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# Between A Rock and A Hard Place: The Consequences of Complex Headquarters Configurations for Subsidiary R&D Activities

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## ABSTRACT

### Research summary

Challenges related to the complexity of overlapping multiple partner headquarters configurations, the resulting power and political tensions between headquarters, and the consequent effects of multiple interventions in subsidiary value-creating activities remain an understudied phenomenon. We present a rich case study of how complex overlapping headquarters configurations develop. Then, we present the processes underlying power and political tensions that lead to parenting disadvantages between partner headquarters. We find that multiple and simultaneous headquarters interventions place the subsidiary between a rock and a hard place, as it becomes subject to conflicting headquarters voices. We contribute to the literature on parenting in multinational enterprises through an increased understanding of overlapping headquarters configurations and the power and political tensions between headquarters configurations that stimulate interventions in subsidiary R&D mandates.

### Managerial summary

Multinational enterprises are exposed to a plethora of complex challenges. To meet these challenges, the organizational structure often becomes complex. We focus on the causes and consequences of complex headquarters structures, that is, operating with multiple partner headquarters, within multinational enterprises in relation to the allocation and reallocation of subsidiary R&D mandates. We observe that headquarters interventions are driven by expectations and assigned roles to manage the multinational enterprise. Being aware of what partner headquarters are doing, that is, possessing system knowledge, can prevent redundant involvement by and competition between headquarters. Our findings indicate that if headquarters' knowledge of the system is low, this may cause the emergence of conflicting headquarters voices and considerable frustration among subsidiary managers.

**Keywords:** *conflicting voices, headquarters–subsidiary relations, multinational enterprises, multiple headquarters, parenting disadvantages*

## 1. INTRODUCTION

Multinational enterprises (MNEs) frequently struggle with the question of how a headquarters can organize and control its subsidiaries to manage, for instance, value creation, tensions, complexities, and conflicts (e.g., Foss, 1997; Goold and Campbell, 1998; Poppo, 2003; Kostova, Marano and Tallman; 2016; Nell and Ambos, 2013; Nell, Kappen and Laamanen, 2017). Research suggests that MNEs make use of an increasingly disaggregated and complex approach in organizing their headquarters activities (Desai, 2009; Nell et al., 2017; Schotter, Stallkamp and Pinkham, 2017). Coupled with the challenges of managing across borders and the disaggregation of MNE value chain activities (Bartlett and Ghoshal, 1989; Contractor, Kumar, Kundu and Pedersen, 2010; Schotter et al., 2017), all this suggests that substantial organizational challenges emerge when parenting and coparenting in MNEs.

It has been noted that MNEs operate with multiple types of headquarters (Birkinshaw, Braunerhjelm, Holm, & Terjesen, 2006; Decreton, Dellestrand, Kappen, & Nell, 2017; Nell et al., 2017; Nell & Ambos, 2013). However, in the literature, headquarters are generally conceptualized and operationalized as a singular entity, that is, either a corporate, divisional, or regional headquarters (Nell et al., 2017; Nell & Larsen, 2012), without appreciating the complex, nested, and overlapping partner headquarters structures that are pertinent in MNEs (Desai, 2009; Kähäri, Saittakari, Piekkari, & Barner-Rasmussen, 2017). Thus, there is still a dearth of research related to the overall configuration of headquarters responsibilities and its implications for the management of MNEs. Specifically, there is a lack of understanding of what having complex, overlapping, and nested partner headquarters structures (i.e., having multiple headquarters) means for the headquarters–subsidiary relationship and for subsidiary value creating activities.

Put simply, the issue of power and legitimacy struggles is usually studied between headquarters and subsidiaries (Mudambi, Pedersen and Andersson, 2014; Stendahl, Schriber

and Tippmann, 2020) or between sister subsidiaries in the MNE (Tippmann, Sharkey Scott, Reilly and O'Brien, 2018) but rarely between multiple headquarters in the MNE. Specifically, the study of power and legitimacy struggles between headquarters and the resulting interventions in subsidiary R&D activities, that is, the degree of simultaneous multiple headquarters support or adjustment of responsibilities, scope, and investment in subsidiary R&D mandates, remains relatively unexplored (for notable exceptions, see Birkinshaw, Crilly, Bouquet and Lee, 2015; Kähäri et al., 2017). We address this gap in the literature by asking the following research question: *how are complex headquarters configurations related to tensions between the multiple headquarters and their interventions?*

Headquarters intervention processes in MNEs have been shown to raise tensions between headquarters and subsidiaries (Balogun, Jarzabkowski, & Vaara, 2011; Balogun, Fahy, & Vaara, 2019; Stendahl, Schriber and Tippmann, 2020). Subsidiaries may reject new directives from headquarters (Kostova, Nell and Hoenen, 2018) or be unwilling to engage in sharing processes with the headquarters (Foss et al., 2012). This increases the number of subsidiaries engaging in micropolitical processes to improve their network position (Garcia-Pont, Canales and Noboa, 2009; Geppert, Becker-Ritterspach, & Mudambi, 2016), all of which have significant effects on the productivity and value of subsidiary activities. Consequently, in this paper, we also ask the following: *what are the effects of multiple headquarters interventions on subsidiary R&D activities.*

Given the lack of empirical and theoretical understanding of complex headquarters configurations and specifically power and political tensions between multiple headquarters and their simultaneous interventions in subsidiary R&D activities, we used theory-building methods on longitudinal data from ABB, an established Swiss/Swedish MNE in the engineering industry. We collected rich observational, interview, and archival data that depict ABB's dual corporate and nested headquarters configuration and the activities of headquarters and

subsidiary managers related to headquarters interventions in subsidiary R&D activities. Our paper makes the following contributions. First, we contribute to the literature on parenting in complex structures (Foss et al., 2012; Galbraith, 2009; Lunnan, Tomassen, Andersson and Benito, 2019; Nell et al., 2017; Poppo, 2002). We improve understandings of how the nested nature of the multilayered operational control and coordination relationships between multiple headquarters increases power tensions in headquarters-headquarters relationships and impacts overlapping headquarters interventions (Nell, Ambos and Schlegelmilch, 2011). Second, we improve the understanding of how multiple headquarters operate in MNEs. This is important since it reflects how many firms are managed, although empirical research has been less concerned with analyzing the consequences of the tensions between multiple headquarters.

Third, we unravel knowledge and information contingencies that are critical for how multiple headquarters interventions in subsidiary operations overlap. Specifically, we theoretically contribute to the understanding of causes and consequences of multiple headquarters intervening in subsidiary operations. We thereby contribute to an increased understanding of the determinants of power and political tensions between headquarters, conflicting voices, and subsidiary frustration (Hoskisson, Hitt, Johnson and Grossman, 2002; Hoenen and Kostova, 2015; Kostova, Nell and Hoenen, 2018).

The remainder of the paper is structured as follows: next, we present an overview of the received research about headquarters activities in MNE networks and the emerging literature on coparenting, interventions and the implications for value creation and destruction in subsidiary mandates. This literature predominantly treats singular headquarters as the focal unit of analysis. Consequently, our inductive case study is indeed timely vis-à-vis the received literature. We present findings from ABB of complex parenting configurations and the effects of interventions on subsidiary value-creating activities after the methods section. We end the paper by discussing our theory-based extensions related to tension-induced multiple

headquarters interventions in subsidiary R&D activities and the outcomes of subsidiary value-creating activities.

## **2. HEADQUARTER ROLES IN THE MNE NETWORK**

MNEs are considered multicenter structures where firm-specific competitive advantages are located in their networks of subsidiaries (Forsgren, 1990; Ghoshal and Bartlett, 1990). Network conceptualizations of MNEs highlight that they are becoming more complex, less hierarchical, and increasingly nested, which impacts how headquarters organize and manage MNEs. Research on MNE strategy and structure has tended to examine the configuration of headquarters roles and responsibilities within the multinational in a somewhat static manner (Pla-Barber, Villar and Madhok, 2017). However, recent research has suggested that headquarters configurations can be expected to evolve in line with the changing capacities of the units concerned over time (Decreton, Dellestrand, Kappen, and Nell, 2017; Pla-Barber, et al, 2017).

Furthermore, it has been argued that the center of the MNE is the headquarters, and it must add value to the firm's business or there is little rationale for its existence (Forsgren and Holm, 2010). Regarding this matter, the literature lists several headquarters responsibilities that are supposed to strengthen MNEs' competitive advantage. Many of these responsibilities concern the function of the headquarters in managing the development of the MNE (Forsgren and Holm, 2010). Chandler, Sloan, and Williamson (1987) argue that headquarters' responsibility is to design an appropriate structural context and create strategies for achieving economies of scope to exploit firm-specific advantages by diversifying into new businesses as well as to allocate resources to business activities in which the MNE should be engaged (Williamson, 1975).

One role of a headquarters is accordingly to choose how to diversify the firm's advantages across its network of subsidiaries. A second headquarters role is to allocate resources to

activities in which the MNE should be engaged (Dellestrand and Kappen, 2012). However, a headquarters ought to be profit oriented and should evaluate its corporate divisions (Nell and Ambos, 2013). A third suggested headquarters role is that of facilitating the sharing of core competencies across divisions, which is a matter of building new strategic assets rather than simply exploiting existing ones (Forsgren and Holm, 2010; Nell and Ambos, 2013). Moreover, the headquarters is tasked with managing the MNE network in terms of building synergies between units and for providing a knowledge directing function (Foss, 1997; Nell et al., 2017).

These responsibilities of a headquarters resonate with its entrepreneurial and value-adding role (Chandler, 1991; Egelhoff, 2010). The entrepreneurial function focuses on creating value through fostering and developing new competencies and requires a more active managerial role on the part of headquarters (Alfoldi et al., 2017; Decreton, Nell and Stea, 2018; Goold and Campbell, 2002). To deliver on these responsibilities, the headquarters requires knowledge, although it has been argued that MNE headquarters often lack knowledge of local contexts (Asakawa, 2001; Ciabuschi, Forsgren and Martín Martín, 2011; Holm, Johanson and Thilenius, 1995).

