



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

**Subsidiary Evolution in the Digital Service Industry**  
*A multiple comparative case study of subsidiaries in a service-based MNC*  
*within the knowledge intensive business service sector*

**Department of Business Administration**

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Gothenburg, 2017-06-02

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Viktor Edgren

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Camilla Sternhufvud

## **Abstract**

**Title:** *Subsidiary Evolution in the Digital Service Industry - A multiple comparative case study of subsidiaries in a service-based MNC within the knowledge intensive business service sector*

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**Tutor:** Jakobsson, Johan

**Background and Problematization:** Subsidiaries in multinational companies (MNC) operate under different conditions than independent companies due to them being semi-autonomous and a part of an MNC. They often operate within different local contexts than the Headquarter (HQ), which to the complexity increases. The balance between local adaptation and global standardization within the MNC is key for success. How this is experienced from a subsidiary point of view is fairly unexplored in scientific literature. The increase of subsidiaries on the world market alongside with globalization and digitalization provides an intersection in which this thesis takes its start. This in combination with the growth of and the characteristics of the KIBS sector and the digitalization of the same, results in a complex and interesting research field that yet has been lagging.

**Purpose:** The purpose of this thesis is to a deeper insight into the drivers behind subsidiary evolution from a subsidiary perspective for companies within the digital business service sector. The study takes on a subsidiary perspective while investigating driving factors for subsidiary evolution.

**Methodology:** This thesis has taken on a qualitative research approach and was conducted as an exploratory multiple comparative case study of two service-orientated subsidiaries situated in Spain and in Sweden. Empirical data has been collected through semi-structured qualitative interviews with representatives at top manager level in both countries respectively to access the subsidiary perspective. Secondary data, in form of relevant literature and annual reports, has been consulted both prior to and after the interviews to deepen the analytical contribution of the study.

**Analysis and Conclusions:** The findings of this thesis indicates that subsidiaries within the knowledge intensive business service sector are driven by a combination of local adaptation and the subsidiaries own initiatives. Semi-autonomy and the implementation of agile processes also appeared to play an important role in the drivers of subsidiary evolution within the advanced digital service sector.

**Keywords:** *Subsidiary Evolution, Knowledge Intensive Business Service, Digitalization, Semi-Autonomy, Agile Processes, Sweden, Spain, MNC*

## Table of Abbreviations

DTTL	Deloitte Touche Tohmatsu Limited
DESI	Digital Economy and Society Index
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HQ	Headquarters
IB	International Business
ICT	Information and Communication Technology
IHIP	Inseparability, Heterogeneity, Intangibility, Perishability
KIBS	Knowledge Intensive Business Services
MNC	Multinational Corporation
OECD	Organisation for Economic Co-operation and Development
UX	User Experience Design

## Tables

Table 1 - Illustration of Respondent's Title, Subsidiary, Nationality, Circumstance and Length of interview.

## Figures

Figure 1 - Drivers of Subsidiary Evolution

## Table of Contents

<b>1. Introduction</b>	<b>6</b>
1.1 Background	6
1.2 Problematization	8
1.3 Research question	10
1.4 Purpose	11
1.5 How we intend to do the research	11
1.6 What we aim to contribute to the research field	11
1.7 Delimitation	12
1.8 Disposition of thesis	12
<b>2. Theoretical Framework</b>	<b>14</b>
2.1 Choice of the theoretical framework and source evaluation	14
2.2 Subsidiary Evolution	15
2.2.1 Charters	17
2.2.2 Capabilities	17
2.2.3 Drivers	19
<b>3. Methodology</b>	<b>23</b>
3.1 Research Approach	23
3.2 Multiple case study	24
3.2.1 Choosing the case study and the selection process	24
3.3 Research Process	26
3.3.1 Phase one	26
3.3.2 Phase two	27
3.3.3 Phase three	27
3.3.4 Phase four	27
3.4 Data Collection	28
3.4.1 Primary Data Collection Through Interviews	28
3.4.2 Interview Design	29
3.4.3 Conducting the Interviews	30
3.4.4 Secondary Data	32
3.5 Analysis Process	32
3.6 Quality of the Study	33
3.6.1 Dependability	34
3.6.2 Credibility	34
3.6.3 Confirmability	35
3.6.4 Transferability	36
3.7 Limitations	36
3.8 Ethical Considerations	37
<b>4. Empirical Data</b>	<b>39</b>
4.1 Empirical Background	39
4.1.1 Overview of Deloitte Digital	39
4.1.2 Subsidiary in Sweden, Mobiento by Deloitte Digital	40
4.1.3 Subsidiary in Spain, Deloitte Digital Spain	40
4.2 Interview Results	41
4.2.1 Charters - Local Market Responsibilities while Serving Global Jewels	41

