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RESEARCH ARTICLE

The enduring effects of relational attributes on subsidiary evolution after mandate loss

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Abstract

Research Summary: We explore the importance of the relational attributes, trust and commitment, and their association with subsidiary development after mandate loss. We examine how greenfield and acquired subsidiaries, through their interaction with headquarters and sister subsidiaries, develop relational attributes through mutual-orientated adaption. These relational attributes are subsequently important elements in upholding and developing subsidiary activities despite the loss of a mandate. We trail this process through a longitudinal field study following the evolution of four multinational enterprise (MNE) subsidiaries. We explain how the subsidiaries relational attributes and part of their activities, associated with its mandates, remain even after the loss of a mandate. The study shows how these relational attributes mitigate and compensate for formal mandate loss.

Managerial Summary: Subsidiaries have been increasingly seen as the locomotive of MNEs value creation. This has coincided with the disaggregation of the MNEs value chain which has had a positive effect on the development of foreign subsidiaries. However, there is now more competition for responsibilities among subsidiaries leading to increased movement of responsibilities and activities between them. We find that the subsidiary managers relationship attributes (trust and commitment) between them, their headquarters and other subsidiaries in the MNE has a mitigating effect on the loss of these responsibilities for the subsidiary. By showing the impact of managerial micro-activities in the MNE, our study offers insights for subsidiary managers on what they can leverage to pursue subsidiary charter consolidating activities and survival, or charter enhancing activities and growth.

KEYWORDS

mandate loss, relational attributes, subsidiary charter, systematic combining

1 | INTRODUCTION

As the value chains of multinational enterprises (MNEs) are continually being finely sliced (Contractor, Kumar, Kundu, & Pedersen, 2010; Mudambi, 2008), MNE subsidiaries are becoming increasingly responsible for multiple functional activities, e.g., mandates in production, sales and R&D (Rugman, Verbeke, & Yuan, 2011). As the scope of subsidiary activities becomes ever wider, the incidences of both mandate gain and mandate loss among subsidiaries and their influence on subsidiary evolution have increased (Birkinshaw, 1996; Galunic & Eisenhardt, 1996; Rugman et al., 2011). However, mandate loss remains an understudied concept. Birkinshaw (1996) shows that mandate loss leads to a subsidiary's activities being reduced, redistributed, or eliminated, which inevitably has negative consequences for the survival and prosperity of the subsidiary.

Recently Mees-Buss, Welch, and Westney (2019) have suggested that the rationalization of regional management structures has a negative impact on subsidiary mandates. However, at the same time foreign subsidiaries exist and are embedded in their sub-national context (Beugelsdijk & Mudambi, 2013) and where there are multiple subsidiaries in a region who began working closely together because of the mandate there are strong lasting manager-to-manager ties. Moreover, the nature of present-day subsidiaries having multiple mandates with frequent changes and the modularization of functional activities means that the impact of mandate loss on subsidiary development needs to be reconsidered.

Empirical incidences, including subsidiary R&D responsibilities being lost, such as ABB's Robotics subsidiary in the US being lost to a subsidiary in China or the AstraZeneca subsidiary in Sweden losing its R&D responsibilities to subsidiaries in Vietnam and the UK during the late 2000s, are anecdotal evidence of increasing mandate loss as well as subsidiary prosperity and survival. This shows that it is still not clear whether mandate loss necessarily leads to subsidiaries winding down or being spun off or closed or even if it has a major negative impact on the subsidiary (Gilmore, Andersson, & Memar, 2018). We know from previous research that the parent and subsidiary choices and local environmental determinants drive mandate gain and loss (Birkinshaw, 1996; Birkinshaw & Hood, 1998). Gaining, e.g., an R&D mandate, is an unlocking mechanism that facilitates the subsidiary in developing the mandate's activities, obtaining resources, and advancing relationships with internal and external actors.

Over time, this allows the subsidiary to develop experience in R&D activities as well as progressively develop manager to manager ties in the internal network of the MNE (Beugelsdijk & Mudambi, 2013), leading to higher levels of trust and commitment from both the headquarters (HQ) and their sister subsidiaries. We suggest that obtaining an R&D mandate can complement other mandates, such as production and sales, pursued within the subsidiary's charter, and further opportunity development within their established relationships with internal and external business partners. Knowledge developed while implementing an R&D mandate links to the other mandates in the charter as well as to relationships with business partners (Snehota & Hakansson, 1995).

The further commitment of time, effort, and actions, together with business partners facilitated by obtaining and implementing an R&D mandate results in increased trust between a subsidiary and its business partners (Andersson & Forsgren, 1996; Andersson, Forsgren, & Holm, 2001, 2002; Hallén, Johanson, & Seyed-Mohamed, 1991). Commitment and trust are characteristics of an embedded relationship (Andersson & Forsgren, 2000). In this study, we combine them into the concept of relational attributes and stress that they are part of every relationship to a greater or lesser extent and that they are instrumental for seeing a relationship as a resource. These relational attributes are resources that facilitate the development and continuation of relationships between business partners when the businesses face difficult situations (Lorenzoni & Lipparini, 1999). The questions we posit in this paper are therefore, "Why do relational attributes persist when a mandate is lost? and how are relational attributes leverageable after mandate loss?"

In the present study, we address the counterintuitive idea that a subsidiary can lose a formalized mandate and still develop along a positive trajectory, prosper, and continue growing. We find that there is a remnant effect of the relational attributes—commitment and trust—that the subsidiary developed with HQ and sister subsidiaries when implementing and developing mandate activities before the loss. We propose that the attributes of commitment and trust, which characterize the relationships between a subsidiary, its HQ and sister subsidiaries, need to be included in research on subsidiary evolution. These relational attributes are important for the development of specific mandates, and they are also complementary and connected to the development of other mandates in the subsidiary's charter post-mandate loss.

Largely, it is the relationships and their developed attributes that connect and facilitate the activities a subsidiary pursues (Aghion & Tirole, 1997; Andersson, Dasí, Mudambi, & Pedersen, 2016; Beugelsdijk & Mudambi, 2013; Cano-Kollmann, Cantwell, Hannigan, Mudambi, & Song, 2016; Hannigan, Cano-Kollmann, & Mudambi, 2015). Losing a mandate does not imply that all relationships developed while having the mandate will weaken or vanish. In contrast, these relationships constitute a (strategic) resource for the subsidiary going forward (Andersson et al., 2002). Including the subsidiary's relational attributes in the understanding of its evolution post-mandate loss is crucial, as how the effects of mandate loss and a subsidiary's ability to organize, act and strategize by utilizing its relationships with HQ and its sister subsidiaries to obtain substitute mandates reconfigure nonformalized mandates into formalized mandates or refocus attention on existing mandates is ill understood.

The results of this study show that a subsidiary's relational attributes (trust and commitment) are associated with its charter, that is, its bundle of mandates, and both the mandate itself and the relationship attributes have an effect on the subsidiary's evolution in the MNE after the depletion of a certain mandate. By conceptualizing the informal dimensions of subsidiary mandates as its relational attributes, we theoretically contribute to understanding the composition of subsidiary mandates, the utilization of these relational attributes and the way the attributes aid in mandate formalization. We further show that these attributes linger and can be leveraged even after a mandate is lost. In so doing, we contribute to an increased understanding of the determinants and configuration of a subsidiary's charter and expand the understanding of what mandates do to subsidiary networks (Andersson et al., 2002; Birkinshaw, 1996; Rugman & Bennett, 1982).

The paper is organized as follows: first, we discuss concepts that act as an a priori foundation for our conceptual model. After that, we introduce and explain the conceptual framework, adding the motivational context to the theoretical choice and explaining the interactive processes between the concepts and the phenomena (Dubois & Gadde, 2002; Langley, 1999). Then, we outline the systematic combining process and provide descriptions of our sample, the criterion for case selection, and the data collection and analytical methods. Subsequently, we introduce the findings as a paired case comparison between the relational attributes of subsidiaries with different bonds to HQ and their sister subsidiaries. As a means to compare subsidiaries with various positions within the MNE, we use two different case settings (greenfield and acquired subsidiaries), which allows us to analyze the differences and similarities of the characteristics of the relational attributes post-mandate loss. Finally, we discuss the findings and present our conclusions.

2 | THEORTICAL BACKGROUND

2.1 | The dynamics of a subsidiary mandate

An MNE consists of complex interdependencies between different organizational units that have both compatible and conflicting responsibilities for activities (Cantwell & Mudambi, 2005; Thompson, 1967). In this paper, we adopt the perspective of MNEs as interorganizational networks of loosely coupled subsidiaries (Hedlund, 1986; Nohria & Ghoshal, 1994). In this view, subsidiaries are no longer passive actors under the assigned strategy from headquarters (Andersson, Gaur, Mudambi, & Persson, 2015; Birkinshaw & Hood, 1998; Young, Hood, & Dunlop, 1988); they are instead active in developing their capabilities and assigned responsibilities (Birkinshaw & Hood, 1998; Cantwell & Mudambi, 2005).

However, there is a continuing ambiguity in the distinction between subsidiary roles, subsidiary charters and subsidiary mandates. In this study, we distinguish charters and mandates as follows: (a) a subsidiary's mandate is the functional activity and scope of its responsibility for that activity, and (b) a subsidiary's charter is the sum of its mandates and the scope of responsibilities it has for these mandates. A subsidiary's role is the position and contribution of the subsidiary to the MNE. In subsidiary research, subsidiary mandates first emerged in the early 1980s (Rugman & Bennett, 1982) and have since been conceptualized as both a resource and a capability (Birkinshaw, 1996; Birkinshaw & Hood, 1998). The majority of studies concentrating on subsidiary mandates have focused on subsidiary evolution and entrepreneurship (Birkinshaw & Hood, 1998; Rugman & Bennett, 1982; White &

Poynter, 1984), mainly seeing mandates as a resource (Birkinshaw, 1996; Tippmann, Scott, Reilly, & O'Brien, 2018).