Echoing this line of reasoning, Mahnke, Ambos, Nell, and Hobdari (2012) argued that MNE parenting advantages often rest on a combination of firm-, location-, and region-specific advantages where the knowledge of local context-specific advantages is crucial to the development of corporate strategies. If the headquarters does not participate in local business networks, it will suffer from a liability of outsidership that impedes its potential to successfully link and exploit parenting advantages (Goold, Campbell and Alexander, 1998; Johanson and Vahlne, 2009; Vahlne, Schweizer and Johanson, 2012). In other words, the headquarters may lack an in-depth understanding of local business environments and relevant knowledge about a subsidiary's resources (Andersson, Björkman and Forsgren, 2005; Pla-Barber, Botella-Andreu and Villar, 2020). Nevertheless, considering the role and function of headquarters, it (or they if

one considers multiple headquarters) is still expected to manage the business development of subsidiaries (Chandler et al., 1987; Mudambi, 2011).

Scholars have shown an increasing interest in the value added of headquarters (Goold, Campbell, & Alexander, 1998; Foss et al., 2012). The question of concern is the role that corporate headquarters plays in multiunit firms and how exactly the various units benefit from headquarters involvement. Conversely, the opposite question of value subtracting has begun to intrigue scholars (Foss et al., 2012), i.e., could excessive interference by headquarters, especially when it does not possess the relevant knowledge, result in destroying value (Foss et al., 2012; Campbell & Szulanski, 2016; Pla-Barber, Villar and Madhok, 2017). In a recent study by McKinsey (2011), most units believed their parent companies did not add value, one significant reason being the lack of headquarters knowledge about the local environment as well as the arrogance of some headquarters in not recognizing this lack of local knowledge (Pla-Barber, Villar and Madhok, 2017).

Interestingly, while there is an emerging discussion on the co-development of strategy and organization between headquarters and subsidiaries in MNEs and the emerging power tensions and practice issues that must be overcome (Gillmore, Andersson and Ekman, 2020; Pla-Barber, Botella-Andreu and Villar, 2020; Stendahl, Schriber and Tippmann, 2020), there remains little research on the power tensions between multiple headquarters in an MNE. The origins of research on power and politics between MNE units lies largely in the work of Cyert & March (1963) and the analysis of managerialism in the behavioral theory of the firm (Cyert & March, 1963), which recognizes that organizations are marked by interest diversity, conflict, and coalitions. Contributions rooted in power and political tensions emphasize that politics and conflict within the firm stem from two interrelated sources: managers' pursuit of self-interest and interest divergence among the firm's actors. A range of papers (see, e.g., Nohria & Ghoshal,



1994; Doz, Santos and Williamson, 2001) show that MNEs are composed of divergent actors and interests and that politics, power, and conflict are a key element of organizational life.

In this view, a key function of managers located at headquarters and at the helm of the organization is to maintain overall organizational rationality by keeping politics, conflict, and the pursuit of power in check. However, there has been significant research on power and politics problems between headquarters and subsidiaries and between subsidiaries (Foss et al., 2012; Dörrenbächer and Geppert, 2009; Geppert, Becker-Ritterspach and Mudambi, 2016; Tippmann, Sharkey Scott, Reilly and O'Brien, 2018), little research has focused on the power and politics between multiple headquarters. This brings the focus to headquarters interventions in subsidiary operations.

## **2.1 Headquarters Interventions in Subsidiary Operations**

A headquarters intervening in subsidiary operations is part of its active parenting focusing on fostering and developing competencies (Goold and Campbell, 2002). An example of this is the allocation and reallocation of subsidiary mandates (Cantwell and Mudambi, 2005; Kähäri et al., 2017). This reflects that headquarters need to coordinate MNEs' dispersed activities to realize firm strategy. However, the headquarters cannot effectively make all decisions since it does not possess adequate or sufficient knowledge about subsidiary operations in all instances (Ciabuschi et al., 2011).

Decentralized decision-making rights are therefore allocated to the subsidiary, as it is in a better position than the headquarters to exercise greater discretion and to be responsive to the local market and environment's demands (Nohria and Ghoshal, 1994; O'Donnell, 2000; Alfoldi et al., 2017). In this literature tensions arise because, on the one hand, subsidiaries are often the key decision-making unit regarding crucial issues such as knowledge creation and transfer and product sales. On the other hand, subsidiaries are controlled and monitored by MNE headquarters, which, in most cases, is the ultimate owner of subsidiaries' assets (Cuervo-

Cazurra, Mudambi and Pedersen, 2019).

A headquarters may want to retain some degree of control over its subsidiaries (Andersson and Forsgren, 1996), and one organizational solution is to introduce more corporate layers, i.e., divisional, functional, and regional headquarters (Ciabuschi, Dellestrand and Holm, 2012). Consequently, multiple partner headquarters may emerge as a contingency solution to organizational complexity. Multiple headquarters interventions imply interdependence between headquarters activities vis-à-vis subsidiaries (Thompson, 1967; van de Ven, Delbecq and Koenig, 1976; Alfoldi et al., 2017). This means organizing the parenting function with the use of multiple headquarters that have similar or non-discriminant responsibilities for a subsidiary. A corollary is the emergence of a complex headquarters structures, overlaps, and potentially divergent information and motivations across the multiple headquarters (Goold and Campbell, 2002). In other words, several partner headquarters become responsible for managing a subsidiary, and it is not necessarily the case that these headquarters are knowledgeable about one another's actions or locus of responsibility.

Nested and overlapping headquarters structures are also likely to yield differences in perceptions between (multiple) headquarters vis-à-vis the subsidiaries they are tasked to manage. Such perception gaps and unreceptive behavior are likely to emerge due to managers' different experiences concerning the level of information provided and how information is interpreted (Asakawa 2001; Denrell, Arvidsson and Zander, 2004; Foss et al., 2012). When the interdependence between headquarters and subsidiaries increases and becomes more complex, there is a need for greater coordination of cross-border activities within the MNE, i.e., a need for headquarters to take an active role in intervening in subsidiary operations.

This can, however, be problematic, as the headquarters-subsidary relationship is fraught with information asymmetry, and subsidiaries possess high levels of specialized information that headquarters lack (O'Donnell 2000). Running operations with multiple

headquarters increases the number of units within the corporate hierarchy, which augments the asymmetry of information distribution and can lead to suboptimal decisions where headquarters are not knowledgeable about what they are doing or should be doing (Barney, 1986; Levinthal, 1997; Lunnan et al., 2019).

Because multiple partner headquarters intervene in a subsidiary's business operations, the likelihood of conflicting voices (Hoskisson et al., 2002) occurring within the MNE network increases. As Hoenen and Kostova (2015) note, in situations where there are multiple headquarters intervening in local subsidiary contexts, a complex picture emerges where the management of multiple dyads between multiple partner headquarters and the focal subsidiary becomes cumbersome. In the present state of highly disaggregated MNE structures and activities, three themes emerge and drive our research. First, there will be multiple partner headquarters intervening in subsidiary activities. Second, we know little about the causes of the overlapping interventions and the decision to organize complex parenting in MNEs. Third, knowledge about the consequences of multiple headquarters for the management of MNEs is scarce considering the implications for the headquarters-subsidary relationship. We now turn our attention to our case that illustrates the conundrum associated with complex parenting in complex structures.

### **3. METHODS**

To understand the headquarters configuration of an MNE with dual corporate headquarters, the power and political tensions between multiple headquarters, and the resulting interventions in subsidiary activities, we chose a longitudinal, theory-building case study approach. We did so as this enabled us to be close to the actions and interpretations of participants involved in such processes (Jonsson and Foss, 2011). Moreover, our choice of a single organization is consistent with acknowledgment among management researchers that when important variables – and how they are related – remain uncharacterized, explorative research based on small-N samples

is often in order (e.g., Birkinshaw, Brannen and Tung, 2011; Doz, 2011; Birkinshaw, Ambos and Bouquet, 2017; Grøgaard, Colman and Stensaker, 2019).

We further do not know how these headquarter configurations might drive power and political tensions between headquarters, the details of multiple “voices” from different headquarters and subsequent effects on subsidiary operations. We chose an inductive design to gain deep insight into a poorly documented phenomenon (Eisenhardt, 1989; Miles and Huberman, 1984; Yin, 1984). In our study, we identify examples of dual corporate and nested headquarters configurations to investigate how power and political tensions emerged between headquarters and their implications for headquarters interventions in subsidiary R&D.

### **3.1 Case selection**

Our case company is the Northern European MNE ABB, which became one of the world’s largest engineering MNEs after the merger of two European engineering giants – ASEA and Brown Boveri – in 1988. In our study, we investigate the complex headquarters configurations at ABB based on multiple headquarters interventions in subsidiary R&D activities (see Figure 1). The data encompass multiple headquarters interventions where we canvas the junctures at which two corporate and a divisional headquarters intervene in three of ABB’s seven globally dispersed corporate research centers. The cases we investigate are the allocation, support, development and removal of R&D mandates among the three subsidiaries. Figure 1 visualizes the configuration of the complex reporting and monitoring channels between the three subsidiaries and the dual corporate headquarters and divisional headquarters. Figure 1 also visualizes all three headquarters interventions – and how they may overlap – in allocating and monitoring R&D mandates.

We chose subsidiary R&D mandates as a point of observation to reflect the headquarters-subsidiary relationship for three main reasons. First, ABB is inherently an R&D-focused organization, and as such, R&D mandates were an obvious choice, as we wanted to capture

value-generating mandates and to study the effect of headquarters interventions on these mandates. Second, R&D mandates evidenced the most ambiguity among headquarters of who was responsible for allocation of responsibilities and resources and for monitoring them. Third, from the pilot interviews, there appeared to be a higher instance of mandate changes<sup>1</sup> and HQ involvement among the sample of subsidiaries than for other types of mandates.

\*\*\*Insert Figure 1 about here\*\*\*

The inductive nature of our study increases the rigor through which we infer knowledge on power and political tensions between headquarters, individual interventions, and subsidiary outcomes. This is because it enables us to identify key dimensions related to multiple parenting in MNEs through pattern-matching processes (Eisenhardt and Graebner, 2007).