4.2.2 Capabilities from the past make Centers of Excellence	43
4.2.3 Semi-Autonomy and Independence	46
4.2.4 Drivers	47
<b>5. Analysis</b>	<b>52</b>
5.1 <i>Charters; Old, New, and Developing</i>	52
5.2 <i>Capabilities Emerging to Match Different Needs</i>	53
5.3 <i>A Combination of Drivers Reflecting the Balance Between Local and Global Presence</i>	54
5.4 <i>Semi-Autonomy; a Result of Market Conditions, Non-Organic Growth and Service Characteristics</i>	57
<b>6. Conclusion</b>	<b>59</b>
6.1 <i>Theoretical Contribution</i>	60
6.2 <i>Suggestions for Further Research</i>	61
<b>7. Reference list</b>	<b>62</b>
<b>8. Appendix</b>	<b>69</b>
8.1 <i>Appendix 1</i>	69
8.2 <i>Appendix 2</i>	71

# 1. Introduction

The purpose of this introductory chapter is to give the reader an initial overview of the subject at hand. This chapter begins with a brief background to the research field followed by a problematization discussion leading up to the research question and purpose of the thesis. The chapter is then completed with a summarized method section, potential contributions of the research to the field and is finally concluded with a delimitation.

## 1.1 Background

Digitalization and globalization seem to go hand in hand and evolve interdependently yet side by side together, now more than ever (Dicken, 2011). Since the start of the ongoing *ICT* revolution, having a clear digital business strategy has only grown in significance for companies with an international strive (Barrett et al, 2015). This combined with a new globally interconnected business climate has driven the need for digital development and change of strategy for companies throughout various fields of business (Hill, 2011). These tendencies of an enlarged focus on digital business strategy are on the rise, creating a demand for specific knowledge intensive business services (KIBS) and companies providing high-tech solutions and digital strategy services (Miles, 2005). This thesis is a qualitative comparative case study of two European subsidiaries of a so called KIBS within the digital service and consultancy business, Deloitte Digital Spain and Mobiento by Deloitte Digital (Sweden). The research subjects will function as tools for analysing driving factors of subsidiary evolution (Birkinshaw & Hood, 1998) within this field of business.

In the context of globalization, another factor that has become increasingly more important on the world market is subsidiaries, the role they play and the increasing number of them on the world market (Birkinshaw, Hood & Jonsson, 1998). When considering the global market, subsidiary acquisition or creation is seen as a growth strategy and a method of expanding one's business toward new and potential markets (Dicken, 2011). During recent years, both the inward and outward flow of foreign direct investment (FDI) has grown considerably and reached its highest level since the world financial crisis of 2008 in 2015 with a value of approximately 1.7 million USD (UNCTAD, 2016). The growth of FDI implies an elevated importance of subsidiaries as an important source of economic activity on the world market that is to be carefully considered. Studies have shown that subsidiaries can be crucial financial contributors to a company as a whole, and that a parent company can be equally

dependent on the subsidiary as the other way around (Birkinshaw, Hood, Jonsson, 1998). Economic activity and substantial value creation can appear anywhere in the multinational companies (MNC), thus subsidiaries have been given a higher level of importance (Birkinshaw, Hood, Jonsson, 1998). Learning more about how subsidiaries work and develop over time is therefore of key essence to understanding some of the underlying growth forces of the economy.

In the same way that FDI has grown over the years, the service sector in Europe has experienced a remarkable growth especially for advanced business services (Herbert & Paraskevas, 2012; Barrette et al, 2015). The average growth rate of advanced business services was 2.38 % compared to 0.77% for the service sector in general by the year 2012 (Herbert & Paraskevas, 2012). The growth and increasing importance of advanced business services is also highlighted in the 2014 report by the High-Level Business Group of the European Commission where results stress the evolution of the service sector as an important part of the continuation of overall EU growth (European Commission, 2014). Technological development and ICT-revolution is brought forward as a key factor for the development of advanced business services and companies within that field (European Commission, 2014), companies much like the research subjects of this thesis. Innovation and technological change are also mentioned as important aspects on the market. According to the report, the knowledge intensive business service sector also had an elevated importance on both the Spanish and the Swedish markets (European Commission, 2014). By the year 2010 the annual net turnover generated from this sector resulted in 107 billion € in Spain and 54 billion € in Sweden. The knowledge intensive business service sector also showed high numbers employment, employing approximately 1.8 million people in Spain and 512 000 people in Sweden (European Commission, 2014).

