

Changing management models in MNCs: How firms organize for sales in global industries?

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Abstract The present study approaches the internationalization of multinational companies (MNCs) through the concept of management model to examine the managerial practices of both the headquarters and subsidiaries in organizing for international sales in industry specific networks. The concept of management model draws attention to the choices a firm makes about how work gets done. The primary research question of the study is: How a globally operating multinational organizes its sales through practice-based management models? Theoretically the study relies on research on markets-as-networks and network MNCs and on the strategy-as-practice approach. The empirical part of the study presents an examination of the managerial practices of a forest industry multinational and three of its sales subsidiaries in Sweden, Russia and the USA. The analysis covers both extensive archival data and interview data to track how the management models vary and change within MNCs in the context of international industry networks. The results capture the nexus of managerial practices and its development in the management model of an MNC.

Keywords: multinational, subsidiary, management model, industry network, strategic practices

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INTRODUCTION

Multinational companies (MNCs) are network organizations consisting of headquarters and often many and various kinds of subsidiaries operating in cross-border business networks (Hedlund 1986). As such kinds of international organizations their management involves complexity that researchers and managers have approached through, for example, questions of organizational design (Bartlett & Ghoshal 1989; Pedersen *et al.* 2014). Organizational design is particularly interesting due to its influence on the ways the firm operates both in the local customer networks and in the wider industry networks. These operational design choices then are the core ones in the internationalization of MNCs and the organizing of their international sales. International sales are often approached as questions of skills and competences of sales management (e.g. Sullivan *et al.*, 2012) with less attention to the MNC practices for sales organizing. The present study approaches the internationalization of MNCs through the concept of management model to examine the managerial practices of both the headquarters and the subsidiaries in organizing for sales in industry specific networks.

The concept of management model draws attention to the choices a firm makes about how work gets done by taking the analysis to the level of strategic and operative processes of social action (cf. Birkinshaw & Ansari 2015). Although the management model can be seen as a level underneath and linked with a firm's business model we will approach it as a nexus of managerial practices of the firm. This allows us to uncover the ways practice produces management models instead of focusing on how managers develop management praxis (cf. Vaara & Whittington 2012; Whittington 2006). Moreover, we stress the dynamism and complexities of management models in MNCs operating in global industry networks. The management model of an MNC is rarely explicitly examined although every firm has one and it is often discussed in singular although multitudes of management models tend to co-exist within firms and industries (Birkinshaw & Ansari 2015).

MNCs are particularly interesting settings to analyze management models. In MNCs the headquarters might see certain management models as the global way of doing things and at the same time the local subsidiaries are likely to develop their own management models to fit into the particular markets. Also the management models should develop consistently with the development of the firm in its industrial networks, whose dynamics are to be reflected in the sales of the subsidiaries and the competitive positioning of the MNC. Furthermore, the management models grow out of the practice by individuals representing the firm and are difficult to develop in any unidirectional way. To uncover these complexities of MNC management in international industry networks we set as the primary research question of the study: *How a globally operating multinational organizes its sales through practice-based management models?*

Theoretically, we rely on the markets-as-networks, the network MNC and strategy-as-practice approaches. This way we can elaborate on the interface between the internal and external structures of the MNCs as a practice-based design issue and that way develop the standardization versus local adaptation view of MNC design further (see Bartlett & Ghoshal, 1989; Meyer, Mudambi, & Narula, 2011; Nohria & Ghoshal, 1997). In the empirical part of the study, we examine the managerial practices of a forest industry multinational and three of its sales subsidiaries in Sweden, Russia and the USA. We rely on both extensive archival data and interview data to track how the management models vary and change within MNCs. Through historical reconstruction of the development of the MNC and three of its sales

subsidiaries, we depict differences in the management models as well as their dynamics. Furthermore, we will discuss the management models in the context of internationalizing industry networks. As a result, we model the nexus of managerial practices and its development in the management model of an MNC.

The contribution of the study arises from its elaboration of the intertwinedness of industrial network, MNC internal network and managerial practice level activities in the organizing of international sales of MNCs. The study problematizes this relatedness through featuring the MNC management models as the results of managerial practice. It then dimensionalizes the management models and empirically illustrates how a management model of an MNC is in plural and inevitably represents contradictions between levels, between units and even within the models as applied in practice. The managerial contribution of the study is circumscribed around the discussion of how these dynamics and contradictions can be utilized for coordinated differentiation in organizing a network of international sales subsidiaries.

In the next section the conceptual framework of the study is built. The third section discusses the methodological choices and the empirical research design of the study. The fourth section presents the results of the data analysis and the identified dimensions of the management models in the MNC under examination. The fifth section discusses the results and concludes with the contribution and suggestions for future research.

MANAGERIAL PRACTICES OF NETWORK MNCs IN INTERNATIONALIZING BUSINESS NETWORKS

We open up the connectedness and dynamics of business relationships in international industrial markets (Easton & Araujo 1994) through the “markets-as-networks” approach (e.g. Hammarkvist *et al.* 1982). We then specify the network-like MNCs as the setting and build a practice-based view to the management models of MNCs in international industrial markets.

INTERNATIONALIZING BUSINESS NETWORKS

Every business unit needs to be in contact with its environment and actors outside it to obtain resources and create markets. Establishment of long-term relationships often proves more feasible than building new input and output channels each time when resources or markets are needed. Hence, long-term relationships are a typical characteristic of international industrial markets (Johanson & Mattsson 1987) and produce such organizing forms as international business networks. Business network is a system of interdependence (Thorelli 1986) that consists of organizations and is about interactions and exchanges between customers and suppliers and other actors, such as financiers, consultancy companies, research institutes and public administration (Hadjikhani & Thilenius 2009). The interconnectedness of a firm's relationships with each other is a crucial issue (Johanson & Mattsson 1987). In organizing of operations in networks, intertwine levels of dyadic relationships, relationship portfolios, firms-in-networks and industries-as-networks (Möller & Halinen 1999). To examine the context-embedded practice of MNCs we emphasize the industries-as-networks level.