As a subsidiary gain and develops mandates, it is able to pursue a more active role within the operational and strategic activities of the MNE (Birkinshaw, 1996; Rugman & Verbeke, 2001). This aids the subsidiary in further developing its capabilities and in gaining new or extending existing mandates (Birkinshaw & Hood, 1998), thereby evolving from competence-exploiting to competence-creating roles (Cantwell & Mudambi, 2005). Subsidiary mandates have been conceptualized as bundles of functional activities and responsibilities encompassing both the formal and informal scope of the subsidiary (Gilmore et al., 2018; Tippmann et al., 2018).

Mandate activities play a critical role in influencing the subsidiary's development; recent research has linked subsidiary activity interdependencies to each subsidiary's ability to leverage power within the MNE, driving subsidiary capability development (Mudambi, Pedersen, & Andersson, 2014). This also means that there is increasing competition for resources and influence between subsidiaries in an MNE network (Andersson, Forsgren, & Holm, 2007; Dörrenbächer & Gammelgaard, 2010; Gilmore et al., 2018; Tippmann et al., 2018).

This alludes to the much-neglected concept of mandate loss, where a subsidiary can lose mandates through depletion by the parent, through their own neglect or because of changes in the subsidiary's environment (Birkinshaw, 1996). Birkinshaw first drew attention to mandate loss in his 1996 study in which he suggested that it precipitates subsidiary closure, spinoff or wind down. However, until recently there remains a considerable paucity of knowledge on mandate loss, i.e., the drivers and, particularly, outcomes of mandate loss for subsidiary evolution (Gilmore et al., 2018; Mees-Buss et al., 2019). In addition, the focus on mandate development has mainly been on resource development and atrophy. Hence, there is still lack of understanding of the effect mandates have on subsidiary relationship development and vice versa. (Andersson et al., 2002).

2.2 | How subsidiary relational attributes emerge

In the network view, the focus has been on studying how firms can leverage dyadic relationships (Dyer & Singh, 1998; Nahapiet & Ghoshal, 1998). In this study, the focus is on the MNE organization as made up of internal and external networks. Historically, there have been attempts to capture the subsidiaries' relational attributes specific to their mandates (Andersson et al., 2002) by looking at the assimilation of these relational attributes into the subsidiaries' internal networks (Garcia-Pont, Canales, & Noboa, 2009) and how subsidiaries make subnational connections where manager to manager ties are important (Beugelsdijk & Mudambi, 2013; Cano-Kollmann et al., 2016). However, as stated above, we know very little about their effect on mandate development or, specifically, the configuration and complementarities of mandate-associated relationships to the subsidiary's charter.

To develop the concept of relational attributes associated with mandates, we build on the variables frequently described in studies of dyadic business relationships, and we label these relational attributes. These attributes are the observed levels of commitment (Dwyer, Schurr, & Oh, 1987) that, over time, result in the development of trust (Morgan & Hunt, 1994) due to ongoing interactions with actors inside the firm. Here, our argument is that subsidiary mandates act as an unlocking mechanism that allows a subsidiary to form relational attributes that have a significant impact on the development of its connections, position, and ability to influence actors, resources and initiatives in the MNE.

Andersson and Forsgren (1996) show that a subsidiary's internal environment consists primarily of its set of direct exchange relationships with its sister subsidiaries and its indirect exchange relationships that are connected to direct relationships. First, the authors cover the attributes of the relationships in terms of activity interdependence between actors. The stronger the interdependence between the subsidiary and the other actors in the specific activity is, the more the actors will be inclined to develop trusting relationships rather than to conduct business through arms-length relations (Andersson & Forsgren, 1996; Yamin & Andersson, 2011). Second, a subsidiary's internal exchange network is internally enacted, and the attributes of exchanges with the subsidiary's counterparts will lead to product and/or process interdependence over time (Andersson & Forsgren, 1996). Furthermore, the authors suggest that actors who are engaged in trusting relationships tend to strengthen their specific interdependence over time, thus raising their joint productivity. We can assume that the closer a subsidiary's relationships are, the higher the subsidiary's degree of commitment will be, as close relationships are more difficult to substitute (Ibid.).

Interorganizational network relationships have been found to be positively associated with subsidiary performance (Vernaik, Midgley, & Devinney, 2005), as they boost learning processes and stimulate a subsidiary's entrepreneurial efforts (Gnyawali, Singal, & Mu, 2009). Research shows that, in particular, a subsidiary's network relationship with its parent company is highly valuable (Birkinshaw & Hood, 1998). For example, knowledge exchanges with the parent company positively affect innovation and performance (Monteiro, Arvidsson, & Birkinshaw, 2008). Luo (2005) suggests that parental support reduces the subsidiary's dependencies on resources located in the host country, which in turn reduces the uncertainty associated with subsidiary operations. From an MNE network perspective, a subsidiary with a strong relationship with the parent company benefits from its more central position in the interorganizational network of the MNE (Ghoshal & Bartlett, 1990).

A centrally positioned subsidiary can control value-chain operations (Gaur, Yang, & Singh, 2014; Gilmore et al., 2018; Rugman et al., 2011) and/or have access to critical resources in the host country. In these situations, the subsidiary can be powerful and build long-lasting relationships inside the firm that increase its initiative success and charter development (Mudambi et al., 2014). However, the notion of subsidiary decline and mandate loss is traditionally focused on subsidiary resource atrophy and does not consider the longevity of the subsidiary's relationships.

Hence, the increased frequency of subsidiary interorganizational network exchanges increases the likelihood that the subsidiary will develop relationships that enable it to influence the MNE's strategic decision-making in its favor. A subsidiary exhibiting strong internal network relationships can obtain a high degree of "voice" (Bouquet & Birkinshaw, 2008) in the sense of being understood as valuable to potential internal actors. Furthermore, the subsidiary's "weight" is associated with the importance of its activities, i.e., the degree of mandate-interdependence between the focal subsidiary and other subsidiaries inside the MNE.

As such, there is still much to learn about how mandate-associated relational attributes contribute to the development of a subsidiary's "voice" and ability to leverage that "voice" in inter-MNE competitions for organizational resources (Birkinshaw & Lingblad, 2005). For example, we still do not know how the relational attributes associated with R&D mandates are complementary to the other mandates in a charter. Nor do we know how they form or aggregate within the charter over time to give the subsidiary a "voice" (Bouquet & Birkinshaw, 2008; Garcia-Pont et al., 2009). More importantly, we do not know whether removing "one piece of the subsidiary jigsaw," in this case, mandate activities, will affect the reminding relational attributes. Simply put, losing a mandate will potentially affect a subsidiary's "weight" as activities are removed; however, the relational attributes that underpin and influence the subsidiary's "voice" remain in place, as they are already developed and not attached "only" to the lost mandate.

3 | METHODOLOGICAL APPROACH

To adhere to prior theories while developing new insights, the study used systematic combining, where literature review and data collection was made in parallel and insights from both processes drove the theorizing process (Dubois & Gadde, 2002; Langley, 1999). The iterative process followed three steps that were repeated during the study: conceptual development, exploration of relational attributes, and interpretation. This methodological approach affected the empirical sampling, data collection and analysis described below.

3.1 | Case sampling

We focused on fully fledged subsidiaries, i.e., with different forms of mandates and scopes that include not only local or regional activities but also global responsibilities (e.g., for a whole product line). By sampling two types of subsidiaries with different entry modes, greenfield and acquired (Cantwell & Mudambi, 2005), we follow prior studies that have considered the importance of relational differences in the development of the two types of subsidiaries. This sample allowed us to capture relational attributes associated with a mandate, how they differ between subsdiary types, and their effect post-mandate loss.

To keep the data consistent and comparable, we focused on the most recent cases of mandate loss. Based on both the literature review and discussions with executives, we concluded that manufacturing and R&D mandates have higher levels of relational attributes, as these mandates generate relatively more interdependencies between the subsidiary and its HQ and sister subsidiaries. As the most resent mandate losses were R&D mandates, it was considered a suitable empirical setting for investigating relational attributes and subsidiary mandate development.

We selected Alfa (the firm will remain anonymous by request), an MNE with corporate HQ located in Sweden, as our focal research object. Alfa is an industrial company with more than 40,000 employees and subsidiaries in over 80 countries. We focused on four subsidiaries that comprised a sample of two greenfield subsidiaries (G_1 and G_3) and two acquired subsidiaries (A_2 and A_4). The subsidiaries had similar sets of expertise and capabilities, which allowed us to understand how their relational attributes developed under different conditions.

The subsidiary's activities are entangled with those of other MNE subsidiaries, and the resulting relationships are both collaborative and competitive (Tippmann et al., 2018). Following previous studies (Cantwell & Mudambi, 2005; Håkanson & Kappen, 2016), the greenfield and acquired subsidiaries varied in their embeddedness and influence within the MNE (Andersson & Forsgren, 2000). By following both greenfield and acquired subsidiaries, we are able to study how the subsidiaries leverage the differences in their relational attributes to uphold their position and performance post-mandate loss.