Our sample consists of all corporate and divisional headquarters to provide an accurate description of the emergence of ABB's headquarters configuration and variation in their involvement in subsidiary R&D and resource allocation. Having defined the study's population of headquarters and subsidiaries, we refined the criteria for including units in the study guided by HQ involvement in development and withdrawal of R&D mandates within the automation division of ABB. Having secured access to the case units and considered their headquarters structures, we adopted a narrow definition of parenting to include various managers with specific R&D responsibilities who were classified by their seniors regarding the scope of their responsibilities and their access to top management (Wooldridge, Schmidt and Floyd, 2008).

We broadened our sample by including subsidiary managers with R&D mandate responsibility to capture potential effects related to complex headquarters structures and interventions. Our sample units that compose the cases are briefly outlined in Table 1 and further characterized in Appendix A.

\*\*\*Insert Table 1 about here\*\*\*

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<sup>1</sup> Mandate change in this study was captured as an outcome where the mandate was downgraded or lost as a consequence of headquarters intervention.

### **3.2 Data**

The data collection comprised four main phases: (1) study of secondary sources; (2) interviews with senior-level headquarters informants; (3) interviews with subsidiary managers; and (4) review of archival materials. Our data collection focused first on secondary data about each unit, i.e., at a general MNE level as well as at the headquarters and subsidiary levels. These data emanate from annual reports, press releases, the units' websites, and other commentaries, all of which helped us develop an understanding of ABB's organization, the focal units and their strategies, as well as what subsidiary mandates existed.

The primary tool adopted for data collection was semi structured interviews and observations of strategy meetings. Where feasible, we interviewed multiple informants from each unit to guard against possible individual response bias (Miller et al., 1997). This yielded 39 interviews layered across the different headquarters and subsidiaries. The data obtained from the semi structured interviews with senior executives from ABB's corporate and divisional headquarters as well as general and R&D managers from the subsidiaries.

We began establishing contact with ABB and the interviewees in 2012 and interviewed and observed meetings over a 4-year period from 2012 to 2016. The interviews were recorded for accuracy and transparency, transcribed verbatim, and coded. The interviews were structured in three phases (see Table 2). In the first phase, we held ten interviews – with representatives from ABB's corporate and divisional headquarters as well as subsidiaries – each of which took an average of 60 minutes. This yielded data on the complex partner headquarters configurations and the network of R&D mandates within ABB in relation to the subsidiaries. We avoided asking specific questions concerning the individual subsidiaries that were a part of the MNE, but we did discuss what the MNE network of subsidiaries looked like and what activities were carried out by different units.

We pursued interviews continuously between 2013 and 2016, held repeated rounds of interviews with the same respondents from the selected units and had a general discussion concerning the mandates of the subsidiaries. We asked about the relationship between each headquarters and their roles in the subsidiary's activities, focusing mainly on how the MNE structure materialized with headquarters as centers in the dispersed network where there were clearly defined R&D hubs. This was normally elaborated upon through examples of headquarters intervention in three to four R&D projects over the past four years that the subsidiaries had initiated and in which headquarters had both vested and opportunistic interests.

We also used these examples to capture the perception of headquarters and subsidiaries regarding their relationships and their knowledge of partner headquarters intervention instead of asking direct questions about it. We allowed each of the respondents to openly discuss perceptions of the MNE configuration and the different roles partner headquarters had in subsidiary R&D activities. We further triangulated this with subsidiary manager perceptions and what they perceived to be the key facilitators and inhibitors with respect to the headquarters intervention. Furthermore, we inquired about the outcome of headquarters intervention for R&D projects. In interviews carried out during the autumn of 2015, the focus was solely on the involvement of headquarters per subsidiary and the outcomes of these interventions. These interventions were chosen by the authors prior to the interviews based on the data collected in the second phase concerning multiple headquarters interventions for each subsidiary.

We prepared questions about how, where and with whom the subsidiary managers had contact within the headquarters at different periods of time, hence enabling us to obtain a detailed retrospective account of the subsidiary-headquarters interactions. To further explore the effect of intervention on subsidiary R&D mandates, we asked questions regarding the support structures that were in place for the subsidiary to develop capabilities related to mandates. Or how the subsidiary exchanged knowledge with other parts of the organization,

and the headquarters interventions in subsidiary operations with a particular emphasis placed on mandating activities and the outcome of operating under a multiple-headquarters regime (i.e., multiple sources of support and/or confusion stemming from multiple voices).

\*\*\*Insert Table 2 about here\*\*\*

### **3.3 Data Analysis**

In analyzing our data, we first wrote a case study of the history and evolution of the three-partner headquarters (corporate headquarters in Switzerland and Sweden and divisional headquarters in Sweden) configurations. We did this to understand the evolution of the complex headquarters configurations and the reasoning for this design. Second, we developed case narratives using episodes to reconstruct the history of headquarters interventions in subsidiary activities. In these narratives, we made extensive use of citations from both the primary and secondary sources to stay as close to the original data as possible. We used narratives to increase the rigor of our analysis.

These narratives were used to compare the interventions of the two corporate headquarters as well as the divisional headquarters with overlapping corporate parenting vis-à-vis the German, U.S., and Indian subsidiaries' R&D mandates. Drawing on the existing literature on headquarters interventions (Decreton et al., 2018; Foss et al., 2012), we focused particularly on understanding why and where headquarters intervene in subsidiary R&D activities. Additionally, when interventions overlapped, we searched for the logic behind the structure of the interventions.

We applied a broad definition of intervention, which includes single, dual, and multiple forms of headquarters interventions. We examined all data relating to these practices in detail, along with the resultant loss of mandates, to elucidate the interaction between multiple partner



headquarters and their interventions in subsidiary activities. This analysis involved the generation of a descriptive coding reference that was derived from the semistructured interview format, with the addition of unique themes that emerged during the analysis. We conducted an interpretative analysis to verify and conceptualize complex headquarters configurations and resulting interventions.

To analyze the headquarters managers' actual roles and intervention practices, we examined all data relating to their practices in detail, along with what headquarters managers did with the knowledge they had in terms of their formal and informal roles. We used inductive qualitative techniques to develop '*in vivo*' codes to reflect the respondents' language, which generated a detailed representation of the data (Strauss and Corbin, 2008; Tippmann et al., 2013). As we observed recurrent codes emerging, we aggregated them thematically under broader, first-order concepts such as "*HQ efforts to increase voice*" and "*presence of political brokering between HQs.*" These, in turn, were summarized under common, second-order themes, each describing dimensions of headquarters power and political tensions and subsidiary R&D outcomes.

Finally, we clustered these themes under higher-level categories, cycling between the themes emerging from the data and the notion of core theoretical organizational and headquarters–subsidiary concepts (Miles and Huberman, 1994; Strauss and Corbin, 2008; Tippmann et al., 2013). We analyzed the outcomes of the interventions, namely, what happened post-R&D mandate intervention. To make our analysis as comprehensive as possible, we triangulated data from senior informants' and subsidiary managers' interviews against our archival data wherever possible and examined the implications at two levels: the power and political stimuli between intervening headquarters and the nature of the impact of the interventions on the subsidiary's R&D activities. Figure 2 represents a summary of how our data structure emerged during each phase.

\*\*\*Insert Figure 2 about here\*\*\*

## 4. FINDINGS

In contrast to prior research on power and politics in MNEs that has focused on headquarters interventions in subsidiaries and the power of headquarters over subsidiaries (Foss et al., 2012), how subsidiaries influence headquarters (Mudambi, Pedersen and Andersson, 2014), or competition between subsidiaries (Tippmann, Sharkey Scott, Reilly and O'Brien, 2018), our data offer unique insights into how power and political problems between multiple headquarters in the MNE stimulate interventions. We outline the manifestation of complex headquarters configurations in ABB before presenting the main mechanisms that explain how problems such as politics and power between headquarters stimulate interventions in subsidiary R&D activities and the outcomes thereof.

### 4.1 The Emergence of Headquarters Configurations in ABB

ABB has a long administrative heritage dating back to the early 1990s, which has spanned many groundbreaking global management and coordination initiatives. The company is headquartered in Switzerland and Sweden and has divisional headquarters in Sweden and business unit headquarters in China, India, and North America. During the early 2000s, ABB formalized what would later become known as its *global lab*. The logic behind this initiative was to bring together ABB's 7 corporate research centers (CRCs). The corporate research centers were designed to bring together the competences of a globally dispersed innovative workforce to focus on cross-business solutions for their business areas.

ABB's CRCs are in China, India, Germany, Poland, Sweden, Switzerland and the United States, act as the main research and development hubs for ABB and are focused on ABB's core businesses, that is, automation and power (ABB CRC Sweden, 2014). ABB CRCs anchor and

grow the core competencies needed to conduct research and development in power and automation products, solutions, and services (CTO Sweden, 2015). As ABB's CRCs work for all divisions and all ABB's business units, there have always been blurry administrative roles for headquarters (Head of R&D Sweden, 2014). ABB has traditionally organized administrative responsibilities over the CRCs regionally between the two corporate headquarters with divisional and business units being involved in the CRCs through the respective business areas for which they are responsible. This has led to increasingly complex headquarters responsibilities with respect to the CRCs, which has led to multiple reorganizations in the configuration of headquarters responsible for the CRCs (CTO Zurich, 2016).

In our secondary and interview data, it emerged that post-merger structural changes in headquarters configuration were organized due to the loci and identity of the existing units that were merged into what became ABB. Additionally, existing units from the two pre-merged companies of ABB were mainly staffed by managers that identified with either of the original corporations. Many of ABB's headquarters executives had worked in the organization for either of the pre-merged companies for many years or for their entire careers (CTO Zurich, 2016). In fact, the executive teams that have evolved over the years have predominantly been composed of life-long ABB employees from Europe and the U.S. with a majority being of Swiss, German and Swedish origin (ABB Annual Report, 2018).