In many contemporary industries the operations of actors are clearly global and the market is characterized by tight competition and technological complexities leading to at least indirect resource and activity links between the firms (Möller & Halinen 1999; Ritter *et al.* 2004). Changes in some relationships tend to be mediated to the others influencing the industry

structures (Hertz 1999; Hertz & Mattsson 2004). On entering an international network a potential member faces the strategic challenge of positioning itself among the pre-existing members of the network (Thorelli 1986; Johanson & Vahlne 2009). In this situation organizing activities are directed towards the establishment of a workable level of uncertainty (Weick 1979). Simultaneously, an actor frames its context in a social process in which individuals assume the structural and dynamic properties of the network context (Håkansson & Snehota 1989). Positioning and framing are intimately linked with the managerial practice.

As members of particular industries with interdependencies and interconnectedness firms also develop their operations on the basis of future oriented strategic beliefs of managers, i.e. their industrial wisdom (Hellgren & Melin 1992; Hellgren *et al.* 1993) Industrial wisdom “describes collectively shared ideas, beliefs, values and norms about the rules of the games and possible strategic action in the industrial field” (Hellgren *et al.* 1993, p. 103). Understanding of these industry logics is key to effective business and various community rituals are used to enhance the collectiveness of industrial networks (Cova & Salle 2000).

While the literature on business networks provides important insights into the way a firm acts in industrial markets, it says less about the internal workings of the firm. We rely on two literatures that characterize, in various ways, these internal workings. The first one is the literature on network MNCs and the second the strategy-as-practice literature. We relate these two bodies of literature with the management model idea by Birkinshaw and Ansari (2014).

MNCs AS NETWORK ORGANIZATIONS

Thinking about MNCs started with pragmatic definitions (Aggarwal *et al.* 2011) and research focusing on headquarter-dominated MNCs and foreign direct investments (Hymer 1976, see also Birkinshaw & Hood 1998; Forsgren 2008, 28). It then moved toward emphasizing the role of subsidiaries (Holm *et al.* 1995; Birkinshaw *et al.* 2000; Andersson *et al.* 2002) and seeing MNCs as multidimensional entities consisting of networks of different units (Gupta & Govindarajan 2000; Holm & Sharma 2006).

The network perspective on MNCs offers insight to the overall operations and developments of MNCs. According to this perspective, an MNC is a complex web of interdependent relationships within which individuals are operating (Forsgren 2008; Henneberg *et al.* 2010) and this network actually guides the operations and development of an MNC as a whole. In addition each subsidiary is acknowledged as embedded into its own local network of relationships, which differ from the networks of other subsidiaries (Forsgren 2008). In these local networks, headquarters is an outsider (Forsgren 2008) and the subsidiaries’ local environments are emphasized in their operations (Nell *et al.* 2011).

Hence, subsidiaries within MNCs are internally differentiated in their business conditions, coordination processes as well as in their social and cultural environments (Ghoshal *et al.* 1994; Forsgren 2008). This internal differentiation puts strains on coherent worldwide management and limits headquarters possibilities to coordinate the everyday operations of its subsidiaries (Ghoshal *et al.* 1994). Coordinating headquarter-subsidiary relationships and the organizational architecture in MNCs has been a challenge for global companies during their entire existence (Westney 2014). MNC managers constantly face the problem of developing effective organizational architectures to manage their everyday operations (Wolf & Egelhoff 2013). Organizational structures can also create

political and cultural boundaries around subsidiaries, which shape their identity and operations (Westney 2014).

Gaining and sustaining global competitive advantage depends on understanding the conflicting forces affecting the business (Prahalad & Doz 1987). The idea of conflicting forces is captured in the integration-responsiveness (IR) framework, according to which MNCs need to simultaneously coordinate and integrate activities across borders and subsidiaries need to respond to demands arising from the nature of economic, competitive and market forces in local environment. Headquarters has the responsibility of strategic direction, decision-making and overall coordination (Ghoshal *et al.* 1994). However, sufficient independency motivates subsidiary managers to establish relationships with local customers, suppliers, distributors, competitors and authorities, which then creates competitive opportunities and reduces contextual risks (Luo 2001; Andersson *et al.* 2002).

The need for headquarters to control the development of the MNC stems from the inconsistent directions where different local units and subsidiaries are developing (Holm *et al.* 1995). Quite often, headquarters lack sufficient knowledge of the actions of its subsidiaries (Vahlne *et al.* 2012). In the complex environment, organizational dynamics (such as strategic capabilities and administrative heritages) are becoming increasingly important to the coordination of geographically dispersed businesses and to the achievement of strategic benefits from integration (Luo 2002). The network view of MNCs unveils the underlying complexity of MNCs and shows how a globally operating multinational organizes its actions through subsidiaries. We suggest practice-level examination to allow for connecting industrial network logics and network MNC management in the analysis of the inherent design complexities (cf. Westney 2014) in the operations of MNCs.

PRACTICE-BASED VIEW TO THE MANAGEMENT MODELS OF MNCs

The competing demand of integrating globally or adapting locally (Marquis & Battilana 2009) is one of the multifaceted strategic demands the management of MNCs has to deal with. Traditionally, choice between the seemingly opposing demands has been considered as one of the management's primary tasks. Recently, however, organizational scholars have begun to embrace the complexity of global environments and organizational realities seeing the decisions to deal with both-and situations, not either-or choices (Jarzabkowski & Sillince 2007; Smith *et al.* 2010; Smith 2014). The inevitable tensions are labeled as paradoxes (e.g. Quinn & Cameron 1988; Smith & Lewis 2011) i.e. "tensions that coexist and persist over time, posing competing demands that require ongoing responses rather than one-time resolutions" (Smith 2014). Smith (2014, p. 58) specifically discusses strategic paradoxes defined as "contradictory, yet interrelated, demands embedded in an organization's goals".

A systematic approach to this kind of decision-making between opposing alternatives was conceptualized as a management model by Birkinshaw and Ansari (2014). They contrast management models with business models, and tie the underlying logic to the traditional notion of strategy as "a description, plan, or process for how to move from the current situation to a desired future state" (p. 85). In their archetypal models, they see management drawn between the dimensions of traditional principle with more hierarchical and planning-type of approach, and alternative principle with more emergent and collective approach.