To understand the development of relational attributes, we included the time period before and after the mandate loss, which thereby supported a comparative case analysis. We controlled the data so that the selected subsidiaries were equal in terms of size, age, functional scope, market scope, and autonomy (see Table 2). Furthermore, each subsidiary had a strong position within its MNE network that was measured in terms of how many activities it undertook that HQ and its sister subsidiaries depended upon.

The selected subsidiaries displayed significant interdependencies in their MNE networks; subsidiary charter development was a high priority among managers (which thereby provided research access and engaged respondents), and the subsidiaries had both older and newer mandates, some of which were successful and some of which were not. Subsidiaries were identified through pilot interviews with corporate and divisional management using the following criteria: (a) Swedish (majority) owned but globally dispersed, (b) active participant in a global value chain, (c) evidence of being fully fledged, (d) evidence of R&D mandate loss, and (e) evidence of taking on initiatives post-mandate loss. Through the pilot interviews and by reviewing company reports, four subsidiaries were identified. Over a two-year period, these subsidiaries and their corresponding divisional HQ's agreed to cooperate fully throughout the field study.

All four of the subsidiaries were responsible for mandates in manufacturing, marketing and sales, and R&D. In addition, each of the subsidiaries had taken on initiatives that were extensions of their charter, meaning they were related to product or process development, a result of the acquisition of an organization in their local market, or initiated as an R&D project with external partners. This case sampling allowed us to capture and control for different outcomes post-mandate loss.

3.2 | Data collection

Initial meetings with Alfa's divisional president and the subsidiaries' managing directors allowed the identification of mandates and the managers involved. These respondents were approached and asked to describe the activities (mandates) with which they were involved and the related context. As the intention was to gain longitudinal insight into the mandate gain and loss process, as well as to map the resources and relationships associated with it, we closely followed Langley's (1999) suggestions to mapp processes over time. The field study spanned a period of more than 2 years from initial case evaluation to final member checking. The first interview round had mainly open-ended prompts such as "Describe the selection and transfer process of the R&D mandate gained, which partners you interacted with in this process, which capabilities your unit developed after gaining the R&D mandate, and how the R&D mandate was lost?" The empirical renderings were then continually reevaluated in light of current literature, which allowed us to develop our understanding of the concept of mandate loss, that is, the theoretical concepts were scrutinized based on the unfolding empirical data in an iterative manner (Dubois & Gadde, 2002; Eisenhardt, 1989).

The field researcher initially advocated a broader set of relational attributes (cf. Wilson, 1995), but after scrutiny, several were dropped. This led to a number of suggested emergent themes being embraced and then included in the following round of data collection. The final themes were based on viable and observed levels of *commitment* (Dwyer et al., 1987), which, over time, result in the development of *trust* (Morgan & Hunt, 1994). The subsidiary's ongoing interactions led to interdependence with its partners (Hallén et al., 1991), which can be seen as a very strong and distinct dimension of commitment, and we have chosen here to include adaptations in the theme *commitment*. These two themes became the foundation for the development relational attributes affecting charter evolution.

The second interview round had more close-ended questions (e.g., "What was the functional and geographic scope of the activities, what operations and core resources do you have, what level of trust and commitment did you have with counterpart units within the MNE, and to what extent were your capabilities already proven in the MNE?") inspired by the first round, where key events had been described. The results from the later interviews were then checked by a third author, which offered a further refinement of the concepts so that some additional themes were dropped.

The interviews provided several examples of the mandate (i.e., gain, development and loss) process. The field researcher focused especially on the four events that the respondents described most vividly, which took place in different contexts and thus allowed for comparisons. To ensure a richer description of these events, two to four respondents were interviewed for every episode of R&D mandate gains and losses. These respondents included the parent company and subsidiary managers most directly involved in the R&D mandate and in the mandate gain and loss process. The research process yielded a total of 22 long interviews (McCracken, 1988) lasting, on average, 1.5 hr for each interviewee. All subsidiary respondents were interviewed twice to ensure continuity and allow for member checking, resulting in 44 interviews in total. Table 1 describes the respondents and the location and timing of the interviews.

The respondent's verbal renderings spanned different episodes, which allowed a comparative analysis and supported a condensed but comprehensive presentation of the study results. In each of the four research sites (G_1, A_2, G_3 and A_4), the consequences of mandate loss for resource management, capability development, the subsidiary networks and the subsidiaries' charter strategies were studied. As this study specifically aimed to explore the relational attributes and further develop our understanding of subsidiary mandate loss in MNEs, the above setting elucidates these processes. Mandate loss was expected to affect not only the internal relational attributes but also, in the long run, the subsidiary's ability to influence both the MNE's HQ and its sister subsidiaries (Garcia-Pont et al., 2009). It was also expected to influence the subsidiary's mandates across its value chain roles, as the subsidiary's charter (which is a bundle of mandates) is also a result of how it leverages its relational attributes. Such a rendering of the

TABLE 1 Interviews

Business unit	Respondent (no. of interviews)	Total interview duration (min)
Alfa division headquarters	CTO (1), Divisional president (1), Vice President of R&D (2), Global Product and Portfolio Manager (4)	480
Alfa Canada (G_1)	Subsidiary Manager Director, Sales Manager (2)	150
	Subsidiary R&D Manager (2)	80
Alfa US (A_2)	Subsidiary Manager Director, Financial Director (2)	115
	Subsidiary R&D Manager (1)	60
Alfa India (G_3)	Subsidiary Manager Director, Financial Director (2)	120
	Subsidiary R&D Manager (2)	90
Alfa China (A_4)	Subsidiary Manager Director, Sales Manager (2)	110
	Subsidiary R&D Manager (2)	60

TABLE 2 Studied subsidiaries

Subsidiary	Alfa (G_1)	Alfa (A_2)	Alfa (G_3)	Alfa (A_4)
Entry mode	Greenfield (1994)	Acquired (1990)	Greenfield (2003)	Acquired (2007)
Mandate	Operations, sales, services, R&D	Operations, sales, services, R&D	Operations, sales, services, R&D	Operations, sales, services, R&D
Employees	402	374	570	430
Location	Canada	US	India	China
Data sourced from	Headquarters, sales, operations, R&D	Headquarters, sales, operations, R&D	Headquarters, sales, operations, R&D	Headquarters, sales, operations, R&D
Mandate scope	Global and regional	Global and regional	Global and regional	Global and regional
Autonomy	High: Many decisions made by subsidiary	High: Many decisions made by subsidiary	High: Many decisions made by subsidiary	High: Many decisions made by subsidiary

MNE network considers the subsidiary mandates to be enacted through the relations formed between the MNE's internal actors. Table 2 lists the basic characteristics of the sample subsidiaries and the activities they were responsible for.

It was important to ensure that the respondents could relate to explicit phenomena when they expressed their views on their relational attributes with their HQ and sister subsidiaries. Focusing on tangible events increased the relevance of the data collected and allowed respondents to discuss specific issues such as trust and commitment. To anchor the interviewees' narratives, we used relevant examples and critical events from initiatives taken that reflected the influence of the mandate's relational attributes on charter evolution. We took a fairly broad view on what constituted initiatives that were novel or similar to the existing domain of a subsidiary's charter (i.e., acquisitions, new joint R&D projects, the introduction of new products or processes, and extensions of existing activities or products). We did this to explore the prevalence of initiatives associated with the greenfield and acquired subsidiaries in our sample and to examine how the relational attributes played out in these initiatives.

3.3 | Data analysis

The analysis began with writing detailed case narratives using temporal bracketing to reconstruct and understand the subsidiary's role evolution in the period after the loss of the R&D mandate. Our elucidation of these narratives proceeded in three main steps: (a) analyzing the subsidiary's mandate profiles, (b) tracing the subsidiaries development of relationships, and (c) determining the outcomes of long-term internal relationship building based on affiliate interdependence in the subsidiary's portfolio of mandates. The first step in this data analysis process was to arrange the collected data in a systematic way; we developed detailed descriptions of the four different cases and the MNE in general. Next, we selected quotes from the case descriptions that could be attached to either one of the two types of relational attributes emerging from the data, that is, trust and commitment. In scouring the methods landscape for a tool for structured comparative case analysis, we adopted a paired case comparison analysis as described by Tarrow (2010).

Our case comparison approach enabled us to compare the four different subsidiaries based on their perception of their relational attributes. We used the method to compare the critical differences and similarities between the cases (Eisenhardt & Graebner, 2007; Miles & Huberman, 1984), combining two sets of contrast cases (G_1, A_2 versus G_3, A_4) and two sets of likeness cases (G_1, G_3 versus A_2, A_4) to perform a total of four sets of paired case study comparisons. We focused the paired comparison on the different entry modes of the four subsidiaries, given that the nature of the response to mandate loss was the same for the greenfield subsidiaries G_1 and G_3 (charter enhancing) and the acquired subsidiaries A_2 and A_4 (charter consolidating). This enabled us to identify differences and similarities in the relational attributes post-mandate loss between different subsidiaries (G_1, A_2 versus G_3, A_4) and similar subsidiaries (G_1, G_3 versus A_2, A_4). What follows are case illustrations that examine the differences in relational attributes that stem from the subsidiaries' different entry modes (i.e., greenfield or acquired) and their impact on the charter development process of the subsidiaries (Langley, 1999).

