' embedded relationships are based upon collaborations between a subsidiary and its internal network actors with respect to creation and design of new products and processes (Andersson et al., 2002). Prior research suggests that these relationships are able to contribute to a subsidiary's development of product- and production-related competence as well as to its expansion of product and process areas (Achcaoucaou et al., 2014; Figueiredo, 2011; Figueiredo & Brito, 2011; Schmid & Schurig, 2003; Sumelius & Sarala, 2008).

'Capability acquisition' type internal technical linkages. Not being regarded as collaborative relationships, 'capability acquisition' type internal technical linkages are referred to as a subsidiary's linkages with internal actors through which it gains access to new product or process models as well as to capabilities available within the MNE (Achcaoucaou et al., 2014; Figueiredo, 2011; Figueiredo & Brito, 2011; Forsgren et al., 2005). These linkages appear to be important to development of the rationalised operator and regional implementer roles. These contributory role subsidiaries tend to rely heavily on the MNE's existing capabilities to serve the internal or external market (Athreye et al., 2014; Kacani & van Wunnik, 2017; Sargent & Matthews, 2006; Suh et al., 2014).

Internal 'business' embeddedness. Internal 'business' embedded relationships are based on collaborations between a subsidiary and its internal actors on business practices (such as marketing) (Andersson et al., 2002). Most previous studies tend to focus narrowly on the 'technical' dimension of embeddedness. Thus, the effects of internal 'business' embedded relationships on subsidiary role expansion are relatively overlooked in the existing literature of subsidiary development. Prior research, however, suggests that internal network linkages can contribute to a subsidiary's business practices and capabilities in functional areas such as sales and marketing, and distribution and logistics (value-added areas) (Najafi-Tavani et al., 2012; Schmid & Schurig, 2003).

2.3.2.2 External Embeddedness and Network Linkages

The review here aims to comprehend potential effects of different types of external linkages: (i) external 'technical' embeddedness; (ii) 'adaptation' type external technical linkages; and, (iii) external 'business' embeddedness. Definitions of the former two are provided in Figure 2-1 above.

External ‘technical’ embeddedness. External ‘technical’ embedded relationships are based on collaborations between a subsidiary and its external network actors on development and design of new products and processes (Andersson et al., 2002). These relationships are long-term oriented and based on trust. Prior research suggests that these embedded relationships are able to influence a subsidiary’s business performance in terms of its growth in sales and revenue (Andersson, Forsgren, & Pedersen, 2001; Bresciani & Ferraris, 2016; Ciabuschi, Holm, & Martín, 2014; Forsgren et al., 2005). Moreover, the subsidiary’s external local technical embeddedness can contribute to its creation of product- and production-related competence (Achcaoucaou et al., 2014, 2017; Andersson, 2003; Ferraris, Santoro, & Dezi, 2017; Figueiredo, 2011; Figueiredo & Brito, 2011; Schmid & Schurig, 2003; Tseng & Chen, 2014). External customers and suppliers are often found to be the important contributors to its product- and production-related capabilities (Andersson, 2003; Schmid & Schurig, 2003). Focusing particularly on subsidiary-local supplier relational linkages, Tseng and Chen (2014) demonstrate how a subsidiary’s potential for its technological upgrading is influenced by the strength of its technical embedded linkages with local suppliers.

Al-Laham and Bort (2011), however, warn the risk of over-embeddedness. Based on the longitudinal dataset, they find an inverted U-shape relationship between a subsidiary’s innovation outputs and the density of its local R&D linkages. This study suggests that the subsidiary’s over-embeddedness in the local environment can impede its search for novel knowledge. Evidence also shows that a subsidiary with a higher level of absorptive capacity, R&D competence, and autonomy is more likely to benefit from its local embedded relationships (Najafi-Tavani et al., 2012; Jaeyong Song, Asakawa, & Chu, 2011; Sumelius & Sarala, 2008).

‘Adaptation’ type external technical linkages. These linkages are referred to as a subsidiary’s relationships with external organisations to make product and process adaptations to market requirements. These type of linkages are regarded as ‘minor adaptation’ or ‘joint adaptation and modification’ type linkages, depending on the degree of their contribution to a subsidiary’s innovation performance (Achcaoucaou et al., 2014; Figueiredo, 2011). Unlike ‘technical’ embedded relationships, ‘adaptation’ type external linkages may not necessarily involve a high degree of trust, reciprocity and a long-term perspective. Thus, these linkages lie somewhere between the two extremes of the ‘high’ degree and the ‘low’ degree of external

technical embeddedness (Achcaoucaou et al., 2014; Figueiredo, 2011). They appear to be important to adapting the MNE's global products to the requirements of a particular host market (Achcaoucaou et al., 2014).

External 'business' embeddedness. External 'business' embedded relationships are based on collaborations between a subsidiary and its external network actors on business practices, such as marketing and management practices (Andersson et al., 2002). Its local embeddedness is able to contribute to the creation of superior technical and business (management, marketing/sales, and service) capabilities (Andersson, Björkman, & Forsgren, 2005). Likewise, the more embedded is a subsidiary in its business relationships with local customers, suppliers and research institutes, the more likely it can develop superior business practices, such as sales and marketing, distribution, and management practices (Najafi-Tavani et al., 2012). Research also shows that external customers and distributors are important contributors to a subsidiary's marketing and logistics capabilities (Schmid & Schurig, 2003).

In summary, the subsidiary's internal and external technical linkages can be identified as the potential drivers of its expansion in product and process (value-added) areas. These linkages are: internal and external 'technical' embeddedness; 'capability acquisition' type internal technical linkages; and, 'adaptation' type external ones. The notion of business embeddedness appears to be useful in understanding how the subsidiary's internal and external business relationships can shape its expansion into new value-added and business areas.

The research gap is that little is known about the patterns of linkage formation, defined as the combinations of different types of linkages formed by the subsidiaries (Scott-Kennel, 2007), that drive subsidiary role expansion at various levels. Most previous studies discuss the influences of only a particular type or the dual types of linkages (Athreye et al., 2014; Kacani & van Wunnik, 2017; Sargent & Matthews, 2006; Suh et al., 2014). For instance, prior research has shown how 'capability acquisition' type internal linkages shape role development of regional implementers and rationalised operators (Athreye et al., 2014; Kacani & van Wunnik, 2017; Sargent & Matthews, 2006; Suh et al., 2014). Nevertheless, little is reported about what types of external and other internal linkages, and how

simultaneous establishment of different types of linkages would affect role expansion of these subsidiaries. Thus, previous studies are unable to provide a detailed understanding of the effects of subsidiary embeddedness.

To address the identified research gap, this thesis would explore how subsidiary role expansion at various levels is shaped by the combinations of different types (that is, 'technical' and 'business') and degrees (that is, from 'arms-length' to 'embedded' linkages) of internal and external (local and global) embeddedness. In the extant research, a distinction seems unclear between 'low-degree' external technical embeddedness (that is, 'adaptation' type external linkages) and 'high-degree' one (that is, external 'technical' embedded linkages) (e.g., Athreye et al., 2016; Athreye et al., 2014). Additionally, most previous studies tend to focus primarily on the technical type of internal and external technical embeddedness (e.g., Achcaoucaou et al., 2014; Figueiredo, 2011; Figueiredo & Brito, 2011). Much less attention has been directed at the effects of 'business' type linkages with global network actors.

The GPN theory can be used as a guiding frame to explore these different combinations of linkages that drive subsidiary role expansion at various levels. Through this theoretical lens, subsidiaries can be seen as having potential to form different types of network linkages, which can be internal, external local, and external global (Henderson et al., 2002). As discussed above, when examining the effects of external embeddedness of subsidiaries, most previous studies tends to focus on their relationships with local partners (e.g., Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Pu & Soh, 2018), thus resulting in inadequate attention to how those with external global actors can serve as potential platforms for their competence development. Thus, by including network agents from different spatial scales in the analysis of subsidiary role expansion at various levels, the thesis is able to potentially extend the extant subsidiary development literature with the GPN perspective.

2.3.3 INSTITUTIONS

Through an institutional lens, the review here seeks to understand potential effects of institutions in different settings (local, transnational and internal). Specific research gaps would be identified in this section.

2.3.3.1 Local Institutional Factors

Following the work of Whitley (1999), the thesis identifies three institutional dimensions to capture the effects of the institutional environment in a host country setting. These three dimensions are: (i) the host country's policies and regulatory framework; (ii) its skill development system; and, (iii) its financial system.

Host country's policies and regulatory framework. A host country's policies can facilitate a subsidiary's access to expertise of local R&D institutes by encouraging inter-firm cooperation. These policies may pave the way for the subsidiary's formation of embedded relationships with local actors (Figueiredo, 2011; Figueiredo & Brito, 2011; Giroud et al., 2014; Girouda et al., 2014). Evidence also indicates that a subsidiary situating in an environment with supportive policies tends to have greater potential for development of quality local relationships (Giroud et al., 2014), and achieving innovation performance (Wu et al., 2016).

In addition, the thesis also considers the potential effects of a regulatory framework in terms of its stringency in the host country. The regulatory framework in this thesis refers to the difference in stringency level of regulations between the host country and the foreign markets, as the thesis is interested in how such a stringency level in a regulatory framework might have effect on the subsidiary's role expansion or geographical expansion. The host country's government may introduce legally mandated standards to producers when their products are exported to the international market. For instance, Hazard Analysis and Critical Control Points (HACCP) has been legally mandated in the food product sector as a sector-specific food safety standard in most advanced economies. When the host country's government has legally mandated this standard to safeguard the health of the population, it would also be motivated to position domestic firms in the export markets (Nadvi & Wältring, 2004). The effects of the host country's stringent regulations on the expansion of subsidiary contributory roles are relatively overlooked in the subsidiary development literature.

Host country's skill development system. A quality education system in the host country can provide quality local graduates, who can be potential contributors to subsidiary role expansion. In the case of the IBM Corporation's subsidiary in Scotland, its evolution towards

a more developed one is related to the employment of high-quality local graduates (Dimitratos et al., 2009).

The host country's financial system. Edgington and Hayter (2013) demonstrate how the existence of a well-developed credit system in Singapore maximises the capacity of the regional headquarters in that country to raise financial capital for their ASEAN subsidiaries (ASEAN – the Association for Southeast Asian Nations).

2.3.3.2 Transnational Institutions

Contributory role subsidiaries serve foreign markets that are possible with varying degrees of institutional pressures. These institutions in the foreign markets as well as those from the global environment are referred to as transnational institutions (Kostova et al., 2008; Marano & Kostova, 2016). Building upon the regulative, normative and cultural-cognitive dimensions of institutions (Scott, 1995, 2005, 2014), the thesis identifies three dimensions of transnational institutions in the foreign markets: (i) regulative institutions; (ii) global industrial norms and normative institutions; and, (iii) cultural-cognitive institutions. Their effects on subsidiary role expansion at various levels have not yet been studied in depth.

Regulative institutions. Regulative institutions of the overseas markets, such as QM standards legally mandated by foreign governments, are likely to have a direct impact on a subsidiary's role expansion in terms of its expansion into these markets. For example, the CE marking (the European safety marking) became a legal requirement for all electronic products to be sold in the European Union (EU) (Henson & Humphrey, 2010; Nadvi, 2004). All medical products to be sold in the EU and the US are legally required to comply with relevant international quality assurance standards (Nadvi, 2004). These regulative institutions of the foreign markets make compliance mandatory. If a practice is mandated by laws and regulations of a foreign country, subsidiaries have to take immediate responses to these coercive pressures (Liou et al., 2012). Therefore, subsidiaries without relevant legally-mandated certifications will be excluded from these markets.

Global industrial norms and normative institutions. The normative dimension of transnational institutions include global-level industrial norms, and the normative system of foreign markets (Kostova et al., 2008; Marano & Kostova, 2016). Evidence indicates that a

QM standard from the transnational environment can be gradually transformed into an established industrial norm when it is adopted by many organisations in high frequency (Delmas & Montes-Sancho, 2011). In the logic of appropriateness, organisations observe what practices are legitimate and appropriate in their context. If a practice is widely adopted by a large number of organisations, it may become institutionalised and accepted as appropriate and legitimate (Delmas & Montes-Sancho, 2011; Guler et al., 2002; Scott, 1995, 2014).

Quadros (2004) studies the rise of sector-specific, global automotive QM standards in the Brazilian automotive sector. He finds that these standards become gradually institutionalised as industrial norms and standards as a consequence of being promoted by lead global automotive producers. Compliance with these global standards therefore eventually became an established industrial norm in the Brazilian automotive sector. Similarly, in the global food product sector, food safety and quality standards have become the accepted global industrial norms in some advanced markets partly because of the rise of international supermarket chains promoting these standards (Henson & Humphrey, 2010; Nadvi & Wältring, 2004; Reardon et al., 2000).

These studies suggest that subsidiaries serving foreign markets with a well-defined normative structure need to conform to normative expectations of these markets to enhance their legitimacy in these markets. Of interest to this thesis are the effects of these normative isomorphic pressures on subsidiaries' role expansion at various levels in terms of expansion into new product and value-added areas. These effects are overlooked, and have not been explored in depth in the extant literature.

Cultural-cognitive institutions. The cognitive dimension of institutions emphasises influences of shared conceptions, understanding and cultural rules on the cognitive processes of individuals in a particular organisational field (Scott, 1995, 2014). Research has found support for effects of cultural-cognitive institutions on mimetic isomorphism (Kostova & Roth, 2002). These institutions tend to produce mimetic isomorphic pressures on foreign subsidiaries serving an institutional environment where a significant number of competitors adopt a particular QM standard (Delmas & Montes-Sancho, 2011; Guler et al., 2002; Kostova & Roth, 2002). These institutional pressures are also likely to be fierce in the market where

people and consumers know a great deal about a particular QM standard, product quality, and product safety (Kostova & Roth, 2002). In this environment, a QM standard can be used as a strategic tool to assure consumers about product quality and safety, to build brand identity, and to make product differentiation. Product labels may be used to provide consumers with a convenient way to acquire information about product characteristics and production processes, and to indicate that a product formally complies with a particular QM standard (Henson & Humphrey, 2010; Nadvi & Wältring, 2004; Reardon et al., 2000).

The above discussion raises an issue as to whether subsidiaries serving a foreign market with a well-defined cognitive structure must conform to these cognitive institutional expectations to achieve a competitive advantage in that market. Nevertheless, much less attention has been given to the effects of these cultural-cognitive institutions in foreign markets on the development of contributory role and subsidiary role expansion at various levels in the extant literature.

2.3.3.3 Internal Institutions

Foreign subsidiaries can be confronted with institutional duality, that is to say, institutional pressures from both internal and external environments (Kostova & Roth, 2002; Kostova et al., 2008; Liou et al., 2012). Research suggests that a subsidiary may implement an internal QM standard to varying degrees, when confronted with institutional duality. When the internal standard is consistent with the cognitive structure of their external institutional environment, subsidiary managers will be equipped to understand, value and adopt the standard. This is probably because their interpretive process can be framed by the cognitive structure of their external institutional environment. Also, diffusion of internal QM standard is more likely to be successful in the subsidiaries that are normatively integrated into the parent company (Kostova & Roth, 2002). Similarly, Ghoshal and Bartlett (1988) find that a subsidiary's adoption of internal innovation practices is likely to be facilitated by the degree to which it shares the MNE's goals, strategies and values. The thesis is particularly interested in how internal QM standards can shape subsidiary role expansion at various levels in terms of the subsidiaries' expansion into product and value-added areas. Nevertheless, little is reported in the existing literature about these effects.

In summary, an institutional perspective can be used to gain an understanding of the effects from different institutional environments (local, transnational and internal). A research gap is that their effects on subsidiary role expansion at various levels have not yet been explored in depth. A host country's policies and regulatory framework, skill development system, and financial system can be identified as the potential drivers for subsidiary role expansion and initiatives. Nevertheless, how they affect subsidiary role expansion at various levels has not yet been studied in depth. Isomorphic pressures imposed by internal and transnational institutions have not received adequate attention, and their effects on subsidiary role expansion remains unexplored in depth in the extant subsidiary development literature, leading to a poor understanding of effects from these institutional forces. Through an institutional lens, the thesis can go beyond a simple description of constraints imposed by regulative institutions of foreign markets by analysing potential effects from internal institutions and different dimensions of transnational institutions (that is to say, regulative, normative and cultural-cognitive dimensions).

2.3.4 RESOURCE DEPLOYMENT

Building upon the assumptions of resource heterogeneity and resource immobility of the resource-based theory, prior studies have identified three types of resource attributes that are likely to pre-empt an internal competition for mandate, and to enhance long-term survival of subsidiary mandates. They are: (i) specialised resources (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Rugman & Verbeke, 2001); (ii) a parent's recognition (Birkinshaw et al., 1998); and, (iii) mobility barrier (Rugman & Verbeke, 2001). The resource dependence theory provides useful insights into how internal competition for mandate can be weakened by subsidiary resources that are scarce, non-substitutable and strategically important as a result of the MNE's resource dependence (Dörrenbächer & Gammelgaard, 2010). This section presents a review of the existing subsidiary literature on these resource attributes to gain an understanding of how a subsidiary can deploy resources to drive development and long-term survival of its contributory role. Specific theoretical gaps are identified in this section.

Specialised resources. Prior studies suggest that a subsidiary's resources must be specialised or superior to other internal ones to outperform its rivals in an internal competition for

mandate. Its ability to perform an internally-contested mandate is determined by the extent to which its resources are specialised for carrying out that mandate (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Rugman & Verbeke, 2001). A subsidiary can lose its mandate to its rival counterparts if the latter have specialised resources required for undertaking that mandate (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015).

The literature on subsidiary-specific advantage is an important starting point to understand creation of specialised resources at the subsidiary level. Subsidiary-specific advantages (SSAs) can be built upon host country-specific advantages, or created through a subsidiary's entrepreneurial efforts. In such a way, these SSAs may enhance the MNE's existing FSAs, or become new FSAs, when they are recognised by the parent (Andersson et al., 2014; Ferraris, 2014; Ho, 2014; Meyer, Mudambi, & Narula, 2011; Moore & Heeler, 1998; Rugman, 2014; Rugman & Verbeke, 2001). Thus, SSAs are specific to a particular subsidiary, and can be differentiated from host country-specific advantages and the MNE's existing FSAs (Andersson et al., 2014; Moore & Heeler, 1998; Rugman & Verbeke, 2001). SSAs become specialised resources when they are superior to other internal resources for carrying out a particular mandate (Birkinshaw et al., 1998).

Research suggests that a subsidiary may create SSAs through its network interactions with local R&D institutions, suppliers and customers (Al-Laham & Bort, 2011; Asmussen, Pedersen, & Dhanaraj, 2009; Najafi-Tavani et al., 2012; Ryana, Giblinb, Andersson, & Clancyb, 2018; Sumelius & Sarala, 2008; Tseng & Chen, 2014). Entrepreneurial efforts of locally-employed graduates can lead to creation of new SSAs, which consequently add to the stock of MNE's existing FSAs (Meyer & Estrin, 2014).

A subsidiary may create market-specific specialised capabilities by acquiring regional market knowledge (Estrin, Meyer, Wright, & Foliano, 2008; Piekkari et al., 2010; Verbeke, Kano, & Yuan, 2016). Geographically remote subsidiaries are more likely to be in a better position than the parent company to acquire knowledge about adjacent foreign markets (Estrin et al., 2008; Verbeke et al., 2016), as geographic distance can exacerbate parent's knowledge gap with distant markets, and its perceived coordination difficulties and costs (Ayari, 2010; Grosse & Trevino, 1996; Harzing & Noorderhaven, 2006; Kähäri, Saittakari,

Piekkari, & Barner-Rasmussen, 2017; Portes & Rey, 2005; Portes, Rey, & Oh, 2001). Geographical distance may also diminish a parent's ability to make quick important decisions (Yu & Cannella, 2007). MNEs may incur extensive coordination costs, such as air travel expenses and trade (transportation) costs, in execution of their geographically remote activities (Blonigen et al., 2007; Boeh & Beamish, 2012; Egger, 2008; Nachum & Zaheer, 2005).

Specialised subsidiary resources may also be created, when a parent company acquires a local company, and merges it with a focal subsidiary (Birkinshaw & Hood, 1997; Estrin et al., 2008; Uhlenbruck, 2004). Local acquiree firms often have strategic assets, knowledge and business relationships, which are of potential value for MNE's global competitive advantage. When the subsidiary inherits these valuable assets from the local acquiree firm, its export propensity is likely to increase (Estrin et al., 2008). These assets add to the stock of its resource profile, subsequently leading to a greater potential for its development (Uhlenbruck, 2004).

It is useful to distinguish between 'overlapping' and 'non-overlapping' specialised resources. Critical resources can be concentrated in a single subsidiary in some MNEs, and are not distributed across other units. These resources are unique, and cannot be substitutable with those of other units for performing a particular mandate (Ghoshal & Bartlett, 2005). Such type of subsidiary resources is referred to as 'non-overlapping resources'. More specifically, 'non-overlapping resources' are defined in this thesis as resources that are scarce and non-substitutable with other internal ones to undertake a particular international mandate. Based on the resource dependence theory, when these non-overlapping resources are strategically critical to the MNE's survival, they create the MNE's resource dependence (Dörrenbächer & Gammelgaard, 2010; Pfeffer & Salancik, 2003), thereby weakening an internal competition for mandate. In terms of non-substitutability, the literature primarily discusses non-substitutability with internal resources rather than with external ones (Dörrenbächer & Gammelgaard, 2010).

In some MNEs, specialised resources are distributed and dispersed across different subsidiaries. In these MNEs, resources of each subsidiary can be substitutable with those of other units for carrying out a particular mandate (Ghoshal & Bartlett, 2005). These resources

are referred to as ‘overlapping resources’. More specifically, ‘overlapping resources’ are defined in this thesis as subsidiary resources that are not scarce and substitutable with other internal ones to perform a particular international mandate. Internal competition for mandates would be fierce, when subsidiaries hold overlapping resources (Birkinshaw & Lingblad, 2005; Dörrenbächer & Gammelgaard, 2010; Gurkov & Morley, 2017). It has been suggested that resource overlapping is one of the primary causes for parent-driven mandate reallocation, since it stimulates an internal competition for mandate (Birkinshaw & Lingblad, 2005; Dörrenbächer & Gammelgaard, 2010).

Most previous studies do not identify intrinsic attributes of specialised resources in terms of scarcity and non-substitutability. Therefore, little is known about how a subsidiary copes with internal competition for international mandates in situations where it holds overlapping resources. Following the work Birkinshaw et al. (1998), this thesis suggests that in such situations, these overlapping resources need to be superior to other internal resources to outperform rival units in this internal competition. Nevertheless, their work does not identify attributes of specialised subsidiary resources in terms of scarcity and non-substitutability with internal resources.

Corporate recognition. Building upon the assumption of resource heterogeneity of the resource-based theory, Birkinshaw et al. (1998, p. 224) identify ‘corporate recognition’ as another important resource attribute, and define it as “the widespread understanding and acceptance of the subsidiary’s speciali[s]ed resources” in the corporate context. They argue that a subsidiary’s specialised resources must achieve corporate recognition to become part of the MNE’s FSAs. Research indicates that a subsidiary’s mandate can be endangered of being phased out from the corporate system, when it is strategically unrelated to the parent’s core business. This is because the contribution of that subsidiary will not be fully legitimised by the parent (Birkinshaw, 1996). In addition, strategic relatedness can become a necessary condition for a subsidiary’s ability to receive continuing support from the parent (Gammelgaard, 2009; Mudambi & Pedersen, 2007; Mudambi et al., 2014). Rugman and Verbeke (2001) theorise that long-term sustainability of a subsidiary’s specialised resources may also be contingent on whether the parent’s perceived negative externalities are absent in these resources.

Mobility barrier. Building upon the assumption of resource immobility, studies theorise that long-term sustainability of a subsidiary's specialised resources is likely to be enhanced when a mobility barrier is embodied in these resources (Cerrato, 2006; Rugman & Verbeke, 2001). A central argument of this view is that a subsidiary facing a fierce internal competition can increase likelihood of the survival of its resources and mandates by reducing reverse resource flow to the MNE. Rugman and Verbeke (2001) regard knowledge-based assets as the sources of resource sustainability. A subsidiary's resources must incorporate a mobility barrier in terms of context-specificity, tacitness of knowledge, and knowledge and capability gap, so that they can be sticky and sustained in its location in the long run (Rugman & Verbeke, 2001). They must be context-specific, and built upon the host country's knowledge system. Therefore, these resources can be characterised by a mobility barrier, and cannot be easily diffused internally. These arguments suggest that such resources can contribute to FSA development at the MNE level in the form of intermediate products/services, but full transfer of these resources internally may still be difficult (Rugman, 2014; Rugman & Verbeke, 2001).

Tacit knowledge has been defined as a type of knowledge that is rooted in personal experience and difficult to be codifiable, articulable, or learnt without practical experiences (Bresman, Birkinshaw, & Nobel, 2010). Being rooted in personal experience of individuals within the source unit, this type of knowledge is sticky. Therefore, the transfer of such knowledge may demand absorptive capacity of the recipient units (Howells, 2002; Jaeyong Song, 2014), and geographical proximity or collocation between the source and recipient units (Gassmann & von Zedtwitz, 2003; Hansen, 1999; Mudambi, 2002; J Song, Chung, & Yun, 2013; Welch & Welch, 2008). When tacit knowledge is embedded in teams, there is a tendency that such knowledge can be difficult to be transferred internally (Håkanson & Nobel, 2000; Ryan & O'Connor, 2013).

Existence of knowledge and capability gap between the source and recipient units can hinder effectiveness of knowledge transfer over space (Rugman & Verbeke, 2001). Research suggests that a knowledge or technological gap between the source and recipient MNE units can increase knowledge transfer time, and imperil success of transfer (Capaldo, Lavie, & Petruzzelli, 2017; Gassmann & von Zedtwitz, 2003; Grinter, Herbsleb, & Perry, 1999; Phene, Madhok, & Liu, 2005). Therefore, the recipient unit's absorptive capacity is likely to be an

important condition for effectiveness of knowledge transfer across geographical boundaries (Ambos, Ambos, & Schlegelmilch, 2006; Capaldo et al., 2017; Jaeyong Song, 2014; Tsai, 2001).

To turn to the research gap, how the subsidiary deploys resources to expand and sustain its (ongoing or renewed) contributory role is an unexplored research area. Prior research has discussed that the MNE's dependence on non-overlapping specialised resources can weaken an internal competition for a local market mandate (Dörrenbächer & Gammelgaard, 2010). Nevertheless, intensity of internal competition for international product/market mandates is likely to differ across different local markets. In addition, very little is known about how the weakened internal competition, which resulted from the MNE's resource dependence or the subsidiary's deployment of specialised resources, enable subsidiary role expansion.

The resource-based and resource dependence theories offer important insights into what types of resource attributes can mitigate intensity of an internal competition, leading to a sustainability of subsidiary mandates. Nevertheless, how different combinations of these attributes of resources affect expansion and sustainability of subsidiary contributory roles remain is an unexplored research area. For example, little is reported about how absence or presence of a mobility barrier in overlapping specialised resources and non-overlapping ones creating the MNE's resource dependence affect sustainability of subsidiary contributory roles.

2.4 RESEARCH OPPORTUNITIES

This section identifies the specific research opportunities that arise from the research gaps and issues in the subsidiary development literature. The identified research opportunities will be used to aid in the development of a research framework in the succeeding chapter (Chapter 3).

2.4.1 SUBSIDIARY CONTRIBUTORY ROLE DEVELOPMENT

The topic of subsidiary contributory role development as a whole has attracted little scholarly attention in the literature. Researchers have acknowledged that theory-building research on this topic is deficient. Thus, more exploration of this topic has been called for (Rezende et

al., 2014). More specifically, a research opportunity for this thesis is to explore the major forms of subsidiary contributory role development (i.e., ‘role expansion’ and ‘role renewal’) and the different patterns of role development within each of these major forms. There is little detailed, theory-building research regarding subsidiary role expansion at various levels and the different patterns of subsidiary role renewal. This research area has not been explored in depth through the reviewed multiple theoretical lenses.

Two methodological issues need to be considered when exploring these different patterns of role expansion and role renewal. First, subsidiary role expansion at various levels and the different patterns of subsidiary role renewal would be examined in terms of changes in the subsidiaries’ international responsibilities in the product, value-added and geographical scopes. Prior studies have described the subsidiary’s role expansion and events reflecting mandate change along its responsibilities in the product, value-added and market scopes (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Filippov & Duysters, 2012; He et al., 2018; Verbeke & Yuan, 2018). Second, when examining subsidiary role expansion at various levels, the thesis would consider temporal duration of these role expansion paths. Prior research suggests that the subsidiary, as well as its resource profile, evolves over extended period of time as it interacts with its internal and/or external local environments (Achcaoucaou et al., 2014; Birkinshaw & Hood, 1997; Figueiredo, 2011; Figueiredo & Brito, 2011; Rezende et al., 2014).

2.4.2 THE MULTI-LENS APPROACH

This thesis has potential to provide a deeper understanding of subsidiary role expansion at various levels and the different patterns of subsidiary role renewal through an application of multiple theoretical lenses: the attention-based, GPN, institutional, resource-based and resource dependence theories. More specifically, the following research areas are identified, which would be addressed by the thesis.

The attention-based theory provides important insights into how a parent’s relative or supportive attention can influence its mandate assignment and resource allocation. Little is known, however, about how these types of corporate attention affect subsidiary role expansion at various levels and subsidiary role renewal. Thus, this research area/gap offers an opportunity for the thesis to extend the literature with the attention-based theory.

Another research opportunity is to explore how the combinations of different types of linkages drive subsidiary role expansion at various levels. Existing studies suggest that internal and/or external linkages can shape subsidiary initiatives and subsidiary role expansion. These studies have discussed the effects of a particular type or the dual types of linkages (Athreye et al., 2014; Kacani & van Wunnik, 2017; Sargent & Matthews, 2006; Suh et al., 2014). However, extant understanding about patterns of linkage formation or combinations of different types of linkages driving subsidiary role expansion is limited. To address this research gap, this thesis would explore how subsidiary role expansion at various levels is shaped by combinations of different types (that is, 'technical' and 'business') and degrees (that is, from 'arms-length' to 'embedded' linkages) of internal and external (local and global) embeddedness.

The GPN theory can be used as a guiding frame to explore these different combinations of linkages. From this perspective, a foreign subsidiary has potential to engage in its intra-firm role expansion by establishing complex relationships with network actors in different spatial scales, ranging from the local to the global (Henderson et al., 2002). Most previous studies have not paid enough attention to the influences of subsidiaries' network interactions with global actors on fulfilment and expansion of their contributory role (international mandates). Through the lens of the GPN theory, the thesis would explore how subsidiaries may form different types of network linkages with internal, external local and external global network actors to drive their role expansion. By doing so, the thesis aims to extend the literature with the GPN theory.

Institutional theory is an important perspective in understanding institutional influences from different settings (local, transnational, and internal). More specifically, the theory sheds light on potential effects of key institutional dimensions of the host country (such as its supportive policies and regulatory framework, skill development system, and financial system), and isomorphic pressures imposed by internal and transnational institutions. Their effects on subsidiary role expansion at various levels have not yet been explored in depth. By exploring these effects, the thesis aims to extend the extant literature with institutional theory.

The resource-based and resource dependence theories offer useful insights into what types of resource attributes can enhance a subsidiary's ability to cope with internal competition for

mandate, and to enhance mandate sustainability. Nevertheless, prior research has not provided enough insights into how combinations of these different types of resource attributes affect expansion and sustainability of subsidiary contributory roles. To address this research gap and deepen the understanding of the effects of deployment of specialised resources by subsidiaries, the thesis would explore how these combinations of attributes of subsidiary resources determine expansion and/or sustainability of ongoing or renewed contributory roles. By doing so, the thesis aims to extend the literature with the resource-based and resource dependence theories.

More importantly, the thesis would explore not only individual effects of influencing factors (i.e., corporate attention, subsidiary embeddedness, institutional forces, and resource deployment) but also their combined effects. Prior research has shown subsidiary role expansion and role change events as the results of a particular influencing factor or the combined effects of multiple influencing factors (Dörrenbächer & Gammelgaard, 2010; Filippov & Duysters, 2012; Filippov & Duysters, 2014; Golikova et al., 2011; Pedersen, 2006; Rezende et al., 2014; van Egeraat & Breathnach, 2012).

CHAPTER 3 - RESEARCH FRAMEWORK

This chapter develops the research framework, aiming to serve as an overall blueprint for conducting its empirical component. More specifically, this framework contains the theoretical framework, defines the research goal and objectives, and determines the appropriate methodology to study subsidiary contributory role development. Detailed methodological issues and steps are described in the next chapter (Chapter 4). This chapter is in two sections. Section 3.1 develops an initial theoretical framework, which is based on the research opportunities identified in the preceding chapter. This leads to definition of the research goal and the objectives of this thesis. Through a realist worldview, Section 3.2 discusses appropriateness of a multiple case study design for the thesis. Usefulness of Strauss and Corbin's qualitative research procedures for the theory-building process of the thesis are discussed in this section.

3.1 THEORETICAL FRAMEWORK, AND RESEARCH GOAL AND OBJECTIVES

A subsidiary contributory role in terms of international responsibilities can be developed in different forms. Two major forms of subsidiary contributory role development are identified: (i) subsidiary role expansion; and, (ii) subsidiary role renewal. Role development within each of these two forms tends to have various patterns, i.e., different levels in role expansion and different patterns of role renewal (i.e., renewal of endangered mandates and renewal of reallocated mandates). The gap in the literature, as noted earlier, is that there is little detailed, theory-building research on these different patterns of subsidiary contributory role development. Thus, previous studies are unable to provide enough insights into the topic of subsidiary contributory role development as a whole.

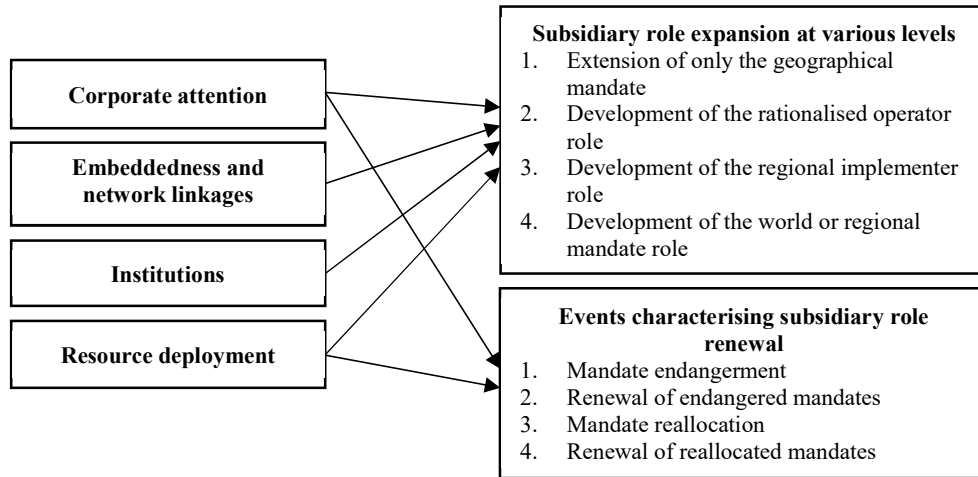
The preceding review of the literature in Chapter 2 reveals potential research opportunities for the thesis to provide a deeper understanding of subsidiary contributory role development and to contribute to the subsidiary development literature through an application of the multiple theoretical lenses. These theories include the attention-based, global production network, institutional, resource-based and resource dependence theories. Therefore, the **research goal** of the thesis is:

To provide insights through a multi-lens perspective into ‘role expansion’ and ‘role renewal’ as the major forms of subsidiary contributory role development and, more specifically, into the different patterns of role development within each of these two major forms.

This **research goal** aims at examining the different major forms of subsidiary contributory role development, i.e., ‘role expansion’ and ‘role renewal’, rather than one form of role development, as most previous studies give little attention to the issue of subsidiary role renewal. More specifically, this research goal seeks to provide insights through a multi-lens perspective into the different patterns of role development within each of these major forms given a lack of theory-building research on this area.

Based on the identified research opportunities (refer to Section 2.4), an initial theoretical framework is developed, which is depicted in Figure 3-1 below. The refinement of this framework based on the first round of data analysis will be briefly discussed later (see Section 4.3.1 in the methodology chapter). Guided by the existing literature, this figure provides a summary for various levels or patterns in subsidiary role expansion, and different events characterising two patterns of subsidiary role renewal, i.e., renewal of endangered mandates and renewal of reallocated mandates. In line with prior studies, the thesis will study subsidiaries’ role expansion at these various levels and events characterising their role renewal along their international responsibilities in product, value-added and geographical scopes (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Delany, 1998; Dörrenbächer & Gammelgaard, 2006; Filippov & Duysters, 2012; He et al., 2018; Verbeke & Yuan, 2018). Prior research views their role expansion as moving towards a more advanced contributory role, or extending their international responsibilities in terms of product, value-added and geographical scopes without moving towards a more advanced one (Birkinshaw, 1996; Chen et al., 2013; Delany, 1998; Dörrenbächer & Gammelgaard, 2006). In addition, consistent with prior research, the framework conceives the time horizon of their role expansion paths to be considerably long (Achcaoucaou et al., 2014; Birkinshaw & Hood, 1997; Figueiredo, 2011; Figueiredo & Brito, 2011; Rezende et al., 2014).

Figure 3-1: Initial theoretical framework



Drawn from the attention-based, GPN, institutional, resource-based and resource dependence theories, four groups of factors are identified as potential influencing factors. They are: (i) corporate attention; (ii) embeddedness and network linkages; (iii) institutional factors; and, (iv) resource deployment.

Corporate attention. Through the lens of the attention-based theory, the framework seeks to understand how corporate attention can exert influences on subsidiary role expansion at various levels and subsidiary role renewal. Two types of corporate attention are derived from this theory: corporate relative and supportive attention (Ambos & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008). A subsidiary’s gain of internally-contested mandates or resources from the parent can be determined by the extent to which its resources are superior to those of its rival counterparts or draw a positive corporate relative attention (Szalavetz, 2016). A parent’s positive supportive attention can bring about its provision of valuable resources to a focal subsidiary (Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016; Gammelgaard, 2009). Specifically, the framework seeks to understand how positive aspects of corporate relative and supportive attention can influence headquarters’ assignments and resource allocation in the subsidiaries’ role expansion paths and in the processes of their renewal of reallocated or endangered mandates.

Negative aspects of corporate attention can result in mandate endangerment and mandate reallocation. A subsidiary can lose its mandates to a rival unit possessing relatively higher level of specialised resources for carrying out that mandate (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016). That is to say, its resources draw negative corporate relative attention. Subsidiary mandates can be in danger of being phased out from the corporate system when they lack parent's recognition and continuous support (Birkinshaw, 1996). In other words, these mandates capture negative corporate supportive attention.

The research gap is that there is a lack of theory-building research regarding the effects of corporate relative and supportive attention on subsidiaries' role expansion at various levels and their renewal of reallocated and endangered mandates. By addressing this research gap, the thesis aims to achieve theory-building on these effects.

Embeddedness and network linkages. Research suggests that subsidiaries can accumulate resources and knowledge that are important to their role expansion through establishing network linkages and embedded relationships with internal and/or external network actors (Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Pu & Soh, 2018). The literature review in Chapter 2, however, reveals that extant understanding is not enough about the patterns of linkage formation or the combinations of different types of internal and external linkages driving subsidiary role expansion at various levels. In an attempt to address this research gap, the thesis will explore how subsidiary role expansion at these various levels is driven by the combinations of the following types of linkages: internal and external 'technical' embeddedness; internal and external 'business' embeddedness; 'capability acquisition' type internal technical linkages; 'adaptation' type external technical linkages; and, 'arms-length' type internal and external linkages. A description of these linkages and their effects on subsidiaries' expansion of product and value-added areas is provided in Section 2.3.2.

The GPN theory is used as an underpinning frame to explore these different combinations of linkages. Through the GPN theory lens, the thesis views subsidiaries as having potential to develop different types of linkages with actors from different environments (internal, external local, and external global) (Henderson et al., 2002). Through this approach, the

thesis aims to extend the extant subsidiary development literature, given that little is known about how external global network linkages shape development of subsidiary contributory roles.

Institutions. Through an institutional lens, the thesis will examine potential influences of institutional forces in different settings (local, transnational and internal). To capture institutional influences in the host country's setting, the thesis borrows the three dimensions from the work of Whitley (1999): (i) host country's policies and regulatory framework; (ii) its skill development system; and, (iii) its financial system. Along these three dimensions, the thesis will examine influences of these local institutional forces on subsidiaries' expansion of international responsibilities in new product, value-added and geographical areas. The thesis will also seek to understand how subsidiaries' expansion into new product, value-added and geographical areas can be subject to isomorphic pressures imposed by internal and transnational institutions. Three types of transnational institutions are considered: (i) regulative institutions; (ii) global industrial norms and normative institutions; and, (iii) cultural-cognitive institutions (Scott, 1995, 2005, 2014). The review of existing literature reveals a lack of detailed research regarding the effects of institutional forces in different settings on subsidiary role expansion at various levels. By addressing this research gap, the thesis aims to extend the literature with institutional theory.

Resource deployment. The resource-based and resource dependence theories provide important insights into what types of resource attributes can weaken internal competition for mandate, and enhance mandate sustainability. Nevertheless, little is reported about how combinations of these different types of resource attributes affect expansion and sustainability of ongoing and renewed contributory roles. To deepen the understanding of the effects of deployment of specialised resources by subsidiaries, the thesis will explore how combinations of attributes of these resources determine the extent to which they can expand and sustain ongoing and renewed contributory role. More specifically, through the lenses of the resource-based and resource dependence theories, attributes of these specialised resources will be identified in terms of: (i) scarcity, (ii) non-substitutability with internal resources; (iii) non-substitutability with external resources; (iv) strategic criticality to the MNE's survival; (v) corporate recognition; and, (vi) mobility barrier. The thesis will then explore how combinations of these resource attributes determine subsidiary role expansion

and sustainability of ongoing and renewed contributory role. As this research area has not been explored in depth, the thesis is expected to extend the literature with these theories.

More importantly, the thesis will explore how the different patterns of role expansion and role renewal result not only from individual effects of the above-mentioned factors (corporate attention, embeddedness and network linkages, institutional factors, and resource deployment) but also from their combined effects. Prior research suggests that subsidiary role expansion and events reflecting role change as the results of a particular influencing factor or the combined effects of multiple factors (Dörrenbächer & Gammelgaard, 2010; Filippov & Duysters, 2012; Filippov & Duysters, 2014; Golikova et al., 2011; Pedersen, 2006; Rezende et al., 2014; van Egeraat & Breathnach, 2012). Taken together, the following research objectives are established in order to achieve the research goal of the thesis, and to provide a deeper understanding of the topic of subsidiary contributory role development as a whole:

Research objectives (ROs):

RO1: To explore the major forms of subsidiary contributory role development (i.e., ‘role expansion’ and ‘role renewal’) in terms of changes in the subsidiary’s international mandates in product, value-added and geographical areas. More specifically, to identify the different patterns of role development within each of these major forms.

RO2: To investigate how subsidiary role development in terms of role expansion results from the individual and/or combined effects of the factors drawn from the multiple theoretical lenses.

RO3: To investigate how subsidiary role development in terms of role renewal results from the individual and/or combined effects of the factors drawn from the multiple theoretical lenses.

The above research objectives are not isolated from each other. RO1 acts as a precedent for RO2 and RO3. More specifically, in addressing RO1, the thesis will first identify different patterns of role development within the major forms of subsidiary contributory role development, ‘role expansion’ and ‘role renewal’. Following this, the thesis will explore how these different patterns of ‘role expansion’ and ‘role renewal’ result from the individual and combined effects of the factors derived from the multiple theoretical lenses in order to

address RO2 and RO3. By addressing these three research objectives, the thesis aims to achieve the research goal: “to provide insights through a multi-lens perspective into ‘role expansion’ and ‘role renewal’ as the major forms of subsidiary contributory role development and, more specifically, into the different patterns of role development within each of these two major forms”.

3.2 METHODOLOGICAL CONSIDERATIONS

In social sciences, different research approaches (quantitative, qualitative, and mixed methods) are firmly rooted in their respective philosophical paradigms of research. Thus, before a methodological approach is adopted, the research subject of the thesis, subsidiary contributory role development, must be viewed from various research paradigmatic stances to help decide choice of the most appropriate research methodology.

A research paradigm has been defined “as the basic belief system or worldview that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways” (Guba & Lincoln, 1994, p. 105). Thus, a research paradigm can be seen as “an overall conceptual framework” composed of ontology, epistemology and methodology as three basic elements (p. 1194). In essence, ontology is concerned with nature of ‘reality’, that is, how nature of ‘world’ is viewed. Epistemology refers to the study of knowledge. It deals with the relationship between that reality and the researcher; that is, how a researcher can know about that reality and acquire the knowledge. Methodology is application of research methods to investigate that reality (Sobh & Perry, 2006). Various schools of philosophical paradigms have proposed different paradigms, such as positivism, post-positivism, realism, critical theory, pragmatism, phenomenology, and constructivism, to name a few (see their details in Savin-Baden & Major, 2013). At the broadest level, positivism, realism, constructivism and critical theory are identified as four different types of research paradigms (Guba & Lincoln, 1994; Sobh & Perry, 2006), which are summarised in Table 3-1.

Table 3-1: Summary of four research paradigms

| Element | Paradigm | | | |
|-----------------------------|---|---|---|---|
| | Positivism | Constructivism | Critical theory | Realism |
| Ontology | Reality is real and apprehensible | Multiple local and specific “constructed” realities | “Virtual” reality shaped by social, economic, ethnic, political, cultural and gender values, crystallised over time | Reality is “real” but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to try to know it |
| Epistemology | Findings true – researcher is objective by viewing reality through a “one-way mirror” | Created findings – researcher is a “passionate participant” within the world being investigated | Value mediated findings – researcher is a “transformative intellectual” who changes the social world within which participants live | Findings probably true – Researcher is value-aware and needs to triangulate any perceptions he or she is collecting |
| Common methodologies | Mostly concerns with testing of theory. Thus, mainly quantitative methods such as survey, experiments, and verification of hypotheses | Mainly qualitative methods such as in-depth unstructured interviews, participant observation, action research, and “classical” grounded theory research | Mainly qualitative methods such as action research and participant observation | Mainly qualitative methods such as case studies and convergent interviews |

Source: adapted from Sobh and Perry (2006, p. 1195), which itself was based on Guba and Lincoln (1994); Perry, Riege, and Brown (1999))

Positivists hold that there is a single, apprehensible, objective reality, which is assumed to exist independent of the researcher and social actors. Positivist epistemology thus assumes that the researcher can investigate this reality without influencing it. Various scientific methods are taken to minimise such influence and bias, which might affect outcomes. Therefore, findings are ‘true’, provided that rigorous procedures are taken. Positivist research thus looks for cause-and-effect or correlational relationships between two variables, which can be directly observable through one-way value-free scientific methods (Bryman & Bell, 2015; Creswell, 2014; Gelo, Braakmann, & Benetka, 2008; Guba & Lincoln, 1994; Savin-Baden & Major, 2013). Thus, they seek to create universal causal laws, and knowledge that is statistically generalisable to different population, events, times, and contexts; a positivist

research is therefore “time- and context-free” (Bahl & Milne, 2006, p. 198). Positivists therefore typically apply one-way value-free quantitative methods, such as surveys and experiments, to test and verify hypothetical relationships between variables and to generalise the findings to the population. Potential bias and influences from other conditions are carefully controlled in order to eliminate their effects on the findings (Guba & Lincoln, 1994).

The ontological assumptions of both constructivism and critical theory are that there is no single objective reality, and that external reality is a symbolic representation of multiple, constructed realities of individuals. Constructivists assume that realities and knowledge are constructed by minds and perceptions of individuals. Critical theorists view reality as shaped by social, political, economic, and cultural disorders, and then crystallised into structures that are taken as real. They seek to investigate underlying factors oppressing lives of individuals, and to improve or transform their lives (Guba & Lincoln, 1994; Savin-Baden & Major, 2013). “A core element of these two paradigms [constructivism and critical theory] is that each person’s constructed reality is so powerful an influence on their behaviour that any external reality is *relatively unimportant* and, moreover, there is no way of comparing the multiple constructed realities of different people” (Sobh & Perry, 2006, p. 1198, emphases added).

Thus, epistemological assumption of these two paradigms is that these multiple constructed realities of different individuals can be best discovered and apprehensible through interactions between the researcher and these individuals (Robson, 2011; Savin-Baden & Major, 2013). Critical theorists view their findings as value-mediated and influenced by their values. Constructivists see their findings as created through their interactions with research participants as their research progresses (Guba & Lincoln, 1994). Thus, both constructivists and critical theorists tend to employ value-laden methodologies such as qualitative research approaches (see Table 3-1) (Guba & Lincoln, 1994; Sobh & Perry, 2006).

Realists reject the ontological assumptions of the above-discussed three paradigms: positivism, constructivism, and critical theory (Robson, 2011). Like positivists, realists claim that there is a single external reality. Unlike positivists, they assume that this reality is imperfectly apprehensible (Riege, 2003). Robson (2011) illustrates the underlying principles

of realism by using an example of gunpowder. In this example, causal relationship between application of flame (*action*) and explosion of gunpowder (*outcome*) is contingent on chemical composition of the gunpowder (*mechanism*) and the conditions allowing the reaction to take place (e.g., presence of oxygen) (*context*). Applying this example in natural science to social science, realists claim that cause-and-effect relationships between social phenomena are not fixed, but are contingent on particular times, places, and contexts (Robson, 2011). Thus, epistemological assumption of a realist's research is that this single external reality that is specific to a particular time, place and context can be best apprehensible when perceptions of various people and multiple sources of evidence are collected and triangulated (Riege, 2003). They thus tend to employ value-laden methodologies, such as qualitative case study designs, to understand this context- and time-bound reality by triangulating information from multiple sources (Riege, 2003; Robson, 2011; Sobh & Perry, 2006; Yin, 2014).

The ontological assumptions of both constructivism and critical theory do not apply to the nature of the research area of this thesis. Both paradigms view that there is no single reality and that the reality is constructed (Guba & Lincoln, 1994). Foreign subsidiaries driving their contributory role development have to deal with their internal and external worlds (Birkinshaw & Hood, 1997). Therefore, there is an external reality. As Sobh and Perry (2006, p. 1199) observe, "constructivism and critical theory are not especially relevant in research about an organisation having to [deal with its external environment], because [...] managers have to deal with a world that is external, that is out there and that does not particularly care about the perceptions of an individual manager".

