Subsidiary Positioning and Strategic Practices in a Values-led MNC

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Abstract: The present study approaches the internationalization of multinational companies (MNCs) as a question of positioning of their subsidiaries in relation to the dynamic market networks. Positioning, in turn, is seen as a question of strategic practices in the interactive spheres of the subsidiaries. Prior research on MNCs has primarily focused either on the internal organizing of the MNCs or embeddedness of subsidiaries into their local environment. Less attention has been paid to the practices through which the subsidiaries deal with the inevitable tensions at the intersection of the internal and external networks. The research question of the study is: How are the strategic practices of subsidiaries interrelated with the subsidiary positioning of a multinational company? Theoretically, we rely on the IMP view on strategy with focus on market positioning activity and the strategy-as-practice approach. In the empirical part of the study, we examine the practices of a forest machine industry multinational through longitudinal interview and archival data on three of its sales subsidiaries in Sweden, Russia, and the USA. We define the primary tensions at subsidiary interactive spheres and examine the strategic practices that shape the positioning of the subsidiaries. To conclude, we model the practice-based network positioning of MNC subsidiaries as a dynamic play of tensions.

Keywords: multinational company, subsidiary, network, positioning, strategic practices

Competitive paper to the Special Track: "Internationalization of Firms and Markets"

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INTRODUCTION

Many multinational companies (MNCs) build their growth on truly global operations. By definition, an MNC consists of the headquarters and various kinds of subsidiaries operating in cross-border business networks (Hedlund, 1986). Despite being part of the same organization, the strategic processes of two subsidiaries are often very different from each other (Birkinshaw & Hood, 1998; Ljung & Pahlberg, 2015). The differences have been seen to a large extent related to the characteristics of the local market networks in which the company needs to position itself. Still, positioning is as much conditioned by the internal interactions within the MNC as it is conditioned by the external interactions in the local markets. This is the core of the subsidiary positioning challenge at the intersection of two interaction spheres.

The previous research has approached the issue of subsidiary differences as questions of both organizational design (Bartlett & Ghoshal, 1989; Pedersen *et al.*, 2014) and questions of external network relationships (Andersson et al., 2002; Ljung & Pahlberg, 2015). These are the core realms of strategic decision making in the MNCs. Still, strategy researchers overall have paid rather a limited attention to the networks of firms and network researchers have tended to put less attention to the questions of strategy (Baraldi et al., 2007). In network research, the limited attention can be seen related to the debate on the possibilities of strategic management in network context (e.g. Easton, 1992; Håkansson & Snehota, 1989; Möller & Svahn, 2003; Ritter, Wilkinson & Johnston, 2004). In the end, however, we cannot deny that firms as actors in business networks have intentions, interpret the surrounding context, and take strategic action (Johanson & Mattsson, 1992, p. 205). These activities focus on the informal strategic processes that enable MNCs operate effectively globally but, have not received significant research attention lately (cf. Birkinshaw et al., 2011).

The present study aims to elaborate on the IMP view of strategy (see Baraldi et al., 2007) by defining the mechanism of subsidiary positioning of MNCs based on the strategic practices at the intersection of internal and external interaction spheres. Prior research on MNCs has primarily focused either on the internal organizing of the MNCs or embeddedness of subsidiaries into their local environment. Less attention has been paid to the practices through which the subsidiaries deal with the inevitable tensions at the intersection of the internal and external networks of MNCs. We approach the international operations of MNCs as a strategic question of positioning of their subsidiaries in relation to market networks. We examine positioning neither as an issue of headquarters' strategic decision nor as a network structural choice as such. Instead, we examine the strategic practices at the interactive spheres of the subsidiaries that shape their positioning. The primary research question of the study is: How are the strategic practices of subsidiaries interrelated with the subsidiary positioning of a multinational company?

We aim to contribute to the IMP view on strategy with focus on the activity of international market positioning of MNCs through the strategy-as-practice approach. On the basis of the markets-as-networks approach we define international market positioning as a relational activity by individuals acting in the business relationships to change the positions of the companies from outsiders to insiders (Johanson & Vahlne, 2009) and to create social organizations through interaction (Melin, 1989). Through the strategy-as-practice lens, we see strategy as "*situated, socially accomplished activity constructed through the actions and*

interactions of multiple actors" (Jarzabkowski, 2005, p. 7). On this basis, we see the strategic processes of MNCs and their subsidiaries intimately built on their internal and external relationship practices. In the empirical part of the study, we examine the practices of a forest machine industry multinational through longitudinal interview and archival data on three of its subsidiaries in Sweden, Russia, and the USA. In search for the mechanism of subsidiary positioning of an MNC we came to see the particular tensions at the interactive spheres as the key drivers of the strategic practices. We construct the internal relationship sphere and the local market interactive sphere through tracking the practices of subsidiary positioning. Through an examination of the subsidiary activity in the interactive spheres, we model the practice-based network positioning of MNC subsidiaries as a dynamic play of tensions.

In the following, we will first discuss the IMP view on strategy and network positioning of subsidiaries as a key strategic activity of MNCs. We then turn to the strategy-as-practice view to dig deeper into the subsidiary strategy-making at the intersection of internal and external networks. The third chapter presents the empirical research methods of the study. On the basis of the data analysis we define the primary tensions at the interactive spheres and examine the strategic practices that shape the positioning of the subsidiaries. We conclude with implications on the IMP view on strategy, in general, and on the MNC research on subsidiary positioning, in particular.