Although both countries are experiencing growth and development in relation to digitalization, the level of market maturity differ greatly between the two. According to the Digital Economy and Society Index (DESI) of 2017 presented by the European Commission the Swedish market ranks at third place and the Spanish market ranks at 14th place just above the European average (European Commission, 2016; European Commission, a, 2017). In the report the Swedish market is described as highly advanced and characterized by very intensive competition. The Swedish market is said to be “one of the most competitive economies in the world with a strong business environment and a thriving startup

community“ digitalization wise (European Commission, b, 2017). Concerning the Spanish level of market maturity, although ranking significantly lower than Sweden on all aspects of the DESI 2017, has been evolving dramatically since the end of the Spanish financial crisis in 2011-2013 and the market is characterized by quick change (European Commission, c, 2017). As stated before, globalization and the ICT revolution is driving the economy forward on an aggregated level but also affect companies on a closer level and on a daily basis (Dicken, 2011; Hill, 2011). Internationalization of business is a well covered topic that has been researched in various ways before, yet the focus of these studies mainly has been made from an eagle eye perspective or a Head Office perspective and research from a subsidiary point of view has been lagging (Aharoni, 2011). Theory shows that subsidiaries do operate under different circumstances than independent companies and this difference need to be taken into account (Birkinshaw & Hood, 1998). This thesis takes its starting point in a subsidiary perspective aligned with the one presented in the theory of subsidiary evolution by Birkinshaw and Hood (1998) which is used as the foundation for the research. The theory, its core concepts and the intersection that the digital service industry combined with the complex role of a subsidiary creates will be discussed in the next section.

## 1.2 Problematization

Subsidiaries operate under different conditions than independent companies, mainly due to the fact that they are a part of an MNC and thereby by definition do not function as completely independent companies (Birkinshaw & Hood, 1998). At the same time subsidiaries do have similarities with independent companies which results in what is called semi-autonomy (Birkinshaw & Hood, 1998). The semi-autonomy often results in the subsidiary having to balance different and sometimes contrasting needs and interests against each other creating a complex situation. Some of the complex aspects and circumstances that affect the operational space of a subsidiary shine through in the definition of a subsidiary. A subsidiary is defined as a single value adding entity within a company established by the same with a specific business responsibility or a purpose of contributing to the main company's overall purpose in a host country context, i.e. another country outside of the country of origin of the main company (Birkinshaw, Hood, 1998). The entity is either wholly or partially owned by a parent company and is thus a part of the company, in contrast to outsourcing where the parent company does not possess any ownership. Hence one of the main traits of a subsidiary is that they are a part of a larger company, the parent company, and

not the other way around. Nevertheless the operations of a subsidiary can be of great importance both financially and strategically for the parent company which in turn might be equally as dependent on the subsidiary (Birkinshaw, Hood, Jonsson, 1998).

The dual role of a subsidiary is also reflected in the subsidiary being a member of both internal and external networks. The internal network refers to relations with HQ, other subsidiaries within the same MNC and any potential supporting functions, whereas the external network refers to relations with customers and other actors within the same business segment (Gammelgaard et al, 2012).

How to balance semi-autonomy, internal competition and being a strong competitor both on the local and global market is a challenging situation for all subsidiaries regardless of the business field they operate in (Birkinshaw & Hood, 1998; Birkinshaw, Hood & Jonsson, 1998; Dörrenbächer & Gammelgaard, 2010). Within the KIBS sector, this is certainly the case due to the nature of service itself and the balance between acting locally and globally at the same time sometimes is an even greater challenge (Miles, 2005). Services are generally associated with specific characteristics that distinguish them and separate them from regular goods (Grönroos, 1999; Grönroos, 2001; Edvardsson, Gustafsson and Roos, 2005; Miles, 2005). Different scholars have expressed these characteristics and have defined services in numerous ways, the IHIP acronym (inseparability, heterogeneity, intangibility, and perishability) being one of the most recognized in literature (Lovelock and Gummesson, 2004). Some of these characteristics are more relatable to KIBS and digital services than others.