The nature of the research area of this thesis can be best seen as both time- and context-bound, and be thus best understood from a realist's worldview. The subsidiary's contributory role development can be conceived as driven by different drivers (*mechanisms*) (e.g., resources, investment and product mandates from the parent; its internal and external (local/global) network linkages; and its deployment of specialised resources). Full materialisation of the interplay between these drivers (mechanisms) and subsidiary role development can still be subject to certain contextual factors relating to the internal and external environments (*contextual factors*) (e.g., corporate executives' relative or supportive attentional processing, internal competition for mandate, and institutional environments in

which the subsidiary situates). Thus, the reality of subsidiary contributory role development is context-bound.

In addition, the reality of subsidiary contributory role development is also time-bound. Research shows that the subsidiary's resources and capabilities are created and enhanced over an extended period of time as it accumulates resources from internal and external environments (Achcaoucaou et al., 2014; Figueiredo, 2011; Figueiredo & Brito, 2011; Mattes & Späth, 2013). Therefore, time- and context-free positivist paradigm advocating one-way value-free quantitative survey method cannot adequately uncover these obscure contextual factors and temporally-specific mechanisms (Savin-Baden & Major, 2013) underlying the reality of this thesis.

Realists have explicitly recognised that “studying the effect of the contexts will help to provide a better understanding of the underlying structure of objects and mechanisms” (Sobh & Perry, 2006, p. 1203). They seek to understand different views of this time- and context-specific external reality through value-laden approaches, such as a qualitative case study method and triangulating information from different sources (Riege, 2003; Robson, 2011; Sobh & Perry, 2006; Yin, 2014).

Consistent with the realism paradigm, the thesis adopts a qualitative case study approach to study the context- and time-bound reality of subsidiary contributory role development. A qualitative research seeks to comprehend unique events and subjective social phenomena that are temporally- and contextually-specific. A fundamental assumption of a qualitative research is that these time- and context-bound social phenomena under investigation can be best understood when observations occur through social interactions between the researcher and participants in natural settings (Gelo et al., 2008). A qualitative research method employing open-ended interview questions can aid in capturing experiences of individuals involved in and affected by these time- and context-bound processes (role expansion paths of the subsidiaries) (Guest et al., 2012).

A case study design can deal with a time- and context-bound reality. It can describe how things changed over time (Halinen & Törnroos, 2005; Pettigrew, 1997; Yin, 2014). Thus, it is relevant to this thesis that deals with the context- and time-bound reality of subsidiary

contributory role development. The ultimate goals of a case study method are to offer a rich description of the phenomenon under investigation, and to describe the context in which it occurs (Dyer & Wilkins, 1991). As Yin (2014, p. 16) has noted, “a case study is an empirical inquiry that investigates a contemporary phenomenon (the “case”) in-depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident”. A case study design can describe a considerably long temporal horizon of subsidiary role expansion paths by means of simultaneously gathering and triangulating different sources of information. As Guest et al. (2012, p. 23) observe, to “capture the inherent complexity of process, [...] it may take as few as a handful of knowledgeable individuals or may require a somewhat larger sample—depending on the individual variability exhibited with respect to experiencing the process”.

In addition, an exploratory nature of the research area of this thesis makes a qualitative research most appropriate. The research area of the thesis, subsidiary role expansion at various levels and the different patterns of subsidiary role renewal, has not yet been explored in depth from the reviewed multiple theoretical perspectives (i.e., the attention-based, GPN, institutional, resource-based and resource dependence theories). A qualitative research is exploratory. It seeks to generate a theory or hypotheses from the research findings (Bryman & Bell, 2015; Gelo et al., 2008; Guest et al., 2012). It has been suggested that it is most appropriate for a research topic that is little known and that has not yet been explored (Guest et al., 2012). There is a consensus that an exploratory nature of the research area requires an intensive qualitative research drawing on different sources of data, including primary and secondary data, to generate insights into the research area (Guest et al., 2012; Yin, 2014). In particular, a qualitative research using an interview method can allow the researcher to get deep into the topic by exploring undetermined constructs and by uncovering contextual factors affecting the topic under investigation (Guest et al., 2012; Robson, 2011).

The thesis chose a qualitative multiple case study design and Strauss and Corbin’s qualitative research procedures in order to facilitate the theory-building process. The rationale for adopting these qualitative research strategies is discussed below.

3.2.1 THE MULTIPLE CASE STUDY DESIGN

The thesis chooses a multiple case study research design because of its ability to assure a robust theory-building process. The underlying rationale for choosing a multiple case study design is the replication logic, not the sampling one. Unlike a quantitative study that is based on the sampling logic, a multiple case study design does not intend to statistically generalise the study's findings to the population. Rather, it intends to build a richer theory, and to generalise the findings to the emerging theory. This type of generalisation has been referred to as theoretical or analytical generalisation (Robson, 2011; Yin, 2014). In the replication logic, cases are selected to confirm existing findings (i.e., literal replication), or to seek contrasting findings (i.e., theoretical replication) (Eisenhardt, 1989; Yin, 2014). By involving diverse cases (typical and atypical cases), a multiple case study research design can aid in generating “more theory-driven variance and divergence in the data” (Pauwels & Matthyssens, 2004, p. 129), and in a “richer theory building” (Perry, 1998, p. 792).

3.2.2 STRAUSS AND CORBIN'S QUALITATIVE RESEARCH APPROACH

The thesis adopts Strauss and Corbin's qualitative research approach to reinforce the theory-building process that is based on the multiple case study design, and to ensure conceptual density of the emergent theoretical frameworks (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). In this approach, processes of sampling, data collection, and data analysis are interconnected; the researcher adopts specific methods such as constant comparison method and theoretical sampling to ensure conceptual density of the emergent theory. This approach of Strauss and Corbin adopts the so-called constant comparison method, in which the researcher constantly compares any newly gathered data with the previous ones to identify similarities and differences. By constantly comparing the incidents and the cases, the researcher generates conceptual concepts/categories of the emerging theory systematically from the data, and explores their dimensions and/or properties and the hypothetical relationships between them (Corbin & Strauss, 1990, 2008; Dubois & Gadde, 2002; Oktay, 2012; Strauss, 1987; Strauss & Corbin, 1998).

The data analysis directs the data collection “to gather more data to further develop the concepts and, at the same time, to verify them” (Oktay, 2012, p. 38). Thus, Strauss and Corbin's approach uses theoretical sampling, that is, a sampling procedure driven by the

emerging theory and its conceptual categories and concepts (Corbin & Strauss, 1990; Oktay, 2012). The researcher continues his data gathering process until he reaches the point of a theoretical saturation, that is, the stage of a study when no new conceptual insights and properties are generated from the incoming data (Glaser & Strauss, 1967).

The early version of Strauss and Corbin's qualitative research approach has been referred to as the classic grounded theory methodology (Glaser, 1992; Glaser & Strauss, 1967). This classic approach uses *induction* as a core technique in building a theory. The researcher applying this procedure lets the theory emerge inductively from empirical findings without inputting any preconceived assumptions (Glaser, 1992). Strauss and Corbin systematise this classic approach by using three aspects of inquiry: induction, deduction, and verification. Applying this approach of Strauss and Corbin, a research begins with an inductive logic to derive concepts and their properties from the data, and to discover their hypothetical relationships. The researcher then draws implications from his findings and these hypotheses, and gathers additional data to *verify* them by using a *deductive* logic. In contrast, in a theory extension research discovering a new theory from existing theories, the researcher may begin with a deductive or quasi-deductive phase of research, and continue the processes of inductive, deductive and verificational investigations to discover a new theory from the data (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). This contrasts with the early version of the classic grounded theory that stresses that "grounded theory is *not* verificational" (Glaser, 1992, p. 29, emphasis added) and that "the yield is just hypotheses" (p. 16). Strauss (1987), however, stresses that "all three aspects of inquiry (induction, deduction, and verification) are *absolutely* essential" (p. 12, emphasis added). These ensure that "the researcher has *systematically developed* the products of analysis into a theory" (Strauss & Corbin, 1998, p. 22, emphasis included in the original).

Bryant and Charmaz (2007a), Reichertz (2010), and Strübing (2007) liken Strauss and Corbin's qualitative research approach to an abductive reasoning because their approach entails an interplay between discovery of hypotheses from inductive data, and checking/redeveloping them through a deductive data gathering process. Abductive reasoning has been defined as "a type of reasoning that begins by examining data and after scrutiny of these data, entertains all possible explanation for the observed data, and then forms a hypothesis to confirm or disconfirm until the researcher arrives at the most plausible

interpretation of the observed data” (Bryant & Charmaz, 2007b, p. 603). Thus, it has more potential to ensure conceptual density of the emergent theory (Dubois & Gadde, 2002). In contrast, an inductive study without checking and verifying the proposed hypotheses risks “failing to see the exception” (Bryant & Charmaz, 2007a, p. 45). Not taking the extant scholarship into account risks “the rediscovery of a well-developed domain” (Timmermans & Tavory, 2012, p. 181).

CHAPTER 4 - METHODOLOGY

This chapter outlines the detailed methodological steps employed by this thesis to empirically study subsidiary contributory role development. Data collection and analysis procedures are also outlined. The chapter is in six sections, as follows: Section 4.1 introduces the empirical setting of foreign subsidiaries in New Zealand. Data collection and analysis procedures are then outlined in Sections 4.2 and 4.3 respectively. Following this, the thesis's approaches to establishing the 'trustworthiness' and to managing ethical issues are discussed in Sections 4.4 and 4.5 respectively. This is followed by a brief description of the sample case subsidiaries in Section 4.6.

4.1 RESEARCH SETTING

The empirical domain of this thesis is New Zealand. Earlier studies suggested that most FDI in New Zealand was of 'market-seeking' type (see, for example, Enderwick, 1995). This type of FDI is most likely to occur with the MNEs' motivation for gaining access to host and regional markets (Dicken, 2015; Dunning & Lundan, 2008; Iammarino & McCann, 2013).

Nevertheless, more recent studies conducted since the 2000s have indicated that most foreign-owned subsidiaries in New Zealand engage in exporting (see Bhatt, 2011; Raziq, Perry, & Battisti, 2014; Scott-Kennel, 2004). They undertake autonomous initiatives based on their own local linkages while still relying heavily on their parent company for scarce resources, which cannot be readily sourced from their local environment (Scott-Kennel, 2004). A recent study based on 429 foreign-owned subsidiaries in the country suggests that despite being focused on the local market (around 87%), most of them (close to 70%) have international responsibilities of varying extents; over half of them are exporters (Raziq, Perry, et al., 2014). This finding is consistent with the earlier study on 516 foreign-owned subsidiaries in New Zealand, which revealed that over half of them engaged in exporting (Scott-Kennel, 2004). This changing pattern of subsidiary activities in New Zealand might imply that foreign subsidiaries are making more significant contribution to development of the MNE's FSAs in comparison to the cases in the past.

The thesis selected nine foreign subsidiaries in New Zealand as sample cases. Among the nine cases, eight were chosen from the manufacturing sector. Prior research reveals that foreign affiliates in this sector in the country are more likely to engage in exporting (Raziq, Perry, et al., 2014). Geographical proximity to the Asia-Pacific markets is one of the major motives of the MNEs to use New Zealand as an exporting platform into this regional market (Bailey, 2008; Scott-Kennel, 2004).

New Zealand has a history of implementing policies directed at creating a supportive infrastructure to grow its exports. Since 1992, state-owned Crown Research Institutes have been charged with commissioning and disseminating a wide range of agricultural and food-focused research in the country. Since then, they have assisted New Zealand-based food product manufacturers in product or process innovation required for expansion into international markets (Coriolis, 2013, 2014, 2015).

The government implemented a number of additional initiatives in the late 2000s aimed at spurring the country's exports. The state-owned agencies, such as Callaghan Innovation and the New Zealand Trade and Enterprise, for instance, have been charged with providing funding to New Zealand-based businesses to assist them to internationalise (Callaghan Innovation, 2015b; The New Zealand Government, 2015). In addition, Callaghan Innovation has been charged with assisting New Zealand businesses in their access to technical and business expertise across the globe (Callaghan Innovation, 2015a). In the food product sector, the government established the Food Innovation Network in 2010. This network is made up of scientific, food-focused research institutions around the country. Since its establishment, the network has facilitated food manufacturers' access to food-related specialist expertise available within the country, and their internationalisation (Export New Zealand, 2015; New Zealand Food Innovation Network, 2015).

Inter-organisational collaborations occurring over territorial space have been markedly improved by the government-subsidised ultra-fast broadband (UFB) initiative. To replace the low-performing copper broadband connections, in 2009, the New Zealand government provided a subsidy of 1.5 billion New Zealand dollars for creating the UFB infrastructure, which deploys the optical fibre technology. Under this initiative, a minimum connection speed of 100 megabits per second of downstream traffic was reached by most businesses in

New Zealand by the end of 2015 (Crown Fibre Holdings, 2015), thus significantly improving inter-organisational collaborations carried out mostly over territorial space.

4.2 DATA COLLECTION

This section outlines the data collection process of the thesis, including: (i) case selection procedures; (ii) participant recruitment procedures; and, (iii) data sources and data collection methods. Profiles of the interviewees are also provided.

4.2.1 CASE SELECTION PROCEDURES

While case selection procedures of the thesis were theory-based and conceptually-focused, for quality assurance, three case selection criteria were established in order to guide the participant recruitment process (Patton, 2015). They were: (i) wholly-owned subsidiaries; (ii) subsidiary age; and, (iii) international responsibilities of the subsidiaries. The thesis mainly focused on wholly-owned foreign subsidiaries, as they have a clear parent-subsidiary relationship and operate within a clearly-defined internal governance structure (Birkinshaw & Pedersen, 2009). This can aid in providing a deeper understanding regarding the effects of the parent's attention and actions on subsidiary contributory role development.

Following the second criterion for case selection, the chosen case subsidiaries must have been established for at least five years. Prior research suggests that the subsidiary's resources and capabilities are created and enhanced over time as it accumulates resources from internal and external environments (Achcaoucaou et al., 2014; Figueiredo, 2011; Figueiredo & Brito, 2011; Mattes & Späth, 2013). The subsidiary's age being a case selection criterion is therefore deemed to be appropriate.

Following the third criterion for case selection, the chosen case subsidiaries must have international responsibilities of varying extents along product, value-added and market areas. Consistent with the logic of theory sampling and with the replication logic employed in the multiple case study research design, this criterion was established in order to aid in understanding what contributed to the variations in the levels of their international responsibilities. The logic of theoretical sampling involves attempts to include samples from different groups to fill and extend the emerging theory (Eisenhardt, 1989; Glaser & Strauss,

1967; Yin, 2014). Glaser and Strauss (1967, p. 55) assert that “comparing as many differences and similarities in data as possible [...] tends to force the analyst to generate categories and their properties and their interrelations as he tries to understand his data”. Minimising differences in the sample may increase a possibility that the researcher would collect much similar data on a particular concept/category of his/her emerging theory, leading to an overlook of important differences that might generate richer or new theoretical insights.

The replication logic of a multiple case study research design involves selecting cases either to predict similar results to strengthen the emerging theory (that is to say, literal replication), or generating contradicting results to extend this theory (that is to say, theoretical replication) (Eisenhardt, 1989; Yin, 2014). By involving diverse cases, theoretical sampling ensures generation of more theory-driven variant and divergent information (Bitsch, 2005; Eisenhardt, 1989; Pauwels & Matthyssens, 2004, p. 129). Therefore, it can provide richer theoretical insights, and enhance applicability of the resulting theory to wider social settings (Glaser & Strauss, 1967; Pauwels & Matthyssens, 2004).

The thesis involves nine case subsidiaries. This sample size is deemed to be sufficient to achieve theoretical saturation for the emergent theoretical frameworks of the thesis. In her widely-cited article, Eisenhardt (1989) recommends a multiple case study design involving four to ten cases and employing a theoretical sampling to achieve a good basis for analytical generalisation. With fewer than four cases, it can often be difficult to aid in generating a robust theory; with more than ten cases, it can be impractical to deal with volume and complexity of the data (Eisenhardt, 1989). A multiple case study design using a large number of cases can considerably challenge the reporting of empirical findings (Piekkari, Welch, & Paavilainen, 2009), diluting the aim of a case study method and sacrificing depth of the data (Cavanagh, 2013; Piekkari et al., 2009).

Profiles of the nine case subsidiaries are provided in Table 4-1 below. To counter industrial effects, the case subsidiary companies were chosen from different sectors in New Zealand. Except Delta with a single-activity subsidiary role, the remaining eight out of nine sample case subsidiaries were chosen from different manufacturing sectors. The manufacturing subsidiaries are chosen primarily because they are more likely to be associated with a greater

occurrence of development and expansion of international mandates (Birkinshaw, 1996; Birkinshaw & Hood, 1997; Chen et al., 2013; Filippov & Duysters, 2012).

Table 4-1: Profiles of the case subsidiaries

| Case | Highest level of contributory role attained by the subsidiary since its establishment ^a | Year in which the parent took the majority shareholding | The parent's home country or region ^b | Industrial characteristic of the subsidiary | Total revenue ^c | Approximate percentage of the total revenue that is sold internationally |
|---------|--|---|--|---|----------------------------|--|
| Alpha | World mandate (2015) | 2002 | United States | Meat (beef) products | 60 mil (2014) | 98% (2014) |
| Beta | Rationalised operator (2013) | 1996 | Europe | Food processing machineries | 5.8 mil (2012) | 95% (2012) |
| Gamma | World mandate | 2010 | Japan | Food ingredients | 55.8 mil (2016) | 60% (2016) |
| Delta | Single-activity subsidiary | 1956 | Australasian | Food trading | 42 mil (2016) | 98% (2016) |
| Epsilon | World mandate | 2000 | Australia | Electronics | 19 mil (2016) | 95% (2016) |
| Zeta | Regional mandate (2007) | 2000 | United States | Kitchen and bathroom plumbing products | 43.6 mil (2006) | 70% (2006) |
| Eta | Regional implementer | 2009 | Europe | Synthetic grass | 34 mil (2016) | 60% (2016) |
| Theta | Rationalised operator | 2000 | Australia | Industrial fittings | 14.1 mil (2016) | 71% (2016) |
| Iota | Regional implementer | 1986 | US (until 2014) | Interior steel framing | 16.9 mil (2016) | 60% (2016) |

^a Bracket indicates the year in which the said contributory role was reduced to a more inferior subsidiary role.

^b The parent's home country or region. For the cases of Beta, Delta and Eta, the parent's home market region (rather than its home country) was identified because of the respondents' requests.

^c The total revenue in million New Zealand dollars for the year shown in the bracket. The contributory role (Column 2) of Alpha, Beta and Zeta was reduced to a more inferior subsidiary role in 2015, 2013 and 2007 respectively. Their revenue in 2016 was significantly lower than those in the year before their contributory role was reduced. Therefore, their revenue was shown for the year before their contributory role was reduced.

In line with Strauss and Corbin's qualitative research approach, the case selection process was conceptually-focused, and based on a theoretical sampling procedure. Cases were added sequentially based on data analysis (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). Selection of cases in the first round of data collection was, however, guided by the above-described three case selection criteria. This round of data collection involved four cases, two of which evolved towards or expanded a world mandate role (Alpha and Gamma); another two expanded only their geographical mandate (Beta and Delta). Following an analysis of the first round of data collection, additional two cases (Epsilon and

Zeta) were added to the sample in order to gain more insights into development and expansion of world and regional mandate roles. Analysis of these six cases (Alpha, Beta, Gamma, Delta, Epsilon and Zeta) revealed a need to gain a deeper understanding of development and expansion of other low contributory roles such as regional implementers and rationalised operators. Thus, additional three cases (Eta, Theta and Iota) that expanded these types of low contributory roles were then recruited and added to the sample.

4.2.2 PARTICIPANT RECRUITMENT PROCEDURES

Potential case subsidiaries were identified from Kompass New Zealand (company information directory). Their background information was then collected from secondary sources to choose appropriate cases against the case selection criteria. Once the appropriate case subsidiaries were chosen, their senior executives (Chief Executive Officers (CEOs), Managing Directors (MDs), or regional directors) were identified, and sent the invitation letters by mail to invite them to participate in this research. A week after the invitation letters were sent, they were contacted by telephone to ask whether they would participate in this research, and, if they agreed, to make the interview arrangements. Interviews were conducted face-to-face at the premises of the case subsidiaries.

In the first round of data collection, participants were recruited primarily on the basis of the three above-mentioned case selection criteria. This round of data collection involved interviews with the CEOs or MDs of the four case subsidiaries (Alpha, Beta, Gamma and Delta).

In line with a theoretical sampling procedure, the participant recruitment process was more and more driven by conceptual categories of the emerging theoretical frameworks in Round 2 of data collection. As the data analysis and coding processes progressed, new theoretical concepts/categories emerged from the findings. Potential participants within the case subsidiaries were identified based on the initial theoretical framework, as well as on these emergent concepts. The respondents were telephoned if the interview data needed to be clarified. In total, ten follow-up interviews with the same respondents were required and conducted to further elaborate on new emergent concepts evident in the other case subsidiaries, and to verify the researcher's hypotheses. Strauss and Corbin emphasise the *verification* of new emergent concepts and hypotheses through a deductive process. This

verification method ensures that the emerging theory is systematically developed (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998).

4.2.3 DATA SOURCES AND DATA COLLECTION METHODS

In line with a case study research design, the thesis draws on different sources of information, including primary interview data and secondary data (Creswell & Poth, 2017; Ghauri, 2004; Guest et al., 2012; Pettigrew, 1990; Robson, 2011; Yin, 2014). Sources of these data and data collection methods are discussed in this section.

Primary Data Collection

Primary data was collected mainly through interviews with subsidiary managers from the nine case subsidiaries. The interviews were digitally recorded upon their consents, and transcribed for data analysis. Fieldnotes were produced during the researcher's visits to the case subsidiaries.

Two data collection tools, which were (i) case study protocol and (ii) interview schedule, were created to collect the primary interview data. First, a case study protocol, which outlines detailed data collection procedures and key information that the data collection should cover, was developed (see Appendix 1). As a large volume of data was expected to be collected, this case study protocol was created to enhance consistency of the data collection process (Yin, 2014).

Second, the initial theoretical framework guided development of an interview schedule (see Appendix 2). While unstructured interviews can aid in generating a deeper understanding of the topic under investigation, they are not suited for cross-case comparisons (Guest et al., 2012). A semi-structured interview method not only aids in cross-case comparisons, but also gives flexibility in inductive probing and in exploring emerging constructs by using open-ended questions. It is therefore suited for an exploratory nature of a study (Guest et al., 2012; Pettigrew, 1990; Robson, 2011; Yin, 2014).

Organisational positions of the interviewees, number of interviews per each interviewee, and sources of the secondary information for each case are outlined in Table 4-2 below. A total of 30 interviews with 20 participants from the nine case subsidiaries were conducted between

December 2014 and May 2016. The duration of the interviews ranged approximately from 45 minutes to over 2 hours.

Table 4-2: Profiles of the interviewees, and the secondary data sources

| Case | Year in which the parent took the majority shareholding | Organisational position of the interviewee | Number of interviews per each interviewee | Sources of the secondary data for each case |
|--------------|---|--|---|---|
| Alpha | 2002 | CEO | 2 | - Public news |
| | | Commercial manager | 2 | - Trade magazines |
| | | Technical manager | 2 | |
| Beta | 1996 | MD | 3 | |
| | | Former MD | 1 | |
| | | Product engineer | 1 | |
| Gamma | 2010 | CEO | 2 | - Public news |
| | | Marketing manager | 1 | - The subsidiary's website |
| Delta | 1956 | MD | 2 | |
| | | Trading manager | 1 | |
| Epsilon | 2000 | Senior manager | 1 | - Corporate news and website - Public news |
| Zeta | 2000 | MD | 1 | - Corporate news |
| | | Product design manager | 3 | - Corporate annual reports - Public news |
| Eta | 2009 | Regional director | 2 | - Corporate news |
| | | Production manager | 1 | - Corporate annual reports |
| | | Technical manager | 1 | - Public news |
| Theta | 2000 | CEO | 1 | |
| Iota | 1986 | Regional director | 1 | - Corporate annual reports |
| | | Architectural specification manager | 1 | - Public news |
| | | Technical manager | 1 | |
| Total | | 20 participants | 30 interviews | |

Access to the multiple interviewees per case was gained for seven out of the nine case subsidiaries (Alpha, Beta, Gamma, Delta, Zeta, Eta and Iota) thanks to approvals of their senior executives (CEOs, MDs or regional directors). For these seven cases, access was limited to only two or three participants per case because these participants were perceived by their senior executives as being the main individuals who were information-rich regarding the thesis's interview questions.

In another two cases (Epsilon and Theta), their senior executives wished to maintain the confidentiality of their participation in the thesis because of their career concerns. Consequently, access to additional people from these two cases was not gained. The senior manager of Epsilon allocated about two hours of his time for the interview, as well as his time for the follow-up telephone calls. The parent of Epsilon has frequently released the company news on its corporate website since 2000. The primary interview data combined with these pieces of secondary data were sufficient to analyse the contributory role development of Epsilon. Considering the case of Theta, this subsidiary did not represent a substantial change in its international responsibilities relating to product, value-added and geographical areas. Its intra-firm role expansion was characterised by a very limited amount of internal and external network activities, and by little investments/mandates from the parent. Since activities contributing to contributory role development of Theta were rather limited, information collected from one interview was sufficient to analyse this development.

As will be discussed later, the contributory role development of Delta and Iota was analysed from the year 2000 onwards because of data availability and the considerably long temporal duration of their contributory role development. The contributory role development of the remaining seven case subsidiaries were analysed from the year in which the parents took majority ownership. 15 out of 20 participants in this research have been affiliated with the case subsidiaries and the multinational groups since the year in which the subsidiaries were founded or since the early stage of the contributory role development periods under investigation. The remaining five participants were employed around or after the midpoint of the contributory role development of the subsidiaries. They are the MD of Beta, the product engineer of Beta, the marketing manager of Gamma, the trading manager of Delta, and the MD of Zeta. They were employed at the respective case subsidiaries in 2004, 2005, 2012, 2012, and 2012 respectively.

In this thesis, wherever possible, interview data from one participant were triangulated with those from another participant(s), as well as with the secondary data. The thesis focuses on the perspectives of subsidiary managers in order to gain a deeper understanding of the subsidiaries' contributory role development. Triangulating multiple data sources is one of the thesis's approaches to producing an accurate representation of perceptions of the corporate executives.

This data triangulation is a useful method in dealing with long-term contributory role development of the subsidiaries. Time horizons of their role expansion paths tend to be considerably long (Achcaoucaou et al., 2014; Birkinshaw & Hood, 1997; Dimitratos et al., 2009; Dörrenbächer & Gammelgaard, 2006, 2010; Figueiredo, 2011; Figueiredo & Brito, 2011; Mattes & Späth, 2013; Rezende et al., 2014; Sandvik, 2010). Retrospective bias can be present in research gathering historical data (Piekkari et al., 2010). Triangulation of data sources can potentially negate such retrospective bias (Piekkari et al., 2010), and bias that can occur from a particular data source (Guba, 1981; Lincoln & Guba, 1985).

Secondary Data Collection

Secondary information, including media news, corporate news, corporate annual reports, documentary data, and audio-visual material, was used. The collected secondary information corresponded to the research goal and objectives, and was guided by the initial theoretical framework. Secondary information, for instance, was collected with respect to the parent's investment and resource allocation to New Zealand, its investment motivations, and changes in the product, value-added and geographical areas of international responsibilities of the respective subsidiaries. These secondary data from diverse sources would be able to reflect perceptions of corporate executives, and therefore their attentional allocation (Bouquet & Birkinshaw, 2008). In addition, some of secondary data used by this thesis were produced in different points in time, thus leading to a mitigation of the retrospective bias (Piekkari et al., 2010).

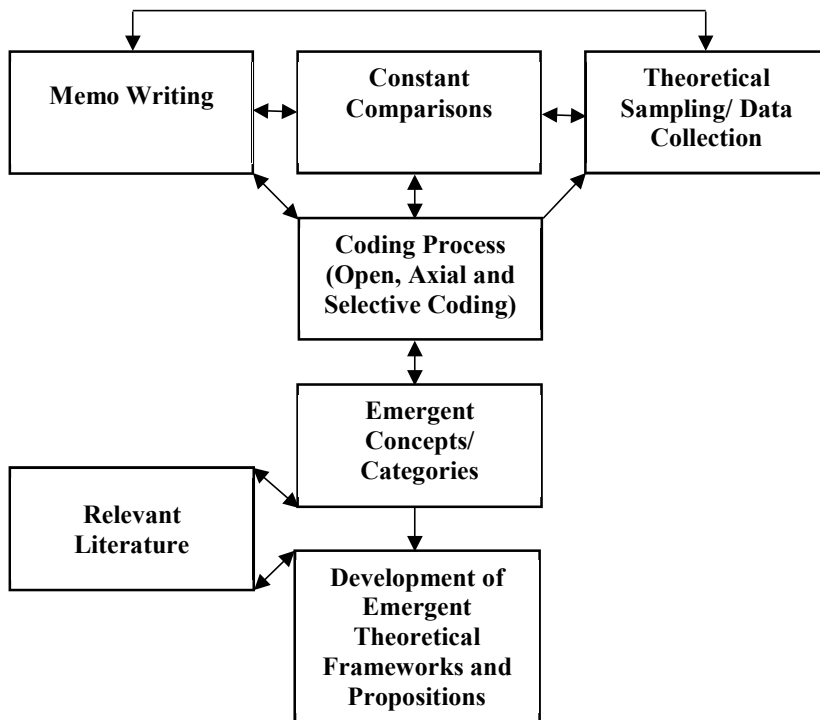
Secondary information was collected prior to and after each interview. As soon as the subsidiary companies confirmed their participation of data collection in this thesis, their background information was collected from the secondary sources. Based on the information, additional interview questions specific to each case subsidiary company were developed, and added to the original interview schedule. Secondary information gathered prior to and after each interview was subsequently triangulated with the interview data.

4.3 DATA ANALYSIS

Data analysis process followed Strauss and Corbin's qualitative research procedures (Corbin & Strauss, 1990; Strauss, 1987; Strauss & Corbin, 1998). It involved constant comparative

method, memo writing, and three types of coding: open, axial and selective coding. The data analysis process is depicted in Figure 4-1. A software for qualitative data analysis, *NVivo*, was used to aid in the data analysis process.

Figure 4-1: The data analysis process



In this thesis, processes of data collection and analysis interrelated. Audio recordings were transcribed immediately after each interview. As soon as interview transcripts were produced, they were immediately compared with previously collected ones. This ensures that within-case and cross-case analyses were done simultaneously. In line with Strauss and Corbin’s qualitative research procedures (see Corbin & Strauss, 1990; Dubois & Gadde, 2002; Strauss, 1987; Strauss & Corbin, 1998), a constant comparative method was used in this thesis in order to aid in:

- (1) identifying similarities and differences between newly- and previously-collected data;

- (2) comparing new incidents with previous ones coded in the same category to refine existing category or to generate its theoretical properties;
- (3) identifying emerging concepts and patterns; and,
- (4) directing a search for specific data to further develop emerging theoretical frameworks.

Memo writing is an integral part of Strauss and Corbin's qualitative research procedures (Corbin & Strauss, 1990; Saldaña, 2013; Strauss, 1987; Strauss & Corbin, 1998). In the thesis, memo writing began as soon as the first piece of interview transcript was produced. This writing continued throughout the data analysis (coding) process until the end of the study. In line with Strauss and Corbin's qualitative research procedures, memo writing was used to reflect on code choices, to document conceptual ideas arising from the data, to keep track of emerging concepts, categories and their patterns, to generate theoretical propositions, and to specify further data requirements (Corbin & Strauss, 1990; Saldaña, 2013; Strauss, 1987; Strauss & Corbin, 1998).

There were two rounds of data analysis. The first occurred during and after the first round of data collection; the second occurred during and after the second round of data collection. Each of these two rounds of data analysis is discussed below. Based on the emerging concepts/categories from the first round of data collection and analysis, a refinement of the initial theoretical framework is briefly discussed.

4.3.1 ROUND 1 DATA ANALYSIS, AND SUMMARY OF KEY FINDINGS

Data from the first round of data collection was analysed, using open coding. Open coding is a process in which data is categorised into codes, and labelled (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). Data from this round of data collection involved interview transcripts with the CEOs and MDs from the four case subsidiaries (Alpha, Beta, Gamma and Delta), fieldnotes that were produced during the researcher's visits to these subsidiaries, and secondary data on each of these four cases. These data were analysed on a line-by-line basis using open coding.

Two analytical approaches were used in this open coding phase, which were deductive and inductive approaches. A deductive approach involved coding the data into predetermined

conceptual categories that were imported from the initial theoretical framework (Strauss, 1987). This initial theoretical framework considered ‘subsidiary role expansion’ as the only one form of subsidiary contributory role development. This framework was guided by three theories: the attention-based, GPN and resource-based theories. Three predetermined conceptual categories were derived from these theories. They were: (i) corporate attention; (ii) embeddedness and network linkages; and, (iii) resource deployment. In the deductive coding process, interview data and secondary data were coded into these categories. An inductive approach involved coding the data into new theoretical categories and concepts, which inductively emerged from the data (Strauss, 1987). To reflect on newly emerged concepts, relevant literature was subsequently reviewed.

The main findings and newly emerging concepts/categories from the first round of data collection, and how they led to the refinement of the initial theoretical framework, are summarised, as follows:

- (1) ‘Subsidiary role renewal’ as another form of contributory role development was identified from the sample case subsidiary ‘Beta’. This form of role development was integrated into the initial theoretical framework.
- (2) The case of Beta revealed the effects of regulative institutions in foreign markets on its inability to expand into new markets. Institutional theory was therefore integrated into the initial theoretical framework to reflect on this finding. The revised initial theoretical framework also considered the potential effects of local institutional factors, internal institutions and other dimensions of transnational institutions.
- (3) The resource dependence theory was integrated with the resource-based theory. Alpha and Gamma possess non-overlapping specialised resources (that is to say, the clean and green image of New Zealand), which are scarce, non-substitutable with internal and external resources, recognised by the parent, strategically critical to their MNE’s market access, and characterised by a mobility barrier. Possession of these resources resulted in dependence of the respective MNEs on the subsidiaries. Being characterised by a mobility barrier, these resources assured sustainability of their contributory role by eliminating intra-firm competition for their role. Thus, the resource dependence theory

was integrated with the resource-based theory to better understand how the subsidiaries deploy specialised resources in light of internal competition for their contributory role.

- (4) The initial theoretical framework sought to analyse the role expansion paths of the subsidiaries over the last five years. The case of Alpha reveals that most of its capability-creation activities (such as its creation of new process areas for international markets) and its expansion into new value-added areas (marketing) occurred over an extended period of time. An analysis that was based on the five-year timeframe cannot adequately capture these activities. While recognising a risk of retrospective bias, the initial theoretical framework was refined to reflect upon the reality that the temporal horizon of role expansion paths of the subsidiaries is considerably long (Achcaoucaou et al., 2014; Birkinshaw & Hood, 1997; Dimitratos et al., 2009; Dörrenbächer & Gammelgaard, 2006, 2010; Figueiredo, 2011; Figueiredo & Brito, 2011; Mattes & Späth, 2013; Rezende et al., 2014; Sandvik, 2010).

4.3.2 ROUND 2 DATA ANALYSIS

The second round of data analysis involved three types of coding recommended by Strauss and Corbin: open, axial and selective coding. The aims of these three types of coding are to systematically categorise data, and to make connections between conceptual codes/categories (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). In this thesis, although these three types of coding occurred simultaneously, axial and selective coding were done intensively in the later stage of the data analysis process.

Open coding, as noted earlier, refers to the coding process during which data is categorised into codes, and labelled (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). It was performed immediately after each interview. Each interview transcript and each documentary data were read line-by-line, and were immediately compared with previous ones using a constant comparative method. Adopting this method, data analysis resulted in refinement of the existing concepts/categories, and identification of new ones in the deductive and inductive analytical processes (Strauss, 1987). Following this, the data were imported into data analysis software, *NVivo*, and then coded into the existing, new or refined codes/concepts.

Axial coding refers to an analysis revolving around the axis of a particular category (i.e., axial category). This process involves identifying properties (characteristics) and dimensions of this category, and relating it with its subordinate open codes, concepts and subcategories (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998).

In the thesis, core categories are subsidiary role expansion at various level and events characterising subsidiary role renewal. The nine core categories were identified from the initial theoretical framework as well as from the empirical findings, as follows:

- (1) Extension of only the geographical mandate;
- (2) Development of the rationalised operator role;
- (3) Development of the regional implementer role;
- (4) Development of the world/regional mandate (production innovator) role;
- (5) Development of the world/regional mandate (autonomous driver) role;
- (6) Mandate endangerment;
- (7) Renewal of endangered mandates;
- (8) Mandate reallocation; and,
- (9) Renewal of reallocated mandates.

During the axial coding phase, under each of these nine core categories, subordinate open codes were grouped under the following axial categories: (i) corporate attention; (ii) embeddedness and network linkages; (iii) institutions; and, (iv) resource deployment. Intense data analysis was done on each of these axial categories, resulting in emergence of theoretical properties of these categories and refinement of existing concepts. In order to perform an analysis for the axial category ‘resource deployment’, a coding table was created (see Appendix 3). This table was used to aid in identifying attributes of specialised resources of the subsidiaries, and in exploring how different combination patterns of these attributes determine the expansion of their contributory role and mandate sustainability. Each combination pattern of these attributes was given a new concept (such as ‘sustained resource dependence’).

Selective coding refers to the process during which subordinate axial categories and their subcategories are systematically related with the central and core category(ies) of the emerging theory. The purpose of this coding process is to ensure that these categories and

concepts are well-integrated into a theory (Corbin & Strauss, 1990, 2008; Strauss, 1987; Strauss & Corbin, 1998). In line with Research Objectives 2 and 3, which aim to analyse the individual and combined effects of the influencing factors, the thesis analyses how each of the above-listed nine core categories is influenced by a particular axial category or by the combinations of the multiple axial categories during the selective coding phase. These axial categories are: (i) corporate attention; (ii) embeddedness and network linkages; (iii) institutions; and, (iv) resource deployment.

Throughout the open, axial and selective coding processes, additional literature was reviewed to aid in the theory-building process and to reflect on the collected data. Categories, sub-categories and conceptual codes emerged during these three types of coding processes, and their hierarchical relationships are described in Appendix 4. The empirical findings are presented in Chapters 5 and 6 (the findings chapters). Based on these findings, the two theoretical frameworks and a set of theoretical propositions are developed in Chapter 7 (the discussion chapter).

4.4 ESTABLISHING TRUSTWORTHINESS

Trustworthiness refers to the degree to which trust and confidence can be established in a qualitative study (Lincoln & Guba, 1985; Robson, 2011). Qualitative research is not objective, and not designed to statistically generalise its findings to a larger population. Therefore, evaluative criteria of reliability and validity for a quantitative research are not applicable to quality of a qualitative research (Oktay, 2012). Guba (1981) and Lincoln and Guba (1985) develop four evaluative criteria of trustworthiness for a qualitative research, namely: (i) credibility; (ii) transferability; (iii) dependability; and, (iv) confirmability. They parallel the evaluative criteria of internal validity, external validity (or generalisability), reliability, and objectivity for a quantitative research respectively. Tactics employed to establish trustworthiness of this thesis are described in Table 4-3, and are discussed in turn in the rest of this section.

Table 4-3: Tactics employed to establish trustworthiness of this thesis

| Qualitative terms | Quantitative terms | Tactics used to establish the trustworthiness of this thesis | Research phases in which the tactics occurred |
|-------------------|---|--|--|
| Credibility | Internal validity | <ul style="list-style-type: none"> - Adhering closely to constant comparative and theoretical sampling methods - Triangulating multiple data sources and multiple data collection methods - Triangulating multiple established theories | <ul style="list-style-type: none"> - Data collection and analysis - Data collection - Research design |
| Transferability | External validity (or generalisability) | <ul style="list-style-type: none"> - Collecting rich descriptive data - Employing theoretical sampling - Employing a multiple case study design | <ul style="list-style-type: none"> - Data collection - Data collection - Research design |
| Dependability | Reliability | <ul style="list-style-type: none"> - Using a case study protocol and an interview schedule | <ul style="list-style-type: none"> - Data collection |
| Confirmability | Objectivity | <ul style="list-style-type: none"> - Triangulating multiple data sources | <ul style="list-style-type: none"> - Data collection |

Source: Author's compilation of various sources

4.4.1 CREDIBILITY

Credibility refers to the degree to which confidence can be established regarding truthfulness of the findings and interpreting them in a qualitative study. It is equated with the concept of internal validity (an evaluative criterion for a quantitative research). Establishing credibility of a qualitative study is a twofold task: first, undertaking the research in a way that enhances the truthfulness of the findings; and, second, demonstrating credibility of the results and interpreting them to external readers (Lincoln & Guba, 1985).

The thesis seeks to strengthen its credibility through adopting three tactics: (i) consistently applying constant comparison and theoretical sampling methods; (ii) triangulating different collection methods and data sources; and, (iii) triangulating multiple established theories. According to Glaser and Strauss (1967), an emerging theory is credible if the investigator is consistently applying the methods of constant comparison and theoretical sampling. By constantly comparing data and incidents, the investigator is required to think in terms of the full range of theoretical properties and dimensions of a category, and its relationships to other categories. By carefully saturating the categories of the resulting theory through constant comparisons and theoretical sampling, this theory and its categories will be well-integrated

and therefore credible. Through these methods, inaccuracies in interpreting the findings will be corrected over time.

Whenever appropriate, the thesis triangulates different data collection methods and data sources (i.e., interviews and documentary analyses). Bias that is likely to occur from a particular source of data can be negated by this triangulation method, thereby strengthening credibility of findings (Guba, 1981; Lincoln & Guba, 1985).

In addition, the thesis seeks to strengthen the credibility of its findings by using multiple theoretical perspectives (i.e., theory triangulation) (Sinkovics, Penz, & Ghauri, 2008). This can enhance credibility of data interpretations (Guba, 1981).

4.4.2 TRANSFERABILITY

Transferability refers to the extent to which a study's findings can be applied to other settings (Bitsch, 2005; Lincoln & Guba, 1985). It parallels the concept of external validity (or generalisability) (an evaluative criterion for a quantitative research) (Lincoln & Guba, 1985). The most common critique of a case study research method is its poor basis for generalisation. Such a critique implicitly contrasts case study research to survey research that relies on statistical generalisation (Ford, Golden, & Ray, 2014, p. 50; Yin, 2014). Yin (2014) suggests that case study research strategy is not designed to statistically generalise its results to a larger population, as it aims to generalise the findings to the emerging theory (i.e., analytical or theoretical generalisation).

The thesis aims to facilitate transferability by means of employing three tactics: *(i)* providing a rich description; *(ii)* using a multiple case study design; and, *(iii)* employing a theoretical sampling. Providing a rich description of the cases and their settings have been argued as effective ways to facilitate transferability (Bitsch, 2005; Chiovitti & Piran, 2003; Guba, 1981; Houghton, Casey, Shaw, & Murphy, 2013). This is because transferability of a study's findings to another context is likely to be contingent on the degree to which sending and receiving contexts are similar (Lincoln & Guba, 1985).

A multiple case study design and theoretical sampling were employed in order to enhance generalisability of the thesis's findings to the emerging theory (analytical generalisation) (Eisenhardt, 1989; Glaser & Strauss, 1967). It has been argued that a multiple case study

design involving four to ten cases can contribute to achieving analytical generalisation (Eisenhardt, 1989). Theoretical sampling involving diverse sample groups enables the investigator to uncover the widest possible range of information (Bitsch, 2005; Eisenhardt, 1989), thereby enhancing transferability of the emerging theory (Glaser & Strauss, 1967).

4.4.3 DEPENDABILITY

Dependability refers to stability of a study's findings over time. It is equated with the concept of reliability for a quantitative research (an evaluative criterion for a quantitative research) (Lincoln & Guba, 1985). It is concerned with whether consistent conclusions and findings would be produced if a later researcher repeats procedures employed by an earlier researcher (Bitsch, 2005; Guba, 1981; Lincoln & Guba, 1985; Yin, 2014). The case study protocol and interview schedule employed by the thesis (Appendices 1 and 2) can improve consistency of the data collection process, and repeatability of the study's procedures (Yin, 2014). Thus, they can enhance dependability of the study.

4.4.4 CONFIRMABILITY

Confirmability refers to accuracy of the data, and deals with whether "the data can be confirmed by someone other than the researcher" (Conrad & Serlin, 2006, p. 417; Lincoln & Guba, 1985). It parallels evaluative criterion of objectivity for a quantitative research. The key aims are to minimise the researcher's biases (Bitsch, 2005; Lincoln & Guba, 1985). The thesis seeks to strengthen confirmability of its findings by triangulating multiple data sources whenever appropriate. Triangulation of multiple data sources, in other words, means that the findings are sought to be confirmed by multiple data sources. This tactic has been often suggested to be a robust way for maximising confirmability of a qualitative research (Guba, 1981).

4.5 ETHICAL CONSIDERATIONS

The thesis's research strategy was conducted in accordance with the ethical principles set out in Massey University's Code of Ethical Conduct for Research, Teaching and Evaluations involving Human Participants (the Code). Before commencing recruitment of the research participants and data collection, an ethical analysis of this research thesis was undertaken in discussion with the primary supervisor of the thesis. The thesis was judged to be a low risk project; it was therefore recorded on the Low Risk Database at Massey University. In order

to judge a project to be low risk, the Code requires the research to avoid any physical, psychological, legal, social, and economic harms to the participants and the researcher. It also requires the research to obtain an informed and voluntary consent from each participant, and to maintain privacy, confidentiality and anonymity rights of the participating individuals and organisations. The research must also avoid conflict of interest and compensating the participants.

Prior to each interview, the respondents were provided with the Information Sheet of this thesis (Appendix 5). The Information Sheet describes an overview of the thesis, the research design and procedures, their rights, data management, and contact details of the doctoral candidate, his thesis supervisors and Massey University's Research Ethics Office. After the participants had read the Information Sheet and had agreed to participate in this research under the conditions set out in the Information Sheet, they were asked to sign the Participant Consent Form (Appendix 6). As outlined in the Information Sheet, the participants were given their rights to:

- voluntarily participate in this research;
- stop answering any particular question;
- withdraw from this research at any point in the research process;
- ask the researcher to turn off the voice recorder at any time;
- ask the researcher questions about the research at any time;
- receive the findings once it is concluded;
- maintain anonymity of their names and organisations to which they belong unless the researcher is given permission; and,
- maintain the confidentiality of any information provided by them.

4.6 CASE DESCRIPTIONS: INITIAL ROLE ASSIGNMENTS

This section describes the nine sample case subsidiaries and their initial role(s) given by the parent (see Table 4-4 for summary). Their role change after these initial role assignment events is discussed in the findings chapters (Chapters 5 and 6). Because of data availability, developmental paths for Delta and Iota were analysed from the year 2000. They were established in 1956 and 1986 respectively. Therefore, the contributory role performed by them in the year 2000 is described in this section. For the remaining seven case subsidiaries,

the contributory role(s) and international mandates carried out by them at their founding stage are described.

Table 4-4: Initial role(s) assigned to the case subsidiaries by the parent

| Case | Year | Role(s) originally assigned to the subsidiary by the parent | Description of the initial role of the subsidiary |
|---------|------|---|--|
| Alpha | 2002 | Rationalised operator | · Production of new meat products created in the home country, and exporting them to home market |
| | 2002 | Regional implementer | · Launching and adapting the MNE's meat products for international markets |
| Beta | 1996 | Rationalised operator | · Production of complementary processing machineries for the processing of food A and B |
| Gamma | 2010 | World mandate | · The world mandate for the food ingredient business line |
| Delta | 2000 | Single-activity subsidiary | · Trading locally-sourced products in the global market |
| Epsilon | 2000 | World mandate | · The world mandate for the electronic business line |
| Zeta | 2000 | Regional implementer | · Launching and adapting the MNE's bathroom products for the regional market |
| Eta | 2009 | Regional implementer | · Launching and adapting the MNE's artificial turf products for the regional market |
| Theta | 2010 | Rationalised operator | · Production of new plumbing products created in the home country, and exporting them to the home market |
| Iota | 2000 | Regional implementer | · Launching and adapting the MNE's interior steel stud and track systems for the regional market |

4.6.1 ALPHA

Alpha is a New Zealand subsidiary of an American beef product manufacturer. It was established in 2002, along with another manufacturing plant in Brazil. Prior to that, manufacturing activities were concentrated in the home American market. Alpha was particularly established as the group's only export hub to the international markets, or as a 'regional implementer'. This contributory role was not mandated for other units for the following reasons: First, the parent perceived that Asian markets tend to place a premium on the clean and green image of New Zealand. This meant that other locations and the Brazilian unit were not suitable candidates for serving these markets. Second, countries around the world have banned import of American beef following the occurrence of mad cow disease in the United States. *"America got BSE [the mad cow disease]. So, they [the parent] cannot*

export to a lot of places in the world out of America. We can export to most places in the world.” (CEO, Alpha). *“The New Zealand image is very important [to the parent] because a lot of Asian countries look at this clean, green New Zealand image. ... That is why they [the parent] left us to serve the rest of the world.”* (Commercial manager, Alpha).

The beef price in New Zealand and Brazil was much lower than that in the United States in 2002. Accordingly, Alpha and the Brazilian unit were given a ‘rationalised operator’ role in that year to process meat from their locations and to export processed products to the American market.

4.6.2 BETA

The group to which Beta belongs is headquartered in Europe, and manufactures industrial food processing machines. Beta was founded through the parent’s acquisition in 1996 of a New Zealand company manufacturing complementary processing machines for the processing of food A and B. The parent’s motivation for this acquisition was tied to its search for a synergy between the group’s food A machinery product portfolio and the latter’s food A processing machinery technology. *“[The parent] was keen on our technology [food A processing machinery technology of the acquiree New Zealand business]. It was very synergistic with what they were doing.”* (former MD, Beta). The food A and B machinery technologies of Beta were not possessed by any other units at its founding stage. Beta was thus assigned to the production of these machines for international markets.

4.6.3 GAMMA

Gamma is a Japanese-owned food ingredient manufacturer in New Zealand. Its Japanese parent is a trading company importing food, chemical, electrical and housing products from different parts of the world to Japan. The group has trading subsidiaries in several Asian countries, and also owns a dairy product manufacturing plant in Australia. Gamma was founded through the parent’s acquisition in 2010 of an American-owned food ingredient manufacturer in New Zealand. This acquisition was part of the parent’s strategy to vertically integrate its food supply sources in New Zealand. The parent attaches the group’s competitive advantage in the Asian markets to the clean and green image of New Zealand. *“The parent’s competitive advantage is their association with New Zealand.”* (CEO,

Gamma). At its founding stage in 2010, the main product line of Gamma was fruit and vegetable food ingredients. It already achieved a ‘world mandate’ status for this product line, and had broad value-added activities (farming, manufacturing, product development, and marketing) for this product line. Since then, Gamma has been the only unit manufacturing this product line within the group. Its major export markets are Japan, South Korea and Taiwan.