4 | CASE FINDINGS

The field study showed that an MNE's mandate distribution is driven by subsidiary activity patterns and underpinned by complementary relational patterns. For example, a subsidiary develops trust and commitment with its HQ when it successfully implements and develops its R&D mandates. The subsidiary will develop these relational attributes with internal subsidiaries as it becomes more interdependent within in the MNE. Furthermore, the subsidiary develops and implement both its R&D mandate activities and new relational attributes that are "synergistic" with the other mandates in the charter. Thus, there is a complementarity between the subsidiary's activities.

As a subsidiary develops its mandate activities with other actors in the MNE, relational attributes such as trust and commitment develop in parallel with those activities. This means that the relational attributes developed in conjunction with the mandate at the subsidiary level become important on multiple levels. Through the mandate, relationships develop in multiple functional areas and become aggregated at the subsidiary level, where they increase the value-adding potential of the subsidiary. Our field study indicated that the relational attributes are both mandate focused and relevant to other mandates in the subsidiary's charter, as they underlay internal interdependencies with other subsidiaries. Thus, the relational attributes a subsidiary builds with its HQ and other subsidiaries in the MNE act as a mechanism enabling discretionary flexibility beyond the scope of the mandate. However, the strategies when losing a mandate differ, as shown in Figure 1.

The data shows that relational attributes are sticky as they are developed over time between subsdiary managers who are familiar with each other and even after a mandate is lost, the relationships remain and enable a subsidiary to uphold its position within the MNE (Lorenzen & Mudambi, 2013). As presented below, the relational attributes a subsidiary develops thereby allow it to carry out activities that it should have been depleted of when it lost the mandate, as the relational attributes support the subsidiary activities beyond the focal mandate. The results are presented in three episodes that outline the initial state of the subsidiaries before gaining an R&D mandate and show how the relational attributes were developed and then depleted after a mandate loss.

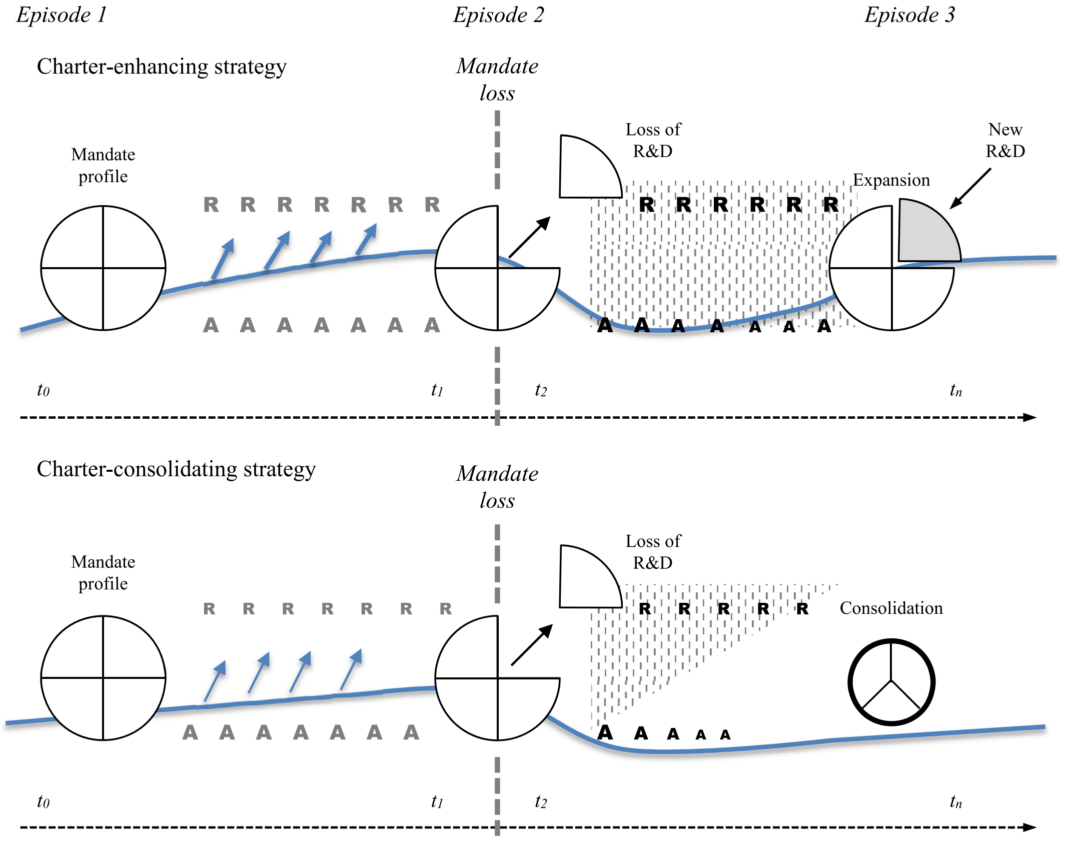

FIGURE 1 The studied charter evolution strategies

4.1 | Episode 1 – Developing relational attributes

Initially, the mandate from HQ for the two greenfield case subsidiaries was advanced production operations and regional sales. Over time, one greenfield subsidiary was awarded a center of excellence status for its quality local products and delivery of product components in global production projects and for increasing its regional sales year after year. The status was achieved through incremental assembly and manufacturing process improvements as well as through strong sales performance. To develop and maintain this status, the greenfield subsidiary developed deep relationships with its local suppliers and buyers, which was evident in the greenfield subsidiary respondent's descriptions of how the subsidiary gained trust and subsequent commitment through its integrated production processes as well as its increased sales orders, as illustrated by the R&D manager for G_3:

> One of my many challenges is to maintain the close work we do with the German and Australian units; they clearly help us maintain our high levels of quality. It's not only our control over engineering, it is the advantageous position we have with other units in all our activities that make launching new projects easier.

The rise in its production standards and innovative processes gained the subsidiary a positive reputation with its sister production subsidiaries and HQ. The descriptions of confidence shown by the respondents and their delivery of assembled products from their sister subsidiaries (practically manifested by higher order volumes from the sister subsidiaries) conferred that the latter were assured that the former (G_1 and G_3) had the necessary capabilities and a compatible mindset (see Table 3 for examples). Over time, the production processes between the greenfield subsidiaries and their sister subsidiaries led to both procedural and technological adjustments, particularly in regard to the flexibility of delivery times and the scope of products. These changes resulted in increased commitment, enabling the greenfield subsidiaries to develop their reputations and positions within the MNE network. The study also displayed how internal processes were complemented by the growing availability of local skilled labor pools and increasing industry-wide product modifications that became steadily more software driven.

By 2005, the greenfield subsidiaries (G_1 and G_3) had been given their first R&D mandates and began proving their increased capabilities in product manufacturing through process improvements. This increased their embeddedness in technological changes that occurred locally but that also influenced the internal R&D strategy. Alfa's G_1 subsidiary became highly regarded for its software technology leadership, which was reflected by its substantial engagement in and subsidiary mandate for R&D activities (see Table 3 for examples). The studied unit had global responsibility for software development and had considerable interdependencies with its sister subsidiaries across functional areas. Alfa's G_3 subsidiary also managed a range of different functional activities, including production, support, and sales. G_3 gained an R&D mandate after it was shown to have developed R&D capabilities centered on product innovation. The managers described operating in tightly defined and globally integrated activities where their subsidiary had developed significant interdependencies that were favorable towards their unit due to the reputation it had built around its R&D capabilities.

The narrative of the acquired subsidiaries (A_2 and A_4) reflects the polar opposite situation from that of the greenfield subsidiaries. The primary responsibilities of the two acquired subsidiaries were initially local production and product innovation. Alfa's A_2 subsidiary was shown to nourish a particularly strong innovation culture with continuous technological improvement at the heart of its vision. When it entered Alfa's MNE network, its functional responsibilities in production and marketing were adapted via the assignment from HQ to fit with the sister subsidiaries' mandates. A_2's R&D mandate was adapted to fit the global operations of the MNE. However, it had problems integrating the mandate into ongoing R&D projects where they had considerable issues connecting with sister subsidiaries. It was found that when R&D projects were initiated, A_2's interdependencies became stronger, and various bonds were developed. However, the subsidiary managing director for Alfa's A_4 subsidiary indicated that it had a harder time developing relationships with its internal counterparts when entering the MNE:

> Before Alfa bought our company, we knew what the other internal units did. More importantly, we knew we had the respect of local units and our divisional headquarters. When the management at Alfa's division decided to centralize some of our engineering activities, it affected relationships with our clients and affected our flexibility for launching new products.