Services are generally considered to be dynamic activities, whose nature depends on the specific project and circumstances in play (Miller, 2001; Edvardsson, Gustafsson and Roos, 2005; Miles, 2005). This is also the case when it comes to knowledge intensive business services (Miles, 2005). Firstly, services are considered to be intangible (Samiee, 1999). They normally do not have any physical form in themselves, although they are sometimes represented by various artifacts, such as a business card, a prospect, a certain design or end product (Miles, 2005). Secondly, services are often defined as inseparable meaning that some kind of connection or interaction between the service provider and the service receiver is a necessity (Samiee, 1999; Grönroos, 2001; Miles, 2005). This aspect also refers to the timing of the production and consumption of the service, as they are performed and delivered at exactly the same time. It also touches upon the inseparability of the service and the service

provider, another fundamental aspect of knowledge intensive business services and agile processes. The knowledge and skills required to deliver a certain service are embedded in the competence of the individual performing it (Miller, 2001; Chadee et al, 2003; Miles 2005). Finally, services are characterized by an element of variability. This means that the type, quality and purpose of the service vary from whom the service provider and the consumer are to a certain point (Lovelock and Gummesson, 2004). The variability of services goes hand in hand with the upcoming trend of working agile with digital services (Miller, 2001). An agile process is characterized by, apart from what characterizes services in general, change, speed, iteration and the importance of the skills and knowledge of people providing the service (Miller, 2001; Fowler & Highsmith, 2001). When working agile, the service delivery process is broken down into small parts in order to achieve a goal. The measures needed in order to get there are not defined from the beginning but changes over time depending on emerging risks and challenges at that specific time (Miller, 2001). The scope of the delivery process is thus movable, adapting to new circumstances as they appear (Miller, 2001).

All of these characteristics of services increases the complexity of the operational space for subsidiaries within the advanced business services sector further as they could promote local adaptation and client centered working processes even more (Grönroos, 2001; Miles 2005; Edvardsson, Gustafsson and Roos, 2005). With all of the above in mind, the situation for subsidiaries in the digital service industry and the driving factors behind their actions appears rather complex.

### 1.3 Research question

This thesis will be focusing on driving factors of subsidiary evolution for subsidiaries within the knowledge intensive business service sector and how they develop from a subsidiary perspective. Based on the problematization on the complex situation and challenges that these type of subsidiaries face, the research of this thesis is centered on the following question.

*What are the determining factors of subsidiary evolution for subsidiaries within a service-based MNC in the knowledge intensive business service sector?*

In order to answer this question, an exploratory study has been conducted with a qualitative research approach. The study is based on a multiple case study with comparative elements on

two subsidiaries within one MNC, Deloitte Digital Spain and Mobiento by Deloitte Digital (Sweden). The empirical data has mainly been collected through semi-structured interviews at both subsidiaries respectively with the Theory of Subsidiary Evolution by Birkinshaw and Hood (1998) as a theoretical foundation. Their theory and answers given by the respondents lay the foundation for this thesis.

## 1.4 Purpose

The purpose of this thesis is to get a deeper insight into the drivers behind subsidiary evolution from a subsidiary perspective for companies within the digital business service sector. By investigating how two specific subsidiaries balance local adaptation, HQ driven directives and internal and external competition the results hopefully will deepen the understanding of subsidiary evolution within this sector by highlighting a subsidiary perspective. It is important to mention that with this thesis the authors do not intend to achieve any generalizable results, but only to investigate and analyze differences and similarities between the two subsidiaries of this study specifically. However, the research of subsidiaries with a digital profile in a local and global context such as this thesis appears highly contemporary and could potentially inspire others to further and future research.

## 1.5 How we intend to do the research

For this thesis the authors have investigated and compared two subsidiaries within the same MNC in order to identify drivers of subsidiary evolution. The theory of Subsidiary Evolution by Birkinshaw and Hood (1998) is used as a theoretical starting point. The empirical data of the study mainly consists of primary data in form of qualitative semi-structured interviews with respondents on local top managerial level from the two subsidiaries respectively. In addition to the interviews secondary data such as annual reports and works of other scholars has been used. Finally, the empirical data was then analysed with the theoretical framework as a foundation in order to generate the findings of this thesis.