4.6.4 DELTA

Delta was established in 1956. Because of data availability, its role expansion is analysed from the year 2000 onwards, as already noted above. It is a single-activity subsidiary or a trading subsidiary of a conglomerate MNE from the Asia-Pacific region. The group has winemaking plants in Australia and France, and foreign subsidiaries engaging in a single activity, that is to say, trading and wholesale activities. These single-activity subsidiaries including Delta do not have other responsibilities in manufacturing and product management. They set up their own trading relationships with suppliers and customers. Since 2000, Delta has specialised in trading of New Zealand’s food products, mainly commodity meat and seafood categories, and has exported them to international markets. A storage space or warehouse is not needed to operate its trading business.

4.6.5 EPSILON

Epsilon is an Australian-owned electronic product manufacturer. The group has another two manufacturing units in Australia and China. These three units (including Epsilon) manufacture electronics products for their business customers. Epsilon was founded through the parent’s acquisition in 2000 of a New Zealand electronic product manufacturer. The parent’s motivation for this acquisition was to gain access to the existing New Zealand customer base of this acquiree’s business rather than to the latter’s technology. “*[The parent’s] motivation was more about getting access to the customer base [of the acquiree] rather than getting access to [the acquiree’s] technology. ... [The acquiree] had a good sales book with New Zealand-based customers. ... [The parent] wanted access to that.*” (Supply chain manager, Epsilon). These existing New Zealand customers continued to prefer Epsilon as an ideal manufacturer of products over the other units (this aspect will be discussed in more detail later). This led the parent to assign an export mandate to Epsilon to serve these

customers. Since its founding stage, Epsilon has already attained a ‘world mandate’ status, and has had broad value-added activities (manufacturing, product design and development and marketing) for its electronic product manufacturing business. Products it manufactured were exported. However, the subsidiary was equipped with old manufacturing machines at its founding stage. *“[The acquiree business] didn’t have the same type of equipment. It was a struggling company. ... [It] had old equipment.”* (Supply chain manager, Epsilon).

4.6.6 ZETA

Zeta is a New Zealand subsidiary of an American bathroom product manufacturer. It was founded through the parent’s acquisition in 2000 of a New Zealand bathroom product manufacturer. This acquisition was born out of the parent’s motivation to gain access to the latter’s regional market access-related resources, which were strong distributional networks in Australasia and the ‘Zeta’ brand (a top brand with high market share in this region). Being a latecomer, the parent had a tiny market share in the Australasian market, and struggled with distribution in this region prior to this acquisition. In a press release about this acquisition in 2000, the CEO of the group announced that the main benefits of this acquisition were the opening of the group’s distribution in this region, and its ownership of the region’s top brand ‘Zeta’. The product design manager of Zeta also added, *“Australia is a difficult market for distribution because the population is not that great, and it is very spread out. It is often difficult to get economically viable distribution. They [the parent] had identified that as an area for improvement, and saw that [the acquiree New Zealand business] had good distribution and wanted to leverage that.”* As an inheritor of the said regional market access-related resources, Zeta was given a ‘regional implementer’ role in 2000 to launch the group’s offerings in the Australasian market.

4.6.7 ETA

Eta is an artificial turf product manufacturer in New Zealand belonging to a European manufacturer of artificial turf fibres and components. It was founded through the parent’s acquisition in 2009 of a New Zealand artificial turf product brand (the ‘Eta’ brand). Under its forward integration strategy, the parent also acquired another two European artificial turf product brands (thereafter, Brand A and B) in the 2000s. Through these acquisitions, the group eventually possesses artificial turf product manufacturing plants in Europe, North

America, and New Zealand. Under the group's make-to-order and regional responsiveness strategies, lengthy freight time makes import from Europe and North America into the Asia-Pacific market practically infeasible. For example, it takes approximately 40-60 days to reach Australia from Europe or the East Coast of the United States, while taking only 6-10 days from New Zealand. Eta was therefore assigned to a 'regional implementer' role in 2009 in order to serve the group's products in the Asia-Pacific market.

4.6.8 THETA

Theta is an Australian-owned industrial fitting product manufacturer in New Zealand. Its parent is a household plumbing product manufacturer with manufacturing plants in North America, Europe and Australasia. Theta became a subsidiary to the current Australian parent following the latter's acquisition in 2000 of a British valve and plumbing manufacturing company to which Theta belonged. In 2010, the parent assigned Theta to the manufacture of new plumbing products, which were created in the home country and are sold there, thus leading to Theta's acquisition of a rationalised operator role. These products can be manufactured only from the brass machines of Theta, which were not possessed by other units. Theta was not required to carry out any major value-added activities, such as product development/adaptations and marketing, to take on this rationalised operator role.

4.6.9 IOTA

Iota is a manufacturer of interior steel stud and track systems in New Zealand. It was founded in 1986. Until 2013, it was wholly-owned by an American manufacturer of a diverse range of building products, including interior steel products, ceiling panels and systems, plasterboards, joint compound, and paint. Most of the group's other wholly-owned subsidiaries manufacturing these products are based in North America, and a few of them in South America. Because of data availability and a considerably long temporal duration of role expansion path of Iota, this role expansion path is studied for the year 2000, as already noted above. Since then, Iota has performed a 'regional implementer' role by launching and adapting a series of new products designed by the group for the Asian market.

CHAPTER 5 - FINDINGS: SUBSIDIARY ROLE EXPANSION

This chapter presents the first part of the empirical findings, and aims to address the first and second research objectives. More specifically, it identifies ‘role expansion’ as one form of subsidiary role development, and presents the findings about five levels of role expansion, as evident in the case subsidiaries. In this way, the chapter addresses the first research objective, which is concerned with exploring the major forms of the subsidiaries’ role development in terms of changes in their product, value-added and geographical areas, and the patterns of role development within each of these forms. Consistent with this objective, five levels of role expansion are identified and explored in terms of changes in these three areas of the subsidiaries’ international mandates. The findings in this chapter are presented by subsidiary role expansion at the following five levels:

- (1) Extension of only the geographical mandate (two cases (Beta and Delta)).
- (2) Development of the rationalised operator role (two cases (Alpha and Theta)).
- (3) Development of the regional implementer role (two cases (Eta and Iota)).
- (4) Development of the regional/world mandate (production innovator) role (two cases (Alpha and Zeta)).
- (5) Development of the world mandate (autonomous driver) role (two cases (Gamma and Epsilon)).

Guided by the reviewed theories, the chapter explores the combined and individual effects of various factors on subsidiary role expansion at these five levels. These factors are: *(i)* positive corporate attention; *(ii)* internal and external embeddedness and linkages; *(iii)* institutional forces in different settings; and, *(iv)* resource deployment by the subsidiary. In this way, the chapter addresses the second research objective which aims to explore how subsidiary contributory role development in terms of ‘role expansion’ results from the combined or individual effects of the factors drawn from a multiple theoretical lens.

The chapter is in seven sections, as follows: Section 5.1 provides an overview of subsidiary role expansion at five levels. As listed above, two distinct levels regarding development of regional/world mandate roles are obvious in the sample cases. One is development of the regional/world mandate (production innovator) role; the other is development of the world

mandate (autonomous driver) role. A distinction between these two levels is provided in Section 5.1. The succeeding five sections (Sections 5.2 to 5.6) present the empirical findings regarding subsidiary role expansion at the above-mentioned five levels. More specifically, these five sections present the combined and individual effects of the above-mentioned influencing factors drawn from the multiple theoretical lenses on subsidiary role expansion at these five levels. The last section (Section 5.7) synthesises the empirical results presented in the preceding sections.

5.1 OVERVIEW OF ROLE EXPANSION AT FIVE LEVELS IN THE CASE SUBSIDIARIES

As shown in Table 5-1 below, the empirical data indicates that the subsidiaries included in the sample expanded their contributory role at five different levels. Because of data availability, role expansion paths for Delta and Iota are analysed from the year 2000 onwards, as already indicated earlier. The data analysis reveals two distinct levels regarding the development of regional/world mandate roles: development of the regional/world mandate (production innovator) role, and development of the world mandate (autonomous driver) role. A description of these two levels is provided in this section.

Table 5-1: Overview of role expansion at five levels in the case subsidiaries

| Case | Time period in which role expansion occurred | Role originally assigned to the subsidiary by the parent | Resulting role at the end of the role expansion period | Description of the subsidiary's expansion of international responsibilities | Increase in the three scopes of international responsibilities | | |
|--|--|--|--|---|--|-------------|--------------|
| | | | | | Product | Value-added | Geographical |
| Extension of only the geographical mandate (two cases (Beta and Delta)) | | | | | | | |
| Beta | 2007-13 | Rationalised operator | Rationalised operator | Expansion into the two continents of America | | | ++ |
| Delta | 2000-16 | Single-activity subsidiary | Single-activity subsidiary | Expansion into the Caribbean and South Korea | | | + |

| Development of the rationalised operator role (two cases (Alpha and Theta)) | | | | | | | |
|---|---------------------|-----------------------------------|---|---|----|----|----|
| Alpha | 2002-05; 2008-15 | Rationalised operator | Rationalised operator | · Production of new products created in the home country; · Undertaking the production function in 2002; · Engaging in process improvement | ++ | + | + |
| Theta | 2010-16 | Rationalised operator | Rationalised operator | Production of new products created in the home country | + | | |
| Development of the regional implementer role (two cases (Eta and Iota)) | | | | | | | |
| Eta | 2009-16 | Regional implementer | Regional implementer | · Launching and adapting the MNE's products for the regional market; · Expanding the construction and installation (value-added) activities for new regional markets | ++ | + | + |
| Iota | 2000-16 | Regional implementer | Regional implementer | · Launching and adapting the MNE's products for the regional market; · Adapting existing processes to launch these products; · Expansion into India in 2000 | ++ | + | + |
| Development of the regional/world mandate (production innovator) role (two cases (Alpha and Zeta)) | | | | | | | |
| Alpha | 2002-15 | Regional implementer | World mandate (production innovator) | · Launching and adapting the MNE's products for the global market; · Adopting a new packaging technology not already possessed by other units; · Undertaking the marketing function in 2002; · Expansion into the Australian, Asian and European markets | ++ | ++ | ++ |
| Zeta | 2000-07 | Regional implementer | Regional mandate (production innovator) | · Launching and adapting the MNE's products for the regional market; · Adopting a new bathtub production process not already possessed by other units; · Expansion into Japan and the Philippines in the early 2000s | ++ | ++ | + |
| Development of the world mandate (autonomous driver) role (two cases (Gamma and Epsilon)) | | | | | | | |
| Gamma | 2010-16 | World mandate (autonomous driver) | World mandate (autonomous driver) | · Extension into three new product lines during 2010-15, and into a new unrelated business area (a seafood processing business) in 2015; · Enhancing existing seven products | ++ | ++ | |

| | | | | | | | |
|---------|---------|-----------------------------------|-----------------------------------|---|----|----|----|
| Epsilon | 2000-16 | World mandate (autonomous driver) | World mandate (autonomous driver) | <ul style="list-style-type: none"> · Extension into new electronic product lines that are not handled by peer units; · Exporting these new products to new foreign markets; · Installation of three new surface-mount technology lines during 2000-04, and new lead-free machines during 2005-06 | ++ | ++ | ++ |
|---------|---------|-----------------------------------|-----------------------------------|---|----|----|----|

+ indicates an increase in a particular scope of international responsibilities.

++ indicates a significant increase in a particular scope of international responsibilities.

Extension of only the geographical mandate. The two cases (Beta and Delta) extended only their geographical mandate (*increase in the geographical scope*). Their role in terms of product offerings and value-added areas had not changed since their establishment.

Development of the rationalised operator role. The two cases (Alpha and Theta) gained and expanded their role as a rationalised operator. The parent assigned them to the manufacture of a series of new products, which were developed in the home country and sold there (*increase in the product and/or geographical scopes*). Alpha undertook the production function as a new value-added area, and performed process improvement to be able to manufacture these products (*increase in the value-added scope*). To fulfil this rationalised operator role, both subsidiaries were not required to carry out major value-added activities, such as product development and marketing.

Development of the regional implementer role. The two cases (Eta and Iota) expanded their role as a regional implementer. They launched a series of new product models transferred by the parent in the regional market. They performed a range of additional responsibilities to achieve regional market responsiveness and expansion, including: (i) adapting these new products and/or their existing manufacturing process to the regional market requirements (*increase in the product and/or value-added scopes*); (ii) expansion into new markets (*increase in the geographical scope*); and, (iii) expanding value-added activities in the case of Eta (*increase in the value-added scope*).

Development of the regional/world mandate (production innovator) role. In this thesis, the regional/world mandate (production innovator) subsidiary refers to one that attains a

regional/world mandate role through its own entrepreneurial efforts by creating cutting-edge production capabilities, which do not exist within the MNE. In view of these activities of capability creation, its contribution to the stock of the MNE's new asset-specific advantages is higher than that of a regional implementer, which is a capability utiliser with a low level of capability creation. Through developing these production capabilities, this type of subsidiary becomes the only unit that is capable of producing and creating new market-specific products within a particular product line of the MNE. Prior research suggests that a subsidiary can attain a regional/world mandate subsidiary role by implementing a production process with sophisticated technological features. In this way, the subsidiary can ultimately become a centre of production excellence, which can create relatively complex products based on this production technology (Birkinshaw & Hood, 1997; Dörrenbächer & Gammelgaard, 2006). Likewise, studies suggest that a subsidiary can create sophisticated products as a result of implementing an advanced production process (Achcaoucaou et al., 2014; Figueiredo, 2011).

Alpha and Zeta evolved towards the role of regional/world mandate (production innovator) for a particular product line of the MNE. In 2007, Alpha adapted a new shelf-life extending packaging technology that did not exist within the group in order to serve markets with a low consumption rate and with a longer freight time (*increase in the value-added scope*). Thanks to this technology, it became the only unit within the MNE that was capable of serving small and distant markets. Thus, it eventually evolved towards a world mandate (production innovator) subsidiary with global market responsibilities for the MNE's product line. During the period 2002-04, Zeta took an initiative to develop a new process, not already existing within the group, for bathtub manufacturing to serve the regional markets (*increase in the value-added scope*). Thanks to this process, Zeta became the only unit that could produce and develop regional market-specific products. As this new process was regional market-specific and was not used to create products for other markets, Zeta did not evolve towards a 'world mandate' subsidiary.

Being originally designed to launch the MNE's products in the global or regional market, both Alpha and Zeta, like regional implementers, were required to carry out additional responsibilities to fulfil this primary function. These responsibilities included: (i) assimilating the parent's new product models and adapting them to the world/regional market

requirements (*increase in the product scope*); (ii) expansion into new markets (*increase in the geographical scope*); and, (iii) extending into new value-added activities (marketing) in the case of Alpha (*increase in the value-added scope*).

Development of the world mandate (autonomous driver) role. In this thesis, the world mandate (autonomous driver) subsidiary refers to one that creates new product lines or businesses that are not handled by other units through its autonomous actions. These new lines of products or businesses are relatively new to the existing ones. Contribution of this type of subsidiary to the stock of the MNE's new asset-specific advantages is substantially higher than that of the regional/world mandate (production innovator) subsidiary. The 'world mandate (autonomous driver)' subsidiary aggressively expands into many new product lines through its autonomous actions, whereas the 'regional/world mandate (production innovator)' subsidiary creates production capabilities and products based on these capabilities for a particular existing product line. Prior research suggests that some subsidiaries actively engage in autonomous initiatives in order to create new lines of products that have significance to the MNE's strategy (Delany, 2000).

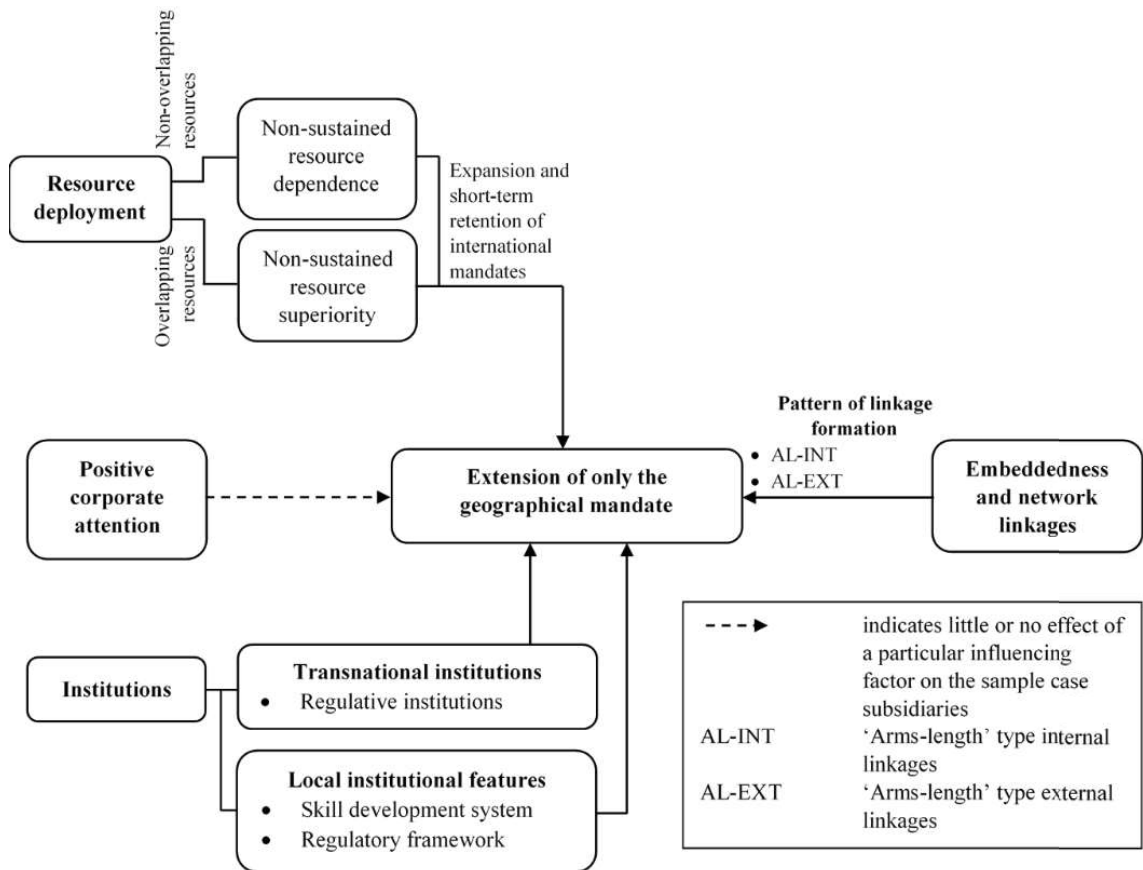
The two cases (Gamma and Epsilon) gained and extended their 'world mandate (autonomous driver)' role. They extended into many new product lines by gaining new contracts with customers. Gamma extended into three new product lines and process areas associated with them (*increase in the product and value-added scopes*). Thanks to access to quality local graduates and gaining those new contracts with customers, Epsilon co-designed and produced many new electronic product lines that are not handled by other subsidiaries (*increase in the product and value-added scopes*). Over 95% of these products were exported to different regions of the world, including the subsidiary's new markets (*increase in the geographical scope*). Epsilon received a series of corporate investments in new production machines during the period 2000-06 (*increase in the value-added scope*).

5.2 EXTENSION OF ONLY THE GEOGRAPHICAL MANDATE

Two cases (Beta and Delta) extend only the geographical mandate. They have not extended into new product and value-added areas since their establishment. Figure 5-1 summarises the findings regarding the effects of the previously-mentioned four constructs on their role

expansion. The individual and combined effects of these constructs are analysed and presented below.

Figure 5-1: Factors leading to the extension of only the geographical mandate for the two subsidiaries



See text for details.

5.2.1 POSITIVE CORPORATE ATTENTION

A positive corporate attention is scarce and not evident in the role expansion paths of both Beta and Delta. Since their establishment, they have never sought or received product mandates and investment from the parent to develop beyond their existing mandates. The fact that they lacked any production capabilities in the MNE's other product areas meant that they were unable to draw the parent's positive relative attention. As a result, both subsidiaries

did not extend into the MNE's other product areas (*no change in the product and value-added scopes*).

"We don't have capabilities to build [the group's other machineries] here. ... They've all been built in [the parent's home country]." (MD, Beta)

"Our specialty is building a particular type or very limited range of a particular type of technology" (former MD, Beta)

5.2.2 EMBEDDEDNESS AND NETWORK LINKAGES

In the cases of both Beta and Theta, the combination of 'arms-length' type internal and external (local and global) linkages acted as a driving force in shaping their role expansion paths. While these linkages did not contribute to a major change in their product and value-added areas (*no change in the product and value-added scopes*), Delta's arms-length business linkages with its overseas customers that were based on sales and distribution of products did contribute to its expansion into new markets (*increase in the geographical scope*).

"it was as much the priority as really on commercialising the existing technology. ... We had no real communication with the R&D department in [the parent's home country] either." (MD, Beta)

"We have contacts with different suppliers [in New Zealand]. ... We contact [customers in] foreign countries ... to develop some markets." (MD, Delta)

5.2.3 INSTITUTIONS

Institutions in different settings can affect the role expansion paths of the subsidiaries that extend only the geographical mandate. More specifically, the effects of institutions in transnational and local settings were evident. In the case of Beta, its geographical expansion was affected by regulative institutions in the foreign market. Most food producers in the two continents of America export to the US market; therefore, their machines must be US FDA-approved (FDA – Food and Drug Administration (a US federal regulatory agency)). Until 2007, Beta could not expand into these markets because its two machinery technologies failed to comply with the US FDA regulations (*no change in the geographical scope*). After

gaining the US FDA approval for these machinery technologies in 2007, Beta eventually expanded into these markets (*increase in the geographical scope*).

The findings suggest that the host country's (i) skill development system (university education system) and (ii) regulatory framework can serve as the facilitators of the development of the subsidiaries that extend only the geographical mandate. Product engineers of Beta held New Zealand university qualifications in engineering and chemical engineering. They adapted the subsidiary's machinery technologies to the American regulatory and market requirements, thereby facilitating the subsidiary's market expansion (*increase in the geographical scope*). Considering the effect of the country's regulatory framework, New Zealand imposes stringent food safety requirements on meat exporters. Proximity in these food safety regulations between New Zealand and new markets of Delta facilitated the subsidiary's expansion into these markets (*increase in the geographical scope*).

5.2.4 RESOURCE DEPLOYMENT

In the cases of both Beta and Delta, their deployment of specialised resources affected their expansion of markets and retention of existing mandates. Attributes of these resources created situations that this thesis refers to as '*non-sustained resource dependence*' and '*non-sustained resource superiority*'. These resources are less likely to ensure long-term sustainability of their contributory role, as will be discussed below.

Non-sustained resource dependence. Beta possessed food A and B machinery technologies as a type of specialised, non-overlapping resources. Since 2007, these resources have created the MNE's dependence in view of their five attributes. They were: (i) scarce, in that they were not possessed by any other units until the early 2010s; (ii) non-substitutable with any internal resources; (iii) not easily substitutable with external ones; (iv) recognised by the parent; and, (v) strategically important to the parent. Strategic importance of these technologies to the parent since 2007 is to be discussed later in Section 6.3. Such a dependence of the parent on these resources enabled Beta to cope with internal competition for its contributory role at least temporarily, thereby bringing about its expansion into new markets (*increase in the geographical scope*). As will be discussed later, mobility (or codifiability) of these technologies resulted in the parent's reallocation of these technologies

and Beta's contributory role to the home country subsidiary. Such a resource mobility did not ensure sustainability of the subsidiary's resource dependence power over the parent. This situation is referred to as '*non-sustained resource dependence*' in this thesis. Because of resource mobility, internal competition cannot be eliminated, resulting in the subsidiary's short-term retention of its contributory role.

(Non-sustained) resource superiority. In the case of Delta, its deployment of specialised, overlapping resources contributed to its geographical expansion and (short-term) retention of its single-activity subsidiary role. These resources included its trading relationships with New Zealand suppliers and overseas customers. They were neither scarce nor non-substitutable. Sourcing opportunities from one location could be substituted by those from other locations of the MNE. "*[The group has] different places for sourcing products. ... We source meat from South America, New Zealand and Australia.*" (Managing Director, Delta). However, trading relationships of Delta as a type of overlapping resources had two attributes. They were: (i) recognised by the parent; and, (ii) superior resources in a sense that trading relationships with New Zealand suppliers are mainly managed by Delta. Being superior resources, these trading relationships of Delta enabled it to cope with the internal competition, thus contributing to the subsidiary's geographical area expansion (*increase in the geographical scope*). Mobility of these overlapping resources would however give rise to a situation that is referred to as '*non-sustained resource superiority*' in this thesis. Only one or two face-to-face meetings in a year with New Zealand suppliers and overseas customers were needed to maintain its trading business. Thus, air travel and advanced communication technology could increasingly enable the peer units to easily develop and maintain similar trading relationships of Delta from the home country or their locations. Mobility of these resources would therefore jeopardise long-term sustainability of these resources of Delta, and subsequently the subsidiary's future existence.

"It's not necessary to meet face-to-face with a [New Zealand] supplier more than three times a year for our overseas clients. Once or twice a year is enough because we speak to them on a regular basis. ... None of our overseas customers comes to New Zealand." (Trading manager, Delta)

"With your laptop and phone, this is your office, now. With your phone, it is your office. You don't need to be in one office to stick with your desk every time." (MD, Delta)

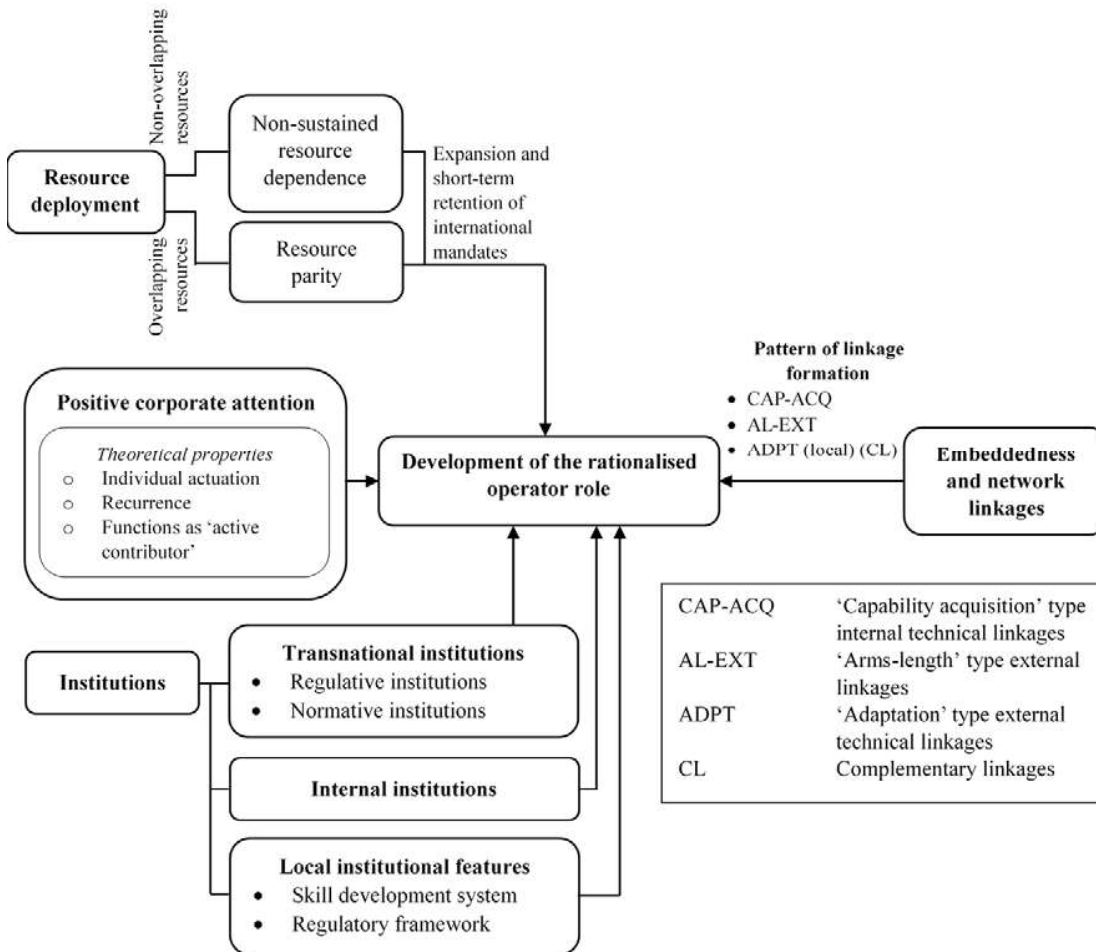
5.2.5 COMBINED EFFECTS

Beta and Delta expanded only their geographical mandate. Their role expansion paths were affected by the combination of various factors: (i) a dearth of positive corporate attention; (ii) ‘arms-length’ type internal and external linkages; (iii) institutions in transnational and/or local settings; and, (iv) their deployment of specialised resources.

5.3 DEVELOPMENT OF THE RATIONALISED OPERATOR ROLE

This section presents the findings regarding the development of the rationalised operator role of two subsidiaries (Alpha and Theta). Their rationalised operator role was designed to rationalise the MNE’s manufacturing activities, and to export processed products to the home country. New product mandates and product-related knowledge from the parent were therefore the principal drivers of their gain and expansion of this contributory role (*increase in the product scope*). In the case of Alpha, the subsidiary undertook the production function as a new value-added area, and engaged in process improvement to be able to produce these products (*increase in the value-added scope*). In both cases, other major value-added activities, such as product development and marketing, occurred in other parts of the MNE. Factors contributing to the development of their rationalised operator role are summarised in Figure 5-2 and detailed below. Their individual and combined effects are discussed.

Figure 5-2: Factors leading to the development of the rationalised operator role of the two subsidiaries



See text for details.

5.3.1 POSITIVE CORPORATE ATTENTION

Being rationalised operators, both Alpha and Theta relied heavily on product mandates and knowledge from the parent to expand this contributory role. In both cases, receiving a positive corporate attention was a requisite for gaining these mandates (*increase in the product scope*). The findings regarding the effects of positive corporate attention are summarised in Table 5-2 below (see Appendix 7 for the full version of this table). Three theoretical properties of positive corporate attention can be identified from these findings

(Table 5-2). They are named as: (i) individual actuation; (ii) recurrence; and, (iii) its function as an ‘active contributor’.

- (1) **Individual actuation.** ‘Individual actuation’ refers to the fact that investments and new product mandates from the parent result from individual actuation of a particular stimulus drawing positive corporate relative/supportive attention. In both cases, new product mandates from the parent resulted from individual actuation of a stimulus drawing positive corporate relative attention.
- (2) **Recurrence.** ‘Recurrence’ refers to recurrence of positive corporate attention in the role expansion path of the subsidiary. Recurrence of positive corporate attention brought both subsidiaries a series of new product mandates from the parent, and was therefore fundamental to their role expansion.
- (3) **Function as ‘active contributor’.** Positive corporate attention assumed the function of ‘active contributor’ in the role expansion paths of these two subsidiaries. ‘Active contributor’ is defined as the function of positive corporate attention in which it actively contributes to the subsidiary’s role expansion by bringing the subsidiary new international mandates to launch the group’s existing products, and/or the group’s existing product-related and functional expertise and financial resources associated with these mandates. In the cases of both Alpha and Theta, positive corporate attention brought them a series of new product mandates. All these products were designed and created at the corporate headquarters.

Table 5-2: Effects of positive corporate attention on the development of the rationalised operator role of the two subsidiaries

| Case | Time period | Types of mandates and resources gained from the parent | Description of the effects of positive corporate attention |
|-------|---------------------|---|---|
| Alpha | 2002-05; 2008-15 | A series of new product mandates that were accompanied by the MNE’s product-related knowledge | During these periods, a series of new product mandates from the parent occurred as the results of recurrence of its positive relative attention to the subsidiary’s locational advantage. During these times, the beef price in New Zealand was one of the lowest within the group. |
| Theta | 2010-16 | A series of new product mandates that were | During this period, the parent gave Theta a series of new product mandates. These mandates resulted from recurrence of the parent’s positive relative attention to superiority of the |

| | | | |
|--|--|--|--|
| | | accompanied by the MNE's product-related knowledge | subsidiary's superior production capability over those of other units. |
|--|--|--|--|

See the full version of this table in Appendix 7.

5.3.2 EMBEDDEDNESS AND NETWORK LINKAGES

The development of the rationalised operator role of Alpha and Theta was propelled by the combination of the following types of linkages:

- 'capability acquisition' type internal technical linkages (two out of two cases);
- 'arms-length' type external linkages (two out of two cases); and,
- 'adaptation' type external (local) technical linkages (complementary linkages) (one out of two cases (Alpha)).

Both Alpha and Theta were given the rationalised operator role to manufacture product models transferred by the parent for the home market. Therefore, their 'capability acquisition' type technical linkages with the internal environment were central to their acquisition of these product models and associated product-related knowledge (*increase in the product scope*). Both subsidiaries were not required to carry out major value-added activities such as product development and marketing to fulfil this rationalised operator role. Thus, most of their external linkages were of the 'arms-length' kind in this type of role development.

Nevertheless, as indicated above, the rationalised operator may implement process improvement to be able to launch new products. Therefore, it may occasionally establish 'adaptation' type technical linkages with the external (local) environment to achieve this. These 'adaptation' linkages are identified as complementary linkages driving the development of the rationalised operator role. In this thesis, complementary linkages are not referred to as less important ones. They are referred to as the ones that were important to a particular sample case subsidiary for extending its international mandates but that were not evident in the other sample subsidiary. When group-wide process improvement for bulk production was implemented, Alpha established 'adaptation' type linkages with local actors to perform process improvement (*increase in the value-added scope*). See illustrative quotes

on different types of linkages contributing to the development of role expansion in Table 5-3 below.

Table 5-3: Illustrative quotes on different types of linkages driving the development of the rationalised operator role

| Types of network linkages | Illustrative quotes |
|---|---|
| ‘Capability acquisition’ type internal technical linkages | <p>“<i>[The parent] develops the American products. We actually utilise those [the product formulae developed by the parent] for a long time to make them [products] for the US market.</i>” (Technical manager, Alpha)</p> <p>“<i>We don’t have engineers designing products or inventing products, that’s all done by our parent company.</i>” (CEO, Theta)</p> |
| ‘Arms-length’ type external linkages | <p>“<i>We negotiate with the various companies [like meat companies and seasoning suppliers] we work with to make sure they are going to be able to supply us.</i>” (CEO, Alpha)</p> |
| ‘Adaptation’ type external (local) technical linkages | <p>“<i>A New Zealand company ... refined [this production system].</i>” (Commercial manager, Alpha)</p> |

5.3.3 INSTITUTIONS

Institutions in different settings (internal, transnational and local) can be influential in shaping the development of the rationalised operator role. Both Alpha and Theta were given this contributory role to manufacture designated products in New Zealand for the MNE’s home market, as already indicated above. Therefore, their new products for this market and/or production function as a new value-added area conformed to institutions in internal and home market (transnational) settings. By doing so, these new mandates earned legitimacy in the respective environments. The effects of these institutions are summarised in Table 5-4 below.

The case of Alpha suggests that the host country’s (i) skill development system and (ii) regulatory framework can both serve as the facilitators of the rationalised operator’s expansion into new product areas assigned by the parent and its undertaking of the production function. Two constituents of the country’s skill development system facilitating the role expansion of Alpha were: (i) its university education system; and, (ii) its vocational training system. Alpha undertook the production function in 2002 thanks to production-level

training provided by Skill New Zealand (state-owned vocational training institute), and its employment of New Zealand graduates (*increase in the value-added scope*). Its technical manager holds New Zealand university qualifications in meat industry operations, and some of its quality assurance staff hold New Zealand vocational qualifications in food safety. Considering the effect of the country’s regulatory framework, its stringency level in terms of proximity in food safety regulations between New Zealand and the US market facilitated new product launches of Alpha in this market (*increase in the product scope*). Exporters of meat products in the country operate under the government’s stringent food safety regulations.

Table 5-4: Summary of the findings regarding the effects of internal and transnational institutions

| |
|---|
| <p>Internal institutions</p> <p>Both Alpha and Theta are suppliers to the internal market. Consequently, all their new products, and new value-added (production) mandate of Alpha conformed to internal standards.</p> <p><i>“They [the parent] say, “These are the standards you need to meet for supplying us products.” It [product] has to meet a 95% or 97% on this standard list.”</i> (Commercial manager, Alpha)</p> |
| <p>Transnational institutions</p> <p>The findings provide evidence for the effects of regulative and normative institutions in transnational setting. In the case of Theta, all its new plumbing products complied with the Plumbing Code of Australia, which has been legally mandated by its main market (Australia) for these new products. In the case of Alpha, it adopted an international food safety standard because of normative institutional pressures imposed by the foreign market. A food safety standard is being increasingly promoted by large American distributors and supermarket chains. Consequently, it becomes gradually institutionalised as an industrial norm in the US market. All new products of Alpha conformed to this international food safety standard.</p> <p><i>“It [name of the international food safety standard] is now very much adopted by the US market.”</i> (Technical manager, Alpha). Large American supermarket chains through which products of Alpha are sold express their normative obligations to provide safe foods to consumers in public releases.</p> |

5.3.4 RESOURCE DEPLOYMENT

In the cases of both Alpha and Theta, their deployment of specialised resources enabled their expansion and retention of their rationalised operator role. Attributes of these resources generated situations that are referred to as ‘*non-sustained resource dependence*’ and

'*resource parity*' in this thesis. These resources brought about their short-term (rather than long-term) retention of this contributory role only.

(Non-sustained) resource dependence. New products designated to Theta by the parent can be produced only from the brass bar machines (resources) of Theta. These resources created the parent's dependence in view of their four attributes. They were: (i) scarce, in that these machines were not possessed by any other units; (ii) non-substitutable with internal ones; (iii) strategically important to producing the group's plumbing products that could be made mainly from brass bar machines; and, (iv) therefore recognised by the parent. The parent's dependence on these resources ultimately put Theta in a uniquely advantageous position to outperform other units in internal competition for these product mandates. This subsequently contributed to Theta's expansion into new product areas (*increase in the product scope*) and its retention of the rationalised operator role at least temporarily. The fact that these brass machines can be easily shipped to other subsidiaries would however undermine the sustainability of Theta's resource dependence power over the parent, and consequently that of its rationalised operator role. These resources are thus more likely to generate a situation that this thesis refers to as '*non-sustained resource dependence*'. The fact that these machines were being used to manufacture other product areas (industrial fitting products) of Theta did not persuade the parent to transfer them to the home country.

Resource parity. Despite being both specialised and recognised by the parent, locational advantage (New Zealand beef) of Alpha underpinning its rationalised operator role was not scarce and was perfectly substitutable with those of the Brazil and American units. These overlapping resources thus created a situation that is referred to as '*resource parity*' in this thesis. Although they contributed to the subsidiary's expansion into new product areas (*increase in the product scope*), their perfect substitutability with other internal resources still stimulated fierce competition between Alpha and other units for this rationalised operator role. Therefore, these resources did not ensure long-term sustainability of this contributory role. For example, since 2001, this contributory role of Alpha has been reallocated to the Brazilian and American units twice, as will be discussed later.

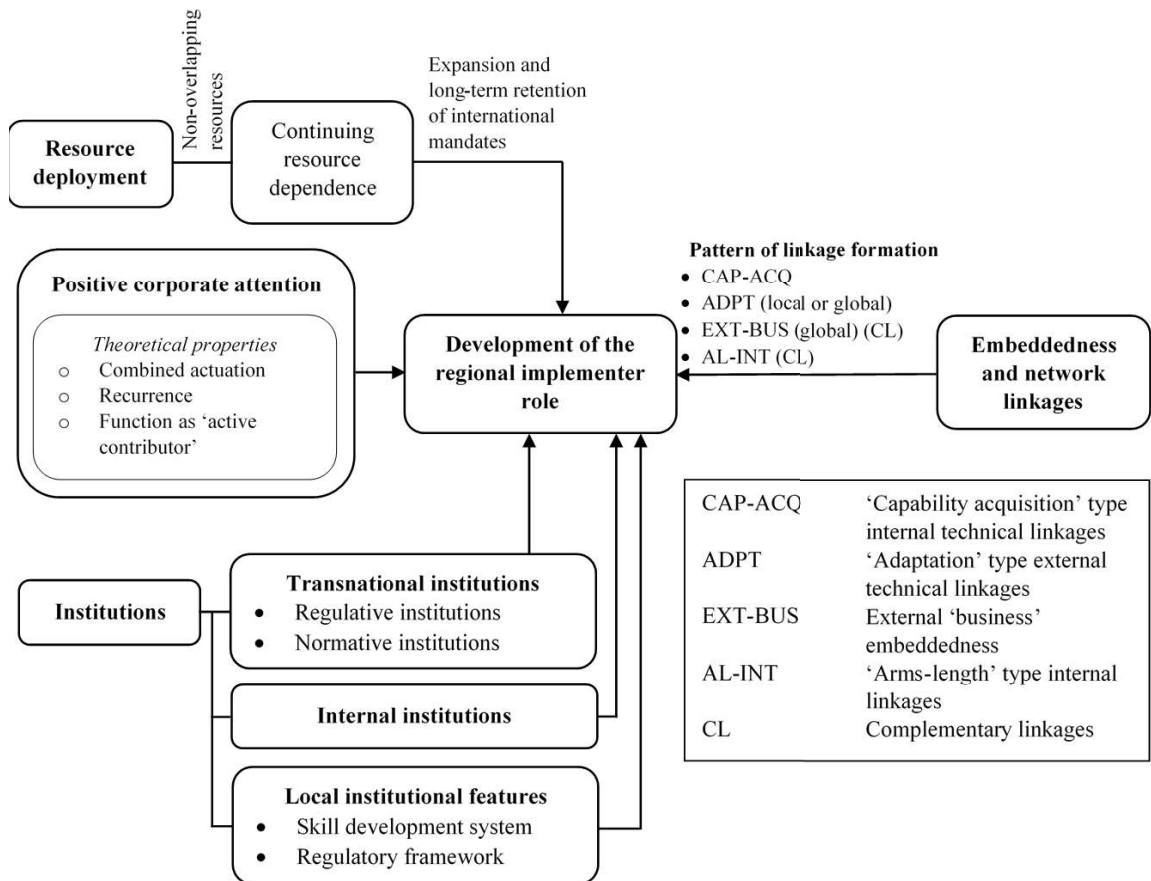
5.3.5 COMBINED EFFECTS

In the cases of both Alpha and Theta, the development of their rationalised operator role was affected by the combination of: (i) positive corporate attention; (ii) a particular pattern of linkage formation; (iii) institutions in different settings (local, internal and/or transnational); and, (iv) their deployment of specialised resources.

5.4 DEVELOPMENT OF THE REGIONAL IMPLEMENTER ROLE

The findings regarding the development of the regional implementer role of two cases (Eta and Iota) are presented in this section. This contributory role of both subsidiaries was intended to launch the group's products in the regional market. Therefore, these subsidiaries expanded this contributory role in line with product mandates and product-related knowledge given by the parent (*increase in the product scope*). To achieve regional market responsiveness and expansion, they were required to perform a range of additional responsibilities, including: (i) product and process adaptations to the regional requirements (two out of two cases) (*increase in the product and/or value-added scopes*); (ii) expansion into new markets (two out of two cases) (*increase in the geographical scope*); and, (iii) expanding value-added activities for new markets (one case (Eta)) (*increase in the value-added scope*). The findings about the effects of the previously-discussed four constructs are summarised in Figure 5-3. The individual and combined effects of these constructs are presented below.

Figure 5-3: Factors leading to the development of the regional implementer role of the two subsidiaries



See text for details.

5.4.1 POSITIVE CORPORATE ATTENTION

Eta and Iota, as regional implementers, launched products created and assigned by the parent in the regional market. In both subsidiaries, positive corporate attention facilitated the headquarters’ assignments of these product mandates (*increase in the product scope*). The effects of positive corporate attention are summarised in Table 5-5 (see the full version of this table in Appendix 7). Its three theoretical properties are highlighted from these findings (Table 5-5), as follows:

- (1) **Combined actuation.** ‘Combined actuation’ refers to the fact that investments and new product mandates from the parent result from combined actuation of different stimuli drawing positive corporate relative/supportive attention. In both subsidiaries, these new product mandates from the parent were the outcomes of combined actuation of different stimuli drawing positive corporate relative/supportive attention.
- (2) **Recurrence.** In both cases, recurrence of positive corporate attention resulted in a series of new product mandates from the parent, thus contributing to their role expansion.
- (3) **Function as ‘active contributor’.** The primary function of positive corporate attention in their role expansion was as an ‘active contributor’ (see the definition of ‘active contributor’ in Section 5.3). This is because their regional implementer role was extended in line with a series of new product models created and transferred by the parent. This contributory role was not earned through their own initiatives.

Table 5-5: Effects of positive corporate attention on the development of the regional implementer role of the two subsidiaries

| Case | Time period | Types of mandates and resources gained from the parent | Description of the effects of positive corporate attention |
|------|-------------|--|---|
| Eta | 2009-16 | A series of new product mandates that were accompanied by the MNE’s product-related knowledge and corporate investments in new production machines | <p>During this period, positive corporate attention was activated by the following stimuli:</p> <ul style="list-style-type: none"> • Superiority of the subsidiary’s market access-related capability over those of other units, drawing positive corporate relative attention; • The subsidiary’s product industry (stimulus) that was in the MNE’s long-term strategic interest, drawing positive corporate supportive attention. <p>Combined actuation of these stimuli recurred during this period, resulting in a series of new product mandates being assigned to the subsidiary by the parent.</p> |
| Iota | 2000-13 | A series of new product mandates that were accompanied by the MNE’s product-related knowledge | <p>During this period, the parent’s positive attention was drawn by the following stimuli:</p> <ul style="list-style-type: none"> • Superiority of the subsidiary’s market access-related capability over those of other units, drawing positive corporate relative attention; • The subsidiary’s proven capability drawing positive corporate supportive attention. <p>Combined actuation of these stimuli recurred during this period. This brought about a series of new product mandates from the parent.</p> |

See the full version of this table in Appendix 7.

5.4.2 EMBEDDEDNESS AND NETWORK LINKAGES

The combination of the following types of linkages acted as drivers of the development of the regional implementer role of Eta and Iota. They were:

- ‘capability acquisition’ type internal technical linkages (two out of two cases);
- ‘adaptation’ type external (local/global) technical linkages (two out of two cases);
- external (global) ‘business’ embeddedness (complementary linkages) (one out of two cases (Eta)); and,
- ‘arms-length’ type internal business linkages (complementary linkages) (one out of two cases (Iota)).

Eta and Iota were set up as regional implementers to launch the group’s existing products in the regional market. Therefore, their ‘capability acquisition’ type internal technical linkages were vital to assimilating internal knowledge and capabilities associated with these products (*increase in the product scope*). These two subsidiaries were also obligated to establish other types of linkages (listed above) to achieve regional market requirements and expansion. See illustrative quotes on different types of linkages contributing to their role expansion in Table 5-6 below. In both cases, ‘adaptation’ type linkages with external local or global network actors were important to their adaptation of existing processes and/or the group’s product models to requirements of the regional market (*increase in the product and value-added scopes*).

External (global) ‘business’ embeddedness and ‘arms-length’ type internal business linkages were revealed to be complementary linkages for achieving regional market responsiveness and expansion. See the definition of ‘complementary linkages’ in Section 5.3.2. To expand the regional market and value-added (installation and construction) activities for this market, Eta established ‘business’ type embedded linkages with independent foreign sales agents. These linkages were based on trust, a long-term perspective, and collaboration on these value-added activities (*increase in the value-added and geographical scopes*). Iota expanded into India in 2000 through its ‘arms-length’ type business linkage, which was based on distribution of its new products, with the group’s sales subsidiary in that market (*increase in the geographical scope*).

Table 5-6: Illustrative quotes on different types of linkages driving the development of the regional implementer role

| Types of network linkages | Illustrative quotes |
|--|--|
| 'Capability acquisition' type internal technical linkages | <p><i>"All of [30 products in our product portfolio] were developed [by the group's R&D department]." (Regional director, Eta). "It [our relationship with the group's R&D department] is more a partnership. So, we work together to resolve issues at the manufacturing level." (Production manager, Eta)</i></p> <p><i>"we have expanded the range of [our products].... They [the parent] would give us the work they have done to launch it into the market." (Regional director, Iota)</i></p> |
| 'Adaptation' type external (local/global) technical linkages | <p><i>"We work with institutions quite regularly. ... [We work with] a university in Australia to do the testing and the certification [of new turf surfaces for Australian football]." (Regional director, Eta)</i></p> <p><i>"Some of the toolings ... might be made by an outside toolmaker to our drawings, specifications." (Technical manager, Iota). "That particular structural engineer has been with us for 20 years or 30 years. He is an independent." (Architectural specification manager, Iota)</i></p> |
| External (global) 'business' embeddedness | <p><i>"Sometimes, they [foreign construction teams of the independent foreign sales agents] don't have all of the skills necessary to actually install the products. So, what we would do is actually send our installation teams to [the foreign markets] and assist our sales partners to actually do the installation and build up the skills themselves.... We do support our sales agents in the Asia-Pacific region by providing expertise that we've developed over many years that they possibly don't have." (Regional director, Eta)</i></p> |

5.4.3 INSTITUTIONS

In the cases of both Eta and Iota, institutions in different settings (internal, transnational and local) were determinative in shaping fulfilment of their designated mandates, such as their new product launches in the regional market, and product and process adaptations to achieve responsiveness to the regional market. Being set up to launch the MNE's existing products in the regional market, both subsidiaries were subject to institutional pressures from both internal and foreign market (transnational) settings. Their new products and/or process areas associated with these products conformed to these institutional expectations from both settings. The effects of internal institutions and regulative, normative and cultural-cognitive dimensions of transnational institutions are evident, which are summarised in Table 5-7 below.

In the case of Iota, the country’s skill development system (university education system) and regulatory framework served as facilitators of its adaptation activities for achieving regional market responsiveness. Its structural engineer holds New Zealand university engineering qualifications. He contributed to the subsidiary’s adaptation activities by ensuring that new products met structural requirements of the regional market (*increase in the produce and value-added scopes*). “[Our] structural engineer [holds] a New Zealand [degree] in structural engineering.” (Regional director, Iota). Building regulations in New Zealand are as stringent as those in some markets such as Hong Kong and Australia, and more stringent than those in most Asian markets. “The New Zealand standards are higher than the Asian standards ... because of the seismic area that we live in.” (Architectural specification manager, Iota). This means that by adapting to New Zealand’s regulations, new products easily meet most regional market requirements (*increase in the product scope*). In other words, the country’s regulatory framework facilitated the subsidiary’s adaptation activities.