STRATEGIC PRACTICES OF SUBSIDIARY POSITIONING IN BUSINESS NETWORKS

As all markets are networks, on entering a new market a firm faces the strategic challenge of positioning itself among the pre-existing members of the network (Thorelli, 1986; Johanson & Mattsson, 1988). Therefore, the actions of firms have been suggested well explained in terms of their position in the relationship networks that both facilitate and constrain their actions (Powell & Smith-Doerr, 1994, p. 369). Furthermore, networks are constantly shaped by the actions and interactions with other actors to influence and change the network positions (Håkansson & Snehota, 1989). Strategy-making in network context is thus strongly interactive by its nature and the strategy itself an emerging pattern of activities both with and without managerial intention in its creation (Baraldi et al., 2007). This makes it important to frame positioning in international business networks as an interactive and emerging strategic activity. We go further from this through emphasis on the strategic practices at the subsidiaries to dig deeper into the questions of positioning in MNCs.

SUBSIDIARY POSITIONING IN INTERNATIONAL BUSINESS NETWORKS

The extant literature has covered different approaches to strategy and strategizing in a network context, including strategy as position (Axelsson & Easton, 1992; Mattsson, 1987), as adaptation (Brennan & Turnbull, 1999; Canning & Brennan, 2004) and as cognition (e.g., Tikkanen & Halinen, 2003). As we study strategy of an MNC through its subsidiaries we see the concept of position at the core of strategy-making. In our view, in the establishment of subsidiaries, the MNCs create a new business unit that strives to establish a favorable position in its markets of operation.

The concept of position has received attention within the markets-as-networks approach early on. According to Johanson and Mattsson (1988) network positions describe how the individual actors in the network are related to each other in the network structure. Network position is the result of investments in exchange relationships and characterizes the actor's

current links to the environment as well as forms the base for its future strategic actions. Position can be characterized at micro and macro levels (Johanson & Mattsson, 1988). At the micro level, position is about the type of exchange relationships of an actor and the identities of its counterparts in those relationships, i.e. with which and what kinds of actors the company has exchange relationships. The macro position is about the role of an actor at the network level. The role is dependent on the functions of the actor in the production system and the relative importance of the actor's resources in relation to the resources and activities of the others in the network. The position of a firm is an important part of its network identity as it is the basis for the development possibilities and constraints of the firm (Johanson & Mattsson, 1987; Schepis, Purchase & Ellis, 2014).

The IMP view of strategy emphasizes the way in which a firm relates its activities and resources to other actors in the network to influence its network position (Baraldi et al., 2007). At the core of strategy in network context is, therefore, the strategic activity of positioning that, in turn, is very much an interactive effort. Positioning most often refers to the maintenance or change of the relative location of the firm in the network (Axelsson & Easton, 1992). The possibilities to do this are dependent on own current position and on the other actors and their positions. This interrelatedness results in network paradoxes (Håkansson & Ford, 2002) such as influencing, and being influenced by others, and identifying and establishing an appropriate level of involvement in relationships.

Positioning is, hence, a strategic process in which the external relationships are changed and actions taken to place the firm in a stronger competitive stance in the market (Håkansson & Snehota, 1989; Melin, 1989). Still, not all the changes are a result of intentional actions of the company for changing its competitive position. Networks include change that is more haphazard or takes place as a result of changes in other organizations. Therefore, strategy in a network context holds two sides: those management activities the objective of which is to cause changes (deliberate), and those that are reactions to the changes in the relationships (emergent) (Håkansson & Snehota, 1995; Mintzberg et al., 1998). The intertwinedness of organization and the network of relationships works in both ways: strategic choices affect the relationships, and the relationships influence the firm's strategic choices (e.g., Håkansson & Ford, 2002; Gadde, Huemer & Håkansson, 2003). Therefore, in positioning companies operate on the basis of informational inputs that are often ambiguous, uncertain and equivocal and there exist many possible sets of outcomes that might occur. This makes a network position difficult to predict, plan or keep stable. Instead it emerges as a result of the daily practices of the managers in relation to other parties.

Hence, the network position of an actor is created in interaction with its various counterparts in the markets. The strategic actions in network context involve efforts of coordinating the resources and activities through interaction when simultaneously facing a change in environment (Johanson & Mattsson, 1988). The strategic approach to network positioning makes one specifically interested in the proactive processes for network change (Johanson & Mattsson, 1992; cf. Medlin & Törnroos, 2014). Critical proactive activity takes place in the inter-organizational interaction spaces bringing together collective and self-interests, and mutual and specific interests of organizations (Medlin & Törnroos, 2014). In these spaces both resources, activities and interests are collectively formed and through these interaction spaces companies can try to influence and evaluate the effects of their actions at the network level (Medlin & Törnroos, 2014; Munksgaard & Medlin, 2014). In case of MNCs, their subsidiaries have a particular meaning in this.

From the network perspective, an MNC is a complex web of interdependent relationships within which individuals are operating (Forsgren, 2008; Henneberg *et al.,* 2010) and this network guides the operations and development of an MNC as a whole. The strength of MNCs is in their nature as loosely coupled social communities (Piekkari & Welch, 2010) that develop competitive advantage through accumulation of knowledge and competencies from different parts of the world (Adenfelt & Lagerström, 2006; Andersson et al., 2002; Gupta & Govindarajan, 2000). Still, it is a challenge at the corporate level to achieve sufficient knowledge of the networks and actions of the subsidiaries (Vahlne et al., 2012). Subsidiaries are differentiated in their business conditions, coordination processes and in their social and cultural environments (Ghoshal *et al.,* 1994; Forsgren, 2008). Each subsidiary is embedded into its own local network of relationships, which differs from the networks of other subsidiaries (Forsgren, 2008). In these local networks, headquarters is an outsider (Forsgren, 2008; Nell et al., 2011). Still, subsidiaries are far from independent actors.

