



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master Degree Project in International Business and Trade

Why can't you behave like your sister?

A thesis studying subsidiary behaviour in the vehicle manufacturing industry

Jilia Maxén and Keith Högberg

Supervisor: Roger Schweizer
Master Degree Project No. 2016:11
Graduate School

Abstract

As multinational corporations (MNCs) expand and extend their reach across the globe, there is an increasing need to establish new subsidiaries and reorganize existing ones. As a result of the MNC network growing and changing over time, subsidiaries and parent companies are pressured to implement new practices and means of coordinating their activities, which in turn affects subsidiaries' behaviour. This study aims to further investigate how subsidiaries behave after the reorganization and implementation of a new coordination practice, and what main factors affect subsidiary behaviour.

The authors studied the phenomena of subsidiary behaviour, using a case study approach with Volvo Buses and their Global Purchasing department as case companies, specifically investigating their subsidiaries in Poland and Mexico.

The findings illustrate that subsidiary behaviour is strongly affected by institutional factors, managerial power, and knowledge transfer, as anticipated. More importantly, though, the findings show that individuals' perception of roles and responsibilities, together with the previously mentioned factors, affect subsidiary behaviour, thus expanding the existing knowledge on subsidiary behaviour.

Key words: MNC, Subsidiary Behaviour, Institutional context, Subsidiary, Headquarter, Communication, Conflicts

Acknowledgments

We would like to extend our gratitude to multiple individuals and the company studied Volvo Buses, who have assisted us throughout the project to make the process as facile as possible.

Initially we would like to give special thanks to our supervisor Roger Schweizer who has constantly mentored and guided us from the beginning of the project with valuable comments. Furthermore, we would like to highlight the respondents at each subsidiary in Poland, Mexico and the people Sweden for rewarding interviews. In addition, this project would never been conceivable without the important inputs and cooperation of David Kardemark who always contributed with a positive attitude and “everything is possible mind-set”.

Finally we would like to turn our attention towards the friends and family who has provided insightful remarks and tips along the way.”

Gothenburg 2016-06-17

Julia Maxén

Keith Högberg

Abbreviations

P&O Projects and Operation Buyer

S&S Strategy and Sourcing Buyer

HQ Headquarter

IB International Business

MNC Multinational Corporation

HoTo Handover-Takeover

Table of Contents

- Abstract ii**
- Acknowledgments..... iii**
- Abbreviations..... iv**
- 1. Introduction 1**
 - 1.1 Background 1**
 - 1.2 Problem Discussion..... 2**
 - 1.3 Purpose and Research Question..... 4**
 - 1.4 Delimitations 5**
 - 1.5 Research Outline..... 5**
- 2. Theoretical Framework 7**
 - 2.1 Institutional theory 7**
 - 2.2 Institutional Duality 9**
 - 2.2.1 Relational Context 10
 - 2.3 Definition of Knowledge and Knowledge transfer 11**
 - 2.3.1 Knowledge Transfer..... 12
 - 2.4 Initiative Rejection 14**
 - 2.5 Boundary Spanners 16**
 - 2.6 Conceptual Framework 17**
- 3. Methodology 19**
 - 3.1 Research Approach 19**
 - 3.2 Research Design 20**
 - 3.2.1 Case Study 20
 - 3.3 Research Unit..... 21**
 - 3.4 Data Collection Method 22**
 - 3.4.1 Interviewee Selection and Interview Protocol 22
 - 3.4.2 Interview process 23
 - 3.4.3 Secondary Data 24
 - 3.5 Data Analysis..... 24**
 - 3.6 Reliability and Validity 25**

4. Background of the case of HoTo and Volvo Buses.....	27
5. Empirical Findings.....	30
5.1 Poland	30
5.1.1 The Role of Understanding Differences	30
5.1.2 The Role of Hierarchal Structures	32
5.1.3 The role of Management	33
5.1.4 Dependence in the MNC Context	34
5.1.5 Trust in the MNC Context.....	35
5.1.6 Willingness in the MNC Context	37
5.1.7 Implementation of the New Global Practise	38
5.1.8 The Perceived Roles & Responsibilities	38
5.1.9 The Role of Relationships	40
5.1.10 The Role of Communication	41
5.2 Mexico	43
5.2.1The Role of Understanding of differences	43
5.2.2 The Role of Hierarchal Structures	46
5.2.3 The Role of Management	47
5.2.4 Dependence in the MNC Context	48
5.2.5 Trust in the MNC Context.....	49
5.2.6 Willingness in the MNC Context.....	50
5.2.7 Implementation of the New Global Practise	50
5.2.8 The Perceived Roles & Responsibilities	51
5.2.9 The Role of Relationship	52
5.2.10 The Role of Communication	55
6. Analysis	58
6.1 The role of institutional context when transferring a global practise	58
6.2 Roles and Responsibilities affecting the relationship	62
6.3 The Role of Management	63
6.4 The Role of Knowledge Sharing.....	66
7. Conclusion.....	69
7.1 Contribution.....	72
7.2 Further Research	73
8. Reference list.....	74

Appendix 1	81
Appendix 2	83

1. Introduction

This chapter provides some background for the thesis with a focus on subsidiary behaviour, and states the purpose of the study as well as the research question. Lastly, the delimitations of the research will be discussed along with a research outline of the paper.

1.1 Background

As multinational corporations (MNC) expand and extend their reach across the world, the need to establish new subsidiaries, and reorganize existing ones, increases. Undoubtedly, increased globalization and the advancement of technology have intensified the presence of MNCs in more than one national market (Hitt et al., 1998). The success of a firm in the international arena depends largely on the headquarters' ability to monitor and cooperate with their subsidiaries across national borders, because subsidiaries' aggregated value-adding activities greatly impact overall MNC performance. However, this may become difficult considering the different environments, conditions and pressures to which each subsidiary is exposed. Therefore, subsidiaries may not always act in line with the interests of headquarters, which occasionally results in a failure to meet expectations and a rejection of directives (Nohria & Ghoshal, 1994; O'Donnell, 2000). Unfortunately, in order to achieve a competitive advantage for the MNC, it is crucial to exploit the value created by the subsidiaries in terms of knowledge- and competence-creating activities, which may be difficult in settings where a subsidiary acts counter to the objectives communicated by HQ (Forsgren & Holm, 2010).

Further, what has been noticed is that MNCs' internal factors (e.g., Andersson et al., 2005; Håkanson & Nobel, 2001; Jindra, Giroud, & Scott-Kennel, 2009; Luo, 2001) and external environment affect the performance and behaviour of the subsidiary (Holm, Holmström, & Sharma, 2005; Nell et al., 2010; Scott-Kennel, 2007). For example, pressures placed on the subsidiary from local actors often challenges the control mechanisms imposed by HQ, giving rise to higher autonomy, which in turn can cause the subsidiary to engage in confusing behaviour (Andersson & Forsgren, 1996). Subsidiary behaviour is thereby defined as actions taken by the subsidiary that are not in line with the interests of HQ (Nohria & Ghoshal, 1994; Schotter & Beamish, 2011).

The notion of subsidiary behaviour has become increasingly important to MNCs, and the question of *what* affects their behaviour has been brought to the fore (Hitt et al., 1998). However, is it possible to bring all subsidiaries under the same roof and generalize the cause of their behaviour? Or does the uniqueness of each need to be realized in order to achieve a competitive advantage in the market?

1.2 Problem Discussion

The HQ-subsidary relationship has been at the centre of International Business (IB) research for decades, largely due to the complexity of coordinating activities in an increasingly globalized context to ensure value maximization for the MNC. The conceptualization of the MNC is fairly extensive in the literature, explaining that the HQ seeks to coordinate and control value-adding subunits (Martinez & Jarillo, 1989), defined by Birkinshaw and Pedersen (2001:369) as “*how the centre could control its subsidiaries*”. The other side of the relationship—namely, the subsidiary and its behaviour in the MNC context—are conceptualized to a lesser extent. However, Bartlett and Ghoshal (1989) identified the subsidiaries to be internally differentiated units with their own external stakeholders and networks. Moreover, the subsidiary’s behaviour can partly be explained as the reactions and actions taken by the subsidiary when local interests differ from those initiated by HQ or the organization as a whole (Nohria & Ghoshal, 1994; Schotter & Beamish, 2011). This is the view that will be used throughout the thesis.

Previous research on subsidiary behaviour has focused predominantly on how HQ can facilitate progress in the MNC network and subsidiaries’ role in value-creating activities (Forsgren & Holm, 2010) through control mechanisms, supervision and bureaucratic monitoring of the subsidiary (O’Donnell, 2000), and transferring organizational strategies within the global MNC network (Taplin, 2006).

Subsidiaries have also, by contrast, been described as entities that strive for power in the MNC network, while struggling to comply with the desires of HQ (Nohria & Ghoshal, 1994). As their power and decision-making rights are delegated from HQ (Foss & Foss, 2002), they are constrained by the will of HQ. Even though HQ controls the subsidiary’s tangible assets, subsidiaries’ bargaining power within the MNC network can be increased by developing their power base in intangible assets, such as desirable or idiosyncratic knowledge (Mudambi & Navarra, 2004), and enhancing their position in the relationship. Subsidiaries with unique resources can thereby operate more freely; hence, decentralized and informal mechanisms of

coordination from HQ become increasingly important (Birkinshaw & Pedersen, 2001). Furthermore, unique resources often derive from the subsidiaries' local embeddedness, are one of the most important resources in the development of subsidiary competences, contribute to the MNC performance, and create competitive advantages (Andersson, Forsgren & Holm, 2007).

However, if HQ is monitoring and executing strict control over their subsidiaries, benefits that derive from strategically independent subsidiaries may never be seized by the MNC (Rugman & Verbeke, 2011; Mudambi & Naverra, 2004). Yet, too little control might encourage the subsidiary to engage in opportunistic behaviour (O'Donnell, 2000; Roth & O'Donnell, 1996). Furthermore, risk-taking initiatives and autonomous endeavours—if taken too far—might result in harsh reactions from HQ (Schmid, Dzedek & Lehrer, 2014). On the one hand, HQ should grant the subsidiary more autonomy in order to promote innovation, entrepreneurial activities, and bottom-up knowledge transfer (Lee & Williams, 2007; Williams & Lee 2009; Ambos & Schlegelmilch, 2004); but on the other, it should enforce coordination mechanisms to ensure that global strategies are being executed to mitigate opportunistic behaviour and that the subsidiaries are contributing to the overall performance.

The dyadic relationship between HQ and the subsidiary has remained an interesting topic in the IB literature in recent decades; however, academia so far has been unable to provide a comprehensive answer to the question of what factors affect subsidiary behaviour. Only broad generalizations have been made, often from distinct theoretical backgrounds, as noted by Schotter and Beamish (2011), from the perspective of either the subsidiary or HQ. Hence, subsidiary behaviour is to be treated as a delicate matter.

Important factors have been outlined in the literature, such as the study by Kostova and Roth (2002), which investigated subsidiary behaviour during practise implementation and concluded that a significant role is played by host-home country factors together with internal dependence and relational characteristics. The institutional perspective has, since Meyer and Rowan's (1977) reconceptualization of the institutional theory, been recognised as explaining how MNCs are motivated to comply with external pressures. In addition, Gupta and Govindarajan (2000) argue that knowledge transfer and richness of transmission channels affect the relationship. Lastly, subsidiary roles, actions and negotiation tactics during initiative rejection have been identified by Schotter and Beamish (2011) as influencing subsidiary behaviour as well.

Although these studies have contributed important knowledge regarding subsidiary behaviour, they fail to provide an in-depth understanding of how subsidiaries within an MNC differ, and why so is still missing. More importantly, studies of subsidiary behaviour and the HQ-subsidiary relationship have predominantly investigated subsidiary behaviour on the managerial level (e.g., Schotter & Beamish, 2011; Kostova & Roth, 2002; Gupta & Govindarajan, 2000; Rugman & Verbeke, 2001; Mudambi & Naverra, 2004; Lee & Williams, 2007; 2009; Ambos & Schlegelmilch, 2004; Birkinshaw & Pedersen, 2001; Forsgren & Holm, 2010), neglecting the lower part of the subsidiary structure that actually gathers and creates the knowledge. The aforementioned focus on external factors has somewhat overlooked the internal perspective on the relationship and the individuals who work within the organization. Most literature has only conceptualized subsidiary behaviour from a managerial viewpoint, neglecting the perspective of the employees. The employees' perspective and actions in regard to subsidiary behaviour are interesting in that they are on the receiving end of the implementation, and actually internalize and work with the practises and processes imposed by HQ. Hence, by investigating the lower part of the subsidiary structure in regards to the phenomena of subsidiary behaviour, one can assess why one sister company does not behave like another.

With this background, a study is needed to fill this research gap regarding subsidiary behaviour in order to offer deeper understanding of how subsidiaries behave and differ in the MNC.

1.3 Purpose and Research Question

Clearly, more empirical research on subsidiary behaviour is needed. A study comparing the behaviours and reactions of different subsidiaries within an MNC would definitely address the issues mentioned by Schotter and Beamish (2011) and Kostova and Roth (2002), who investigate subsidiary behaviour solely from a managerial perspective. Nevertheless, such study would provide further knowledge to the academic field of International Business research on the complexity of the relationship between HQ and subsidiaries in a global environment, with regard to the handover processes of information transfer used to execute activities. Accordingly, this thesis aims to contribute to the literature on subsidiary behaviour within a MNC with a special focus on the individuals who operate within the subsidiaries. Furthermore, the authors have found no literature comparing the behaviour of two

subsidiaries, especially within the manufacturing industry in Mexico and Poland. Therefore, this thesis aims to further outline how subsidiary behaviour is affected by internal and external factors within a MNC, using the case of a handover process.

In order to deepen our understanding of these factors, we set forth the following research question:

- *Why do subsidiaries behave differently, and what aspects affect subsidiary behaviour in a MNC when a new process and organization structure have been initiated by the HQ?*

1.4 Delimitations

To make the thesis as concise as possible, some delimitations were chosen during the research process. To begin with, the case study focuses solely on the purchasing department, namely the purchase and operation (P&O) buyers and the sourcing buyers (S&S). It is evident that more departments affect subsidiary behaviour, such as the supplier quality technicians and management (SQM), and product developers. Although an investigation of these departments could broaden our understanding, the purpose of this thesis is nevertheless to further delineate how subsidiary behaviour is affected by internal and external factors within a MNC, using the case of a handover process. The S&S and P&O are the primary users of the process, and thus constitute our focus. Second, the thesis limits its scope to the vehicle manufacturing industry; therefore, the results may differ if the study were replicated in other industries. Finally, the HoTo-tool used to transfer information between the subsidiary and HQ is not included in this study. This was motivated by the decision to examine only characteristics that could influence, differentiate and show similarities between the two subsidiaries, which is not the case with the HoTo-tool.

1.5 Research Outline

The study consists of seven chapters, including the introduction and is outlined as followed:

Theoretical Framework

In this chapter previous relevant literature and journals have been presented mainly within institutional duality, difficulties with global integration and local adaptation, and subsidiary

behaviour. This chapter is mainly used as a tool to analyse and compare the empirical findings presented below.

Methodology

Within stated chapter it is described in detail how the case study was performed and executed. Much attention is brought to *how* the data has been collected and what methods have been used when executing the interviews. What techniques adapted in order to analyse the empirical findings is also discussed with a critical view. Last, validity and reliability are considered as a final remark of the chapter.

Background of HoTo and Volvo Buses

The background of the HoTo initiative and Volvo Buses is described as well as the chapter provides a better understanding of Volvo Buses as a company and its inter-organizational network. The subsidiaries and HQ of interest are presented along with the detailed information necessary to comprehend the case.

Empirical Findings

In this chapter the results of the interviews are presented with comments from both the subsidiaries and Headquarter. Here much emphasis are put on the institutional context and individual relationships and characteristics.

Analysis

This chapter aims to combine the empirical findings with the literature introduced in the theoretical framework. In addition, the stated research question is answered and discussed within this chapter.

Conclusion

A summarize of the findings are recognized and highlighted in the conclusion. The research question is presented again with a clear response to what should have been investigated. Finally, what has been provided to the academia is discussed followed by suggestions of further research and new topics of interest within the field

2. Theoretical Framework

This section presents and outlines the literature relevant to subsidiary behaviour in the MNC context. Institutional theory is presented as a foundation for the theoretical framework with related theories outlined, all of which together comprise the conceptual framework.

As academia lacks a theory capable of fully explaining subsidiary behaviour in relation to HQ, five theories will be brought forward and synthesized into a conceptual framework in order to better understand this relationship. (1) Institutional theory will serve as a foundation for this framework, as the institutional landscape affects the organization (Meyer & Rowan, 1977) and firms are motivated to submit to external pressure as well as optimise economical decisions (Oliver, 1997). While institutional theory encompasses the external perspective, the concept of (2) Institutional Duality (Kostova & Roth, 2002) will subsequently serve as a bridge towards the internal perspective, illustrating relational aspects, which affect the subsidiary behaviour. As the subsidiary is embedded within the MNC network, communication and the role of (3) knowledge transfer are needed in order to achieve a common understanding between HQ and the subsidiary (Easterby-Smith, Lyles & Tsang, 2008). Hence, knowledge transfer is the next cornerstone in the broader framework of this thesis; however, as Kostova and Roth (2002) noted, the transfer of a global practise might not always be well received by a subsidiary, due to various internal factors. (4) Schotter and Beamish (2011) further extend the research regarding subsidiary behaviour by investigating how and why subsidiaries reject HQ initiatives, thereby illustrating the reactive actions that the subsidiary might undertake. Lastly, the role of (5) Boundary Spanners is outlined, as they have been proved to act as links between HQ and the subsidiary by facilitating cooperation and minimizing potential perception gaps in the organization (Mudambi & Swift, 2009; Cross and Parker, 2004; Schotter & Beamish, 2011).

2.1 Institutional theory

Institutional theory of the firm was reformulated with Meyer and Rowan's influential paper "Institutionalized Organization: Formal Structure as Myth and Ceremony" from 1977, where they revised the formulation of institutionalism, arguing that formal organizational structures, and individuals, are shaped by their institutional context. The organization is shaped through its strive for increased legitimacy, by creating procedures and practises along with services

and products that are acknowledged by the institutional context that the firm faces. Furthermore, organizations are driven to incorporate these procedures and practises in an attempt to increase their survival prospects, '*independent of the immediate efficacy of the acquired practices and procedures*' (Meyer & Rowan, 1977:340). Thereby creating a gap between the organizations strive for efficiency and at the same time legitimacy, resulting in structural inconsistency within the organisation. Hence, the organization is facing external pressure that motivates internal reconfiguration of structure and activities towards homogenization, i.e. isomorphism (DiMaggio & Powell, 1983).