ABB corporate management has through subsequent transitions moved to one that is highly dispersed where senior executives have offices in Switzerland, Sweden, and in a region of responsibility, i.e., an executive can now be based in Zurich and Raleigh. This has been termed ABB's non-location-bound executive team and has emerged largely due to the identity and orientation of the divisional units that were integrated into ABB from the merging firms. Our data show that managers who were part of either the Swiss or Swedish headquarters had preferences about the location of R&D, largely driven by institutional differences in the

organization and management process of R&D across the locations of the subsidiaries. Furthermore, executives expressed a sense of belonging to one or the other business focus areas

From our interviews, it emerged that there was a significant amount of nested resistance from lower-tier headquarters managers over the dispersed nature of the corporate headquarters. Factors such as institutional characteristics across ABB's highly diverse markets required headquarters to adopt norms and values associated with the disaggregated headquarters roles. This meant that even when headquarter functions where formal harmonization was not possible due to issues of hierarchical and functional relevance, considerable effort was devoted to informal integration. Top corporate managers suggested that they engage in regular operational support to legitimize their roles to partner headquarters. However, this came at the cost of overlapping communication and interaction between business units and headquarters (Divisional president, Sweden, 2014).

Our subsidiary interviews defined how they viewed the corporate, divisional, and regional headquarters configurations. Most interviewees agreed that the overall dispersion of headquarters responsibilities represented central directives but that managing a company the size of ABB as a single entity and exploiting synergies was problematic. The subsidiary managers indicated that specific functional tasks and interactions from the involved headquarters often overlapped and that this was most evident in the headquarters performing entrepreneurial and/or integrative roles. ABB's subsidiaries are far from self-contained; decisions about what research projects to pursue and how to rationalize the research centers around the world are all shared between the corporate and divisional headquarters. There are processes in place for consultation between all interested parties, and ABB has created global process improvement managerial positions to coordinate this.

It is frequently necessary for the corporate chief technology officer and the divisional heads to involve themselves in operations; for example, the Swiss corporate headquarters and

the divisional headquarters at ABB have played active roles in creating an integrated strategy for R&D that has been disseminated across the CRCs, and both have established policies and limitations that regulate the decisions of all R&D units. As an example, the Swiss corporate headquarters and divisional headquarters managers in Sweden responsible for R&D have been closely involved in proposals for the distribution of R&D mandates, their geographical expansion, and mandate change (i.e., the gain or loss of a mandate). These headquarters, together with managers from the Swedish research center, have the role of coordinating and integrating globally dispersed knowledge and R&D activities. They match, decide, and delegate R&D responsibility to the different subsidiaries around the world according to the R&D focus and requirements of the business units. However, it is clear from our interviews that the R&D mandates that are assigned elicit similar motivations for headquarters involvement from other headquarters that have vested interest in the subsidiary's activities, i.e., divisional headquarters or business unit headquarters.

This leads us to present the findings on the power and politics tensions that emerge between multiple headquarters and act as stimuli of headquarters interventions in subsidiary R&D mandates. Additional illustrative evidence for each headquarters intervention activity and subsidiary outcomes is presented in Table 3.

\*\*\*Insert table 3 about here\*\*\*

#### **4.2 Power and Political Tension Stimuli of Headquarters Interventions**

To capture what stimulates interventions from multiple headquarters, we studied headquarters involvement in subsidiary R&D activities, focusing on the presence or lack of resource allocation or reallocation. We identified two categories of tensions between headquarters managers that acted as stimuli of headquarters interventions: (a) multiple actions performed to increase and protect promising R&D opportunities, which we call *HQ turf wars over*

*administrative and entrepreneurial influence*, and (b) HQ actions to protect and increase headquarters roles and involvement in subsidiary activities, which we call *knowledge disadvantages of partner headquarters roles*.

#### **4.2.1 HQ Turf Wars Over Administrative and Entrepreneurial Influence**

Our data indicate that the corporate headquarters in Sweden and Switzerland possessed strong capabilities for strategic information processing relative to the divisional headquarters. From our data, we teased out capabilities such as identifying potential R&D synergies and developing the MNE's overall R&D strategy and portfolio of products. We observed that tactical information processing related to processes such as responding to specific local market situations or tailoring R&D to environments created power tensions between headquarters due to a lack of division of responsibilities. The interventions of the different headquarters were a function of the competition between partner headquarters for allocating and tending to the task of developing and overseeing R&D activities. This was captured by the country manager in Sweden: *“We have been deeply involved in the decision-making process in the R&D mandates; we concluded that we were better placed to do this because of our experience in the technologies. Now, we engage with the subsidiaries regularly to allocate resources and complement emerging opportunities.”*

In our case, managers from both corporate and divisional headquarters acknowledged that they compete over their roles in subsidiary R&D, possess relevant tactical information to facilitate R&D operations in foreign markets and offer a greater share of R&D rents. We observed in the data that this created a certain competitive tension between partner headquarters due to the resource dispersion among them. Thus, it made sense when we observed Swedish headquarters roles overlapping with those of the Swiss headquarters, as the information processing capabilities of both headquarters stimulated a sense of knowing best the requirements for establishing new R&D projects in subsidiaries.

Moving beyond the establishment of new R&D projects and focusing on the ongoing management of R&D, we find further evidence of tactical information processing being stronger at the divisional headquarters level. These types of capabilities created intentional and unintentional turf wars; the latter facilitated largely by knowledge limitations of corporate roles. Typically, divisional headquarters exploited information processing capabilities to excuse the need for more involvement in subsidiary R&D projects where divisional managers also visit the subsidiary more often. As the German subsidiary managing director pointed out, *“Divisional managers often attend subsidiary meetings to observe and listen to what we are planning. Often, this coincides with corporate visits, and there are often different discussion points we must attend to from the managers.”*

We found that both corporate headquarters did in fact question whether they should be involved in funding and allocating resources to many R&D projects, and this was further magnified in the divisional headquarters. It became apparent from the data that this questioning created tensions among managers with strategic insights versus those with tactical insights. Concerning the issue of creating synergies and rent maximizing, a central debate emerged from the data concerning which headquarters had the insight to orchestrate R&D projects that were both unrelated to one another and similar. This was emphasized by the global process improvement manager from Sweden: *“I have seen corporate and divisional managers increasing their involvement in our subsidiary R&D flow because of credit constraints creating a need to justify their existence. This is made worse as R&D is financed by headquarters and reallocating scarce funds across projects leads to greater engagement from all of them.”*

For example, our data showed that the cash flow returns generated by the German subsidiary’s R&D activities were taken as a motivation to both invest further by the corporate headquarters in Switzerland but motivated divisional investment in another subsidiary (the Indian subsidiary) where the returns were higher. In simple terms, individual R&D projects

within the subsidiaries create competition for the scarce funds among headquarters, which are responsible for allocating and orchestrating them. One senior robotics software manager illustrated this: *“When we started with the global lab, we didn’t realize how close the German corporate research center was with the Swiss and how much we would have to fight to decide on budget issues and the split of projects.”* We also observed that due to increased dispersion of value-creating activities in the R&D subsidiaries, which were cross-divisional in nature, the politicking increased between headquarters due to complex ownership structures, i.e., where headquarters had final decision-making rights over the location of R&D activities. The subsidiary manager from India made this point on the issue: *“conducting the annual review of internal stakeholders has been challenging – we have to regularly do two counts – the consistency is not good. Not only do we tally differently, but we see great differences in their importance. That is the big challenge for us as we need to know who to turn to on each project.”*

Moreover, the case further illustrates a darker side to headquarters interventions, multiple headquarters interventions connected to the monitoring of as well as the loss of autonomy and independence for the U.S. subsidiary. In this instance, divisional headquarters and the Swedish corporate headquarters were heavily involved and largely responsible for software development projects with the U.S. subsidiary. In sum, these findings highlight challenges related to complex parenting in nested structures, as well as issues connected to the motives of multiple interventions and the consequences of interventions stemming from headquarters’ knowledge limitations and executive micro-politicking that impacts the headquarters-subsidary relationship.

#### **4.2.2 Knowledge Disadvantages of Partner Headquarter Activities**

The knowledge situation of partner headquarters becomes prominent when focusing on the establishment of R&D units. To elaborate, ABB established a research subsidiary in Bangalore,



with a competence exploration mandate to support and supplement existing functions in ABB's automation unit. An R&D manager from the divisional headquarters in central Sweden explained, *"Part of the reason we located our R&D center in India is that we investigate what key competencies we need to have covered in R&D for these regions which we have not covered at a sufficient level in the present portfolio of corporate research centers, and then we find out how we can integrate it into the global lab."*

Furthermore, ABB established a research subsidiary in Raleigh, with a competence exploration mandate to support and supplement existing functions in ABB's power and automation units. The center was a major innovation contributor to the company. In 2000, they launched a new control software tool that measures and analyzes the overall effectiveness of production lines and manufacturing equipment. This innovation allowed customers to quickly debottleneck productivity problems. It was hugely successful and was quickly rolled out across ABB. In the same year, they launched a new generation of high-precision robot control, which was also quickly rolled out across the company. In 2003, headquarters in Sweden decided to offshore control software from the U.S. to India, and in 2004, diagnostics and testing were offshored from both the U.S. and Sweden, again, to India.