In a network conceptualization of MNC's international operations, the foreign subsidiaries circumscribe an interaction space for connections between internal and external structures and interests that exist at both organizational and individual levels (Pernu et al., 2014). The subsidiaries are critically situated at the intersection of the MNC internal networks and the local market networks. This means existence at the overlap of two interaction spheres creating to the subsidiary managers need to manage at the intersection of interaction spheres in its activity of positioning.

STRATEGY-AS-PRACTICE VIEW TO MNC NETWORK POSITIONING

Network positioning has been related primarily to the deliberate or deductive-type of strategy-making in which maintaining or changing the position is a matter of strategic choice (Harrison & Prenkert, 2009). However, due to the intertwinedness of the actors in networks, the interactions shape both parties on an everyday level. Strategizing is not only about influencing others, but also about being influenced – hence, the firms inevitably also go through adaptations as they maintain their positions in the network (see Håkansson & Ford, 2002). Adaptation refers to forming of strategy as a pattern. Especially a key partner may have a significant influence on the strategizing through this process of adapting (e.g., Brennan & Turnbull, 1999; Canning & Brennan, 2004). Position, therefore, can be seen both as a continuously changing condition of strategy making in a network context as well as the outcome of this process.

Here, we wish to gain an embedded view of strategy by revealing the underlying patterns of a firm's activities and the mechanism that produces it. We want to avoid being focused on decisions as causal triggers for a particular course of action (Chia, 1994). Being about strategic choices, decision-making naturally becomes a part of strategizing activities. However, when adopting a mechanism-based explanation, the decisions are not seen as causal triggers, but events are produced by generative mechanisms as a whole. We understand the logic behind the strategic activities as the most core part of the firm's strategy; the immanent logic emerging through practice constitutes strategy (Chia & MacKay, 2007).

We follow the practice approach in strategy in which practices are seen as embodied, materially mediated arrays of human activity centrally organized around shared practical understanding (Schatzki, 2001). This means that "*from the social practices viewpoint,*

everyday strategy practices are discernible patterns of actions arising from habituated tendencies and internalized dispositions rather than from deliberate, purposeful goal-setting initiatives" (Chia & MacKay, 2007, p. 2017).

Regnér (2003) found out that strategy-making is profoundly different in the 'center', 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 an exploration through trial and error.

According to Chia and Holt (2006), it would be beneficial for understanding to let go of the tendency to look at firm activities as purely intentional, purposeful, and goal-oriented. Alternatively, they see a contextual approach allow for appreciating culturally mediated and relational methods of working. 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, p. 148) 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: 635).

The interfaces of the internal and external networks of MNCs have been covered primarily as a question of standardization versus local adaptation in the process of internal decision-making (Bartlett & Ghoshal, 2002). However, the multiple embeddedness of subsidiaries has been seen to create a need for balancing the strategic role of the subsidiaries (Meyer, Mudambi, & Narula, 2011). We suggest this means inevitable existence of tensions, i.e. "*elements that seem logical individually but inconsistent and even absurd when juxtaposed*" (Smith & Lewis, 2011, p. 328), as important determinants of the practices.

Figure 1 summarizes the conceptual framework of the study. Basic tenet of the IMP view of strategy is the network embeddedness of firms and their activity (Johanson & Snehota, 1989; Baraldi et al., 2007). In MNCs multiple embeddedness has been emphasized as the subsidiaries are embedded in both internal MNC networks and local market networks. This means existence of two overlapping interaction spheres in strategy-making of MNC subsidiaries. Strategic action in networks is concerned with the efforts of actors to influence their positions within networks (Johanson & Mattsson, 1992). Positioning is the activity of the managers who through strategic action try to coordinate resources and activities and position the firm favorably in the market. Strategizing is an activity that involves both deliberate action and emergent coping. With focus on subsidiary practices we emphasize the role of individuals who are involved in the strategy the closest to the key business relationships as well as strategy as an emerging pattern of activities (see Baraldi et al., 2007). We focus on the strategic practices that are related to the position change in the networks.

Figure 1. Subsidiary practice based MNC strategy-making in industrial networks.
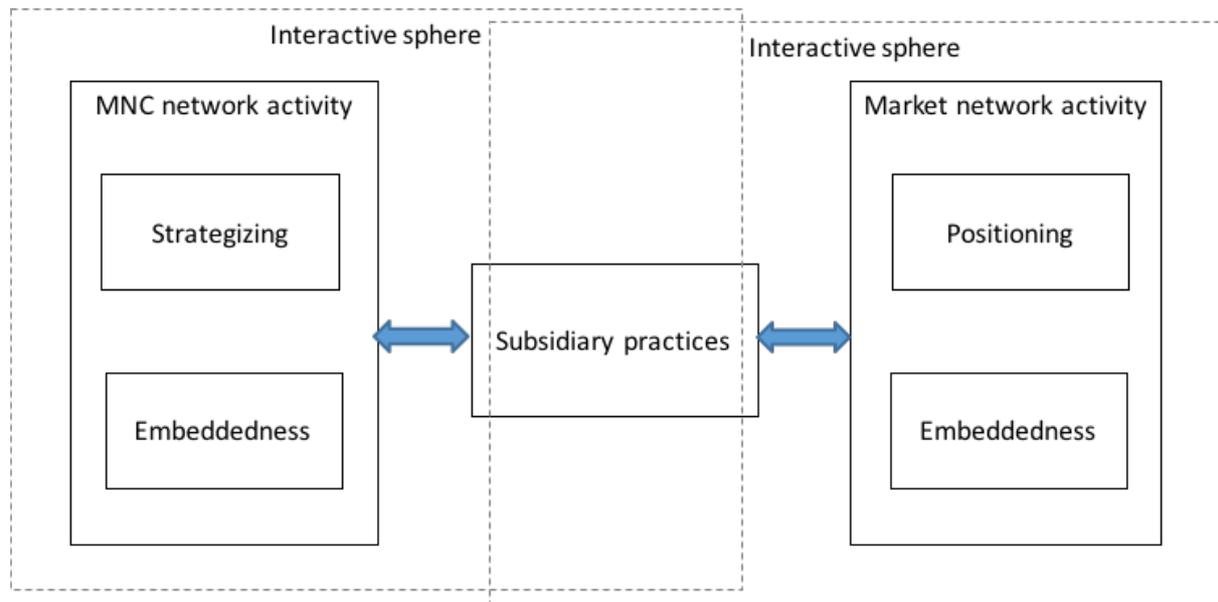
RESEARCH METHODOLOGY