Table 5-7: Summary of the findings regarding the effects of internal and transnational institutions

| |
|---|
| <p>Internal institutions</p> <p>Both Eta and Iota were designed to present traditional offerings of the parent in the regional market. Consequently, all new products of both subsidiaries and new value-added activities (process improvement) of Iota were required to conform to internal quality standards.</p> <p><i>“There will be some quality requirements that were set in the US. Any plants making the same product outside the US will be issued with those documents. They [foreign subsidiaries] would need to meet these minimum standards.”</i> (Technical manager, Iota)</p> <p>In the case of Eta, although production-level standards were not laid down by the parent, the parent controls product quality of its subsidiaries by specifying all the raw materials. <i>“We’re now 100% [the group’s] raw materials.”</i> (Regional director, Eta).</p> |
| <p>Normative institutions in transnational setting</p> <p>Global industrial norms and normative institutions in the foreign market define normative obligations for Eta and Iota. New sport turf products of Eta were certified by international sport bodies such as FIFA (FIFA - International Federation of Association Football), IRB (IRB - International Rugby Board), and World Bowls. Sport clubs and stadiums are being increasingly required to meet these standards to be able to host international or high-level national sport matches and/or to become official FIFA- or IRB-approved sport clubs as per sport regulations of international, continental and/or national sport governing bodies. In this way, these standards become gradually institutionalised as established industrial norms in the global artificial sport turf industry. New interior steel frame products of Iota were compliant with AS/NZS2785 (a joint Australian and New Zealand standard for suspended ceilings). Although it is not legally mandated by the law of Australia, the fact that it is being routinely recommended to building owners by architects makes it institutionalised as an established industrial norm in the Australian building industry.</p> |

“To actually be an official rugby or football club that is capable of holding certified, sanctioned matches—so matches that are to the IRB world standard or FIFA world standard—you actually have to get accredited as a club in the first place. Part of that accreditation is making sure that your facilities and your fields meet the world standard.... Bowling clubs all want to attract big tournaments to come and play at their club, and the only way you can get a big tournament at your club is if your surface meets World Bowls standards.” (Regional director, Eta)

“The major specification document that architects use is a thing called [Masterspec or Natspec]. [Masterspec and Natspec] automatically put AS/NZS2785 into the system... The moment they [AS/NZS2785] are in, that is what you have got to comply with.” (Architectural specification manager, Iota) *[Masterspec and Natspec - the industrial building associations in Australia and New Zealand]*

Cultural-cognitive institutions in transnational setting

Cultural-cognitive institutions in the foreign market produced mimetic isomorphic pressures on the role expansion paths of Eta and Iota. With a rising awareness among ‘elite’ global customers (such as professional sport clubs) about international artificial turf standards, a widespread adoption of these standards among artificial turf manufactures like Eta is obvious. In the Australian building industry, building owners become increasingly aware of AS/NZS2785 (the suspended ceiling code) through architects. This makes compliance with this standard among building material manufacturers, like Iota, a routinised behavioural pattern in this product industry (*mimetic isomorphism*).

“They [sport clubs] typically know about those standards. If you are a football club or a hockey club, you will be training people to the international level. They will know about all these standards, so you typically do not have to educate those kinds of people. ... The bottom line is we would not be able to build them [football, rugby or cricket pitches], if we did not have the certifications. Somebody else would because they have to be certified. If we cannot provide that, then we simply would not get that business. It would go to somebody else. It is almost a requirement at that level.” (Regional director, Eta)

“Territory authorities and designers and building owners see a value of security around you saying that your material complies to this [AS/NZS2785 - suspended ceiling code]. The other side of it is, for a big corporation like us, there are convoluted links to compliance. We make sure our product complies to all the standards and codes. If people want to enforce that, that is up to them. But, we make sure ours meet the minimum standards, minimum requirements.... The larger competitors that are big companies like us have to comply like we do, because we are too big a target if something goes wrong.” (Regional director, Iota)

5.4.4 RESOURCE DEPLOYMENT

In the cases of both Eta and Iota, their deployment of specialised resources enabled their expansion and retention of the regional implementer role. Attributes of their resources generated a situation that this thesis refers to as ‘*continuing resource dependence*’. These resources are likely to give rise to their long-term retention of this contributory role.

Continuing resource dependence. In the cases of both Eta and Iota, their geographical position as a type of non-overlapping, market access-related resource created the MNE's resource dependence. Under the MNE's make-to-order strategy, a comparatively shorter freight time from New Zealand to the Asia-Pacific market put Eta, relative to European and American subsidiaries, in a uniquely advantageous position in gaining access to this regional market. Under the American parent's whole ownership until 2013, Iota became the only unit serving the Asia-Pacific market because of a lower freight cost from New Zealand to the Asia-Pacific market than from the group's North American manufacturing plants. In both cases, their geographical position created the MNE's resource dependence in view of its five attributes. It was: (i) scarce, in that it was not possessed by other units; (ii) non-substitutable with any internal resources; (iii) recognised by the parent; (iv) strategically critical to the group's regional market access; and, (v) characterised by a mobility barrier. In both cases, such a dependence of the parent on this resource ultimately weakened internal competition for their mandate, thereby bringing about their expansion of international responsibilities in product, value-added and/or geographical areas. Because this resource was characterised by a mobility barrier, its contribution to the long-term continuity of their contributory role and their resource dependence power over the parent company is considerably high.

Geographical position as a non-overlapping, market access-related resource is, however, highly substitutable with external alternatives, i.e., other locations geographically proximate to the markets. Therefore, it ensures the continuity of the MNE's resource dependence situation, and consequently sustainability of the subsidiary's contributory role for an extended period of time until the MNE chooses to rely on these external substitutes (other locations). Therefore, the geographical position of Eta and Iota as a specialised resource created a situation that this thesis refers to as '*continuing resource dependence*'. As soon as the MNE chooses external substitutes, its dependence on the subsidiary vanishes. Long-term sustainability of the subsidiary's contributory role is accordingly in jeopardy. Iota is the best example of this. Following the American parent's entrance into a joint venture in 2013 with an Australian company that has manufacturing plants in Asia, the geographical position of Iota became no longer a non-overlapping resource. Iota then lost its resource dependence power and some of its low-cost product lines to these Asian units, as will be discussed later.

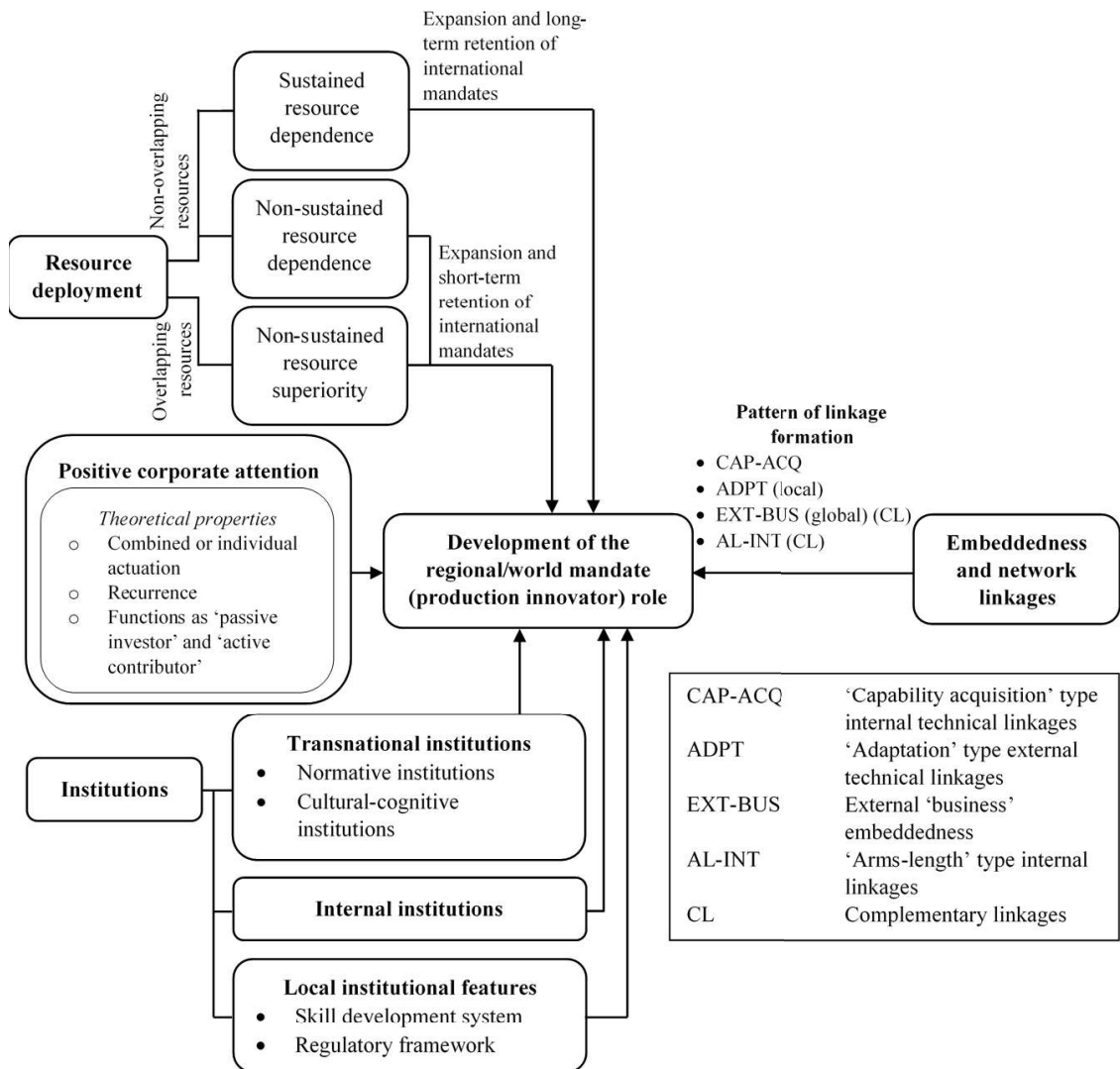
5.4.5 COMBINED EFFECTS

The development of the regional implementer role of both Alpha and Theta was affected by the combination of: (i) positive corporate attention; (ii) a particular pattern of linkage formation; (iii) institutions in different settings (local, internal and/or transnational); and, (iv) their deployment of specialised resources.

5.5 DEVELOPMENT OF THE REGIONAL/WORLD MANDATE (PRODUCTION INNOVATOR) ROLE

This section presents the findings regarding the evolution of the two subsidiaries (Alpha and Zeta) towards the role of regional/world mandate (production innovator). These subsidiaries performed two distinct functions. The first was to launch the group's products in the regional or global market. To do this, they, like regional implementers, carried out a variety of responsibilities, including: (i) assimilating the MNE's new product models, and adapting them to the world/regional market requirements (two out of two cases) (*increase in the product and/or value-added scopes*); (ii) expansion into new markets (two out of two cases) (*increase in the geographical scope*); and, (iii) undertaking a new value-added activity (marketing) (one case (Alpha)) (*increase in the value-added scope*). The second function of these two subsidiaries was to create new capabilities for their existing product line. Both subsidiaries engaged in development of new production capabilities not already possessed by other units. As a result, they became the only subsidiaries capable of manufacturing and developing market-specific products within this existing product line (*increase in the product and value-added scopes*). The findings on the effects of the previously-discussed four groups of factors are summarised in Figure 5-4. Their individual and combined effects are presented below.

Figure 5-4: Factors leading to the development of the regional/world mandate (production innovator) role of the two subsidiaries



See text for details.

5.5.1 POSITIVE CORPORATE ATTENTION

In the cases of both Alpha and Zeta, corporate resources played important parts in fulfilment of their two distinct functions: (i) their launch of the group's products in the regional/global market; and, (ii) their creation of new capabilities for the existing product line. Product mandates and knowledge from the parent enabled them to launch the group's products in the

regional/global market (*increase in the product scope*). Corporate investments fostered their entrepreneurial efforts in creating new production capabilities not already existing within the group. In both subsidiaries, positive corporate attention enabled their gain of these corporate resources. Table 5-8 summarises the effects of positive corporate attention (see the full version of this table in Appendix 7). These findings indicate three theoretical properties of positive corporate attention: (i) combined or individual actuation; (ii) recurrence; and, (iii) functions as both ‘passive investor’ and ‘active contributor’.

- (1) ***Combined or individual actuation.*** These headquarters’ assignments and investments resulted from either individual actuation of a particular stimulus drawing positive corporate relative/supportive attention (Alpha and Zeta), or combined actuation of different stimuli drawing positive corporate relative/supportive attention (Zeta).
- (2) ***Recurrence.*** In both subsidiaries, recurrence of positive corporate attention generated a series of corporate resources, thereby enabling their role development.
- (3) ***Functions as both ‘passive investor’ and ‘active contributor’.*** In both cases, positive corporate attention performed dual functions as both ‘active contributor’ and ‘passive investor’ in their role expansion paths (see Section 5.3 for the definition of ‘active contributor’). Following its positive attentional distribution, the parent assigned Alpha and Zeta a series of new product mandates, and transferred them associated product/production knowledge. Thus, the function of positive corporate attention was as ‘active contributor’ in their extension of the primary mandate, which was to serve the group’s offerings in the markets. Nevertheless, their evolution towards the role of world/regional mandate (production innovator) was driven primarily by their own initiatives in developing a new manufacturing process in their local environment rather than by the parent’s transfer of an already existing process. Thus, positive corporate attention acted as ‘passive investor’ by facilitating corporate investments in these initiatives. The thesis defines ‘passive investor’ as the function of positive corporate attention in which it passively facilitates the subsidiary’s role expansion and own initiatives by means of mainly corporate investment (White & Poynter, 1984), although the subsidiary may establish network linkages with the internal environment to engage in these initiatives.

Table 5-8: Effects of positive corporate attention on the development of the world/regional mandate (production innovator) role of the two subsidiaries

| Case | Year/ Time period | Types of mandates and/or resources gained from the parent | Description of the effects of positive corporate attention |
|-------|---------------------|---|--|
| Alpha | 2002-05; 2008-15 | A series of new product mandates that were accompanied by the MNE's product-related knowledge | During these periods, a series of new product mandates from the parent occurred. These resulted from recurrence of its positive relative attention to the beef price in New Zealand (locational advantage), which was one of the lowest within the group during these times. |
| | 2008 | Corporate investment in the subsidiary's own initiative in adopting a new packaging process | The fact that the subsidiary's initiative (stimulus) supported the MNE's long-term strategic objectives ultimately captured positive corporate supportive attention. This resulted in corporate investment in this initiative. |
| Zeta | 2000-07 | New product mandates that were accompanied by the MNE's product-related knowledge | During this period, the parent gave Zeta a series of new product mandates, which were accompanied by the MNE's product-related knowledge. These mandates occurred as the results of combined actuation of the following stimuli: <ul style="list-style-type: none"> • Superiority of the subsidiary's market access-related capability over that of the MNE, drawing positive corporate relative attention; • The subsidiary's proven capability, drawing positive corporate supportive attention. |
| | 2002-04 | Corporate investment in the subsidiary's own initiative in adopting a new production process | The subsidiary's initiative (stimulus) supported the MNE's long-term strategic objectives. This ultimately captured positive corporate supportive attention, thus bringing about corporate investment in this initiative. |

See the full version of this table in Appendix 7.

5.5.2 EMBEDDEDNESS AND NETWORK LINKAGES

The combination of the following types of linkages drove the development of the regional/world mandate (production innovator) role of Alpha and Zeta. These were:

- 'capability acquisition' type internal technical linkages (two out of two cases);
- 'adaptation' type external (local) technical linkages (two out of two cases);
- external (global) 'business' embeddedness (complementary linkages) (one out of two cases (Eta)); and,

- ‘arms-length’ type internal business linkages (complementary linkages) (one out of two cases (Iota)).

These linkages were instrumental in shaping fulfilment of their two distinct functions, which were: (i) to launch the group’s products in the regional/global market; and, (ii) to create new production capabilities for their existing product line. Illustrative quotes on these linkages are provided in Table 5-9 below. Through establishing ‘capability acquisition’ type internal linkages, both subsidiaries acquired product or process models available within the group. These linkages were thus central to fulfilment of their primary mandate, which was to serve the group’s offerings in the global/regional market (*increase in the product and/value-added scopes*). Their ‘adaptation’ type linkages with local actors enabled them to create innovative manufacturing processes not already existing within the MNE. These processes were shelf-life extending packaging process in the case of Alpha, and a new bathtub manufacturing process in the case of Zeta. Thanks to these processes, they eventually became the only subsidiaries within the MNE that were capable of creating and manufacturing market-specific products, thus spurring their evolution towards the role of regional/world mandate (production innovator) for their existing product line (*increase in the value-added scope*). Alpha, for instance, became the only unit capable of serving markets with low consumption rate and long freight time.

The findings reveal external (global) ‘business’ embeddedness and ‘arms-length’ type internal business linkages as complementary linkages that enabled them to achieve regional market responsiveness and expansion (see Section 5.3.2 for the definition of ‘complementary linkages’). Alpha established ‘business’ embedded relationships with overseas distributors that were based on strong ties of collaboration on its marketing activities, and a long-term perspective. Through developing these linkages, it adapted its marketing activities extensively to marketing expertise of its distributors, and then expanded its geographical markets (*increase in the value-added and geographical scopes*). Through these relationships, Alpha adapted the group’s global products to the market requirements (*increase in the product scope*). Zeta expanded into the Philippines and Japanese markets in the early 2000s through establishing ‘arms-length’ type internal business linkages with the group’s sales

units in these markets. These linkages were based on sales and distribution of its products (*increase in the geographical scope*).

Table 5-9: Illustrative quotes on different types of linkages driving the development of the regional/world mandate (production innovator) role

| Types of network linkages | Illustrative quotes |
|---|--|
| 'Capability acquisition' type internal technical linkages | <p><i>"Most of the products were developed in the USA. We have done the customisation [of these products] for regional customers."</i> (Technical manager, Alpha)</p> <p><i>"[Zeta] had access to [names of the new products] because [the parent] had these manufacturing capabilities."</i> (Product design manager, Zeta)</p> |
| 'Adaptation' type external (local) technical linkages | <p><i>"This particular type of packaging was designed by a New Zealand company with our specification and testing and it pretty much took us probably 18 months to come up with that packaging. ... This product isn't able to be made [by other subsidiaries] because when we started making these products, we designed the packaging to fit the machine. We have spent a lot of time on research and development to come up with [that packaging system]."</i> (Commercial manager, Alpha)</p> <p><i>"We did a lot of work with the local companies to build the tooling and some of the other equipment [for implementing this new bathtub manufacturing process]. ... We had some work with [the engineering department of a New Zealand university], and some support from them [to develop this new process]."</i> (Product design manager, Zeta)</p> |
| External (global) 'business' embeddedness | <p><i>"We work with distributors in the market. We rely on their expertise in the market."</i> (CEO, Alpha). <i>"We would develop [products] in New Zealand and send them to the distributors to get customer feedback. ... We rely very heavily on our distributors. ... They are the ones who do marketing research. ... We will take that information [from the distributors to develop] ... a finished product."</i> (Technical manager, Alpha)</p> |
| 'Arms-length' type internal business linkages | <p><i>"This business was able to export products to some of [the parent's] markets in Asia. For example, we exported [our products] to Japan [and the Philippines] through [the parent's sales] subsidiaries in [these markets]. [These were] the new markets for us."</i> (Product design manager, Zeta)</p> |

5.5.3 INSTITUTIONS

Institutions in different settings (local, internal and/or transnational) had the effects on the development of the regional/world mandate (production innovator) role of Alpha and Zeta. Both subsidiaries, like regional implementers, served the MNE's traditional offerings in the regional or global market. Therefore, it was necessary for them to establish legitimacy of their new product mandates in both internal and transnational settings. New products of both

subsidiaries conformed to these institutional pressures from both settings. See Table 5-10 for the effects of internal institutions and normative and cultural-cognitive dimensions of transnational institutions on their role expansion.

The host country's skill development system (university education system) and regulatory framework were instrumental in facilitating capability-creating and/or adaptation activities of the subsidiaries. The in-house engineering team of Zeta consisted of product and process engineers, the majority of whom held New Zealand university qualifications in mechanical engineering, industrial design, chemical engineering, product design, and product development. During the period 2000-07, they carried out all minor product and process adaptations to launch the group's global products (*increase in the product and value-added scopes*). During this period, they contributed to the subsidiary's capability creation activities by adapting a new bath manufacturing process, not already possessed by other units, in partnership with external local actors. Some tools, moulds and equipment for this new process were developed by them in-house (*increase in the value-added scope*). Considering the effects of the host country's regulatory framework, New Zealand's food safety and plumbing regulations are as stringent as those in most major advanced markets. In the product industry of Zeta, New Zealand and Australia, for instance, use a joint plumbing standard (AS/NZS 3718). Therefore, by adapting to New Zealand's regulatory requirements, new products of Alpha and Zeta easily met these foreign market requirements, thereby facilitating their new product launches in these markets and the geographical expansion of Alpha (*increase in the product and/or geographical scopes*). In other words, the country's regulatory framework facilitated their adaptation activities.

"[The New Zealand food safety regulations] actually meet the European programme's intent [the European food safety regulations] completely. So, there is an agreement in place. ... You'll find the same for most markets." (Technical manager, Alpha)

Table 5-10: Summary of the findings regarding the effects of internal and transnational institutions

| Internal institutions |
|---|
| Being in the product industry of the parent, both Alpha and Zeta were subject to the group's minimum quality standards. All their new products for the regional and global markets conformed to these internal standards. |

“We have [the group’s quality] standards which are written and controlled by [the parent] and which specify every detail of the quality of the product, and so every [subsidiary] around the world adheres to the same standard.” (Product design manager, Zeta)

Transnational institutions

The effects of normative and cultural-cognitive institutions in transnational setting were evident. The way in which normative isomorphic pressures from the transnational setting influenced Alpha’s adoption of an international food safety standard is discussed in Section 5.3. A food safety standard has also been gradually institutionalised as an industrial norm/practice in its new major foreign markets (such as Japan, South Korea, Australia and some European markets), since it is being promoted by most large food retailers and distributors in these new markets.

The role expansion path of Zeta was bound by cognitive institutions in the foreign market (Australia). The Water Efficient Labelling and Standards (WELS) Act 2005 took effect in Australia in July 2006 to tackle the chronic water scarcity problem in Australia. The act aimed at raising consumer awareness about water efficient products by requiring plumbing product manufacturers to label their products with their water efficiency (Australian Government, 2016). Local authorities in Australia put efforts into raising the consumer awareness about water efficient products by offering water efficiency rebates. Plumbing product manufacturers like Zeta began to offer new water efficient products in the Australian market because of the rising consumer awareness about these products (*mimetic isomorphism*).

“Water efficiency is a much more important topic in Australia because of their water shortages. ... The government and the local governments in Australia also incentivise people to buy more water efficient products. So, if they buy a showerhead that uses less water, they can get a rebate from the local government. They will give them some money back. The consumers in Australia are encouraged to look at water consumption of a product so they have a better understanding of the WELS scheme than New Zealand. ... Nothing motivates a customer more than getting something cheaper or some money back.” (Product design manager, Zeta)

5.5.4 RESOURCE DEPLOYMENT

In the cases of both Alpha and Zeta, their deployment of specialised resources enabled their expansion and retention of their regional/world mandate (production innovator) role. The findings indicate that resource attributes creating a situation referred to as ‘*sustained resource dependence*’ are likely to give rise to the subsidiary’s long-term sustainability of its mandates. Those generating situations referred to as ‘*non-sustained resource dependence*’ and ‘*non-sustained resource superiority*’ contributed to the subsidiary’s short-term (rather than long-term) retention of its responsibilities only.

Sustained resource dependence. In the case of Alpha, the parent attributed the group’s competitive advantage in the Asian market to the clean and green image of New Zealand, in

other words, the subsidiary's market access-related resource. This resource had six attributes. It was: (i) scarce; (ii) non-substitutable with any internal resources; (iii) not easily substitutable with external resources; (iv) recognised by the parent; (v) strategically critical to the MNE's access to the Asian market; and, (vi) characterised by a mobility barrier. Being non-transferrable to any other units and not easily substitutable with external resources, this non-overlapping, specialised resource ensured the sustainability of the subsidiary's resource-dependence power over the parent. This situation is therefore referred to as '*sustained resource dependence*' in this thesis. This resource not only eliminated internal competition from existing units for the subsidiary's mandates, but also prevented the emergence of new rival contestants. Thus, this resource contributed to the subsidiary's expansion and long-term sustainability of its Asian market mandate (*increase in the product, value-added and geographical scopes*).

"Our parent company has said to us, "We need you [Alpha] to get into China because there's more money to be made by supplying New Zealand product[s] into China than making the product[s] in China and selling [them] in China because New Zealand meat and New Zealand produce is seen to be far better than that supplied by China."" (Commercial manager, Alpha)

"You could [set up a plant in Asia], but we will lose our advantage of being New Zealand made, which is quite a big advantage up there. ... In the [Asian] markets, [Alpha's beef product] is very much a premium product. So, if you are coming with Brazilian products, the connection between clean green and fresh is not quite the same. For example, this is a gift product in Korea. That will be retailed in Korea about \$80. People give it as a gift. This is a premium product. So, this is New Zealand beef. That is very much positive." (CEO, Alpha)

Non-sustained resource dependence. In 2000, Zeta inherited non-overlapping, regional market access-related resources from the acquiree business. These were the brand name 'Zeta' and regional distribution channels. These resources created the parent's dependence because of their five attributes. They were: (i) scarce or unique to the subsidiary; (ii) non-substitutable with any internal resources; (iii) not easily substitutable with external resources; (iv) recognised by the parent; and, (v) strategically critical to the MNE's access to the regional market. This resource dependence situation of the parent enabled Zeta to outperform other units in an internal competition for its regional market mandate, thereby bringing about the subsidiary's expansion of international responsibilities in product, value-added and geographical areas until 2007 (*increase in the product, value-added and geographical scopes*). Mobility of these resources (its brand name 'Zeta' and regional distribution

channels), however, prompted the parent to reallocate these resources and the subsidiary's regional mandate role to the Chinese counterpart in 2007. This subject will be returned to in more detail later (refer to Section 6.4). This resource mobility created the parent's dependence *temporarily*, thus creating a situation referred to as '*non-sustained resource dependence*'. These resources therefore contributed to the subsidiary's temporary (rather than long-term) retention of its contributory role only.

"Australia is a difficult market for distribution because the population is not that great and it is very spread out. It is often difficult to get economically viable distribution. [The parent] identified that as an area for improvement and saw that [Zeta] had good distribution and wanted to leverage that." (Product design manager, Zeta)

Non-sustained resource superiority. In the case of Alpha, the parent did not depend on the clean and green image of New Zealand to gain access to the European market. Therefore, Alpha contested this market mandate based on other kinds of overlapping, superior resources/capabilities: (i) its superior flexible production capability (see the interview extract below); and, (ii) its superior packaging machines. Despite the existence of internal substitutes (which still enabled rival units to serve the European market) for these resources of Alpha, the latter had two attributes. These resources were superior to these internal substitutes in serving the European market, and were recognised by the parent. Superiority of packaging machines of Alpha to those within the group in serving the distant markets (such as the European market) is already discussed above (refer to Section 5.1). These resources thus enabled Alpha to outperform other units in internal competition for its European market mandate, and subsequently contributed to its expansion of international mandates in product, value-added and geographical areas for this market until 2015 (*increase in the product, value-added and geographical scopes*). These packaging technology and capabilities of Alpha, however, lack a mobility barrier or tacit form of knowledge. This resulted in the parent's acquisition of these resources/capabilities and its reallocation of this European market mandate of Alpha to other subsidiaries in 2015. This subject will be returned to later (refer to Section 6.4). Because of the lack of a mobility barrier, these overlapping, specialised resources maintained the '*resource superiority*' status *temporarily*, thus creating a situation referred to as '*non-sustained resource superiority*'. They contributed to the subsidiary's short-term retention of this European market mandate only.

“They [the parent] want someone else to [deal with small orders from the European market]. So, they said to us, “you [Alpha] do it for us, and you can do it because [you] have a smaller plant”. We have smaller production runs. They [the parent and the Brazilian unit] have massive production runs and massive plants.” (Commercial manager, Alpha)

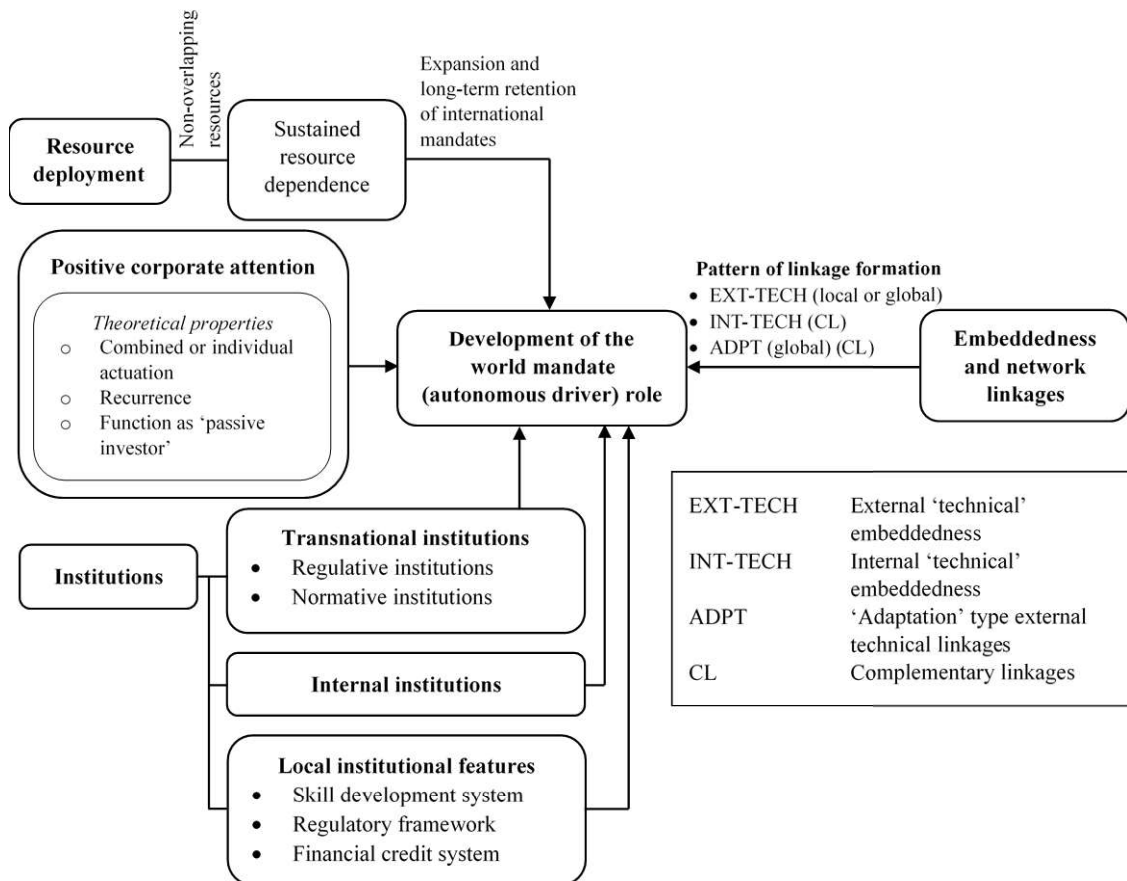
5.5.5 COMBINED EFFECTS

The evolution of Alpha and Zeta towards of the role of regional/world mandate (production innovator) was driven by the combination of: (i) positive corporate attention; (ii) a particular pattern of linkage formation; (iii) institutions in different settings (local, internal and/or transnational); and, (iv) their deployment of specialised resources.

5.6 DEVELOPMENT OF THE WORLD MANDATE (AUTONOMOUS DRIVER) ROLE

This section presents the findings about the development of the world mandate (autonomous driver) role of two subsidiaries (Gamma and Epsilon). In both cases, the development of this contributory role was driven by a high-level of their capability-creating activities rather than by product mandates given by the parent. These subsidiaries extended into many product and/or business lines that were relatively new to the existing ones, and associated new value-added (production) areas through their autonomous efforts (*increase in the product and/or value-added scopes*). New products of Epsilon were exported to different regions of the world, including its new markets (*increase in the geographical scope*). The findings regarding the effects of four constructs on the role expansion paths of these two subsidiaries are summarised in Figure 5-5 and presented below. The individual and combined effects of these constructs are analysed.

Figure 5-5: Factors leading to the development of the world mandate (autonomous driver) role of the two subsidiaries



See text for details.

5.6.1 POSITIVE CORPORATE ATTENTION

In the cases of both Gamma and Epsilon, the function of the parent in their role expansion paths was rather passive. The parent facilitated their capability-creating activities by means of investments. The findings indicate that positive corporate attention played an important part in bringing about these investments. The effects of positive corporate attention on their role expansion paths are summarised in Table 5-11 (see Appendix 7 for the full version of this table). These findings reveal three theoretical properties of positive corporate attention, (i) combined or individual actuation, (ii) recurrence and (iii) function as 'passive investor', as follows:

- (1) **Combined or individual actuation.** These corporate investment events in the subsidiaries occurred as the results of individual actuation of a particular stimulus drawing positive corporate supportive attention (Epsilon), or combined actuation of different stimuli drawing positive corporate relative/supportive attention (Gamma).
- (2) **Recurrence.** In both cases, recurrence of positive corporate attention resulted in a series of corporate investments, and thus contributed to their role expansion.
- (3) **Function as ‘passive investor’.** In both cases, their expansion of their world mandate (autonomous driver) role was driven primarily by their own initiatives rather than by the parent’s transfer of existing product models. Positive corporate attention passively facilitated their role expansion paths by means of investments. Thus, its primary function in these role expansion paths was as ‘passive investor’ (see Section 5.5 for the definition of ‘passive investor’).

Table 5-11: Effects of positive corporate attention on the development of the world mandate (autonomous driver) role of two subsidiaries

| Case | Year/ Time period | Types resources gained from the parent | Description of the effects of the parent’s positive attention |
|---------|-------------------|--|--|
| Gamma | 2010-15 | A series of corporate investments in factory expansion projects for new products | These investments from the parent occurred as the results of combined actuation of the following stimuli: <ul style="list-style-type: none"> • Superiority of the subsidiary’s production capabilities over those of other units, drawing positive corporate relative attention; • The subsidiary’s proven capability, drawing positive corporate supportive attention. |
| | 2015 | The parent’s acquisition of an unrelated (seafood processing) business that was later merged with Gamma | This investment from the parent ultimately resulted from combined actuation of the following stimuli: <ul style="list-style-type: none"> • Superiority of the subsidiary’s market access-related resource (the clean and green image of New Zealand) over other locational advantages, drawing positive corporate relative attention; • Stimulus (the subsidiary’s investment proposal) that was of the MNE’s long-term strategic interest, drawing positive corporate supportive attention. |
| Epsilon | 2000-04 | A series of corporate investments in new production machines (three surface-mount technology lines, and an X-ray fault inspection machine) | A series of corporate investments occurred during this period. These investments resulted from recurrence of the parent’s positive supportive attention to the subsidiary’s proven capability. |

| | | | |
|--|---------|--|--|
| | 2005-06 | Corporate investment in the new lead-free machines | Regulatory pressure from the foreign markets (stimulus) prevented the subsidiary's market access. This captured positive corporate supportive attention, thus giving rise to additional investments from the parent. |
|--|---------|--|--|

See the full version of this table in Appendix 7.

5.6.2 EMBEDDEDNESS AND NETWORK LINKAGES

The development of the world mandate (autonomous driver) role of Gamma and Epsilon was driven by the combination of the following types of linkages:

- external (local/global) 'technical' embeddedness (two out of two cases);
- internal 'technical' embeddedness (complementary linkages) (one out of two cases (Epsilon)); and,
- 'adaptation' type external (local/global) technical linkages (complementary linkages) (one out of two cases (Gamma)).

Both Gamma and Epsilon established 'technical' type embedded relationships with external (local and/or global) customers to foster development of new product lines, and the learning vital to their engagement in these capability-creating activities. These relationships were based on collaboration with these external actors (and on learning from them) for development/design of these new product lines, joint problem-solving arrangements, a long-term perspective, and a high degree of trust. Through developing 'technical' type embedded relationships with overseas customers, Gamma developed three new product lines, and new process areas associated with them (*increase in the product and value-added scopes*). Through its 'technical' embedded relationships with external local and global customers, Epsilon extended into many new product lines that were not handled by other units (*increase in the product scope*).

The findings indicate that the subsidiaries may establish other types of internal and external linkages to further their new product development, or to enhance existing products in the development of their world mandate (autonomous driver) role. Internal 'technical' embedded relationships and 'adaptation' type external (global) technical linkages were identified as complementary linkages facilitating these activities in this type of role development (see the definition of 'complementary linkages' in Section 5.3.2). Being in the product industry of

the parent, Epsilon simultaneously established the ‘technical’ type embedded relationship with the internal environment to co-design new products (*increase in the product scope*). Gamma formed ‘adaptation’ type external (global) technical linkages with its other global customers in order to enhance its existing seven products (*increase in the product scope*). See illustrative quotes on different types of network linkages contributing to the role expansion of Gamma and Epsilon in Table 5-12 below.

Table 5-12: Illustrative quotes on different types of linkages driving the development of the world mandate (autonomous driver) role

| Types of network linkages | Illustrative quotes |
|--|--|
| External (local/global) ‘technical’ embeddedness | <p>“We had a huge project with the [overseas] customers. The R&D teams from the customers and our R&D teams collaborated for two years. [We] just completed a very big project. Now, we are investing in that capacity to make this [new] product.” (CEO, Gamma). “Our [overseas] customers have provided us with the latest processing technology to help our R&D. ... They shipped [us] a small pilot plant [that replicates] the process they employ in Japan. ... They also sent technical staff to New Zealand to run this plant and show us how to operate.” (Marketing manager, Gamma)</p> <p>“We have [a big group of international customers] coming here in February, [2015] for one big project. That’s a 15-million-dollar project - completely new product development, completely brand-new. ... The first products will not come out until the beginning of 2018. ... It takes a year to build a factory and then start the first production in 2018. ... [Product and production technologies for this new product line are contributed to by] the customers.” (CEO, Gamma)</p> <p>“We make prototypes for everything we build. ... They [the customers] [will] put it [the prototype] into field trials to make sure it works properly. They will change a few things on it. ... We will build another lot of prototypes. They will try those and make a few more changes. And, eventually we will build a full product.” (Senior manager, Epsilon)</p> |
| Internal ‘technical’ embeddedness | <p>“There is some expertise in Australia which we don’t have here, for example, the test engineer. We have only one [in the group]. ... Before it [a product] gets finally assembled, it goes through a test database, test points. That’s all worked out with our test engineer in Australia to set up what standard needs to be reached.” (Senior manager, Epsilon)</p> |
| ‘Adaptation’ type external (global) technical linkages | <p>“When we do trials, the [overseas] customers will come to New Zealand. ... They are sometimes fully involved with testing the products, [and] make recommendations about how to process or what they think of the quality of the products.” (Marketing manager, Gamma)</p> |

5.6.3 INSTITUTIONS

Institutions in different settings (internal, transnational and local) had the effects on the development of the world mandate (autonomous driver) role of the subsidiaries. Being exporters to foreign markets, both Gamma and Epsilon were subject to institutional pressures from the transnational environment. Their new product lines and associated new value-added (production) areas conformed to these institutional pressures. The effects of internal institutions were evident in one out of two cases (Epsilon). In this case, the fact that it belonged to the product industry of the parent meant that its new products were subject to internal quality standards. The findings on the effects of internal and transnational (regulative and normative) institutions are summarised in Table 5-13 below.

The findings indicate that three types of the host country's institutional features can act as facilitators of capability-creating, entrepreneurial efforts of the world mandate (autonomous driver) subsidiaries. They are: (i) skill development system (including university and vocational education systems); (ii) stringent regulatory framework; and, (iii) financial credit system. Epsilon gained access to a large pool of quality local electronics engineers thanks to the country's university and vocational education systems providing quality electronics engineering qualifications. *"One thing we're fortunate with here is that there is a large pool of semi-skilled or skilled electronics engineers."* (Senior manager, Epsilon). These locally-employed graduates contributed to designing, prototyping and manufacturing new hi-tech electronic product lines that are not handled by other units in partnership with customer firms (*increase in the product and value-added scopes*). In the case of Gamma, the country's stringent food safety regulations in terms of their regulatory proximity to those of major foreign markets facilitated the subsidiary's launches of new product lines in these markets (*increase in the product scope*). Thanks to availability of financial capital through the country's well-developed financial credit system, Gamma has secured a series of New Zealand bank loans since 2010 to fund its entrepreneurial efforts to expand into new lines of business and product responsibilities (*increase in the product and value-added scopes*).

"That's [the factory expansion projects between 2010 and 2015 were] partly invested in New Zealand, from our own domestic funding, and partly from [the parent]. In fact, since 2010, we have spent 20 million dollars now. ... In the next two years, [if] all things [are] equal, we'll easily spend another 20 million bucks." (CEO, Gamma)

Table 5-13: Summary of the findings regarding the effects of internal and transnational institutions

| |
|---|
| Internal institutions |
| <p>Eta is in the product industry of the MNE. Consequently, all its new products were required to conform to internal quality standards.</p> <p style="text-align: center;"><i>“Our company’s quality policy is that we have a minimum standard that we will make [every new] product to. ... It [the group’s quality standard] is quite high”</i> (Senior manager, Epsilon)</p> |
| Transnational institutions |
| <p>The effects of regulative and normative dimensions of transnational institutions were evident. It is mandatory that new electronic products of Epsilon conformed to relevant regulations of the foreign markets (such as the European Union’s RoHS directive, and the US Federal Aviation Authority regulations). The European Union’s RoHS directive resulted in the subsidiary’s installation of new lead-free machines.</p> <p>The role expansion of both Gamma and Epsilon was subject to global-level normative isomorphic pressures. Gamma and its customers are under normative obligations to provide safe foods to consumers. All its new products and value-added activities (new production facilities) conformed to a global food safety standard, which has been accepted as an established industrial norm by field members (such as customers) from most advanced economies. All new products of Epsilon conformed to the IPC standards (IPC - Institute for Printed Circuits), which are the established global industrial standards in the global electronic industry.</p> <p style="text-align: center;"><i>“It [the finished product] needs to be done to a certain standard. ... [Printed circuit boards] ha[ve] to meet IPC standards.”</i> (Senior manager, Epsilon)</p> <p style="text-align: center;"><i>“All of our normal customers [expect us to adopt a global food safety standard]. If you’re [name of a well-known global household brand] and you want to buy [a product type of Gamma] from [Gamma], [that household brand] will say you have to meet one of the [international food safety] standards.”</i> (CEO, Gamma). This well-known global household brand also expresses its normative obligations to provide safe foods to consumers in public releases.</p> |

5.6.4 RESOURCE DEPLOYMENT

In the cases of both Gamma and Epsilon, their deployment of non-overlapping, specialised resources brought about their expansion and retention of their world mandate (autonomous driver) role. These resources generated a situation referred to as ‘*sustained resource dependence*’. They are likely to assure long-term sustainability of their contributory role.

Sustained resource dependence. In both cases, the parent’s ‘*sustained resource dependence*’ was created by their non-overlapping, market access-related resources. These resources were the clean and green image of New Zealand in the case of Gamma, and the customer base in

the case of Epsilon. The parent of Gamma attributed the group's competitive advantage in the Asian market to the clean and green image of New Zealand. The parent of Epsilon depended on the subsidiary's customer base, which could not be easily transferrable to other subsidiary units. Since 2000, these business customers have made all the location decisions for manufacturing, which the parent had no ability to influence. Except those producing low-cost, labour-intensive products, these customers continued to choose Epsilon as an ideal manufacturer of products over the other units. Since 2000, only two out of a total of twenty-six business customers of Epsilon have relocated their manufacturing activities to Australia because of capacity constraints at Epsilon in those years. Their continuing choice of Epsilon over the group's other units was explained partly by their incentives to maximise quality control over production activities of Epsilon and to protect their Intellectual Property (IP) rights. This customer base of Epsilon, and the clean and green image of New Zealand possessed by Gamma had six attributes. They were: (i) scarce; (ii) non-substitutable with any internal resources; (iii) not easily substitutable with external resources; (iv) recognised by the parent; (v) strategically critical to the MNE's global market access; and, (vi) not easily transferrable to other units.

Being characterised by a mobility barrier and not easily substitutable with any internal and external resources, these resources ultimately assured the MNE's '*sustained resource dependence*'. In both cases, such a resource dependence situation of the parent contributed not only to the expansion of their contributory role over an extended period of time at their sole discretion in absence of any internal competition (*increase in the product, value-added and/or geographical scopes*) but also to the long-term sustainability of their contributory role.

"[The parent's] point of difference is their association with primary New Zealand products ... They want to say we are proud of our New Zealand supply source. They are vertically integrating their supplied sources. ... They want their ability in 10 years' time, 20 years' time and 50 years' time to draw food from New Zealand to feed into the Asian Market." (CEO, Gamma)

"[The parent's] motivation [to acquire the acquiree New Zealand business] was more about getting access to the customer base rather than getting access to [the acquiree's] technology. ... [The acquiree] had a good sales book here with New Zealand-based customers. ... [The parent] wanted access to that." (Senior manager, Epsilon)

“It’s really up to our customers whether they want to [shift the manufacturing to the parent]. ... We do have [customers] who we were looking at possibly shifting to [the group’s other manufacturing plants] but they said no, it has to stay here. ... [Some] like to be able to pop into here, get their hands on the things and then pop back home the same day. ... Some don’t prefer it [shifting manufacturing to the other units] because of their IP.” (Senior manager, Epsilon)

5.6.5 COMBINED EFFECTS

The expansion of the world mandate (autonomous driver) of Gamma and Epsilon was shaped by the combination of: (i) positive corporate attention; (ii) a particular pattern of linkage formation; (iii) institutions in different settings (local, internal and/or transnational); and, (iv) their deployment of specialised resources.

5.7 SYNTHESIS OF THE FINDINGS ON SUBSIDIARY ROLE EXPANSION AT THE FIVE LEVELS

This section synthesises the findings presented above regarding the effects of four constructs and their combined effects on subsidiary role expansion at five levels. These constructs are: (i) positive corporate attention; (ii) embeddedness and network linkages; (iii) institutions; and, (iv) resource deployment.

5.7.1 COMBINED EFFECTS

The findings reveal that subsidiary role expansion at five levels can be affected by a combination of: (i) presence or absence of positive corporate attention; (ii) the respective patterns of linkage formation; (iii) institutional forces in local, internal and/or transnational settings; and, (iv) resource deployment by the subsidiary. In the cases of Beta and Delta that extended only the geographical mandate, a dearth of positive corporate attention and their ‘arms-length’ type internal and external linkages meant that they were unable to engage in internal and external learning, and to acquire quality internal and external resources. These did not bring about a major change in their new product and value-added areas. Their geographical expansion was affected by institutional forces in local and/or transnational settings. Their deployment of specialised resources affected their expansion of geographical mandates and retention of existing mandates.

The remaining seven cases engaged in the development of the rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles. Subsidiary role expansion at these four levels was driven by the combination of four constructs: (i) positive corporate attention; (ii) embeddedness and network linkages; (iii) institutions; and, (iv) resource deployment. The individual effects of these constructs on subsidiary role expansion at five levels are summarised below.

5.7.2 POSITIVE CORPORATE ATTENTION

The findings reveal three theoretical properties of positive corporate attention that help explain subsidiary role expansion at five levels: (i) combined or individual actuation; (ii) recurrence; and, (iii) function. Their definitions are provided in Table 5-14. The findings regarding these three theoretical properties are summarised below.

Table 5-14: Definitions of three theoretical properties of positive corporate attention

| Name of the theoretical property | Definition |
|----------------------------------|--|
| Combined or individual actuation | This theoretical property ‘combined or individual actuation’ refers to the fact that investment and new product mandates from the parent result from either individual actuation of a particular stimulus drawing positive corporate relative/supportive attention, or combined actuation of different stimuli drawing positive corporate relative and/or supportive attention. |
| Recurrence | This theoretical property ‘recurrence’ refers to recurrence of positive corporate attention. |
| Function | This theoretical property ‘function’ refers to the primary function of positive corporate attention in the subsidiary’s role expansion path. More specifically, it refers to whether positive corporate attention performs the function of ‘active contributor’, that of ‘passive investor’, the dual functions of both ‘active contributor’ and ‘passive investor’, or no function at all. ‘Active contributor’ is defined as the function of positive corporate attention, in which it actively contributes to subsidiary role expansion by bringing new international responsibilities to launch the group’s existing products and/or the group’s existing product-related and functional expertise and financial resources associated with these new responsibilities. ‘Passive investor’ is defined as the function of positive corporate attention, in which it passively facilitates the subsidiary’s role expansion or own initiatives by means of investment only (White & Poynter, 1984), although the subsidiary may establish network linkages with the internal environment to engage in these initiatives. |

Combined or individual actuation. The first theoretical property of positive corporate attention is combined or individual actuation. Seven out of seven cases engaged in the development of their rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles. The parent played an important part in their role expansion by means of delegating new product mandates to them and/or providing corporate investments in their entrepreneurial activities. All these new product mandates and/or investments proved to be the results of either individual actuation of a particular stimulus, drawing positive corporate relative/supportive attention (four out of seven cases), or combined actuation of different stimuli capturing positive corporate relative/supportive attention (four out of seven cases).

Recurrence. In these seven cases, recurrence of positive corporate attention generated a sequence of corporate resources, thus resulting in their role expansion.

Function. Positive corporate attention performed different functions in the role expansion of these seven cases. Its primary function was as ‘active contributor’ in the development of the rationalised operator and regional implementer roles (four out of four cases). These subsidiaries manufactured designated products for home or regional markets. In these cases, the parent’s assignments of product mandates and its provision of associated internal product-related knowledge followed its distribution of positive attention to the subsidiaries.

Positive corporate attention performed the dual functions of both ‘active contributor’ and ‘passive investor’ in the development of the regional/world mandate (production innovator) role of two subsidiaries (Alpha and Zeta). These subsidiaries not only launched the group’s existing products in the regional or global markets but also engaged in creating new capabilities, not existing within the group, for their existing product line. Positive corporate attention brought them the group’s existing product models and corporate investments in their capability-creating activities.