The plan with the Indian subsidiary was to integrate power and automation technology offerings to enable utility or industry customers to make their installations more productive in India. The transition was not a smooth one and exhibited significant issues over engineering quality with little to no initiative taken by the employees, a significant error count, and a constant need to request guidance from headquarters in Sweden. This meant that a significant amount of energy was spent handling problems stemming from the Indian subsidiary. This caused a protracted debate between Sweden and Switzerland on the matter. With the movement of R&D mandates to India, significant challenges also arose regarding monitoring, the satisfaction with quality, and the compliance of R&D projects. The responsibility for projects

at the Indian subsidiary was passed to the divisional headquarters, which in turn reported significant problems with the quality of the software development projects that were undertaken in India. This was illustrated by the manager in charge of the robotics software program: *“I do not know why India was given these activities, the amount of time we have had to spend on fixing bugs in the architecture and sending people to India to teach and guide them, it almost seems like it is not worth it.”*

The establishment of subsidiaries increased the instance of higher levels of responsibility being transmitted from the headquarters in Switzerland and Sweden to the subsidiaries. ABB’s management decided to establish a program of dispersed R&D among its seven R&D subsidiaries as a direct response to the need to integrate R&D projects while also allowing them local autonomy. However, this also created significant ambiguity between the partner headquarters regarding knowing when to involve themselves. This called for substantial managerial effort from multiple headquarters units within ABB, but partner headquarters lacked knowledge of one another’s motives and initiatives. As a coordinative solution positions of global process improvement, managers were created in part due to the corporate headquarters in Switzerland and Sweden being aware that their knowledge of investments and activities undertaken in subsidiaries was limited. One such global process improvement manager illustrated this: *“I have been with ABB for 12 years, initially in industrial process R&D and then in controlling. My role now is to act as an intermediary and consultant on all R&D processes undertaken across the global lab for robotics. We are still coming to grips with following and understanding investments made and all the activities that the corporate research centers undertake.”*

#### **4.3 Subsidiary R&D Atrophy**

As we investigated multiple headquarters intervention, i.e., dual corporate and/or divisional headquarters’ simultaneous involvement in ABB subsidiaries’ R&D mandates, we were also

able to detect outcomes at the subsidiary level related to the multiple parenting by the partner headquarters, namely, that the subsidiaries experienced frustration and demotivation due to what we classified as (a) *conflicting headquarters voices* and confusing and repetitive reporting leading to headquarters-subsidiary dissonance.

#### **4.3.1 Conflicting Headquarters Voices**

In our data, we observed that the variety of headquarters voices stemmed from ABB's structure of operating with multiple headquarters. This created situations where different partner headquarters simultaneously were involved in subsidiary activities, as there was a loose formal structure ordering the chains of command. As ABB changed its R&D strategy to focus on globally dispersed R&D activities, this resulted in R&D subsidiaries being relocated to uncertain foreign environments.

We observed that while corporate headquarters in Sweden and Switzerland endeavored to regularly review and redesign structures, this caused problems for the subsidiaries, as it created a situation where many partner headquarters were involved in interdivisional R&D, and it became difficult for the subsidiaries to determine the best support at any given time. Conflicting voices from partner headquarters emerged as a key outcome, i.e., subsidiary top management and divisional headquarters did not know which headquarters voice they should pay attention to. For the subsidiary, this materialized when communicating new R&D projects and requesting resources for them, and for the divisional headquarters, it manifested in which voice to listen to when formulating strategies. This was captured by the general manager for the subsidiary in the U.S.: *"We have always had different forms of governance monitoring devices that we report through, sometimes to divisional headquarters sometimes to corporate. In the last years though it feels like the corporate and R&D strategies have been coming from many directions."*

Our data indicate that the value contribution or detrimental influence of headquarters typically unfolds via the improved clarity of the relationships. We saw that subsidiaries also need to substantiate headquarters relationships to be clearer and more secure in their activities. A pattern of conflicting headquarters voices emerged where vertical relationships between the corporate headquarters and individual R&D subsidiaries were not only neglected but confounded by multiple vertical relationships with partner headquarters.

We noted that there was less arduousness in R&D projects and the headquarters-subsidiary relationship when corporate headquarters focused on its ability to improve R&D transfer willingness and the divisional headquarters focused on improving R&D performance. The relationships became arduous, and conflicting voices emerged when headquarters saw leveragability in specific capabilities that are normally in the domain of a partner headquarters. One of the most evident processes that created conflicting headquarters voices for the subsidiaries emerged from both the corporate and divisional headquarters' need to enhance their knowledge of the impact of the subsidiaries' R&D process on their strategic and performance outcomes. This was communicated by the global process improvement manager: *“the way our headquarters monitor R&D projects is different from headquarters to headquarters. Swiss headquarters directly assigns foreign managers working in Bangalore and Raleigh as managers for communicating progress. This changes if there is a successful project... then they become very hands on. The Swedish headquarters is far more engaged in R&D... it creates a lot of discontent in our subsidiaries as managers feel stretched.”*

Since the corporate and divisional headquarters typically perform multiple roles that are aimed at positively influencing subsidiary operations and strategic outcomes, we perceived a certain level of hesitance during the interviews. The confusion among subsidiary managers about the motivations for headquarters interventions was driven due to a high degree of cherry-picking of R&D projects to support among partner headquarters. Tensions emerged due to the

confusion over where to turn for financing and where to turn to report at each project exit. This negatively influenced headquarters-subsidary relationships in terms of subsidiary frustration.

#### **4.3.2 Headquarters-Subsidiary Dissonance**

In ABB, headquarters management has two essential roles to play; these are geared toward mandatory tasks needed to manage and maintain the existence of the corporate entity as well as adding value to the subsidiaries and decentralization decisions. In ABB, the configuration of the executive committee and the corporate headquarters after the 1988 merger means that—regarding R&D—there are clearly two corporate headquarters (in Switzerland and Sweden) and significant involvement from divisional headquarters.

Since ABB operates under a network structure with multiple headquarters, the basic governance functions and legal and regulatory tasks are dispersed, which means that subsidiaries must report to multiple headquarters, regularly, on the same issue. As the R&D manager for India explained, *“We have considerable executive responsibilities here at the corporate research center that usually would be undertaken at the divisional headquarters in Sweden. What I experienced before I moved out here was that they have identical reporting roles over R&D to those in Switzerland. It’s frustrating having to report to so many managers.”*

The headquarters located in Sweden has responsibility for basic control processes, authorization for major decisions, and the monitoring of delegated responsibilities among the subsidiaries. These responsibilities are by all accounts like those of the Swiss headquarters. Headquarters’ managers responsible for R&D in both Switzerland and Sweden explained that the extent of their governance and due diligence responsibilities was difficult to determine. ABB’s corporate strategy is based on a clear view of how they wish to add value through corporate headquarters, namely, highly decentralized governance and decision-making responsibilities to divisional management in central Sweden. This created frustration at the subsidiaries due to the split retention of monitoring responsibilities retained by the Swiss

headquarters and by the divisional executives causing ambiguity and the sense of a lack of flexibility in reporting project expenses and project initiation outlay. This was nicely illustrated by the general manager of the U.S. subsidiary: *“Our unit has for a very long time been heavily involved in global automation projects with the units in Sweden, Germany, and Switzerland. We have always had a hard time managing the operational and innovative communication that is required between us and Sweden, Switzerland and Germany.”*

We also observed in the data that when multiple headquarters act upon strategic intentions, it gave rise to a sense of confusion at the subsidiary level, which also created dissonance between headquarters and subsidiaries. This was largely due to misalignment between subsidiary management’s perceptions over what to give attention to and where to engage top managers for support for R&D projects. The R&D manager for India illustrated this nicely: *“reporting expenses and ongoing budgets are fairly straightforward, that is fairly standardized... The real frustration comes from who we turn to for support on new projects how and to who we report new and emerging possibilities.”*

## **5. DISCUSSION**

Figure 3 shows our core observations, which are the novel power and political tensions that stimulate multiple headquarters to simultaneously intervene in subsidiary activities and the emergent processes from the overlapping administrative and entrepreneurial interventions that effects subsidiaries. Prior research on parenting asserts that the diversification of an MNE leads to the emergence of complex headquarters configurations and that structural complexity can have a negative effect on parenting efficiency (Goold and Campbell, 2002; Poppo, 2003).

Prior literature also states that coparenting is largely undertaken between headquarters at different levels, i.e., corporate headquarters and divisional headquarters (Pla-Barber, Botella-Andreu and Villar, 2020), where frictions between headquarters and subsidiaries can

materialize because of resource dependency and attention distribution issues (Hoenen and Kostova, 2015; ul Haq, Drogendijk and Holm 2017). Although useful, these studies leave knowledge gaps by omitting the issues of multiple parenting at the same level, i.e., through dual corporate headquarters. Additionally, the issues of inter headquarters power and political tensions and knowledge gaps that stimulate multiple interventions and how these interventions affect subsidiary performance in MNEs remain under study.

By studying the dual corporate and nested headquarters interventions in subsidiary R&D in ABB, we develop a theoretical framework (see Figure 3) that offers insights into how tensions (power, political and knowledge gaps between headquarters) stimulate overlapping interventions (administrative and entrepreneurial involvement in subsidiary R&D). We then tease out the underlying factors driving emergent problems (overlapping voices and dissonance between headquarters and subsidiaries) that interact to negatively affect subsidiary R&D mandates (subsidiary R&D atrophy). We further emphasize the relevance of tension stimuli between multiple headquarters which allowed us to elucidate a more granular view of the underlying drivers of tensions and conflicts between headquarters that has a significant effect on subsidiaries performance. Finally, this allows us to open the previously underexplored area of reasons for subsidiary mandate atrophy and loss (Birkinshaw, 1996; Birkinshaw and Hood, 1998).

**\*\*\*Insert figure 3 about here\*\*\***

In developing our framework (see Figure 3), our core contribution is teasing out the dynamic process of stimuli that facilitate multiple headquarters interventions in subsidiary activities and how this affects the subsidiaries' mandates. As summarized in Figure 3, the processes consist of (1) tensions between multiple headquarters, (2) the effects of multiple headquarters interventions, and (3) subsidiary-level outcomes. We further elucidate the theoretical

extensions of our framework in each of the following sections: Complex Headquarters Configurations and Coparenting; Headquarters Power and Political Tensions and Coparenting; and Subsidiary Mandate Consequences of Multiple Headquarters Interventions.

### **5.1 Complex Headquarters Configurations and Coparenting**

We find that overlapping configurations are driven by the administrative heritage of an organization and managers' longing to belong to either organizational form (Kogut and Zander, 1995). This longing to belong in addition to headquarters legitimacy seeking and complex structures related to the division of control is driven by the increasing breadth of partner headquarters portfolios of responsibilities.