However, the paradoxes stem from different sources; not only from the contradictory goals, or demands of different locations, but also from the reality of strategy-making in the organizations. For instance, Regnér (2003) found out that strategy-making is profoundly different in the ‘centre’, referring to the more central location in the strategy context: corporate and divisional management and/or board of directors, than in the ‘periphery’, referring to subsidiaries, projects, and/or business and technology units that are further away from the top management. The former relies on deductive approach involving a more planning oriented industry and exploitation focus, whereas the latter’s strategy-making is inductive, focusing more on exploration through trial and error.

Examining the different contexts of strategy-making represents a different approach to seeing the contradicting choices existing simultaneously. Instead of concentrating on the decision-making and choices, the focus is on the processual nature of strategy and the logic of operations of the firm. Chia and Holt (2006) build on Regnér’s distinction of strategy-making through Heideggerian perspective to present building and dwelling modes of strategy. The dominant building mode is about deliberate strategic aims and plans but it is seen constantly preceded by the dwelling mode as an existential condition (Heidegger 1971) in which strategy emerges non-deliberately through everyday practical coping (Chia & Holt 2006). The dominant building mode of strategizing derives from this more basic dwelling mode. The dwelling mode does not require intention and purposeful goal-orientation, but consistency in action is explained via a *modus operandi*: “an internalized disposition to act in a manner congruent with past actions and experiences” (Chia & Holt 2006, p. 645).

Hence, seeing an organization engaging in the activities following contradictory choices helps us to understand the co-existence of these tensions and understand the managers inevitably travel between choosing and accommodating behaviors (Smith 2014; Smith & Lewis 2011) through different contexts and modes of strategizing. Drawing on the paradox theory and the practice approach, we wish to enlarge the management model approach by maintaining that understanding the ‘*modus operandi*’, the logic of the firm operations, is essential.

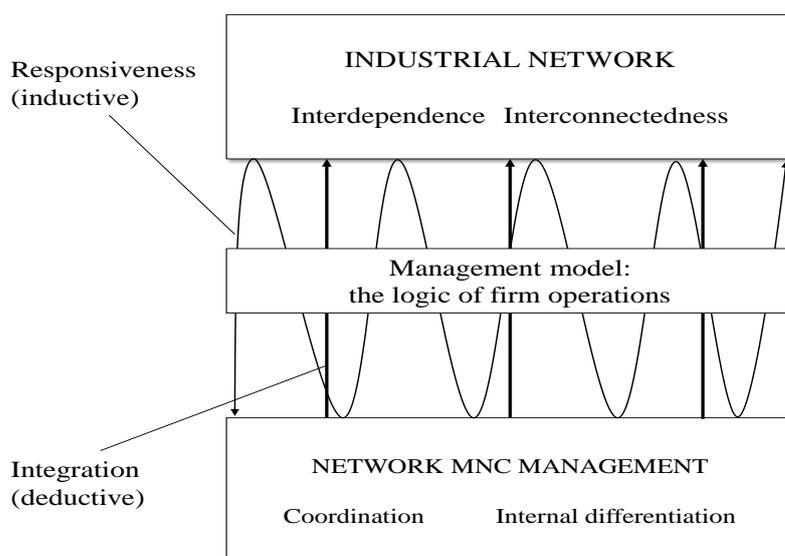


Figure 1. Emergence of strategic practice-based management models in MNCs.

The initial conceptual framework of the study is depicted in Figure 1. In the management model framework the dimensions of which Birkinshaw and Ansari (2014) label as ‘traditional principle’ and ‘alternative principle’ come close the modes of practical coping (Chia & Holt, 2006) and contexts of strategy-making (Regnér 2003). Coordinating activities, making decisions, and defining objectives fall into the category of strategic issues, which all are connected either to the deductive-type or inductive-type of strategy-making in the contexts of industrial networks and management of the network MNC.

RESEARCH METHODOLOGY

RESEARCH STRATEGY

This study utilizes an empirical case study to generate in-depth knowledge (Creswell 2013; Silverman 2005) about practice-based management models of MNCs within their internationalizing industry networks. Case studies allow researchers to gain meaningful and holistic descriptions of real life events (Halinen & Törnroos 2005; Piekkari *et al.* 2010). We adopt an instrumental case study design with interest in the specific case as such and without attempt in statistical generalization (Silverman 2005). The aim of the case study is to provide deeper insight to the productive dynamics that exist in a single setting (Piekkari *et al.* 2009, Piekkari *et al.*, 2010). Thus, here the focus is broader than just the case itself.

The empirical research is designed as an embedded single case study (Halinen & Törnroos 2005). The organizing of the case MNC and its operations forms the main unit of analysis but we use the practice both at headquarters and in three of its subsidiaries as the sub-units of analysis. Our case MNC Ponsse Plc is one of the world’s leading manufacturers of forest machines for the cut-to-length method. The case company has been selected based on purposive and theoretical sampling. Thus, the case company well illustrates features that are interesting from the research point of view and is theoretically meaningful to allow for elaborating the conceptual framework further through in-depth examination of the particular case (Silverman 2005). The case was hand-picked based on the likeliness of the studied phenomenon occurring. In addition, factors such as access and willingness were seen important to allow for rich data. The sales subsidiaries in Sweden, Russian and the USA were selected under scrutiny on the basis of the discussions with two key informants from the headquarters because of their expected differences in their practices and local networks.

DATA COLLECTION AND ANALYSIS

We approach the case by using both extensive archival data and interview data to track variation and change in management models within a globally operating MNC in a particular industry (Easterby-Smith *et al.* 2008; Creswell 2013). The archival data consists of various written sources, such as the annual reports, press releases, web-pages and various brochures of the firm as well as industry analyses (see Table 1). Understanding of the industry context and the operations and structure of the case company was first built through review of the written material. The written material was collected from 2000 to 2015.

Interviews were conducted with five managers of the case company both at headquarter level, the Chairman of the Board interviewed twice, and in the country based subsidiaries in Sweden, Russia and USA. The interviews conducted in the case company lasted from half

hour to one hour 45 minutes and were all tape-recorded. The interviews concentrated on the history of the organizations, internationalization, internal organizing and the development of each subsidiary. Organizational culture, atmosphere and management practices were observed during the yearly subsidiary meeting in 2014 and in informal discussions during that event. CEO organized factory visit for researchers and described both the production process and ideology of the company as well as his own history in the firm. Additional understanding about the sales, product launch and subsidiary culture was discovered through video data created by the American subsidiary.