Institutional pressure manifests through three different processes: coercive, mimetic, and normative, which pressures the organizations to adopt certain policies and procedures (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Further, the pressure is often specific to a certain country in terms of legal system and culture (Rosenzweig & Singh, 1991). Kostova and Roth (2002) defines the three processes as following: "*Coercive isomorphism occurs when organizational patterns are imposed on organizations by a more powerful authority; mimetic isomorphism, when organizations respond to uncertainty by adopting the patterns of other, successful organizations; and normative isomorphism, when organizations adopt patterns considered appropriate in the environment*"(Kostova & Roth, 2002: 216). Additionally, Kostova and Roth (2002) applies the institutional framework on to the MNC subsidiaries and underlying rationale of the MNCs strive for utilizing strategic capabilities throughout their cross-national network(Ghoshal & Bartlett, 1988; Grant, 1996; Nohria & Ghoshal, 1997). Thereby taking the institutional perspective one step further and examine the behaviour of the subsidiary, instead of study the motives and potential difficulties the institutional environment have on efficiency and performance for the MNC (Oliver, 1991, 1997; Powell, 1985; DiMaggio, 1988).

Institutional view of the organisation have received criticism due to that it fails to describe how the organization change its behaviour and take active part in the environment, instead of being passive and reactive (Powell, 1985; DiMaggio, 1988). However, Oliver (1991) illustrates that the organization can through a variety of measures respond more actively towards the institutional pressure. Further, the organization might either proceed towards institutional conformity or attempt to resist the isomorphic pressure. Kostova, Roth, and Dacin (2008) provide a slightly different view on the notion of isomorphic behaviour, arguing that the MNC's subsidiaries are to some extent buffered from the local pressure due to their position within a larger network provided by the MNC. Hence, there is a limited institutional

isomorphism forcing the MNCs to change in order to gain resources, due to the possibilities of alternative sources provided elsewhere in the MNC network (Kostova, Roth, & Dacin 2008).

However, Meyer and Rowan (1977) identifies two problems for the organization, caused by isomorphism. First, demand on internal and external efficiency can result in conflicts of interest; i.e. the aforementioned gap. Second, the multitude of institutional environments that the MNC are exposed to can result in that some of the efforts to comply with the isomorphistic pressure are inconsistent with each other. Moreover, this may become problematic when the firm strive for control and tight coordination and overall efficiency (Meyer & Rowan, 1977).

Meyer and Rowan (1977) propose two interrelated solutions that can resolve the conflict between institutional pressure and efficiency: decoupling and the logic of confidence. The former solution is referring to firms that are striving for efficiency, by protecting their formal structure through minimizing inspections and control of activities. Thereby decoupling the formal structure of the firm and its day-to-day activities, making human relations and cooperation very important in order to coordinate activities. The later solution is based on the assumption that although firms lack coordination and control still will proceed with their activities in an orderly fashion. Due to their confidence and good faith in that both the employees and the managers will maintain the appearance of the formal structure, while working out problems with efficiency backstage in order to avoid breaking the formal structure (Meyer & Rowan, 1977).

2.2 Institutional Duality

The concept of Institutional Duality formulated by Kostova and Roth (2002), builds upon the rationale that the subsidiary is not an independent entity within the MNC network, and therefore must comply with the demands set by the HQ. Both the subsidiary and the HQ reside in their individual host country where they experience different sets of institutional pressure (laws, local supplier demands, regulations etc.) on their formal structure and activities. Furthermore, the subsidiary is facing the intra-organizational pressure from the parent, resulting in two different sets of isomorphic pressures that the subsidiary needs to handle in order to maintain legitimacy in their dynamic environment. Kostova and Roth (2002) emphasize the importance to understand that the MNC puts pressure on its subsidiaries

to comply on implementing demanded structures and practices, and recognize that these structures and practices are formulated in the MNCs original institutional context.

Oliver (1991) further argues how the institutional context influences the MNC's response and the behaviour of subsidiaries. Essentially the response depends on the unit who exercise the pressure, the multiplicity of demands and the MNC's dependence on the constituent. The greater the extent of multiplicity, the more is the possibility that the organization show resistance towards the institutional pressure. This is explained by the impossible task to satisfy every party exercising the pressure, which makes it natural to either ignore or defy demands from another. The response to the institutional pressure does also depend on the distance between the units within the MNC (Oliver, 1991). Similar, Yang and Rivers (2009) argue that in cases where the institutional context differ between home country and host country, it is evitable that a unit need to gain legitimacy in both locations at the same time. However, the further the institutional distance is between the home and the host environment the more likely it is for the subsidiary to comply with local demands (Yang & Rivers, 2009). As mentioned, it is difficult to please all actors and therefore either parent company measures or local institutional pressure will be put aside. With this kept in mind it is obvious that subsidiaries are exposed to both internal and external pressure (Xu & Schenker, 2002).

2.2.1 Relational Context

Furthermore, Kostova and Roth (2002) include a 'relational context', a concept that links the pressure the subsidiary faces internally from the MNCs HQ through three characteristics: dependence, trust, and identity. The relational context is used both independently, when studying the subsidiaries' compliance and reaction towards MNCs pressure in the setting of institutional duality, and together with the concepts of internalization and implementation (Kostova & Roth, 2002).

Kostova and Roth (2002) defines dependence as the belief held by the local managers, that the subsidiary is depending on the parent company for providing vital resources and expertise. Hence, dependence reflects the hierarchical relationship between the actors in regards to subordination and control, a manifestation of relative power. The notion of power and dependence are widely discussed in the institutional literature in regards to organization conformity to the external pressure and internal consistency; where high dependence leads to higher compliance towards the legitimating actor (Rosenzweig & Singh, 1991). However, it

is important to distinguish between the previous works, which have had an external perspective (e.g. Rosenzweig & Singh, 1991), whereas Kostova and Roth (2002) subsequently build on their argumentation regarding dependence and other relational factors in an intra-organizational context with regards to internalization and implementation in the recipient unit.

The second characteristic in the relational context is Trust, defined as the common belief within the subsidiary in that the HQ will not take advantage of the subsidiary when an opportunity emerge, as well as an belief in that the parent will behave according to established commitments between the two parts (Kostova & Roth, 2002). Trust not only reflects the subsidiary's belief in the parent organization, but also the reliability of a source in regards to transferring a practice or knowledge, as Szulanski (1996) have shown. Moreover, the level of trust is important in whether the receiving unit will perceive the practice as efficient; hence, enforced through mimetic or coercive actions (Tsai & Ghoshal, 1998). Based on the previous discussion, Kostova and Roth (2002) argue that trust is positively related to both internalization and implementation of an exported practice by the subsidiary and its managers.

The last of the three characteristics, presented by Kostova and Roth (2002), is Identification; to which extent the subsidiary, and its individuals, identifies themselves with the parent organization with regards to acceptance and incorporation of its values, goals and beliefs. High degree of identification are found to not only help the diffusion and active adaptation of an exported practice to a receiving unit (Stranger & Meyer, 1993), it lessens the likelihood of “not-invented-here” syndrome(i.e. Receiving part rejects the information due to origin related issues) (Kostova & Roth, 2002). Furthermore, Kostova and Roth (2002) argue that if the subsidiary identifies itself with the HQ, then the diffusion will follow a mimetic and normative conformity, hence, motivate the recipient to both implement and internalize the given practice (Kostova & Roth, 2002).

2.3 Definition of Knowledge and Knowledge transfer

As explained by Kostova and Roth (2002) trust, dependence and identification may affect the willingness to transfer knowledge from the subsidiary to the HQ. Multiple authors have emphasized how the ability of transferring knowledge within a firm contributes to a distinct sustainable competitive advantage for MNCs, benefits and innovativeness in relation to other companies (Kogut & Zander, 1993; Grant, 1996; Gupta & Govindarajan, 2000; Argote &

Ingram, 2000 docs). Further, literature have suggested how the transfer of knowledge has affected the subsidiary behaviour. For example, with increased knowledge flow between the HQ and subsidiary, it is more likely that the subsidiary act in line with the overall objectives of the organization and reduce the feeling of decentralization (Björkman, Barner-Rasmussen & Li, 2004; Blomqvist, 2012; Daniel, 2010).

Due to the well-studied topic, the definition and perspective of knowledge is clearly heterogeneous with diversified implication of its definition. However, schools have recognized two dominant approaches that have frequently appeared through the lens of the knowledge-based literature such as; knowledge as a resource and knowledge as process-based with focus on experience and expertise (Kogut & Zander, 1993; Grant, 1996; Gupta & Govindarajan, 2000, Foss & Pedersen, 2001). In short, knowledge as a resource is an outgrowth of the resource-based view emphasizing how the ability to transfer such “resource” and capability creates a competitive advantage to the firm. Thus, the resource is viewed upon more as an item capable of being possessed by an owner (Grant, 1996). Partly, due to criticism to such objectivistic view, ignoring valuable characteristic like personal experience and know-how, acceleration of the process-based approach has emerged. On the contrary of the functionalistic view of knowledge as something that could be fixed and controlled, knowledge is observed as something one gain through learning, innovation, everyday practices etc. without our awareness of it (Grant, 1996).

A third definition combining thoughts from both theories that highlights the importance of technical components and human factors to explain the phenomenon have emerged as well (Chini, 2004). This concept of knowledge is applied throughout this thesis considering we define this fitting most appropriate to the context where individuals play a vital role.

2.3.1 Knowledge Transfer

The transfer of knowledge is a dyadic exchange that depends on a recipient and a source, where previous experience of the recipient plays a vital role. Sulanzki (1996) describes the organizational knowledge exchange as *“an exact or partial replication of a web of coordinating relationships connecting specific resources so that a different but similar set of resources is coordinated by a very similar web of relationships”* (1996:6). With previous statement in mind one could perceive knowledge sharing as a duplicate of routine practices within the MNC with the aim to achieve a common understanding between the HQ and the

subsidiary. Similar, Easterby-Smith, Lyles and Tsang (2008) expand discussed literature by stating the four factors crucial to the knowledge transfer: 1) the resources of the donor and the recipient of the organization 2) capabilities of the donor and the recipient of the organization, 3) the nature of knowledge that is being exchanged and 4) and inter-organizational dynamics. Other literature have further emphasized that the channel, process and tool are of importance when sharing knowledge (Cavaliere & Lombardi, 2015).

With regards to the absorptive capability of the recipient and/or the donor, it's reliant on the aptitude to contain new knowledge, which further depends on previous experience and the willingness to attain new information (Grant, 1996). Further, Dierick and Cool (1989) claim that previous stock of knowledge facilitates the ability to apply new knowledge in the most efficient way possible in new settings and contexts. However, Szulanski (1996) argues that the human brain has limited ability to create, acquire and store new knowledge resulting in some people being experts in a specific area, or "masters-of-none". Unfortunately, if the source is not professed as experienced or trustworthy the reliability of the source could be questioned or challenged by the recipient. As subsidiaries often are recipient of knowledge, it is important to the HQ to be perceived as credible in order to not be ignored by the subsidiary (Szulanski, 1996). Another characteristic that may hamper the knowledge transfer is lack of motivation by the source, usually the headquarter. This features is mainly connected to the source that is incapable of sharing knowledge due to distress of dropping ownership advantage, believe little is gained from the sharing process or simply resistant to allocate necessary time and resources in order to succeed with the transfer (Suppiah & Sandhu, 2011).

Motivation may also be an obstacle to the recipient due to the experience of "*not invented here*"-*syndrome* were little knowledge is welcomed from external shareholders, this could further promote passivity, foot lagging or rejection of the knowledge that is transferred from the source to the recipient (Szulanski, 1996). Therefore the motivation should be of focus if the recipient is to abandon old routines in order to realize new knowledge. This is especially important, as argued by Cavaliere & Lombardi (2015), within MNCs were knowledge sharing plays an important role in the search of the appropriate contexts in which to develop social capital and facilitate internal knowledge flows to the subsidiary. How well the communication channel within the network is developed decide how effective knowledge is transferred in the organization Further, Gupta and Govindarajan (2000) acknowledge the importance of formal and informal transmission channels. In short formal channels are identified as liaison positions, task forces, and permanent committees within the organization where the degree of

interconnectedness to the global network decide the density of communication. Informal channels depends more on personal relationships and convergence in existing network among personnel from different subsidiaries. The greater the familiarity in the network is, the more transmission channels are available to the organization (Gupta & Govindarajan, 2000).

It is vital for MNCs to achieve a high level of knowledge transfer to increase transparency and avoid conflicts during implementations and reorganizations. In addition, conflicts between subsidiaries and HQ may be damped due to increased insight to the cause of the problem, which increases the understanding between the units (Schotter & Beamish, 2011).

2.4 Initiative Rejection

Organizational change and implementation of new practices and procedures can according to Schotter and Beamish (2011) result in organizational conflicts within the MNC. Moreover, these conflicts are often caused by misinterpretation of the initiative from then HQ by the receiving end. Schotter and Beamish (2011) are studying subsidiary behaviour and conflict from a holistic point of view with three main points of interest: the managerial role in the conflict, organizational power in the conflict, and the managerial power in the relationship.

The first point of interest is connected to the manager's role in developing and executing strategies and drivers for potential opportunistic behaviour (Taplin, 2006), that together with asymmetric information between the HQ and the subsidiary may cause conflicts in the relationship (Schotter & Beamish, 2011). The second point of interest that Schotter and Beamish (2011) discuss is organizational power in the conflict, stemming from structural hierarchical dependencies that together with local knowledge create bargaining power for the subsidiary in the relationship, rather than the control of tangible resources that the entity might access in the host environment. Last but not least, is the managerial power in the HQ-subsidiary relationship, where the authors argue that power in the MNC not only emerge from structure or strategic resources, but also from the manager's ability to influence the surroundings. The manager can influence the organization with knowledge and skills that are seen valuable, or through the mandate and power that the organizational function postulates. Hence, the manager can influence the subsidiary behaviour through the combined use of managerial capabilities and power residing in control of information flows in the MNC network (Schotter & Beamish, 2011).

These three forces of power in the HQ-subsidary relationship are affecting the type of conflict and outcome of the conflict, resulting in either functional or dysfunctional conflicts. Dysfunctional conflicts within the organization have a negative effect on performance and are often characterized by centralization and high communication barriers. Whereas functional conflict behaviour in the decision making process might improve the MNCs performance. The functional conflicts are in contrast to the dysfunctional, more fact-based and focused on enhancing organizational cooperation through improving the interdepartmental interconnectedness, formalizing processes and procedures, removing communication barriers, and improvements of the team spirit throughout the organization (Schotter & Beamish, 2011).

However, other studies (Pahl & Roth, 1993; Jehn & Mannix, 2001) in the IB literature regarding intra-organizational conflicts have focused more on the issues triggering the conflict and divided them into three categories. First, relationship conflicts that are steaming from interpersonal differences in attitude and emotions that affects the working relationship and compatibility of the team. Scholars have argued that uncertainty, affiliation, and hostility resulting from relationship conflicts affect the performance and behaviour of the team members (Amason, 1996; Jehn, 1995; Pelled et al., 1999).

Second, task conflicts involves different opinion on the task and the task content at hand. Third, and final is process conflicts, which is connected to the allocation of resources and responsibilities. The conflict often arise as a result of disagreements of who does what and when group members due not perform duties as expected or agreed of. Scholars have a difficult time deciding if process conflicts influence the performance negative or positive. Kurtzberg and Mueller (2005) and Matsuo (2006) both agree that process conflicts are unfavourable to the performance team outcome like decreased perceptions of creativity, innovativeness, increased anger towards the group etc. On the contrary Jehn and Bendersky (2003) and Jehn and Mannix (2001) have found evidence of positive correlation between process conflict and increased performance. For example members of the group may ask more for help increasing the communication which make them allocate resources more effectively (Karn, 2008).

These are conflicts between two, or more, parties regarding how the tasks at hand are to be executed, how available resources are allocated, and delegation of duties and overall task responsibility. Jehn et al (1999), found that one of the main drivers behind the three different categories of conflicts were informational diversity, i.e. differences in knowledge base,

educational background and experience in the working relationship, due to that they failed to realize potential benefits that such differences might bring to the team. Therefore knowledge transfer constitutes a major stepping stone to avoid conflicts within MNCs (Loughry & Amason, 2014).

Throughout Schotter and Beamish (2011) study, they found that the subsidiary behaviour and potential initiative rejection are depending on these previous mentioned factors, as well as that individuals who possessed boundary spanning capabilities have vast effects on the conflict management and outcome.

2.5 Boundary Spanners

Schotter and Beamish (2011) acknowledge boundary spanners as individuals within the MNC that act like mediators combining the interest of the subsidiary and the HQ. In line with Schotter and Beamish, Petru et al (2015:666) define boundary spanners as “*organizational actors whose role it is to link two or more groups of people who are separated by location, hierarchy or function*”. In other words, boundary spanners are in the literature described as individuals who through personal traits and capabilities facilitates knowledge sharing, enable cooperation between different groups within the organization, and minimize potential perception gaps in the organization through multidirectional information flows, independent of hierarchical position and function level (Mudambi & Swift, 2009; Cross & Parker, 2004). Hence, their boundary spanning activities have seen to be capable of building transnational trust and relationship between departments in the HQ-subsiary context (Petru et al., 2015). However, Schotter and Beamish (2011) argue that in order to effectively function as facilitators and linkages builders, they need to understand how potential perception gaps within the MNC affect the organization, hence critical organizational knowledge and understanding of the different entities dual position is a necessity. In addition, these individuals draw from personal power rather than functional power in order to influence certain parts of the organization to reduce tension and draw potential dysfunctional outcomes towards a more focused task and process orientation in the negotiation. On the contrary, Ramajan et al (2010) argue how the high degree of dependence on personal relationships and informality could bring negative effects to the MNC. For example if common goals and institutional structures are lacking in a multi-organizational setting, work-related problems may occur where one group is perceived more important than the other. In these situations, the presence of the boundary spanner will be associated with these problems and therefore promote work-specific issues and rejections with the members of the MNC (Ramajan et al.,

2010). Finally, the authors found that organizations with individuals who had these capabilities and furthermore, strived for creating environments where boundary spanning activities were promoted, enjoyed higher organizational effectiveness in the intra-organizational interface (Schotter & Beamish, 2011).

2.6 Conceptual Framework

With the aim of investigating factors that affects subsidiary behaviour towards the HQ in the MNC context, the authors of the thesis suggest building a conceptual framework based on the aforementioned theories and concepts.

First, taking departure from the institutional view of the firm, which in this model mainly represent the external pressure that the subsidiary might strive to comply with (Meyer & Rowan, 1977, DiMaggio & Powell, 1983; Oliver, 1991;1997). Further, the institutional view also contributes with explanations why the subsidiary might not implement a practice due to structural inconsistency together with a two folded solution, e.g. logic of confidence and decoupling (Meyer & Rowan, 1977). Moreover, the institutional environments not only affect the behaviour of the subsidiary, also the HQ is affected by its local environment which affect the decisions taken which in extension forces the subsidiary to react.

Second, is the relational context between the HQ and the subsidiary, based on the work of Kostova and Roth (2002). The node of Relational context works both ways, as the actions taken by the subsidiary triggers a reaction at the HQ which affects the variables of trust, dependence, and identification, and vice-a-verse. Hence, represent one of the internal factors that affects subsidiary behaviour.

Third, is the communication and role of knowledge transfer between the parent and the sister organisation. As several researchers have found, increased knowledge flow between the HQ and subsidiary are likely to result in that the subsidiary act in line with the overall objectives of the organization and reduce the feeling of decentralization (Björkman, Barner-Rasmussen & Li, 2004; Blomqvist, 2012; Daniel, 2010). Hence, by study the role of knowledge transfer between individuals in the two entities one can possibly find potential factors that affect the subsidiary behaviour.