In our study, we contribute to unraveling the consequences of nested and interdependent headquarters structures in MNEs. Deviating from much of the earlier literature, we do not study headquarters as a singular entity. Broadening the scope of headquarters and including multiple partner headquarters in our analysis contributes to the understanding of how multiple headquarters interact and attempt to manage their portfolios of subsidiaries (Asmussen, Foss and Nell, 2019; Foss, 2019). Consequently, our study extends the view on the emergence and consequences of multiple competing principals, i.e., headquarters, within MNEs and how goal conflicts play out within the MNE hierarchy when their portfolio of subsidiaries increases (Ambos, Kunisch, Leicht-Deobald and Steinberg, 2019). This feeds into our understanding of the interactions between headquarters and subsidiaries, as discussed by Asmussen et al. (2019), in relation to goal conflicts and expectations within the MNE.

The aggregate dimensions and theoretical categories that our study has unraveled elucidate what could be a failure of the MNE headquarters system. Thus, we contribute to the theories of a "darker side" of MNE headquarters and conditions for what may constitute an organizational (dis-)advantage of operating under a scheme of many partner headquarters with increasing subsidiary portfolio responsibilities (Foss, 2019; Nahapiet and Ghoshal, 1998). As



such, our study has implications for understanding the negative attention structures that headquarters can account for (e.g., Conroy and Collings, 2016; ul Haq, Drogendijk and Blankenburg Holm, 2017; Yu, Liu and Bai, 2019). In essence, complex parenting structures where there is increasing headquarter subsidiary portfolio breadth may create parenting disadvantages for the individual headquarters units that have negative consequences for MNE subsidiaries.

Specifically, as Goold and Campbell (2002) and Pla-Barber et al. (2020) have highlighted, in large companies, there is oftentimes more than one parental layer. At ABB, the corporate, group and divisional headquarters are structured separately above the subsidiaries. However, the R&D parenting roles are shared between two levels of headquarters, i.e., corporate, and divisional headquarters. In ABB, R&D subsidiaries report to divisional headquarters, but these divisional headquarters also have responsibilities that overlap with the two corporate headquarters. In ABB, we observe differentiated practices toward one subsidiary owing to the dispersion and distribution of multiple headquarters throughout the MNE network. As a first proposition, we therefore see the configuration of multiple headquarters as playing a key role in multi-stakeholder contexts inside the MNE that are characterized by different, and often fluid, stakeholder expectations and goals:

*Proposition 1a: With increased partner headquarters in the network MNE, the greater the frequency of headquarters interventions.*

*Proposition 1b. Overlapping headquarters configurations positively moderates the extent to which the headquarters involves themselves in subsidiary activities, such that headquarters value-added will decrease as the breadth of headquarters subsidiary involvement increases.*

## **5.2 Headquarters Power and Political Tensions and Coparenting**

We observed that multiple interventions were driven by internal political processes between partner headquarters, i.e., a micro-politicking turf wars over different roles. Our findings indicate that multiple parenting can then give rise to conflicting voices stemming from the partner headquarters and confusion regarding where to report to. In sum, our findings elucidate

structures and processes that relate not only to the positive effects of headquarters actions but also to a darker side of operating under multiple headquarters. The underlying power and micro-politicking behavior between multiple headquarters for influence and legitimacy in subsidiary activities is thus far too little discussed in the literature about the role and function of headquarters.

We thereby extend the discussion on headquarters as being important for mediating conflicts and reducing uncertainty within organizations (Poppo, 2003) by showing that operating with multiple partner headquarters seems to create conflicts and uncertainty, both between partner headquarters and in the headquarters-subsidiary relationship. Consequently, the subsidiary is placed between a rock and a hard place in terms of running its business operations, i.e., conflicting voices and unclear reporting lines coupled with legitimacy-seeking units engaged in turf wars make life difficult for subsidiary managers. In the end, this fuels frustration both between partner headquarters and at the subsidiary level.

This paints the canvas of a potentially darker side of headquarters activities that can be traced back to multiple headquarters and overlapping interventions in subsidiary activities where the roles and functions of partner headquarters collide, thereby creating inefficiencies in the MNE rather than simplifying the lives of subsidiaries. We thereby further unravel the antecedents and implications of complexity in the headquarters system. This is driven by the interdependencies and overlaps existing between headquarters activities (Thompson, 1967; van de Ven et al., 1967).

We add to the discussion on headquarters' knowledge situation by finding that the knowledge problem is not only related to headquarters' knowledge about subsidiary activities and participation in relevant business networks (Forsgren and Holm, 2010). It also relates to knowledge about partner headquarters activities in subsidiaries. Headquarters need not only to understand and be an insider to local subsidiary business operations but also to understand

partner headquarters' actions and motives. The literature has suggested that a potential solution for solving the liability of outsidership and knowledge problems vis-à-vis subsidiary operations (Vahlne et al., 2012) is to introduce more headquarters units/layers as a response contingent on organizational complexity (Ciabuschi et al., 2012). Creating more layers potentially solves some knowledge issues related to specific subsidiaries, but in our study, we find that a focal headquarters' knowledge constraint is related not only to subsidiary networks but also to partner headquarters' activities. Thus, another type of knowledge constraint and complexity is created related to headquarters-headquarters relationships that subsequently impact their involvement in subsidiary R&D.

Thus, in complex organizations such as MNEs, we find that having a distributed and disaggregated hierarchy (Nell et al., 2017) may also be problematic from a knowledge perspective, and contingency solutions to process information may not suffice since having a multitude of headquarters within the network can result in them not being fully aware of each other's activities. In the context of analyzing headquarters, we can conclude that MNE complexity is multilayered and not only related to simple headquarters-subsidiary relationships and headquarters knowledge problems vis-à-vis its subsidiaries.

Complexity and the need for knowledge also drive the distribution and creation of multiple headquarters layers, which creates hierarchical complexity and another set of headquarters knowledge problems related to what the multiple headquarters know about each other's activities. This extends the literature on parenting in complex structures and the interdependence of partner headquarters (Foss et al., 2012; Nell et al., 2011; Poppo, 2002) by bringing the knowledge situation of multiple headquarters to the fore in situations where they intervene in subsidiary operations. Elucidating themes related to one headquarters not being knowledgeable about the actions of another has implications for the conditions under which the headquarters performs parenting activities and attempts to fulfill its administrative and

entrepreneurial role (Foss, 1997; Foss et al., 2012). Our case illustrates a move away from the traditional M-form logic with a clear separation of tasks between different headquarters (Williamson, 1992) and adds understanding to Poppo's (2003) discussion about complex organizations related to the interdependence of headquarters layers.

Our findings further illustrate that parenting is not an exclusive activity in the MNE for one headquarters but manifests as an overlapping activity between multiple partner headquarters (Alfoldi et al., 2017; Kähäri et al., 2017). In the case of ABB, we observe inefficiencies over responsibilities between headquarters. Headquarters may, for instance, be able to identify problems at the subsidiary level and intervene to solve problems. However, as our case shows, with unclear and contested headquarters responsibilities – and operating in a system where knowledge of other headquarters' activities is opaque – allows for conflicting decisions being made with respect to, for instance, mandating. This connects to the issue of conflicting voices (Hoskisson et al., 2002) that the subsidiary hears, which – as shown by our case – impedes subsidiary operations and creates confusion, uncertainty, frustration, and some resistance to headquarters interventions. In the case of ABB, headquarters may possess relevant resources for performing value-added activities, but they clearly do not possess knowledge about each other's interventions. Based on these insights, we propose the following:

*Proposition 2a: The more headquarters experience knowledge limitations of partner headquarters activities, the greater the risk of intervention hazards.*

*Proposition 2b: The more headquarters are engaged in subsidiary activities the greater the risk of power and political tensions between headquarters.*

### **5.3 Overlapping Headquarters Interventions and Subsidiary Mandate Outcomes**

Prior studies offer insights into how tensions in headquarters-subsidiary relationships emerge (Clark & Geppert, 2011). Our study demonstrates the stimuli that facilitate power and political tension between multiple headquarters and the effect this has on subsidiary activities. In this

study, we have highlighted the dilemma that headquarters face when attempting to manage subsidiary R&D activities. Headquarters need to be involved to support the development of subsidiary R&D activities. However, being involved is a delicate balance, as it interferes with subsidiary activities and can reduce their willingness to share and implement top-down processes. In our study, headquarters is perceived as an outsider in relation to R&D activities at the subsidiary level because of legitimacy issues between the subsidiaries and their multiple headquarters. As a result of having ‘too many headquarters’ voices and multiple overlapping headquarters interventions subsidiary management are often at odds amongst themselves which headquarters is to be trusted in that they have the best interest of the subsidiary at heart.

We found that when multiple principals within the MNE involve themselves in subsidiary R&D, increased tensions between subsidiary and headquarters emerge because their lack of legitimacy and frustration will decrease motivation and support from actors at the subsidiary level (Hoenen and Kostova, 2015). We saw that this had a degenerating effect on subsidiary value creation and on the possibility of headquarters contributing positively to R&D performance. In these instances, the impact of headquarters involvement might also be negative. We observed that in ABB, the corporate headquarters experienced a strong sense of power due to its formal authority, access to resources, and hierarchical position. This sense of power and influence led to perception gaps between headquarters with respect to 1) their spheres of influence and 2) their motivations for involving themselves in R&D activities at the subsidiary level. This led to value atrophy in subsidiary R&D activities through mandating inappropriate strategies, over-monitoring, and misguided support, which had confusing and demotivating outcomes at the subsidiary level (Goold et al., 1998).

We also saw that there is an increased risk of atrophying value in subsidiary R&D activities when headquarters and subsidiaries have different priorities, which are exasperated further when inappropriate headquarters parenting is perceived by subsidiaries due to the

presence of ‘too many headquarters’ voices.’ These concerns are critical, as tensions and problems between headquarters and subsidiaries in ABB’s case had a profoundly negative impact on subsidiary R&D performance. This is manifested in our cases where subsidiaries were confused and dissatisfied with their headquarters, as the multiple interventions meant that they could not carry out their activities as they wished.