We adopt a critical realist epistemological orientation (Easton, 2010; Tsoukas, 1989) and see there exist a reality independent of us to be discovered. The reality is, however, not obvious or transparent but the researcher is to define the causal powers in action to determine the examined phenomenon. We take into account the situational and contingent nature of causal powers, which means that causal powers depend upon certain conditions to operate (Tsoukas, 1989). Individuals having experienced the phenomenon under study are seen to be able to tell about the reality by describing the events and their experiences of them. The meanings are understood to be created by interaction of the researcher's concept system and the concept system of the object of the study. These principles are reflected in the design of the study, which combines case study method with qualitative and longitudinal approaches.

Research strategy

This study utilizes an empirical case study to generate in-depth knowledge (Creswell, 2013; Silverman, 2005) about relationship practices of MNC subsidiaries in their positioning in the local market networks. Case study as a research strategy allows us 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 an interest in the specific case as such and without an attempt for statistical generalization (Silverman, 2005). The aim of the case study is to provide deeper insight into the productive dynamics that exist in a single setting (Piekkari *et al.,* 2010). Thus, the focus is broader than just the case itself.

The empirical research is designed as a longitudinal embedded single case study (Halinen & Törnroos, 2005). The longitudinal data have been collected in two time periods in the same case and subcases, and we track changes in the positions of the subsidiaries over time (Flick, 2004; Halinen & Mainela, 2013). The subsidiary positioning practice of an MNC forms the main unit of analysis, but we use the interactive spheres of the three of its subsidiaries as the sub-units of analysis. Our case MNC 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 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 (Silverman, 2005). The case was hand-picked based on the likeliness of the studied phenomenon occurring. As MNCs are loosely coupled organizations with significant differences between local units the embdedded case strategy was seen important for in-depth understanding of the case. The sales subsidiaries in Sweden, Russia, and the USA were selected under scrutiny on the basis of the discussions with two key informants from the headquarters because of their strategic importance in the corporation and expected differences in their practices and local networks.

DATA COLLECTION AND ANALYSIS

We approach the case by using both archival and interview data to track variation and change in the subsidiaries of the globally operating MNC in a particular industry (Creswell, 2013). The archival data consists of written sources, such as the annual reports, press releases, web pages and 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 year 2000 until year 2015.

The interviewing involved two rounds. The interviews started with the Chairman of the Board and the CEO of the firm in February 2014 and continued with an interview with the Chairman of the Board and the Managing Directors of the three subsidiaries in April 2014. The first round interviews concentrated on the history of the firm, internationalization, internal organizing of the MNC and the development of each of the subsidiaries. The CEO also organized a factory visit for us and described both the production process and ideology of the company as well as his history in the firm. Organizational culture, atmosphere, and management practices could be observed both during the factory visit and during the yearly subsidiary meeting in 2014 and in informal discussions during these events. Information about the corporate and subsidiary operations and culture was also received through video data created by the firm and its subsidiaries. These data were analyzed together with the archival data and resulted in the description of the case company's internationalization and organizational culture as well as the development of the three subsidiaries in their markets of operation.

The second round of interviewing took place in spring 2016 and included the interviews of the same people as on the first round. The second round had two purposes. One was to validate the interpretations made on the basis of the analysis of the first round data. The other was to collect longitudinal data on the development of the three subsidiaries. All interviews, therefore, had two parallel themes so that we discussed the first round findings and asked further detail on them and then covered the developments in the subsidiaries over the last two years. All the interviews were tape-recorded and verbatim transcribed. The ten interviews were on average 1 hour 13 minutes long and produced together 733 minutes of recordings. The first round interviews were all made face-to-face. The second round interviews of the three subsidiary managing directors were conducted over a video conference. They all worked technically well and were relaxed in their atmosphere as the personal relationships between the researchers and the informants had been established on the first round.

Table 1. Empirical data of the case study.

Interviews			
Interviewee	*Date*	*Duration*	*Concentration*
Chairman of the board	Feb 2014	1h 45min	History of the firm, 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, Sweden AB	Apr 2014	1h 1min	Development of the Swedish subsidiary
Managing director, USA Inc.	Apr 2014	57 min	Development of the American subsidiary
Managing director, Russia OOO	Apr 2014	1h 11min	Development of the Russian subsidiary
CEO of the firm and the Chairman of the board	Jan 2016	2h 2min	Development of the firm and the three subsidiaries 2014-16
Managing director, Sweden AB	Mar 2016	1h 8min	Development of the subsidiary 2014-16
Managing director, USA Inc.	Mar 2016	1h 16min	Development of the subsidiary 2014-16
Managing director, Russia OOO	Apr 2016	1h 12min	Development of the subsidiary 2014-16
Archival data			
Type of data	*Period*	*Role in research process*	
Annual reports	2000-2015	Understanding of historical development, strategic choices and organizational structure and culture	
Company history	Until 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/presentation material	2014	Views to the organizational culture and values	
Industry analyses	2005-2009	The key developments in the industry	
Videos and meetings			
Type of data	*Timing*	*Role in research process*	
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	
Anniversary celebration in Sweden videos	Mar, May 2014	Understanding of organizational culture and the Swedish market	
Product launch in the US videos	Jun 2014	Understanding of organizational culture and the American market	
Model series launch and logging in Russia videos	Dec 2014, Apr 2015	Understanding of organizational culture and the Russian market	