Table 1. Empirical data of the case study.

Interviews			
<i>Interviewee</i>	<i>Date</i>	<i>Duration</i>	<i>Concentration</i>
Chairman of the board	Feb 2014	1h 45min	History of the organization, internationalization
CEO of the firm	Feb 2014	1h 12min	Present challenges of the firm
Chairman of the board	Apr 2014	29 min	Internal organizing, key individuals
Managing director of Sweden	Apr 2014	1h 1min	Development of Swedish subsidiary
Managing director of Russia	Apr 2014	1h 11min	Development of Russian subsidiary
Managing director of USA	Apr 2014	57 min	Development of American subsidiary
Archival data			
<i>Type of data</i>	<i>Timing</i>	<i>Role in research process</i>	
Annual reports	2000-2014	Understanding of the historical development, strategic choices and organizational structure	
Company history	2000	Understanding major developments 1970-2000	
Press releases	2002-2015	Increased understanding of the important events in the development of MNC and its subsidiaries	
Web pages of the company	2014-2015	Basic information about the company, products, operation logic and organization	
Brochures/additional material	2014	Particular view to the organizational culture and values	
Industry analyses	2005-2009	Understanding of the key developments in the industry	
Videos and meetings			
<i>Type of data</i>	<i>Timing</i>	<i>Role in research process</i>	
Factory visit with the CEO	Feb 2014	Discussion with CEO, deeper understanding of the production process and operations of the factory	
Yearly subsidiary meeting	Apr 2014	Getting acquainted with subsidiaries, understanding the organization culture and atmosphere	
Product launch in US videos	Jun 2014	Additional understanding of organizational culture, Ponsse family and American market	

The data collection and analysis has been iterative by nature and therefore these processes were intertwined (Dubois & Gadde 2002; Zalan & Lewis 2004). The empirical data was analyzed through content analytical procedure along the following steps (see Denzin & Lincoln 2000; Ghauri 2004). First, the archival data was analyzed to produce a storyline of the MNC's development and its international operations. Second, the archival data and, in particular, the interview transcripts were analyzed with a practice lens to create understanding of the underlying practices and ways of operating at the level of industry, internal MNC network, headquarters, subsidiaries and individual managers. The different practices and management models were then compared at the level of subsidiaries by focusing on the differences of each subsidiary management as illustrated in Table 2. Next, the HQ induced

practice and subsidiary practices were reflected upon each other to illustrate the nexus of managerial practice (see Table 3). Finally the conceptual modeling of the phenomenon was elaborated as contradictory demands between multiple MNC management models as illustrated in Figure 2.

MANAGEMENT MODELS OF A FOREST MACHINE MNC IN ITS INTERNATIONALIZING NETWORKS

DESCRIPTION OF THE MNC AND THE INDUSTRY

Ponsse Plc is a Finnish multinational that operates in the forest machine industry since 1970. The company designs, produces and sells forest machines for the cut-to-length (CTL) method and related information systems enabling centralized logistics control and measurements for the harvesting chain. Over time the portfolio has been developed to match the diverse needs and demands of forest machine entrepreneurs globally and all different tree species, climate conditions and terrains are considered in the design. Almost every machine is manufactured on order, and 70% of the components are made in-house and the subcontractor network is by large located in Finland.

Ponsse remains family-owned and is today one of the world's leading producers of forest machines for the cut-to-length (CTL) method. It has headquarters in Finland and 11 subsidiaries around the world. Through its sales and service partner network it operates in 5 continents reaching 24 countries but all the export markets included, the number of countries with Ponsse machine sales is about 40. Since 2006 the company operates based on six strategic areas of global sales and maintenance service – Northern Europe, Central and Southern Europe, North America, Latin America, and Russia and New Markets.

CTL harvesting together with the tree-length (TL) harvesting method cover for approximately half of the total wood logging with about equal shares. Half of the world's wood is still harvested manually. CTL method is particularly widely used in the Nordic countries and in Germany, whereas TL method has long traditions in North America and Russia. The use of CTL method is steadily increasing in different markets as manual harvesting decreases and CTL method gins shares from TL as it is often more effective, accurate and environmentally friendly. While in the 1970s there was a plurality of machines, since the turn of the 1990s the logging machines are more standardized and globalized.

In the global CTL forest machine market compete about ten bigger firms. In addition, in the Nordic countries where the forest machine industry has long roots are numerous smaller competitors with worldwide exports. In the beginning of the 2000s, John Deere and Komatsu both acquired a forest machine company with Nordic roots. Ponsse is dedicated to forest machine production while its biggest competitors offer a wide range agricultural machines.

HQ INDUCED MANAGEMENT MODELS

Management models of the firm can be examined, at first, at the level of its choices with respect to the industry. Here two particular choices picture the firm. First Ponsse is fully focused on forest machines and does not produce other agricultural or industrial machines. Second, the firm is specialized in the machines and information systems for cut-to-length method. Instead of broadening its product range to other types of logging and agricultural machines through mergers and acquisitions, Ponsse has focused on creating new sales

channels and gaining new retail distributor agreements as means of growth. The company chooses partners that are well-known and respected with long experience in the business. Also the developing of the existing relationships and strengthening of the networks through knowledge sharing, joint product development and distributor training is emphasized as means of ensuring market expansion. This is seen related with high-level service quality and customer satisfaction.

The firm has also chosen to emphasize maintenance services as a business area and those are offered throughout the lifetime of the machine and the customer relationship. The services include different types of agreements including spare parts, technical support, operator training and manuals. Wide training programs and development of new harvesting solutions are particularly important in developing and emerging markets. Ponsse has, for example, initiated a training programme with the Moscow State Forest University – later applied with other Russian forest schools – and signed a long-term deal with Stora Enso China including services and training related with their CTL products.