The primary function of positive corporate attention was as ‘passive investor’ in the development of the world mandate (autonomous driver) role of two subsidiaries (Gamma and Epsilon). This type of role development was driven primarily by a high level of their

capability-creating, entrepreneurial efforts. The parent’s positive attention brought about corporate investments in these capability-creating activities.

Positive corporate attention was scarce, and its function as ‘active contributor’ or ‘passive investor’ was not evident in the case subsidiaries that extended only the geographical mandate (two out of two cases). Consequently, these subsidiaries found themselves unable to gain corporate investments and headquarters’ assignments.

Table 5-15 summarises different types of stimuli capturing positive corporate relative and supportive attention in the role expansion of the case subsidiaries.

Table 5-15: Types of stimuli drawing positive corporate relative/supportive attention

| Types of stimuli drawing positive corporate relative attention | Types of stimuli drawing positive corporate supportive attention |
|--|---|
| <ul style="list-style-type: none"> • Relative superiority of the subsidiary’s locational advantage over those of other units (one case) • Relative superiority of the subsidiary’s market access-related capability over those of other units (four cases) • Relative superiority of the subsidiary’s production capability over those of other units (two cases) | <ul style="list-style-type: none"> • Proven capability (four cases) • Regulatory pressures preventing the subsidiary’s market access (one case) • Stimulus that is in the MNE’s long-term strategic interest (four cases) (In the cases of Alpha and Eta, this type of stimulus attracted the parent’s supportive actions, despite their business lacking a proven performance. See Appendix 7.) |

5.7.3 EMBEDDEDNESS AND NETWORK LINKAGES

The findings reveal that subsidiary role expansion at five levels can be shaped by their respective patterns of linkage formation (see Table 5-16 below).

Table 5-16: Patterns of linkage formation driving subsidiary role expansion at five levels

| Role expansion at five levels | Patterns of linkage formation |
|---|--|
| Extension of only the geographical mandate | The combination of ‘arms-length’ type internal and external linkages. |
| Development of the rationalised operator role | The combination of: <ul style="list-style-type: none"> • ‘capability acquisition’ type internal technical linkages; • ‘arms-length’ type external technical linkages; and, |

| | |
|--|---|
| | <ul style="list-style-type: none"> • ‘adaptation’ type external (local/global) technical linkages (complementary linkages). |
| Development of the regional implementer role; Development of regional/world mandate (production innovator) role | <p>The combination of:</p> <ul style="list-style-type: none"> • ‘capability acquisition’ type internal technical linkages; • ‘adaptation’ type external (local/global) technical linkages; • external (global) ‘business’ embeddedness (complementary linkages); and, • ‘arms-length’ type internal business linkages (complementary linkages). |
| Development of the world mandate (autonomous driver) role | <p>The combination of:</p> <ul style="list-style-type: none"> • external (global/local) ‘technical’ embeddedness; • internal ‘technical’ embeddedness (complementary linkage); and, • ‘adaptation’ type external (global) technical linkages (complementary linkages). |

In this thesis, complementary linkages are referred to as linkages that are important to a particular case subsidiary in extending its international responsibilities, but that are not evident in the other sample case. Linkages not identified as complementary linkages are the ones that are important to all the sample case subsidiaries engaging in role expansion at a particular level.

5.7.4 INSTITUTIONS

The findings indicate that subsidiary role expansion at five levels can be subject to varying degrees of institutional pressures and influences from different settings (local, internal and transnational).

Transnational institutions. The findings show the effects of institutional forces in transnational setting on subsidiary role expansion at five levels. In the case of Beta that extended only the geographical mandate, regulative institutions in the foreign market affected its market expansion. Seven case subsidiaries (Alpha, Gamma, Epsilon, Zeta, Eta, Theta and Iota) engaged in the development of the rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles. Being exporters to foreign markets, all these seven cases were subject to transnational institutions. Their new product areas and/or associated value-added activities (such as new production facilities) conformed to these transnational institutions.

Internal institutions. The findings reveal the effects of institutional forces in internal setting on the development of the rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles. Six cases (Alpha, Epsilon, Zeta, Eta, Theta and Iota) engaging in role expansion at these four levels

were in the parent’s product industry. Consequently, their new product responsibilities, and new value-added areas (such as new production facilities, or process improvement) associated with these new mandates were required to conform to internal quality standards.

Local institutional factors. The findings suggest that the host country’s institutional environment can act as the facilitator of subsidiary role expansion at five levels. Types of local institutional factors affecting subsidiary role expansion at these five levels are summarised in Table 5-17. Five cases (Alpha, Beta, Zeta, Iota and Epsilon) reveal that subsidiary role expansion at five levels can be facilitated by the country’s skill development system (including university education system and/or vocational training and education system). In their role expansion paths, the country’s skill development system produced required human capital contributing to their undertaking of production function, product/process adaptation activities, and/or capability-creating activities. In the cases of Alpha and Epsilon, their ability to perform the production function was enhanced by human capital supplied by the country’s vocational education and training system. Five cases (Alpha, Gamma, Delta, Zeta and Iota) reveal that the country’s regulatory framework, in terms of its stringency level and regulatory proximity with those of other advanced markets, can act as a facilitator of subsidiary role expansion at five levels. Such a regulatory proximity facilitated the subsidiaries’ product adaptation activities, expansion into these markets and/or new product launches in these markets. The country’s financial credit system facilitated the development of the world mandate (autonomous driver) role of Gamma. Except for this case, the remaining cases had a low reliance on the country’s credit system. This does not, however, allude to the fact that the country’s credit system was weak. The remaining subsidiaries relied heavily on corporate investments for their role expansion. *“The [parent] company would fund all the [product and process] development.”* (Product design manager, Zeta).

Table 5-17: Types of local institutional factors affecting subsidiary role expansion at five levels

| Subsidiary role expansion at five levels | Types of local institutional features | | |
|--|---------------------------------------|------------------------------|-------------------------|
| | Skill development system | Regulatory framework | Financial credit system |
| Extension of only the geographical mandate | One out of two cases (Beta) | One out of two cases (Delta) | |

| | | | |
|--|--------------------------------|---------------------------------------|------------------------------|
| Development of the rationalised operator roles | One out of two cases (Alpha) | One out of two cases (Alpha) | |
| Development of the regional implementer roles | One out of two cases (Iota) | One out of two cases (Iota) | |
| Development of the regional/world mandate (production innovator) roles | One out of two cases (Zeta) | Two out of two cases (Alpha and Zeta) | |
| Development of the world mandate (autonomous driver) roles | One out of two cases (Epsilon) | One out of two cases (Gamma) | One out of two cases (Gamma) |

5.7.5 RESOURCE DEPLOYMENT

In all the sample case subsidiaries, their deployment of specialised resources enables their expansion and retention of the contributory roles. Five combination patterns of resource attributes are identified from these cases, which are summarised in Table 5-18. These combination patterns of resource attributes generated the following situations referred to as: (i) ‘*resource parity*’; (ii) ‘*non-sustained resource superiority*’; (iii) ‘*non-sustained resource dependence*’; (iv) ‘*continuing resource dependence*’; and, (v) ‘*sustained resource dependence*’.

As shown in Table 5-18, specialised resources creating situations referred to as ‘*resource parity*’, ‘*non-sustained resource superiority*’, and ‘*non-sustained resource dependence*’ contributed to role expansion of the subsidiaries. Those creating the situation referred to as ‘*resource parity*’ were perfectly substitutable with internal ones; those creating situations ‘*non-sustained resource superiority*’ and ‘*non-sustained resource dependence*’ lacked a mobility barrier. Consequently, these resources cannot eliminate internal competition for mandates. Therefore, they are more likely to ensure only the subsidiary’s short-term (rather than long-term) retention of its contributory role and international responsibilities.

Table 5-18: Combination patterns of resource attributes leading to subsidiary role expansion

| Was this resource(s) or capability(ies) an overlapping one(s)? If No, If Yes, | | Attributes of subsidiary resources | | | | | | Did it incorporate a mobility barrier? | Situation generated by resource attributes | Contribution to the subsidiary's role expansion | Sustainability of the subsidiary's contributory role and international responsibilities | Cases providing the evidence |
|--|---|------------------------------------|--|--|--|--|--|--|--|---|---|------------------------------|
| | | Was it scarce? | Was it non-substitutable with internal alternatives? | To what extent was it easily substitutable with external alternatives? | Was it strategically important to the MNE? | If Yes, Was it superior to resources of the other units? | Was it perfectly substitutable with internal alternatives? | | | | | |
| Y | Y | Y | Low | Y | Y | | | Y | Sustained resource dependence | Y | High | Alpha; Gamma; Epsilon |
| Y | Y | Y | High | Y | | | | Y | Continuing resource dependence | Y | Relatively high | Eta; Iota |
| Y | Y | Y | Low | Y | | | | Y | Non-sustained resource dependence | Y | Low | Beta; Zeta; Theta |
| | | | | | | Y | | Y | Non-sustained resource superiority | Y | Low | Alpha; Delta |
| | | | | | | Y | Y | Y | Resource parity | Y | Low | Alpha |

On the other hand, resources creating situations referred to as '*continuing resource dependence*' and '*sustained resource dependence*' contributed not only to the subsidiaries' role expansion but also to their retention of international responsibilities on a more prolonged basis. Two cases (Eta and Iota) possessed non-overlapping, market access-related resource (i.e., their geographical position) creating the situation of '*continuing resource dependence*'. Three cases (Alpha, Gamma and Epsilon) possessed non-overlapping, market access-related resources (i.e., the country's image and the customer base) that created the situation of '*sustained resource dependence*'. These resources of these five cases (Alpha, Gamma, Epsilon, Eta and Iota) were: (i) scarce; (ii) non-substitutable with internal alternatives; (iii) strategically critical to the MNE's survival; (iv) recognised by the parent; and, (v) characterised by a mobility barrier. Thus, they eliminated internal competition from existing units, thereby bringing about their expansion and long-term continuity of their international mandates.

However, the cross-case analysis suggests that values of these non-overlapping resources of these five cases (Alpha, Gamma, Epsilon, Eta, and Iota) were not equal. Specialised resources of Alpha, Gamma and Epsilon (i.e., the clean and green image of New Zealand and the customer base) cannot be as easily substitutable with external alternatives as those of Eta and Iota (i.e., their geographical position). Therefore, the former were more likely to contribute to longer sustainability of the subsidiaries' resource dependence power and contributory role than the latter type of resources. As illustrated by the case of Iota, its non-overlapping resource (i.e., the geographical position) creating the situation of '*continuing resource dependence*' ensured the sustainability of its resource dependence power and international mandates until the parent chose to rely on external alternatives. Thus, this type of resource cannot prevent the emergence of new rival contestants.

CHAPTER 6 - FINDINGS: SUBSIDIARY ROLE RENEWAL

This chapter presents the second part of the empirical findings, and addresses the first and third research objectives. It identifies role renewal as a second form of subsidiary role development, and presents the findings about the two patterns of role renewal: (i) renewal of endangered mandates; and, (ii) renewal of reallocated mandates. By doing so, the chapter addresses the first research objective, which aims to explore the major forms of the subsidiaries' role development in terms of changes in their product, value-added and geographical areas, and the patterns of role development within each of these forms. In line with this objective, four types of events characterising the two patterns of role renewal are identified and explored in terms of changes in these three areas of subsidiary responsibilities. These four types of events, as evident in the case subsidiaries, are:

- (1) Mandate endangerment (two cases (Beta and Eta)).
- (2) Renewal of endangered mandates (two cases (Beta and Eta)).
- (3) Mandate reallocation (four cases (Alpha, Beta, Zeta and Iota)).
- (4) Renewal of reallocated mandates (three cases (Alpha, Beta and Zeta)).

More specifically, guided by the attention-based, resource-based and resource dependence theories, the chapter explores the combined and individual effects of the factors on these four types of events. By doing so, the chapter addresses the third research objective which deals with exploring how subsidiary contributory role development in terms of 'role renewal' results from the combined and individual effects of the factors drawn from the multiple theoretical lenses. The chapter is in five sections, as follows: An overview of the above-mentioned four types of events is provided in Section 6.1. The succeeding four sections (Sections 6.2 to 6.5) present the findings about the combined and individual effects of the factors on these four types of events.

6.1 OVERVIEW OF EVENTS CHARACTERISING SUBSIDIARY ROLE RENEWAL IN THE CASE SUBSIDIARIES

Table 6-1 below provides an overview of events characterising subsidiary role renewal in the sample case subsidiaries. These events are identified in terms of changes in their international

responsibilities in product, value-added and geographical areas. As shown in this table, international mandates of two subsidiaries (Beta and Eta) encountered the risk of being phased out or eliminated from the group’s internal system, or of being lost to rival units. Both subsidiaries regained these endangered mandates. Parent-driven mandate reallocation occurred in four cases (Alpha, Beta, Zeta and Iota). Three cases (Alpha, Beta and Zeta) regained (part of) their contributory role or international mandates lost to other units.

Table 6-1: Overview of events characterising subsidiary role renewal in the case subsidiaries

| Case | Year/ Time period | Initial role of the subsidiary | Resulting role | Description of the effects on international responsibilities of the subsidiary | Effects on the three scopes of international responsibilities | | |
|--|----------------------------|--|--|---|--|-------------|--------------|
| | | | | | Product | Value-added | Geographical |
| Mandate endangerment (two cases (Beta and Eta)) | | | | | | | |
| Beta | In the early 2000s | Rationalised operator | The subsidiary’s contributory role at risk of being phased out by the parent | Endangerment of the subsidiary’s contributory role in the internal system | (-) | (-) | (-) |
| Eta | 2009 | Regional implementer | Regional implementer | Endangerment of the subsidiary’s construction and installation service function in the internal system | | (-) | |
| | 2009 | Regional implementer | Regional implementer | The subsidiary’s premium product line at risk of being lost to the Brand A subsidiary | (-) | | |
| Renewal of endangered mandates (two cases (Beta and Eta)) | | | | | | | |
| Beta | 2007-13 | The subsidiary’s contributory role at risk of being phased out by the parent | Rationalised operator | Reacquisition of the endangered contributory role | + | + | + |
| Eta | 2009- present (2016) | Regional implementer | Regional implementer | Reacquisition of the endangered construction and installation service function | | + | |
| | 2009- present (2016) | Regional implementer | Regional implementer | Reacquisition of full of the endangered premium product line | + | | |

| Mandate reallocation (four cases (Alpha, Beta, Zeta and Iota)) | | | | | | | |
|---|---------------------|--|--|---|---|---|---|
| Alpha | 2005 | Rationalised operator | Nonexistence of this contributory role | Loss of the American market mandate (i.e., the rationalised operator role) to the other subsidiaries | - | | - |
| | 2015 | Same as above | Same as above | Same as above | - | | - |
| | 2015 | World mandate (production innovator) | Regional implementer | Loss of the European market mandate to the Brazilian and American subsidiaries | | | - |
| Beta | 2013 | Rationalised operator | Regional sales office | Loss of this contributory role to the European subsidiary that was founded through acquisition in the early 2010s | - | - | - |
| Zeta | 2007 | Regional mandate (production innovator) | Regional sales office | Loss of this regional mandate to the Chinese subsidiary | - | - | - |
| Iota | 2013 and 2014 | Regional implementer | Regional implementer | Loss of some product and market mandates to the new low-cost Asian subsidiaries of the new JV parent | - | | - |
| Renewal of reallocated mandates (three cases (Alpha, Beta and Zeta)) | | | | | | | |
| Alpha | 2008-2015 | Nonexistence of the rationalised operator role | Rationalised operator | Reacquisition of the rationalised operator role (i.e., the American market mandate) that was lost to the other subsidiaries | + | | + |
| | 2015 | Same as above | Same as above | Same as above | + | | + |
| Beta | 2013-present (2016) | Regional sales office | Rationalised operator | Reacquisition of the mandate to serve food B processing machineries to the markets in the two continents of America | + | + | + |
| Zeta | 2007-present (2016) | Regional sales office | Regional product design centre | Reacquisition of the product design function that was lost to the Chinese counterpart | | + | |

(-) indicates the endangerment of international responsibilities.

- indicates the loss of international responsibilities.

+ indicates reacquisition of endangered or reallocated international responsibilities.

A regional sales office is the subsidiary that only sells and markets products manufactured by other subsidiaries into the regional markets.

A regional product design centre is the subsidiary that designs and creates products for the regional market, but that does not have any manufacturing responsibilities.

6.2 MANDATE ENDANGERMENT

International mandates of two subsidiaries (Beta and Eta) encountered the risk of being phased out or eliminated from the MNE's internal system or of being lost to other subsidiaries. These endangered mandates were ultimately renewed by the subsidiaries, as the

thesis will discuss later. The combined effects of the influencing factors leading to the endangerment of these mandates are summarised in Table 6-2, and presented below.

Table 6-2: Summary of the combined effects leading to mandate endangerment for the two subsidiaries

| Combined effects of the influencing factors | Type of stimulus drawing negative corporate relative attention | Type of stimulus drawing negative corporate supportive attention |
|--|---|---|
| <p>Combined Effects #1. The combined effects of: (i) negative corporate supportive attention, which is triggered by the related product line; and, (ii) the situation of ‘<i>nil resource dependence</i>’, which is created by the unrelated product line.</p> <p>(see type of stimulus drawing this negative corporate supportive attention in the right column in this row)</p> | | <ul style="list-style-type: none"> • Unproven performance of the related product line (Beta) |
| <p>Combined Effects #2. The combined effects of: (i) the parent’s limited attentional capacity; (ii) its negative supportive or relative attention; and, (iii) the situation of ‘<i>unrecognised resource superiority</i>’, which is created by the subsidiary’s capabilities.</p> <p>(see type of stimulus drawing these negative corporate supportive and relative attention in the right column in this row)</p> | <ul style="list-style-type: none"> • Perceived superiority of the rival subsidiary’s market access-related capability (Eta) (<i>stimulus misprocessed by the parent</i>) | <ul style="list-style-type: none"> • Perceived negative externalities (Eta) (<i>stimulus misprocessed by the parent</i>) |

6.2.1 COMBINED EFFECTS #1

In the case of Beta, the combined effects of (i) its related product line drawing negative corporate supportive attention and (ii) its unrelated product line creating the situation of ‘*nil resource dependence*’ resulted in a situation in which the parent attempted to divest it. The contributory role and product mandates of Beta were thus acutely endangered.

Negative corporate supportive attention. The subsidiary’s food A processing machinery product line that is related to the MNE’s core business did not exhibit a proven sales performance. Until gaining the US FDA approval in 2007, over 90% of its total sales were concentrated in Europe. Among these sales, the sales of these food A processing machineries accounted for only 20%. The use of this type of machinery in a food A production line was not explicitly stated in the European regulations. This meant that some existing customers of the MNE were reluctant to purchase these food A processing machineries from Beta. In

addition, not every food A production may need this type of machinery. Unproven sales performance of this product line that is related to the MNE's mainstream business eventually initiated negative corporate supportive attention. In other words, this product line no longer received the parent's continuing support. This ultimately induced the parent to sell Beta.

"There was no [European] regulation that says you can use it [the type of food A processing machinery of Beta]. ... If there's no regulation that says you can, therefore you can't. ... So, many customers of [the parent] [...] were reluctant to buy this [food A processing] equipment. ... They [the parent] said, "Well look, there isn't as much synergy as we first thought". They'd like to sell us [Beta]." And, they actually made some attempts." (former MD, Beta)

The situation of 'nil resource dependence'. The parent's decision to sell Beta was reinforced by a lack of its dependence on the subsidiary's food B processing machinery product line that is unrelated to the group's mainstream business. Attributes of this product line are summarised in Table 6-3 below. This product line was: (i) scarce, in that it was not possessed by any other units until 2013; (ii) non-substitutable with any internal resources; and, (iii) not easily substitutable with external resources. Despite having a proven sales performance in Europe, this product line was not strategically related to the group's mainstream business. Therefore, it did not create the parent's resource dependence, thereby generating a situation referred to as '*nil resource dependence*' in this thesis. This reinforced the parent's decision to sell Beta. In the words of the former managing director of Beta,

"[Our food B processing equipment] was allowed under the European regulations. So, we had good success. ... [The parent] was never a [food B] processor, anyway. And then, they [the parent] said, "There's not a lot of synergy because there's not a lot of people buying [Beta's plants] for [food A] processing. Why don't we sell [Beta] to a company who could better use the [food B equipment] technology [of Beta]?""

In summary, the contributory role of Beta was endangered as the combined result of: (i) negative corporate supportive attention, which was triggered by unproven performance of its related product line; and, (ii) the situation of '*nil resource dependence*', which was created by its remaining unrelated product line.

Table 6-3: Combination patterns of resource attributes leading to mandate endangerment

| Case | Name of resource(s) or capability (ies) | Attributes of subsidiary resource(s) | | | | | | | | | | Situation generated by resource attributes | Implication on the type of event | |
|------|--|---|---|---|---|--------------------|---|---|---------------------------------|---|--|--|-----------------------------------|-----------------------|
| | | Is this resource(s) or capability(ies) an overlapping one(s)? | | | | | | | | | | | | |
| | | If No, Is it scarce? | Is it non-substitutable with internal alternatives? | To what extent is it easily substitutable with external alternatives? | Is it strategically important to the MNE? | Is it specialised? | If Yes, Is it superior to those of the other units? | Is it perfectly substitutable with internal alternatives? | Is it recognised by the parent? | Does it incorporate a mobility barrier? | | | | |
| Beta | Food B machinery technology that is unrelated to the MNE's core business | Y | Y | Low | N | | | | | | | | Nil resource dependence | •Mandate endangerment |
| Eta | Capabilities in construction and installation service activities | Y | Y | | | Y | | | | | | N | Unrecognised resource superiority | •Mandate endangerment |
| Eta | Market access-related capability of the 'Eta' brand ¹ | | | | | | | | | Y | | N | Unrecognised resource superiority | •Mandate endangerment |

¹The 'Eta' brand is a non-overlapping resource in itself for gaining access to different market segments in the Asia-Pacific market as a whole. Nevertheless, its capability for accessing the premium segment of this market is an overlapping one because of the existence of an alternative substitute within the MNE (i.e., the market access-related capability of Brand A).

6.2.2 COMBINED EFFECTS #2

The construction and installation service function of Eta was vulnerable to being phased out from the MNE's internal system. This mandate endangerment event resulted from the combined effects of: (i) the parent's limited attentional capacity; (ii) its negative supportive attention; and, (iii) the situation of '*unrecognised resource superiority*', which was created by the subsidiary's capabilities.

The parent's limited attentional capacity, and the situation of 'unrecognised resource superiority'. Following the work of Ocasio (1997), the thesis defines the parent's 'limited attentional capacity' as its incapacity to detect and recognise key stimuli for its decision-making and/or to allocate value, legitimacy and relevance to stimuli. Construction and installation capabilities of Eta were a type of non-overlapping capabilities. They were superior and proven ones in creating more value than selling artificial turfs alone and in minimising construction loss exposures (an interview quote for this aspect will be provided later (see Section 6.3)). Nevertheless, such superiority of these capabilities was undetected by the parent because of its limited attentional capacity, and consequently did not achieve its formal recognition, i.e., "the widespread understanding and acceptance of the subsidiary's speciali[s]ed resources" in the corporate context (Birkinshaw et al., 1998, p. 224). Therefore, these capabilities created a situation that this thesis refers to as '*unrecognised resource superiority*'. See attributes of these capabilities in Table 6-3 above.

The parent's limited attentional capacity, and negative corporate supportive attention. The parent's limited attentional capacity or its inability to discover these superior capabilities of Eta resulted in its misprocessing of an 'incorrect' or 'irrelevant' stimulus, i.e., perceived construction loss exposures or perceived negative externalities. This stimulus was 'incorrect' in the sense that Eta already had capabilities in minimising these loss exposures in place, as will be discussed later. After misprocessing this 'wrong' stimulus, the parent eventually misallocated negative supportive attention to the construction and installation function of the subsidiary, thus eventually putting this value-added function in jeopardy.

"The first thing they [the parent] thought when they bought the New Zealand/Australian business is: do we need to build all these bases because to build it, you need diggers, trucks, earthmovers, capital; they're all things we don't understand? We can't get our head around this [construction activities] because we've never done it. ... Typically, if a synthetic turf

installation fails, it is not normally the carpet on the top. It is normally the rock and the civil underneath slumping or failing, or the drain that is not working. So, the risk to [the parent], if they own this business that does this activity, is higher because if you get it wrong you have to go and lift the grass up, fix the construction, put new grass on, so it can be hundreds of thousands of dollars to fix a bad job.” (Regional director, Eta)

In summary, the parent’s limited attentional capacity was a serious impediment to its ability to detect and recognise the subsidiary’s superior capabilities, thereby creating the situation of ‘*unrecognised resource superiority*’. This led the parent to misprocess an ‘incorrect’ stimulus, resulting in its misallocation of a negative supportive attention to the subsidiary’s construction and installation function. The combination of (i) the parent’s limited attentional capacity, (ii) its negative supportive attention and (iii) the situation of ‘*unrecognised resource superiority*’, which was created by subsidiary-level capabilities, ultimately endangered this value-added function of Eta in the internal system.

In addition, the case of Eta provides further evidence of the combined effects of (i) the parent’s limited attentional capacity, (ii) its negative relative attention and (iii) the situation of ‘*unrecognised resource superiority*’ on mandate endangerment. In this subsidiary, the combined effects of these influencing factors gave rise to a situation in which the parent attempted to relegate the ‘Eta’ brand from a ‘premium’ to ‘second-tier’ brand position, and to position the rival unit’s Brand A as a premium brand in 2009. Consequently, the premium product line of Eta was at risk of being lost to the Brand A unit.

The parent’s limited attentional capacity, and the situation of ‘unrecognised resource superiority’. Market access-related capabilities of the ‘Eta’ brand and the rival unit’s Brand A were overlapping ones. These hindered the parent’s ability to sense the former’s brand superiority over the latter for gaining access to the Asia-Pacific market (an interview extract for this aspect will be provided later (see Section 6.3)). Therefore, because of the parent’s limited attentional capacity, superiority of this market access-related capability of the ‘Eta’ brand over that of Brand A for accessing this regional market did not achieve corporate recognition, i.e., the widespread understanding and acceptance of this capability in the corporate context (Birkinshaw et al., 1998). Thus, this generated a situation that is referred to as ‘*unrecognised resource superiority*’ (see attributes of this capability in Table 6-3 above).

The parent's limited attentional capacity, and negative corporate relative attention. The parent's incapacity to detect this superior brand position of the 'Eta' brand in the Asia-Pacific market, in other words, its limited attentional capacity, directed it to misprocess an 'incorrect' stimulus, i.e., perceived superiority of market access-related capability of Brand A over that of the 'Eta' brand. "[Brand A] is slightly different [from Eta] because they're [the parent and Brand A are] [European] businesses. So, they knew of each other. ... [Brand A] had quite a high profile [in the European market]. ... So, [Brand A has been] very well known to [the parent]. ... [Brand A] obviously is a much stronger brand in [Europe] than [Eta]" (Regional director, Eta). This stimulus was 'incorrect' in the case of Eta in view of the fact that although Brand A had a high profile in Europe, the 'Eta' brand had a far superior brand position in the Asia-Pacific market, as the thesis will discuss later. The parent's misprocessing of this stimulus ultimately brought about its misallocation of positive relative attention to Brand A. In other words, the 'Eta' brand activated negative corporate relative attention.

In summary, the combination of (i) the parent's limited attentional capacity, (ii) its negative relative attention and (iii) the situation of '*unrecognised resource superiority*', created by the subsidiary's capabilities, ultimately led the parent to relegate the 'Eta' brand from a 'premium' to 'second-tier' brand position. Consequently, the premium product line of Eta was in danger of being lost to the Brand A unit.

6.2.3 SUMMARY OF THE FINDINGS

The above findings reveal that the subsidiary's international mandates can be endangered by the following situations:

- (1) The combination of: (i) negative corporate supportive attention, which is triggered by unproven performance of the subsidiary's related product line; and, (ii) the situation of '*nil resource dependence*', which is created by the remaining unrelated product line.
- (2) The combination of: (i) the parent's limited attentional capacity; (ii) its negative relative or supportive attention; and, (iii) the situation of '*unrecognised resource superiority*', which is created by the subsidiary's specialised capabilities.

These findings have some similar features. The effect of negative corporate attention was obvious in all these mandate endangerment events. The contributory role of Beta and the construction and installation service function of Eta were at risk of being removed from the internal system. The principal cause of their endangerment was their lack of the parent's support or supportive attention. The case of Eta also suggests that the subsidiary's international mandates could be in danger of being lost to another unit that the parent perceives to have superior performance. In other words, these mandates of the focal unit stimulated negative corporate relative attention.

In addition, the findings point out how the parent's limited attentional capacity can be instrumental in imperilling the subsidiary's international mandates. Its limited attentional capacity can be a hindrance to its ability to detect superior resources of the subsidiary. This can also lead it to misallocate negative relative or supportive attention to the subsidiary as a result of its misprocessing of an irrelevant or incorrect stimulus.

6.3 RENEWAL OF ENDANGERED MANDATES

Beta and Eta renewed their endangered mandates. Table 6-4 summarises the combined and individual effects of the influencing factors on their mandate renewal, which are presented below.

Table 6-4: Summary of the combined and individual effects leading to renewal of endangered mandates for the two subsidiaries

| Combined and individual effect of the factors | Type of stimulus drawing positive corporate relative attention | Type of stimulus drawing positive corporate supportive attention |
|--|--|--|
| <p>Individual Effect #1. The individual effect of positive corporate supportive attention (The subsidiary's 'voice' is important in drawing positive corporate supportive attention).</p> <p>(see type of stimulus drawing this supportive attention in the right column in this row)</p> | | <ul style="list-style-type: none"> · Proven capabilities (Eta) |
| <p>Combined Effects #1. The combined effects of: (i) positive corporate supportive attention; and, (ii) the situation of '<i>non-sustained resource dependence</i>' that is created through the subsidiary's deployment of specialised resources.</p> | | <ul style="list-style-type: none"> · Strategic significance of new markets (Beta) |

| | | |
|---|---|--|
| (see type of stimulus drawing this supportive attention in the right column in this row) | | |
| <p>Combined Effects #2. The combined effects of: (i) positive corporate relative attention; and, (ii) the situation of ‘<i>continuing resource superiority</i>’ that is created through the subsidiary’s deployment of specialised resources (The subsidiary’s ‘voice’ is important in drawing positive corporate supportive attention).</p> <p>(see type of stimulus drawing this relative attention in the right column in this row)</p> | · Superiority of the subsidiary’s market access-related capabilities over those of the rival unit (Eta) | |

6.3.1 INDIVIDUAL EFFECT #1

Positive corporate supportive attention. Eta’s renewal of its endangered construction and installation function arose from the individual effect of positive corporate supportive attention. This value-added function of Eta was endangered in the MNE’s internal system because of their lack of corporate support. Therefore, gaining the parent’s support or positive supportive attention was of great importance to Eta’s renewal of this endangered value-added function. Eta used its ‘voice’ as a means for drawing the parent’s positive supportive attention to stimuli undetected by the latter: the subsidiary’s proven capabilities in minimising construction loss exposures and in generating more value from this value-added function. The fact that its ‘voice’ succeeded in capturing positive corporate supportive attention eventually gave rise to its renewal of this endangered function. In the words of the regional director of Eta,

“We showed them [the parent] the value that was available in the job. ... In the traditional model that just sells the grass, the grass on average represents about only 20% of the total value of the job because you have got lights, fencing, sub-base, civil construction. All of these are value in the total job. ... We also had to demonstrate that we had systems and controls in place to minimise the risk of doing it badly. ... We had to show them [the parent] that we had quality checks, training systems, checks and balances in place to make sure that we were minimising the risk of making mistakes in [our construction activities].”

This mandate renewal event in this case of Eta is an example of the individual effect of positive corporate supportive attention. This is because its specialised capabilities in construction and installation did not achieve an immediate recognition from the parent. *“It took probably five years to get [the parent] to realise that this [construction and installation service function] is a good activity”* (Regional director, Eta). Therefore, the degree to which

these capabilities contribute to the subsidiary's retention of these renewed mandates cannot be analysed.

6.3.2 COMBINED EFFECTS #1

Beta renewed its endangered contributory role and product mandates. This mandate renewal event resulted from the combined effects of: (i) positive corporate supportive attention; and, (ii) the situation of '*non-sustained resource dependence*' that was created through the subsidiary's deployment of specialised resources.

Positive corporate supportive attention. Similar to the construction and installation function of Eta, the contributory role of Beta was endangered in the internal system because it was devoid of corporate support. Therefore, the parent's positive supportive attention played an important part in the subsidiary's renewal of this contributory role. The US FDA approval for food A and B processing machineries of Beta in 2007 opened sales of these machineries into the two continents of America (see Section 5.2 for more information about this point). Strategic significance of these new markets captured the parent's positive supportive attention, thereby bringing about the subsidiary's renewal of its endangered contributory role.

"[The parent] was keen on getting [the US FDA approval for our technologies]." (former MD, Beta)

"[The parent] was happy when we got this FDA approval. ... [The FDA approval] was a very important project for us to undertake. When we did get the compliance, [the parent] left us alone for quite a while to concentrate on that US market. ... [When] we got it [The FDA approval], we managed to capture the US market and that was enough. We were very busy in the US" (MD, Beta)

The situation of 'non-sustained resource dependence'. In this case of Beta, the subsidiary's short-term retention of its renewed contributory role was enabled by its deployment of these food A and B processing machinery technologies that created a situation of '*non-sustained resource dependence*'. See attributes of these resources in Table 6-5 below. Since 2007, these non-overlapping, specialised resources of Beta have become strategically important to the MNE, and have therefore created the parent's resource dependence. Codifiability of these technologies, however, led the parent to reallocate these resources and the contributory role of Beta to another unit in 2013, as will be discussed later. Because of their mobility, these

Table 6-5: Combination patterns of resource attributes leading to renewal of endangered mandates

| Case | Name of resource(s) or capability(ies) | Attributes of subsidiary resource(s) | | | | | | | Sustainability of the subsidiary's renewed mandates | |
|---------------------------------|---|---|---|---|---|---|---|---|---|--|
| | | Is this resource(s) or capability(ies) an overlapping one(s)? | | | | | | | | Situation generated by resource attributes |
| | | If No, | | If Yes, | | | Does it incorporate a mobility barrier? | | | |
| | | Is it scarce? | Is it non-substitutable with internal alternatives? | To what extent is it easily substitutable with external alternatives? | Is it strategically important to the MNE? | Is it superior to those of the other units? | | Is it perfectly substitutable with internal alternatives? | | |
| Is it recognised by the parent? | | | | | | | Continuing resource superiority | | | |
| Beta | Food A and B machinery technologies | Y | Y | Low | Y | | | | Y | Non-sustained resource dependence |
| Eta | Market access-related capability of the 'Eta' brand | | | | | | Y | Y | Continuing resource superiority | Relatively high |

resources could not sustain the resource dependence situation of the parent, thus generating a situation referred to as ‘*non-sustained resource dependence*’. Consequently, these resources brought about the subsidiary’s short-term retention of this renewed contributory role only.

In summary, Beta’s renewal and retention of its endangered contributory role arose from the combined effects of: (i) positive corporate supportive attention; and, (ii) its deployment of specialised resources that created the situation of ‘*non-sustained resource dependence*’. Because of their mobility, these resources contributed to the subsidiary’s short-term retention of this renewed contributory role only.

6.3.3 COMBINED EFFECTS #2

Eta renewed the endangered premium product line. Its renewal and retention of this endangered mandate resulted from the combined effects of: (i) positive corporate relative attention; and, (ii) the situation of ‘*continuing resource superiority*’ that was created through its deployment of specialised resources.

Positive corporate relative attention. The premium product line of Eta was in danger of being lost to its rival counterpart. Therefore, in order to renew this endangered mandate, Eta strove to gain the parent’s positive relative attention to superiority of its market access-related capabilities over those of this rival counterpart in gaining access to the Asia-Pacific market. Its ‘voice’ ultimately enabled it to capture this corporate relative attention, thereby bringing about its renewal of this endangered premium product line. In the words of the regional director of Eta:

“We said well, we don’t think it’s right [to relegate the Eta brand] because each of these brands [Brand A, Brand B and Eta] is a market leader in the geographies that they’re strong in. So, [Brand A] obviously is a much stronger brand in [the parent’s home country in Europe] than [Eta] because [Eta] has never really been active in [the parent’s home country in Europe]. ... Likewise, [Brand A] is very weak in New Zealand and Australia because that’s where [Eta] was born and the market knows it well. ... [We said], “I do not think that is right in my part of the world which is Australia, New Zealand and Asia because [Eta] was born in New Zealand. It is a very strong brand [in these markets], so we would be better to run with [Eta] as the premium brand. It is a bit like the automotive industry when they sell the same car with two different badges on it depending on what is best known in the market.” I managed to convince them [the parent] that we would be better to run with [Eta] as the premium brand [for Asia, Australia and New Zealand] because it is well known in this part

of the world. That is where [Eta] was born. [The parent] was mature enough to listen and say, "Okay, we accept that. Let's see how it goes."

The situation of 'continuing resource superiority'. Eta's retention of this renewed premium product line was enabled by its deployment of specialised capability creating the situation of '*continuing resource superiority*'. Market access-related capability of the 'Eta' brand as a type of overlapping capability has three attributes, as summarised in Table 6-5 above. It is: (i) superior to capabilities of other units for gaining access to the Asia-Pacific market; (ii) recognised by the parent; and, (iii) characterised by a mobility barrier. Under the group's 'make-to-order' model, this market access-related superior capability of the 'Eta' brand for gaining access to the Asia-Pacific market cannot be easily transferrable to the European and North American units because of a relatively longer shipping time from these units to this regional market. Because of its immobility, the 'superiority' status of this capability is likely to be '*continuing*' rather than '*temporary*'. This situation is referred to as '*continuing resource superiority*' in this thesis. Such a resource immobility disabled the rival counterparts to take on the manufacture of this premium product line of Eta, thus enhancing the subsidiary's ability to retain this renewed mandate on a more prolonged basis.

In summary, Eta's renewal and retention of its endangered premium product line occurred as the combined effects of: (i) positive corporate supportive attention; and, (ii) the situation of '*continuing resource superiority*' that was created through its deployment of specialised capability. Being not easily transferrable to other subsidiaries, this capability contributed to the subsidiary's retention of the renewed mandate on a long-term basis.

6.3.4 SUMMARY OF THE FINDINGS

The findings reveal that the subsidiaries' renewal of endangered international mandates can result from the following situations:

- (1) The individual effect of positive corporate supportive attention (Eta).
- (2) The combined effects of: (i) positive corporate supportive attention; and, (ii) the situation of '*non-sustained resource dependence*' that is created through the subsidiary's deployment of specialised resources (Beta).

(3) The combined effects of: (i) positive corporate supportive attention; and, (ii) the situation of ‘*continuing resource superiority*’ that is created through the subsidiary’s resource deployment (Eta).

The above findings indicate that positive corporate attention plays an important part in the subsidiary’s renewal of endangered mandates. The contributory role of Beta and the construction and installation service function of Eta were endangered in the internal system because of their lack of corporate support. Therefore, gaining the parent’s positive supportive attention or continuous support for these mandates was crucial for the subsidiaries’ renewal of these endangered mandates. The case of Eta suggests that the subsidiary may still have potential to renew endangered mandates even without achieving the parent’s immediate recognition to its specialised resources when it has capacity to gain the parent’s positive supportive attention. The premium product line of Eta was at risk of being lost to its rival counterpart. Therefore, its capture of the parent’s positive relative attention to superiority of its capabilities over those of its rival counterpart was paramount in its renewal of this endangered product line. In addition, the above findings highlight the subsidiary’s ‘voice’ as an important mechanism that can trigger the parent’s positive attentional allocation to undetected stimuli in the process of renewing endangered mandates.

Beta’s retention of its renewed contributory role and Eta’s retention of its renewed premium product line were enabled by their deployment of specialised resources. These cases suggest that because of their mobility, non-overlapping, specialised resources creating the situation of ‘*non-sustained resource dependence*’ are likely to bring about the subsidiary’s short-term retention of the renewed mandate only. Because of a mobility barrier, overlapping, specialised resource creating the situation of ‘*continuing resource superiority*’ tends to enhance the subsidiary’s ability to retain its renewed mandate on a long-term basis.

6.4 MANDATE REALLOCATION

Parent-driven mandate reallocation occurred in four case subsidiaries (Alpha, Beta, Zeta and Iota). Table 6-6 summarises the combined and individual effects of the influencing factors leading to these events.

Table 6-6: Summary of the combined and individual effects on mandate reallocation for the four subsidiaries

| Combined and individual effects of the factors | Types of stimuli drawing negative corporate relative attention |
|---|---|
| <p>Individual Effect #1. The individual effect of negative corporate relative attention.</p> <p>(see type of stimulus drawing this negative corporate relative attention in the right column in this row.)</p> | <ul style="list-style-type: none"> • Locational disadvantage (Alpha and Iota) |
| <p>Combined Effects #1. The combined effects of: (i) negative corporate relative attention; and, (ii) the situation of either ‘<i>non-sustained resource dependence</i>’ or ‘<i>non-sustained resource superiority</i>’ that is created by subsidiary-level resources.</p> <p>(see type of stimulus drawing this negative corporate relative attention in the right column in this row.)</p> | <ul style="list-style-type: none"> • Locational disadvantage (Zeta) • Relative inferiority of the subsidiary’s market access-related capabilities (Alpha) |
| <p>Combined Effects #2. The combined effects of: (i) the MNE’s internal restructuring; (ii) the situation of ‘<i>non-sustained resource superiority</i>’; (iii) the parent’s limited attentional capacity; and, (iv) the situation of ‘<i>unrecognised resource superiority</i>’.</p> | |

6.4.1 INDIVIDUAL EFFECT #1

Negative corporate relative attention. In the cases of Alpha and Iota, parent-driven mandate reallocation occurred as the individual effect of negative corporate relative attention. In these subsidiaries, negative corporate relative attention was ultimately initiated by the fact that their locational advantage (production/labour costs) was inferior to that of low-cost counterparts. Consequently, the parent reallocated the American market mandate of Alpha, and some product and market mandates of Iota to these low-cost units.

“[The parent] can buy it out of Brazil much more cheaply because the Brazilian exchange rate is very low.” (CEO, Alpha)

“[The group] gained capacity within the JV partner that has a number of small low cost, simple grid manufacturing plants [in Asia].” (Regional director, Iota)

6.4.2 COMBINED EFFECTS #1

The European market mandate of Alpha and the ‘regional mandate’ of Zeta were reallocated to other subsidiaries by the parent. These mandate reallocation events arose from the

combined effects of: (i) negative corporate relative attention; and, (ii) the situation of either ‘*non-sustained resource dependence*’ or ‘*non-sustained resource superiority*’ that resulted from the mobility of the subsidiaries’ specialised resources.

Negative corporate relative attention. Resources of Alpha and Zeta were inferior to those of American and Chinese counterparts respectively. These resources were: (i) locational disadvantage in the case of Zeta (because of a higher production cost in New Zealand than in China); and, (ii) inferior market access-related capability in the case of Alpha (because of a longer freight time from New Zealand to Europe than from the United States). These inferior resources ultimately stimulated negative corporate relative attention, thus prompting the parent to reallocate the regional mandate of Zeta to the Chinese unit, and the European market mandate of Alpha to the American and Brazilian units. In the case of Alpha, its American counterpart was then reassigned to the packaging of processed products imported from the Brazilian unit.

“[The parent] found that the shipping time was a lot longer than out of the USA. So, they started producing it in America.” (CEO, Alpha)

“Cost of labour [in China], certainly back in 2007, was a lot cheaper than in New Zealand.” (CEO, Zeta)

The situation of either ‘non-sustained resource superiority’ or ‘non-sustained resource dependence’. In these cases of Alpha and Zeta, their overlapping or non-overlapping resources underpinning the reallocated mandates lacked a mobility barrier. These resources were packaging technology in the case of Alpha, and the ‘Zeta’ brand and regional distribution channels in the case of Zeta. Table 6-7 summarises attributes of these resources. Criticality of these resources to the MNE’s access to the regional market is already discussed in Section 5.5. Packaging technology and capabilities of Alpha lacked a mobility barrier or tacit form of knowledge. This resulted in the parent’s acquisition of these resources/capabilities, and its reallocation of the European market mandate of Alpha to other units. Thus, these overlapping resources could not sustain their ‘superiority’ status on a long-term basis, thus creating a situation of ‘*non-sustained resource superiority*’. Zeta lost its regional mandate to the Chinese counterpart following the parent’s transfer of its dependence-creating, non-overlapping resources, i.e., the ‘Zeta’ brand and regional distribution channels, to this rival unit. Because of their mobility, these resources could not

Table 6-7: Combination patterns of resource attributes leading to mandate reallocation

| Case | Name of resource(s) or capability(ies) | Attributes of subsidiary resource(s) | | | | | | | | Situation generated by resource attributes | Implication on the type of event | |
|-------|---|---|---|---|---|---|---|---|---------------------------------|--|------------------------------------|---|
| | | Is this resource(s) or capability(ies) an overlapping one(s)? | | If Yes, | | Is it strategically important to the MNE? | Is it superior to resources of the other units? | Is it perfectly substitutable with internal alternatives? | Is it recognised by the parent? | | | Does it incorporate a mobility barrier? |
| | | Is it scarce? If No, Y | Is it non-substitutable with internal alternatives? Y | To what extent is it easily substitutable with external alternatives? Low | Is it strategically important to the MNE? Y | | | | | | | |
| Zeta | The 'Zeta' brand name; Regional distribution network | Y | Y | Low | Y | | | | Y | N | Non-sustained resource dependence | • Mandate reallocation |
| Alpha | Packaging technology | | | | | | Y | | Y | N | Non-sustained resource superiority | • Mandate reallocation |
| Beta | Food A and B machinery technologies | | | | | | | | | | | |
| Beta | Production capabilities in meeting American market requirements | | | | | | Y | | | N | Unrecognised resource superiority | • Mandate reallocation |

ensure long-term sustainability of the subsidiary's resource dependence power over the parent, thus generating the situation of '*non-sustained resource dependence*'.

In summary, in the cases of Alpha and Zeta, parent-driven mandate reallocation ultimately arose from the combined effects of: (i) negative corporate relative attention; and, (ii) the situation of either '*non-sustained resource dependence*' or '*non-sustained resource superiority*' that resulted from the mobility of their specialised resources.

6.4.3 COMBINED EFFECTS #2

The contributory role of Beta was reallocated to the European unit and then reduced to a regional sales office by the parent. This mandate reallocation resulted from the combined effects of: (i) the MNE's internal restructuring; (ii) the situation of '*non-sustained resource superiority*'; (iii) the parent's limited attentional capacity; and, (iv) the situation of '*unrecognised resource superiority*'.

The MNE's internal restructuring. The parent of Beta implemented an internal restructuring process in the early 2010s, which was intended to consolidate the group's product portfolios in the home country. This restructuring followed the parent's acquisition in the early 2010s of a home country competitor firm. Product technologies of this acquiree firm overlapped those of existing units including Beta, thus prompting the parent to reduce these overlapping functional areas. "[The acquiree] was our competitor and had similar technology. ... The [parent] decided to restructure ... to simplify [the group's] product portfolio. ... [The group's existing division] and [the acquiree business] were merged into [a new division]." (MD, Beta). This restructuring resulted in the parent's reallocation of international product/market mandates of Beta to the home country in 2013.

The situation of 'non-sustained resource superiority'. This mandate reallocation event in the case of Beta was also occasioned by mobility (codifiability) of its food A and B machinery technologies. Attributes of these resources are summarised in Table 6-7 above. The said new European unit that was founded through acquisition in the early 2010s possessed only food A machinery technology but not the food B one. "[The European counterpart] had begun to do similar things to us, but not on [food B]." (former MD, Beta). Therefore, although there is an overlapping functionality between the food B machinery

technology of Beta and the food A machinery technology of the European counterpart, the former is superior to the latter (internal substitutes) for producing food B machineries. “[*Our food B machinery technology*] is definitely the superior technology.” (MD, Beta). These food A and B machinery technologies of Beta were documented and transferred to the European counterpart. Because of their mobility, these overlapping resources of Beta could not sustain their ‘superiority’ status, thus generating a situation of ‘*non-sustained resource superiority*’. Their mobility ultimately gave rise to the parent’s reallocation of the subsidiary’s food A and B machinery product mandates to this rival European unit.

“We did a strict documentation and drawings what we called functional description. ... It writes exactly how the machine works. So, that really was the blueprint.” (MD, Beta)

The parent’s limited attentional capacity, and the situation of ‘unrecognised resource superiority’. Beta possessed capabilities that were far superior to those of its European counterpart for meeting American market requirements for its food B processing machineries and producing these machineries at a comparatively lower cost (an interview quote for this aspect will be provided later (see Section 6.5)). These superior capabilities were not clearly visible to the parent because of its limited attentional capacity. Therefore, they did not achieve its formal recognition, thereby creating a situation referred to as ‘*unrecognised resource superiority*’. Attributes of these capabilities are summarised in Table 6-7 above. Consequently, Beta’s mandate to manufacture food B processing machineries for the two continents of America was unnecessarily lost to the European unit.

“They [the parent] find it very difficult to comply with the US regulations” (MD, Beta)

“[The parent] doesn’t know anything about [our food B processing technology]. ... The crazy thing is that we sold a [food B processing machinery] to a company in the US last year and it was a bit too complicated for [the parent] because it used [a system] they weren’t familiar with, so they asked us to do it. ... The [food B] industry in the States is biggish and some of them are very specific about regulations etc. And, it’s much easier for us. We understand the American regulations more than the mother company does, particularly for the type of machinery that we are building.” (former MD, Beta)

“Basically, their [the European counterpart’s] mandate was to take what we build and build it in [the parent’s home country]. That was the mandate. That didn’t exactly happen but that was the intention. So, when the technology was transferred to them, they assessed it, or went through it to understand it, and had their input into it and did certain things their way rather than what we would have done them. ... There is 20 odd years’ experience behind what we do. ... They don’t have all that experience and what we have learnt over the time, that is the reasoning behind why we do certain things. They don’t have that experience of course. So,

they do not know why we've done it that way. ...You are only transferring technology, you are not transferring years of experience. They have to gain that themselves. You can give them papers; you can tell them things, but it is a lot to absorb." (Production engineer, Beta)

In summary, the parent's reallocation of the contributory role of Beta ultimately resulted from the combined effects of: (i) the MNE's internal restructuring; (ii) the situation of '*non-sustained resource superiority*'; (iii) the parent's limited attentional capacity; and, (iv) the situation of '*unrecognised resource superiority*'. The parent's incapacity to detect specialised capabilities of the subsidiary, i.e., its limited attentional capacity, unnecessarily resulted in the subsidiary's loss of mandates to manufacture food B processing machineries for the North and South American markets.