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 interview transcripts and the other data were analyzed with a practice lens to create an understanding of the underlying practices and the ways of operating in the subsidiaries. The practices were then compared at the level of subsidiaries by focusing on the similarieties and differences of the subsidiaries. Finally, the conceptual modeling of the phenomenon was elaborated through reconstruction of the practices of the three subsidiaries in their interactive spheres, as the practice-based network positioning of the MNCs in multiple markets. In search for the internal mechanism of network strategy of an MNC we came to see the particular tensions as the key drivers of the developments.

PRACTICE-BASED NETWORK POSITIONING IN FOREST MACHINE INDUSTRY

The MNC operates in the forest machine industry since its establishment in 1970. The company started up with the aim of making a forest machine that would be more durable than the machines in the market at the time. As of now, the company designs, produces and sells forest machines for the cut-to-length (CTL) method and related information systems enabling logistics control and measurements for the harvesting chain. An important business area is the maintenance services that are offered throughout the lifetime of the machine. Originally, the forest machines and information systems were developed for Scandinavian conditions but the portfolio has been developed to match the diverse needs and demands of forest machine entrepreneurs globally: nowadays 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. Today, the MNC – that remains family-owned – is one of the world's leading producers of forest machines for the CTL method.

In the following we will discuss the different relationships of the three subsidiaries and the tensions that constitute these relationships. We connect the tensions to a typology of the practices through which the tensions are managed. We model these elements as the mechanism of the practice-based positioning of MNC subsidiaries. The model emphasizes the interplay of the tensions and practices that produces the position as an outcome of the everyday coping activities involved.

RELATIONSHIP TENSIONS

To start with, the MNC is strongly values-led. Therefore, we add to the conceptualization of the strategy-making for positioning of the MNC the corporate values as the basis for all strategizing. The thinking behind the company's way-of-working has its roots in the farming and forestry of the beginning of the 20th century. 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; if the quality was poor, the men were paid less. Still today, the core of the company's business is crystallized in an old black-and-white picture with a man, a frame saw, and a horse. The founder's family lived off from farming, and that background provides the core values: the importance of family and taking care of younger siblings, helping other, working together, and entrepreneurial spirit. The founder's legacy lives strong still today. Respect for and understanding of the hard work the customers do is the foundation of the business. They aim to maintain grassroot-level touch in everything they do and emphasize the importance of being at the same level with the customers.

In the internal interaction sphere in relation to the headquarters we see the *practices of care-taking* that emerges out of the corporate level values. The subsidiaries and their employees form the extended family of the company. Simultaneously, the headquarters expect from the subsidiaries that they function as independent units, reflecting the same core values in the operations but 'thinking for themselves' and making decisions at the spot. The company maintains contact with the subsidiaries through regular meetings and board activities, but does not wish to meddle in with the everyday activities as long as the objectives are reached.

Still, some *hierarchical tension* cannot be avoided as it emerges due to the subsidiary's location between the headquarters and the local market. The hierarchical tension between the control exerted by the headquarters and the agency enacted by the subsidiary is reflected on

the practices and mean emphasis on *competence development practices*. In the MNC, all the subsidiaries have had the freedom to develop their operations quite independently but they reflect different levels of competence in different management areas. Being a listed company, the question of the right level of corporate governance is something the corporate management needs to ponder.

> *"These companies have been managed too much through one person. The company is like the managing director of it. Moreover, in my opinion, in this size of the 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 operation regardless of who is the managing director. Of course, the fingerprint of the managing directors is seen in these companies, when they are small."*

Another issue featuring the headquarter-subsidiary relationships is *competence tension*: what kind of competence the employees hold and what is needed. The company has put a lot of effort into training and staff development making *competence development* as the key strategic practice in relation to the the employees at the subsidiary level. This is also reflected in the grassroots orientation as a value in the whole corporation; people need to have hands-on knowledge of the machines and the customers, no matter at what level they work.

> *"Yeah we could not clone him, so we had to get somebody else. However, this other guy, he is also a long-term member of the family, have been working as the senior mechanic. He has a long experience of all kinds of problems that there is. He was the best guy for the job. ... You cannot take a guy like that from outside; there is nobody since you have to train those kinds of guys yourself."*

Tensions also arise from the relationships with the other subsidiaries. We name this as the *resource tension* as it emerges, in particular, when a subsidiary has to compete internally over the manufacturing capacity with the other subsidiaries. An example is the recent launch of a new model, which meant significant additional interest in all three local markets. The customers made many pre-orders and sales figures could rose even dramatically. As a problem emerged the backlog with the delivery, and customers had to wait even six months to get their machines. Especially in Russia, for many customers this is just simply too long time to wait.