Fourth, Schotter and Beamish (2011) examine the possible roles and negotiation tactics that the subsidiary might undertake. Furthermore, this fourth node also entails the aspect of

functional and dysfunctional conflicts that might arise in the HQ-subsiidiary relation (Jehn et al., 1999).

The fifth and final node is the role of boundary spanners, whose role in the MNC recently have been identified in the academia (Petru et al., 2015; Mudambi & Swift, 2009). The boundary spanners have the possibility to affect not only the subsidiary behaviour per se, but also other internal aspects due to their position and flexibility within the MNC organisation (Schotter & Beamish, 2011).

3. Methodology

This Chapter has the purpose of explaining the methodology used to collect empirical evidence along with the techniques applied on the analysis and declaration of validity and reliability of the findings.

3.1 Research Approach

The purpose of the study is to further outline how subsidiary behaviour is affected by internal and external factors within an MNC, using the case of a handover process. The field of research has been partly exploited by scholars; however sourcing within purchasing divisions at two subsidiaries in the same organization has infrequently been examined. With the opportunity to observe two subsidiaries, the aim of the thesis is to complement existing literature with new perceptions and discoveries in the recognized field of IB literature. As the intention of the study is to clarify and seek deeper understanding within subsidiary behaviour by looking through a practice implemented by an MNC, a qualitative study is the most suitable choice. In addition, when conducting an explorative study Bryman and Bell (2011) recommend using a qualitative study in order to discover multiple sides of the question in focus. Considering the study covers numerous aspects such as personal interpretation of their own and others' behaviour, a qualitative case study was found most suitable in order to cover all perspectives discovered through interviews.

A qualitative method is used to answer to the question “why” and “how” by expanding the theory in the chosen field and are more allow the researcher to attack the problem from different angles. On the contrary, a quantitative research method uses empirical testing in order to question theories (Bryman & Bell, 2011). Furthermore, according to Ghauri and Gronhaug (2005) case study research is considered a research strategy when addressing convoluted business issues and is therefore difficult to study using a quantitative approach. As the study aims to answer why and how subsidiaries differ in their behaviour a qualitative method was chosen over a quantitative method approach. In addition, a qualitative approach allows alteration of the theory to empirical findings and the flexibility conserve the researcher to avoid drawing conclusions on already made assumptions from existing theory regarding subsidiary behaviour (Doz, 2011). Most research on subsidiary behaviour has focused on how the management of the subsidiary reacts towards initiatives executed by the headquarter office. As the individual behaviour is unique to the person and the outcome could differ

between each employee, a qualitative approach allows the authors to attain a more nuanced picture, as stated by Bryman and Bell (2011).

In the initial phase of the thesis, research regarding institutional theory was largely the focus giving rise to a broad framework for the investigated case. The intention of the conceptual framework was to create a solid ground for the authors to generate interview questions and increase understanding of the topic. Throughout interviews large amounts of new information was discovered which influenced the authors to change the original framework. As an example, little attention was placed on literature regarding boundary spanners within an MNC, however as a result of constant implications of individuals acting as bridges between the HQ and the subsidiary, the theoretical framework had to be adjusted. Dubios and Gadde (2002) would describe this approach as abductive, aiming to discover new factors such as novel relationships and other variables. The abductive approach is a mix of inductive and deductive reasoning giving rise to the opportunity to extend existing models or findings instead of only confirming well-known theory. Importantly, the abductive approach stresses theory development rather than inventing new models and theory. This is common due to the fact that the original framework is originally modified as a result of constant new findings of empirical evidence (Dubios & Gadde, 2002; Bryman & Bell, 2011). As the theory of subsidiary behaviour has been under investigation for several years, the thesis will most likely expand existing theories and combine literature from various areas.

3.2 Research Design

According to Bryman and Bell (2011), the research design outlines how the research is to be conducted and later analysed, by providing a framework for collection and analysis of data.

3.2.1 Case Study

Aiming to investigate internal and external factors that affect subsidiary behaviour, the choice of using a case study was made for several reasons. Firstly, as the phenomenon of subsidiary behaviour is a relative unknown research field, the purpose of this thesis is to deepen the understanding of it, by combining and developing existing theories (Yin, 2014). By using the case of Volvo Buses and its two subsidiaries purchasing departments, the case study becomes a representation of a bounded system, which enables us as the researchers to conduct an in-depth analysis of the phenomena at hand (Mirriam, 1998).

Secondly, by using the case study design, the complex surroundings and issues related to the two plants can be presented in a format that is somewhat easier to understand (Eriksson and

Kovaleinen, 2008). This allows the authors to investigate the highly complex topic of subsidiary behaviour in a graspable way. Also, as the researchers are not trying to evaluate or analyse the existing handover process, but the factors giving rise to it, it is important to observe subjective influences such as feelings and body language, which our choice of method enables (Bryman & Bell, 2011).

Thirdly, by using the format of case design, the authors are able to conduct a dual-case study, providing a better foundation for the analysis as both cases can be viewed in isolation and in comparison with each other (Bryman & Bell, 2011). Moreover, using several cases enhances the ability to generalize the outcome of the study and replicate the findings if other studies would be conducted (KBM Noor, 2008)

3.3 Research Unit

The authors find the case applicable and relevant for several reasons. To begin, a relatively new tool and organization structure had been implemented throughout the organization two years ago which made it close in time for several workers. Most employees had the implemented handover process fresh in mind, therefore large amount relevant information could be collected. Secondly, as the vehicle manufacturing industry is global, the company was preferable for analysing subsidiary behaviour. The plants examined experience both local responsiveness and global integration which is primarily in focus within the stated theory. Additionally, all plants received directions from the HQ in Gothenburg, meaning that the handover process originated from the same place. Third, initial communication with the management in charge of the sourcing and strategy buyers in Gothenburg was early established throughout the University of Gothenburg which further made the authors choose Volvo Buses as the research unit. Further, the subsidiaries were chosen as a result of the initial discussion with the manager who described the entities. The authors drew the conclusion that most variation existed between Poland and Mexico making it most suitable to answer how subsidiary behaviours differ from each other. This could be described as maximum variation mentioned by Merriam (1998), where the authors try to find the most extreme cases. This further leads to a higher degree of conceptual dense theories.

3.4 Data Collection Method

In this research, primary data was collected through semi-constructed interviews with key personnel at Volvo Buses in the HQ in Gothenburg and subsidiaries in Mexico City and Wroclaw. According to Creswell (2014) the collection process of information in qualitative research involves several approaches such as interviews, observations surveys, audio and visual materials, as well as gathering relevant documents. Moreover, in order to support the findings from primary data and achieve triangulation, information from secondary sources such as databases and company homepages has been gathered.

The semi-constructed interviews enhanced the possibility to ask relevant supplementary question that did not exist in the original questionnaire. Further Merriam (1998) stretches the flexibility the research has during the interviews due to semi-structured interviews. A total of 29 interviews were conducted in the three different plants (seven in Gothenburg, eleven in Mexico City, and eleven in Wroclaw), all interviews were executed face-to-face with some follow-up questions through email or phone. Before the interviews were performed an interview guide was developed centered on collected theories and the research question in focus. However, due to new findings during the interviews and an enhanced understanding of literature, the guide was successfully altered.

The interviews were recorded to furthest extent as possible in order to achieve the most accurate account achievable and not lose important data from the dialogues. However a few respondents preferred not to be recorded during the interview session due to privacy reasons. Before the interview session all respondents were granted anonymity. This was only considered an issue in Poland where four respondents preferred not to be recorded. In these cases, one of the researchers was more focused on taking notes while the other acted as an interviewee. In addition, all data was treated confidentially in order to secure the privacy of respondents.

3.4.1 Interviewee Selection and Interview Protocol

With regards to finding appropriate candidates to interview, the method of snowball sampling was used (Bryman & Bell, 2011). In other words, initial contact was taken with the strategic sourcing and purchasing managers of Volvo Buses who introduced the authors to each senior manager at respective plants abroad and the local sourcing buyers in Gothenburg. As a result, contact information for every purchasing and operation buyer was provided, enabling the

authors to make their own selection of respondents. Each person interviewed had been working with the process between two months to two years and was connected to the HoTo process in focus. Moreover, in total 29 interviews were conducted between 45-90 minutes from the 19 of February to 2 of April. The interviews were held in small separate meeting rooms in their respective offices except for respondent AD who was interviewed through Skype. According to Bryman and Bell (2011) it is common that respondents prefer to be anonymous. In these cases, the interview session should be adjusted in order to fit the respondent. A total of 256 pages were transcribed from the interviews.

3.4.2 Interview process

All interviews were held in English or Swedish. Considering neither Mexico nor Poland has English or Swedish as their native language, some language difficulties were observed during the interviews. However the international presence of Volvo Buses and English as the company's language facilitated communication. Occasionally, some expressions or words had to be clarified during the interviews; otherwise little complications due to lack of language skills occurred. Both researchers were also well aware of not losing richness when translating the Swedish interviews to English thus paid close attention to details and accuracy. In addition, the authors transcribed all interviews within 48 hours in order to retain details and impressions from the interviews.

Moreover, the interview guide used was translated into Swedish and English. In doing so, it is vital to be doing so with care so no details are lost along the way. Surely language skills and capability of the interviewees had an effect on the interpretation of the questions and the answers; however the authors always had informal conversations in the beginning of the interviews in order to make the respondents feel as comfortable as possible. As a result, eight interviews were conducted in Swedish and twenty-one were conducted in English.

Furthermore, the questions were divided into different categories; 1) Describing their current position in the company and how many years they have worked at Volvo Buses 2) Questions on the perception of their role and of the sourcing buyer, the relationship between different divisions, and what factors have affected the relationship 3) Communication difficulties during the handover process and reorganisation 4) their overall experience with the HoTo initiative. As mentioned, a semi-structured approach was used, allowing the researchers to gain insights and information from the answer, allowing the researchers to be flexible to not

always stick to the proposed interview guide and instead expounded into interesting themes introduced by the respondent. All interview questions are elucidated in Appendix 1.

3.4.3 Secondary Data

In order to create triangulation with the empirical findings, secondary data was collected through the home website of Volvo Buses, relevant literature, journal articles and books (Yin, 2009). According to Stewart and Kamins (1993) secondary sources are a less expensive and time-consuming way to collect data when the case is complex. Considering the time limit and the size of the case we found that secondary sources from Volvo were vital to reach the desired result and could not be ignored. In addition, answering the research question stated, primary research is needed. However, secondary data has been recognized as necessary to identify questions and means required to solve the case (Stewart & Kamins, 1993). As we used an abductive approach secondary data was collected prior to the interviews.

3.5 Data Analysis

Shortly after the interview each session was transcribed word-by-word in order to allow a thorough examination further in the process and enhance the transferability of the paper. For those respondents who chose not to be recorded, a summary of the interviews was conducted immediately after the interview in order to not lose necessary data. In addition, throughout the interviews data was collected and analysed simultaneously with the intention of developing theories while building the case (Ghauri, 2004). Finally, if clarification of material was needed, respondents were contacted to avoid confusions.

Furthermore, after each interview the content was summarized and main points were highlighted, as suggested by Merriam (2009). However, the authors compared all the interviews with the theoretical framework to acquire an accurate analysis and triangulation as possible to keep the interview guide updated. Worth mentioning is that not all data stated in the study provided further depth or understanding regarding the research question; however, it was included in the report to contextualise the case and provide a better overview to the reader.

Additionally, Bryman and Bell (2011) discuss how qualitative research methods are connected to thematic analysis. In short terms, questions could be divided into different groups with unique themes. This is seen as a type of coding in qualitative methods defining

the themes analysed in the paper (Bryman & Bell, 2011). The conceptual framework created worked as a stepping stone to build the questions asked to the respondents. Exceptions were made with regards to the question touching the theme of boundary spanners, which were added afterwards considering the answer gathered from the respondents.

Thus, the authors coded the questions and divided them into categories based on themes. For example, questions regarding communication were grouped and classified as “communication”. In addition some words that commonly were recognized by the respondents were grouped into themes connected to each other. Not many respondents mentioned the word “resistance”, however several discussed the theme using expressions like “refusing” and “avoidance” which were coded as resistance based on literature studied. Some themes were later integrated into each other and further analysed (Tenzer & Pudelko, 2013). This provided a comprehensive overview considering no electronic data analysis tools were used to investigate the result.

3.6 Reliability and Validity

Bryman and Bell (2011) emphasize the importance of validity and reliability in qualitative studies to enhance the findings. LeCompte and Goetz (1982) further elaborated expressions by dividing them into internal and external validity and internal and external reliability. Other such as Guba and Lincoln (1994) suggest an alternative way of assessing a qualitative study i.e. *trustworthiness* and *authenticity*. Trustworthiness consists of credibility, transferability, dependability and confirmability.

According to LeCompte and Goetz (1982) internal validity is achieved if it is a good match between observations and the theoretical ideas developed. In this case, to assure internal validity, the authors have continuously examined the empirical findings and critically questioned the proposed analysis. Additionally, the researchers have occasionally gone back to the respondent to secure statements made during the interview to enhance credibility. The authors further argue that it is hard to attain external validity when using a case study in order to be able to generalise the result. Instead the authors have tried to increase the transferability by adding a chapter firmly describing the settings and the environment of the case. Nevertheless, Tsang (2014) claims that when using a case study it is easier to explore and define mechanisms that generalise a pattern, more so than with a quantitative study. However, the authors believe that due to the anonymity of respondents and subjective

interpretation of the questions, it will be hard to generalize the result generated from this study.

Moreover, consistent with the thought of Merriam (2009) a number of measures (interviews, home web page, secondary data etc.) have been taken to triangulate the data and increase the internal validity. Also, a number of interviews have been done with people occupying different positions within the company to avoid a one-sided-perspective of the issue observed.

Further, to secure internal reliability the authors have constantly worked as a team discussing our observations between each other (LeCompte & Goetz, 1982). Thus, the authors have been able to avoid a subject standpoint and contribute with objective thoughts and reflections. However as Bryman and Bell (2011) describes, it is hard to assure reliability due to the difficulties of replicating the case. Considering the usage of a semi-constructed approach, questions have been asked outside of the interview guide that makes it even harder to mimic the case-study. Thus, we argue that this method was necessary to gain the most information possible and not steer the respondent in any one direction. Finally the authors have tried to describe all steps taken during the process to secure reliability to the furthest extent possible.

4. Background of the case of HoTo and Volvo Buses

This chapter is intended to provide the reader with further understanding and background of the case and Volvo Buses. A presentation of the subsidiaries, HQ and the Handover and Takeover (HoTo) process is given and described. Further this section aims to offer a context to the analysis and empirical findings find in subsequent chapters.

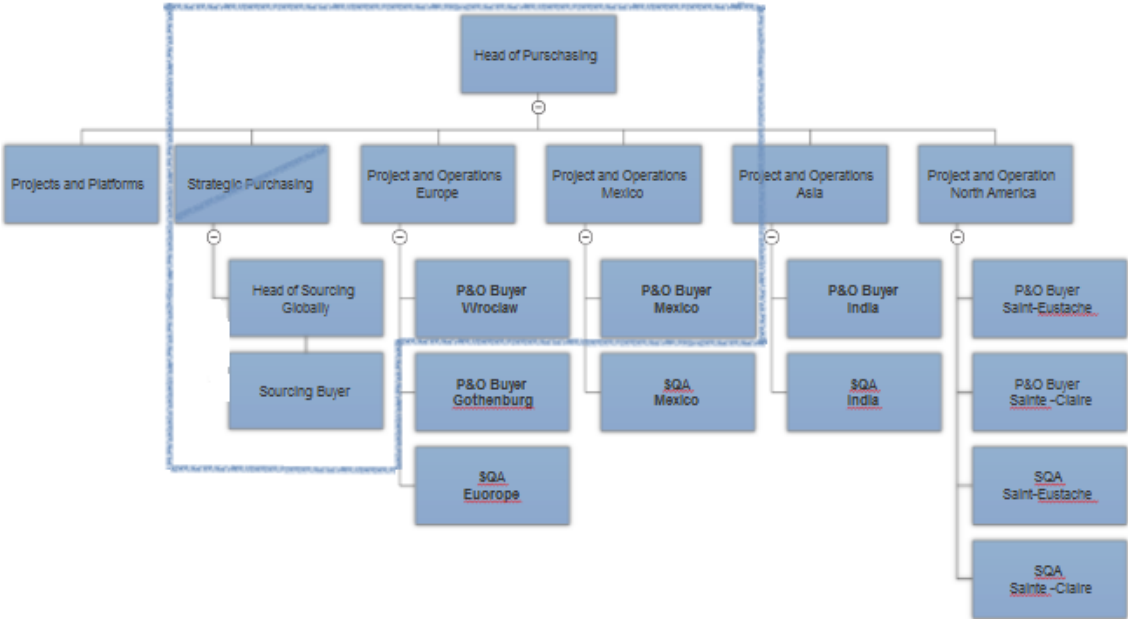
Volvo Buses is a part of Volvo Group that is globally recognized its reputation of always providing the highest quality with a constant focus on the environmental impact. Volvo Buses is a world leading producer of buses, manufacturing approximately 10 000 vehicles a year. With a global service network Volvo Buses is active in more than 140 countries (Volvo Buses, 2016a). Instead of trying to compete on low prices Volvo Buses has positioned them in the high-end segment focusing more on customer adaptation than standardisation. In May 2014 the sourcing and purchasing department experienced reorganization where one position was split into two roles, namely Strategy and Sourcing buyer (S&S), and Purchasing and Operation buyers (P&O). The sourcing buyer would seek globally for new suppliers while the P&O would act on a local scale taking care of the supplier identified, negotiated with, and handed over by the S&S. The S&S has their office at the HQ in Gothenburg and have contact with all plants on a global scale. The corporate HQ has the responsibility to coordinate activities, which are later presented to the subsidiaries where most of the P&O buyers are situated (Respondent AD).

Keeping this in mind, the company is rather centralized were initiatives from the subsidiary is frequently questioned. Therefore, the description of a typical subsidiary is in line with the structure of Volvo Buses. Surely the P&O buyer has the freedom to search for own supplier and present them to the HQ, however this is rarely done and the HQ does always have the final decision (Respondent AB). The subsidiaries observed, where the P&Os are located, are situated in Mexico and in Poland. Both plants have an appointed manager who is in charge of reporting to the HQ and making sure targets are being met. All managers worldwide frequently interact through workshops, Skype meetings and e-mail to discuss and learn common difficulties and directives from the HQ. Worth mentioning is that the managers in

focus are mainly native-Swedish. Furthermore, each plant consists of P&O buyers and 1-2 local sourcing buyers. The local sourcing buyers do occasionally visit the HQ for educational purposes.