6.4.4 SUMMARY OF THE FINDINGS

The above findings suggest that parent-driven mandate reallocation can arise from the following situations:

- (1) The individual effects of negative corporate relative attention.
- (2) The combined effects of: (i) negative corporate relative attention; and, (ii) the situation of either '*non-sustained resource dependence*' or '*non-sustained resource superiority*' that is created by the mobility of specialised resources.
- (3) The combined effects of: (i) the MNE's internal restructuring; (ii) the situation of '*non-sustained resource superiority*'; (iii) the parent's limited attentional capacity; and, (iv) the situation of '*unrecognised resource superiority*'.

6.5 RENEWAL OF REALLOCATED MANDATES

Three case subsidiaries (Alpha, Beta and Zeta) reacquired the reallocated mandates. The combined and individual effects of the factors leading to their mandate renewal are summarised in Table 6-8 and presented below.

Table 6-8: Summary of the combined and individual effects leading to renewal of reallocated mandates for the three subsidiaries

| Combined and individual effects of the factors | Types of stimuli drawing positive corporate relative or supportive attention |
|---|---|
| <p>Combined Effects #1. The combined effects of: (i) positive corporate relative attention; and, (ii) the situation of ‘<i>resource parity</i>’, ‘<i>non-sustained resource superiority</i>’ or ‘<i>continuing resource superiority</i>’ that is created through the subsidiary’s deployment of specialised resources (The subsidiary’s ‘voice’ is important in drawing positive corporate relative attention).</p> <p>(see type of stimulus drawing this positive corporate relative attention in the right column in this row)</p> | <ul style="list-style-type: none"> · Locational advantage (Alpha) · Relative superiority of the subsidiary’s market access-related capabilities over those of the rival units (Beta, Zeta and Eta) · Relative superiority of the subsidiary’s production capabilities over those of the rival units (Beta) |
| <p>Individual Effect #1. The individual effect of positive corporate supportive attention (The subsidiary’s ‘voice’ is important in drawing positive corporate supportive attention).</p> <p>(see type of stimulus drawing this positive corporate supportive attention in the right column in this row)</p> | <ul style="list-style-type: none"> · The subsidiary’s international mandate (stimulus) that was of the MNE’s long-term strategic importance |

6.5.1 COMBINED EFFECTS #1

In the three case subsidiaries (Alpha, Beta and Zeta), their renewal and retention of reallocated mandates resulted from the combined effects of: (i) positive corporate relative attention; and, (ii) the situation of either ‘*resource parity*’, ‘*non-sustained resource superiority*’ or ‘*continuing resource superiority*’ that was created through their deployment of specialised resources.

Positive corporate relative attention. These three subsidiaries reacquired reallocated mandates following their capture of the parent’s positive relative attention. These cases therefore suggest that reallocated mandates were the ones lost to other units. Therefore, it is important for the subsidiaries to possess capabilities superior to those of competing units in order to reacquire these reallocated mandates. In the cases of Alpha and Zeta, the parent had attentional capacity to evaluate stimuli through its ‘top-down’ attentional allocation. It reassigned Alpha to the ‘rationalised operator’ role in 2008 when the beef price in New Zealand (locational advantage) was one of the lowest within the group. The parent gave Zeta the product design function in 2007 after learning the fact that the subsidiary’s market-

specific capabilities were far superior to those of the Chinese unit in meeting the Australian regulatory requirements.

In the case of Beta, its ‘voice’ acted as an important mechanism for drawing the parent’s positive relative attention to stimuli undetected by the parent. The managing director of Beta strove for and succeeded in gaining this corporate relative attention to Beta’s production and market-specific capabilities. He demonstrated that these were superior to those of the European counterpart for meeting American regulations for its food B processing machineries and producing these machineries at a relatively lower cost. This led Beta to regain the mandate to manufacture food B processing machineries for the North and South American markets. In the words of the managing director of Beta:

“In 2013, we were meant to stay entirely as a sales office, but it seemed to me that it was a wasted opportunity to get rid of our manufacturing capability. It had become quite efficient, so I managed to convince them [the parent] to keep our manufacturing capability here in [New Zealand] and build machines for the US industry. ... The first most important thing was really that the cost of us retaining that capability was very small. The second thing is the marginal cost of building the machine here, or the cost of building the machine here, is economic. The third thing is we have the capability here, far better than in [the parent’s home country in Europe], to meet the American standards. We can comply with all of those American standards. We are able to do that. We are also able to tailor a lot of our machinery to specific customer requirements. So, we have some flexibility around that. So, if a customer said they wanted some modification to the machine we are in a position to do that, just the way that we work, being an engineering company. With us being such a small company, we are more attuned to tailoring what you would call bespoke solutions or unique solutions for customers. [The parent’s] office [has] the very high cost structure and very structured approach to doing things. [They] are in a better position to make multiple, not mass production, but the same machine again and again and again. ... [They] are less flexible because they have a bigger structure and they have silos of who does what, and to make some changes requires a bit more work than it does here. ... The downside of bigger companies is the lack of flexibility. And, so we were able to convince them [the parent] that this was a business case for retaining that capability [the capability of Beta in making food B machineries for the North and South American markets] here.”

The situation of either ‘resource parity’, ‘non-sustained resource superiority’ or ‘continuing resource superiority’. In all these three cases (Alpha, Beta and Zeta), their deployment of specialised resources/capabilities enabled their retention of the renewed mandates. Their resources/capabilities created the situation of either ‘resource parity’, ‘non-sustained resource superiority’ or ‘continuing resource superiority’. Those generating the situations of ‘resource parity’ and ‘non-sustained resource superiority’ are more likely to contribute to the subsidiary’s short-term retention of its renewed mandate only, while those

creating the situation of ‘*continuing resource superiority*’ tend to ensure long-term continuity of the renewed mandates.

Resource parity. Specialised resources of Alpha (New Zealand beef) are perfectly substitutable with other internal resources (i.e., beef from the locations of other units), thus creating a situation that this thesis has referred to as ‘*resource parity*’. See attributes of these resources in Table 6-9 below. Thus, since its establishment, Alpha has shared its American market mandate with its American and Brazilian counterparts, and has never become the sole manufacturer for that market. Since then, it has run into severe competition from these units for this market mandate, and has been at high risk of losing this mandate to them. Thus, these perfectly substitutable resources are less likely to ensure the sustainability of the subsidiary’s renewed mandates, and are more likely to contribute to its short-term retention of these mandates. For example, the parent reallocated this American market mandate of Alpha to the other manufacturing plants again in 2015 when the beef price in New Zealand was higher than that in Brazil.

Non-sustained resource superiority. In the case of Beta, its capabilities in meeting the American market requirements, as a type of overlapping specialised capabilities, had two attributes, as summarised in Table 6-9 below. They were: (i) superior to those of the rival European counterpart for meeting these requirements; and, (ii) recognised by the parent. The rival European counterpart found difficulties in absorbing the food B machinery technology of Beta as a new technology, thus impeding its successful undertaking of the mandate to produce these food B processing machineries for the North American market. Nevertheless, as this technology was well-documented, these superior capabilities of Beta in meeting the American regulations can still be acquired by the rival counterpart. In other words, these capabilities of Beta lacked a mobility barrier. They are thus unlikely to maintain the ‘*resource superiority*’ status for a long time, thereby generating a situation referred to as ‘*non-sustained resource superiority*’. These capabilities are unlikely to ensure the subsidiary’s long-term retention of its renewed mandate.

“[The parent’s home country] is a very high cost base. They [the parent] find it very difficult to comply with the US regulations because they are very much used to European regulations.... The plan was that they would gradually take it [the production of food B machineries] over, but the reality has been that they have the IP [IP - intellectual property]. ... That’s [the food B machinery technology has] been well documented.” (MD, Beta)

Table 6-9: Combination patterns of resource attributes leading to renewal of reallocated mandates

| Case | Name of resource(s) or capability(ies) | Attributes of subsidiary resource(s) | | | | | | Situations generated by resource attributes | Sustainability of the subsidiary's renewed mandates | |
|---------------|--|---|---|---|---|---------------------------------|---|---|---|---|
| | | Is this resource(s) or capability(ies) an overlapping one(s)? | | | | | | | | |
| | | If No, | | If Yes, | | Is it recognised by the parent? | | | | Does it incorporate a mobility barrier? |
| Is it scarce? | Is it non-substitutable with internal alternatives? | To what extent is it easily substitutable with external alternatives? | Is it strategically important to the MNE? | Is it superior to resources of the other units? | Is it perfectly substitutable with internal alternatives? | Is it recognised by the parent? | Does it incorporate a mobility barrier? | Situations generated by resource attributes | Sustainability of the subsidiary's renewed mandates | |
| Alpha | New Zealand beef (locational advantage) | | | | | Y | Y | Y | Resource parity | Low |
| Beta | Capabilities in meeting the American market requirements | | | | | Y | Y | N | Non-sustained resource superiority | Low |
| Zeta | Capabilities of the product design function | | | | | Y | Y | Y | Continuing resource superiority | Relatively high |

Continuing resource superiority. In the case of Zeta, its overlapping, specialised capabilities are characterised by a mobility barrier, thus leading to a situation referred to as ‘*continuing resource superiority*’. The Chinese counterpart and component suppliers still encounter challenges in meeting market-specific requirements up to the present day. Tacitness of capabilities of product design engineers of Zeta created a mobility barrier, thus impeding the successful undertaking by the Chinese counterpart of its product design function. Since 2007, Zeta has given an ongoing support to the Chinese unit to assist them with implementing the new product designs into production. Thus, as summarised in Table 6-9 above, the subsidiary’s overlapping, specialised capabilities have three attributes. They are: (i) superior to other internal substitutes (i.e., capabilities of opponent units); (ii) recognised by the parent; and, (iii) somehow characterised by a mobility barrier. The ‘superiority’ status maintained by these capabilities is thus more likely to be ‘*continuing*’ rather than ‘*temporary*’ since they cannot be easily transferred to other subsidiaries. These capabilities give rise to a situation referred to as ‘*continuing resource superiority*’. Resource immobility inhibits the successful undertaking by the Chinese counterpart of the subsidiary’s international mandates, thus enhancing long-term continuity of these mandates.

“From our experience, it can often be quite difficult to achieve the requirements of the standard [AS/NZS 3718 - the Australian and New Zealand joint standard for tapware]. ... Below that standard, there are a couple of our [own] standards, which are the more difficult ones. ... The occurring challenge around tapware is around the design and the material selection. ... We have to educate [the Chinese subsidiary and the component suppliers] on the standard and the tiny standards of the product design that they have to achieve. It may be difficult for them to source the right material to meet the standard. ... [The suppliers] don’t have much experience in the Australian market. So, we have to work pretty intensely with them early on to help them with the product design and the material sourcing. That can take quite a long time. ... Shower tray is quite unique to the Australasian market. That is not a common product in China. ... Some of the technical details of the shower trays [such as the impact resistance and deflection under load criteria] make it very difficult for them [the Chinese unit] to make them consistently to our standard.” (Product design manager, Zeta)

“It [the technological transfer process] is very much an ongoing process until now. The company [Zeta] is much smaller now, but we still have people here with skills and they have worked for the company for 20, 25 years. ... So, they travel to our factories and work with our teams overseas to help them [the Chinese subsidiary] with their process if they are having a particular quality issue. ... And if we are introducing new products, again we travel to the plants [in China] frequently to work with them on implementing those new products into production.” (Product design manager, Zeta)

6.5.2 INDIVIDUAL EFFECT #1

Positive corporate supportive attention. The case of Alpha reveals that renewal of reallocated mandates can result from the individual effect of positive corporate supportive attention. More specifically, the findings from this subsidiary reveal that the subsidiary lacking specialised resources and positive corporate relative attention can still reacquire the reallocated mandates when it has capacity to draw the parent's positive supportive attention. Despite a higher beef price in New Zealand than in Brazil, Alpha used its 'voice' to help the parent discover the fact that its American market mandate (stimulus) supported the MNE's long-term strategic objective (which is to grow the Asian market). This stimulus as a legitimate one ultimately drew the parent's positive supportive attention, thereby bringing about the subsidiary's reacquisition of part of its American market mandate in 2015.

"The thing we have to do is we have to be able to show to our parent company that our price of product is going to affect the overall company's accounts. Products that we make for the US market basically cover our overheads. We have operating costs for the company. ... If we sell to the US and make profit of a million dollars, our overheads are covered. So, everything we sell to the rest of the world is more profit for us. ... If we do not have these overheads covered, the overheads need to be covered out of our sales to the rest of the world. So, our margins and our price would have to go up. If our margins went up and our prices went up, people are not going to buy our products because the price point that we are selling it at is too expensive. What we are saying to the US [the parent] is, "if we can sell a few containers of products to you, that covers a lot of our overheads." That means that we can sell more products to the rest of the world at a lower cost. ... We have to keep our prices as low as possible and to do that, we need to cover our overheads by having the bread and butter type of sales to our parent company. That is [...] the only reason that our parent company have kept [their order] this year. Otherwise, they would have said, "No, we don't want any product at all.""

In this case of Alpha, the subsidiary reacquired the lost mandate by gaining the parent's positive supportive attention despite its lack of any specialised resources. Therefore, the extent to which it can retain this renewed mandate cannot be analysed.

6.5.3 SUMMARY OF THE FINDINGS

The above findings suggest that the subsidiaries' renewal of reallocated mandates can result from the following situations:

- (1) The combined effects of: (i) positive corporate relative attention; and, (ii) the situation of 'resource parity', 'non-sustained resource superiority' or 'continuing resource

superiority’ that is created by the subsidiary’s deployment of specialised resources (Alpha, Beta and Zeta).

(2) The individual effect of positive corporate supportive attention (Alpha).

The cases of Alpha, Beta and Eta demonstrate that the parent’s positive relative attention is instrumental in bringing about renewal of reallocated mandates. These cases suggest that because reallocated mandates were the ones lost to other subsidiaries, it is important for the subsidiaries to possess superior capabilities in order to reacquire these mandates. In these case subsidiaries, their deployment of specialised resources enhanced their ability to retain these renewed mandates. Resources creating the situations of ‘*resource parity*’ (Alpha) and ‘*non-sustained resource superiority*’ (Beta) contributed to the subsidiary’s short-term retention of the renewed mandate only. Those creating the situation of ‘*continuing resource superiority*’ are likely to give rise to its retention of the renewed mandate on a more prolonged basis (Zeta).

The case of Alpha highlights that the subsidiary lacking specialised resources still has the potential to renew reallocated mandates by drawing positive corporate supportive attention. In this case, the fact that its mandates supported the MNE’s long-term strategic objective eventually initiated positive corporate supportive attention, thus giving rise to its renewal of reallocated mandates.

The cases of Alpha and Beta suggest that the subsidiary’s ‘voice’ is an important mechanism that can help in drawing the parent’s positive relative or supportive attention in the process of mandate renewal.

CHAPTER 7 - DISCUSSION

The previous two chapters (Chapters 5 and 6) presented the empirical findings regarding subsidiary role expansion and role renewal. More specifically, these chapters identified role expansion at five levels and two patterns of role renewal (i.e., renewal of endangered mandates and renewal of reallocated mandates). By doing so, these two chapters addressed the first research objective (RO1) concerned with identifying the major forms of subsidiary contributory role development (i.e., ‘role expansion’ and ‘role renewal’) and the different patterns of role development within each of these major forms.

The present chapter mainly addresses the second and third research objectives (RO2 and RO3) that relate to exploring how ‘role expansion’ and ‘role renewal’ result from the individual and combined effects of the influencing factors drawn from the multiple theoretical lenses. More specifically, the chapter discusses the findings about the individual and combined effects of these factors on subsidiary role expansion at various levels and the two above-mentioned patterns of subsidiary role renewal. A discussion of these findings leads to development of two theoretical frameworks: the emergent ‘subsidiary role expansion’ and ‘subsidiary role renewal’ frameworks. They provide insights into subsidiary role expansion at various levels and renewal of endangered and reallocated mandates respectively. A set of theoretical propositions will be derived from these two frameworks in order to elucidate the combined and individual effects of the influencing factors.

The chapter comprises two sections as follows. Section 7.1 provides a discussion of the empirical results regarding how subsidiary role expansion at various levels has resulted from the individual and combined effects of the factors derived from the multiple theoretical lenses. Section 7.2 discusses the findings about their combined and individual effects on renewal of endangered and reallocated mandates.

7.1 SUBSIDIARY ROLE EXPANSION

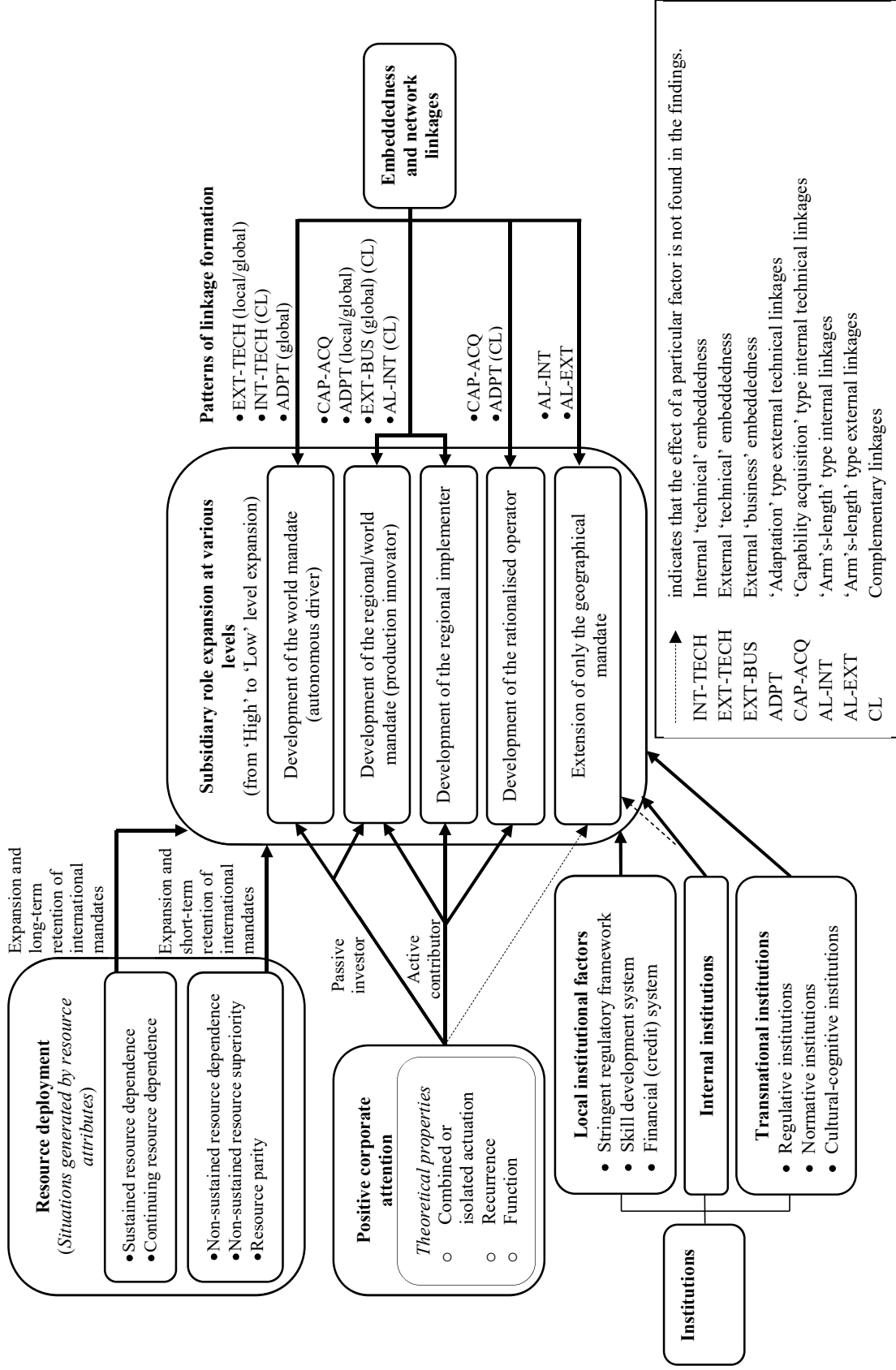
The second research objective (RO2) of the thesis is concerned with exploring how subsidiary contributory role development in terms of ‘role expansion’ results from the individual and combined effects of the factors derived from the multiple theoretical lenses.

This section addresses this objective by discussing the empirical results about their combined and individual effects on subsidiary role expansion at five levels. Constructs affecting subsidiary role expansion at these five levels are summarised in the emergent ‘subsidiary role expansion’ framework, which is depicted in Figure 7-1 below. A set of theoretical propositions will be formulated to elaborate this framework and the combined or individual effects of these constructs.

The findings reveal that subsidiary role expansion at various levels can be affected by the combination of many factors: (i) the parent’s positive attention; (ii) internal and external embeddedness/linkages; (iii) institutional forces; and, (iv) resource deployment by the subsidiary. Previous studies have shown the individual and combined effects of factors related to the parent company and the external institutional environment on subsidiary role expansion (Filippov & Duysters, 2012; Filippov & Duysters, 2014; Golikova et al., 2011; Pedersen, 2006; Rezende et al., 2014; van Egeraat & Breathnach, 2012). More specifically, some studies have provided an understanding about how the subsidiary’s initiatives and development can be fuelled by its establishment of network relationships with internal and external actors (Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Filippov & Duysters, 2014; Lim et al., 2017; Pu & Soh, 2018). Dörrenbächer and Gammelgaard (2010) demonstrate how the subsidiary’s retention of its local market mandate can be enabled by its deployment of specialised resources. The findings from the present study extend these previous studies by providing an in-depth understanding of how subsidiary role expansion at various levels can be affected by the combination of: (i) the presence or absence of positive corporate attention; (ii) the respective patterns of linkage formation; (iii) institutional forces in local, internal and/or transnational settings; and, (iv) resource deployment by the subsidiary. Previous studies have not provided an in-depth understanding of their combined effects on subsidiary role expansion at various levels. The findings of the thesis lead to the formulation of the following theoretical proposition:

Proposition 1. Subsidiary role expansion at five levels can be affected by the combination of: (i) presence or absence of positive corporate attention; (ii) the respective patterns of linkage formation; (iii) institutional forces in local, internal and/or transnational settings; and, (iv) deployment of specialised resources by the subsidiary.

Figure 7-1: The emergent 'Subsidiary Role Expansion' framework



The remainder of this section provides a discussion of the findings on the individual effects of these factors, which is accompanied by the establishment of propositions elaborating these effects.

7.1.1 POSITIVE CORPORATE ATTENTION

There is a lack of theory-building research regarding how positive corporate attention affects subsidiary role expansion at various levels. The thesis addresses this research gap by empirically unveiling the three theoretical properties of positive corporate attention: (i) individual or combined actuation; (ii) recurrence; and, (iii) function.

Individual or combined actuation. The first theoretical property of positive corporate attention indicated by the findings is ‘individual or combined actuation’. This property explains that the headquarters’ investments and assignments are likely to be the outcomes of actuation of a particular stimulus or different stimuli, which initiate positive corporate relative/supportive attention. Prior research suggests that proven capabilities and track record of subsidiaries can facilitate corporate investments (Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016; Gammelgaard, 2009), thus alluding to individual effects of positive corporate supportive attention. Nevertheless, this body of literature has not adequately addressed how the parent’s positive relative attention and a combination of its positive relative and supportive attention would affect subsidiary role expansion at various levels. The FDI literature provides useful insights into how the parent’s evaluation of stimuli from different locations, i.e., its relative attentional processing, can influence the subsidiary at its initial founding stage (see Section 2.3.1). Nevertheless, this body of literature does not provide sufficient insights into how the parent’s positive relative attention would shape the subsidiary’s role expansion beyond this initial stage. Prior research shows that an MNE’s crisis-driven cost-cutting strategy can bring about its reallocation of production mandates of high-cost units to relatively lower-cost units, and its additional investment in the latter (i.e., positive corporate relative attention to these low-cost units) (Szalavetz, 2016). Nevertheless, there is little detailed research examining the effect of positive corporate relative attention and the combined effect of positive corporate relative and supportive attention on expansion of new mandates that have already been reallocated from the other units.

The findings fill these gaps by revealing the effects of positive corporate relative attention and the combined effects of positive corporate relative and supportive attention on subsidiary role expansion at four levels: (i) development of the ‘rationalised operator’ role; (ii) development of the ‘regional implementer’ role; (iii) development of the ‘regional/world mandate (production innovator)’ role; and, (iv) development of the ‘world mandate (autonomous driver)’ role. More specifically, the findings demonstrate how positive corporate relative attention and a combination of positive corporate relative and supportive attention can facilitate the parent’s top-down decisions regarding product mandate assignment in the former three levels (i.e., development of the ‘rationalised operator’, ‘regional implementer’ and ‘regional/world mandate (production innovator)’ roles). These new product mandates are important for fulfilment and expansion of the primary mandate of these three types of contributory role subsidiaries, that is: to launch product offerings of the MNE in the regional or internal market. While previous studies focus on how subsidiaries strive to capture positive corporate (supportive) attention in order to gain corporate resources and investments to propel their own initiatives (Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016; Gammelgaard, 2009), the findings of this study present a different picture. The subsidiaries with the role of either rationalised operator or regional implementer seek resources and mandates from the parent primarily with the aim of producing the MNE’s existing products for the regional or internal market, because of their lack of entrepreneurial orientation. An exception is a regional/world mandate (production innovator) subsidiary, which may also pursue corporate resources to drive its own initiatives.

Taken together, the theoretical property ‘individual or combined actuation’ sheds light on the way in which positive corporate attention affects the development of the rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles. These findings lead to the establishment of the following proposition:

Proposition 2. In the development of the rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles, investments or new product mandates from the parent can result from individual or combined actuation of stimuli drawing positive corporate relative/supportive attention.

Recurrence. The second theoretical property of positive corporate attention revealed by the findings is ‘recurrence’. Recurrence of positive corporate attention is crucial in the development of the rationalised operator, regional implementer, world/regional mandate (production innovator) and world mandate (autonomous driver) roles. Prior research points out how recurrence of corporate resources/investments leads to subsidiary role expansion (Achcaoucaou et al., 2014; Rezende et al., 2014). Using the case of IBM’s subsidiary in Brazil, Rezende et al. (2014), for instance, demonstrate that recurrence of corporate resources/investments adds to the stock of the subsidiary’s resources in a dynamic manner, subsequently leading to its evolution to a more developed level. The findings of the thesis extend these earlier studies by revealing how recurrence of positive corporate attention contributes to development of the rationalised operator, regional implementer, world/regional mandate (production innovator) and world mandate (autonomous driver) roles. Based on these findings, the following is proposed:

Proposition 3. Recurrence of positive corporate attention is important for the development of the rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles.

Function. The third theoretical property of positive corporate attention identified from the findings is ‘function’. Positive corporate attention performs the function of ‘passive investor’ in the development of the role of the world mandate (autonomous driver). This finding can be explained by the fact that this type of contributory role is earned through entrepreneurial efforts of the subsidiary rather than through being developed by active involvement of the parent (Birkinshaw & Hood, 1997; Delany, 2000). The findings suggest that positive corporate attention performs the function of ‘active driver’ when the subsidiary develops its role of either regional implementer or rationalised operator. This finding is perhaps better explained by the primary mandates of these types of contributory roles that are established mainly to present products initially developed by other parts of the group for regional or internal markets (Narula, 2003; Sargent & Matthews, 2006; Suh et al., 2014). Most previous studies do not identify the function of the parent and that of its positive attention in each investment and mandate assignment event. By analysing the functions of positive corporate attention in each of these events, the thesis identifies the dual functions of positive corporate attention as both ‘active contributor’ and ‘passive investor’ in the development of the world/regional mandate (production innovator) role.

There is no evidence that positive corporate attention has played any part in the role expansion paths for the subsidiaries that extended only their geographical mandates (Beta and Delta). A lack of positive corporate attention resulted in a failure to bring any more corporate resources into these subsidiaries. This in turn has contributed to no role extension of the subsidiaries in the new product and value-added areas. This finding is supported by prior research that depicts corporate investment and resources as one of the major drivers of expansion of product and value-added mandates of foreign subsidiaries (Birkinshaw & Hood, 1997; Mattes & Späth, 2013; Rezende et al., 2014). Based on the findings, the following is proposed:

Proposition 4. Positive corporate attention can perform: (i) no function in the development of the subsidiary that extends only geographical mandates; (ii) the function of an ‘active contributor’ in the development of the rationalised operator and regional implementer roles; (iii) dual functions of both ‘active contributor’ and ‘passive investor’ in the development of the regional/world mandate (production innovator) role; and, (iv) the function of ‘passive investor’ in the development of the world mandate (autonomous driver) role.

In summary, the extant literature on subsidiary development does not provide sufficient insights into the way in which positive corporate attention affects subsidiary role expansion at various levels. The findings from this study fill this gap by identifying its three theoretical properties: (i) individual or combined actuation; (ii) recurrence; and, (iii) function, leading to formulation of three theoretical propositions (Propositions 2, 3 and 4).

7.1.2 EMBEDDEDNESS AND NETWORK LINKAGES

Little is known in the extant literature of subsidiary development about the patterns of linkage formation (i.e., combinations of different types of linkages) that drive subsidiary role expansion at various levels. The findings address this research gap by providing an understanding of these patterns of linkage formation, which are summarised in the framework (Figure 7-1).

The role expansion paths for the case subsidiaries that extended only their geographical mandate were shaped by the combination of their ‘arms-length’ type internal and external linkages. These linkages did not bring about any change in their product and value-added areas, although this type of external linkages contributed to the subsidiary’s expansion into new markets. Achcaoucaou et al. (2014) find that the absence of quality internal and external

linkages is a serious impediment to a subsidiary's evolution towards a more advanced level. Their study, however, looks at a sample of the subsidiaries with mainly local market focus rather than those expanding the geographical mandate.

The development of the rationalised operator role of the two subsidiaries was driven primarily by the combination of the following types of linkages:

- 'capability acquisition' type internal technical linkages;
- 'arms-length' type external linkages; and,
- 'adaptation' type external (local) technical linkages (complementary linkages).

A rationalised operator aims to rationalise the MNE's manufacturing activities, whereas the MNE's other subsidiaries lead other major value-added activities, such as product development and marketing. Therefore, consistent with prior research, product information from the parent (i.e., 'capability acquisition' type internal technical linkage) is found to be the primary driver of the development of this contributory role (Kacani & van Wunnik, 2017; Sargent & Matthews, 2006). Nevertheless, most previous studies on subsidiary development do not adequately explain what type and degree of external embeddedness and how simultaneous establishment of different types of internal and external linkages would affect the development of a rationalised operator. In both sample case subsidiaries, the fact that they were not required to perform major value-added activities such as product development and marketing means that most of their external linkages in the development of their rationalised operator role were of the 'arms-length' kind. Nevertheless, using the case of Alpha, the findings demonstrate that a rationalised operator may occasionally establish 'adaptation' type external technical linkages in order to engage in process improvement required to make the group's products.

Development of the regional implementer and regional/world mandate (production innovator) role of the two subsidiaries was driven by the combination of the following types of linkages:

- 'capability acquisition' type internal technical linkages;
- 'adaptation' type external (local/global) technical linkages;
- external (global) 'business' embeddedness (complementary linkages); and,

- ‘arms-length’ type internal business linkages (complementary linkages).

Prior research suggests that a subsidiary that is established to launch the MNE’s products in a particular host or regional market tends to rely heavily on capabilities existing within the MNE, in other words, its ‘capability acquisition’ type internal technical linkages (Athreye et al., 2014; Suh et al., 2014). On the other hand, its ‘adaptation’ type external linkages are important in adapting these products to the host market’s needs (Achcaoucaou et al., 2014). Nevertheless, there is an inadequate understanding in the literature about the contribution of the subsidiary’s low-degree external technical embeddedness, i.e., ‘adaptation’ type external technical linkages, to its evolution towards a world/regional mandate (production innovator) role.

In addition, the findings provide evidence of the contribution of ‘business’ type linkages to the development of the regional implementer and regional/world mandate (production innovator) roles. These ‘business’ type linkages include: (i) ‘arms-length’ type internal linkages; and, (ii) ‘business’ embedded linkages with overseas network agents. Most previous studies on subsidiary development have not paid enough attention to the influences of these ‘business’ linkages on the development of these types of contributory roles. These studies tend to focus narrowly on ‘technical’ embeddedness of the subsidiaries (Achcaoucaou et al., 2014; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011). A few studies, however, suggest that the subsidiary may export to international markets through peer sales units (Delany, 1998; Suh et al., 2014). Nevertheless, how a subsidiary’s external ‘business’ embedded linkages with its external overseas network agents would shape its expansion of international responsibilities in product, value-added and geographical areas has not previously been explored in depth. The findings from the cases of Alpha and Eta address this gap by demonstrating how external ‘business’ type embedded relationships with overseas network actors contributed to expansion of geographical markets and value-added activities (marketing activities in the case of Alpha, and construction and installation activities in the case of Eta) for the global market (*increase in the value-added and geographical scopes*). The case of Alpha reveals that the subsidiary may engage in product enhancement and development through establishing its external (global) ‘business’ embedded linkages (*increase in the product scope*).

The findings reveal that development of the world mandate (autonomous driver) role was driven by the combination of the following types of linkages:

- external (local/global) ‘technical’ embeddedness;
- internal ‘technical’ embeddedness (complementary linkage); and,
- adaptation’ type external (global) technical linkages (complementary linkages).

The thesis refers to the world mandate (autonomous driver) subsidiary as the one that creates lines of products, which are not handled by other units and are relatively new to existing ones, through its autonomous actions. This type of subsidiary has worldwide responsibility for these product lines or businesses. The findings show that development of this type of contributory role is driven primarily by the subsidiary’s external (local and/or global) ‘technical’ embedded linkages that are characterised by a high degree of trust. Prior research has shown how the subsidiary’s trust-based ‘technical’ embedded linkages with external local network actors can facilitate its co-creation of new products, and help the subsidiary’s access to internally-unavailable resources (Achcaoucaou et al., 2014; Andersson & Forsgren, 2000; Figueiredo, 2011; Figueiredo & Brito, 2011).

Complementary linkages that drive development of the world mandate (autonomous driver) role include: (i) internal ‘technical’ embedded relationships; and, (ii) ‘adaptation’ type external (global) technical linkages. Prior research suggests that subsidiaries operating in the same product industry as the parent have the potential to draw on internal resources and to drive their new product development through establishing internal ‘technical’ embedded linkages with other units (Achcaoucaou et al., 2014; Athreye et al., 2014; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011).

However, extant knowledge about how external global network linkages can shape the development of the world mandate (autonomous driver) role is limited. The findings provide an understanding of how the subsidiaries have potential to engage in this type of role expansion by establishing ‘technical’ embedded linkages and ‘adaptation’ type linkages with external global customers.

Overall, by identifying the patterns of linkage formation, the thesis addresses the following shortcomings in the existing subsidiary development literature:

- (1) Previous studies tend to focus narrowly on a particular type or the dual types of linkages (Athreye et al., 2014; Kacani & van Wunnik, 2017; Sargent & Matthews, 2006; Suh et al., 2014). As a result, little is known about patterns in which different types of linkages combine to drive subsidiary role expansion at various levels.
- (2) Previous studies tend to restrict their empirical investigations to ‘technical’ type internal and/or external linkages (Achcaoucaou et al., 2014; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011). Thus, there is a limited understanding in the literature about how ‘business’ type linkages with global network actors contribute to subsidiary role expansion.
- (3) Previous studies are unclear regarding the distinction between ‘low-degree’ external technical embedded linkages (e.g., ‘adaptation’ type external technical linkages) and ‘high-degree’ ones (i.e., external ‘technical’ embeddedness) (e.g., Athreye et al., 2016; Athreye et al., 2014).
- (4) Little is reported about how external global network linkages affect subsidiary role expansion at various levels.

The findings provide an understanding of how subsidiary role expansion at five levels is shaped by their respective patterns of linkage formation by the subsidiaries. These provide the source for the formulation of the following proposition:

Proposition 5. Subsidiary role expansion at five levels is driven by their respective patterns of linkage formation.

7.1.3 INSTITUTIONS

Little is known about how institutional forces in different settings (local, transnational and internal) shape subsidiary role expansion at various levels. The findings fill this research gap by providing detailed insights into their effects.

The findings indicate that new international product/value-added responsibilities need to conform to internal and transnational institutions in order to enhance their legitimacy when the subsidiary develops a contributory role as rationalised operator, regional implementer,

regional/world mandate (production innovator) or world mandate (autonomous driver). Being exporters to foreign markets, seven out of seven cases (Alpha, Gamma, Epsilon, Zeta, Eta, Theta and Iota) that engaged in developing these four contributory roles were subject to transnational institutions in terms of regulative, normative and/or cultural-cognitive dimensions. Their new product areas and/or associated value-added activities (such as new production facilities) conformed to these institutional forces. This finding is supported by institutional theory, which emphasises institutional forces as sources of isomorphic pressures in shaping organisational behaviour (Kostova & Roth, 2002; Scott, 1995, 2005, 2014). Operating in the product industry of the parent, six out of seven case subsidiaries that engaged in role expansion at these four levels were subject to isomorphic pressures from the internal environment. Their new product/value-added mandates conformed to these internal institutions in order to establish legitimacy of these new mandates. This finding is in line with institutional theory, which postulates that isomorphic pressures from the internal environment tend to be strong on subsidiaries that operate in the same product industry as the parent (Kostova & Roth, 2002; Kostova et al., 2008; Liou et al., 2012).

The case of Beta suggests that regulative institutions in the foreign markets can affect market expansion of a subsidiary that extended only its geographical mandates. This finding is explained by the fact that regulative institutions are coercive in nature and can expel noncompliant actors from the market (Henson & Humphrey, 2010; Liou et al., 2012; Nadvi, 2004). Based on the findings, the following proposition is proposed to shed light on the influence of institutions in transnational and internal settings on subsidiary role expansion at various levels:

Proposition 6. In the development of the rationalised operator, regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver) roles, new international product/value-added responsibilities must conform to the institutional forces in both the transnational and internal settings in order to achieve their legitimacy. When the subsidiary's role expanded only in its geographical mandates, its market expansion can be affected by regulative institutions in foreign markets.

The findings suggest that the host country's institutional environment can serve as a facilitator of subsidiary role expansion at five levels. More specifically, they provide evidence of the influences of three types of local institutional factors: (i) skill development system, (ii) regulatory framework, and, (iii) financial credit system.

Skill development system. The skill development system in the host country served as a facilitator of subsidiary role expansion at five levels. Two constituents of the skill development system in the host country have played a facilitating role for subsidiary role expansion: university education system (Alpha, Beta, Epsilon, Zeta and Iota) and vocational educational and training system (Alpha and Epsilon). The distinction between these two seems unclear in previous studies on subsidiary development. While previous studies suggest that subsidiary role expansion can be facilitated by employment of quality local graduates (Dimitratos et al., 2009), they have not provided enough understanding of how the vocational education and training system in the host country would shape subsidiary role expansion at various levels. In the developmental paths of Alpha and Epsilon, the vocational educational and training system in New Zealand produced the human capital that was necessary for them to perform the production function as a value-added area. Firm-level studies suggest that countries strive to strengthen their vocational training system to raise skill development of workforces with low skill and education levels, or to satisfy skill requirements of the industry. They may also strive to strengthen their vocational training system to build industries as part of their economic growth strategy (Ismail & Rasdi, 2016; Law, 2008).

Regulatory framework. The findings reveal that the host country's regulatory framework in terms of its stringency can serve as a facilitator of subsidiary role expansion at five levels. More specifically, a stringent regulatory framework can enable the subsidiary's market expansion (Alpha and Delta) and its new product launches in existing markets (Alpha, Gamma, Zeta and Iota). Firm-level studies suggest that regulatory proximity between the countries can position domestic firms in export markets, thereby enabling their geographical expansion (Henson, Brouder, & Mitullah, 2000; Nadvi & Wältring, 2004). However, little is reported in the extant subsidiary development literature about how stringent regulations in the host country shape subsidiary role expansion at various levels.

Financial credit system. Prior studies suggest that firms situated in a good quality financial credit system are likely to have potential to raise financial capital for their operation (Edgington & Hayter, 2013). The findings from the case of Gamma suggest that the quality of the financial credit system in the host country is helpful in facilitating the development of the world mandate (autonomous driver) role in terms of creating new international responsibilities in product and value-added areas.

In summary, the host country's (i) skill development system (university education system and/or vocational education and training system) and (ii) stringent regulatory framework are observed to be the facilitators of subsidiary role expansion at five levels. Its financial credit system is found to be able to facilitate the development of the world mandate (autonomous driver) role. These findings lead to the establishment of the following proposition:

Proposition 7. The host country's (i) skill development system (university education system and/or vocational education and training system) and (ii) stringent regulatory framework are the facilitators of subsidiary role expansion at five levels. Its financial credit system is the facilitator of the development of the world mandate (autonomous driver) role.

How institutional forces in different settings affect subsidiary role expansion at various levels has been a previously unexplored research area. The findings address this research gap by examining the effects of internal institutions, transnational institutions, and institutional factors in the host country on subsidiary role expansion at five levels. A discussion of these findings led to the formulation of the two theoretical propositions (Propositions 6 and 7).

7.1.4 RESOURCE DEPLOYMENT

Data analysis identifies five combination patterns of attributes of specialised resources (refer to Table 5-18 in Section 5.7). These combination patterns of resource attributes generated five types of situations that are referred to as: (i) '*resource parity*'; (ii) '*non-sustained resource superiority*'; (iii) '*non-sustained resource dependence*'; (iv) '*continuing resource dependence*'; and, (v) '*sustained resource dependence*'. Subsidiary resources generating these five types of situations are specialised, and recognised by the parent; these resources therefore are proven to contribute to subsidiary role expansion. Prior research suggests that the subsidiary must possess resources that are specialised and recognised by the parent to be able to take on a particular international mandate on behalf of the MNE as a whole (Birkinshaw et al., 1998; Cavanagh & Freeman, 2012; Mudambi & Pedersen, 2007; Mudambi et al., 2014).

The findings suggest that specialised resources that create the situations of '*sustained resource dependence*' and '*continuing resource dependence*' contribute not only to the subsidiary's role expansion but also to the long-term retention of its contributory role. In order to create these two types of situations, resources must possess the following attributes:

(i) scarcity; (ii) non-substitutability with other internal resources; (iii) achieving the parent's recognition; and, (iv) strategic criticality to the MNE's market access. Thus, consistent with the resource dependence perspective, these resources tend to create the MNE's resource dependence in view of these attributes (Dörrenbächer & Gammelgaard, 2010; Pfeffer & Salancik, 2003). In addition, because they are not easily transferrable to other units, these resources enhance the long-term continuity of the subsidiary's resource dependence power over its parent and consequently the continuity of its contributory role. The assumption of resource immobility of the resource-based theory can be used to shed light on this finding. The theory postulates that the subsidiary's specialised resources must be characterised by a mobility barrier so that their long-term sustainability can be assured (Cerrato, 2006; Rugman & Verbeke, 2001).

When comparing resources creating the situation of '*sustained resource dependence*' and those creating the situation of '*continuing resource dependence*', the data analysis reveals that the former are more likely to bring about longer sustainability of the subsidiary's international mandates than the latter. This is because the latter are more substitutable with external alternatives, while the former are not. Those creating the situation of '*continuing resource dependence*' assure the long-term continuity of the subsidiary's resource dependence power, and consequently the continuity of its contributory role unless the MNE ultimately chooses to depend on external alternatives. This finding can be explained by the resource dependence perspective. Prior studies suggest that an actor's resource dependence power is more likely to be short-lived when its resources creating such a dependence are highly substitutable with external ones (Pfeffer & Salancik, 2003; Su, Mao, & Jarvenpaa, 2017; Xia, 2011). The extant subsidiary development literature has not offered sufficient insights into the effects of substitutability of the subsidiary's specialised resources with external ones. Based on the above discussion of the findings, the following proposition is formulated:

Proposition 8. Specialised resources creating the situations of '*continuing resource dependence*' and '*sustained resource dependence*' contribute to the expansion and long-term retention of the subsidiary's contributory role. Those creating the situation of '*sustained resource dependence*' are likely to contribute to longer sustainability of these responsibilities than those creating the situation of '*continuing resource dependence*'.

The data analysis reveals that resources creating the situations of ‘*non-sustained resource dependence*’, ‘*non-sustained resource superiority*’ and ‘*resource parity*’ contribute to the subsidiary’s role expansion, but only to short-term retention of international responsibilities. Considering the first two types of resources here, a central issue is their lack of a mobility barrier. Since resources creating the situation of ‘*non-sustained resource dependence*’ are mobile, they are less likely to give rise to long-term sustainability of the subsidiary’s resource dependence power. Likewise, because they lack a mobility barrier, overlapping resources creating the situation of ‘*non-sustained resource superiority*’ are unable to maintain the ‘superiority’ status for a long time. Thus, these two types of resources are less likely to bring about long-term sustainability of the subsidiary’s contributory role. Again, the assumption of resource immobility from the resource-based theory can be used to shed light on these findings. The theory posits that a mobility barrier must exist in the subsidiary’s resources to enhance their long-term sustainability (Cerrato, 2006; Rugman & Verbeke, 2001).

Since they are perfectly substitutable with other internal resources, the subsidiary’s resources that resulted in creating the situation of ‘*resource parity*’ cannot eliminate internal competition for its contributory role, and thus cannot assure long-term sustainability of this role. Prior studies suggest that a subsidiary with overlapping resources is likely to run into severe internal competition in which its mandate can be lost to other subsidiaries (Birkinshaw & Lingblad, 2005; Dörrenbächer & Gammelgaard, 2010). The above discussion of these findings leads to the formulation of the following proposition:

Proposition 9. Specialised resources that create the situations of ‘*resource parity*’, ‘*non-sustained resource superiority*’ and ‘*non-sustained resource dependence*’ are likely to contribute to the expansion and short-term retention of the subsidiary’s contributory role.

In summary, the extent to which intrinsic attributes of specialised resources determine how far the subsidiary can expand and retain its contributory role (international mandates) is an unexplored area. Most previous studies on subsidiary development have not identified intrinsic attributes of subsidiary resources in terms of scarcity and non-substitutability with internal and external ones (e.g., Birkinshaw et al., 1998; Cavanagh & Freeman, 2012; Mudambi & Pedersen, 2007; Mudambi et al., 2014).

Dörrenbächer and Gammelgaard (2010) find that intensity of internal competition for the subsidiary's local market mandate tends to decrease when its resources create the MNE's resource dependence. To create such dependence, they suggest that these resources must be scarce, non-substitutable with other internal ones, recognised by the parent, and strategically critical to the MNE's local market access. However, their analysis does not discuss the extent to which these resources must be characterised by a mobility barrier and non-substitutability with external alternatives in order to ensure sustainability of the subsidiary's resource dependence power. In addition, their study is concerned primarily with how these resources contribute to the subsidiary's ability to overcome internal competition for its local market mandate, rather than for its international market mandates. It is clear that intensity of internal competition for a local market mandate may not necessarily be the same as that for international product/market mandates.

The findings fill these research gaps originating from a lack of detailed research into how intrinsic attributes of specialised resources determine the extent to which the subsidiary can expand and retain its contributory role (international mandates). More specifically, the thesis fills these gaps by identifying the combination patterns of intrinsic attributes of the specialised resources, and by exploring how each of these combination patterns determines the subsidiary's ability to expand and retain its contributory role. A discussion of these findings led to generation of two theoretical propositions (Propositions 8 and 9).

7.1.5 SUMMARY

The second research objective (RO2) of the thesis aims at examining how subsidiary contributory role development in terms of 'role expansion' results from the individual and combined effects of the factors derived from the multiple theoretical lenses. This section addressed this objective by developing a theoretical framework explaining subsidiary role expansion at various levels (refer to Figure 7-1), and by formulating a set of propositions that are derived from the theoretical framework to elaborate the individual and combined effects of these factors.

7.2 SUBSIDIARY ROLE RENEWAL

The third research objective (RO3) of the thesis aims to provide insights into how subsidiary contributory role development in terms of ‘role renewal’ results from the individual and combined effects of the factors derived from the multiple theoretical lenses. This section addresses this objective by discussing the empirical findings about their combined and individual effects on the events characterising the two patterns of subsidiary role renewal (i.e., renewal of endangered and reallocated mandates). Constructs affecting these events are summarised in the emergent ‘subsidiary role renewal’ framework presented in Figure 7-2, which serves to explain these events. Based on this framework, a set of propositions will be formulated to elaborate the combined and individual effects of these constructs. This section comprises two sub-sections: the first provides a discussion of the findings regarding the combined effects of these constructs, and the second discusses their individual effects.

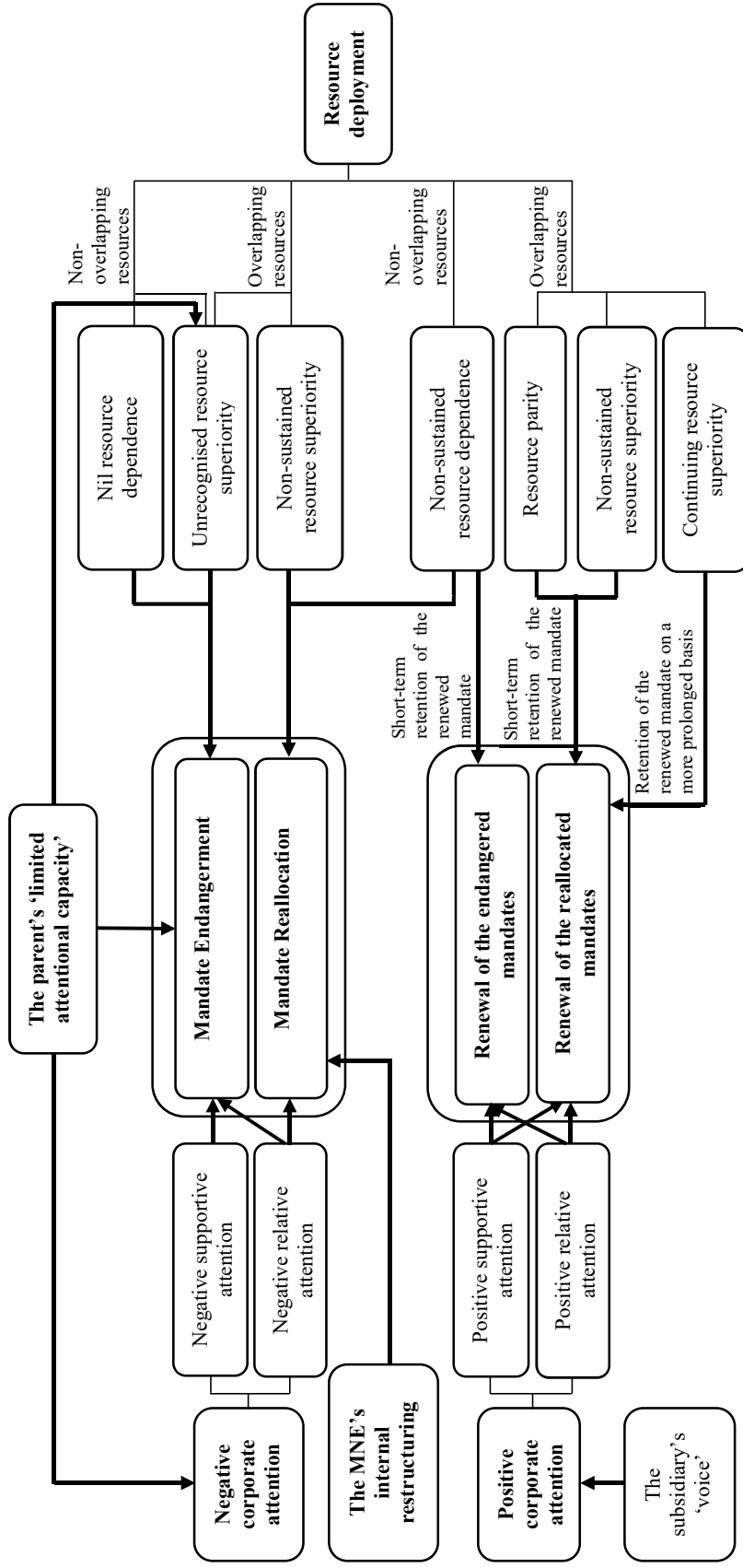
7.2.1 COMBINED EFFECTS

This section discusses the findings regarding the combined effects of the influencing constructs on the events characterising the two patterns of subsidiary role renewal: *(i)* mandate endangerment; *(ii)* renewal of endangered mandates; *(iii)* mandate reallocation; and, *(iv)* renewal of reallocated mandates.