A_4 mainly hosted production and sales activities regionally, and these activities were organized by subnational regions. The subsidiary displayed strong relationships with pockets of suppliers and buyers in its most important regions, and it was originally acquired to serve the parent

TABLE 3 Descriptions and empirical excerpts of the relational attribute

Relational attribute	Conceptual description	Emergence of attribute	Empirical excerpts
Trust	An expectation that one's interaction party will behave in a reliable, predictable and fair manner (Dwyer et al., 1987; Zaheer, McEvily, & Perrone, 1998),	The relational attribute of trust emerged from the interplay between HQ and the subsidiary and between subsidiaries who had been granted a mandate. - it was an expectation from HQ that the activities would be pursued by the subsidiary with good motives and intentions, to be open and upfront and to act in an honest and predictable manner. - on the subsidiary level, it was understood that HQ would make sensible decisions and concerted effort to protect the subsidiary's interests in an honest manner, supporting these activities as promised when the mandate was assigned. - between subsidiaries, it was understood that they would fulfill the expectations when working together on mandate activities and not to behave opportunistically.	*From HQ*: - we needed to continue maintaining our close interaction with the unit's managers, so the unit was more likely to share confidential information with us, as the trust dividend from such sharing is important for our operational knowledge (divisional president). - we want to maintain the trust and their belief; we continue to believe in their competences in China and would never take advantage of their vulnerabilities (CTO). - when alfa 4 were setting up the R&D site in Nanjing, I got to know the frontline there well. They are good guys we still talk on a monthly basis, and I feel they care equally about what is happening with me than my responsibility over operations (global product and portfolio manager). *From subsidiaries*: - as part of the firm's network, we have projects with other units in Asia, Europe and America. I personally and have friendships with other directors from these units and think they are sincerely concerned about our health. I would feel a sense of loss if we stopped working together or any of them went out of business. (MD alfa *G1*)

TABLE 3 (Continued)

Relational attribute	Conceptual description	Emergence of attribute	Empirical excerpts
			- an equivalent general manager from Australia that I have known forever told me a while ago that as they were able lower their costs on a specific platform (CoT) and the design efficiencies and were sharing this knowledge and savings us (MD alfa *G3*).
Commitment	Amount of relation specific investments made between counterparts (De Laat, 1997).	Commitment was seen from HQ in terms of the amount of investment and attention it gave, which escalated over time. Over time, this type of commitment was represented in the subsidiary's belief that HQ supported its activities. As mandated activities became more interdependent between counterpart subsidiaries, commitment emerged in joint funding of projects and commitment to just-in-time working processes, equal involvement and investment in the joint projects.	*From HQ*: - through dialog and interaction with the local Indian managers, we became an active beneficiary, as we used the rollout of the new boomer in India to increase our presence there and flexibility for the customers there. It required us to empower the local manager more than previously; this took time, as we had to get to know them properly... [and see whether they] could be trusted with the flagship products (CTO). - I have seen that the chances that our companies' R&D network increases its value-generating capability when the number of committed actors in the system and the increased involvement from all parties (divisional president). - our subsidiaries in the company have a common resource base but must also source resources from local sources. We like to give our subsidiaries flexibility in doing this,

(Continues)

TABLE 3 (Continued)

Relational attribute	Conceptual description	Emergence of attribute	Empirical excerpts
			but they must be active providers and work towards common goals in alfa (global product and portfolio manager). *From subsidiaries*: - we evaluate our relationships with HQ based upon perceived value creation potential and the need for resources and investment. Both our divisional and corporate headquarters in Sweden have not been over involved, but I have seen that they have always invested in our activities (MD alfa *A2*). - we regularly evaluated projects that we are co-developing with other units in the company, as there is an immense amount of tied up value in them, and we have to change role or approach depending on the needs at different stages of the projects (alfa *A2*).

company's middle market. As A_4 evolved in the MNE, production responsibilities were mandated, which meant that its production processes were replicated globally.

The integration of the production processes led to strong interdependencies with sister subsidiaries in which A_4 received more acknowledgment. The allocation of its R&D mandate had a multilevel scope in which the domestic role was to uphold market production and sales. This allowed A_4 to develop itself into a diversified technology leader with substantial market and technology reach in its domestic market. However, the subsidiary hosted a range of different R&D activities, the scope of which was not particularly impactful. Thus, the interviews revealed that A_4 faced the most challenges of all subsidiaries in software development processes.

The study showed that an important aspect of any charter initiative is the initial identification of both appropriate partners externally in the environment and internally within the MNE. This also includes evaluating the impact of the (mandate) project on all ongoing collaborations. In contrast, in greenfield subsidiary G_1 and acquired subsidiary A_2, we observed that G_1 was more aware of the internal landscape and the interdependencies in the operational and capability profiles of the two subsidiaries. This allowed G_1 to have a more direct approach when consolidating ongoing projects and new projects. In A_2, the subsidiary's attempt to build bridges between itself and its sister subsidiaries as a means of fostering commitment from HQ despite the lack of previous experience within the MNE proved to be more cumbersome.

G_1's entry mode gave it greater flexibility and support than A_2 in both consolidating its mandated activities and pursuing initiatives that it had been developing. This was due in part to previous internal counterpart commitment to mandated activities and the fact that managers at G_1 had worked and lived at *Alfa's* headquarters and had close ties with executives who had more trust in G_1's operational capabilities. Furthermore, we observed that the tone of communication was leveled and optimistic in G_1, as though there was a degree of experienced interaction. However, in $A_{2,}$ the tone was more cautionary and subservient. A comment made by the managing director of A_2 illustrates this:

> *We were painfully aware of older units being able achieve low-key interactions, we saw these as being a potentially influential foot in the door and a way to build necessary relationships. I think the more established units were lucky, as they could twist important ears more easily. However, we in the management actively sought to make our own luck by working to achieve more casual relationships on top of our more formal one.*

We observed both success and failure in how G_1 and A_2 managed their relationships with the divisional HQ—both had access to both corporate HQ and sister subsidiaries—but the levels of influence on these counterparts varied significantly between G_1 and A_2. In G_1, these differences prompted extended responsibility for full R&D and production responsibility in the MNE, while in A_2, it resulted in a slight increase in regional market scope. In subsidiary G_1, the manager to manager ties that had been built between subsdiary managers and divisional managers through Alfas job rotation scheme enabled the subsidiary (due to the greater familiarity between managers, see for example Lorenzen & Mudambi, 2013) to leverage the previously fostered trust in its operational and capability profiles, which resulted in an upheld commitment despite the mandate status.

In subsidiary A_2, this was weaker due to the lack of previously generated trust in the subsidiary's operations and capabilities. Thus, the lower level of commitment to A_2 was a striking example of the subsidiary's lack of ability to influence intermediate champions (divisional HQ) to increase its charter responsibility. There was also a greater degree of "hand-holding" for A_2 than for G_1, in part due to the lack of trust divisional HQ had in A_2 but also due to the suspicion internal counterparts had regarding the quality of A_2's competencies. A2's R&D manager exemplified this:

> At first glance sometimes, it seems that headquarters play the numbers when they grant investments; some they grant and some they don't. Over time, we got the feeling that some units got preference on their proposals; it has always been the case that before we started a new project, headquarters had to endorse it. It often became clear after the endorsement that there was trust issues in what we were doing.

4.2 | Episode 2 – Mandate loss

Episode 2 is characterized by different episodes of mandate loss in all four subsidiaries. All four subsidiaries experienced mandate loss in some form, and Table 4 illustrates the types of

TABLE 4 Types of mandate loss

Subsidiary	Type of R&D mandate loss	Type of reason for mandate loss	Year of loss
Alfa (G_1)	Scooptram system	Activity neglect	2011
Alfa (A_2)	Rig control system	Internal competition	2009
Alfa (G_3)	Cable bolting diagnostics	Lack of strategic fit	2010
Alfa (A_4)	Control system diagnostics	Resource atrophy	2012

mandate loss that each of the subsidiaries (G_1, A_2, G_3, and A_4) experienced. It is striking that for the greenfield subsidiaries (G_1 and G_3), mandate loss was triggered as a consequence of the subsidiary's own activities. The mandate loss in the acquired subsidiaries (A_2 and A_4) was triggered as a consequence of factors outside of the subsidiaries' control.

Subsidiaries G_1 and G_3 had more flexibility than A_2 and A_4 in securing continued commitment and trust from Alfa's divisional HQ after a mandate had been lost. While it is arguable that commitment and trust from an internal hierarchical unit is required in any sort of commercial or operational subsidiary endeavor, we observed considerable differences in commitment and trust between G_3 and A_4 in how these could be leveraged post-loss. In this unbalanced context, the process of leveraging commitment and trust to enhance a charter was subtly different from what we observed in the charter consolidation of G_1 and A_2. The commitment from Alfa's HQ, in terms of time and resources, was typically higher for acquired subsidiary A_4 during its integration into the MNE (which was mirrored by A_2).

However, the degree of commitment and trust gained from previous projects was typically higher for greenfield subsidiary G_3 (and mirrored in G_1). The difference in commitment and trust was further exacerbated when considering the difference in reputation between G_1 and A_2 versus G_3 and A_4. The misgivings at the divisional HQ regarding the quality of the work and on-time delivery were significantly fewer in the cases of G_1 and G_3. Interestingly, we observed that in greenfield subsidiaries G_1 and G_3, the explicit use of influence and accumulated status to ensure commitment was largely predicated on continued trust, as highlighted by the managing director of G_3:

> *On top of our local activities, we have been a global supplier [for other MNE units] of the vehicles framework and have been working with our headquarters for a long time. This relationship has been fruitful in succeeding in project endorsements and especially helpful in the relative ease we have enjoyed in getting key knowledge, as we have successfully collaborated throughout the company as we have grown.*

This stood out, given that in each subsidiary, the divisional HQ had devoted many person-hours to R&D programs and underwriting projects before moving the mandate away from the subsidiary due to a "change in technological priorities." However, significant R&D responsibilities remained in all four subsidiaries. A subsidiary manager referred to this experience as "a waste of time" or "unnecessary churn". He believed that in order to serve its existing portfolios, the subsidiary had to maintain aspects of R&D. Subsidiaries A_2 and A_4, which failed to obtain commitment from HQ, differed from G_1 and G_3, which retained commitment from HQ postloss due to their previously accumulated trust and how they leveraged that trust.