Figure 2. Organizational chart over Volvo Buses Purchasing Department

Source: Volvo Buses, Compiled by Authors



The Handover and Takeover (HoTo) process is the procedure when the sourcing buyer initiates a sourcing case looking for suppliers to provide with a certain article for the production. When a match is done between one supplier and article the case must be approved by one committee before the case can be moved towards the purchase and operation buyer in respective country. In order to do so a new digital tool, namely the HoTo-tool, was introduced in 2014 where the sourcing buyer was to fill in certain information criteria's before handing over the case. The tool is supposed to cover data regarding price, quantity, selected supplier etc., and serve as a digital storage in order to provide traceability if needed. When the HoTo-tool is received the P&O should have all information needed to take over the case while the sourcing buyer would focus on a new sourcing case. However the purpose of the HoTo-tool is far from implemented, hence many teams (P&O and S&S buyers) ignore the tool and instead use other communication channel.

This process was inspired by the company Volvo Trucks, which in 2013 changed their organization similar to the structure of S&S and P&O. In contrast, the role of P&O was divided into one role being in charge of projects and one of operational work. This was made possible due to the availability of resources by trucks, which has a turnover ten times as big as Volvo Buses.

Figure 3. Handover between S&S and P&O

Source: Volvo Buses, Compiled by Authors



5. Empirical Findings

In stated chapter the data collected at the plants in Poland, Mexico and Sweden is presented. This section is divided into two parts describing the two subsidiaries with viewpoints stated by the sourcing buyers in order to provide a headquarter perspective and the project and operation buyers to provide the viewpoint of each subsidiary.

5.1 Poland

Volvo Buses has been manufacturing buses in Wroclaw, Poland, since 1996 when the new factory was inaugurated. The facility was intended to serve the European market with city and intercity buses together with the Swedish factory in Säfte. In 2013 Volvo chose to concentrate only on the production of buses to the Polish factory, mainly due to weak market developments and tough competition in the European market, by focusing all production in the four times larger plant in Poland. Volvo Buses expected to achieve the economies of scale that are essential in order to tackle the increasingly tough competition on the market. A year after the relocation of their manufacturing activities from Säfte, Volvo initiated an organizational change in their purchasing structure; in connection with that Volvo also started a new coach project for intercity buses, directed towards the European market. Furthermore, the purchasing department consists of eleven purchase and operation buyers, one sourcing buyer, one plant manager and one purchasing manager. The factory has a production capacity of approximately 3000 buses per year and employ over 1500 workers (Volvo Buses, 2016b).

5.1.1 The Role of Understanding Differences

Acting in a global environment where local demands need to be met some difficulties were observed in the plant of Poland. One such difficulty was a sense of disappointment with the sourcing buyers, which was perceived with regards to the lack of understanding of each other's situation, this nurtured an irritation among the group. However the group did not show their obstruction and mostly did what they were asked. Almost all P&O buyers stated their concerns that few of the sourcing buyers realized the true conditions in Poland and the pressure from the local plant as illustrated by Respondent M:

"Sometimes the sourcing buyers behave as they are on a desert Island. They do their job but they don't want to know how their work is impacting P&Os, organization, and the plant and therefore they do not show any understanding for our site"

Moreover, in some cases all the necessary information had not been communicated all at once from the HQ in order to perform their tasks. If all the information with respect to strategy and forecast were communicated immediately a bridge would most likely be created, enhancing the Polish position in the global network due to more enlightenment among the workers as Respondent R explains this by statement:

"For example, if the Sourcing Buyer would talk with us regarding which suppliers that they are looking into and the strategy much earlier, then it would be easier for us to cope with both supplier demands and the demands from the headquarter. This would further strengthen our cooperation"

In addition, with the high level of global integration, several of the respondents believed that the sourcing buyers have too global a perspective with a focus on the broad picture, while they occasionally tended to forget the local demand. Therefore the P&O buyers are trying to promote local suppliers instead rejecting some of the information transferred by the HQ, Interviewee N encourages this by following statement:

"Looking at the tool of HoTo 1 considers that it does not work at all, details are missing or are not relevant to the P&O. One reason could be that the sourcing buyer has a global perspective with focus on a larger scale while P&Os has a more local perspective and therefore details may differ and are sometimes forgotten by the sourcing buyer. I try to questioning the decisions by suggesting local suppliers but few listen."

From the sourcing buyers point of view, the Polish plant has an outdated mind-set, ignoring the global perspective linked to other parameters such as the logistic connection to the supplier or the quality required by the Headquarter etc. only focusing on price per unit. The explanation could be found in the previous manager who constantly promoted such mentally and the indirect hierarchy present in the organization, as described by respondent AD.

"It seems like they are locked into an old mind-set regarding purchasing where the price of the article is the only thing in focus. This makes it hard to develop strategies that consider other factors such as quality or working with a desired supplier. This mind-set has mostly its foundation in the old manager who was only fixated on the price of the article."

5.1.2 The Role of Hierarchical Structures

In the beginning of the reorganization, the role as a sourcing buyer was perceived as being much more desirable due to the freedom of work, the fact that one was not linked to the plant as the P&O buyers and the role seemed more powerful. A general desire was observed, to be a sourcing buyer, only two were selected, as illustrated by Respondent R:

"Most people wanted to be sourcing buyers because it is about supplier selection, giving out business soon it seemed to be a much more responsible role and it seems like the sourcing buyers is more powerful has more power to handle the business and say yes or no and it also more independent and disconnected from the plant. We don't really know why and how the sourcing buyers were selected."

The feeling towards the reorganization was also collared by disappointment about the location of responsibilities considering some tasks were hard to perform due to a lack of power. The outcome of the split was not according to the description of the roles and therefore an indirect hierarchy was created, emphasized here by Respondent S:

"People were disappointed with the split for various reasons. First of, we were told that S&S would hand over a package with all the information and that we just had to pick it up and follow the instructions and keep the relations with the suppliers, but on the other hand there was some other demands put on us. But how are we going to do that without the power to do that? The power was in the hands of the S&S so we looked up to them."

Overall since the reorganization power has been taken away from the P&Os compared to the previous setup. This was rather frustrating considering the expertise several of the P&Os attain in each specific market, but few of the S&S actually listened to the suggestions by the P&O. Without the power, many felt less vigorous, especially towards the suppliers, illustrated here by Respondent S:

"I definitely have some limitations because I cannot negotiate the price as you could do before with the suppliers. In some cases the sourcing buyer should listen to me due to my long experience in the field, even though I know it is his responsibility and job."

On the contrary, even though it was a tangible presence of a hierarchical model, the lines have slowly begun to blur and the roles increasingly considered to be of the same level. However the lack of transparency of what each roles responsibility consists of continues to inhibit this transaction.

What is more, connected to the sourcing process, when a new sourcing case was presented everything was required to go through the SSC and/or SSG in order to be approved. In these meetings and discussions only the plant managers and one of the sourcing buyers (active with the case) attended. In theory, the sourcing buyer should involve the P&O at an early stage, however this was not always the case quoted by Respondent Q:

"When a sourcing case starts it has to go through SSG or the SSC, I think I should be involved during this stage however I am not included to the extent necessary. If I would constantly be a participant, it would be easier to fulfil my KPI: s and it would encourage the team spirit"

5.1.3 The role of Management

The purchasing manager of Poland had been stationed at the plant for approximately 18 months. He is a Swedish native with several years of experience within Volvo Buses, but was not present as part of the implementation of the HoTo-tool. Since he entered the plant in Poland, an overall impression was that the hierarchy between sourcing buyers and purchasing buyers has been eliminated into a more flat organization. Respondent P embodies this by following statement:

"Since the new manager arrived I have noticed that the hierarchy levels have been partly erased. He has encourage communication both ways which I believe has enhanced the mind-set of many"

On the contrary, occasionally some respondents experienced that the management gave little response to suggested improvements, especially with regards to suggestions of new suppliers. Respondent O highlights this by:

"Further, in cases where P&O see potential that agreements could have been rearranged in order to get a better deal for Volvo, little effort has been done by the S&S and management. It feels like the management don't listen to us at all."

In addition, little attempt had been proposed by the management to secure the usage of the HoTo-tool among the employees. Almost no pressure from the sourcing buyers nor the management, was observed. On the contrary, everyone was aware of the fact that one should use the HoTo but believed it was not their responsibility to initiate the process; instead this was the duty of the sourcing buyer, as underlined by Respondent Q:

“In the beginning my sourcing buyer tried to send me information via HoTo but he couldn’t do it. So therefore we always do the HoTo process via e-mail or Skype meeting. The problem seems to be at the sourcing side and not here because they should do it (...). No one has ever forced me to use the HoTo, I know the manager have talked about it, but no measures have been implied.”

However, it was clear that the management had a picture of what negative effects the HoTo-tool had on the operation, such as information losses and a lower level of knowledge base. The idea of the HoTo-tool was to encourage a clean cut between the buyers, as well as a tool to store vital information in order to create a knowledge platform. Unfortunately this has not always been the case, even though there have been several attempts of introducing the HoTo as the only tool that should be used, however without success, as presented by Respondent L.

“Initially everything was very clear and everyone in each plant was supposed to use the HoTo process after a set date. However, for some reason this did not occur. I believe it has its foundation that everyone needs to have the same guidelines. (...) Unfortunately since the HoTo process was introduced I have recognized information gaps and a decreased knowledge stock.”

The current manager believes in HoTo but also in the communication connected, that is of major focus in the company. This is a major change considering that the previous manager only focused on price and did not take into consideration the rest of the affair. Today the current manager works strictly to enhance the communication and broaden the perspective of the business.

5.1.4 Dependence in the MNC Context

“Right. If we have price agreement, signed by S&S, for the next three years with the supplier, but in my role description it says that I should negotiate more on top of the already signed agreement to get more. But when I go to the supplier to negotiate more with them they only say that this was agreed upon with the S&S and Poof, my power is gone! (...) But I know that this is not always the case, for example a colleague of mine has a really good relationship with her suppliers because they have worked together for a long time”

As described above by Respondent S, the suppliers did change their attitude towards the P&Os after the split. Since it is mostly the sourcing buyers who make the final decision, suppliers have shifted attention away from the P&Os with more focus on the S&S.

Unfortunately this has resulted in several cases where the P&O felt powerless and had to use the S&S in order to get response from the supplier, and in some cases the supplier has even played them out against each other, for example with regards to set agreements. Certainly previous experience, years in the business and knowledge of the segments affected the position of the P&Os towards the suppliers.

In line with the above statement, according to several of the respondents, it was difficult to achieve stated goals because they do not acquire the proper tools to do so and no strategies had been properly communicated to them. Instead, much could only be done by the sourcing buyer which has left the P&Os with the feeling of helplessness towards the objectives and dependent on the sourcing buyer. Respondent N illustrated these difficulties:

“Again I emphasize that the goals that have to be achieved by the P&O are sometimes hard to reach because they lack the necessary tools. Instead S&S have the tools but do not have the goals. With that kept in mind I feel quit dependent on the S&S with regards to some tasks such as it is the responsibility of the purchase and operation buyer to reduce costs linked to the supplier, however the sourcing buyers are the once having the tools to negotiate with them”

Still the sourcing buyers are dependent on the segment specific knowledge that many of the P&Os possess. The new S&S's especially, have restricted information within some areas and are more or less guided completely by the P&Os in Poland. A desire for more interaction with suppliers and purchase buyers was noticed among the sourcing buyer to become experts.

5.1.5 Trust in the MNC Context

All in all, trust was a big issue among the employees with regards to the selection of new suppliers. One of the main objectives after the reorganization for the sourcing buyers was to explore new potential suppliers. However, since the split, the list of suppliers had barely changed which prompted a feeling of frustration and lack of trust towards the sourcing buyers. In addition no strategies of visions was communicated to the purchase and operation buyers, which made the P&Os rather sceptical towards the decisions taken. Respondent N explains this in the following statement:

“One irritation factor is that for the last two years it is still the same suppliers and few have been changed. After the new restructure of the organization the S&S should have found new suppliers to work with. Unluckily, today little has changed and almost 95 per cent of the old

suppliers are still in use and few new suppliers have been introduced. Therefore I have lost a lot of trust in the supplier and his work”

On the positive side, the cases where the collaboration and the HoTo-tool was used the most, a lot of trust was recognized. These samples were collared by high communication and previous interaction with the sourcing buyer. Respondent N strengthens this argument:

“Before I had met my sourcing buyer the communication was very poor and I didn’t put too much trust in him. However after he had visited the plant and long discussions I further understood his decisions and started to trust his actions. The relationship between us only grew stronger from this visit and a trust was built... This has further helped us delimiting the grey zones”

As stated above, grey zones are not always perceived as something negative. Instead the sourcing buyers preferred the liberty to not always act by the guidelines in certain situation. However some cases were still seen as very clearly as being under the responsibility of the purchase buyer and vice a versa. Both Respondent AC and W were very frustrated over one situation:

“If one article from one supplier is shortened into smaller pieces, it has a new article number. In this case the P&O buyers want to start a new sourcing case and therefore accord it back to the sourcing buyer, but there's no added value in this and should not be seen as a new sourcing case”

Finally, little trust in the system such as the HoTo was acknowledged. A reason behind the lack of confidence is explained by the introduction of the tool, where many functions did not work as expected, hence people began to use their previous work pattern in order to solve the cases. Still today the HoTo-tool is not seen as fully developed and there is a high reliance on sending e-mails and using excel files, as exemplified by Respondent P:

“In the beginning I tried to use the HoTo-tool without success. I could not upload files and attach all necessary information to it. It did not work at all. This made me rely more on sending e-mails and the old system which I am using today.”

Knowledge of the segments was proven to be a vital factor in order to know what type and amount of information that should be transferred from the sourcing buyer to the purchase and operation buyer. This in turn was noticed as a trust builder but also the relationship

strengthened. However, occasionally the P&Os did receive irrelevant or too little information from the S&S to close the case which resulted in time lost to unnecessary communication between the two parties as described by Respondent Q:

“The success factor for a good team is the knowledge stock of the sourcing buyer, and our of course. When my sourcing buyers have showed me great knowledge within the segments I trust his decisions in the future, which makes me not go back to and ask for more information from him. Unfortunately sometimes the information is not what I need which complicates my daily work”

One respondent also experienced that the sourcing buyers used the argument of "lacking knowledge" in order to escape tasks or obligation.

5.1.6 Willingness in the MNC Context

With regards to grey zones it was important to understand that neither of the S&S nor the P&O had a clear vision of how to tackle such situations. Instead, a characteristic that showed that they are willing to make an extra effort was proven to help the employees to overcome difficulties where responsibilities were vaguely described. It was obvious that many would be prepared to take a step outside the responsibilities of the roles if the counterpart showed the same enthusiasm. Respondent N speaks freely about it:

“Finally the success factors outlined are mostly connected to willingness to take that extra mile, if you feel that someone does that for you then you want to do the same for that person. The word trust then comes into the picture which is vital with regards to the grey zones”.

On the positive side the sourcing buyers had several times showed signs of willingness to a certain extent. However it was questionable if the attempts were of preference and if the P&Os in reality wanted to see more efforts from the HQ, illustrated by Respondent Q:

“My sourcing buyer helps me when I ask for it however it is a difference of helping out and solving the case. I would like more help sometimes, this would also make me want to help him more.”

5.1.7 Implementation of the New Global Practise

When Volvo initiated the change in their sourcing organization they also launched a couple of training sessions for the local employees at the purchasing department in Poland. During these training sessions the employees were introduced to two important tools, ‘the Sourcing Plan’ and the HoTo-tool, according to one of the managers, furthermore, the employees got an overview on how the organization was intended to work and an explanation of its origin. However, the implementation were inadequately executed by the HQ, as illustrated here by Respondent T:

“We got training but it looked more like a presentation about how to use the new tool. The people that came here to train us couldn’t answer our questions and they didn’t know how to use it. However, the tool didn’t work as it was supposed to, so it was hard to tell if it was a presentation of an unfinished product, or if it was the full education.”

One of the exploitation answers as to why the tool was not well received was explained by the fact that the tool itself was created for a much larger organization such as Volvo Trucks where three roles existed instead of two: project, operations and sourcing buyer. Also little effort had been made to introduce the HoTo-tool to new project and operation buyers who entered the organization after the first training session.

5.1.8 The Perceived Roles & Responsibilities

As mentioned above, there have been difficulties about the notion of the responsibility distribution in the sourcing process. Some of the P&O-S&S teams had individual stated responsibilities between each other. Other teams and the local management in particular, perceived that the responsibilities had been clearly stated and communicated throughout the organization through a guideline that the employees could refer to. However, in several cases the role descriptions were not well known, as supported by Interviewee N statement:

“Since the responsibilities are not clearly defined, grey zones appear and sometimes it is hard to know who should take the decisions. (...) there are continues misunderstandings between P&O and S&S of who is doing what, and at which moment are they doing it?”

Nevertheless, the grey zones mentioned by Respondent N, are very much related to the task of negotiation with the suppliers after which the handover has been completed. These negotiations are often regarding changes in terms of quantity, or other issues that have or have

not been specified in the agreement between the S&S buyer and the supplier. Illustrated by Respondent O:

“(...) the division of responsibility is very clear, but due to this the support from sourcing buyers when difficulties arise are almost non existing. By example in cases where the price has changed from the agreement with the S&S, I would like more support because S&S has the right tools and power to do it with regards to negotiation.”

Moreover, in some cases the role descriptions state that there is a joint responsibility over some areas between the buyers, which have further fuelled the problem in the grey areas. In many cases the P&Os have perceived that much has often been pushed on their table instead of solving the issue together, as described by Respondent T:

"Ask each buyer, on both sides, what the problem is in each segment so that the role description is clear. As it is now, the role descriptions are stating that it's a joint responsibility over some areas which fuels the problem"

Additionally, the level of support that the P&O buyers receive from the S&S department seems to vary, as stated by Respondent Q:

“(...) but mostly we need to go back to these issues again even though it seems that the sourcing buyer don't want us to go back. Mostly he helps, but it is a huge difference of helping out and not taking the issue again. I feel that he should take on the issue again, because many times the problem is actually related to the S&S buyer responsibilities and not ours. This is not always the case because it depends on which sourcing buyer I am working with.”

Still the Polish plant has proven to be strict with the responsibility deviation in the eyes of some sourcing buyers, which has led to occasional rejection of some tasks. One can easily sense the need from Poland to have clarified responsibility descriptions according to Respondent X:

“I have probably encountered more resistance from Poland. With resistance, with regards to the handover, I see tendencies that they reject tasks because they believe it is our responsibility as SS and grasp the problems because we are the ones who have chosen supplier.”

5.1.9 The Role of Relationships

Problems with the handover process are mainly related to two factors: First, the complexity of the segments in regards to customization or standards parts which decide if and/or when the P&O buyer should be included in the sourcing process. Secondly, the factor that seemed to have the greatest impact were the relationship between the P&O and the S&S. The relationship between the buyers vary much between the different teams, the affect on the outcome is showed here by Respondent S:

“I have a very good relationship with my sourcing buyer. We discuss the potential suppliers often, before and during the negotiations as well as before the Handover and listen to each other’s feedback. (...) We really work as a team; we discuss with each other before we meet the supplier, so that we are on the same side if there is an issue, and often meet the supplier together. However I do have colleagues where the relationship is not as strong and I observe several problems in theory group just related to personal chemistry.”