> *"The availability of the machines is a huge restriction. We are losing sales at the moment, the amount of which might be quite significant. Hopefully, we will get enough machines. However, we cannot keep any buffer; everything has been sold that we have been given. We have been forced to give some sales to others. People do not wait around here; half a year is too long. If the time stays in 3 to 4 months, then we will not lose sales. However, the name of the game is that when the buying or financing decision has been made, the machine should be there immediately. That thinking is not likely to change. That has been quite well taken into consideration [within the corporation]. We have a monthly quota of which we will get the machines. However, since the business is good also in other parts of the world, it has not always been possible to keep our share to the extent we wanted to."*

The subsidiaries compete against each other in several ways but in family spirit. *Innovation tension* arises from the success factors identified in other subsidiaries and in attempts to try

out and copy the best practices, applied to the local conditions as well as from the customer requirements. Each subsidiary answers this tension differently, partly according to their preferences and partly according to headquarters' guidelines as well as the enabling and restricting factors of their other relationships. The variation in the local customer bases provides a unique set of different conditions and needs for harvesting.

> *"Everybody has built his or her own business, sales, and service in the environment and everyone has done it in his or her own way. It has not been guided in any other way than by saying that 'sell'. ... Now we are ... looking for those best practices and try to distribute them. They will take them and mold them to fit their culture. I don't think you can force them into a form; it does not work in that way. It's the end of everything, innovativeness and own activity."*

With respect to the resource and innovation tensions we see the *practices of care-taking and quality priority* resonate differently in the different subsidiaries. To these practices belong the evaluation of the readiness of the local market network as a whole for the new models. The new models are introduced in the order of the customer's and the maintenance network's ability and willingness to stand for the possible technical problems in new models. The Swedish market is very much for innovation, the newest models and acting as a forerunner, which means more willingness to stand the initial problems.

> *"But Sweden is a critical market area also regarding product development, and there is much innovative thinking and willingness to experiment. We get much product development ideas and ideas for improvement."*

The Russian market in turn is impatient with respect to the technical insecurity as well as better prepared for the maintenance of the well-established models. Therefore, the practices of quality priority mean different activities in these markets as the machines become embedded in different types of local networks. The Nordic countries have long traditions in harvesting, and the Finnish and Swedish customers very much determine the development of new models, which is not always well fitting to other markets such as Russia. The US subsidiary represents an example of turning innovation tension as a strength through the practice of customer problem solving. Through the manager's personal relationships, the subsidiary started co-operation with the state of Arizona which had a problem with juniper. The subsidiary developed a special head to cut them. In exchange, the state now covers the expenses of local demos.

Customers are naturally the ones that have the greatest influence on the firm's operations in the external interaction sphere. Each location has their unique set of customers even though the industry and the methods used in tree-cutting are roughly the same. In Sweden, the customers are divided into three categories: individual entrepreneurs with one or two machines; medium-sized companies with 5-10 machines; and big companies with up to 100 machines. Even the smaller customers act closely with forest industry companies or saw mill. Hence, the customer's customers are also an important part of the customer network. In the US, customers are mainly private, small firms. A typical customer is a family business with two machines, a harvester, and a forwarder. In Russia, the customers are a heterogeneous group varying from small contractors to multinational companies. However, no matter how many machines the customers have, the primary conditions for the machinery sales are the customer need fulfillment and working after-sales: training, spare parts and maintenance.

This is the focus at the corporate level but can't be organized similarly in the different markets due to varying networks.

Performance requirement tension arises from the fact that while customers have to wait for the service or spare parts, the profitability of the machine decreases as they are losing money. On the other hand, the resources for covering the whole market area are limited, and the subsidiaries have been forced to develop solutions that will help them to keep their promises. For example, the Swedish subsidiary has suffered from credibility issues due to the limited service resources compared with the wide market area, and they are aiming to strengthen their service network by establishing own units.

> *"At the moment, the burden is that we are present in the whole Sweden. We have given the customer promise that we will cover the entire country. It is quite a long and wide country. ... It might be an internal thing that we have started to think about that perhaps in certain areas we are not credible in the service. If there are big machine entrepreneurs that have ... let's say ten machines, and we have one person and a bus responsible for the service, this kind of bus entrepreneur, it is not a credible choice."*

The dealing with this tension centers around customer problem-solving and quality priority practices. In the US the service largely operates through helpdesk phone. Even a wider area can be covered since 80 % of the problems can be solved in the phone, and it saves both the customers', and supplier's time. In Russia, the challenge is the same but has been solved by using full-line dealers that both sell and maintain machinery. It is the maintenance people who often travel from headquarters to the Russian customers. The maintenance service requires significant effort with new and all the time more developed machines. The same applies to training: complicated machines take time to learn to make the most of them, and the quicker the drivers learn, the faster the customer's investment starts to pay itself back.

Another feature related to the credibility required by the customers is the *image tension*, the way the customers see the manufacturer: whether it can be trusted or not. As a relatively small newcomer compared to the American and Japanese industry leaders, the MNC has been labeled as a "small sweater army" by the competitors. But that has not stopped it from gaining a good reputation and a steady market share rise in all three subsidiaries. Its down-to-earth manners and dedication for the deep customer understanding and being at the same level with the customers has always been the core of the corporate culture. Owners and managers taking part in customer events and sales negotiations have helped to create a close, trusting atmosphere within the customer relationships. When the relationship is close, also change becomes possible.

> *"It all comes from the fact that we really do these things differently, and customers are close. There are no hierarchies or layers between the customers and us, but anybody can walk in through the door and come to talk at any time. They regard that crucial, those customers."*

> *"[Our machines] have been used in Europe already a half a decade now. Moreover, approximately three years ago I started to talk to one of our clients that you have to try these. He didn't believe in the system at all. Said that they won't work. I said that listen, try them. We ordered the machines to him, and he tried, and after that, it started to fly. He saw how it could be done. We actually visited one site in Europe*

with this customer and took a look at the machines. Moreover, then he started to realize what can be done with the machines."