During their growth period, the greenfield subsidiaries G_1 and G_3 entered into multiple written agreements with their HQ (represented as gained mandates and successful initiatives). Their executives also had time to identify senior managers in the MNE with whom to build trust and whom they could cultivate as internal champions for gaining sustained commitment to their activities. As the R&D manager for G_1 described:

> *Not only can capital and budgetary sanctions be enforced for poor quality and delayed delivery, but social sanctions can be enforced if the unit delivers late or there are errors in the process. If we were to renege on any of our commitments, our reputation would be damaged.*

The contrasts in initiatives postloss in the consolidation and enhancement cases demonstrated significant weaknesses in acquired subsidiaries A_2 and A_4. This was largely due to the entry mode of the (acquired) subsidiaries; our cases showed that the lack of familiarity of HQ with their capability profiles and working methods hampered their opportunities to build on existing technology and follow new lines of enquiry postloss, unlike what the greenfield subsidiaries G_1 and G_3 experienced. As the sales manager at A_4 described:

> *One of my key challenges is to find people in headquarters that can relate to more than our performance, as we [are] integrate[d] in divisional operations. It became important me to try to make management see our value!*

Thus, the subsidiary's background and the time it had to develop bonds within the MNE could be seen as a central aspect behind their voice and position within the MNE. Table 3 lists the key characteristics of the four cases of mandate loss we identified. The cases will be discussed individually in order of their anonymized prefix, i.e., G_1, A_2, G_3 and A_4. The mandate of Alfa's G_1 subsidiary arose through the subsidiary's R&D capability, but the lack of fit of the increased R&D mandate's scope with the subsidiary's strategy and with the rest of the MNE made the mandate a low priority activity for the subsidiary. In G_1, the managers were concerned that their R&D mandate would not receive the support it needed from HQ to grow due to its lack of strategic importance to the MNE. The subsidiary's management pursued more advanced software development activities, and, as a result, decreasing quality of system diagnostic activities the subsidiary delivered. The CTO from Sweden commented on this situation as follows:

> It becomes frustrating to constantly hear of the man-hours put in here to rectify glitches that should be taken care of at the source. It builds up to significant costs for us.

A drawback for subsidiary G_1—which was seeking to upgrade its mandate activities to full-scope software development—was shown in the drop of quality in its original activity, which resulted in a lack of strategic significance to HQ. In this case, the subsidiary manager recognized that there was little to gain by remaining in this R&D activity because it was distant from the MNE's new direction in software design. The subsidiary R&D manager made a comment that illustrates the subsidiary's thinking at the time:

> We just felt out of the picture and that we had more to offer the company—it was completely our choice to take these risks. We have always been a bit restless and it's a big market and we need to stay on feet. Sometimes it blows back on you, though.

Alfa's A_2 subsidiary and HQ decided to phase out a legacy control system. After joining Alfa, the subsidiary management had taken the initiative to develop an alternative method for maneuvering the products that became integrated into the MNE's global offering. This adaptation became an integral part of the MNE machinery, and the subsidiary's R&D group increased to maintain and enhance the subsidiary's skills in this area. The R&D manager had this to say, which reflected the sense of worth A_2 had to the MNE due to the former's competence:

> When we joined Alfa, our company was struggling to restructure, and our division was sold to them. We had a lot of experience here in the US and our original headquarters gave us a lot of freedom to work with our customers to find platform solutions.

When the decision was made by Alfa's HQ management to design and build a second-generation rig, the responsibility for the control system was assigned to the R&D unit in Alfa's Indian subsidiary, as they had larger resources and skill pools and had been working on the same system for some time. A_2's control system development group was wound down, and the staff redeployed to other operations with the subsidiary. A_2's case is typical in regard to the process of phasing-out mandate activities and the emergence of an internal competitor that takes over the responsibilities of a new generation of a product.

A repeated theme from the respondents was that they never gained formal recognition for their mandated activity after joining Alfa. Their pursuit of ventures for the period before joining Alfa gave them significant international responsibilities, but this was never fully formalized by Alfa's HQ. Two comments from the subsidiary managing director for A_4 reflected on this well, noting the following about their loss of mandate:

> When we lost this activity, it was a shock, as it had been one of our core areas, and we thought we were relatively safe there, we didn't expect the head office to act this way. We had to completely refocus and quickly.
> We designed the control system, and it went away; the Swedish headquarters made some operational decisions that really clashed with our strategies. We had to amalgamate our activities to make the best of the situation.

In A_2's case, a major reason behind the mandate loss was that most decisions, such as the decision to design a new generation of the system, were made far away at HQ. This coincided with the emergence of internal rivals who have equal competences that nullify the contribution of A_2. Since its inception in India, Alfa's G_3 subsidiary has undertaken an increasing number of R&D activities with international scopes, such as embedded software diagnostics and testing for use in Alfa's flagship products. However, on the side, it had also been pursuing local adaptations to the platform with specific customers and were given significant flexibility by HQ to do this. The managing director from subsidiary G_3 illustrated this, saying:

> *From early on, we were given many responsibilities in routine software activities. India was booming in this area when we opened. Early on, we completely focused on the responsibilities we were given. At the same time, though, we could not ignore the opportunities to experiment and trial adaptions on the platform with our customers [...] We had the perfect infrastructure for it here.*

Part of G_3 management's rationale behind taking these initiatives was that the subsidiary had been consistently appraised as a center of excellence and had the necessary investment from HQ to build up these competences and skills. *G_3's* management perceived this as a signal that they had the leeway to explore opportunities with actors in their local market that were outside the subsidiary's usual mandate scope. However, throughout the 4 years prior to the mandate loss in 2010, there was an increase in R&D expenditure due to G_3's dual focus. This did not go unnoticed by the Swedish HQ, as the Vice President for R&D said:

> There were teething problems with software development being moved to India [...] We don't want them running off doing things they shouldn't, but at the same time, we didn't need to always tell them what to do [...] that can be distracting for our developers here. The level of quality has always been high from that unit, but they were becoming expensive.

The increase in costs from the Indian subsidiary coupled with Alfa's drive to roll out the strategy of efficiency meant that the cost of doing diagnostics and testing in India was less appealing than doing it in China at a lower cost. As such, the decision was made to move the mandate to China while retaining the diagnostics and testing in India on a project-by-project basis. G_3's managing director observed that:

> Focusing both on our responsibilities and the opportunities locally was not properly thought out from the start because we did it without clearly defining our responsibilities or getting our headquarters' support.

Essentially, G_3's R&D mandate was lost because they were overly focused on the potential opportunities and did not see that their strategic alignment towards their division was weakening. During 2012, Alfa's A_4 subsidiary announced that the company had decided to relocate some R&D activities to its Chinese subsidiaries and some back to Sweden. However, the production would remain where it was for the time being. Alfa's HQ explained that the company needed to roll out an efficacy plan and reduce costs due to financial problems within the division during the previous years. To move the studied division back on track financially, Alfa executives introduced a reduction plan to be implemented throughout the company. A4's managing director identified a second reason for the mandate loss:

> *Chinese governmental interventions in R&D processes and sharing policies. We also had strong competition for resources from domestic and internal competitors.*

It had been noticed both by the subsidiary and HQ that local resources (mostly human resources related to various skills) were migrating towards urban areas, which was a move supported by government initiatives. The challenge of obtaining access to resources and attracting skilled staff to A_4's subsidiary was a major contributing factor to the loss of the R&D mandate. However, the subsidiary had immense production facilitates and operations, which is why they continued to pursue these mandated activities. A_4's managing director illustrated why the subsidiary continued with these mandated activities:

> *We fought hard to continue to operate at all [...] We argued that we had been responsible for production of these rigs since joining Alfa and that the main reasons behind*

that Alfa acquired us was to get our expertise on this. The resources supporting our expertise were still present, so there was support behind our argument.

4.3 | Episode 3 – Responding to mandate loss

All studied subsidiaries were highly active players in Alfa's network, and we observed in our data that each of the subsidiaries' activities being interdependent on other units in the MNE, as well as on external organizations such as suppliers and customers. As described in the literature, we noticed that the subsidiaries' mandates and capabilities were dispersed between units with a high level of overlap between units in Alfa's internal network. We also found that the mandate activities of the subsidiaries were entwined in the relationships between Alfa subsidiaries, as presented in Table 5. Acquired subsidiaries A_2 and A_4 displayed a lower level of cooperation, which also meant that commitment to reciprocal behavior was less present in the cases.

Furthermore, we observed counterpart subsidiaries not being entirely forthcoming in sharing their knowledge or accommodating input and suggestions from A_2 and A_4 when they entered into joint projects or when their mandates overlapped. In these contexts, A_2 and A_4 were shown to be unable to fully leverage their ideas and views, thus weakening their ability to leverage the benefits of interdependencies and develop a supportive environment with sister subsidiaries. This made a difference once the R&D mandate was removed. The difference between the greenfield and acquired subsidiaries was present in the case subsidiaries both pre- and postmandate loss. Figure 1 and Table 5 illustrate this difference, and a common denominator seemed to be the degree to which the mandate, its activities (A in Figure 1) and its related relational attributes (R in Figure 1) became interlaced in the MNE's interorganizational network.