However, several of the P&O buyers state that a good relationship is important, yet it is worthless if the information in the handover they receive is not correct. As Respondent O present the issue:

“(...) the S&S buyer that I work best with is the one that I never have meet, we have a meeting once a month and support the case with an e-mail with ALL the information that I need in order to take over the case. With the other two its totally different. We communicate frequently and I often need additional information because their work is poorly done. As a result we communicate due to difficulties.”

Furthermore, it is well known that there is a lack of communication regarding the activities and strategies behind their actions, which are partly hindering the cooperation between departments. Yet, this is viewed upon as an individual question of how much communication is needed and wanted within the team. Nonetheless, as one of the local managers puts it:

“We have to improve communication, but we can’t force everyone to be communicative, nor have regular meetings between both functions. For instance mail as a last option, meet face to face or call are preferred, but use mail as a last option. This is their foundation to build good relationships. But we know we can’t force them and that it is up to individuals” (Respondent M)

Finally small difference was noticed between the subsidiaries with regards to roles and responsibilities. Instead one could observe that the individual relationships are of importance, and not too much of the country one operates within, hence constitutes a decisive factor of the outcome with the handover as illustrated by Respondent AD:

“The country that P&O heritage from does not affect the relationship nor the attitude towards the HoTo-process, it's more the person that's deciding the outcome. Some people think the same, than I dare to hand over strategic tasks, others say yes and you know that the project could end up anywhere because they feel they finally have the time to add influence”.

5.1.10 The Role of Communication

A majority of the important information is transferred through e-mails and supported by phone calls or Skype meetings (depending on the urge to receive an answer). The tool is perceived to be a good tool for transformation of formal communication, important for enabling traceability and storage of information flows and knowledge. Nevertheless, a minority of the P&O buyers ever receives one, nor sends one to the S&S buyers, due to the general perception that the tool are too time consuming, and do not fill the required needs in the correspondence between the buyers to be useful. As Respondent Q describe the situation below:

“When we communicate I prefers phone before e-mails due to the time of response. Sometimes also Skype-meetings are a preferred choice. However due to too much workload there is little time to communicate and therefore choose to do things by themselves. There is no room to make the HoTo. And I am not sure it even works when handling customized articles as we do, therefore useless for us”

Nevertheless, the lack of communication was a fact and some attempts had been introduced such as weekly meetings in order to target the issue. However this seemed more like an abstract desire than real long-lasting actions. Today it is still a huge demand of increased communication but little was actually done.

"Unfortunately we do not always have time to communicate, mainly due to the new bus project. Communication is very much needed, even though some people ignore the obvious fact. (...). there is a lot of problem especially due to the fact that many people are very busy and it is hard to book meetings. Also some problems are connected to personal traits."

As described by Respondent Q, the lack of time for communication seems to be one issue that complicates matters. Another important factor that Q brings up is that not all of the buyers are too comfortable with the English language and prefers to speak Polish. However, the Swedish plant manager describes a cultural aspect in regards to communication barriers:

"In Sweden we always starts a conversation with asking one another how things are going and other soft topics before getting into business. However, the Polish people are quite the opposite, right to the topic and maybe after that you can go in to softer topics."

The sourcing buyers also admit that communication is preferred through e-mail or Skype meetings. In teams where the communication and collaboration worked the best monthly Skype-meetings were the key drivers were the P&O buyer and the sourcing buyers had discussions regarding the activities. In some groups where monthly meetings had not been prioritized vital information has gone lost and the result of the entire business has been affected negative. Respondent AD exemplify this by following statement:

"For example my result was highly affected when I lost contact with a supplier in Poland who only communicated with the P&O, with no information transferred to me. If we had our weekly meetings, this would had been avoided and come up earlier"

What was proven to be most effectual in order to enhance the communication was the possibility to physically interact within the teams. The ultimate situation would be if you were positioned next to each other so communication tools would be replaced by informal talks and discussion. However this is not always possible but considering the proximity to Sweden many of the P&O buyers in Poland had met their sourcing buyer. After such interaction a richer and more informative communication was noticed on a more frequent base, which Respondent AC explains:

"Last time we took them out for dinner in Poland and met for the first time. Ever since then the communication has improved, but I believe one more visit should be in need to optimize the relationship"

5.2 Mexico

Volvo Buses has been manufacturing Buses in Mexico since 1998 with focus on the Mexican and North American market. A big milestone of the Mexican plant was in 1998 when Volvo Buses acquired MASA, at that time the leading manufacturer of buses giving them largely enhanced their position in the Mexican market. In previous years the plant's main concern has been the production of coach buses and little attention has been put on the manufacturing of city buses. However, in recent years two large city-bus projects has been initiated at the plant, which has consequently brought new strategies to the Mexican site. Looking further into the purchase the department, the management position has recently in 2016 been replaced by an interim executive appointed by the Headquarter. Previously the management was run by a native Mexican with much focus on "Cost reduction" while the current manager is of Swedish heritage with much effort of increase the communication between the subsidiary of Mexico and the Headquarter in Sweden. Furthermore, the purchasing department consists of seven purchase and operation buyers, two project leaders, two sourcing buyers, one plant manager and, as mentioned, one purchasing manager. Both of the sourcing buyers are relatively new and no one was appointed the role as a sourcing buyer directly after the split. Overall the plant is producing approximately 1100 buses a year and employs more than 2550 workers (Volvo Buses, 2016c).

5.2.1 The Role of Understanding of differences

The centralization of the global sourcing activates contributed to a need for more unity between the HQ and the subsidiaries activities, as the collaboration and more importantly the mutual understanding between the HQ and the Mexican subsidiary were limited during the pre-organizational set-up, due to the decentralized organization. All the manufacturing sites had their own purchasing department, responsible for their own tasks, which provided a high level of freedom to the subsidiary. However, due to the new configuration of tasks that the split brought with it in order to achieve benefits of scale to the organization, the freedom of all subsidiaries decreased, according to one of the managers:

"Not the same we were having only strategy for certain segments which we knew about, like global contacts. We had more of guidelines that we had to follow. Then we had more freedom to decide over the plant. We don't have the same freedom now; I am not saying that this freedom is good, but sometimes." (Respondent A)

As described by both the P&O buyers and the managers in the Mexican plant, the split did not only divide the tasks and responsibilities, it also made them aware of how little they did understand each other's situation. Most of the interviewees in Mexico expressed their disappointment of lack of understanding from the sourcing buyers in Sweden towards their situation at the plant. Statement by Respondent C:

"I do not know either what they do or if they know what we are doing here in Mexico. It feels like they have no real picture of what is going on here at the plant"

Furthermore they sensed that the sourcing buyers do not experience from the same pressure as the P&Os with the plants pushing them every day. Everything has to be solved quickly because the factory is screaming for fast solutions. Before the re-organization they felt that they had more freedom to solve these issues by themselves compared to the current situation. This has also given rise to avoidance of following some standard procedure because the issue in focus has to be solved immediately so there is little time to do the administrative job concerning the case. Respondent I exemplifies this by following statement:

"They do not have the same pressure on them. If they have any problems or have to fix something, then they can fix it tomorrow or the day after that, or a week for that sake, but we have to fix it right away."

In addition, the P&O buyers sense that the sourcing buyers have a too global perspective ignoring the fact that Mexico may differ from other countries. For example, constantly P&O buyers tell the sourcing buyer to choose local suppliers and perhaps ignore the global viewpoint for once in order to be most beneficial for Volvo Buses in terms of cost reduction, lean time and gain of market shares in the Mexican market. They believe that in order to be competitive on the market Volvo Buses need to cooperate with the local suppliers to reduce fixed costs and lead times. The respondents argue that it has nothing to do with lack of quality, instead there are certificate issues and administrative difficulties, which impede the possibility to choose a local supplier. For example, the Mexican plant cares less of the environmental requirements and sees these as obstacles in order to get the best supplier while the sourcing buyers strive for a global environmental standard as stated by Respondent K:

"Sometimes it feels like the sourcing buyers does not have a local perspective and does only inform the suppliers about the global vision. Unfortunately, we have very good suppliers here"

in Mexico but poor environmental care with local certificate and not the global certificate such as ISO that Volvo demands, so we can't pick them"

Additionally, some of the workers point out that very few of the sourcing buyers in Sweden are taking the local regulation in consideration when choosing a new supplier which obstruct the work of the purchase and operation buyer at the local plant. Also the customers in Mexico have a unique taste compared to the rest of the world. For example Mexicans prefer colourful buses and interior while the European market seems to have a more neutral taste regarding the design of the Bus. These issues should get further noticed by the global sourcing buyers argue most of the purchase and operation buyers.

In addition, neither did the local buyers see nor understand the global organizations perspective or why the S&S not always prioritized the needs of the Mexican facility, as they are trained to solve issues regarding production and feel that they are somewhat missing the link between the two purchasing departments in order to understand the global perspective. Furthermore, the P&O buyers are do not receive any information regarding the vision or priorities that the S&S buyers have, nor do they know the global purchasing goals, as presented by Interviewee B:

"We do not receive any new or notice of what the strategic focus is. I would like to know in which direction I should work in order to fulfil the goal for the global purchasing department. I suppose everyone has the same globally. What is the main objective for us and sourcing buyers?"

However, it is not only the sourcing buyers who lack understanding of the local requirements, also some suppliers has little awareness of the Mexican environment. These suppliers have a global mind-set which one need to renegotiate in order to create a mutual understanding of the complex setting the company act within. Country specific data has to be constantly introduced to the supplier because the supplier does not possess the correct knowledge regarding the need of the Mexican market.

Overall the Mexican plant was perceived as more decentralized from the HQ than the Polish site, mostly due to own initiatives taken by the P&O, contradicting directives proposed by the HQ. This created a bigger gap between the divisions, increasing the hierarchical distance between Mexico and Sweden as Respondent AB exemplifies these problems:

“In Mexico, you are a little more independent because you are so far away from the office, and have more power locally. At the same time, they feel probably quite controlled by HQ for this is where all the decisions are taken where S&S sitting. This makes it feel like they regard us as ‘above’ them, even though we are not”

5.2.2 The Role of Hierarchical Structures

When the reorganization was introduced the key thought was that the sourcing buyer and the purchase and operation buyer would have different tasks, thus should be regarded as being on the same level on the hierarchy level. However, in Mexico this mind-set was not fully transmitted to the purchase department and for a long time the local sourcing buyers saw themselves in a higher position than the P&O buyers. An attitude created during the reorganization when the position as a sourcing buyer was presented as a being above the P&Os, while in Sweden the positions were announced as being equal.

In line with this attitude, the purchase and operation buyers regarded the role of the sourcing buyers as more sophisticated and honourable. The purchase and operation buyers frequently mentioned words like “jealousy” and “envy”. To accelerate this picture, the person who was appointed sourcing buyer at the Mexican plant started to act like he had a better position in the company. As a result many felt that he appeared very proud and rejected tasks which he considered was not under his responsibility.

Nevertheless, a majority of the respondents were well aware of the fact that the Headquarters' intention was to neutralize the hierarchy of the role, but still the purchase and operation buyers experienced a clear order of the roles. Those cases where the purchase and operation buyer felt equal to the sourcing buyers were when the purchase and operation buyer felt that they attained the same information stock as the sourcing buyer, enabling discussions on common ground. However, a common issue are that the P&O buyer did not feel included in the strategy selection, and only the sourcing buyer had a voice at the strategy meeting, which further enhanced the perceived hierarchy. Respondent H explains:

“I have a feeling that the SSC meetings, that are to set strategies for segments and projects, are governing by SS and many of the time they didn't advise us, in these committees. And there are these meetings in the morning where the strategies are set and our managers do not include us or listen to us. So after that we just has to do as we are told”

5.2.3 The Role of Management

As mentioned before, the purchasing department in Mexico underwent a change of management in the beginning of 2016 to a Swedish native-born manager with much experience from working abroad. Ever since then most of the local buyers feel more connected to the Headquarter and the organization, due to increased insight of the actual business. In addition, several of the P&O buyers feel that they have more power towards the sourcing buyers due the increased information flow and support from the manager. Previous manager had a tendency to only share information with few privilege people of the staff and no to many were aware of the real situation regarding KPIs, strategies or overarching goals from the headquarter. Respondent H describes this by following statement:

“The new manager, share information with us, which wasn’t the case before. And information is power in the culture of Mexico, and the former manager felt that he lost power if he spread that information that he had. Now we know how to proceed with our objectives, thanks to the information and communication from the new manager”

Current manager also encourages the P&Os to use the right system and asks if some processes are unclear. Before, all purchase and operation buyers were encouraged to reject the case if everything was not filled out correctly and information was missing, effectively blocking the communication between the two departments. The former managers drastic actions and encouragement were believed by the P&O workers to originate from the poor relationship between the top managers in the organization, resulting in disunity and hostility instead of cooperation and teamwork between the two entities. Interviewee H describes the former situation:

“(...) the old manager had a bad relationship with the other sourcing buyers and the other manager on the other side (Sweden, Poland). So instead of cooperation and teamwork it was a fight between them. So he said that if the task was not fully filled out we should reject it and send it back to the sourcing buyer and block the sourcing buyer.”

Furthermore, the processes were then not in focus, instead the final result was more of importance and administrative work around the case was actively ignored. Some respondents agree that they are still cleaning up the mess that was created by the former manager and some things still need to be improved. Few experience pressure from the manager to actually use the right tools and work in a coherent way. For example: no focus is on enforcing the

HoTo-process neither from the management in Sweden or Mexico. Respondent J expresses this by following statement:

“The management does not communicate with the purchase and operation buyers how they should work so everybody is working in their own ways. So all the processes and procedures are done individually and different. I think that the management needs to be working much closer with the Buyers in order to see how they actually are working and explain to us how and why we are supposed to work, not only one time, but many times”

The situation have become better since the change in top management, and the P&O buyers feel that the HQ is more focused in solving the remains of the blockade by continuously encourage the buyers to communicate. The HQ does experience a change as well in the last two years. The sourcing buyers also noticed this as respondent AB describes:

“I have a really good feeling about the new manager in Mexico. In the beginning both plants continued to take their own decision of supplier. It took a while, but now the P&O are much more mature and follow the process much thanks to the new managers!”

Before the Mexican manager rejected many cases that was not correctly executed and had a very local perspective encouraging nearby suppliers. Respondent AD expressed this by following statement:

“Although my experience with the Mexican plant is that the former manager, and the people there wanted to actually pick their own suppliers, as it had been before. Even when the Handover was done, you realized that the supplier was somebody else.”

5.2.4 Dependence in the MNC Context

Volvo Buses Mexico is inherently dependent to the mother organisation in Sweden for resources and support, due to their status as subsidiary and even more so since the reorganization. Considering that almost all business cases is started from the Headquarter in Sweden many felt that the P&O department were dependent on the information that the sourcing buyer possessed as well as the negotiation power and decision rights towards which supplier to use. Moreover, every time the P&O initiate their own cases or come up with solutions they need to receive a confirmation from the Headquarter, which make them, feel more like a centralized organization dependent on the decisions from Sweden. Respondent A stated:

“We can have some solution, but every time we need to inform S&S. It happens the same in the projects when ordering the prototypes; we need to communicate to the S&S and wait for reply.”

Further, with regards to negotiations with suppliers, some respondents felt that the supplier had at an early stage only given attention to the sourcing buyer, and not the purchase and operation buyer. This has created a feeling that the sourcing buyers attains more power and that the purchase and operation buyer is dependent on the sourcing buyer in order to negotiate with the suppliers. Also in some cases the supplier seemed to have another attitude towards the sourcing buyers than the P&Os, which has made the P&O buyer occasionally go through the sourcing buyer to make their voice heard.

5.2.5 Trust in the MNC Context

All in all, the Mexican interviewees mentioned often how trust and respect was a part of the culture, which they also used in their everyday life at work with colleagues both stationed in Mexico and in Sweden. All interviews showed high trust to the new manager and their fellow P&O workers in Mexico, however regarding questions touching base on trust connected to the system, and trust towards the sourcing buyers many had shared opinions. The P&O buyers believed that the sourcing buyers always did their best and had no doubts that the outcome was the ultimate result, thinking of the resources available at the time. Respondent J stated:

“Yes, I trust them completely. I would never think that they would take advantage of our situation or not to be trusted. Also I know that they have a lot to do and do their best considering the circumstances.”

In addition, the once who have worked within the company for a long time, did not trust the system as much. Instead they saw a lot flaws with the HoTo-tool and the handover process and blamed their avoidance of working with the process on a failing system. Instead they preferred to do it in the old way using their methods of choice. Furthermore, formal and informal communication was regarded as an important tool between the buyers in order to enable mutual trust, illustrated by Respondent C:

“In the cases where there is little trust it is lack of communication exists. It does not matter if we talk about everyday things such as family or the weather; as long as we communicate we created a bond between each other”

It is clear that more interaction between one another is strengthening the trust. However, one should not neglect that sporadically the sourcing buyers show little trust in the purchase and operation buyer by ignoring clearly expressed suggestions or problems stated by the P&Os. Respondent A is clearly concerned about this and declares following:

“Sometimes they do not believe us when we say we have this problem, we tell them that everything was not closed properly, but in the end we are the once having to solve it without the sourcing buyer because they did not trust our suggestions”

5.2.6 Willingness in the MNC Context

In order to perform the best and enhance the cooperation with the sourcing buyer several purchase and operation buyers express the importance of the personal characteristic feature, namely willingness. Many situations have appeared were a constant blame game of “who does what” has created great problems between the sourcing buyer and the P&O buyer, where the willingness of each party has played a vital role. One of the respondents has explicitly stated that if he noticed that the sourcing buyer is willing to take a step away for the role descriptions and walk that extra mile, he would be prepared to do the same. On the contrary, if little participation and effort is shown from the counterpart he felt little motivation to make an extra effort to the case.

5.2.7 Implementation of the New Global Practise

During the early stage of the implementation of the new organization Volvo initiated a training workshop for the Mexican workers, with the purpose to explain the buyer’s new roles and duties. In addition to role descriptions, the HoTo-tool and the Handover process were presented with the purpose to make every step in the process clear for the employees and outline the responsibilities that the P&O buyers had in the new organization, as well as the S&S buyers. However, the workshop was interrupted and ended up being a one hour Skype conference between all buyers, resulting in that the buyers did not feel comfortable enough to us the tool afterwards, neither did the buyers understand the reason behind the implementation nor grasp their new roles and responsibilities, due to the limited information they received. Respondent A states the debt of the workshop they got:

“ I know we started some workshops with HoTo processes. However this was interrupted but after that no follow-up was introduced afterwards. This interruption was almost two years ago and ever since then no one has heard anything. (...) We are not experts in the tool if I say so.”