Second, the management models can be examined at the level culture and values: on what purpose does the company base the logic of its operations. The thinking behind Ponsse's way-of-working has roots in the beginning of 20th century Finnish farming and forestry. Einari Vidgren, the founder of Ponsse, had been working in timber forests from young age. The work was hard, done by man- and horsepower, and the value of one trunk was optimized at the site. Producing good quality literally paid off, since forestry companies' representatives were there to measure the results, and if the quality was poor, the men were paid less. Still today, the core of Ponsse's business is crystallized in an old black-and-white picture showing a man, a frame saw, and a horse. Einari's family lived off from farming, and that background provided the core values that still live at Ponsse: the importance of family and taking care of younger siblings; when the work was done, helping the other to finish his/her tasks; working together; and entrepreneurial spirit. There was a difference between wanting to work and having to work – the importance of the work needed to be understood.

Einari's legacy lives strong at today's Ponsse, which is a company led through these values. Instead of strict control practices, they have aimed to make certain core beliefs and assumptions explicit in interactions, highlighted by posters with value statements on the walls of the headquarters. Respect for and understanding of the hard work their customers do is the foundation of their business. They maintain the grassroot-level touch in everything they do and emphasize the importance of being at the same level with the customers. As the majority of their customers are individual foresters and small businesses, Ponsse wishes to see itself in a similar way: as a family business without additional hierarchies or bureaucracy and that just happens to be a listed company. Even though ownership is distributed, they maintain having a personified ownership.

“There were those Einari's strong directions at the background; profitability, the customer must be listened to, those posters that are on the wall, they are those statements that should be kept in mind, and that is why they are on the wall.”

“Einari said that we'll focus on making the CTL machines. And then one [principle] concerns the ownership: there can be only one master in the house, the ownership has a face ... Profitability being there at the background all the time. And last but not least, the values, the way to operate. These are the things with which we roll, here's

the direction and basis. Then we'll just live according to each economical situation."

The shift from Einari's era into a new era has been visible. As the whole Ponsse was built on Einari's work and innovation, he acting as a charismatic leader who was seen as the highest authority of decision-making, the company faced a phase of dispersion after Einari's gradual retrieval and eventual death in 2010. The company has been searching for its new management and leadership style, and the question of 'management model' has now presented itself. In the annual report 2009 Ponsse declared having returned back to its roots in value and management, emphasizing responsible and long-term oriented business. The company representative describes the elements of their managing model as the combination of search and maintenance of strategic direction, managing stakeholder relationships, and maintaining a sense of purpose and relatedness of people.

In 2010, Ponsse gave up their Vice President-based organizational structure where the market areas were governed by the headquarters. Subsidiary managers and regional directors became the persons responsible of the local subsidiaries, having a direct contact with the local customers. Thus, the aim has been to decentralize responsibility and decision-making, but at the same time, management is pondering about different ways to measure the effectiveness of the emerged local management models. All the subsidiaries (except from the UK) are led by Finnish managers and form the extended family of Ponsse: both employees and customers alike are cared for. What the headquarters expects from the daughters is that they function as independent units, reflecting the same core values in the operations but 'thinking for themselves' and making decisions at the spot. Ponsse aims at maintaining the contact with the subsidiaries through regular meetings and board activities, but does not wish to meddle in with the everyday activities as long as sales quotas are reached.

"...how well does the guy in China understand this philosophy of ours, our employee, or in the States or somewhere else, that is something to work upon. We have these presentations with us when we visit the subsidiaries, always update a few pictures and tell why we do these things in this way. We are a highly value-led firm."

SUBSIDIARY LEVEL MANAGEMENT MODELS

Swedish subsidiary

The Swedish subsidiary was established in 1994 to Värmland and in 1996 the company moved to Vesterås. In the beginning the subsidiary was conducting sales through 4-5 independent retailers and the start of the subsidiary was promising. Currently the Swedish subsidiary employs 36 people in total. Swedish market is completely about CTL method instead of TL method. As a market, Sweden is developed and among the first ones to adopt new practices and trends. New innovations often come from the demands of the Swedish market. The innovativeness of the market can be seen in the current sales. The recent launch of new model improved the image of the whole company and increased the sales with respect to both harvesters, forwarders and used machines.

Another feature of the Swedish subsidiary is that it handles its sales without utilizing dealers, but for service it uses external maintenance network. The customers of the Swedish subsidiary are divided into three categories: individual entrepreneurs with one or two machines, medium size companies with 5-10 machines and big companies with up to 100

machines, who are buying new machines every year. Even the smaller customers act closely with forest industry companies or saw mills, who are giving projects to Ponsse's customers, which mean that including customer's customers to sales processes is important. The most important customer group is small and medium sized companies in Sweden as the market share with big companies is smaller. In the Swedish market environmental issues are critical to customers and bio oil is being used.

The managing director of Swedish subsidiary has changed many times during the history of the unit due to management problems, headquarter dissatisfaction, and personal situations. Historically Swedish subsidiary has been seen as too straightforward and not listening to their customers enough. Simultaneously with changes in the management, also the management styles have changed and the unit has been reorganized to better respond to the market and customer needs. Still, constant changes have led the unit in turbulent situations and insecurity both in the eyes of customers and employees. Economic downturn also led to significant reorganizing and lay-offs.

American subsidiary

The history of the American subsidiary starts from the active customer contacts in the beginning of 1990s, which later led to the establishment of the subsidiary. In 1995 first office in Rhinelander was rented. Currently American subsidiary has four offices in northern parts of USA and the latest one was opened in Minnesota in 2001. They employ 47 people in total. For American market, creating a physical presence is important and owning facilities signals stability. Before investing in own facilities in 2002, competitors were using the lack of owned facilities as a basis for claiming that Ponsse was not committed to the US market. In US market closeness to customers is highly valued.

US market is divided into northern parts utilizing CTL method and southern parts using mainly TL method in harvesting. In the beginning, the customer base was formed of people with Finnish origin and through these contacts the customer base became wider. This means that the southern USA is difficult market for Ponsse as the mindset and machinery is difficult to change. Brand awareness is a challenge for Ponsse as well as their focus on CTL machinery and forests with little variations in terrains. This is especially evident in southern parts of the USA, whereas in the northern parts Ponsse is the market leader. In the US, the customers are mainly private, small customers and a typical customer is a family business with two machines: a harvester and a forwarder. Altogether, they have 200-300 customers. One of the features of the US markets is that there are no professional drivers. Therefore, Ponsse's strength is that they train contractors and drivers after a purchase. For American customers, the size of engine and the amount of cylinders is an important factor.