While all of the mandates of G_1, A_2, G_3 and A_4 were reliant on their internal networks for support, there were differences between the greenfield and acquired subsidiaries (see Table 5). The acquired subsidiaries, A_2 and A_4, had difficulty obtaining adequate support from their network, largely because they had not been working with other units for a long period of time and because the needed commitment between the sister subsidiaries and HQ had less time to develop. This difficulty was seen in A_2 and A_4, where the operations and activities underlying the mandates pre-loss were not sufficiently adapted with other units. This made it harder to facilitate sister subsidiary cooperation and support postmandate loss. As illustrated by the managing director for A_4:

TABLE 5 Details of relational attributes postmandate loss

Case	G_1 greenfield	A_2 acquired	G_3 greenfield	A_4 acquired
Informal mandate activities	Continue on discretionary basis	Diminished	Continue on discretionary basis	Diminished
Subsidiary's charter activity postloss	Charter-enhancing	Charter-consolidating	Charter-enhancing	Charter-consolidating
Trust	Remains high & leverageable	Diminished & nonleverageable	Remains high & leverageable	Diminished & nonleverageable
Commitment	Remains high & leverageable	Diminished & nonleverageable	Remains high & leverageable	Diminished & nonleverageable

We had to learn to work within new operating templates when we became part of Alfa. In regular meetings with managers from the divisional headquarters, it was communicated that we should feel part of its community, and our operations should continue just as they were before. This made it easier for us to accept the changes, but the sharing of activities and risks with other units was harder. It was tougher redefining and developing our new relationships, whereby our operations suffered as a result.

There was a lack of commitment to A_2 and A_4's activities with their internal counterparts, which constituted a major obstacle to leveraging any form of support or sustaining any form of guaranteed activities postmandate loss. The R&D manager from A_2 explained:

> Since we came into Alfa, we have been developing a pretty good understanding of how to work with other units, but we haven't been able to really get that same understanding that we have with local companies. I think that after more than seven years, we would have done enough to understand one and other [...] It appears that they don't trust the opportunities we can have together and there is a lot of checking on our activities even now.

Juxtaposed with the laborious effort of acquired subsidiaries A_2 and A_4 in generating further commitment to their charters and seeking out common support from internal units, G_1 and G_3 had little or no difficulties securing adequate support from their internal networks. The degree of interdependence was particularly an issue for the managers of greenfield subsidiaries G_1 and G_3. The observed commitment among interdependent counterparts strengthened the subsidiaries' positions and accentuated the divergence in objectives between the subsidiaries and HQ while giving the former a barging position. Subsidiaries G_1 and G_3 typically looked for unique product and R&D routines but found—during the course of ongoing interdependent activities—that they could draw on counterpart commitment as they developed familiarity and trust with their counterparts.

Cooperation between subsidiaries G_1 and G_3 and their sister subsidiaries in the MNE network was shown to increase the likelihood of achieving deeper understanding and support between the subsidiaries. This facilitated operational and routine changes (due, in part, to the related interdependencies) that enabled them to leverage a charter-enhancing position, as seen in G_1, where the activities underlying the lost mandate were allowed to continue on a discretionary basis and support was given to pursue an activity set close to the mandate portfolio, as shown in Table 4. The R&D manager from G_1 said the following about this issue:

> Of course, losing those activities was a terrible shock. Amongst my colleagues, it felt like a chunk of our unit's competence had been carved away. We weren't required to layoff as many of our staff as we thought, so they took on new jobs. Our headquarters encouraged us to continue innovating, and we had the competence. We were also given allowance to engage in new local projects on a case-by-case basis.

The beneficial position of greenfield subsidiaries G_1 and G_3 was therefore also shown to support a charter-enhancing position, as seen in G_3, where the subsidiary pursued an R&D project that significantly enhanced its charter (the activity set was an extension of the software development mandate that was lost). This represented the benefits of longstanding process interdependencies for both G_1 and G_3, which resulted in high levels of commitment that were formed over a long period.

The open and forthcoming sharing of routines and technologies made the sister subsidiaries aware of the complementary needs and constraints of G_1 and G_3, and this supported—as a consequence—the idea that a broader set of views, ideas and creative solutions were accepted. This offered both G_1 and G_3 a position in which they could leverage their value to the MNE and in which their activities were considered valuable by HQ and hence hard to replace. Furthermore, the increased interdependency between G_3 and its internal counterparts meant that it faced less competition from its sister subsidiaries. The support of other subsidiaries and of senior managers proved a powerful platform, which was used as a mechanism to leverage influence. This position set G_3 apart from G_1, A_2 and A_4, as explained by the managing director of A_3:

> *I find our ability to exert influence has been mostly associated with the gradual changes in our activities with other units. The knowledge we have gained from joint projects has not only let us develop our knowledge and successfully complete projects, it has also created respect and support with these units. This has been a powerful tool to influence headquarters of our importance.*

Thus, while greenfield subsidiaries G_1 and G_3 seemed less impacted by losing a given mandate, the tone of the respondents at acquired subsidiaries A_2 and A_4 indicated another position and thereby a reduced opportunity to employ a variety of mandate-loss strategies.

5 | DISCUSSION

The results show that visible and well-known subsidiaries (e.g., greenfield subsidiaries) are more likely to gain mandates and less likely to lose them. Moreover, when greenfield subsidiaries lose mandates, they are more likely to pursue a charter-enhancing strategy, which is juxtaposed with the strategies of less powerful and less visible subsidiaries (e.g., acquired subsidiaries). In contrast, less visible subsidiaries (e.g., acquired subsidiaries) are less likely to gain mandates and more likely to lose them, and when losing mandates, they are more likely to pursue a charter-consolidating strategy. This study shows how subsidiaries develop and utilize their charters by emphasizing relational attributes as significant drivers of charter evolution after mandate loss. In our study, we find two strategic subsidiary actions postmandate loss: charter enhancement and charter consolidation.

Charter changes have previously represented the formal strategic behavior of subsidiaries in response to the actions of other subsidiaries (Birkinshaw, 1996; Dörrenbächer & Gammelgaard, 2010). However, we complement earlier studies by including the mandate's prior influence on the relational attributes in the subsidiary's network in our examination of the impact of mandate loss on charter evolution. The empirical findings and analysis help us understand how the developed links lead to interdependencies that affect charter portfolio change. Basically, when relational attributes increase in strength, the rate of charter enhancement is increased, and mandate vulnerability is decreased up to a certain point. Moreover, subsidiary maneuverability comes with a temporal and historical factor. The empirical results show that greenfield subsidiaries are less susceptible to intense competition and potential mandate loss (Birkinshaw, 1996;

Galunic & Eisenhardt, 1996), a result that indicates a need for further longitudinal studies on subsidiary mandate charter differences.

5.1 | Observations from the findings

In explicitly focusing on the informal dimensions of mandates (Birkinshaw, 1996; Cano-Kollmann et al., 2016; Rugman et al., 2011) that allow the subsidiary to develop its relational attributes within the MNE we are focusing on the microfoundations of mandate development (Felin & Foss, 2005; Felin, Foss, Heimeriks, & Madsen, 2012). We focus specifically on relational attributes in order to explore the complexity of intraunit strategic linkages and the relational attributes that allow charter survival and growth postmandate loss. Our study allows us to make several observations on the underlying mandate-associated relational attributes and how they affect subsidiary charter development postmandate loss. The differences that where present between the studied greenfield and acquired subsidiaries dictated the degree of charter initiative a subsidiary had postmandate loss. We found that the temporal and historical starting points of the studied subsidiaries in *Alfa* affected the mandate associated relational attributes. What we found is that subsidiaries that were in *Alfa* for longer had more leverageable ties meaning they had greater charter options after mandate loss vis-à-vis those subsidiaries that did not. This leads to our first empirical observation:

> Observation 1: Subsidiaries with reduced internal relational attributes post-mandate loss will experience charter vulnerability and will advocate for charter-consolidating processes.

We also address the phenomenon of internal MNE competition (Galunic & Eisenhardt, 1996; Luo, 2005). As subsidiaries accumulate more resources and knowledge, they seek more influential positions within the MNE network by redefining their existing bundle of mandates (Birkinshaw & Morrison, 1995). Specifically, we carried out a paired analysis of the differences in the influence and position of greenfield and acquired subsidiaries. Changing mandate portfolios leads to power shifts among subsidiaries. Hence, we examine mandate overlap to explore competitive dynamics at the subsidiary level (Birkinshaw, 1996; Galunic & Eisenhardt, 1996).

Additionally, we examined mandate-level competitive conditions by exploring relational differences to identify the effect of mandate loss on charter change. We reveal that a subsidiary's ability to evolve and innovate postmandate loss is heavily dependent on its ability to sustain visibility (Bouquet & Birkinshaw, 2008) and influence HQ (Mudambi et al., 2014). Overall, the case subsidiaries we studied in Alfa suggests that subsidiaries actively foster and develop formal and informal mandate dimensions. In greenfield subsidiaries there are naturally social ties between the subsidiary management and other managers within the MNE – for acquired subsidiaries however these social ties to managers within the MNE have to be developed over time. We observed that there were clear lags between greenfield and acquired subsidiaries when developing formalized activities, responsibilities and formal structural linkage to the higher value-added informal relational attributes that further enhance a subsidiary's ability to influence its charter. This view is consistent with previous studies on social capital (e.g., Kostova & Roth, 2003; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998).