Due to the lack of knowledge for the tool, the problems were brought up to the management. However, the management's responded by implying that they were working on the implementation and issue, yet the buyers never saw anything and their situation remained unchanged. This situation has created a gap between the intended procedure and the actual way the P&O buyers work, due to no formal training of the tool and procedures are given. This is also reflected the training of the newly employed buyers who are told to ignore the HoTo-tool supported by Respondent E below:

“My mentor told me that we should skip the HoTo process, it's unnecessary and takes a lot of time he said, and I just agreed. I am not sure if my sourcing buyer really understands the HoTo process to one hundred per cent either”

5.2.8 The Perceived Roles & Responsibilities

The reorganization of Mexico's purchasing activities entailed new configurations of their appointed duties and responsibilities. As previously mentioned, the P&O buyers did not receive any proper description of their new roles and more importantly, the buyers did not have a clear picture of where S&S responsibilities ended and the theirs started, hence, created a responsibility gap between the buyers in the subsidiary and the HQ, as illustrated by Respondent I:

“It was difficult in the beginning regarding responsibilities and roles between SS and PO, for example, the PO didn't know where their responsibility starts and same goes for the SS. So neither the PO nor the SS knew what to do and it took over a month to figure the most basic things out such as who should do what. Now it's better but there are some things that are not clear.”

The gap in responsibilities became even more evident when the New Coach project was initiated and the first handovers from the S&S buyers was received in Mexico. The resided in that the S&S believed that they handed over all the essential information that the local buyers needed, along with the official responsibility over the case. However, important information that the P&O buyers needed in order to proceed was missing in the handover, resulting in highly team based solutions, whereas successful teams had sorted out their respective responsibilities by themselves and not trusted the HoTo-tool and conditions set by the associated Handover process, as stated by Respondent E:

“Currently I have one main sourcing buyer, we don’t follow the HoTo process we make our own process, which is founded on collaboration.”

On the other hand, a majority of the P&O-S&S teams were not that successful in negotiating 'who should do what' where gaps were identified. Resulting in that some P&O buyers did not touch the case if not all the needed information was included to begin with, without bothering to reach out to the S&S in question, while other P&O buyers did only to find out that the S&S buyer had left the case and could not, or would not touch the case again, due to time pressure and perceived responsibility boundaries. The situation between the less successful teams enhanced the grey zones, resulting in that segments and parts ended up in a state of limbo, not moving forward, or backward in the process, due to task avoidance in connection with shared responsibilities. Respondent E shares this by following statement:

“People tended to avoid working tasks because they believed it was up to somebody else. It was part of the change and not that they are bad persons. It depends on the relationship between the buyers.(...) we have a “culture” here that I can see, we use the processes for not doing things and we do not cooperate.”

Lastly, even though the responsibilities now are very clear from the management, the workers are missing the communication down to them in regards to how they are supposed to work. Moreover, many areas in the responsibility and roles description between the buyers have been put as shared areas in order to facilitate cooperation and communication, resulting in highly team individual processes and procedures, and even more uncertainty in some cases. Unfortunately some P&O buyers acted like they still belonged to the old organization structure which made it more difficult to collaborate as illustrate by sourcing buyer AD:

“It is harder to collaborate with the experienced P&Os who have worked for a long time and been doing this job before. I’ve received comments when I suggested changes, saying ‘yes, but do not listen to me, I am only a P&O sourcing buyer and nothing more’”

5.2.9 The Role of Relationship

The level of communication between the two divisions seems to be much related to the individual teams of buyers, resulted in highly different relations between the different teams. Some of the teams have worked out how they as a team will handle difficulties within their segments and how they communicate in the best way; while other teams struggle in establish

a functional working relationship, instead of just being donors and recipient of information, as described by Respondent H:

“In my case, the S&S just send me an email with a calculation request and the quotations and such sent to my handler log. And that’s all in the best of the cases. I know that there are other Buyers that work with the HoTo, but in my case they just send an email.

Unfortunately some interviewees did express how this lack of knowledge made them feel undermined the sourcing buyer because it felt like she/he had more knowledge regarding the processes and therefore was more in charge of the whole case. Still the sourcing buyers are very dependent on the segment specific knowledge that many of the P&Os possess. Especially the new S&Ss have restricted information within some areas and are more or less guided completely by the P&O. A desire of more interaction with suppliers and purchase buyers was noticed among the sourcing buyer to become experts. Finally some sourcing buyers were frustrated regarding the fact that some P&O buyers acted like they still belonged to the old organization structure which made it more difficult to collaborate as illustrate by Respondent AD:

“It is harder to collaborate with the experienced P&Os who have worked for a long time and been doing this job before. I’ve received comments when I suggested changes, saying ‘yes, but do not listen to me, I am only a P&O sourcing buyer and nothing more’”

Furthermore, the level of involvement in the beginning of the process is important for the P&O’s understanding of the sourcing process and relationship. Nonetheless, the power within the teams is not seen to be equal, but more in the hands of the S&S buyer. This unequal relationship gave room for negative attitude towards the suggested direction and decisions made by the S&S, due to that the input from P&Os are neglected, exemplified by Interviewee H below:

“I have a feeling that the SSC meetings, that are to set strategies for segments and projects, are governed by S&S and many of the times they didn’t advise us, in these committees. My feeling is like, that the S&S feels that they are our bosses in these situations. So they can decide all they want and we have to agree with that, but I’m not okay with that, we are on the same level but with different responsibilities.”

Moreover, there are additional aspects that are found to be affecting the relationship according the respondents, such as the complexity of the segment; number of S&S buyers that are

related to the segment, and most important seems to be the attitude and social capabilities of both the P&O and S&S buyer. Almost all of the P&O buyers experienced difficulties with miscommunication regarding which information that was needed and the distribution of responsibilities as previously mentioned. However, one of the more successful P&O buyers, recognized by his peers to have succeeded to establish a fruitful relationship, explains that his team first overcame the initial difficulties and progress blocking issues after that they had meet face-to-face. It was first after that they started to cooperate and make progress instead of block each other, as described below by Respondent K:

“...we started out with that my S&S buyer came down to Mexico and we went to dinners and to the pyramids and worked out how we were to work with each other and then it wasn't any problem.”

However, not all teams' works better just because they have seen each other. The most telling example of this was the local P&O-S&S team, were although sitting next to each other did not cooperate. Hence the importance of processes and procedures that limits the dependency on informal relations in a multinational corporation becomes clear, which manager G supports:

“We need to reinforce the process in order to decrease the dependency on the persons (...) we have the tools but do not manage them in a good way. Now it's changing a little bit, since one of the top manager from HQ was here last year, saying that we need to follow the processes, and it's also important for us, and me as an PM, because if the buyers are following the processes and the tools that we have its easier for me to follow the project too. “

Today, as a response to strengthen the relationship the managers, both locally and globally, is stressing the importance of communication between the two parties in order to establish better working relationship. Moreover, the managers also stress the need of follow established procedures and processes, due to that the relationship is depending on the persons, therefore not always sufficient. Furthermore, this need is also supported by Respondent J, as she sees additional issues streaming from not following the processes and procedures:

“I don't think that the purchasing have the culture nor the discipline to follow the procedures and processes that have been established. So when we have problems we try to fix it without following the processes, which in fact results in even bigger problems in the end, with material, sourcing buyers etc. so the most important thing is to follow the procedures.”

Nonetheless, all of the Mexican P&O workers stressed the importance of communication, arguing that more communication is needed in order to establish, and enhance the working relationship with the S&S department. Still neither could describe individual attempts were they tried to improve communication.

5.2.10 The Role of Communication

The communication and the format of communication and exchange of information differ widely between the S&S and P&O teams. Some of the teams only receives the information from the S&S in email, in a form of one way communication, just getting orders from the sourcing department, unable to communicate back due to lacking knowledge of the intended system for reverse knowledge transfer as supported by Interviewee I:

“ No, I don’t know about the procedure for the HoTo, there are some Hoto1 and 2 but I don’t know anything about them ... we should establish something for communicate back, and not only use e-mail.”

Nevertheless, the teams are still transferring the information through various formats. Most of the information exchange are through emails, where the local buyers often feel that they have to reach back to the sourcing in order to attain all the information that are needed. The missing link in the information transfer is seen as a large issue, and no common process are used, although they are supposed to use the HoTo-tool. The reason for the buyer's resistance to use tool are that they do not think the tool any value for them, according to the buyers and supported by Respondent H:

“There are many fields in the tool that we have to fill but they do not add any value in all the information that we have to put in. That is the reason why S&S and we as P&O do not use that format.”

Noteworthy is that a majority of the P&O buyers argue that it is a big problem that the sourcing buyers do not have the same knowledge stock as themselves. As a result the P&O buyers feel that they cannot communicate on the same level and it takes much longer time to solve certain issues within some segments. Sometimes they get the impression that the outcome would be more beneficial for the company is the P&O would take some decisions based on their knowledge. Interviewee G support this by following announcement:

“I have more knowledge than the sourcing, I have a number of suppliers that we can use, but the SS refuse to involve me, he has to check for himself. Then the result is the same just that it has taken one or two weeks longer”

It is obvious how communication would enhance the handover process; still few could provide suggestions on how to improve the situation. Instead barriers of communication were spotted such as lack of knowledge of the segments and the local market from the sourcing buyers which consequently results in difficulties of mutual knowledge exchange and limited teamwork, as visualized by Respondent H:

“Knowledge about the segments and the market is very important, if the SS Buyers do not have the essential knowledge about their segments its hard to work with them. The communication between us is really important and the knowledge affects the outcome of our work.”

Additionally, the local manager and sourcing buyer perceive the time difference between Sweden and Mexico to be a troublesome matter in regards to communication, with only three to four hours for active communication which makes it somewhat difficult for the buyers to arrange Skype meetings, and long time to respond in regular as illustrated by Respondent I:

“Currently we are spending too much time and money on communication and transportation, and the time gap with Europe. We only have 3 hours maximum of communication, in some cases I feel that the time difference between Sweden and Mexico, that that point is important to account, it’s a risk in the communication. And we don’t have the time here in Mexico to wait on the SS every time for decisions and help when it comes to suppliers”

Another barrier affecting the ability to communicate was the difference in English languages skills which had impacted how one interpreted e-mails and conversations. On the contrary misunderstanding and miscommunication has still been observed were the P&O and the S&S speaking the same language and sit close to each other, illuminated by Respondent B:

“We have always said to the manager that even though you have both the sourcing buyer and the purchasing buyer here who speaks the same language, they still have a missing communication. I don’t know why?”

6. Analysis

In this section the empirical findings will be compared and analysed through the lens of the suggested theoretical framework in order to analyse the subsidiary behaviour acknowledged.

6.1 The role of institutional context when transferring a global practise

The empirical findings of this research show that the two subsidiaries face external institutional pressure and more importantly, that it affects their behaviour as an entity within the MNC. Further, these findings are inline with the work of for example Oliver (1997) and DiMaggio and Powell (1983).

First off, the regulatory landscape between the HQ and the Mexican site is different, as one of the local buyer pointed out when supplies was delayed due to that the S&S department had missed the local import regulations for packages. This in turn was used as an argument for using local, instead of foreign, supplier by the Mexican P&O buyers. Not only would eventual regulatory issues be minimized, by using local suppliers the lead-time would decrease and the site would be better equipped to compete on the local market. Thereby, showing desire to mimetic isomorphism as defined by Kostova and Roth (2002), and correlate with the findings of DiMaggio and Powell (1983) where organizations tries to adopt patterns of other similar but perceived more successful actors in their environment. Moreover, internal coercive pressure in the form of supplier quality and environmental measures from the HQ (i.e. demand on ISO certificates and similar) were seen to hinder the Mexican firm, due to that local competitors and customers did not care for the environmental care to the same extent as the HQ. Further, this would explain some of the motivation for using local suppliers that was evident in the Mexican case. Whereas the polish site never encountered or perceived any difficulties with conflicting institutional environment between the HQ and the subsidiary, nor where they focused on source from local suppliers to the same extent as their sister organisation. Nevertheless, this might be due to that Sweden and Poland share some similarities regarding the institutional landscape, and would then according to Oliver's (1991) findings be less inclined to resist directives from HQ and behave differently due to institutional proximity. Surely one could argue that this is evidence of differences in the institutional landscape and consequently affect the subsidiary behaviour.

Further, several of the S&S buyers felt that there was a large difference between the two sites when working with them. However, neither of the S&S buyers could pin-point exactly why, or in what way, some blamed the differences on culture and different mindset compared with the western equivalent. Whereas a majority of the respondents argued that issues and difficulties originate in different attitudes residing in some individuals instead of large national and cultural differences. The issue of cooperation, and whether the subsidiaries are conducting beneficial or harmful activities, originates in the interpersonal relationships between the HQ and subsidiaries and not too much of the country of origin, as illustrated with sourcing buyer ADs statement:

“The country that P&O heritage from does not affect the relationship nor the attitude towards the HoTo-process, it's more the person that's deciding the outcome. Some people think the same, than I dare to hand over strategic tasks, others say yes and you know that the project could end up anywhere because they feel they finally have the time to add influence”.

On the other hand, by following Kostova and Roths (2002) arguments that the subsidiary is to some extent protected from local institutional pressure due to their position in the MNC network, might be the reason for the weak evidence on external pressure influencing the subsidiary behaviour. One could surely argue that the subsidiary behaviour seems to be more linked to individuals than external institutional pressure.

Nevertheless, the two sites implemented the practise similarly, responding to the sole coercive authority of the HQ. Hence, as the top-down pressure is steaming from the same source the differences in regards to subsidiary behaviour surely lies in the internalization if following Kostova and Roths' (2002) argumentation.

In addition, the fact that a majority of the respondents stressed the notion of attitude and relations as the key determinants if the teamwork were successful or not. This aspect can be related to that many P&O buyers identified grey zones as problematic and that they did not trust the S&S to equally distribute the workload and take responsibility over their part of the shared tasks, resulting in a negative attitude towards the other part, as well as to the practise. Thereby affecting the subsidiary behaviour and resulting in negative performance. Further, this can be linked to Kostova and Roths' (2002) conceptualization of relational context, where the aspects of dependence, trust and identification are key determinants for implementing and internalize a practise in an organization.

Looking at the findings from Poland, where the P&O buyers showed an increased dependency towards the S&S buyers, due to their role as information distributor, relying on their willingness to share information with them. However, the dependence were not only related to the S&S explicitly, due to that the suppliers now negotiated with the sourcing buyers for potential business. Thus, the P&O buyers have to a higher extent to rely on the S&S buyer's ability to negotiate, and trust them to have both entities interest in mind and not to act opportunistic. This finding might correlate with the low internalization of the practise, and resistance, would be in line with Kostova and Roth (2002) argumentation that high dependency can explain low levels of internalization. Furthermore, as the findings imply increased dependency due to a third part in the network one surely can argue that dependence affects the subsidiary behaviour.

What is more, both the Mexican and the polish subsidiary strongly identifies themselves with the parent organization, yet have low levels of internalization, which contradict Kostova and Roth (2002) argumentation. This might be explained by that employees in the two subsidiaries show difficulties in identify themselves with other workers in MNC network, and the S&S department in particular, resulting in a gap in the understanding of respectively roles and local conditions. This was more evident in Mexico where the P&O buyers showed lower levels of internalization and identification towards the S&S buyers, than their polish equivalent. Hence, identification can surely affect subsidiary behaviour, even more so if the subsidiary identifies itself with both the HQ as an organisation and the workers within.

However, both the level of trust and identification seemed to be dependent to informal transmission channels, related to Gupta and Govindarajan (2000) due to that the respondents experienced better relations and behaviour after face-to-face interaction and increased communication. This was most evident when comparing the two subsidiaries with each other, were the Polish respondent perceived to have a better relational understanding and cooperation with the HQ. This can be linked to the fact that the close geographical proximity has enabled the S&S and top managers to visit them more frequently, compared to the site in Mexico. Hence, one can surely argue that proximity can decrease the gap in relational context and thereby affect the subsidiary behaviour positively.

On the notion of implementation, Kostova and Roth (2002) stresses the need for the unit to internalize the practice, which is depending on if the unit perceives the practice as valuable to them and consistent with the local environment. As can be derived from the empirical

findings, both of the subsidiaries have difficulties in perceiving the HoTo process and especially the HoTo-tool as valuable, much due to the lack of training and explanation of the practice from the HQ. The polish subsidiary saw value in the tools knowledge storing capabilities, they disregarded the tool due to the perceived negative trade-off between using the tool and the time it took to use it. However, as the Mexican site also show low levels of implementation, yet do not know about the tool's capabilities one can certainly point out that other aspects than perceived value must be related to the issue of implementation.

Furthermore, the empirical findings imply that the HQ of Volvo Buses, as well as the current subsidiary managers, is utilizing Meyer and Rowans' (1977) interrelated solutions of *decoupling* and *logic of confidence* in order to tackle their structural inconsistencies. This is evident due to the fact that all of the top managers are fully aware of the buyer's view of the process and associated tool, yet do not interfere in their day-to-day activities and demand compliance towards the ceremonial rules. Thereby trusting the individual to perform their roles properly and maintain the appearance of the formal structure, while working out problems with efficiency backstage in order to avoid breaking the formal structure (Meyer & Rowan, 1977).

Nevertheless, the former Mexican plant manager did not, according to the interviewees, use the two solutions. Instead he blocked cooperation and communication by demanding that the P&O buyers in Mexico to not take over any tasks if the HoTo was not complete, by that hindering the process and decrease the number of transmission between the two entities (Gupta & Govindaraja, 2000). However, the empirical findings shows that although the manager steered the Mexican subsidiary towards autonomy resistance behaviour, some of the teams focused more on cooperation with the S&S than on the political power game on top managerial level. Thereby highlighting differences in the relational context between the managerial level that Kostova and Roth (2002) studied, and the perceived relational context affecting the subsidiary behaviour on the lower levels in the organization seen in this research. Consequently, the relational context affects the subsidiary behaviour differently on different levels in the organization, which in turn affect the subsidiary behaviour.

6.2 Roles and Responsibilities affecting the relationship

The perception, acceptance, and fulfilment of individual roles and responsibilities are, as can be found in the empirical findings, strongly affecting the performance and behaviour of Volvo Buses subsidiaries. As can be recorded, due to unclear responsibility perceptions individuals either refuse, ignore or accept the tasks transferred to them from the HQ. It was evident that some P&Os rejected the case only because the existing guidelines suggested so while others approved the case with no hesitations. According to Jehn and Mannix (2001) this could partly be described as task conflicts when different views of the task occur between two or more parties. Again, in teams where high trust was acknowledged such conflicts did not occur, additionally these respondents showed more willingness to new ideas. Hence, people with high willingness to negotiations should make them more comfortable to discuss uncertainties with regards to roles and responsibilities. One could therefore assume that individual characteristics such as willingness could affect the response from cross-functional teams to task conflicts within the MNC. Such actions and open discussions would further increase the team's ability to find solutions that would improve the performance of the group. However task conflicts, as can be found in the study, will harm the performance by rejection or ignorance if the individuals do not show willingness to discuss.

More discussed by Jehn and Bendersky (2003) is how process conflicts to some extent may positively affect the performance of groups by encouraging communication. However, the findings show that little correlation exists between responsibility confusion and performance. For example when the sourcing buyers did not find new suppliers to add to the supplier list, most P&Os in Poland appeared disappointed and showed annoyance towards the group. This is more in correlation with the statements by Kurtzberg and Mueller (2005) and Matsuo (2006) who argue how process conflicts encourage anger towards the group and decreased innovativeness. This could be explained by the multinational setting Volvo Buses is operating in. The larger the network is, the more difficult it is to communicate responsibility tasks considering other factors that may affect the conflicts such as language skills, culture etc. One could therefore argue that process conflicts are most likely to create a negative behaviour and performance within MNCs due to the complex environment they operate in.