The managing director in American subsidiary is a former salesman and a sales manager, and he still sees customer contacts and sales as essential part of his job. Managing director has a central role in organization and has clear vision how the subsidiary should act, but otherwise the organizational structure is low and the company is described more as a family, where the wellbeing of employees as well as customers is central. American subsidiary offers long-term employment with good medical insurance. During economic depression, American subsidiary did not lay off employees and they feel that these decisions are also seen in customer loyalty.

Russian subsidiary

In the beginning of the year 2000 Ponsse decided to start to explore the Russian market and hired one salesman and a year after that they hired their first dealer. Finland is known partner in Russian market and sales increased steadily. Russian subsidiary employs about 50 people in total. Their main site is in St. Petersburg, where most of the employees are located. Altogether Russian subsidiary has three offices. Machines and spare parts are imported to Russia through St. Petersburg and from there delivered further to dealers and customers.

The Russian market is divided almost half between CTL and TL methods, CTL nowadays a bit dominating. The customers in the Russian market are a heterogeneous group varying from small contractors to multinational companies. There has not been any strategy to concentrate to specific types of customers and especially in the beginning all contacts were utilized. First customers in Russian market were Finnish contractors. The subsidiary was officially established in 2005 and the market rose in 2006-2007. The biggest success during last years has been achieving big, wanted customers to buy from Ponsse as these customers buy machines every year and make procurement plans for 3 to 5 year periods. Whereas the introduction of a new model increased the sales in the Swedish market, in Russia it has not been introduced. Russian market is not technologically advanced and in the Russian market it is important that there are no technical problems in the product when the sales begin.

The subsidiary uses multiple dealers both in sales and service instead of handling the sales themselves. They have eight dealers who are responsible of sales, service and training and a few partners only focusing on service. Therefore managing dealer network is a central part of the responsibilities of the managing director. With bigger contracts the work of dealers is supported and occasionally managing director needs to solve which dealer's territory does the customer belongs to. The structure is based on the history and the enormous size of the market. A major challenge has been to make the service network function well.

Comparing subsidiaries

Each subsidiary has had Finnish managing director in the beginning and also the interviewed managing directors at the moment are Finnish. Subsidiary managers often describe that they have ended up in the current position by accident and they often felt they were lacking necessary experience for the position.

“They some point started to talk that I should go to Sweden and become a managing director and I was not excited at all. I had enjoyed my job so far and I actually refused few times. I felt that I have no management training nor have I had any [training for] marketing.” (Managing director, Sweden)

The managers have in common desire to be close to customers and be easily approachable. This strives from corporate organizational culture and shared values. Being at the level of the customer is perceived as a competitive advantage and differentiate the firm from the competitors. Despite similarities in the practice of the subsidiaries, differences also exist. History of the subsidiary as well as the type of the market has a strong effect on the practice of each subsidiary and each managing director leads the way on his personal style.

Managing director in Sweden takes a fatherly approach to employees. He feels that he has stressed the equality among employees in his actions; all employee groups are equally

important - not just the salesmen. The hierarchy in Swedish organization is low, because of the actions and efforts of Swedish managing director and people are encouraged to act together and share information. Also recording customer meetings and operations is seen as part of everyday actions and these are the practices that the managing director strives to advance in his organization. From the history of the subsidiary he sees the constant changes to have influenced a lot the positioning of the firm and its customer relationships (as depicted in the second quotation.

"The basic actions that 'if you make a deal I really need to get the papers, inspection reports and photographs of them.' Sometimes it has felt like raising children again." (Managing director, Sweden)

"First time when I came, the situation was really turbulent. Everybody asked that am I the last guy to come in and turn off the lights -- I needed to go meet the customers and every time listen that how our operations have been totally non-Swedish -- and then assure that we are not leaving and we are continuing but in a different way." (Managing director, Sweden)

The Swedish subsidiary's managing director would like to avoid the heavy personal influences on the ways the work is done through introduction of practices that are followed regardless the managing director.

"These companies have been managed too much through one person. Company is like the manager of it. And in my opinion in this size of corporation it shouldn't be true anymore. We have talked a lot in our management group about the processes and that we need to have certain ways of operations regardless of who is the managing director. Of course the fingerprint of managing director is seen in these companies, when they are small." (Managing director, Sweden)

The managing director of the American subsidiary is an independent actor and decision maker from whom the employees ask opinion even in the smallest decisions. He also manages customer contacts independently and sees the practical sales work as essential part of his daily work, not just the sales management.

I try to make at least 10 calls per day to different people. Just to say hi. Always when I am in the car, there is nothing to do except make calls -- For example one person wanted a calendar from Finland. A contractor wanted a Finnish calendar that he could look some names from there, so I gave him a calendar. (Managing director, USA)

In the development of the subsidiary he emphasizes taking care of employees and retaining good employees. This has affected the atmosphere and practice. In the background there is also difference in the social system; in Sweden health care is the responsibility of the society, whereas in the USA health care is benefit offered by the employer. Even though the decision-making in the USA is management driven, the everyday operations in the American subsidiary are quite freely organized and the structure resembles more a network.

As mentioned earlier, in US markets closeness to customers and active customer contacts are in central role and they even refer to it as a Ponsse family. Also decisions on location of offices have been done based on customer preferences.

"It was quite unusual story how everything started -- there was a contractor in Michigan -- and he had seen in some magazine photos of Ponsse and somehow contacted us -- and the next customer was actually from Rhinelander, Wisconsin -- and because of that the office of Ponsse ended up there." (Managing director, USA)

In Russian market the hierarchical structure is emphasized and common management practice is that the managing director is in charge of everything and delegation is not common. Managing director in Russia has however succeeded in sharing the responsibilities to 5-6 key individuals and thus delegate the tasks. Still the managing director is seen as possessing ultimate power. Another central activity in Russia is the coordination of dealers. Since most of the sales in Russia happen through dealer network, supporting their actions is central part of the work of the managing director. Russian managing director is not actively contacting the customers, instead customers contact him and he meets customers for example at in fairs. In Russian culture also employee training and education as well as communicating the organizational culture is a key practice.