By taking an internal network relationship approach, this study touches upon the relation between subsidiary strategy and performance, and the study suggests that Alfas subsidiaries were able to gain a certain amount of "voice" within the MNE due to the unlocking effect of the gained mandate. This "voice" was expanded by gaining R&D mandates and developing the mandate activities; these activities represented the subsidiaries' weight in the MNE network. As Bouquet and Birkinshaw (2008) argue, a subsidiary's "voice" and "weight" work in conjunction with one another and are mutually supportive. Our study goes one step further than this and shows that firstly preexisting familiarity among subsidiary managers in *Alfa* and mandate-associated relational attributes that subsidiary managers develop with other subsidiary managers underpin the subsidiary's "voice" and that trust and commitment remain even when the activities and "weight" are depleted. We thus made the following observation:

> *Observation 2: Greenfield subsidiaries will develop stronger and more leverageable internal relational attributes that affect charter development in the MNE than acquired subsidiaries.*

Our analysis of the subsidiaries' internal networks strengthened the narrative suggesting that a decline in subsidiary distinctiveness was produced by the loss of relations within the corporate network but that the relational attributes that remained allowed the continuance of initiatives and charter development. In line with Garcia-Pont et al. (2009), we also saw that as the subsidiary was given leeway to develop relational attributes with other units of the MNE, they were able to iteratively develop degrees of influence. However, we also saw that there were significant differences in the level of relational attributes between the different greenfield and acquired subsidiaries. This suggests that constructing relational attributes is a process in which establishing one relational attribute enables the building of the next, and this process is highly contingent on the strength of trust and commitment.

Our field study revealed that a higher degree of influence was essentially associated with the degree of difference and similarity in the relational attributes when all attributes (outspoken levels of trust and commitment and the reference to high levels of interdependence) were common. This insight is consistent with the optimal distinctiveness of subsidiaries in an intra-cooperative network (Birkinshaw, Hood, & Young, 2005; Bouquet & Birkinshaw, 2008; Garcia-Pont et al., 2009). The higher degrees of internal relational attributes mean that they seem to bring a momentum that lingers, which was observed to influence the subsidiaries' charters post-mandate loss. The last observation emerging from the study of the subsidiaries is as follows:

> Observation 3: Subsidiaries with remnant relational attributes post-mandate loss will advocate for charter-enhancing processes.

5.2 | The role of relational attributes in subsidiary charter evolution

Our study shows that the relational attributes that subsidiaries develop are the micro-foundations that allow lasting influence over their charters (Felin et al., 2012; Felin & Foss, 2005). The influence of the network position of firms on their performance has been widely recognized (Andersson et al., 2002; Dyer & Singh, 1998; Uzzi, 1997). Birkinshaw et al. (2005) translate this view into the multinational context, emphasizing the importance of lateral relationships between subsidiaries, which has been found to have a significant influence on performance within a subsidiary's competitive environment. Our paper extends such work by applying the perspective of mandate loss and subsidiary charter development to the view of relational attributes in the network of the MNE (Andersson & Forsgren, 1996; Birkinshaw & Hood, 1998; Ghoshal & Bartlett, 1990). We identify relational attributes as remaining post-mandate loss and as significantly influential on subsidiaries' charter development. Our emergent model emphasizes that the magnitude of the relational attributes of a subsidiary's mandate allows the subsidiary to leverage the attributes in its lateral relationships postmandate loss (Birkinshaw et al., 2005; Ciabuschi, Dellestrand, & Martın Martın, 2011; Garcia-Pont et al., 2009).

The process by which subsidiary charter development can be achieved through relational attributes is in itself a novel approach. Relational attributes are the micro foundational mechanisms through which subsidiaries display their capability profile to gain and keep mandates in the face of internal competition (O'Brien, Sharkey Scott, Andersson, Ambos, & Fu, 2019; Tippmann et al., 2018). Although our findings support this argument, our theoretical development explores subsidiary charter development when faced with mandate loss. We find the atrophy of relational attributes within the internal MNE network, which impacts the subsidiaries' ability to use informal mandate dimensions as a motor for charter enhancement or consolidation. A subsidiary can seek charter-development options in the face of internal competition and mandate loss by leveraging the informal mandate dimension supported by its relational attributes.

However, we set out to explore how the impact of mandate loss affects the diffusion and utilization of the subsidiary's capability profile. In doing so, we saw that the studied subsidiaries' contributions to the MNE did not diminish to the extent expected and that their influence on their charter development was purely positive. We further noticed the differences between greenfield and acquired subsidiaries, mainly highlighting the difference in the strength of the relational attributes in a cross-comparative manner. What we found was in line with previous arguments (see Cantwell & Mudambi, 2005): there are variation between greenfield and acquired subsidiaries in the strength of their relational attributes to their internal counterparts. Through our field study, we have clarified that it is through these relational differences that subsidiaries influence their charters postmandate loss.

Our study shows the importance of the strength and atrophy of a subsidiary's relational attributes (Garcia-Pont et al., 2009) to the development and sustainability of the subsidiary's charter in its internal competitive environment. Birkinshaw and Hood (1998) emphasize the importance of the interaction between a subsidiary's capability development and its mandate gains in explaining subsidiary evolution. Our model incorporates capability development by emphasizing that a mandate loss that significantly impacts the subsidiary's capability profile and diminishes the charter can be moderated through the influence of the mandate's relational attributes.

While Garcia-Pont et al. (2009) found that subsidiary distinctiveness was related to the outcome of subsidiary behavior, we examine the micromechanisms (i.e., the relational attributes of trust and commitment) that facilitate subsidiary strategic behavior (Andersson et al., 2007). Furthermore, Garcia-Pont et al. (2009) pointed out that subsidiary behavior operates in such a way that when exceeding a certain threshold, the strategic behavior of the subsidiary is restricted by its HQ, which is consistent with our findings. However, what sets this study apart from prior studies on subsidiary charter evolution is that we emphasize how relational attributes reinforce and influence subsidiary strategic behavior when the subsidiary loses a mandate.

This focus revealed significant levels of complexity in terms of the overlapping nature of the geographical and functional scope of mandates within a charter vis-a-vis the influence of the subsidiary's internal competitive environment on its charter development. Three findings were particularly noteworthy in this study. First, the study shows that the real motor of subsidiary charter development is the codevelopment of the subsidiary's relational attributes of trust and commitment and its capability profile. Second, a subsidiary's performance and contributions can be significantly impacted by mandate loss if the subsidiary's distinctive capabilities are diminished. Third, the relational attributes associated with a mandate allow the subsidiary to respond with consolidation or enhancement initiatives because the remnant nature of its relational attributes is more important than the formal mandate.

6 | CONCLUSION

The results contribute to the theoretical development on subsidiary influence and evolution in the international business literature. We show that a subsidiary's mandate comes with informal dimensions in the form of relational attributes (trust and commitment). Thus, we must consider relational attributes, which affect how a subsidiary's charter evolves. First, we demonstrate that there are differences in the level of influence a subsidiary can exert within an MNE. For instance, all of the studied subsidiaries created and maintained unique competencies, but the greenfield subsidiaries enjoyed greater influence than the acquired subsidiaries due to a first mover advantage in the local market—in parallel with developing internal relationships. Both the greenfield and acquired subsidiaries exerted internal influence, but a necessary condition that set the greenfield subsidiaries apart in exerting influence on their charters and operating inside the MNE was their development of trust and commitment through long-lasting internal relationships.

This influence, generated through the relational attributes of the mandate, provides an opportunity for subsidiaries to lobby HQ and their sister subsidiaries for further commitment. The more these relational attributes are developed, the greater the ability of a subsidiary will be to exercise its influence and engage in mandate-developing activities. These mechanisms allow the subsidiary to influence its existing charter during both mandate gain and mandate loss periods. In summary, this study clarifies the relationship between intraorganizational networking activities and the development of interdependencies that bring lasting effects to the MNE. Thus, the concept of relational attributes and our observations support a more nuanced explanation of subsidiaries' influence on the evolution of their charters.

6.1 | Implications for practice

The study shows how relational attributes mediate the process of mandate loss and charter atrophy. The emergent model centers on the ability of a subsidiary to develop and influence its internal counterparts and, in so doing, to influence its charter. Although the ability to design the subsidiary's strategy rests with HQ, and conflicting interests in divestment may reshape the subsidiary's charter, the lingering relational attributes allow the subsidiary to respond to and influence HQ-driven initiatives. The overall degree of influence achieved by a subsidiary largely depends on how the subsidiary develops and manages the relational attributes as part of its mandates. This insight is of particular importance when the strategy promoted by the MNE threatens the existence of the subsidiary itself. We also demonstrate that the subsidiary's choice (Birkinshaw & Hood, 1998) is a mechanism that works only during the subsidiary's growth and decline periods if it is aligned with the relational attributes that the subsidiary has developed within the MNE.

Practicing managers may benefit directly from the theoretical elaboration in this paper. MNE subsidiaries have to develop their own distinctiveness to differentiate themselves within the MNE, making it easier to distinguish contributions and differences in the local environment. By encouraging the development of relational attributes in parallel with the management of existing mandates, subsidiary managers can contribute positively to the technological development and overall strategic position of their division in the MNE.

6.2 | Limitations and suggestions for future research

This paper has limitations due to its methodological approach. First, as this was a field study based on one multinational enterprise, we attempted to enhance the conceptual generalization through the presented model and the search for indicators across the sampled cases. While this approach is highly useful for initiating theory development, it does not provide unequivocal results. A second limitation is that network effects tend to be industry specific (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2010), and a single case can address only one industry. Although standard precautions were taken to strengthen the validity and reliability of the study, further quantitative designs in future research may strengthen the framework and concepts presented here. In particular, it would be important to investigate further whether relational attributes reduce or increase the effect of internal competition on a subsidiary's charter and to what degree these vary between greenfield and acquired subsidiaries. Furthermore, our study has made some progress in unearthing the microfoundations of subsidiary evolution by highlighting the importance of the vestigial effect of relational attributes on subsidiary mandate development and charter evolution. However, we believe that further investigation of microfoundations such as subsidiary managerial activities and manager to manager ties is needed so as to understand how not just formal but importantly the informal activities aid the potential growth of a subsidiaries charter.

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