Analysing why individuals react differently could be explained by other factors than only the environmental context and internal factors. Instead, proven by the empirical findings, people with a close relationship and frequent communication accepted cases more regularly than teams with little knowledge sharing and poor ties to one another. As Jehn (1995) notes,

relationship conflicts will influence the behaviour of individuals and the overall performance of firms. Resistance will occur if personal issues or conflicts not related to tasks or responsibilities occur (Jehn, 1995). In line with this theory, negative behaviour could have risen due to emotions connected to the reorganization. When power was moved from the P&Os to the S&S buyer, as a consequence people became frustrated and started to question the sourcing buyer's decision. The same reaction was recognized at the Mexican plant when some subsequently refused to share their inputs as illustrated by statement "*why should you listen to be I am only a purchase and operation buyer*". With this kept in mind one could argue that changes due to reorganization may cause negative behaviour from individuals who perceives themselves as lower on the hierarchal scale. Thus, the perception of the subsidiaries behaviour and performance is a generalization and summarization of all the interpersonal relationships actions. Actions taken by the subsidiary are derived from the individual's perception of their intended roles and responsibilities, affected by the perception gap between entities in the MNC network.

6.3 The Role of Management

In the light of Taplin (2006), before the management switch, the former Mexican manager showed signs of opportunistic behaviour through maintaining asymmetric information from the HQ, which lead to a negative impact on the relationship with the HQ and the employees at the Mexican plant. This is supported by Suppiah and Stand (2011) who argue that if the source of knowledge perceives the transferred knowledge as little gain to oneself, the individual will not dedicate time to spread the knowledge and further hamper the existing relationship. As a consequence, employed P&Os at the local plant felt dislocated from the HQ commencing own initiatives and ignorance for directives, fuelling the feeling of decentralization. Therefore if the information acquired from the HQ is kept by only a few individuals with managerial power, employees within the subsidiary will subsequently work against objectives stated by the HQ. Unfortunately the employees will most likely perceive the HQ differently and not recognize the opportunistic behaviour of the management who is the actual cause of the conflict.

Changes were first observed when the newly appointed manager changed the approach in Mexico, who highly influenced the surrounding by sharing the knowledge transferred by the HQ. The new manager liberated communication channels through constant meetings and actively sought common understandings that resulted in a higher acknowledgement for the process in focus and the directives from the HQ, hence information was finally delivered to

the subsidiary, which contributed to a greater identification and trust in the network. In accordance with Kostova and Roth (2002), a higher feeling of trust and identification results in a greater level of implementation and internalization. The high trust depends on the belief in the commitment from the HQ to established agreements but also to the reliability of the source. Therefore it should be reasonable to assume that increased knowledge sharing within the network has the tendency to secure the subsidiary to act in accordance to initiatives proposed by the HQ if the source perceives as reliable.

Moreover, Tsai and Ghoshal (1998) suggest that the level of trust decides if the subsidiary will perceive the practice as efficient or not. However, the findings prove differently considering most employees still perceived the HoTo-tool as time consuming even through a higher degree of trust had been recorded after the change of manager. This could be explained by the time the workers already had been using the tool when the management switch occurred. Consequently one could argue that some individuals in the subsidiaries will still adapt practices to a certain extent even though they appear inefficient if the trust is increased to a certain level.

On the contrary, opportunistic behaviour was never recognized among any of the managers in Poland, which therefore did not give rise to a great conflict according to Schotter and Beamish (2011). Surely signs of conflicting behaviour was observed in Poland with regards to the moderate ignorance of the tool, however it was recognized that the tool was more used by the P&Os in Poland than in Mexico. This could partly be explained by the overall understanding of the purpose of the tool, which was consistent communicated by the new Polish manager who entered the organization only six months after the implementation. These findings suggest that subsidiaries react differently depending on the leadership's intentions and timing of management initiatives. The power of the management may cause conflicts subject to the HQ or synergies with regards to secure information during an organizational change. Instead organizations should not hesitate to replace managers who consistently provide dysfunctional conflicts in order to enhance the desired reaction of the subsidiary. Kostova and Roth (2002) further elaborated on the importance to convince the subsidiary of the positive effects of the practice in order to secure acceptance of the implementation. This argument could explain why the Polish plant used the tool slightly more than site of Mexico due to constant communication from the manager to the employees executing the activities.

Further, the new manager of Mexico was regarded as valuable considering his skills from previous work and long commitment within the company. As described by the respondents, and in correspondence with Schotter and Beamish (2011) findings related to the concept of boundary spanners, this dampens the conflict between the HQ and subsidiary when he is perceived as knowledgeable and therefore may influence the organization. Also according to Szulanski (1996) such person will enhance the knowledge transfer between the donor and the source. The findings align with Szulanski (1996) by the decline of individual initiatives, instead more P&O buyers worked consistent with the decisions of the manager and the HQ.

In addition, the new manager of Mexico diminished knowledge stickiness in order to transfer knowledge from the HQ to the subsidiary. Found from the fieldwork was that the manager in focus used his previous experience from other subsidiaries and the HQ in order to reduce tensions which enhanced the trust within the organization and increased the cooperation between the subsidiary and HQ. These findings show how individuals who are perceived as eligible could attain the position of a boundary spanner, as illustrated by Mudambi and Swift (2009), and influence the behaviour of units. Schotter and Beamish (2011) state that one must be able to understand how perception gaps within the organization may affect the MNC from both perspectives to act as a boundary spanner. Still the management at the Mexican site showed occasionally lack of understanding and for that reason would not be considered the optimal linkage. Thus, could be explained by the short amount of time the manager had been in charge over the plant. Although one could question if it is necessary to be aware of both the subsidiary and HQ situation to be perceived as a boundary spanner and influence the behaviour of subsidiaries.

However the findings, and acknowledge by Schotter and Beamish (2011), prove that conflicts may be related to interpersonal competition where one character that attains indirect power within the group may cause similar effect as the management. In the case of Mexico most rejections were made by individuals who had a long record in the company with experience in many segments and the market, which was especially proven when newly employed P&O buyers were recommended to ignore the HoTo-tool. Therefore the whole organization was impacted by the actions of key players within the P&O buyers. This discovery implies that not only the management have repercussion on the behaviour of subsidiaries, instead one should not neglect the power of individuals in a network who attain the same, if not more, knowledge as the management.

This further correlates with the aspects proposed by Jehn et al (1999) who elaborate on how task conflicts and behaviour arise due to disagreements between two or more parts. In Poland, the previous manager was fully set on price per article, which interfered with the overall objectives of the sourcing buyers. The effect was transmitted on the relationship between the P&O and the sourcing buyer, giving rise to a fact-oriented conflict. However individuals still found personal work methods to overcome hurdles caused by the management, proving how managerial power could be overruled by interpersonal relationship and individual activities.

Moreover, when comparing the subsidiaries one could see that neither follow-ups nor inspections have occurred after the implementation of the HoTo-tool to assure the process is used by the S&S and P&O. Surely, the management of Poland encouraged the employees to use the tool but small attempts were recognized considering no training or workshops had been initiated in the last year. As mentioned by Meyer and Roman (1977) in organizations where few check-up's and controls mechanisms by the management exist, it is common that subsidiaries behave ceremonially to protect their formal structure. In the case at hand, several respondents stated that they used the HoTo-tool, however when they were asked to explain in detail very few interviewees had a solid answer. Instead most respondents described team-based solutions with respective sourcing buyer. By and large, the results imply that internal relationships and individual actions become of great importance when few inspections are enforced, which is in line with Meyer and Rowan (1977) findings. In conclusion, when practices are decoupled the behaviour of the subsidiary depends on individual actions rather than the collective reactions.

6.4 The Role of Knowledge Sharing

The findings of this research show how previous experience affect the outcome of vertical knowledge transfer within an MNC where the donor and the recipient are stationed in different nations, as noticed by Szulanski (1996). Differences between subsidiaries in this manner were hard to find. However overall it was evident that teams where communication was a routine of the daily working process; knowledge transfer was enhanced giving rise to an accepting behaviour towards processes initiated by the HQ.

It was noted how many P&O buyers valued knowledge about the segments and previous experience as a beneficial characteristic of the sourcing buyer. If the sourcing buyer had proven signs of high knowledge regarding the segments, the purchasing buyer showed more willingness to work with the information transferred from the HQ. In other cases where the

P&O perceived oneself as more appreciative than the S&S, ignorance, rejection or questioning of the directives was a common behaviour among the respondents. These findings are in line with Grant (1996) who promotes the importance of willingness to attain new information. One could therefore assume that proven knowledge by the donor of information will increase the willingness of the recipient to receive practices stated by the HQ. On the contrary, if the donor seemed less knowledgeable than the recipient unit, such as the subsidiary, the behaviour will most likely not be in favour of the HQ's overall goals and objectives

Further, Dierick and Cool (1989) claim that previous stock of knowledge facilitates the ability to apply new knowledge in the most efficient way possible in new settings and contexts. However, the findings prove how previous knowledge can result in neglecting of information coming from the HQ. At Volvo Buses in Mexico, many P&O buyers mentioned how they noticed a difference among the group with regards to receiving information from the S&S depending on how many years they had been employed within the company. Confirming with previous statement, the sourcing buyers in Gothenburg further argued that some of the P&O buyers who were a part of the former organization more often ignored or rejected the inputs from the HQ. This could be explained by the knowledge gap some P&O buyers perceived, claiming that their knowledge stock was greater than the stock attained by the S&S buyer. It is fair to argue that if the knowledge stock of the recipient exceeds the knowledge stock of the donor, subsidiaries will occasionally ignore recommendations by the HQ.

Moreover, the S&S buyers will always have greater knowledge regarding global suppliers. Looking through the lens of Meyer and Zucker (1988) and Rosenzweig & Singh (1991) one could argue how the possession of knowledge by the S&S creates a high dependence towards the HQ. Thus, the higher the dependency rate the more likely it is that the P&Os will follow instructions and compliance with the legitimating actor. The P&O buyers with more experience and knowledge most likely felt less dependent on the HQ, and therefore occasionally ignored recommendations from the S&S. These findings imply that subsidiary behaviour towards the HQ cannot only be seen as a collective act; instead one should observe the individual and its concerns to dependence towards the HQ to achieve the best view on subsidiary behaviour. The results are more correlated to Kostova and Roth (2002) who argue how intra-organizational relationships, with regards to dependence, affect the possibility to internalize and implement new process. Still Kostova and Roth (2002) do only view the reactions from a managerial perspective with little attention on the actual executer, in this

study the P&O buyers. In addition, one could not neglect how previous experience may impede knowledge transfer within a group. Though, the outcome of the findings could also be explained by the cross-functional relationships existing between the P&O and S&S. If well established relationships existed, behavioural effects due to previous knowledge could be avoided.

As carried out by Suppiah and Sandhu (2011), as well as the respondents, knowledge sharing is effected through trust between the donor and the recipient. Within groups where physical integration had been possible, much more frequent communication was observed that resulted in increased trust in one another. Due to proximity most teams consisting of Sweden-Poland had been given the possibility to interact Face-to-Face while in Mexico this was a rare case. As a result the P&O buyers from Poland communicated much more, and on a daily basis with the S&S buyers, compared with the Mexican site. The increased communication did in several cases result in a greater understanding of each other's situation and a more coherent behaviour from the P&O buyer. The findings strengthen the arguments stated by Gupta and Govindarajan (2000) who acknowledge, much like Gooderham et al (2001), the importance of formal and informal transmission channels to transfer information. Consequently, corporate socialization must be seen as a key element to subsidiary behaviour considering the capability to change the response rate from the individuals. However, due to the fact that several communication channels already existed, one should look deeper in how the motivation is brought out in the MNC to use these passages. Gupta & Govindarajan (2000) further describe how increased familiarity in the network results in more transmission channels. In both sites this was evident when the communication increased as a result of the dinners that took place in both Mexico and Poland. Again corporate socialization has proven to change the behaviour of subsidiaries, thus the relationship has to constantly be nurtured to keep the established communication channels.

7. Conclusion

This chapter provides the answers to the proposed research question in focus by presenting a conclusion drawn by the empirical findings and analysis. First the answer to the research question and theoretical contribution is detected. Final everything will be concluded with a proposal for further research areas.

The purpose of this thesis is to further outline how subsidiary behaviour is affected by internal and external factors within a MNC, using the case of a handover process and with the following research question:

- Why do subsidiaries behave differently, and what aspects affect subsidiary behaviour in a MNC when a new process and organization structure have been initiated by the HQ?

This case study reveals several important aspects affecting the subsidiary behaviour in the MNC context, by investigating two subsidiaries and using the initiation of the global HoTo practice and usage of the related HoTo-tool as point of reference. Firstly, institutional pressures affect the subsidiary resulting in somewhat different behaviour, as seen in case of Mexico, where isomorphistic behaviour towards institutional conformity was acknowledged in contrast to the Polish site

Secondly, and related, the internal aspect of relational context affected the internalization and implementation at the subsidiaries to a greater extent than the external pressure. Resulting in different behaviour from the employees, which are found to affect the overall subsidiary behaviour. Thus, both internalization and implementation must be addressed on more individual level, and increased in conjunction in order to facilitate beneficial subsidiary behaviour for the MNC. Hence, subsidiary behaviour are more connected with internal, and relational context within the MNC network, which either draws them closer to the HQ in order to secure resources or further away to achieve independence.

Thirdly, local managers play a vital role in how the subsidiary behaves, as seen in the case of Mexico, where opportunistic behaviour was acknowledged. Hence, the managers utilize their managerial and personal power differently, resulting in different subsidiary behaviour and reactions from the MNC Headquarter. However depending on the trust towards the manager, practices will be adapted differently by. The trust is recorded on an individual level and therefore one must put more focus on the personnel in the subsidiary to understand its behaviour.

Fourthly, the study underlines the importance of increased knowledge sharing within an MNC in order to align the behaviour of subsidiaries to the overall goals stated by the organization. For example, when no top-down strategy is communication feelings of helplessness and ignorance is a possible outcome. The study further proves how previous stock of knowledge may affect the behaviour of subsidiaries negatively considering the one person feel more knowledgeable. In these cases, personal characteristics as willingness and openness play a vital role to overcome such barriers. Considering both willingness and previous stock of knowledge is unique to the individual one cannot neglect how the power of one person.

In addition, the findings related to subsidiary behaviour are the importance of established role and responsibility descriptions. Willingness was also recorded as a great personal trait to overcome different conflicts regarding roles and responsibilities. This study show how unclear roles and responsibilities could result in opportunistic behaviour by individuals in the subsidiary, not willing to accept tasks or information using divisions of responsibility as an excuse. One could therefore argue that process, tasks and relationship conflicts are most likely to create a negative behaviour and performance within MNCs due to the complex environment they operate in.

Finally, the findings accentuate the impact of individuals' behaviour in the organization and how those affect the subsidiary behaviour at large. As found in this study, not only managers have the possibility to influence the behaviour, exemplified by some strategy and sourcing buyers that possessed local knowledge and understanding of the subsidiary's network, proving capabilities act as boundary spanners. Their global perspective, together with local embedded connections, enabled them to build up trust and exceed in both implementation of the process and transfer knowledge back and forth between the HQ and the subsidiary. One could therefore argue that certain individuals affect subsidiary behaviour to a greater extent than previously viewed in the academia. Hence, in order to understand subsidiary behaviour one must understand that the ones working are the ones that influence the overall behaviour, even more so if possessing boundary spanning capabilities.

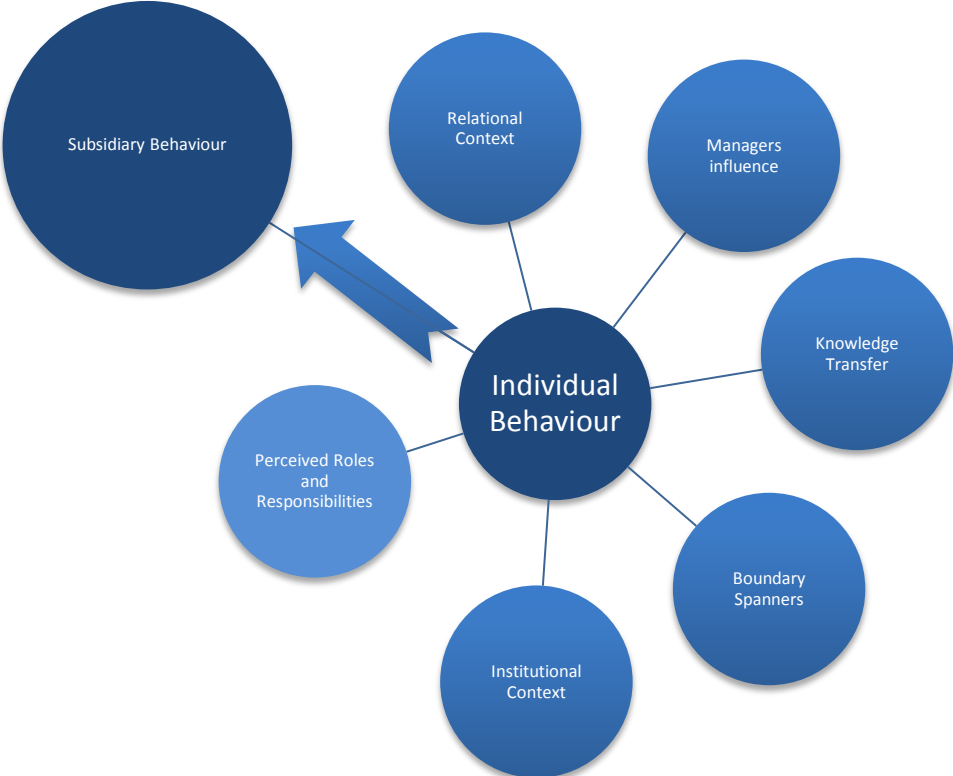
More importantly, the most profound empirical finding from both sites was the fact that due to the logic of confidence, which put pressure on the individuals to find solutions in how to complete their roles and responsibilities, together with the limited effort from the HQ to implement and internalize the practice in the subsidiaries; was that the behaviour from the subsidiaries derived not only from the institutional duality, but more from the individual

cooperation between the small teams of P&O-S&S buyers. Whereas communicational capabilities, attitudes and personalities in the individuals determined whether or not the practice were implemented or not, and consequently affected the behaviour.

In addition, one can certainly claim that it is the individuals within the subsidiaries that are affected by the external and internal factors found in this research. Hence, as it is the individual workers that constitutes the subsidiary behaviour, the following model have been compiled in order to illustrate the phenomena:

Model 1. Aspects that affect subsidiary behaviour.

Source: Compiled by authors



7.1 Contribution

Previous studies have found how the external environment and internal factors impact the subsidiary's behaviour towards the HQ with much attention put on management control mechanisms. It has been established that implementation leads to changes in the intra-organizational interface, hence create tensions in the HQ-Subsidiary relationship and affect the behaviour of a subsidiary; yet the theory regarding the behaviour of individuals within a subsidiary concerning new processes and organization is still insufficient with room for improvements. The literature has also been criticized to be one-sided, with the sole perspective of the HQ or subsidiary.