"It starts with people's attitudes and expertise -- It requires work to get them [employees] to do things in our way and to know our machines and other [practices] -- one important job is the training and we have invested a lot in that" (Managing director, Russia)

In Russian market customer contacts are often customer-driven and the customer contacts typically a dealer. The managing director of the Russian subsidiary notes that the decisions of future models are done based on technologically developed markets such as Sweden and Finland - not according to Russia, even though it is the biggest export market. Therefore all the decisions made at the headquarter level are not suitable for specific features of the Russian market. Table 2 summarizes the differences between subsidiary and manager types as well as the local network type in each of the subsidiaries examined.

Table 2. Comparison of subsidiary management models.

Unit	Manager type	Subsidiary type	Network type
Swedish subsidiary	Active participant	Participative culture	Fully CTL with emphasis on environmental aspects Innovation emphasis with customers of all sizes Close within-industry relationships
	Father-figure	Characterized by uncertainty	
	Creator of practices	Low hierarchy in organization	
American subsidiary	Independent actor	Management-driven decision making	CTL in north and TL dominating in south Closeness and commitment with small family firms Training and branding in the local network
	Active seller	Customer-driven operations	
	Decision maker	Network structure	
Russian subsidiary	Traditional manager	Clearly divided responsibilities	CTL and TL methods having about equal shares Heterogeneous customer base emphasizing reliability Multiple dealers in sales and
	Employee educator	Customer-driven contacts	
	Coordinator of dealers	Hierarchical structure	

 MANAGING THE CONTRADICTION DEMANDS IN ORGANIZING A NETWORK MNC

The integration the headquarters aims to achieve comes through the explicitly expressed values and the purpose of the firm (Table 3). These together form the underlying logic or ‘modus operandi’ of the firm activities. However, there are differences between the subsidiaries in the way these values are shown at the level of everyday practices, and these differences are due to a) local market type and the relationship with the customers, b) the local employees and the manager’s relationship with them, and c) the manager and his relationship with the headquarters.

Table 3. Guiding values reflected in the practices of headquarter and subsidiaries.

Value	Examples from the data	At the level of practices / HQ	At the level of practices / SUBs
Quality <i>“Right at the first time”</i>	<i>The daily operations, it should not fall short just because it’s close enough, but it has to be exactly so. Thinking behind this is the biggest challenge that we have to present to our organization constantly as owners.</i>	Production, R&D and quality control Own subcontractor village around the factory	Collaborating with the factory Maintaining a sufficient stock of spare parts Servicing and repairing trade-in devices
Respect of customers <i>Understanding customers and their work, being close</i> <i>Appreciation of hard work</i>	<i>“The customers come from the forest, they work at remote sites. And the value basis for the people that come from the countryside is similar, no matter from which part of the world they come from. Certain things just are the same. And the purpose of work, that we understand customers’ work, and that the work depends on the operation of the machine. And not just the profit, but also the living of the whole family, since even today 90 percent of the customers are small family businesses.”</i>	Fast response times, solving the problem in order to help the customer continue to the work and not to lose money Events, small gestures of appreciation	Fast response times, solving the problem in order to help the customer continue to the work and not to lose money Being in contact on a regular basis Building close relationships Events, small gestures of appreciation
Competence <i>Valuing and developing competence of individuals</i>	<i>“...that we share responsibility, give space, without you being there breathing down people’s neck. ...If you give freedom and responsibilities, it works better.”</i>	Deference to expertise, decisions made at the site Trust-based management Focus on intrinsic sources of motivation	Training of local employees and drivers Depending on the local managers what is the relationship between employees like
Care-taking <i>Taking care of people</i> <i>Creating a sense of purpose and relatedness</i>	<i>“Matti has been working for us for 44 years now, with the lathe, our first employee. ...we have been investing into a new tool for him every six or seven years. First, it was second-hand machinery, then gradually new machine tools, so that he is able to train himself with new devices and to develop, even to</i>	Taking care of employees and customers Maintaining an “ownership with a face”, one master in	Taking care of customer’s benefit, e.g. recommending solutions that fit the customer’s needs and financial situation; searching for financing

Family values	<i>learn the language while doing so. So I think that's the best motivator. It's not the paycheck that makes people stay, there has to be something."</i>	the house	options Small gestures of appreciation
Trustworthiness	<i>"Our granma said that you have to be honest. Because without honesty there is no trust, same thing in relationships and business relationships... It sounds very simple but in a firm like ours, we have a thousand employees, how much can we rely on that everybody is honest, in everything that we do."</i>	Promises are kept Customers are not left in trouble	Strong customer-orientation in all activities Shared values underlying all activities
Showing integrity and sound principles in the operations			
Consistency			
Benevolence, being close to people			
Grassroot-level orientation	<i>"But as a culture and a company, this is an easy-to-approach... this gang. In the directors' meetings, there is always teasing and joking involved, it is part of the job, this kind of brisk humor. Or male bonding. Like you see, nobody wears a tie, I can't even remember the last time that I would have worn a tie in this company's business. One just doesn't have to, it's not part of this, this house."</i>	Brisk humor, "blokish" culture as an opposite to "suit-and-tie" business culture Blue-collar management: the managers have a background at the factory / driving the machines Sales and engineering as the foundation of operations Bottom-up approach in management	The easiness of the culture shared, but business culture as such has local variations Some subsidiaries more hierarchically organized (Rus) or through more formal practices (Swe), USA adopted the same kind of bottom-up approach
Factory-floor emphasis			

The management model of the network MNC can be defined as the nexus of strategic practices that guide the operations and define the direction of the firm in the long term and which produces the consistency that can be seen behind the managerial decisions made and actions taken. This model is depicted in Figure 3 below. The management model of Ponsse consists of several sub-management models: the one of the HQ (Figure 3, large triangle) and those of the subsidiaries (small triangle).

This management model varies in details between different contradictory choices based on the differences in manager styles and market conditions prevailing in the local subsidiaries. There is the underlying contradiction between the deductive vs. inductive type of strategy making, building vs. dwelling mode; and control vs. emergence. The shift from centralized Vice President structure into more independent subsidiary managers and explicitly making Ponsse as value-led company shows how these tensions are now included in the management model. Ponsse's approach is bottom-up, as it aims to live physically and figuratively close to its customers, partners, suppliers and employees. By deferring to expertise, leaving decision-making to those people that best know the situation at hand, Ponsse also aims, on one hand, providing quick response time, and on the other hand, learning from the front line.