7.2.1.1 Mandate Endangerment

The findings reveal two combined effects of the influencing factors on mandate endangerment. They are discussed below.

Figure 7-2: The emergent 'Subsidiary Role Renewal' framework



Combined Effects #1

Beta's survival in the MNE's internal system was endangered as the combined effects of: (i) the related product line drawing negative corporate supportive attention; and, (ii) the unrelated product line creating the situation of '*nil resource dependence*'. Previous studies have briefly noticed the effect of one of these factors on parent-driven divestment and mandate phaseout. These studies suggest that the parent's continuing support for a subsidiary's mandates can decline with its poor performance. In other words, these mandates activate the parent's negative supportive attention. This subsidiary would be prone to parent-driven divestment (Benito, 2005; Li & Liu, 2015). In addition, prior research suggests that if not aligned with the MNE's core strategies, the subsidiary's product lines would be unable to create the parent's resource dependence, which could result in parent-driven phaseout (Birkinshaw, 1996).

While these studies shed light on the individual effects of these factors, their combined effects have not been explored in depth in the extant literature. Therefore, the findings of the thesis extend these studies by providing evidence for the combined effects of these factors on the endangerment of the subsidiary holding multiple product lines (i.e., Beta). In addition, while prior research has suggested that strategic unrelatedness of the subsidiary's product mandates to the parent's core business is a reason to phase out these mandates (Birkinshaw, 1996), it did not identify attributes of these non-overlapping resources creating the situation of '*nil resource dependence*' in terms of scarcity and non-substitutability with internal and external resources. Thus, the findings of the thesis provide more detailed insights by identifying intrinsic attributes of these resources giving rise to mandate endangerment (see these attributes in Table 6-3 in Section 6.1).

Combined Effects #2

The case of Eta suggests that mandate endangerment can result from the combined effects of: (i) the parent's limited attentional capacity; (ii) its negative relative or supportive attention; and, (iii) the subsidiary's capabilities creating the situation of '*unrecognised resource superiority*'. The combined effects of these influencing factors have also not been explored in depth in the extant subsidiary evolution studies. Previous studies suggest that

achieving the parent's recognition is an important condition for long-term continuity of the subsidiary's specialised resources (Birkinshaw, 1996; Rugman & Verbeke, 2001). These resources must receive the parent's recognition so that they can become part of the stock of the MNE's FSAs (Birkinshaw et al., 1998; Cavanagh & Freeman, 2012; Mudambi & Pedersen, 2007; Mudambi et al., 2014). The thesis further suggests that the parent's ability to notice and give recognition to the superiority of the subsidiary's specialised capabilities can be undermined by its limited attentional capacity, defined as the parent's incapacity to detect and recognise important stimuli for decision-making and/or to allocate value, legitimacy, and relevance to stimuli (Ocasio, 1997). Consequently, these capabilities could not achieve the parent's recognition, thus resulting in a situation referred to as '*unrecognised resource superiority*'. Their lack of corporate recognition endangered their long-term existence, and consequently the sustainability of the subsidiary's mandates underpinned by these capabilities.

In this case of Eta, the parent's limited attentional capacity not only hindered its ability to detect the subsidiary's superior capabilities, but also directed it to process the wrong stimulus. This resulted in its misallocation of negative supportive or relative attention to the subsidiary, thus ultimately endangering the subsidiary's international mandates. The notion of 'bounded rationality' suggests that an organisation's decision-making can be bounded by information that the decision-maker has or by his or her cognitive biases (Rugman & Verbeke, 2003; Verbeke & Yuan, 2005). The attention-based theory borrows insights from the notion of bounded rationality to point to limited attentional capacity of decision makers. The theory explains that decision makers may not always have all the relevant information and stimuli for their decision-making. Therefore, their limited attentional capacity may undermine their ability to make accurate decisions (Ocasio, 1997). Previous studies also suggest that corporate executives may often not have enough insight into the subsidiary's operations (Bouquet et al., 2016; Rugman & Verbeke, 2003; ul Haq, Drogendijk, & Holm, 2017). Thus, they may not always be in a position to make rational decisions for the subsidiary's operations (Birkinshaw & Ridderstråle, 1999; Bouquet et al., 2016; Rugman & Verbeke, 2003).

To turn to the effects of negative corporate attention, the above-identified two combined effects of the influencing factors (Combined Effects #1 and #2) highlight a significant role

played by negative corporate attention in the endangerment of mandates in the sample cases. The contributory role of Beta and the construction function of Eta were endangered in their parent's internal system because of a lack of the parent's support or supportive attention (refer to Combined Effects #1 and #2). Research suggests that sustainability of subsidiary mandates in the corporate system is likely to be in jeopardy when these mandates lack continuous support from the parent (Birkinshaw, 1996). In other words, these mandates initiate the parent's negative supportive attention. In the present study, the premium product line of Eta was internally contested, and was at risk of being lost to another unit that received the parent's positive relative attention (refer to Combined Effects #2). In other words, Eta received negative corporate relative attention. Research suggests that when a particular mandate is contested, the parent is likely to reallocate this mandate to the subsidiary that is perceived as having superior resources and capabilities (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016).

In summary, the findings have revealed two combined effects of the influencing factors on mandate endangerment (Combined Effects #1 and #2). These findings are relatively new to the literature. While previous studies have examined individual effects of these factors, the combined effects have not yet received adequate research attention. Moreover, the thesis has examined the relationship between the intrinsic attributes of the specialised resources and mandate endangerment (refer to Table 6-3 in Section 6.1), thus adding to the literature. These findings lead to development of the following propositions:

Proposition 10. Mandate endangerment can result from the combined effects of negative corporate supportive attention, which is triggered by unproven performance of the related product line, and the situation of '*nil resource dependence*', which is created by the remaining unrelated product line.

Proposition 11. Mandate endangerment can result from the combined effects of the parent's limited attentional capacity, its negative supportive or relative attention, and the situation of '*unrecognised resource superiority*', which is created by the subsidiary's capabilities.

7.2.1.2 Renewal of Endangered Mandates

The findings reveal two combined effects of the influencing factors on the renewal of endangered mandates. They are discussed below.

Combined Effects #1

Beta's renewal of its endangered contributory role and product mandates resulted from the combined effects of: (i) positive corporate supportive attention; and, (ii) the situation of '*non-sustained resource dependence*' that was created through the subsidiary's deployment of specialised resources. The combined effect of these factors on the renewal of endangered mandates has not yet been explored in depth. Beta's contributory role and product mandates were sought to be eliminated from the internal system because these mandates failed to achieve the parent's continuous support. Therefore, gaining the parent's support or positive supportive attention was crucial for the subsidiary to renew and retain these mandates. After gaining access to strategically significant new markets, Beta gained the parent's positive supportive attention, resulting in its renewal of endangered mandates. Research suggests that the parent is likely to be supportive of subsidiaries serving strategically important markets. These markets often require its special treatment. Thus, they tend to carry 'weight' in the parent's attentional allocation (Bouquet et al., 2015; Bouquet & Birkinshaw, 2008; Dörrenbächer & Gammelgaard, 2016). In addition, Beta's short-term retention of renewed mandates was ultimately brought about by its deployment of specialised resources creating the situation of '*non-sustained resource dependence*'. Thus, possession and deployment of specialised resources may enhance the subsidiary's ability to perform a particular mandate on behalf of the MNE as a whole and to cope with internal competition for mandates at least temporarily (Dörrenbächer & Gammelgaard, 2010; Gilmore et al., 2017; Rugman & Verbeke, 2001). How the situation of '*non-sustained resource dependence*' contributes only to the subsidiary's short-term retention of renewed mandates will be discussed later in Section 7.2.2, where the individual effects of the factors are discussed.

Combined Effects #2

Eta's renewal of internally-contested, endangered mandates arose from the combined effects of positive corporate relative attention and the situation of '*continuing resource superiority*' that was created through the subsidiary's deployment of specialised resources. The combined effects of these influencing factors underline the importance of gaining the parent's positive relative attention in the renewal of internally-contested, endangered mandates. Previous studies suggest that the parent is more likely to allocate internally-contested mandates to a subsidiary with superior resources and capabilities (Dörrenbächer & Gammelgaard, 2010;

Lampón et al., 2015; Szalavetz, 2016), i.e., subsidiary resources and capabilities drawing the parent's positive relative attention. Nevertheless, these studies are mainly concerned with mandate assignment and reallocation, rather than with the subsidiary's renewal of endangered mandates. Additionally, the findings of the thesis suggest that the subsidiary's deployment of specialised resources can lead to long-term retention of renewed mandates through creating the situation of '*continuing resource superiority*'. Thus, when subsidiary mandates are internally contested, it is crucial for the subsidiary to possess and deploy superior resources in order to mitigate internal competition for these mandates and to sustain them (Dörrenbächer & Gammelgaard, 2010; Gilmore et al., 2017; Rugman & Verbeke, 2001). How mandate sustainability can be enhanced by specialised resources through creating the situation of '*continuing resource superiority*' is discussed later in Section 7.2.2, which discusses the individual effects of the factors.

In summary, subsidiaries' renewal of endangered mandates and retention of renewed mandates have not received adequate research attention in the extant literature. The above discussion fills this research gap by discussing the combined effects of the influencing factors, leading to establishment of the following theoretical propositions:

Proposition 12. The renewal of endangered mandates can result from the combined effects of positive corporate supportive attention and the situation of '*non-sustained resource dependence*' that is created through the subsidiary's deployment of specialised resources.

Proposition 13. The renewal of endangered mandates can result from the combined effects of positive corporate relative attention and the situation of '*continuing resource superiority*' that is created through the subsidiary's deployment of specialised resources.

The individual effects of positive corporate supportive attention, the subsidiary's voice, and the subsidiary's deployment of specialised resources on the renewal of endangered mandates are discussed in Section 7.2.2.

7.2.1.3 Mandate Reallocation

This section discusses the findings regarding the combined effects of the influencing factors on parent-driven mandate reallocation.

Combined Effects #1

In the cases of Alpha and Zeta, parent-driven mandate reallocation occurred as the combined effects of: (i) negative corporate relative attention; and, (ii) the situation of either ‘*non-sustained resource dependence*’ or ‘*non-sustained resource superiority*’, which was created by subsidiary-level resources lacking a mobility barrier. The combined effects of these factors on reallocation of international mandates have not been explored in depth in the extant literature. Previous studies have examined the individual effect of negative corporate relative attention, and suggest that there is a likelihood that subsidiaries can lose their mandates to opponent subsidiaries that have relatively high level of specialised resources for carrying out these mandates (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016). The findings from the cases of Alpha and Zeta extend these previous findings by revealing the combined effects of negative corporate relative attention and the mobility of subsidiary-level resources/capabilities on mandate reallocation. Therefore, findings from these two cases provide support for the notion of resource immobility, which suggests that the mobility of subsidiary resources and capabilities across the MNE can threaten the long-term sustainability of a subsidiary’s mandates (Cerrato, 2006; Rugman & Verbeke, 2001). The highly-mobile specialised resources of the two case subsidiaries were: packaging technology lacking tacit knowledge (Alpha); and brand name and regional distribution networks (Zeta). Previous studies suggest that knowledge transfer between the receiver and transmitter can be facilitated by codifiability of the knowledge (Ganesan, Malter, & Rindfleisch, 2005; Teigland, Fey, & Birkinshaw, 2000). More specifically, transferability of codified knowledge such as brand names and trademarks across the MNE’s international operations has been widely acknowledged (Dicken, 2015; Dunning, 1973; Dunning & Lundan, 2008).

It is worth mentioning that the case findings from Alpha and Zeta do not point to the mobility of MNE-level resources (such as corporate brand) and mere machinery and subsidiary-level resources. These findings underline the lack of a mobility barrier in *critical*, subsidiary-level specialised resources that underpinned their lost international mandates as the primary cause for mandate reallocation. An analysis of these case findings adds to the existing literature by exploring intrinsic attributes of these specialised resources (refer to Table 6-7 in Section 6.4).

Attributes of these resources generated the situations that this thesis has referred to as ‘*non-sustained resource superiority*’ and ‘*non-sustained resource dependence*’.

Combined Effects #2

In the case of Beta, parent-driven mandate reallocation resulted from the combined effects of: (i) the MNE’s internal restructuring; (ii) the situation of ‘*non-sustained resource superiority*’ generated by specialised resources; (iii) the parent’s limited attentional capacity; and, (iv) the situation of ‘*unrecognised resource superiority*’ created by specialised capabilities. The combined effects of these factors have not yet been explored in depth. Consistent with prior research, the findings from the case of Beta suggest that mandate reallocation following the MNE’s internal restructuring tends to be related to a high degree of resource overlap between the subsidiaries (Achcaoucaou et al., 2014; Balogun et al., 2011). These findings from the case of Beta extend previous research by providing a new understanding about how resource mobility and the parent’s limited attentional capacity can shape mandate reallocation when the MNE is in the process of internal restructuring. In the Beta case, the mobility of its specialised resources created the situation of ‘*non-sustained resource superiority*’, resulting in the parent’s reallocation of subsidiary mandates underpinned by these resources. This finding is congruent with the notion of resource immobility from the resource-based theory, which posits that resource mobility can threaten mandate sustainability (Cerrato, 2006; Rugman & Verbeke, 2001).

In addition, the parent’s limited attentional capacity in detecting Beta’s superior capabilities to perform the American market mandates resulted in a situation referred to as ‘*unrecognised resource superiority*’. Balogun et al. (2011) find that the parent could filter out important stimuli from the subsidiary (such as the subsidiary’s superior capabilities in achieving responsiveness to the local market requirements) in its decision-making during the MNE’s restructuring process. This could result in its elimination of these capabilities, and subsequently of the subsidiary’s local market mandate. Nevertheless, prior research has not identified the parent’s ‘limited attentional capacity’ as the cause of its negligence of these important stimuli from the subsidiary. The case of Beta reveals that the subsidiary’s international mandates could be unnecessarily lost during the MNE’s internal restructuring

process, when the parent's limited attentional capacity hindered its ability to detect the subsidiary's superior capabilities for carrying out these mandates.

In summary, the multi-lens approach enables the thesis to provide an understanding of the combined effects of the influencing factors on mandate reallocation. These combined effects revealed by the thesis have not previously been explored in depth. These findings lead to formulation of the following propositions:

Proposition 14. Mandate reallocation can result from the combined effects of negative corporate relative attention, and the situation of '*non-sustained resource dependence*' or '*non-sustained resource superiority*', which is created by the subsidiary's specialised resources.

Proposition 15. Mandate reallocation can result from the combined effects of the MNE's internal restructuring, the situation of '*non-sustained resource superiority*', the parent's limited attentional capacity, and the situation of '*unrecognised resource superiority*'.

The individual effects of negative corporate relative attention on mandate reallocation are discussed later in Section 7.2.2.

7.2.1.4 Renewal of Reallocated Mandates

Combined Effects #1

The findings from the three case subsidiaries (Alpha, Beta and Zeta) reveal that the renewal of reallocated international mandates can result from the combined effects of positive corporate relative attention, and the situation of either '*resource parity*', '*non-sustained resource superiority*' or '*continuing resource superiority*' that was created through the subsidiary's deployment of specialised resources. These three subsidiaries have successfully renewed their reallocated international mandates, as they attracted their parent's positive relative attention to their specialised resources. As already discussed above, the parent is more likely to allocate internally-contested mandates to the subsidiary that possesses higher capabilities for performing these mandates (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015). However, previous studies mainly focus on mandate assignment and reallocation, rather than on the subsidiary's renewal of reallocated international mandates. In all three cases (Alpha, Beta and Zeta), their retention of the renewed mandates was contributed to by their deployment of specialised resources, which in turn creates the situation of '*resource parity*', '*non-sustained resource superiority*' or '*continuing resource*

superiority'. Thus, possession and deployment of specialised resources may enhance the subsidiary's ability to cope with internal competition for mandates at least temporarily (Dörrenbächer & Gammelgaard, 2010; Gilmore et al., 2017; Rugman & Verbeke, 2001).

The subsidiary's renewal of reallocated international mandates is still a relatively unexplored area. The findings of the thesis lead to generation of the following theoretical proposition:

Proposition 16. The subsidiary's renewal of reallocated international mandates can result from the combined effects of positive corporate relative attention, and the situation of either '*resource parity*', '*non-sustained resource superiority*' or '*continuing resource superiority*' that is created through the subsidiary's deployment of specialised resources.

7.2.2 INDIVIDUAL EFFECTS

This section discusses the empirical findings about the individual effects of the influencing factors on different events characterising the two patterns of subsidiary role renewal (i.e., renewal of endangered mandates and renewal of reallocated mandates).

7.2.2.1 Mandate Endangerment and Reallocation

The individual effects of the parent's negative relative attention and its limited attentional capacity are evident in the events of mandate endangerment and/or reallocation. They are discussed below.

Negative Corporate Relative Attention

The findings from the cases of Alpha and Iota demonstrate the individual effect of negative corporate relative attention on parent-driven mandate reallocation. Mandate reallocation in these two case subsidiaries resulted from internal competition for mandates. The subsidiary's lack of specialised resources will thus trigger negative corporate relative attention from the parent, resulting in loss of its mandates in these competitions (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015; Szalavetz, 2016). In the cases of Alpha and Iota, negative corporate relative attention was triggered by their higher production costs in comparison to other low-cost units. This negative attention brought about the parent's reallocation of their manufacturing mandates to the latter units. Prior research suggests that there is a tendency for resource-seeking MNEs to reallocate manufacturing mandates of

high-cost units to low-cost units (Szalavetz, 2016). The existing offshoring literature stresses the MNE's search for cheaper labour and locational resources as one of its reasons for its plant relocation out of high-cost subsidiaries (Kemeny et al., 2015; Nachum & Zaheer, 2005; Navaretti et al., 2010). Previous studies on charter removal also suggest that the subsidiaries can lose their charters to rival units with higher levels of specialised resources for carrying out these charters (Dörrenbächer & Gammelgaard, 2010; Lampón et al., 2015). This discussion leads to establishment of the following proposition:

Proposition 17. Mandate reallocation can result from the individual effect of negative corporate relative attention.

Limited Attentional Capacity

The individual effect of the parent's limited attentional capacity deserves some research attention. The findings from the thesis suggest that in the events of mandate endangerment and reallocation, the parent's limited attentional capacity can hinder its ability to detect superior capabilities of the subsidiary. This can in turn create a situation referred to as '*unrecognised resource superiority*'. The case of Eta suggests that misprocessing of an incorrect stimulus by a parent can lead the parent to misallocate negative supportive or relative attention in the event of mandate endangerment. As discussed earlier, corporate executives may often not have enough information about the subsidiary's operations (Bouquet et al., 2016; Rugman & Verbeke, 2003; ul Haq et al., 2017). Their cognitive limitations can undermine their rational decision-making (Birkinshaw & Ridderstråle, 1999; Rugman & Verbeke, 2003). Therefore, they are not always capable of making correct decisions for the subsidiary's operations (Birkinshaw & Ridderstråle, 1999; Bouquet et al., 2016; Rugman & Verbeke, 2003). The effects of the parent's 'limited attentional capacity' on mandate endangerment and reallocation are poorly understood and have not been explored in depth in the extant subsidiary evolution studies. Based on the findings, the following is established:

Proposition 18. The parent's limited attentional capacity can create a situation referred to as '*unrecognised resource superiority*', which can also lead to its misallocation of negative supportive or relative attention to subsidiary mandates.

7.2.2.2 Renewal of Endangered and Reallocated Mandates

The findings of the thesis demonstrate that renewal of endangered and reallocated mandates can result from the individual effects of positive corporate supportive attention, the subsidiary's 'voice', and the subsidiary's deployment of specialised resources. These effects are discussed below.

Positive Corporate Supportive Attention

Prior studies suggest that subsidiary mandates must receive the parent's continuing support in order to enhance their survival (Conroy & Collings, 2016; Rugman & Verbeke, 2001). In the thesis, the findings from the cases of Eta and Alpha provide evidence for the individual effects of positive corporate supportive attention on the renewal of endangered and reallocated international mandates. Interestingly, both Eta and Alpha succeeded in renewing these mandates by striving to gain the parent's positive supportive attention or support for these mandates even without specialised resources or without achieving the parent's recognition of their specialised resources. Adopting a micro-political perspective, prior research looks into how lobbying skills of subsidiary managers can influence headquarters' assignments when subsidiary resources are relatively unspecialised (Dörrenbächer & Gammelgaard, 2006). However, the micropolitical perspective, as noted earlier, focuses more on lobbying tactics of subsidiary managers and their interpersonal relationships with corporate executives. The attention-based perspective, on the other hand, emphasises how legitimacy, value and relevance of stimuli are instrumental in shaping the parent's decision-making (Ocasio, 1997). These are not necessarily the primary foci of a micro-political perspective.

In the case of Eta, its proven capabilities in performing endangered mandates enabled it to gain the parent's continuing support for these mandates or positive supportive attention. This ultimately gave rise to its renewal of these mandates. Thus, in order to gain the parent's positive attention and continuing support, a subsidiary's capability to perform mandates must be promising (Bouquet & Birkinshaw, 2008; Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016).

In the case of Alpha, the fact that its lost international mandates supported corporate long-term objectives activated positive corporate supportive attention. This ultimately brought about its renewal of these reallocated mandates. Research suggests that by committing itself and its activities to corporate objectives, the subsidiary is more likely to capture the parent's positive attention (Bouquet & Birkinshaw, 2008). The case of Alpha extends this notion by demonstrating that by committing to long-term corporate objectives, the subsidiary is able to gain the parent's positive supportive attention, even without specialised resources or proven market performance.

The individual effect of positive corporate supportive attention on renewal of endangered and reallocated international mandates is not well understood in the extant literature. The findings of the thesis lead to formulation of the following proposition:

Proposition 19. Renewal of endangered and reallocated international mandates can result from the individual effect of positive corporate supportive attention.

Subsidiary Voice

The findings of the thesis suggest that the subsidiary's 'voice' is instrumental in activating the parent's positive relative or supportive attention in the process of mandate renewal. More specifically, subsidiary voice can serve as a valuable resource that can direct the parent's positive attention to undetected stimuli. Essentially, in order to trigger the parent's attentional allocation, these stimuli must be legitimate and valuable to the parent (Birkinshaw et al., 2007; Bouquet & Birkinshaw, 2008; Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016).

To date, little detailed research has examined how the subsidiary's 'voice' influences the parent's allocation of relative and supportive attention in the renewal of endangered and reallocated international mandates. Adopting a micro-political approach, Balogun et al. (2011) studied how mandate change is an outcome of reconciliation between voices of parent and subsidiary actors. The findings of the thesis extend this view by underscoring the subsidiary's voice as an instrumental mechanism in shaping the parent's allocation of relative

and supportive attention in the renewal of international mandates. These findings lead to establishment of the following proposition:

Proposition 20. The subsidiary's 'voice' is important in initiating positive corporate relative or supportive attention in the renewal of endangered and reallocated mandates.

Resource Deployment

The findings from the cases of Alpha and Eta suggest that the subsidiaries' deployment of specialised resources has played an important role in their retention of renewed mandates. More specifically, attributes of these resources can determine mandate sustainability. When the resources are mobile and easy to transfer across different subsidiaries, there will be potential to create the situations of '*non-sustained resource dependence*' and '*non-sustained resource superiority*' (see attributes of these resources in Table 6-5 in Section 6.3 and Table 6-9 in Section 6.5). In these situations, the subsidiary's resource deployment can only ensure short-term retention of the renewed mandates. In contrast, if the resources are characterised by a mobility barrier, these resources are more likely to create the situation of '*continuing resource superiority*', which will enhance the subsidiary's retention of renewed mandates on a more prolonged basis (see attributes of these resources in Table 6-5 in Section 6.3 and Table 6-9 in Section 6.5). These findings are congruent with the notion of the resource-based theory, which posits that a mobility barrier must exist in subsidiary resources to ensure mandate sustainability (Cerrato, 2006; Rugman & Verbeke, 2001).

When the subsidiary's resources are perfectly substitutable with other internal resources, these resources would create the situation of '*resource parity*', which can only contribute to the subsidiary's short-term retention of its renewed mandates (see attributes of these resources in Table 6-9 in Section 6.5). This finding is supported by prior studies, which suggest that overlapping resources within the MNE can create severe internal competition, in which the subsidiary can lose its mandates to competing subsidiaries (Birkinshaw & Lingblad, 2005; Dörrenbächer & Gammelgaard, 2010).

How attributes of specialised resources determine sustainability of the renewed mandates has not been explored in depth in the extant literature. Based on the thesis's findings, the following proposition is formulated:

Proposition 21. Through creating the situations of '*non-sustained resource dependence*', '*non-sustained resource superiority*', and '*resource parity*', specialised resources can only contribute to the subsidiary's short-term retention of its renewed mandates, while the specialised resources that are able to create the situation of '*continuing resource superiority*' would contribute to a sustaining retention of the renewed mandates.

7.2.3 SUMMARY

The third research objective (RO3) of the thesis is concerned with exploring how subsidiary contributory role development in terms of 'role renewal' results from the individual and combined effects of the influencing factors derived from the multiple theoretical lenses. This section addressed this objective by developing the 'subsidiary role renewal' framework, which provides insights into the two patterns of subsidiary role renewal (refer to Figure 7-2). Based on this framework, a set of propositions have been developed to examine the individual and combined effects of the influencing factors. More specifically, seven propositions (refer to Propositions 10 to 16) were formulated to analyse the combined effects, and five propositions (refer to Propositions 17 to 21) deal with their individual effects.

CHAPTER 8 - CONCLUSION

The overarching research goal of the thesis is: “to provide insights through a multi-lens perspective into ‘role expansion’ and ‘role renewal’ as the major forms of subsidiary contributory role development and, more specifically, into the different patterns of role development within each of these two major forms”. To achieve this research goal, three research objectives were established. The first objective is to identify the major forms of subsidiary contributory role development (i.e., ‘role expansion’ and ‘role renewal’) and the different patterns of role development within these two forms in terms of changes in the subsidiaries’ product, value-added and geographical mandates. The second and third objectives aim to examine how these different patterns of ‘role expansion’ and ‘role renewal’ can result from the individual and/or combined effects of the influencing factors drawn from the multiple theoretical lenses.

This chapter concludes the research thesis by summarising key findings in relation to the research goal and objectives, and by highlighting theoretical contributions. Following this, practical implications of the findings are outlined. Finally, limitations of the thesis are discussed, and future research directions are provided in order to overcome these limitations.

8.1 KEY FINDINGS AND THEORETICAL CONTRIBUTIONS

The findings contribute to the extant subsidiary development literature by providing an understanding of how role expansion and role renewal can be achieved through the combined and individual effects of the factors drawn from the multiple theoretical lenses. More specifically, the thesis provides detailed insights into the mechanisms through which individual and combined effects of different influencing factors would result in the subsidiaries’ role expansion at five levels and their renewal of endangered/reallocated international mandates. Previous studies were unable to do this. Therefore, these findings serve as the key theoretical contributions of the thesis to the literature by achieving the overarching research goal of the thesis: “to provide insights through a multi-lens perspective into ‘role expansion’ and ‘role renewal’ as the major forms of subsidiary contributory role

development and, more specifically, into the different patterns of role development within each of these two major forms”.

8.1.1 SUBSIDIARY ROLE EXPANSION

The thesis makes its first key theoretical contribution to the subsidiary development literature by developing the ‘subsidiary role expansion’ framework and by deriving the theoretical propositions from the framework to explain the five levels in subsidiary role expansion. The thesis addresses the first and second research objectives in the following ways. First, by identifying the five levels of subsidiary role expansion (refer to Chapter 5), the thesis achieved its first objective, which aims to identify the major forms of subsidiary contributory role development (i.e., ‘role expansion’ and ‘role renewal’) and the different patterns of role development within each of these major forms. Previous studies have not clearly identified these specific forms of role development. Second, by providing a detailed understanding regarding the individual and combined effects of the influencing factors on subsidiary role expansion at these five levels, the thesis addressed the second research objective, which aims to explore the individual and combined effects of these factors on subsidiary role expansion.

More importantly, empirical findings, the emergent ‘subsidiary role expansion’ framework, and the derived propositions contribute to the subsidiary development literature as follows. First, they put forward the understanding that subsidiary roles can expand at five different levels and that the role expansion is shaped by a combination of: *(i)* presence or absence of positive corporate attention; *(ii)* the respective patterns of linkage formation; *(iii)* institutional forces in local, internal and/or transnational settings; and, *(iv)* deployment of specialised resources by the subsidiary.

Second, the emergent ‘subsidiary role expansion’ framework contributes to theory-building by explicitly suggesting that presence or absence of positive corporate attention determines subsidiary role expansion at five levels. Through the lens of the attention-based theory, the thesis explores how relative and supportive attention from the parent influence subsidiary role expansion. Based on the data analysis, the framework unveils the three theoretical properties of positive corporate attention: *(i)* combined or individual actuation; *(ii)* recurrence; and, *(iii)* function. These properties form the basis for understanding the mechanism through which positive corporate attention influences the five levels of

subsidiary role expansion. Thus, the framework extends the subsidiary development literature with the attention-based theory.

Third, the emergent ‘subsidiary role expansion’ framework adds to the subsidiary development literature by providing insights into the patterns of linkage formation that drives subsidiary role expansion. While previous studies have examined influences of the subsidiary’s network linkages on subsidiary role development, they tend to narrowly focus on a single type or the dual types of linkages, such as the ‘technical’ type of internal and/or external (local) linkages (Achcaoucaou et al., 2014; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011). However, while developmental prospects of the subsidiary’s contributory role can also arise from establishment of ‘business’ type linkages with global network actors, these linkages have not received adequate empirical attention. In addition, a distinction between ‘low’ and ‘high’ degree technical embeddedness (i.e., ‘adaptation’ type external technical linkages versus external ‘technical’ embeddedness) is unclear in previous studies (e.g., Athreye et al., 2016; Athreye et al., 2014). The emergent ‘subsidiary role expansion’ framework developed in the thesis fills these research gaps by identifying the patterns of linkage formation that are determined by the combinations of different types (i.e., ‘technical’ and ‘business’ types) and degrees (i.e., from ‘arms-length’ to high degree embedded linkages) of internal and external (local and global) embeddedness. This framework thus offers a more detailed understanding.

The thesis has also extended the extant subsidiary development literature with the GPN theory. The GPN theory sees a foreign subsidiary as having potential to develop different types of network linkages with actors from different spatial scales ranging from local to global (Henderson et al., 2002). Through the GPN theory lens, the thesis examined patterns of linkage formation, taking into consideration different types of internal, external local and external global network linkages. Prior research has not paid enough attention to how external global network linkages of the subsidiaries contribute to the development of their contributory role (see Achcaoucaou et al., 2014, 2017; Figueiredo, 2011, 2013; Figueiredo & Brito, 2011; Pu & Soh, 2018). By providing an in-depth understanding of contributions of these global linkages, the framework developed in the thesis extends the extant subsidiary development literature with the GPN theory. The findings of the thesis, for instance, provide evidence that external global ‘technical’ embeddedness and ‘adaptation’ type external global

linkages can shape the development of the region implementer and world mandate (autonomous driver) roles. Likewise, the findings illuminate how external (global) ‘business’ embedded linkages can contribute to the subsidiary’s expansion of its international responsibilities in product, value-added and geographical areas when developing the regional implementer and world mandate (production innovator) roles.

Fourth, the emergent framework adds to the subsidiary development literature by providing insights into the way in which institutional forces in different settings (local, internal and transnational) influence subsidiary role expansion at various levels. By doing so, the framework extends this body of literature with institutional theory. The framework demonstrates how subsidiary role expansion at various levels can be facilitated by the host country’s: (i) skill development system (including its university education system, and vocational education and training system); (ii) stringent regulatory framework; and, (iii) financial credit system. The influences of these local institutional forces on subsidiary role expansion at various levels have not been adequately understood in the existing literature of subsidiary development.

Likewise, how isomorphic pressures imposed by internal and transnational institutions influence the various levels of subsidiary role expansion has not yet been explored in depth in this body of literature. An institutional perspective allows the data analysis to go beyond a simple search for constraints imposed by regulative institutions in transnational settings. Through this theoretical lens, the framework deepens the understanding of how internal institutions and the different dimensions of transnational institutions (i.e., regulative, normative and cultural-cognitive dimensions) influence subsidiary role expansion at different levels. By doing so, the framework fills the identified research gap.

Finally, the emergent ‘subsidiary role expansion’ framework contributes to the subsidiary development literature by providing insights into how the subsidiary’s deployment of specialised resources contributes to expansion and sustainability of its contributory role (international responsibilities). This research area has not yet been explored in depth. Building upon the resource-based and resource dependence theories, and combining them with the empirical data, the framework identifies five combination patterns of intrinsic attributes of resources, and explores how each of these determines the subsidiary’s ability to

expand and retain its contributory role (refer to Table 5-18 in Section 5.7). By doing so, the framework extends the extant subsidiary development literature with the resource-based and resource dependence theories.

8.1.2 SUBSIDIARY ROLE RENEWAL

The second key contribution of the findings lies in identification of two patterns of subsidiary role renewal, and the development of the ‘subsidiary role renewal’ framework and the propositions derived from the framework. In addressing the first research objective, which aims to identify different forms and patterns of subsidiary role development, the thesis has identified renewal of endangered mandates and renewal of reallocated mandates as the two patterns of subsidiary role renewal (Chapter 6). Previous studies have primarily focused on expansion of ongoing subsidiary roles, rather than on subsidiary role renewal. To date, only a few studies (e.g., Balogun et al., 2011) have examined subsidiary role renewal. Nevertheless, the work by Balogun et al. (2011) seeks to understand the subsidiary’s renewal of the lost local market mandate, rather than renewal of the lost contributory role (international responsibilities). The level of intra-firm competition for a local product/market mandate may not necessarily be as intense as for that for international ones. Thus, previous studies on subsidiary development are unable to provide enough insights into these two patterns of subsidiary role renewal.

More importantly, guided by existing theories, the empirical findings and the resulting emergent framework have provided new insights into the individual and combined effects of the influencing factors on events characterising these two patterns of subsidiary role renewal. By doing so, the thesis has fulfilled two tasks simultaneously. First, it extended the subsidiary development literature with these theories. Second, it served to achieve the third research objective, which deals with examining the individual and combined effects of the influencing factors derived from these theories on subsidiary role renewal.

Through providing the empirical findings regarding the events of mandate endangerment and reallocation, the thesis has contributed to the subsidiary development literature by identifying combined and individual effects of the various influencing factors. These factors are: (i) negative corporate attention; (ii) the MNE’s internal restructuring; (iii) the parent’s limited attentional capacity; and, (iv) the subsidiary’s specialised resources that failed to attract the

parent's recognition, that lacked a mobility barrier, and/or that were unable to create the MNE's resource dependence. The empirical findings regarding intrinsic attributes of the subsidiary's specialised resources and their influences on mandate endangerment and reallocation have also contributed to the literature (refer to Tables 6-3 and 6-7 in Chapter 6). The patterns of combined effects identified by the thesis, and the individual effects of the parent's limited attentional capacity, have not previously been explored in depth. Therefore, these findings extend previous studies.

Renewal of the subsidiary's endangered and reallocated international responsibilities has not been explored in depth in the extant subsidiary development literature. The emergent framework and the findings contribute to this body of literature by illuminating the combined and individual effects of the influencing factors on mandate renewal. Except for the cases of Alpha and Eta in which mandate renewal also resulted from individual effects of the influencing factors, mandate renewal for all the remaining cases was generated by the combined effects of positive corporate attention and the subsidiaries' deployment of specialised resources. In these cases, positive corporate relative/supportive attention served as the important facilitators of mandate renewal, while the subsidiaries' deployment of specialised resources enabled their short-term or long-term retention of the renewed mandates. Moreover, by identifying stimuli drawing the parent's positive attention in these mandate renewal events, the thesis also adds to the body of the subsidiary development literature (see a summary of these stimuli in Tables 6-4 and 6-8 in Chapter 6).

In addition, the findings and the emergent framework deepen the understanding of the individual effects of positive corporate supportive attention, the subsidiary's voice and the subsidiary's deployment of specialised resources on mandate renewal. First, based on the cases of Alpha and Eta, the data analysis shows the individual effects of positive corporate supportive attention. The findings from these two cases demonstrate that the subsidiaries have potential to renew endangered or reallocated mandates, even without any specialised resources or without achieving the parent's recognition of their specialised resources. In these two cases, the subsidiaries' capacity to capture positive corporate supportive attention is revealed to be the prime cause behind their mandate renewal. By identifying stimuli that initiate positive corporate attention for mandate renewal (see a summary of these stimuli in Tables 6-4 and 6-8 in Chapter 6), the findings from the two cases also add to the body of

literature. Second, the findings and the emergent framework contribute to the literature by deepening the understanding of how the subsidiary can use its ‘voice’ as a means for shaping the process of the parent’s attentional allocation in the renewal of endangered and reallocated mandates. Third, the thesis identified combination patterns of intrinsic attributes of the subsidiaries’ specialised resources and explored how each of these combination patterns determines how long they can retain the renewed international mandates (refer to Tables 6-5 and 6-9 in Chapter 6). By doing so, the thesis contributes to the literature through demonstrating the effects of the subsidiaries’ resource deployment.

8.2 PRACTICAL IMPLICATIONS

The findings of the thesis have practical implications for: (i) subsidiary managers; (ii) headquarters executives; and, (iii) policymakers.

The practical implications of the thesis are evident for subsidiary managers. The two emergent theoretical frameworks and the derived propositions are helpful to subsidiary managers in terms of providing important insights regarding subsidiary contributory role development. From these two frameworks and the associated propositions, subsidiary managers should be aware of the significance of positive corporate attention to subsidiary role expansion and role renewal. More importantly, the emergent ‘subsidiary role renewal’ framework highlights the subsidiary’s ‘voice’ as an important mechanism in shaping the process of the parent’s attentional allocation in the renewal of endangered and/or reallocated international mandates. The subsidiary’s ‘voice’ is especially imperative when important stimuli (such as its superior resources) remain undetected by the parent. In addition, these two frameworks could also serve as useful tools for subsidiary managers to analyse attributes of their resources, and to predict the intensity of internal competition for their contributory role.

The emergent ‘subsidiary role expansion’ framework has identified different types of linkages in order to fulfil and expand a particular type of contributory role. Subsidiary managers should be aware that a dependence on a particular type of linkage is not sufficient to develop some types of contributory roles, such as the regional implementer, regional/world mandate (production innovator) and world mandate (autonomous driver)

roles. To fulfil and expand these types of contributory roles, subsidiaries need to simultaneously establish different types of internal and/or external linkages.

When striving to fulfil or extend a contributory role, subsidiary managers need to be aware of institutional expectations from their foreign markets. Regulative institutions of these markets can be easily observable, given their coercive nature. Complying with these regulative institutional forces is imperative for the subsidiary's expansion into and its new product launches in these markets. The thesis also highlights the need to comply with normative and cultural-cognitive dimensions of transnational institutions. Although these institutional forces are not coercive in nature, complying with them is important for the subsidiary to enhance legitimacy and long-term survival of international mandates in the foreign markets.

For corporate managers, the thesis highlighted the subsidiary's 'voice' as a valuable resource for the parent's decision-making and attentional allocation. It is difficult for corporate executives to have sufficient or complete information about the subsidiary's operations. Therefore, it is likely that they may not always be in a position to make fully informed decisions (Bouquet et al., 2016; Rugman & Verbeke, 2003). The empirical findings of the thesis suggest a tendency of corporate executives to misallocate negative attention to the subsidiary as a result of their misprocessing of a 'wrong' stimulus, resulting in endangerment and reallocation of subsidiary mandates. The findings reveal that in such situations, decision-making and attentional allocation of the parents become more effective, when they listen to the subsidiary's 'voice'.

The findings suggest that subsidiaries contribute to the economy of the host country by generating export revenues and providing employment (Birkinshaw & Hood, 1997). Therefore, the host country should encourage and promote development of subsidiary contributory roles. For countries with a weak skill development system, the findings highlight the need to formulate policies in order to elevate their skill development system. In essence, these policies and regulations need to aim at elevating the country's university education system and vocational education and training system. The findings of the thesis suggest that these two constituents of the country's skill development system are the

important sources of human capital that have potential to contribute to subsidiary role expansion.

For policy makers in countries with a weak financial credit system, the thesis emphasises the need to promote their financial credit system in order to facilitate development of subsidiary contributory roles. The empirical findings of the thesis have shown that the host country's financial credit system is critical to this development. Prior research suggests that state-level actions such as enacting economic reform policies and passing regulations safeguarding creditors and aiming at bank efficiency are crucial in promoting the country's financial credit system (Chortareas et al., 2013; Levine et al., 2000; Sufian & Habibullah, 2010).

The thesis highlights the facilitating role of the regulatory framework in the host country in terms of its stringency on subsidiary role expansion. The findings have implications for policy makers, as they indicate that in the industrial sectors (such as the electronic, plumbing and building sectors) where health and safety of the population are paramount, major foreign markets increasingly require importers to conform to their domestic regulations. In such situations, a similar stringency level of regulations between the host and foreign markets enabled the case subsidiaries' expansion of international responsibilities in product and geographical areas.

8.3 LIMITATIONS, AND DIRECTIONS FOR FUTURE RESEARCH

Like other research, this present research has limitations. Its main limitations are: (i) one-person coding; (ii) the 'resource deployment' category requiring further exploration; (iii) generalisability; (iv) use of retrospective data; and, (v) a subsidiary perspective. These limitations are discussed below. Future research directions are provided in order to overcome these limitations.

One-person coding. The study's data analysis was only performed by the author of this thesis. Although a unified coding system was developed and implemented in the study, it is acknowledged that other people could interpret the same data in different ways, which could result in different theoretical codes being applied to the same data (Intezari, 2013).

The 'resource deployment' category requiring further exploration. The present study has been able to examine the detailed influences of deployment of specialised resources by the subsidiaries in the expected depth. Future research is however recommended to further explore the 'resource deployment' dimension of the emergent 'subsidiary role renewal' framework. First, the thesis was unable to determine sustainability of the renewed international responsibilities in situations where the subsidiaries regained these responsibilities without possessing any specialised resources, or without achieving the parent's recognition of their specialised resources. This area needs further exploration.

Second, the thesis was unable to evaluate the strength of the contribution made by subsidiary resources that create the situation of '*continuing resource superiority*', relative to those generating the situations of '*sustained resource dependence*' and '*continuing resource dependence*', to long-term mandate sustainability. The findings of the thesis suggest that when specialised resources possess the characteristic of a mobility barrier, the subsidiary's deployment of these resources can inhibit the successful undertaking by rival counterparts of international mandates of the subsidiary. Nevertheless, the findings did not provide insights into how the existence of internal substitutes for resources that are able to create the situation of '*continuing resource superiority*' might have implications for mandate sustainability. Future research could address this limitation.

Generalisability. Based on the empirical findings from nine subsidiary cases, the thesis as exploratory research has developed two conceptual frameworks and derived theoretical propositions. There is an issue of to what extent these frameworks and propositions could be generalised. Future studies using larger samples are recommended to test and verify these frameworks and propositions in different settings.

Use of retrospective data. Similar to most previous studies on subsidiary development (Birkinshaw & Hood, 1997; Dimitratos et al., 2009; Dörrenbächer & Gammelgaard, 2006, 2010; Rezende et al., 2014; Sandvik, 2010), this thesis relied on retrospective data. As informed by the first round of data collection, the paths of the subsidiaries' roles are long-term processes, which can take more than five years. A longitudinal research design to study these paths is difficult because of the time constraint of a PhD thesis. Thus, like most previous studies on subsidiary development, the thesis had to rely on retrospective data to study these

long-term role expansion paths (Birkinshaw & Hood, 1997; Dimitratos et al., 2009; Dörrenbächer & Gammelgaard, 2006, 2010; Rezende et al., 2014; Sandvik, 2010), while bearing in mind a risk of retrospective biases. Although considerable efforts were taken to minimise this retrospective bias, including comparing the findings from the participants, and triangulating the interview data with the secondary data (Birkinshaw & Hood, 1997; Piekkari et al., 2010; Rezende et al., 2014), a longitudinal study would be more effective to examine the dynamic process of subsidiary role development.

A subsidiary perspective. The thesis has examined subsidiary role development from a subsidiary perspective. While this perspective is helpful to gain an in-depth understanding of how subsidiaries would develop their contributory roles, future research could examine this subject by considering the perspective from the headquarters.

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APPENDIX 1 - CASE STUDY PROTOCOL

The Data Collection Procedures

- An invitation letter is sent to the CEO/MD of the chosen subsidiary company.
- A week after the invitation letter is sent, he/she is telephoned to know his/her decision to participate in the study and to arrange an interview upon his/her consent.
- The details and the purpose of the study are explained in the Respondent's Information Sheet.
- Informed Consent Form to be signed by the respondent.
- The respondent is asked to recommend other potential participants within the company.

Case Study Questions

- Identify major historical time periods and events (i.e., role expansion, mandate reallocation, and mandate renewal) within the subsidiary's developmental path.
- Identify influencing factors for each of these periods and events.

The Parent Company

- Describe the parent company's motivations for its investments, its allocation of resources, and its assignment/removal of mandates, and determine whether these activities were the results of its relative or supportive attention.
- Describe, if any, the subsidiary's attention-seeking strategies.

The Subsidiary's Internal and External Environments

- Explore contributions of the subsidiary's local environment (its network interactions with local organisations, its local employees, and the host country's environment) to its expansion of international responsibilities.
- Explore contributions of the subsidiary's network linkages with global and internal actors to its expansion of international responsibilities.
- Explore, if any, the effects of institutional pressures from external transnational setting.
- Explore, if any, the effects of isomorphic pressures from internal setting.
- Explore, if any, how the subsidiary responds to institutional pressures from internal and external settings.

Resource Deployment

- Identify specialised resources contributing the subsidiary's role development.
- Determine whether they are overlapping or non-overlapping resources, and the extent to which they can cope with internal competition for mandates and contribute to mandate sustainability.
- Describe what specialised resources are possessed by sister subsidiaries, if mandate reallocation occurred.
- Describe, if any, how other resource conditions (e.g., corporate recognition and mobility barrier) affect the subsidiary's role development.

APPENDIX 2 - INTERVIEW SCHEDULE

Interview Schedule

Background

- 1 Could you please give me a brief outline of a historical timeline of geographical expansion into international markets? At present, which markets are your products sold to?
- 2 (The respondent is shown a list of products (obtained from the subsidiary's website))
 - 2.1 Could you please give me a brief outline of the historical timeline of the development of these products?
 - 2.2 How about product enhancement? Could you please tell me some examples of features that have been enhanced for these products?
 - 2.3 Where did the development (or feature enhancement) of these products take place?
- 3 How were marketing activities, such as promotion, managed? Distribution channels? After-sales services? Probe to determine if they were shared with the parent company.
- 4 In the history of this company, has this subsidiary company acquired a local or overseas company? How about a joint venture agreement with local or non-local firm(s)? If yes, when did it occur? What were their inputs into this subsidiary company?

Checklist

- Identify major historical time periods within the subsidiary's role expansion path, and other role change events (mandate loss and mandate renewal).
- 5 What opportunities gave rise to _____ in _____? How about contributions of the parent company? New Zealand-based advantages?

The Subsidiary's External Environments

- 6 Probing questions to explore contributions of the subsidiary's local and global environments:
 - 6.1 (If new product development or enhancement occurred locally), probe to determine: (1) approximate number of New Product Development team members; (2) their qualifications (where they graduated from, New Zealand or overseas?); or, (3) where they gained industrial experience.
 - 6.2 How about their contribution to process innovation of this subsidiary, for example, improving processing methods, technology or equipment?
 - 6.3 What were contributions of New Zealand-based organisations to development (or feature enhancement) of these products? To process innovation? To development of business practices (marketing and after-sales services)? What kind of organisations were they?
 - 6.4 What were contributions of overseas organisations (e.g., global suppliers, global customers, overseas R&D institutions, etc.) to development (or feature enhancement) of these products? To process innovation? To development of

business practices (marketing and after-sales services)? What kind of organisations were they?

The Parent Company

- 7 Did this New Zealand operation receive any financial support from the parent company during the period between _____? How about the parent's transfer of other valuable resources, technologies, and business practices from the multinational group during the period between _____? How about other opportunities, for example, its assignment of new responsibilities to serve a particular market or to produce a particular product?

If **Yes** to Question 7,

7.1 Probe to determine when they were received.

7.2 What were purpose(s) of this investment (this resource transfer, or this assignment of responsibilities)?

7.3 In your opinion, what motivated your parent company to invest in this subsidiary (to transfer such resources to this subsidiary, or to assign these responsibilities to this subsidiary)?

7.4 How did you convince your parent company to get these resources or investments?

- 8 (If mandate reallocation or endangerment occurred), what were the parent company's motivations to make such a decision?
- 9 (If mandate renewal occurred), what motivated your parent company to reassign these responsibilities to you? How did you convince your parent company to reacquire these responsibilities?