We contribute to the discussion on procedural justice and headquarter intervention hazards (Foss et al., 2012) by evidencing that where there is a complex configuration of multiple headquarters there is a dampening effect on procedural justice (Foss et al., 2012). Knowledge limitations between headquarters and the tensions that arise between them leads to multiple headquarters voices where multiple HQs are supplying a justification for their behavior and potential interventions. Therefore, dissonance emerges between headquarters and subsidiaries due to the lack of goal alignment, perceived support and overlapping headquarters voices. We summarize this line of argument with a pair of linked propositions as follows.

*Proposition 3a: The more headquarters voices a subsidiary is exposed to the greater the risk of headquarter – subsidiary dissonance.*

*Proposition 3b: The extent to which a subsidiary perceives headquarters interventions as malevolent negatively moderates subsidiary mandate performance.*

## **6. CONCLUSION**

This study provides insights into complex parenting in MNEs with a particular emphasis placed on the causes and consequences of multiple parenting. Headquarters’ interventions are driven by formal expectations and assigned roles to actively manage the MNE. Moreover, interventions are driven by the desire to facilitate subsidiary operations and value-adding attempts. ABB’s dual corporate headquarters have been seen to duplicate one another’s work, and progressively less detailed knowledge of who is involved in parenting allows us to observe

a darker side of headquarters activities with respect to involvement in assigning, supporting, and removing subsidiary mandates in situations of conflicting multiple parenting.

From the case data, we observed that in ABB, both the corporate and divisional headquarters are responsible for R&D, duplicate each other and present conflicting voices to the subsidiaries. This is a result of muddled corporate responsibilities. We highlight knowledge contingencies as critical for understanding the MNE system, which may dampen the potential negative effect of having multiple partner headquarters intervening in subsidiary operations. As no headquarters has sufficiently detailed knowledge to fulfill all the parenting needs, they all play a closer parenting role, interpreting the parenting propositions in terms of what they deem relevant for the focal subsidiary without considering the larger picture and the potentially difficult position this places the subsidiary in. Thus, headquarters are prone to intervene in a counterproductive manner.

### **6.1 Managerial implications**

This research provides useful insights into how headquarters managers should treat subsidiary charters and specifically their intervention in subsidiary mandates. At the time of our study, headquarters-headquarters tensions were a perennial problem in ABB. We saw in our field observations that these issues were present and that managers in ABB had loosely connected these problems, and one of the solutions they had introduced to reconcile these problems was to create global process improvement officer positions. One suggestion we would add to this that emerged from our study would be to have co-convened R&D audit meetings to introduce clarity and co-development among the managers.

We highlight the traps and outcomes of operating with multiple headquarters, which may be valuable for managers to be aware of to reconcile the tensions that emerge. We believe that managers need to recognize the importance of being knowledgeable about partner headquarters

activities within the MNE system, as this can prevent redundant involvement. This can alleviate subsidiary frustration and reduce the risk of competing voices.

## **6.2 Limitations and future research**

As with all studies, our research has certain limitations. The ABB case illustrates multiple parenting in a particular setting. However, we cannot rule out that the headquarters configuration and interventions look different in other MNEs. We thus would like to encourage research on the mechanisms and enablers of headquarters configurations and interventions across other settings, specifically companies that are not as large or highly disaggregated. Much of the broader theory on parenting has been found to apply in this specific context. Accordingly, we believe that our observations of dual corporate headquarters and nested headquarters configurations are also insightful for headquarters–subsidiary relationship research.

However, future research would be wise to assess our findings in other contexts to examine and clarify the boundary conditions around our theorizing. Future research can, for instance, delve further into drivers behind parenting overlaps and hazards related to headquarters interventions taking into consideration agency problems between headquarters. In this sense, our inductive research endeavor allows for future quantification of the themes we have addressed (Wright, 2017). Additionally, the value added, and value subtracted effects of headquarters are a promising arena for future research that we have only briefly touched upon. Our study is a tentative step toward investigating the highly interesting theme of a potentially darker side of headquarters activities that has received little coverage in the management literature.



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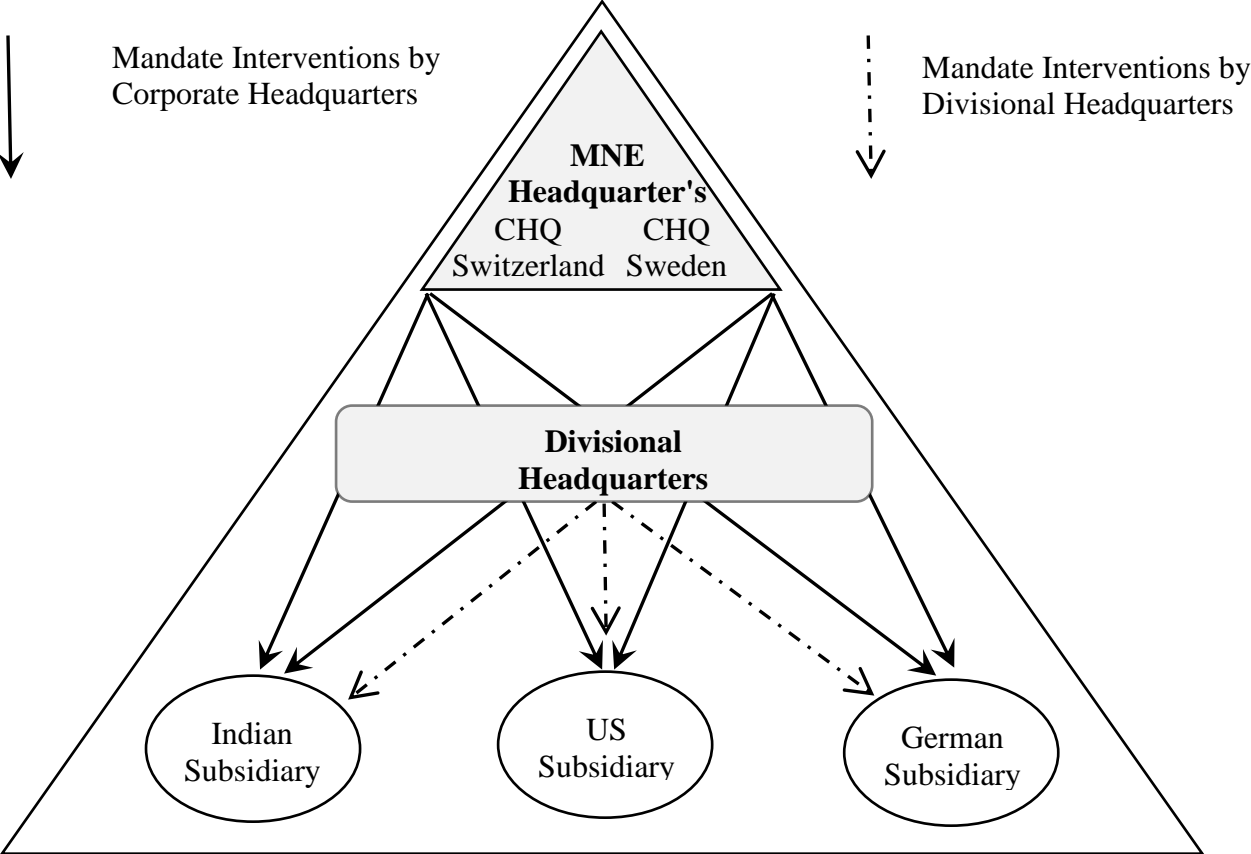
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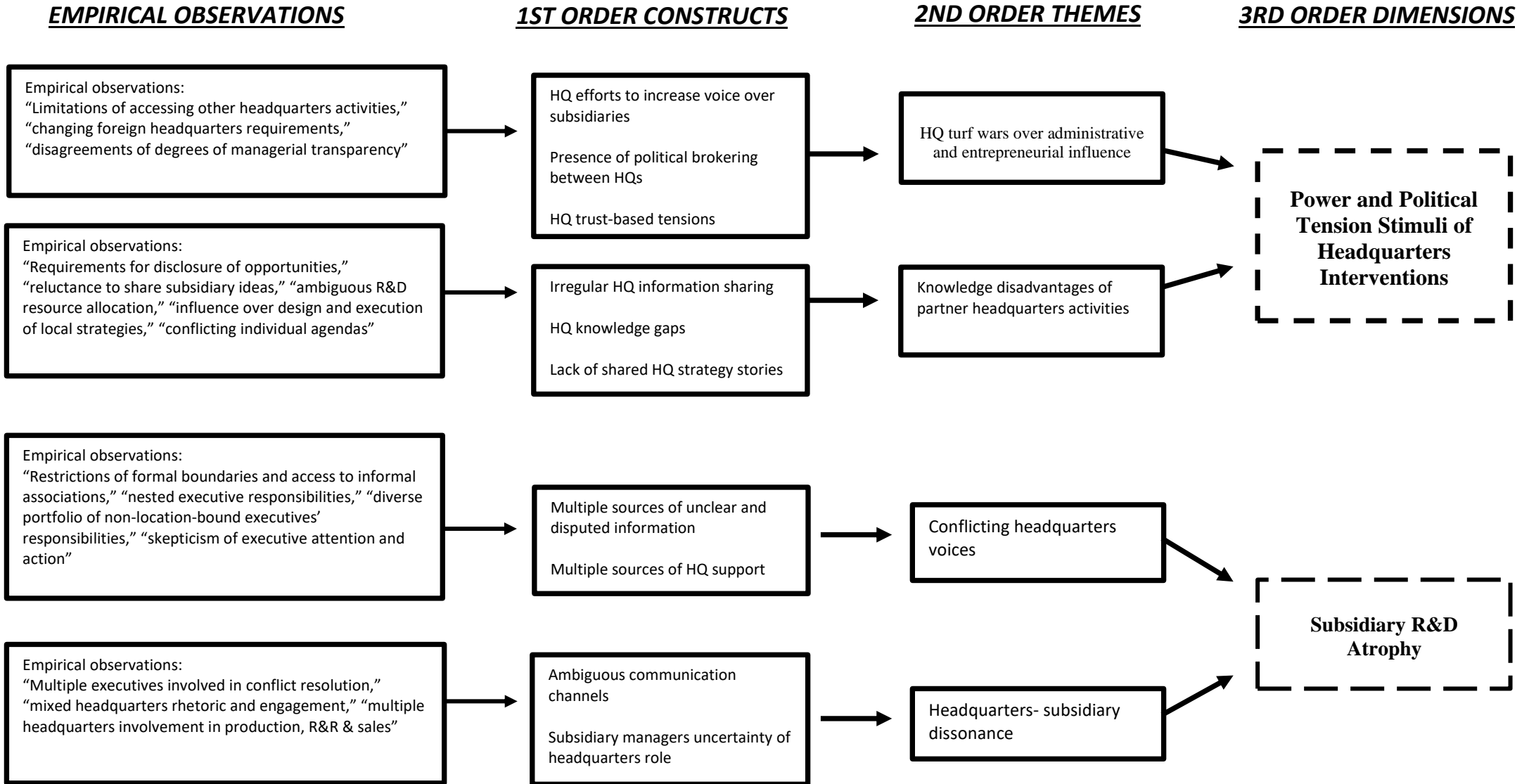
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**APENDIXES**