In this study the opportunity to combine the perspectives of both units have been brought to the surface, giving the reader an opportunity to gain a more comprehensive view of subsidiary behaviour. This thesis contributes to the area of subsidiary behaviour by combining theoretical implication with a comprehensive case study on Volvo Buses comparing two subsidiaries' reaction within one MNC. Moreover considering the vehicle industry the MNC is acting within, this paper devote new information to the subsidiary behaviour in specific industry. Also with regards to the countries the two subsidiaries are operating in, one where the institutional context is similar to the HQ and one with origins in an emerging market, the study gives further implication on how the environmental context play a vital role in subsidiary behaviour. Having the opportunity to study two different subsidiaries in one body has promoted the realization that units with the same organizational culture may react differently on demands by the HQ, which has been limited within the theory so far. Even though Kostova and Roth (2002) deepening their studies within subsidiaries, little focus is put on how subsidiaries react within the same MNC.

Further much attention has been steered towards the mechanisms enforced by the management in each subsidiary and the result of such. However, little effort has been made on observing the impact of influences proposed by the employees within the subsidiary on the behaviour towards the HQ. This thesis treats the subject on an individual level, taking in consideration all the employees involved under management level. Surely, Schotter and Beamish (2011) are mentioning the gap existing in the literature but do no further research the topic. Finally, the impact of clarified roles with connected responsibilities on subsidiary behaviour has gain little spotlight in academia and among scholars. This new perspective has introduced suggestions of why a subsidiary acts differently due to damp task guidelines.

7.2 Further Research

Considering the study was conducted with some limitations, areas where future research are of recommendations to broaden the scope within International Business. Firstly the study observed was a comparison between two subsidiaries in an external environment, neither operating in the home country of the MNC. In order to questioning the effect of institutional power one should compare the behaviour of subsidiaries within the same country as the HQ. This would deepen the understanding of the role of context a subsidiary act within.

Secondly, considering the mimic behaviour of Volvo Buses transferring one process from Volvo Trucks, it would be of interest to make a comparison between the two firms. Factors such as administrative heritage, size and resources would then play a more vital role than stated in current study. Why replication strategies neither fail nor succeed within the same company group would further explain and questioning the importance of organizational culture, the institutional landscape and knowledge transfer.

Finally, given that clarification of roles and responsibilities connected to relationships became very evident as a factor causing a change in behaviour of some individuals one should expand the research on this topic. Jehn (1995) discusses how process, task and relationship conflicts within a group give rise to negative or positive behaviour, however she does not view this from an international perspective. Considering the importance of clear roles and responsibilities in Volvo Buses, one should further study how process, task and relationship conflicts affect the behaviour and performance within an MNC.

8. Reference list

- Amason, A. C. (1996). Distinguishing the effects of functional and dysfunctional conflict on strategic decision- making: resolving a paradox for top management teams. *Academy of Management Journal*, 39, 123-148.
- Ambos, B., & Schlegelmilch, B. B. (2004). The use of international R&D teams: An empirical investigation of selected contingency factors. *Journal of World Business*, 39(1), 37-48
- Andersson, U., & Forsgren, M. (1996). Subsidiary embeddedness and control in the multinational corporation. *International Business Review*, 5(5), 487–508.
- Andersson, U., Forsgren, M., & Holm, U. (2007). *Balancing subsidiary influence in the federative MNC: A business network view* (pp. 393-420). Palgrave Macmillan UK.
- Andersson, U., Björkman, I., & Forsgren, M. (2005). Managing subsidiary knowledge creation: The effect of control mechanisms on subsidiary local embeddedness. *International Business Review*, 14(5), 521-538.
- Argote, L., & Ingram, P. (2000). Knowledge transfer: A basis for competitive advantage in firms. *Organizational Behavior and Human Decision Processes*, 82(1), 150-169.
- Bartlett, C. A., & Ghoshal, S. (1990). Managing innovation in the transnational corporation. *Managing the global firm*, 215-255.
- Birkinshaw, J., & Pedersen, T. (2001). Strategy and management in MNE subsidiaries. *The Oxford handbook of international business*, 380-401.
- Björkman, I., Barner-Rasmussen, W., & Li, L. (2004). Managing knowledge transfer in MNCs: The impact of headquarters control mechanisms. *Journal of international business studies*, 35(5), 443-455.
- Blomkvist, K. (2012). Knowledge management in MNCs: the importance of subsidiary transfer performance. *Journal of Knowledge Management*, 16(6), 904-918.
- Bryman, A., & Bell, E. (2011). *Business research methods*. Oxford University Press, USA.
- Cavaliere, V., & Lombardi, S. (2015). Exploring different cultural configurations: how do they affect subsidiaries' knowledge sharing behaviors?. *Journal of Knowledge Management*, 19(2), 141-163.
- Chini, T. C. (2004). *Effective knowledge transfer in multinational corporations*. Basingstoke: Palgrave Macmillan.
- Creswell, J. W. (2014). *A concise introduction to mixed methods research*. Sage Publications.

- Cross, R. L., & Parker, A. (2004). *The hidden power of social networks: Understanding how work really gets done in organizations*. Harvard Business Review Press.
- Daniel, A. (2010). *Perception Gaps between Headquarters and Subsidiary Managers: Differing Perspectives on Subsidiary Roles and their Implications*. Springer-Verlag.
- DiMaggio, P. J. (1988). Interest and agency in institutional theory. In L. G. Zucker (Ed.), *Institutional patterns and organizations: Culture and environment*: 3-21. Cambridge, MA: Ballinger.
- DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147-160.
- Dierickx, I., & Cool, K. (1989). Asset stock accumulation and sustainability of competitive advantage. *Management science*, 35(12), 1504-1511.
- Doz, Y. (2011). Qualitative research for international business. *Journal of International Business Studies*, 42(5), 582-590.
- Doz, Y. L., Santos, J., & Williamson, P. J. (2001). *From global to metanational: How companies win in the knowledge economy*. Harvard Business Press.
- Dubois, A., & Gadde, L. E. (2002). Systematic combining: an abductive approach to case research. *Journal of business research*, 55(7), 553-560.
- Easterby-Smith, M., Lyles, M. A., & Tsang, E. W. (2008). Inter-organizational knowledge transfer: Current themes and future prospects. *Journal of management studies*, 45(4), 677-690.
- Eriksson, P., & Kovalainen, A. (2015). *Qualitative methods in business research*. Sage.
- Forsgren, M., & Holm, U. (2010). MNC headquarters' role in subsidiaries' value-creating activities: A problem of rationality or radical uncertainty. *Scandinavian Journal of Management*, 26(4), 421-430.
- Foss, N. and Foss, K. (2002) 'Authority and discretion: tensions, delegation and implications for new organizational forms', Paper Presented at the 2001 LINK conference, Copenhagen, Denmark.
- Foss, N. J., & Pedersen, T. (2001). The MNC as a knowledge structure: The role of knowledge sources and organizational instruments for knowledge creation and transfer. *Unpublished Manuscript*.
- Ghauri, P. N., & Grønhaug, K. (2005). *Research methods in business studies: A practical guide*. Pearson Education.

Ghauri, P.N.2004. Designing and Conducting Case Studies in International Business Research. In R.Marchan-Piekkari and C.Welch (Eds.). Handbook of Qualitative Research in International Business: 109-125. Cheltenham, UK: Edward Elgar Publishing.

Ghoshal, S., & Bartlett, C. A. (1988). Creation, adoption, and diffusion of innovations by subsidiaries of multinational corporations. *Journal of International Business Studies*, 365-388.

Ghoshal, S., & Bartlett, C. A. (1990). The multinational corporation as an interorganizational network. *Academy of management review*, 15(4), 603-626.

Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic management journal*, 17(S2), 109-122.

Guba, E. G., & Lincoln, Y. S. (1994). Competing paradigms in qualitative research. *Handbook of qualitative research*, 2(163-194), 105.

Gupta, A. K., & Govindarajan, V. (2000). Knowledge flows within multinational corporations. *Strategic Management Journal*, 21(4), 473-496.

Hitt, M. A., Keats, B. W., & DeMarie, S. M. (1998). Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the 21st century. *The Academy of Management Executive*, 12(4), 22-42.

Holm, U., Holmström, C., & Sharma, D. (2005). Competence development through business relationships or competitive environment?-Subsidiary impact on MNC competitive advantage. *MIR: Management International Review*, 197-218.

Håkanson, L., & Nobel, R. (2001). Organizational characteristics and reverse technology transfer. *MIR: Management International Review*, 395-420.

Jehn, K. A. (1995). A multimethod examination of the benefits and detriments of intragroup conflict. *Administrative Science Quarterly*, 40, 256-282.

Jehn, K. A., & Bendersky, C. (2003). Intragroup conflict in organizations: A contingency perspective on the conflict-outcome relationship. In R. Kramer & B. Staw (Eds.), *Research in organizational behavior* (Vol. 25, pp. 189-244). Amsterdam, Netherlands: Elsevier.

Jehn, K. A., & Mannix, E. A. (2001). The dynamic nature of conflict: A longitudinal study of intragroup conflict and group performance. *Academy of management journal*, 44(2), 238-251.

Jehn, K. A., Northcraft, G. B., & Neale, M. A. (1999). Why differences make a difference: A field study of diversity, conflict and performance in workgroups. *Administrative science quarterly*, 44(4), 741-763.

Jindra, B., Giroud, A., & Scott-Kennel, J. (2009). Subsidiary roles, vertical linkages and economic development: Lessons from transition economies. *Journal of World Business*, 44(2), 167-179.

Karn, J. (2008). An ethnographic study of conflict in software engineering teams.

Journal of Information, Information Technology, and Organizations, 3, 105-133.

KBM, Noor. 2008

Kostova, T., Roth, K., & Dacin, M. T. (2008). Institutional theory in the study of multinational corporations: A critique and new directions. *Academy of Management Review*, 33(4), 994-1006.

Kostova, T., & Roth, K. (2002). Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. *Academy of management journal*, 45(1), 215-233.

Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 24(4), 625-645.

Kurtzberg, T., & Mueller, J. (2005). The influence of daily conflict on perceptions of creativity: A longitudinal study. *International Journal of Conflict Management*, 16, 335-353.

LeCompte, M. D., and Goetz, J. P. (1982). 'Problems of Reliability and Validity in Ethnographic Research', *Review of Educational Research*, 52: 31-60.

Lee, S. H., & Williams, C. (2007). Dispersed entrepreneurship within multinational corporations: A community perspective. *Journal of World Business*, 42(4), 505-519.

Lincoln, Y.S., & Guba, E.G. (1985). *Naturalistic Inquiry*. Beverly Hills, CA: Sage.

Loughry, M. L., & Amason, A. C. (2014). Why won't task conflict cooperate? deciphering stubborn results. *International Journal of Conflict Management*, 25(4), 333.

Luo, Y. (2001). Toward a cooperative view of MNC-host government relations: Building blocks and performance implications. *Journal of International Business Studies*, 32(3), 401-419.

Martinez, J. I., & Jarillo, J. C. (1989). The evolution of research on coordination mechanisms in multinational corporations. *Journal of international business studies*, 489-514.

Matsuo, M. (2006). Customer orientation, conflict, and innovativeness in Japanese sales departments. *Journal of Business Research*, 59, 242-250. doi:10.1016/j.jbusres.2005.06.002

Merriam, S. B. (1998). *Qualitative Research and Case Study Applications in Education. Revised and Expanded from*. Jossey-Bass Publishers, 350 Sansome St, San Francisco, CA 94104.

Merriam, S.B. (2009). *Qualitative Research: A guide to Design and Implementation*. San Francisco: Jossey-Bass

- Meyer, K. E., Mudambi, R., & Narula, R. (2011). Multinational enterprises and local contexts: the opportunities and challenges of multiple embeddedness. *Journal of management studies*, 48(2), 235-252.
- Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American journal of sociology*, 340-363.
- Mudambi, R., & Navarra, P. (2004). Is knowledge power? Knowledge flows, subsidiary power and rent-seeking within MNCs. *Journal of International Business Studies*, 35(5), 385-406.
- Mudambi, R., & Swift, T. (2009). Professional guilds, tension and knowledge management. *Research Policy*, 38(5), 736-745.
- Nell, P. C., Andersson, U., & Schlegelmilch, B. B. (2010). Subsidiary contribution to firm-level competitive advantage—Disentangling the effects of MNC external embeddedness. In Pla-Barber, J., & Alegre, J. (Eds.), *Progress in international business research: Reshaping the boundaries of the firm in an Era of global interdependence* (Vol. 5, pp. 173–195). Emerald Publishing.
- Nohria, N., & Ghoshal, S. (1994). Differentiated fit and shared values: Alternatives for managing headquarters-subsidiary relations. *Strategic Management Journal*, 15(6), 491-502.
- Nohria, N., & Ghoshal, S. (1997). *The differentiated network: Organizing multinational corporations for value creation* (1.th ed.). San Francisco: Jossey-Bass.
- O'Donnell, S. W. (2000). Managing foreign subsidiaries: agents of headquarters, or an interdependent network?. *Strategic management journal*, 21(5), 525-548.
- Oliver, C. Strategic responses to institutional processes. *Academy of Management Review*, 1991, 16, 145–79.
- Oliver, C. (1991). Strategic responses to institutional processes. *Academy of management review*, 16(1), 145-179.
- Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic management journal*, 18(9), 697-713.
- Pahl, J. M., & Roth, K. (1993). Managing the headquarters-foreign subsidiary relationship: The roles of strategy, conflict, and integration. *International Journal of Conflict Management*, 4(2), 139-165.
- Pelled, L. H., Eisenhardt, K. M., & Xin, K. R. (1999). Exploring the black box: an analysis of work group diversity, conflict, and performance. *Administrative Science Quarterly*, 44, 1-44
- Powell, H. J. (1985). The original understanding of original intent. *Harvard Law Review*, 885-948.

Ramarajan, L., Bezrukova, K., Jehn, K. A., & Euwema, M. (2011). From the outside in: The negative spillover effects of boundary spanners' relations with members of other organizations. *Journal of Organizational Behavior*, 32(6), 886-905.

Rosenzweig, P. M., & Singh, J. V. (1991). Organizational environments and the multinational enterprise. *Academy of Management review*, 16(2), 340-361.

Roth, K., & O'Donnell, S. (1996). Foreign subsidiary compensation strategy: An agency theory perspective. *Academy of management Journal*, 39(3), 678-703.

Rugman, A. M., Verbeke, A., & Nguyen, P. C. Q. T. (2011). Fifty years of international business theory and beyond. *Management International Review*, 51(6), 755-786.

Schotter, A., & Beamish, P. W. (2011). Performance effects of MNC headquarters–subsidiary conflict and the role of boundary spanners: The case of headquarter initiative rejection. *Journal of International Management*, 17(3), 243-259.

Scott-Kennel, J. (2007). Foreign direct investment and local linkages: An empirical investigation. *Management International Review*, 41(1): 1–27.

Stewart and Kamins (1993)

Schmid, S., Dzedek, L. R., & Lehrer, M. (2014). From rocking the boat to wagging the dog: A literature review of subsidiary initiative research and integrative framework. *Journal of International Management*, 20(2), 201-218.

Strang, D., & Meyer, J. W. (1993). Institutional conditions for diffusion. *Theory and society*, 22(4), 487-511.

Suppiah, V., & Singh Sandhu, M. (2011). Organisational culture's influence on tacit knowledge-sharing behaviour. *Journal of knowledge management*, 15(3), 462-477.

Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic management journal*, 17(S2), 27-43.

Taplin, I. M. (2006). Strategic change and organisational restructuring: How managers negotiate change initiatives. *Journal of International Management*, 12(3), 284-301.

Tenzer, H., Pudelko, M., & Harzing, A. W. (2013). The impact of language barriers on trust formation in multinational teams. *Journal of International Business Studies*, 45(5), 508-535.

Tsang, E. (2014). Generalizing from Research Findings: The Merits of Case Studies. *International Journal of Management Reviews*, 16(4):369-383

Tsai, W., & Ghoshal, S. (1998). Social capital and value creation: The role of intrafirm networks. *Academy of management Journal*, 41(4), 464-476.

Volvo Buses (2016a) Retrieved in 2016-03-29 <http://www.volvobuses.com/>

Volvo Buses (2016b) Retrieved in 2016-04-06 <http://www.volvobuses.pl/>

Volvo Buses (2016c). Retrieved in 2016-04-05 <http://www.volvobuses.mx/>

Williams, C., & Lee, S. H. (2009). International management, political arena and dispersed entrepreneurship in the MNC. *Journal of World Business*, 44(3), 287-299

Xu, D. and Shenkar, O. (2002) 'Institutional distance and the multinational enterprise', *Academy of Management Review* 27: 608-618.

Yang, X., & Rivers, C. (2009). Antecedents of CSR practices in MNCs' subsidiaries: A stakeholder and institutional perspective. *Journal of Business Ethics*, 86(2), 155-169.

Yin, R. K. (2011). *Qualitative research from start to finish*. Guilford Publications.

Yin, R. K. (1994). *Case Study Research: Design and Methods*, London.

Yin, R. (2014). *Case Study Research: Design and Methods*. London: Sage Publications.

Appendix 1

Interview Guide

Introduction and general questions

- Please describe your background
- Please describe your current position

The Global practice

- What is your overall impression regarding the handover process?
- What are your responsibilities in order to fulfil the handover process?
- What measure or mechanisms have you noticed has been used in order to facilitate usage of the HoTo-tool?
- What is your role in the Handover process?
- How do you and your S&S buyer work with the HoTo-tool and Process?
- How did the implementation of the HOTO process go through?
- Did Volvo provide you with education in the HoTo process and Tool?
- Do you feel that you and your co-workers use the process in the same way?
- Have you experienced any difficulties during this process?
- Any suggestions of why?
- Please describe a case where the HOTO process was a Success/Failure, and why so

The Communication and Relationship Between S&S-P&O

- How would you describe the relationship between P&O and S&S?

- What do you think could impact the relationship between the sourcing buyer and the P&O?
- How like would you describe your and S&S responsibilities?
- How is the communication between your department and other departments?
- When is the first contact between you and the S&S buyer in a new case?
- How and when do you expect to receive the information from S&S when starting a new case
- How do you communicate with S&S after you have received the case?
- Do you experiences any culture differences between the sourcing and operation departments

The Role of Management

- How do you communicate with your manager?
- How does your work being followed up?
- Do you feel that you can speak freely about problems that occur without someone using that to your disadvantage?

Appendix 2

Respondents

Mexico	Respondent		Poland	Respondent			Sweden	Respondent
Purchasing Manager	A		Plant Manager	L			S&S	W
P&O	B		Purchasing Manager	M			S&S	X
P&O	C		P&O	N	Not recorded		S&S	Y
P&O	D		P&O	O	Not recorded		S&S	Z
P&O - Trainee	E		P&O	P	Not recorded		S&S	AB
P&O	F		P&O	Q			S&S	AC
PPM	G		P&O	R			S&S	AD
P&O	H		P&O	S				
PPM	I		P&O	T	Not recorded			
P&O	J		S&S	U				
P&O	K		P&O	V				