Performance requirement and *image tensions* with the customers are reflected in the competitive positioning since it is the competitors to whom the company is being compared. Depending on both the competitors and the subsidiary in question, these tensions are managed through different kinds of activities but reflecting the *practices of customer-problem solving and quality priority*. Respect for customers, and grass-root orientation, are visible in all subsidiaries, for example, in the form of including top management in customer events and activities and taking good care of service and training. With their unique approach and culture, it has been possible for the company to create an image of their own and differentiate themselves from the competitors. Even though it has managed to grow their market share in all three market areas, the competitors have not responded by trying to imitate their practices.

> *"The competitors do not do this [training]. Those two competitors that are located here in the same village, they do not have any training. When a customer buys a machine, he's on his own; 'learn by yourself'. Moreover, [a competitor] has one trainer for the whole upper parts of the states. There's no way he can train them all. That training, that's a huge thing."*

> *"It's the flat organization that annoys them. Our CEOs, chairmen of the board take part in customer relationships and actually talk to people here. I believe that is the biggest thing, the biggest difference."*

Finally, the positioning in the network also strongly relates with the type of partners available and relying on various kinds of partners for key business activities means *agency tension*. The experience the customer gets from the company is highly dependent on the partners' activities, and therefore choosing the right partners is crucial. When the partners are not part of the organization, it is harder to make sure that the quality is at the level that it should be.

> *"Q: What do you want to see in the dealer to whom you would allow also do sales in the US market?*
> *A: I would like to see that it is our duplicate [laugh].*
> *Q: Are you looking for a certain way of doing things, corporate culture, or competence of certain kind?*
> *A: I mean the way the company is ran, what kind of personnel, what kind of units and service cars, all these kinds of things. It is no use to give this sort of product to a company that is just going to ruin it."*

Different subsidiaries have different solutions to this but all aim to reflect the practices of *competence development and customer problem-solving*. Swedish subsidiary is handling the sales themselves and not utilizing dealers, but for service they are utilizing external maintenance network. They have been utilizing external service companies because of limited resources to build own service network. As opposite to Sweden, Russian subsidiary uses multiple dealers both in sales and service, instead of handling the sales themselves. They have eight dealers who are responsible for sales, service and training. In addition to that, the Russian subsidiary has few partners only focusing on service. The American subsidiary has

five own full line units with sales, service, spare parts and training, and five service dealers that do not do sales.

> *"It was started that way, with three or four distributors with their territories and services. So it [the Swedish subsidiary] started off with regional strategy. However, they just did not happen to be the best possible partners. So it backfired there."*

> *"We have raised the bar for dealers [in Russia]. Certain investments need to be done. Moreover, the last resort is to find another dealer to the side to compete. Also, to see which one can do the required things."*

Agency tension relates also to the way the employees in the subsidiaries see themselves as part of the firm and their rights and responsibilities when acting as its representatives. The tension arises from the expectations the firm has towards them, and the internal volitions the employees have regarding the job. The US and Russian subsidiaries have been happy with the commitment shown by the personnel and the managers say they could not wish for a better team. Turnover in personnel is minimal and therefore also the personnel has competence that is impossible to teach to a newcomer in a short period of time. On the other hand, the difficulties the Swedish subsidiary has faced have had a lot to do with the atmosphere and commitment of the personnel. Different measures have been taken and progress has been made gradually.

> *"...I have said to salespeople that 'when you make a sale, you write down in the contract everything that you have agreed with the customer but after that, you will not meddle with it in any way'. Moreover, we have gone through the process a lot, that things would not be promised orally since they are impossible [to control]."*

Table 2 collects the tensions those we saw represented in the data as the determinants of the relationship practices and network positioning of the subsidiaries. We as well give examples of the activity related with the practices and the underlying tensions.

**Table 2.** Tensions and related strategic practices.

Tension	Primary practices	Examples of activity
Hierarchical tension	Care-taking, competence development	Family-like acting, giving responsibility
Competence tension	Care-taking, competence development	Grassroots orientation, training, assisting personnel up in career, recruitment within the firm
Resource tension	Care-taking, quality priority	Quotas, diminishing the backlog, evaluating the market readiness
Innovation tension	Care-taking, quality priority, customer problem-solving	Sharing experiences, copying best practices, adapting to market readiness, responding to requests
Performance requirement tension	Customer problem-solving, quality priority	Excellent service and spare part coverage, training
Image tension	Customer problem-solving, quality priority, care-taking	Family-like acting, down-to-earth marketing campaigns, top management participation in events
Agency tension (partners, employees)	Competence development, customer problem-solving	Family-like acting, dividing responsibility, requiring results, establishing processess

The network position is not something static or fixed, even though it might be considered as stable for lengthened periods of time. Here, the network position is seen in relational terms: it is not a 'thing' but a continuously changing nexus of tensions and those practices that have been born to deal with these tensions. Each subsidiary is a part of a different kind of network of relationships, and therefore, also the tensions take different forms in each organization. Depending on the local context and the features of these relationships as well as the way the subsidiary managers perceive these tensions and tries to find solutions for balancing them, the subsidiaries develop differently. The tensions are not bad or good things as such; they are a natural part of relationships, and due to these tensions the organizations change and develop.

The dynamics defining the position of the subsidiaries are described through the identified tensions in Figure 2. The outer circle depicts the corporate-level mechanism in which the positioning is part of deliberate strategizing activities conditioned by the multiple embeddedness of the subsidiaries. The data brought strongly up the important and influence of the corporate values as the basis of the primary strategic practices. The strategy comes through the strategic practices based on the corporate values, which are very similarly seen and adopted in all the subsidiaries, even though the actual activities take different forms depending on the local conditions. The relationships of each subsidiary are different, and therefore the tensions have different manifestations, and as a result, each subsidiary chooses their way of reacting to these tensions. Subsidiary managers have a central role in molding the practices through which subsidiaries aim at balancing these tensions. It is the combination of the practices that produces the position in the everyday activities of the subsidiaries.