Resource Deployment

- 10 Did other sister subsidiaries within the group also serve products you are offering or products similar to yours into the international markets?

10.1 If yes, which products are they from this list? Why? Explore specialised resources of the subsidiary and other subsidiaries (in terms of R&D expertise, production efficiency, access to the market, access to distribution channels, access to low cost resources, etc.)

10.2 If no, why? Could you please describe the degree of importance of your product offerings to the parent company's strategies or survival?

- 11 Did you receive approval from your parent company to serve these products into the international market? How did you negotiate with the parent company to get their approval to serve these products into the international market?

- 12 In the history of this company, has this subsidiary company contributed to the multinational group, for example, in terms of supplying inputs to the multinational group? Probe to determine what they were, when, and where these inputs were developed?

12.1 How did you transfer these expertise or technologies? Probe to determine whether these transfers included extensive air travel, face-to-face meetings or just merely codified knowledge, and why.

- 13 Were there situations that you transferred your product or process technology or expertise to other sister subsidiaries so that they could produce a particular product(s) in their locations?

- 13.1 When? Why? Please give me a brief description of this technology or expertise? How did you transfer this expertise or technology? Probe to determine whether these transfers included extensive air travel, face-to-face meetings or just merely codified knowledge, and why.

Institutions

- 14 Have you ever adopted product- and process-related standards/practices from the local and international environments that are not from your parent company?
- 14.1 What aspects of your operations were affected by these standards/practices? (for example, product design, product quality, production and processing, sourcing and purchasing raw material, etc.)
- 14.2 Why was there a need to adopt these standards? How did you respond to them?
- 15 What influences did your parent company have on this subsidiary company's product design, such as packaging, product design specification or product standard? Production/processing methods? (e.g., their requirements for you to comply with the group's global quality standards etc.)
- 15.1 How did you respond to them?

Other New Questions

The following questions were added to the original interview schedule during the data collection process.

- 16 Did you receive any financial loans or resources from New Zealand institutions such as banks to fund your product development or business area expansion?
- 17 Are there other foreign regulations that New Zealand regulations do not cover? To what extent are these regulations different from/overlap the New Zealand regulations?
- 18 Did you gain access to new markets through the parent's distribution channels? Through peer units in the foreign markets? If yes, which markets? When? What were exported to these new markets?

APPENDIX 3 - CODING TABLE

Table A-1: Coding table for identifying combination patterns of resource attributes and analysing their effects

| Was this resource(s) or capability(ies) an overlapping one(s)? If No, | | Attributes of subsidiary resource(s) | | | | Was it recognised by the parent? | Did it incorporate a mobility barrier? | Situation generated by resource attributes | Contribution to the subsidiary's role expansion | Sustainability of the subsidiary's contributory role and international mandates | Implications on the type of event |
|--|--|--|--|---|---|----------------------------------|--|--|---|---|-----------------------------------|
| | | Was it non-substitutable with internal alternatives? | To what extent was it easily substitutable with external alternatives? | Was it strategically important to the MNE? | If Yes, Was it superior to resources of the other units? | | | | | | |
| Was it scarce? | Was it non-substitutable with internal alternatives? | To what extent was it easily substitutable with external alternatives? | Was it strategically important to the MNE? | If Yes, Was it superior to resources of the other units? | Was it perfectly substitutable with internal alternatives? | Was it recognised by the parent? | Did it incorporate a mobility barrier? | Situation generated by resource attributes | Contribution to the subsidiary's role expansion | Sustainability of the subsidiary's contributory role and international mandates | Implications on the type of event |
| | | | | | | | | | | | |

APPENDIX 4 - CODING STRUCTURE

Table A-2: Coding structure

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|--|---------------|-----------------------------------|---|--|
| Extension of only the geographical mandate | - | - | A dearth of positive corporate attention | “We weren’t really mandated. ... [The parent] kept us independent. So, we just carried on specialising in our area of technologies.” (MD, Beta) |
| | - | - | ‘Arms-length’ type internal and external linkages | “We had no real communication with the R&D department in [the parent’s home country] either.” (MD, Beta) “We have contacts with different suppliers [in New Zealand]. ... We contact [customers in] foreign countries ... to develop some markets.” (MD, Delta) |
| | Institutions | - | Transnational regulative institutions | “We would not be able to sell our equipment into America [until 2007] because the [type of chemical] that we used was not FDA-approved.” (former MD, Beta) (FDA - Food and Drug Administration (the US regulatory body)) |
| | | Local institutional factors | Skill development system (university) | The in-house engineering team of Beta consisted of product engineers with New Zealand university qualifications in engineering and chemical engineering. They carried out product adaptations to meet the American regulatory and market requirements, thereby facilitating the subsidiary’s market expansion. |
| | | | Regulatory framework | Proximity in food safety regulations between New Zealand and new markets of Delta facilitated the subsidiary’s expansion into these markets. |
| Resource deployment | | Non-sustained resource dependence | | The food A and B machinery technologies of Beta created the parent’s resource dependence in 2007 when the US FDA approval for these technologies enabled the subsidiary’s expansion into new markets. They were scarce, non-substitutable with internal resources, not easily substitutable with external ones, recognised by the parent, and strategically important to the group’s product portfolio from the year 2007. Nevertheless, they lacked a mobility barrier. |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|---|------------------------------|------------------------------------|--|---|
| | | | | <p>“[The parent was] very interested in the synergy between [our food A machinery technology] and [their machinery technologies]. ... They wanted to marry our equipment into their equipment.” (former MD, Beta)</p> <p>“No, they [the parent] didn’t” [have our machinery technologies until 2010] (MD, Beta)</p> <p>“When we did get the [FDA] compliance, [the parent] left us alone for quite a while to concentrate on that US market ... When we got it [the US FDA approval], we managed to capture the US market. That was enough. We were very busy for the US market.” (MD, Beta)</p> <p>In 2013, Beta transferred its food A and B machinery technologies to the parent company through “documentation and drawings” (MD, Beta)</p> |
| | | Non-sustained resource superiority | Overlapping, superior resources lacking a mobility barrier | <p>A mobility barrier is absent in overlapping, specialised resources of Delta, i.e., its trading relationships with New Zealand suppliers and overseas customers. Only one or two face-to-face meetings in a year with them were needed. Air travel and advanced communication technology can increasingly enable other subsidiaries to easily develop and maintain similar types of relationships from their locations.</p> <p>“It’s not necessary to meet face-to-face with a [New Zealand] supplier more than three times a year for our overseas clients. Once or twice a year is enough because we speak to them on a regular basis. ... None of our overseas customers comes to New Zealand.” (Trading manager, Delta)</p> |
| Development of the rationalised operator role | Positive corporate attention | Individual actuation stimulus of | <p>Locational advantage drawing relative attention</p> <p>Production capability drawing relative attention</p> | <p>“[In those times], it was cheaper to make [the group’s beef products] in New Zealand than it was in America [the parent’s home country].” (CEO, Alpha)</p> <p>“[The parent company] said that this [New Zealand] company is good at making parts which are made from brass bars. ... Their machines over there are totally different; they’re not suitable for that [making these new products].” (CEO, Theta)</p> |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------|------------------------------|-----------------------------|--|--|
| | | - | Recurrence | “This is a new product [...] [developed by the group] [...] in 2010. ... [Another new product] is not in [this office]. That’s a new product [given by the parent]. ... [These products] are suitable to our equipment” (CEO, Theta) |
| | | - | Function of ‘active contributor’ | “[The parent] would send [us] a drawing of that [new product].” (CEO, Theta) |
| | Pattern of linkage formation | - | ‘Capability acquisition’ type internal linkages | “We actually utilise those [the product formulae developed by the parent] for a long time to make them [products] for the US market.” (Technical manager, Alpha) |
| | | - | ‘Arms-length’ type external linkages | “We negotiate with the various companies [like meat companies and seasoning suppliers] we work with to make sure they are going to be able to supply us.” (CEO, Alpha) |
| | | - | ‘Adaptation’ type external linkages | “A New Zealand company ... refined [this production system].” (Commercial manager, Alpha) |
| | Institutions | Local institutional factors | Skill development system (vocational and university) | Production-level training at the founding stage of Alpha was provided by Skill New Zealand (the state-owned vocational training institute) (Newsletter, 2006, Alpha). “One of my [New Zealand] post-graduate [qualifications] is in meat industry operations. It is looking at the operations of the meat industry. ... [Some of] my QA staff have [...] a level 2 or level 4 qualification in food [safety]. It [is for] basic food hygiene requirements.” (Technical manager, Alpha) [QA - Quality Assurance] |
| | | | Regulatory framework | “The [New Zealand government] works very hard to [make sure] ... that our programme [the New Zealand standard] meets those requirements [the regulatory requirements of the foreign markets]. ... They [the New Zealand standards] are almost like the minimum standards that you have to apply to if you export to the multiple countries.” (Technical manager, Alpha) |
| | | - | Internal institutions | “The original standards came from [the parent company in] the USA. [The ultimate objective is] to get consistency so that New Zealand products match American products and you cannot tell the difference.” (Technical manager, Alpha) |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|--|------------------------------|-------------------------------------|---|---|
| | | Transnational institutions | Regulative institutions | The new plumbing products of Theta comply with the Plumbing Code of Australia (fieldnote, Theta). |
| | | | Normative institutions | “It [name of the international food safety standard] is now very much adopted by the US market.” (Technical manager, Alpha). The large US supermarket chains through which products of Alpha are sold express their normative obligations to provide safe foods to consumers in public releases such as their websites and reports. |
| | Resource deployment | Resource parity | Perfectly substitutable resources | The rationalised operator role of Alpha was underpinned by the low price of New Zealand beef. This location advantage was perfectly substitutable with that of other units. For example, the group’s other subsidiaries, such as the Brazilian unit, also offer the parent such a low-cost location advantage (Newsletter, 2006; 2009). |
| | | (Non-sustained) resource dependence | Non-overlapping, strategically important resources lacking a mobility barrier | The brass bar machines of Theta as a type of non-overlapping resources were strategically important to making the group’s plumbing products that can be made only from these machines, thereby creating the parent’s resource dependence. Nevertheless, these machines can be easily shipped to the home country (fieldnote, Theta). |
| Development of the regional implementer role | Positive corporate attention | Combined actuation stimuli #1 | Market access-related drawing relative attention | “It is not cost competitive [to bring products from North America to Australia and the Asian markets].” (Regional director, Iota) |
| | | Combined actuation stimuli #2 | Proven capability drawing supportive attention | “If we can prove that it is [new products are] going to make money for the corporation, then we will get a yes [from the parent]. If it does not meet the [return-on-investment] threshold that we have in the company, then we will not be allowed to do it [to launch these products].” (Regional director, Iota) |
| | | | Market access-related drawing relative attention | “[We] can finish [the installation] in a month. ... If you give me the order today and I import it from somewhere else [from Europe or North America], you are going to have to wait for three months.” (Regional director, Eta) |
| | | | The MNE’s long-term strategic | “He’s [the CEO’s of the group] believed in the long-term potential of synthetic grass. So, he’s continued to invest in and support his business” (Regional director, Eta) |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------|------------------------------|-----------------------------|---|---|
| | | | interest drawing supportive attention | |
| | | - | Recurrence | “We probably have a variation of products [...] or upgrades, about every two to three years. ... [Every project has] a return-on-investment calculation.” (Regional director, Iota) |
| | | - | Function of ‘active contributor’ | “The original technology came out of the US for that product” (Architectural specification manager, Iota). “They [the parent would] say, “Here is the new range of products. You need to look to see if you can sell them.”” (Regional director, Iota) |
| | Pattern of linkage formation | - | ‘Capability acquisition’ type internal linkages | “Products might be developed by one of our sister companies. [If that product will work in Australia and New Zealand, we’ll adopt that product.” (Regional director, Eta) |
| | | - | ‘Adaptation’ type external linkages | “Some of the toolings ... might be made by an outside toolmaker to our drawings, specifications.” (Technical manager, Iota) |
| | | - | External business embeddedness | “[We would] send our installation teams to [the foreign markets] and assist our sales partners to actually do the installation and build up the skills themselves. ... We do support our sales agents in the Asia-Pacific region by providing expertise that we’ve developed over many years that they don’t possibly have.” (Regional director, Eta) |
| | | - | ‘Arms-length’ type internal linkages | “[We entered India] in early 2000 [through our sister sales units].” (Architectural specification manager, Iota) |
| | Institutions | Local institutional factors | Skill development system (university) | “We have [people with] a [New Zealand] engineering degree and a PhD down to people that have a trade qualification. ... [Our] structural engineer [holds] a New Zealand [degree] in structural engineering.” (Regional director, Iota). “Regulatory compliance requirements have gone up. ... [The structural engineer] makes sure that everything is done to [these regulations]” (Architectural specification manager, Iota). |
| | | | Regulatory framework | “Most codes and regulations in the developed countries around South East Asia have a cross reference to a British standard, an American standard or an Australian New Zealand standard.” (Regional director, Iota) “The New Zealand standards are ... the equivalent of or in some cases a little bit higher [than the British standards].” (Architectural specification manager, Iota) |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|---|------------------------------|--------------------------------|--|--|
| | | - | Internal institutions | “[There is] an internal minimum level for quality, reliability, strength. There will be a specification set down. These products must meet this.” (Technical manager, Iota) |
| | | Transnational institutions | Regulative institutions | “[Australia has] a lot of cyclonic regions up round Darwin up in the north. So, they have to do a lot of extra [requirements] that we don’t have in New Zealand.” (Technical manager, Iota) |
| | | | Normative institutions | “You have to have your surface accredited to [an international] standard for a tournament to be played on it. So, it is a requirement for any professional sporting tournaments to have that. ... It is an industrial standard that you need to have.” (Production manager, Eta) |
| | | | Cultural-cognitive institutions | “They [customers] are fully aware of [international standards]. They know there is a FIFA standard, and there are a lot of consultants out there.” (Technical manager, Eta) (FIFA - International Federation of Association Football) |
| | Resource deployment | Continuing resource dependence | Immobile, dependence-creating resource that is substitutable with external one | In the cases of both Eta and Iota, their geographical position is a type of non-overlapping capabilities for gaining access to the Asia-Pacific market. These capabilities cannot be easily transferred to other subsidiaries in North America and/or Europe because of a longer freight time or cost from these subsidiaries. The geographical position as a resource can be substitutable with external alternatives, i.e., other locations geographically proximate to the markets. For instance, following the American parent’s entrance into a joint venture in 2013 with an Australian company that has low-cost manufacturing plants in Asia, Iota lost some of its low-cost product lines to these Asian units. “[The group] gained capacity within the JV partner that has a number of small low cost, simple grid manufacturing plants [in Asia].” (Regional director, Iota) |
| Development of the regional/world mandate | Positive corporate attention | Individual actuation stimulus | Locational advantage drawing relative attention | During the periods 2002-05 and 2008-15, Alpha received a series of new product mandates from the parent (fieldnote, Alpha). During these periods, the beef price in New Zealand was one of the lowest within the group (fieldnote, Alpha; newsletter, 2009, Alpha). |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes | |
|-----------------------------|---------------|------------------------------|---|--|---|
| (production innovator) role | | | The MNE's long-term interest drawing supportive attention | "We were looking to try to reduce our cost to be competitive. The environmental factor was very important for the [parent] company. ... Together, they [the parent] made it [this low-cost, environmentally-friendly manufacturing process] a viable project to invest time and resources." (Product design manager, Zeta) | |
| | | Combined actuation stimuli | Market access-related drawing attention | The group's CEO praised Zeta for superior market performance of the 'Zeta' brand in the Australasian market (Newsletter, 2000, Zeta). "[The parent company was] struggling [in Australia]. ... [The group's American brand was] a new brand." (Product design manager, Zeta) | |
| | | | Proven capability drawing supportive attention | "Every new product [development project] has the [ROI] calculation. ... There is a threshold that [we] must meet for approval. And, if not, it is rejected." (Product design manager, Zeta) [ROI - Return on Investment] | |
| | | | Recurrence | During the periods 2002-05 and 2008-15, Alpha received a series of new product mandates from the parent (fieldnote, Alpha). During these periods, the beef price in New Zealand was one of the lowest within the group (fieldnote, Alpha; newsletter, 2009, Alpha). | |
| | | | Function of active contributor | "We had access to new product ranges. ... [The parent's] technology became available to us." (Product design manager, Zeta) | |
| | | | Function of passive investor | "[This new production technology] was developed mainly in New Zealand. ... [The parent] provided us with financial resources to develop that process." (Product design manager, Zeta) | |
| | | Pattern of linkage formation | | "[The parent's acquisition] gave [Zeta] access to [names of new products]. ... We had a lot of inputs from the head office in the US. We had many visits from people there to work with us and share their expertise" (Product design manager, Zeta) | |
| | | | | "This particular type of packaging was designed by a New Zealand company with our specification and testing. ... We have spent a lot of time on research and development to come up with [that packaging system]." (Commercial manager, Alpha) | |
| | | | | External business embeddedness | "We got [marketing] knowledge from working with distributors. Generally, we work with distributors in the market. We rely on their expertise in the market." (CEO, Alpha) |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------|---------------|-----------------------------|--|--|
| | | | | <p>“They [distributors] are the ones who do market[ing] research. ... We will take that information [from the distributors to develop] ... a finished product.” (Technical manager, Alpha)</p> <p>“We exported [our products] to Japan [and the Philippines] through [the parent’s sales] subsidiaries in [these markets].” (Product design manager, Zeta)</p> |
| | Institutions | Local institutional factors | <p>‘Arms-length’ type internal linkages</p> <p>Skill development system (university)</p> | <p>The in-house engineering team of Zeta consisted of product engineers. Except two engineers holding overseas qualifications in mechanical engineering, the remaining engineers held New Zealand engineering qualifications in mechanical engineering, industrial design, chemical engineering, product design, and product development. During the period 2000-07, they carried out all product and process adaptations, and adapting a new bath manufacturing process that did not exist within the group.</p> <p>“In the product development team, there were product engineers who were [New Zealand] BTech or BEng. ... They were mainly from [the University of] Auckland. ... They worked on prototyping. ... [They] carried on some development for the process [a new bath manufacturing process not possessed by the group].” (Product design manager, Zeta) [BTech – Bachelor of Technology; BEng – Bachelor of Engineering]</p> |
| | | | Regulatory framework | <p>“[The New Zealand food safety regulations] actually meet the European programme’s intent [the European food safety regulations] completely. ... You’ll find the same for most markets.” (Technical manager, Alpha)</p> |
| | | - | Internal institutions | <p>“Within [the group], there is a very strong set of standards that we all subscribe to and adhere to. So, all our manufacturing plants will have a global standard to try and maintain consistency across the world.” (Product design manager, Zeta)</p> |
| | | Transnational institutions | Normative institutions | <p>In the case of Alpha, an international food safety standard has also been gradually institutionalised as an industrial norm/practice in its new major foreign markets (such as Japan, South Korea, Australia</p> |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------|---------------------|------------------------------------|--|---|
| | | | | and some European markets), since it is being promoted by most large food retailers and distributors in these new markets. “Most [large distributors and supermarket chains] want an international [food safety] standard, or some equivalent standard.” (Technical manager, Alpha). |
| | | | Cultural-cognitive institutions | “The consumers in Australia are encouraged to look at water consumption of a product so they have a better understanding of the WELS scheme [the water efficiency rating] than New Zealand.” (Product design manager, Zeta) [WELS - The Water Efficient Labelling and Standards Act 2005] |
| | Resource deployment | Sustained resource dependence | Immobile, dependence-creating resource that is non-substitutable with external one | In the case of Alpha, the clean and green image of New Zealand was scarce, non-substitutable with internal and external resources, recognised by the parent, and characterised by a mobility barrier. “Our parent company has said to us, “We need you [Alpha] to get into China because there’s more money to be made by supplying New Zealand product[s] into China than making the product[s] in China and selling [them] in China because New Zealand meat and New Zealand produce is seen to be far better than that supplied by China.” (Commercial manager, Alpha) |
| | | Non-sustained resource dependence | Highly-mobile, dependence-creating overlapping resources | In the case of Zeta, its ‘Zeta’ brand name and regional distribution channels were scarce, non-substitutable with internal and external resources, recognised by the parent, and strategically important to the group’s regional market access. However, they lacked a mobility barrier. The ‘Zeta’ brand is the region’s top brand with a high market share. (Newsletter, 2000, Zeta) “[The parent company was] struggling [in Australia]. ... [The group’s American brand was] a new brand.” (Product design manager, Zeta) “We don’t manufacture [Zeta products] here now.” (CEO, Zeta) |
| | | Non-sustained resource superiority | Highly-mobile, overlapping resources | In the case of Alpha, its packaging technology were specialised, overlapping resources underpinning its international mandates. These resources, however, lacked a mobility barrier in terms of tacit form of knowledge. |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes | |
|--|------------------------------|-------------------------------|--|---|--|
| Development of the regional/world mandate (autonomous driver) role | Positive corporate attention | Combined actuation stimuli #1 | Production capability drawing relative attention | <p>“In terms of getting the concepts [of this packaging technology], it was reasonably easy [for the parent]” (Technical manager, Alpha)</p> <p>“They [the parent] have customers in Japan. They wanted to have [names of new food ingredient products]. And, they [the parent] came to us and say, “Can you make these sorts of [names of the new food ingredient products]?”” (Marketing executive, Gamma)</p> <p>Within the group, Gamma is the only subsidiary manufacturing food ingredient products.</p> <p>“We had much more demands for our products.” (CEO, Gamma)</p> | |
| | | | Proven capability drawing supportive attention | | |
| | | | Combined actuation stimuli #2 | Market related drawing relative attention | <p>“[The parent’s] point of difference is their association with primary New Zealand products ... So, it’s [this investment is] a continuing strategy to invest in New Zealand’s primary [sector].” (CEO, Gamma)</p> |
| | | | | The MNE’s long-term strategic interest drawing supportive attention | <p>“That [investment] proposal requires many considerations [including] [...] the return on the investment, the longevity of the investment ... it was consistent with the objectives of the parent company.” (CEO, Gamma)</p> |
| | | | Individual actuation stimulus #1 | Proven capability drawing supportive attention | <p>The parent announced that it installed new production machines in Epsilon to keep up with the increasing new contracts with customers (Corporate news, Epsilon, 2001).</p> |
| | | | Individual actuation stimulus #2 | Regulatory pressures drawing supportive attention | <p>The parent announced that it installed new lead-free machines in response to the European Union directive restricting certain hazardous substances (Corporate news, Epsilon, 2006).</p> |
| | | | - | Recurrence | <p>Epsilon received a series of corporate investments during the period 2000-06. The parent’s investments occurred during the period 2000-04 were aimed to keep up with the increasing new contracts with customers (Corporate news, Epsilon, 2001). Regulatory pressures from the foreign markets (stimulus) prompted the parent’s further investments during the period 2004-06 (Corporate news, Epsilon, 2006).</p> |
| | | | - | Function as passive investor | <p>“[The parent] invested a lot of money in [our] new product development [activities] ... It’s up to us to manage the company and</p> |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------|-----------------------------------|------------------------------|--|--|
| | | | | grow the company as much as we want. ... From [the parent's] point of view, as long as they're profitable and we can establish it's the right thing to do, they're happy." (CEO, Gamma) |
| | Embeddedness and network linkages | - | External technical embeddedness | "The R&D teams from the customers and our R&D teams collaborated for two years. [We] just completed a very big project. Now, we are investing in that capacity to make this [new] product." (CEO, Gamma). |
| | | - | Internal technical embeddedness | "[We work out with] our test engineer in Australia to set up what standard needs to be reached [for new products]." (Senior manager, Epsilon) |
| | | - | 'Adaptation' type external linkages | Gamma established 'adaptation' type external linkages with overseas customers to enhance its existing seven products. "When we do trials, the [overseas] customers will come to New Zealand. ... They would come and watch [the trials], and give us recommendations." (Marketing executive, Gamma) |
| | Institutions | Local institutional features | Skill development system (university and vocational) | "One thing we're fortunate with here is that there is a large pool of semi-skilled or skilled electronics engineers. ... [Our engineers have] diplomas in electronic engineering. ... Some have got quite significant degrees [in electronic engineering]." (Senior manager, Epsilon). |
| | | | Regulatory framework | "You can't make food in New Zealand without that [these food safety standards]. ... Our ranking in the [foreign] markets is very high because of the reputation that New Zealand has as a safe country." (CEO, Gamma) |
| | | | Financial credit system | "We [...] borrowed a lot of money from New Zealand banks, and funded the investment. ... since 2010, we have spent 20 million dollars. ... In the next two years, [if] all things [are] equal, we'll easily spend another 20 million bucks." (CEO, Gamma) |
| | | - | Internal institutions | "Our company's quality policy is that we have a minimum standard that we will make [every new] product to." (Senior manager, Epsilon) |
| | Transnational institutions | | Regulative institutions | "FAA, the airline ruling body, has their own very strict guidelines on products. ... There are a whole lot of different rules around that little |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|----------------------|---------------------|--|--|--|
| | | | | [component].” (Senior manager, Epsilon) (FAA - Federal Aviation Administration (the US regulatory body)) |
| | | | Normative institutions | “[Printed circuit boards] ha[ve] to meet IPC standards.” (Senior manager, Epsilon) (IPC - Institute for Printed Circuits). IPC standards are the established industrial standards in the global electronic industry. |
| | Resource deployment | Sustained resource dependence | Immobile, dependence-creating resource that is non-substitutable with external one | In the case of Gamma, the clean and green image of New Zealand is scarce, non-substitutable with internal and external resources, recognised by the parent, and characterised by a mobility barrier. “[The parent’s] point of difference is their association with primary New Zealand products ... They want their ability in 10 years’ time, 20 years’ time, and 50 years’ time to draw food from New Zealand to feed into the Asian market.” (CEO, Gamma) |
| Mandate endangerment | Combined effects #1 | Negative supportive attention | Unproven market performance of related product line | The food A machinery business of Beta that is strategically related to the group’s product portfolio lacked a proven business performance. “Only 20 percent or less [of our work] was in [our food A machinery business]. It wasn’t a huge business for [the parent].” (MD, Beta) |
| | | Unrelated product line creating resource dependence’ | Non-overlapping resources lacking strategic importance to the parent | The food B machinery technology of Beta was a type of overlapping resource. Despite a proven sales performance of this product line, it was strategically unrelated to the group’s product portfolio. “About 80 percent of our work was in [our food B machinery business]. ... They [the parent] weren’t interested in [our food B machinery technology].” (MD, Beta) “We had good success [for our food B machinery business]. ... [The parent] was never a [food B] processor, anyway.” (former MD, Beta) |
| | Combined effects #2 | Negative supportive attention | Perceived negative externalities | “The risk to [the parent], if they own this business that does this activity [construction and installation activities], is higher because if you get it wrong you have to go and lift the grass up, fix the construction, put new grass on, so it can be hundreds of thousands of dollars to fix a bad job.” (Regional director, Eta) |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------------------------------|----------------------|---------------------------------|---|---|
| Renewal of the endangered mandates | | Negative relative attention | Perceived superiority of the rival unit's market access-related capability | “[Brand A] had quite a high profile [in the European market]. ... [Eta] has never really been active in [the parent's home country]. ... [Brand A] has been very well known to [the parent]. ... [They then decided to reposition] [Brand A] as a premium brand, and [Eta] as a second-tier brand.” (Regional director, Eta) |
| | | - | Parent's limited attentional capacity, and the situation of 'unrecognised resource superiority' | The parent said, “Do we need to build all these bases because to build it you need diggers, trucks, earthmovers, capital? They're all things we don't understand. We can't get our head around this [construction activities] because we've never done it.” (Regional director, Eta) “There's value in putting the lights, the fence, and there's value in maintaining the field afterwards. ... We had quality checks, training systems, checks and balances in place to make sure that we were minimising the risk of making mistakes in [our construction activities].” (Regional director, Eta) “[Brand A] is very weak in New Zealand and Australia because that's where [Eta] was born and the market knows it [Eta] well. ... [Eta] is a very strong brand ... [in] Australia, New Zealand and Asia because [Eta] was born in New Zealand.” (Regional director, Eta) |
| Renewal of the endangered mandates | Individual effect #1 | Positive supportive attention | Proven capability | “We showed [the parent] the value that was available in the job. ... You have got lights, fencing, sub-base, civil construction. All of these are value in the total job. ... We also had to demonstrate that we had systems and controls in place to minimise the risk of doing it badly.” (Regional director, Eta) |
| | Combined effects #1 | Positive supportive attention | Strategic importance of new markets | “[The parent] was happy when we got the FDA approval. ... When we did get the compliance, [the parent] left us alone for quite a while to concentrate on that US market. ... When we got it [the US FDA approval], we managed to capture the US market. That was enough. We were very busy for the US market.” (MD, Beta) “So, since then [since 2007], [most] of the machines we have sold have been to the Americas, South America, Central America, North America [new markets of Beta].” (former MD, Beta) |
| | | The situation of 'non-sustained | Non-overlapping, strategically important resource | The food A and B machinery technologies of Beta were a type of non-overlapping resources. As noted above, they have been strategically important to the group's product portfolio since 2007 |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|----------------------|----------------------|--|---|---|
| | | resource dependence' | lacking a mobility barrier | when they gained the US FDA approval. Nevertheless, these technologies lacked a mobility barrier. In 2013, Beta transferred these food A and B machinery technologies to the parent company through "documentation and drawings" (MD, Beta). |
| | Combined effects #2 | Positive relative attention | Market access-related capability | "We said well, ... [Brand A] is very weak in New Zealand and Australia because that's where [Eta] was born and the market knows it well. ... [We said], I do not think that is right in my part of the world which is Australia, New Zealand and Asia because [Eta] was born in New Zealand. It is a very strong brand [in these markets]. So, we would be better to run with [Eta] as the premium brand. ... [The parent] was mature enough to listen and say, "Okay, we accept that. Let's see how it goes." (Regional director, Eta) |
| Mandate reallocation | | The situation of 'continuing resource superiority' | Overlapping superior resources, characterised by a mobility barrier | Under the group's make-to-order strategy, market access-related specialised capability of the 'Eta' brand in accessing the Asia-Pacific market cannot be easily transferable to the Brand A unit because of a relatively longer shipping time from Europe to this market. "Not feasible [to export from Europe to our market]. ... There is [...] a time delay of six to eight weeks on delivery." (Technical manager, Eta) |
| | Individual effect #1 | Negative relative attention | Locational disadvantage | "Brazilian product is considerably cheaper than us right now. So, [the parent is] going to buy it out of Brazil." (CEO, Alpha) |
| | Combined effects #1 | Negative relative attention | Locational disadvantage | The parent announced that manufacturing activities of Zeta were relocated to China to cut the production cost (Newsletter, 2007, Zeta). |
| | | | Unspecialised market access-related capability | "The shipping time was a lot longer than out of the USA. So, [the parent] started producing it in America." (CEO, Alpha) |
| | | The situation of 'non-sustained resource dependence' | Highly-mobile, strategically important, non-overlapping resources | In the case of Zeta, its 'Zeta' brand name and regional distribution channels were scarce, non-substitutable with internal and external resources, and recognised by the parent. However, they lacked a mobility barrier. The 'Zeta' brand is the region's top brand with a high market share (Newsletter, 2000, Zeta). |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|-------------------------------------|--------------------|---|--|---|
| | | | | <p>“[The group’s American brand was] struggling [in Australia]. ... [This American brand was] a new brand” (Product design manager, Zeta)</p> <p>“We don’t manufacture [Zeta products] here now.” (CEO, Zeta)</p> |
| | | The situation of ‘non-sustained resource superiority’ | Highly-mobile, overlapping resources | <p>In the case of Alpha, its packaging technology was specialised, overlapping resources underpinning its international mandates. These resources, however, lacked a mobility barrier in terms of tacit form of knowledge.</p> <p>“In terms of getting the concepts [of this packaging technology], it was reasonably easy [for the parent]” (Technical manager, Alpha)</p> <p>“[The parent] decided to restructure the business. ... [The group’s existing division] and [the acquiree business] were merged into [a new division].” (MD, Beta)</p> |
| Renewal of the reallocated mandates | Combined effect #2 | - | The MNE’s internal restructuring | <p>“[The acquiree’s] has overlapping technology. ... [Our food B machinery technology] is definitely the superior technology.” (MD, Beta).</p> <p>“We did a strict documentation and drawings what we called functional description. ... It writes exactly how the machine works. So, that really was the blueprint.” (MD, Beta)</p> |
| | | The situation of ‘non-sustained resource superiority’ | Highly-mobile, overlapping resources | <p>The parent was unable to detect superior capabilities of Beta in meeting American regulations for its food B processing machineries and in producing these machineries at a lower cost.</p> <p>“The crazy thing is that we sold a [food B processing machinery] to a company in the US last year [in 2014] and it was a bit too complicated for [the parent] because it used [a system] they weren’t familiar with, so they asked us to do it.” (former MD, Beta)</p> <p>“They [the parent] find it very difficult to comply with the US regulations” (MD, Beta)</p> |
| | | - | Parent’s limited attentional capacity, and resources creating the situation of ‘unrecognised resource superiority’ | <p>Alpha regained its production mandate for the American market when the beef price in New Zealand was one of the lowest within the group. The beef price in New Zealand was comparatively lower than that in Brazil in 2009 (Newsletter, 2009).</p> |
| | Combined effect #1 | Positive relative attention | Locational advantage | |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------|----------------------|-------------------------------|---|---|
| | | | Production and access-related capability | “We have the capability here, far better than in [the home country], to meet the American standards. ... We are also able to tailor a lot of our machinery to specific customer requirements. ... [They] are less flexible. ... so, we were able to convince [the parent] that this was a business case for retaining that capability here.” (MD, Beta) |
| | | Resource deployment | The situation of ‘resource parity’ | The rationalised operator role of Alpha was underpinned by the low price of New Zealand beef. This locational advantage of Alpha was perfectly substitutable with that of other units. The group’s other units, such as the Brazilian unit, also offer the parent such a low-cost location advantage (Newsletter, 2006; 2009). |
| | | | The situation of ‘non-sustained resource superiority’ | The food B machinery technology of Beta has been well documented. Thus, superior capabilities of Beta in meeting the American regulations tend to lack a mobility barrier. “That’s [the food B machinery technology has] been well documented.” (MD, Beta) |
| | | | The situation of ‘continuing resource superiority’ | Superior capabilities of Zeta in meeting requirements of the Australian market were characterised by a mobility barrier. The ‘superiority’ status of these capabilities is thus likely to be continuing. “It [the technological transfer process] is very much an ongoing process until now. ... The occurring challenge around tapware is around the design and the material selection. ... We have to educate [the Chinese subsidiary and the component suppliers] on the standard and the tiny standards of the product design that they have to achieve.” (Product design manager, Zeta) |
| | Individual effect #1 | Positive supportive attention | International market that was of the MNE’s long-term strategic importance | In the case of Alpha, the parent had a long-term strategic interest in its international market. To cover overhead costs incurred in the manufacture of products for this market, the parent reassigned Alpha the American market mandate. “Products that we make for the US market basically cover our overheads. ... If we do not have these overheads covered, [...] our margins and our prices would have to go up. [Then,] people are not going to buy our products. ... What we are saying to the US [the parent] is, if we can sell a few containers of products to you, that |

| Categories | Subcategories | Sub-subcategories | Codes | Illustrative findings and quotes |
|------------|---------------|-------------------|-------|---|
| | | | | covers a lot of our overheads. That means that we can sell more products to the rest of the world at a lower cost." (Commercial manager, Alpha) |

APPENDIX 5 - INFORMATION SHEET

[Massey University's emblem]

Massey University Doctoral Study on Subsidiary Contributory Role Development

Information Sheet

The Purpose of the Study

This study is being conducted by Shane Win as part of the requirements for the Doctor of Philosophy degree. My study is concerned with how foreign-owned subsidiaries in New Zealand have the potential to grow beyond the mandate given by their parent company and what factors contribute to or constrain their growth in terms of the expansion of their international responsibilities in product, geographical and/or value-added scopes. More specifically, a summary of the key questions my study wishes to understand is:

1. What factors (for example, the parent company's investments, and local and global resources) contribute to growth of foreign-owned subsidiaries in New Zealand in terms of the expansion of their international responsibilities in product, geographical and/or value-added scopes;
2. What factors (for example, influences from their parent company and the external environment) constrain their international responsibilities, and how they respond to them.

Research Procedures, Your Rights, Data Management, and Confidentiality

The study involves the case studies of selected foreign-owned subsidiaries in New Zealand. The interviews will take place in person. Your participation in this study is voluntary, and you have the right to stop answering any particular questions, to withdraw from the research at any point in the research process and to ask me questions about this research at any time. A summary of the study findings will be supplied to you, once the project is concluded. The responses will be treated as confidential and the research will not reveal who the individual respondents are or the companies to which they are attached. Any information you provide will be used to inform the results of the PhD project, will be securely kept, and will not be shared with any other parties without your consent. Your name and the name of your company will be maintained anonymously in any academic publications.

Contact Details

If you have any questions about this research, please contact me or my supervisors:

The doctoral researcher:

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Yours sincerely

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“This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University’s Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O’Neill, Director, Research Ethics, telephone 06 350 5249, email: humanethics@massey.ac.nz”

APPENDIX 6 - PARTICIPANT CONSENT FORM

[Massey University's emblem]

Shane Win

PhD Candidate
School of Management (Albany)
Massey University
Private Bag 102904
Auckland 0745
New Zealand

Massey University Doctoral Study on Subsidiary Contributory Role Development

PARTICIPANT CONSENT FORM - INDIVIDUAL

I have read the Information Sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree/do not agree to the interview being sound recorded.
I wish/do not wish to have my recordings returned to me.
I wish/do not wish to have data placed in an official archive.

I agree to participate in this study under the conditions set out in the Information Sheet.

Signature:

Date:

.....

**Full Name -
printed**

.....

APPENDIX 7 - EFFECTS OF POSITIVE CORPORATE ATTENTION

This appendix summarises the findings regarding the effects of positive corporate attention on subsidiary role expansion at four levels: *(i)* development of the rationalised operator role; *(ii)* development of the regional implementer role; *(iii)* development of the regional/world mandate (production innovator) role; and, *(iv)* development of the world mandate (autonomous driver) role.

Table A-3: Effects of positive corporate attention on the development of the rationalised operator role of the two subsidiaries

| Case | Year/ Time period | Types of mandates and resources gained from the parent | Description of the effects of positive corporate attention |
|-------|-------------------------|---|---|
| Alpha | 2002-05; 2008-15 | A series of new product mandates that were accompanied by the MNE's product- related knowledge | During these periods, a series of new product mandates from the parent occurred as the results of recurrence of its positive relative attention to the subsidiary's locational advantage. During these times, New Zealand's beef price was one of the lowest within the group. <i>"[In those times.] it was cheaper to make [the group's beef products] in New Zealand than it was in America."</i> (CEO, Alpha) |
| Theta | 2010-16 | A series of new product mandates that were accompanied by the MNE's product- related knowledge | During this period, the parent gave Theta a series of new product mandates. These mandates resulted from recurrence of the parent's positive relative attention to superiority of the subsidiary's superior production capability over those of other units. <i>"They say [the parent says], 'New Zealand has the machines which are more suitable [to make these new products] than the machines that they have.' So, they will say to us, 'You make th[ese] particular [products].'"</i> (CEO, Theta). These products can be made only from brass bar machines of Theta, which are not possessed by other units. |

Table A-4: Effects of positive corporate attention on the development of the regional implementer role of the two subsidiaries

| Case | Year/ Time period | Types of mandates and resources gained from the parent | Description of the effects of positive corporate attention |
|------|-------------------------|--|---|
| Eta | 2009-16 | A series of new product mandates that were accompanied by the MNE's product-related knowledge and corporate investments in new machineries | <p>During this period, positive corporate attention was activated by the following stimuli:</p> <ul style="list-style-type: none"> • Superiority of the subsidiary's market access-related capability over those of other units, drawing positive corporate relative attention; • The subsidiary's product industry (stimulus) that was in the MNE's long-term strategic interest, drawing positive corporate supportive attention. <p>Combined actuation of these stimuli recurred during this period, resulting in a series of new product mandates being assigned to the subsidiary.</p> <p>Under the MNE's make-to-order strategy, a comparatively shorter freight time from New Zealand to the Asia-Pacific markets put Eta, relative to its European and American counterparts, in a uniquely advantageous position to gain access to these regional markets. This superior market access-related capability of the subsidiary captured the parent's positive relative attention. In addition, despite experiencing significant losses (or an unproven business performance) until 2014, Eta has received the parent's positive supportive attention and continuous business supports since 2009 because of its product industry (stimulus) that was of the parent's long-term strategic interest. The interplay between the parent's positive relative and supportive attention has recurred since then, thus bringing about a series of new product mandates and investments from the parent. In the words of the regional director of Eta:</p> <p><i>“Not only have they [the parent] been financially supporting or offsetting the losses, but have continued to invest in the business, machinery, capability, and products and development. They've [the parent's] taken a very long-term view saying, “We believe in the industry. We believe in the company and the brand, and we think the people running the company are the right people.” So, they have continued to invest all the way through, taken a long-term view... Many markets in the world are mature or declining. He's [the CEO's of the group] believed in the long-term potential of synthetic grass. So, he's continued to invest and support his business.”</i></p> |

| | | | |
|------|---------|---|--|
| Iota | 2000-13 | A series of new product mandates that were accompanied by the MNE's product-related knowledge | <p>“ ... the most important one is lead-time. Timeframe. If you give me an order today, I can make the grass in two weeks. If you give me the order today and I import it from somewhere else [from Europe or North America], you are going to have to wait for three months. ... We can have a container leave here and be in Australia in five, six days.” (Regional director, Eta)</p> <p>During this period, the parent's positive attention was drawn by the following stimuli:</p> <ul style="list-style-type: none"> • Superiority of the subsidiary's market access-related capability over those of other units, drawing positive corporate relative attention; • The subsidiary's proven capability drawing positive corporate supportive attention. <p>Combined actuation of these stimuli recurred during this period, thus bringing about a series of new product mandates from the parent.</p> <p>Under the American parent's whole ownership until 2013, positive corporate relative attention was captured by the lower freight cost from New Zealand to the Asia-Pacific market than from the group's North American plants. In other words, the subsidiary's market access-related superior capability captured positive corporate relative attention. During the period 2000-13, positive corporate supportive attention was stimulated by the subsidiary's proven capability, in terms of its ability to provide evidence of exceeding the expected return-on-investment (ROI) threshold set by the parent. Recurrence of the interplay between the parent's positive relative and supportive attention during this period generated a series of new product mandates from the parent.</p> <p>“It is not cost competitive [to bring products from North America to Australia and Asian markets]. ... We manufactured [products] in New Zealand and shipped to Asia.” (Regional director, Iota)</p> <p>“If we want to make a new range of that product, then we have to go and ask for a capital approval and that gets approved based on a return on investment calculation. If we cannot justify the return on the funds invested, then we will not get a yes.” (Regional director, Iota)</p> |
|------|---------|---|--|

Table A-5: Effects of positive corporate attention on the development of the regional/world mandate (production innovator) role of the two subsidiaries

| Case | Year/ Time period | Types of mandates and/or resources gained from the parent | Description of the effects of positive corporate attention |
|-------|-------------------------|--|--|
| Alpha | 2002-05; 2008-15 | A series of new product mandates accompanied by the MNE's product- related knowledge | During these periods, a series of new product mandates from the parent occurred. These resulted from recurrence of the parent's positive relative attention to the beef price in New Zealand (locational advantage), which was one of the lowest within the group during these times. See Table A-1 above in this appendix section (Appendix 7) for this finding. |
| | 2008 | Corporate investment in the subsidiary's own initiative in adopting a new packaging process | The subsidiary's own initiative in adopting the shelf-life extending packaging technology was crucial in serving markets with a low consumption rate and a longer freight time. This initiative matched the parent's long-term strategic objective that is to grow the world market, thus activating its positive supportive attention. This brought about its investment in this initiative. <i>"They [the parent] want us to grow all markets around the world. ... There's a chance that our [products] may take longer to get to the consumers. [It is important] to have a higher barrier property and a better-quality pack which will keep [products] fresher for longer."</i> (CEO, Alpha) This investment event at Alpha did not arise from the parent's evaluation of other types of stimuli. For example, except for this investment, Alpha has found itself unable to gain corporate investment in other area of responsibilities because of a slow sales growth of its international market, in other words, its unproven business performance. In the words of the commercial manager, <i>"from our point of view, it can be very frustrating in that what the parent company says to us is, "We want you to grow the rest of the world, but we want you to do it with what you've got. Until you can prove to us that buying a new machine is what you need to do to be able to grow a specific market, then we are not going to pay for it." So, it's like buying a mini and saying you can't move up to a van until you have your family</i> |

| | | | |
|------|---------|--|---|
| Zeta | 2000-07 | New product mandates that were accompanied by the MNE's product-related knowledge | <p><i>big enough to move into a van, you know? But, I'm [growing] but I can't fit my family in a mini and so I can't grow it. You are caught between the desire to grow your market and the ability to supply the demand."</i></p> <p>During this period, the parent gave Zeta a series of new product mandates, which were accompanied by the MNE's product-related knowledge. These mandates occurred as the results of combined actuation of the following stimuli:</p> <ul style="list-style-type: none"> • Superiority of the subsidiary's market access-related capability over that of the MNE, drawing positive corporate relative attention; • The subsidiary's proven capability, drawing positive corporate supportive attention. <p>The subsidiary's 'Zeta' brand (i.e., its market access-related resource) had a considerably higher market share in the Australasian market than the group's American brand, thus drawing positive corporate relative attention. In a press release in 2000, the group's CEO, for instance, praised the 'Zeta' brand for its performance in the Australasian market. This was followed by the group's implementation of a new regional marketing strategy in 2000, which was to provide full bathroom products under the 'Zeta' brand. In addition, the subsidiary's proven capability, in terms of its ability to provide evidence of exceeding the expected return-on-investment (ROI) threshold set by the parent, drew positive corporate supportive attention. The interplay between the parent's positive relative and supportive attention resulted in new products, not possessed by Zeta before, being added to Zeta by the parent during the period 2000-07.</p> <p><i>"[Zeta] was [mainly] a shower and bath company ... [A new regional strategy was to provide] the full bathroom [products]. ... [For] every new product development project we work on, we will make the [ROI] calculation. ... There is a threshold that [we] must meet for approval. And, if not, it is rejected."</i> (Product design manager, Zeta)</p> |
| | 2002-04 | Corporate investment in the subsidiary's own initiative in adopting a new production process | <p>The subsidiary's initiative (stimulus) supported the MNE's long-term strategic objectives, thus capturing positive corporate supportive attention. This gave rise to the parent's investment in this initiative.</p> <p><i>"We were looking to try to reduce our cost to be competitive. The environmental factor was very important for the [parent] company. ... Together, they [the parent] made it [this low-cost, environmentally-friendly manufacturing process] a viable project to invest time and resources."</i> (Product design manager, Zeta)</p> |

Table A-6: Effects of positive corporate attention on the development of the world mandate (autonomous driver) role of the two subsidiaries

| Case | Year/ Time period | Types of resources gained from the parent | Description of the effects of positive corporate attention |
|-------|-------------------------|---|---|
| Gamma | 2010-15 | A series of corporate investments in factory expansion projects for new products | <p>These investments from the parent occurred as the results of combined actuation of the following stimuli:</p> <ul style="list-style-type: none"> • Superiority of the subsidiary's production capabilities over those of other units, drawing positive corporate relative attention; • The subsidiary's proven capability, drawing positive corporate supportive attention. <p>During the period 2010-15, the Japanese parent received increasing demands from its Japanese customers for existing and new products of Gamma. This proven capability of Gamma captured the parent's positive supportive attention. In addition, being the only manufacturer of food ingredient products within the MNE, Gamma was able to draw the parent's positive relative attention to its superior production-related capabilities. The interplay between the parent's positive supportive and relative attention resulted in a series of corporate investments during the period 2010-15.</p> <p><i>"They [the parent] have customers in Japan. They wanted to have [names of new food ingredient products]. And, [the parent] came to us and say, "Can you make these sorts of [names of the new food ingredient products]?"'" (Marketing manager, Gamma)</i></p> <p><i>"We had much more demand for our products. ... So, we had the commercial opportunity to build a new factory" (CEO, Gamma)</i></p> |
| | 2015 | The parent's acquisition of an unrelated (seafood processing) business that was later merged with Gamma | <p>This investment from the parent ultimately resulted from combined actuation of the following stimuli:</p> <ul style="list-style-type: none"> • Superiority of the subsidiary's market access-related resource (the clean and green image of New Zealand) over other locational advantages, drawing positive corporate relative attention; • Stimulus (the subsidiary's investment proposal) that was in the MNE's long-term strategic interest, drawing positive corporate supportive attention. |

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| Epsilon | | | <p>The subsidiary's investment proposal (stimulus) was consistent with the parent's long-term strategic objectives, thereby drawing positive corporate supportive attention. In addition, the clean and green image of New Zealand as a market access-related superior resource is not available in other locations, thus capturing positive corporate relative attention. The interplay between the parent's positive relative and supportive attention resulted in its acquisition of a new unrelated (seafood processing) business that was merged with Gamma shortly afterwards.</p> <p><i>"I ultimately put a proposal to shareholders to say we should invest in this [the seafood processing business]. That proposal requires many considerations [including] the security of the investment, the return on the investment, the longevity of the investment, [and] how long-term it is. We have to do a full investment evaluation, but it was consistent with the objectives of the parent company."</i> (CEO, Gamma)</p> <p><i>"[The parent company's] point of difference is their association with primary New Zealand products. ... So, it [this investment in this seafood processing business] is a continuing strategy to invest in New Zealand's primary [sector]."</i> (CEO, Gamma)</p> |
| Epsilon | 2000-04 | A series of corporate investments in new machineries (the three surface-mount technology lines and an X-ray fault inspection machine) | <p>The subsidiary's proven capability in terms of gaining new contracts with its customers attracted positive corporate supportive attention. This gave rise to a series of corporate investments during the period 2000-04. In the public releases in 2001 and 2004, the parent announced that this series of investments were aimed at keeping up with increasing new contracts with the customers.</p> <p><i>"It [this series of investment] was more just a capacity thing than anything else."</i> (Senior manager, Epsilon)</p> |
| Epsilon | 2005-06 | Corporate investment in the new lead-free machines | <p>The European Union directive restricting certain hazardous substances (such as lead) in imported electronic products took effect on 1 July, 2006 (European Union, 2003). This regulatory pressure (stimulus) prevented the subsidiary's market access, thus capturing positive corporate supportive attention. This ultimately gave rise to additional investments from the parent in new lead-free machines at Epsilon.</p> |