The dynamics of the different models are due to the differing ways the managers deal with

the activities of the subsidiaries and the relationship with the HQ; the local market type and the requirements of the customers; and the requirements of employees and local working culture. This organizing affects also the way the strategizing of the HQ is done; and while the management of the local subsidiaries aims at adaptation, strategizing at the HQ end from time to time aims at not only conforming to the industry logic but changing it as well. Ponsse does many things differently than its competitors and against the dominant logic in the forest industry worldwide.

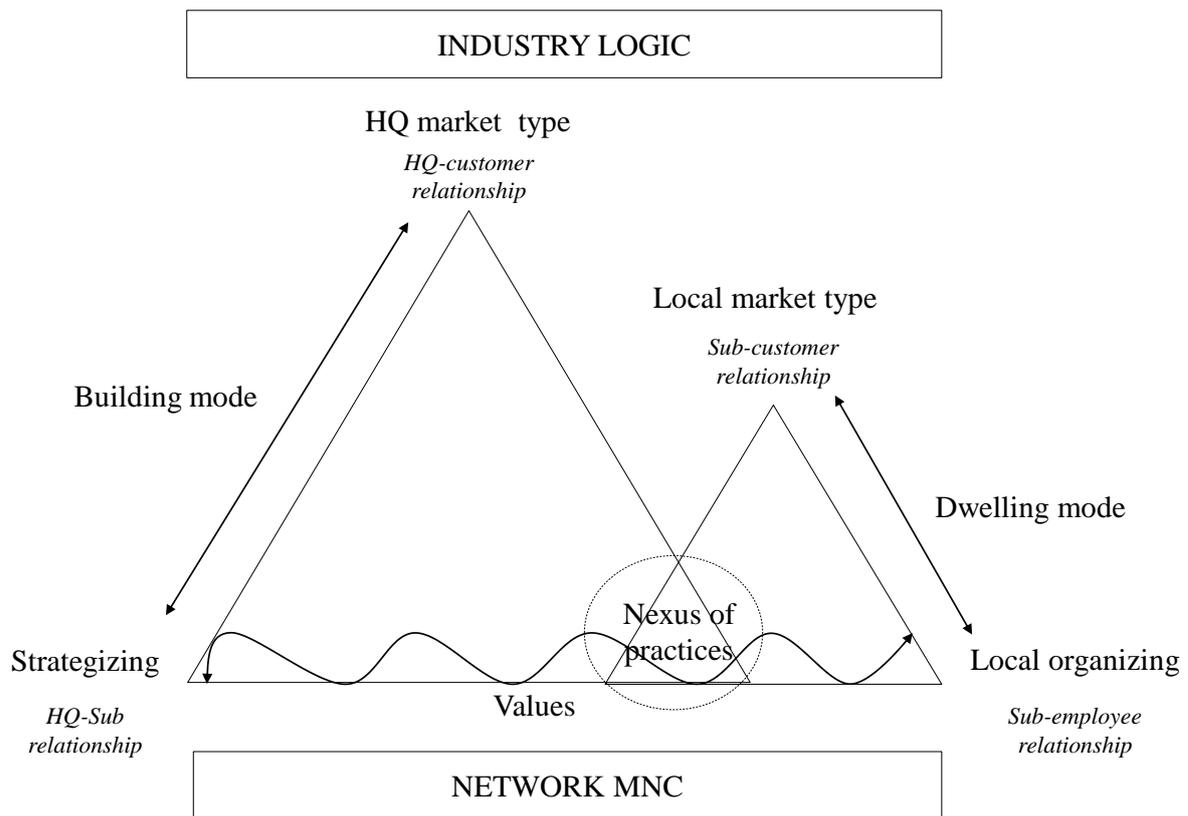


Figure 3. Managing the contradictory demands of network MNC organizing.

CONCLUDING DISCUSSION

In the present study we have elaborated a conceptualization of the intertwinedness of industrial network, MNC internal network and managerial practice level activities in the organizing of international sales of firms. We have searched for the drivers of the contradictory pressures in the organizing of the international sales of the firm and ended up with presenting the differences in the practice of the various units and how they relate with different manager and market types. We come to conclude that the management models are inevitable many within a globally operating network MNC but they do come together in a nexus of managerial practice when connected with the headquarter induced elements of a management model.

The study contributes to the discussion of MNC management in a networked context. First, the conceptualization of the management model in a more dynamic terms than first presented by Birkinshaw and Ansari (2014) reveal the way industry network, MNC internal network

and managerial practice-level activities are intertwined in the continuing processes of strategizing and organizing.

Second, adopting the practice lens in the analysis of the company operations helps to reveal the ‘modus operandi’ of the firm activities; the logic behind organizing. Instead of focusing on those issues that “*can more readily altered by those in positions of seniority*” and are “*more tangible and readily manipulated than its culture*” (Birkinshaw & Ansari 2014), we problematize the relatedness of different levels and feature the MNC management models as the results of managerial practice. The practice approach allows us to understand the dynamics inherent in the model and focus on the dimensions that even not ‘managed’ by a mere decision, are the ones through which the culture comes to be and can be influenced through people’s actions.

Third, we open up the dynamics of the model; instead of seeing the model through dichotomies, we aim the dynamic nature of the strategic decision-making and reveal the conflicting demands of different contexts. And finally, our study empirically illustrates the way the management model of an MNC is formed of several management models due to the differing nature of people’s activities and the demands of the local conditions. At the heart of the management model lie the contradictory tensions between levels, units, and within the models through the opposing demands of integration and responsiveness, deductive and inductive strategy-making, and control and learning as described in Figure 3.

The managerial contribution of the study is circumscribed around the discussion of how these dynamics and contradictions can be utilized for coordinated differentiation in organizing a network of international sales subsidiaries. Describing the management model through the everyday practices of the firm helps the managers to adopt the model more easily as it is based, on the one hand, on the established ways-of-doing things, and the existing need to change these practices. The dynamic practice-based approach provides managers with a more realistic picture of the reality of the challenges of management by relying not on either-or choices, but both-and conflicting demands that need to be balanced.

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