Figure 2. The mechanism of the practice-based positioning of MNC subsidiaries.
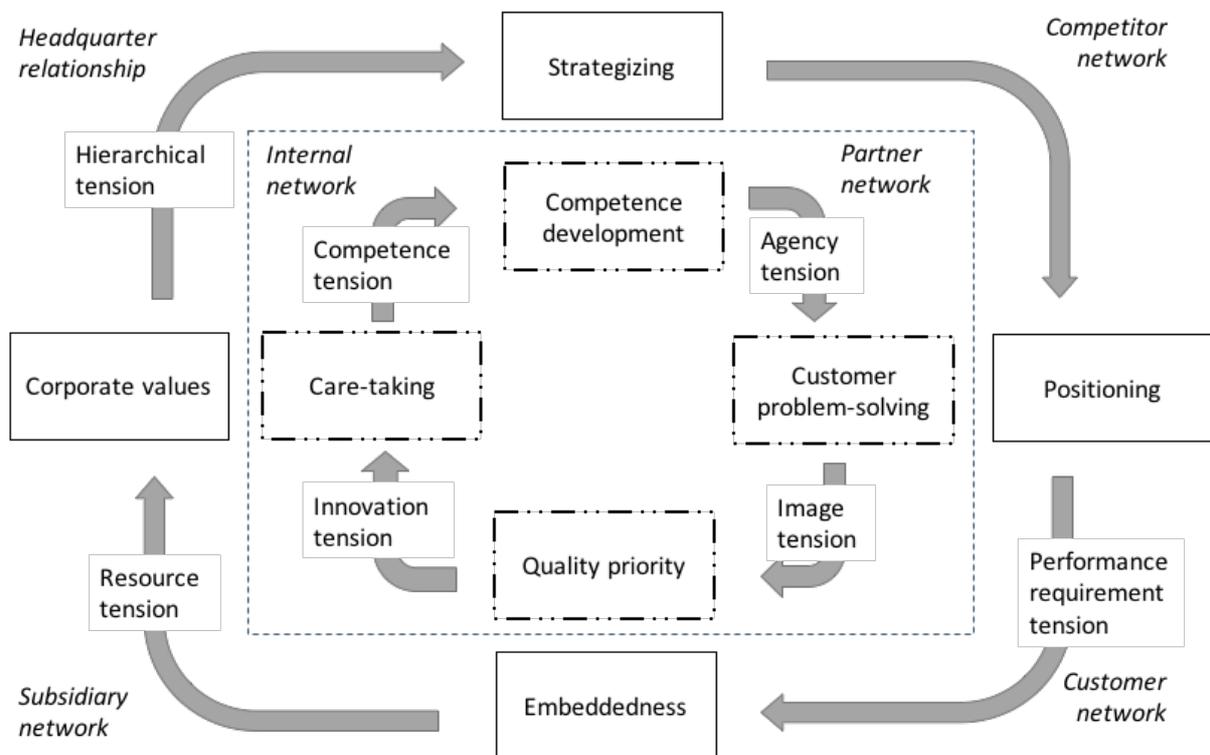
CONCLUDING DISCUSSION

Our study began with the research question *how are the relationship practices of subsidiaries interrelated with the subsidiary positioning of a multinational company?* The relationship between strategy and positioning from a network view is intriguing, since even though 'position' and 'positioning' are concepts used in the 'positioning school' of strategic management (Porter, 1980; Mintzberg et al., 1997), network view of positioning is profoundly different because the networks and relationships are the basis of analysis, not an individual firm (see Baraldi et al., 2007).

Our analysis shows how the subsidiary position can be seen, according to the network approach, in relational terms: it is not a thing or a structure but a continuously changing nexus of tensions and the practices that have emerged to deal with these tensions. Therefore, positioning of a subsidiary in its local markets is not primarily a question of internal organizational design (Bartlett & Ghoshal, 1989) neither of handling the external relationships (Andersson et al., 2002). Instead it is a question of relationship practices, the logics of acting and interacting, forming routinized patterns of actions at the interactive spheres between individuals in the connected companies (Chia & MacKay, 2007; see also Baraldi et al., 2007). Hence, it is the embedded position (see Schepis et al., 2014), that is not planned or managed by any individual actor, but relates with the conscious activity of people in influencing the network parties, that is of interest in practice-based positioning strategies.

We emphasize the subsidiaries' strategy-making in networks to emerge in interaction with the deductive, purposeful strategic activity of the headquarters and with the practices of adapting to and developing of the dynamic market networks. These strategic practices are driven by their underlying tensions. Our examination points to the MNC level corporate values as a strong medium against the hierarchical and resource tensions inevitably existing within the MNC internal network. Also the integration the headquarters aims to achieve comes through the explicitly expressed values and the purpose of the firm. These together form the underlying logic or 'modus operandi' of the MNC activities despite the differences of the subsidiaries and their local contexts and everyday practices.

Through the examination of the practices and the related activity we have aimed to analyze the strategic process of relating at the level of human doings of the MNC managers (cf. Baraldi et al., 2007). The tensions of competence, agency, image, innovation and performance requirements all seem closely interrelated with the personalities, responsibilities and trustworthiness at the individual level. Even the solving of the hierarchical and resource tensions takes different forms on the basis of the individuals' ways of managing at the different interaction spheres.

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