**Figure 1. Illustration of ABB's headquarters configuration related to our study of headquarters interventions**





**Figure 2. Data structure**

**Table 1. Description of Sample Units**

Characteristics	CHQ Switzerland	CHQ Sweden	Div HQ Sweden	U.S. Subsidiary	German Subsidiary	Indian Subsidiary
<b>Domain</b>	Automation & Motion & Power					
<b>Mandates</b>	Strategy & Operations	Strategy & Operations	Operations, Sales, Services, R&D	Operations, R&D	Operations, R&D	Operations, R&D
<b>Scope of mandates</b>	Global responsibilities	Global responsibilities	Global and regional responsibilities	Regional to global responsibilities	Regional to global responsibilities	Regional to global responsibilities
<b>Autonomy (decision- making authority)</b>	High autonomy complete ownership rights	High autonomy shared ownerships rights	Moderate autonomy (decisions made by other CHQ)	High autonomy (many decisions made by subsidiary)	High autonomy (many decisions made by subsidiary)	Low autonomy (few decisions made by subsidiary)

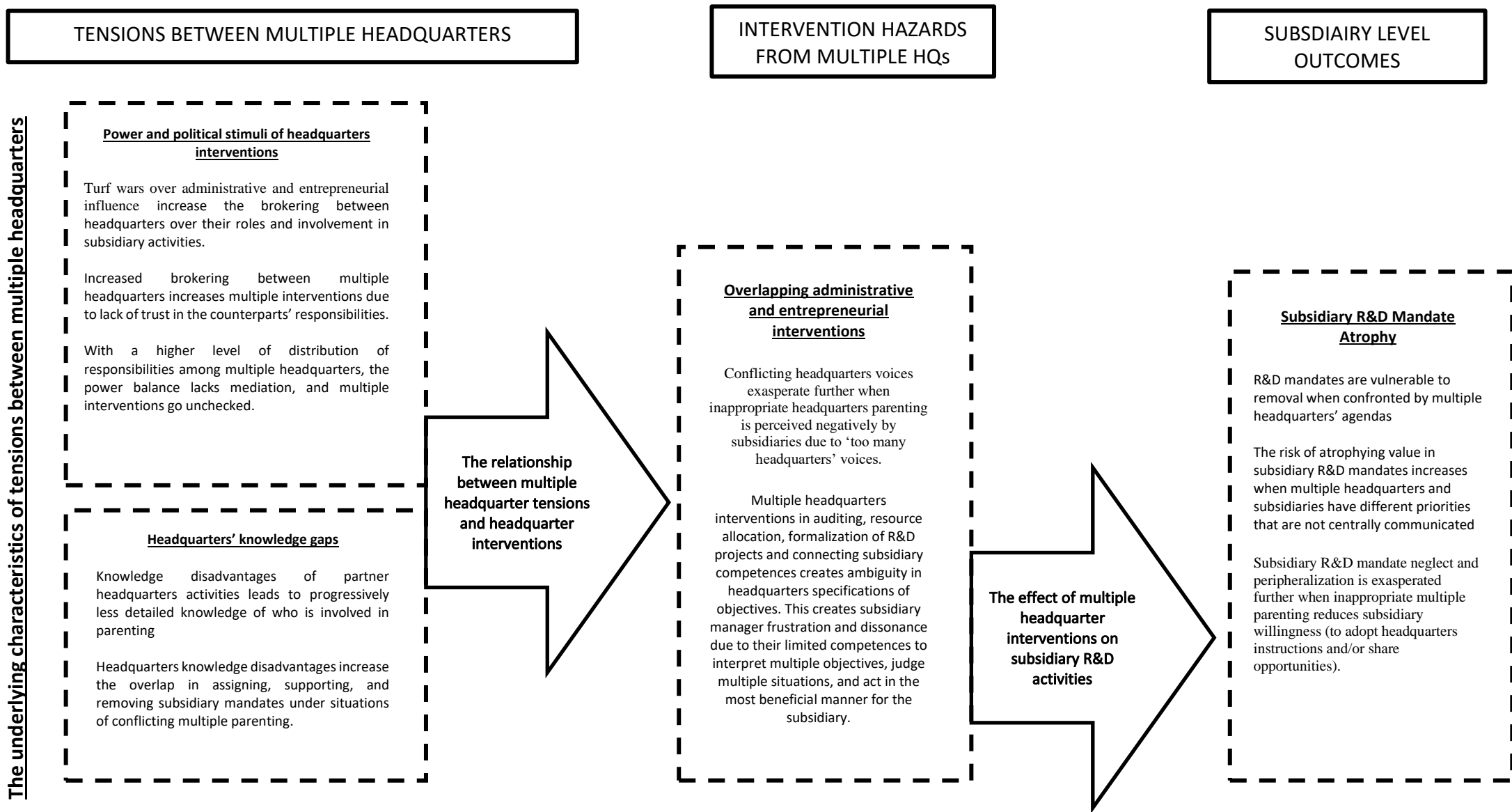
**Table 2: Data sources and use**

<b>Data source</b>	<b>Type of data</b>	<b>Use in analysis</b>
<b>39 interviews (total of 540 pages)</b>	Interviews with HQ managers (20) and subsidiary managers (18)	Understand the legitimacy and agency drivers of complex HQ configurations, their rationales for interventions in subsidiary R&D activities and their outcomes.
<b>Observations (approx. 70 hours)</b>	*Headquarters visits, *Budgeting and strategy meetings. *Extended subsidiary visits, *Informal onsite and offsite *Meetings with managers from headquarters and subsidiaries	*Understand important R&D intervention decisions. *Content and motivation of headquarters executives' actions directed at subsidiary R&D. *Continuous assessment of HQ awareness of partner HQ interventions. *Continuous assessment of subsidiary managers' attitudes HQ interventions.
<b>Secondary data</b>	*Annual reports 2000-2018.  *Strategy meeting notes. *PowerPoint presentations from strategy meetings.  *Summary minutes of headquarters/subsidiary technology meetings.	*Provide information about ABB's history and corporate heritage.  *Used to support and triangulate interview and observation data about HQ configurations and interventions.  *Used to support and triangulate interview and observation data about HQ interventions and subsidiary R&D outcomes.



**Table 3. Findings and Empirical Illustrations of the Underlying Characteristics of Multiple Headquarter Intervention Hazards and Subsidiary Outcomes**

Findings	Empirical examples
<i>Power and Political Tension Stimuli of Headquarter Interventions</i>	
HQ turf wars over administrative and entrepreneurial influence	<ul style="list-style-type: none"> <li>- Our commitment is to generate income and let self-sustaining innovation develop in the subsidiaries; that's our priority and influences our strategies for managing the business unites portfolio – Interview with Divisional Vice President 2014.</li> <li>- A commitment to create an interdivisional R&amp;D is not always a shared view on the how to coordinate headquarters responsibilities and develop synergies – Field notes from headquarters visit 2015.</li> <li>- Resistance to alternatives is the most normal thing, as most of the executives in our headquarters come from different divisions. They would have liked to continue operating under a model where their division's R&amp;D needs are more prominent – Interview Indian subsidiary MD 2014.</li> </ul>
Knowledge disadvantages of partner headquarters activities	<ul style="list-style-type: none"> <li>- In each functional area, we defined which executives are the lead, and to some extent the other executives need to remain engaged with the subsidiary; it can be complicated which executives need to be involved in R&amp;D, as the research centers have such diverse responsibilities that span all our business units – Interview ABB CEO 2014.</li> <li>- There is a common feeling of anxiety in developing new platforms, as we are always questioning who we need to turn to for formalizing new projects – Field notes from India visit 2016.</li> </ul>
<i>Subsidiary R&amp;D Atrophy</i>	
Conflicting headquarters voices	<ul style="list-style-type: none"> <li>- It can be frustrating with the regularity of different evaluation metrics passed down to us from the different headquarters – Interview US subsidiary GM 2015.</li> <li>- I think we've been quite productive in the automation area for some years, but it quite often feels we are pulled in too many directions by our headquarters – Interview German subsidiary R&amp;D manager 2014.</li> <li>- Considerable time is given to making sense of cross subsidiary projects and CHQ, Div HQ and Business unit HQ expectations in strategy meetings – Field notes from US visit 2016.</li> </ul>
Headquarters-subsidiary dissonance	<ul style="list-style-type: none"> <li>- It's just we feel that its better focusing on what we can achieve locally without the constant need to engage our headquarters all the time – Interview US subsidiary GM 2015</li> <li>- It's evident that there are clear goal differences between headquarters and subsidiaries with respect to technology and R&amp;D strategies, open communication that they disagree – Field notes from Germany visit 2015.</li> <li>- I think there comes a point when we are so stretched that we just start focusing on what is best for us and what we can improve.</li> </ul>



**Figure 3: Processes of multiple headquarters intervention stimuli and the effects of intervention hazards on subsidiaries**