## 1.6 What we aim to contribute to the research field

There have been extensive studies done on the relationship between subsidiaries and Headquarters (HQ) and subsidiary evolution (Birkinshaw & Hood, 1998; Birkinshaw, Hood & Jonsson, 1998; Gammelgaard et al, 2012; Jakobsson, 2015). However, prior research has mostly focused on an HQ perspective, and research from a subsidiary point of view is

somewhat limited (Aharoni, 2011). Furthermore, research on subsidiaries within the digital business service sector is not, from what the authors have found, very common (Miles, 2005). As this thesis takes on subsidiary perspective, instead of researching the HQs strategies of coordination and control of the subsidiaries focus lies on how the individual subsidiary manage their operations. The aim of this thesis is not, as mentioned before, to generate any generalizable results. The main potential research contribution from this study is bringing a study with a subsidiary perspective and the connection to the KIBS sector, mainly digital consultancy, to the table. In addition to providing a study from a subsidiary perspective, perhaps reading this thesis might open the door for and inspire others to further investigate the field in the future

## 1.7 Delimitation

The thesis is limited in such a way that it is a multiple case study which focuses on just two subsidiaries, one MNC and one specific part of the knowledge intensive business service sector. The small and specific sample size makes the ability to make generalizations limited as the findings may not be relevant for other cases. The scope of the study did, however, allow for more in depth data to be gathered within the narrower time frame of this thesis and aligns with the chosen subsidiary perspective.

## 1.8 Disposition of thesis

This thesis consists of six main chapters, each and all briefly presented below to give the reader an overview. All chapters respectively are then divided into subheadings throughout the thesis.

### Introduction

The first chapter aims to introduce the reader to the research area and lay the foundation for the thesis. The chapter gives the reader an initial overview of key issues relevant for understanding following chapters and briefly presents how the study is done.

### Theoretical framework

The second chapter introduces and explains the theoretical framework at use for this study. The chapter begins with a section motivating the choice of main theoretical framework, the Theory of Subsidiary Evolution by Birkinshaw and Hood (1998), and then continues with an in depth description of the theory and its key concepts.

### Methodology

In the third chapter, all methodological steps and choices made during this thesis are presented. Decisions and the reasoning behind them, concerning the ways the study was conducted and other delimitations are addressed and validated. The scientific quality of the study is also discussed.

#### Empirical Data

The fourth chapter is divided into two main parts. The first part gives a description of the company and the two subsidiaries respectively, Deloitte Digital Spain and Mobiento by Deloitte Digital (Sweden). The second part presents the findings based on the respondent's answers from the interviews at the subsidiaries.

#### Analysis

In this chapter, the findings presented in the previous chapter, 4. Empirical Data, are analyzed with the tools presented in chapter 2. Theoretical Framework. The chapter is divided into subheadings according to the key concepts of Theory of Subsidiary Evolution.

#### Conclusion

The results of the analysis were summarized in a conclusion. Based on these conclusions potential contributions in form of theoretical and managerial contributions are presented. The chapter ends with suggestions for further research.

## 2. Theoretical Framework

In the following chapter the theoretical framework at use for this study is presented in order to create a deeper understanding for the analysis work. Beginning with a discussion on how the theory of choice is applicable in our specific case as well as a motivational discussion where other potential theories that could have been considered helpful to this study are presented. The chapter then continues with an introduction to the theory itself, a presentation of its key concepts and how they interact and are related to each other along with some clarifications, descriptions and definitions of these key concepts.

### 2.1 Choice of the theoretical framework and source evaluation

The empirical data in this thesis is analyzed by applying Birkinshaw and Hood's theory of Subsidiary Evolution (1998) in order to best identify drivers of subsidiary evolution from a subsidiary perspective. During the writing of this thesis, other theories about subsidiaries and their operations were also considered, such as the works of Bartlett and Ghoshal (1986), Kostova and Roth (2002) and Gammelgaard (2010, 2012).

Bartlett and Ghoshal (1986) present a model defining five generic roles of a subsidiary and its corresponding functions (Rugman et al, 2011). The model can also be used as a tool to distinguish different kinds of subsidiaries (Rugman et al, 2011). However, the model does not include the change of roles to the same extent as the Theory of Subsidiary Evolution by Birkinshaw and Hood (1998) and was considered less suitable for this thesis as it is concerned with more dynamic aspects. The aspect of change of subsidiary roles and the duality that they face in terms of relationships with other actors, such as HQ, other subsidiaries or actors on the market is researched by Kostova and Roth (2002). Their research on the dynamics of interaction between subsidiary and an HQ is further developed from an institutional theory perspective (Kostova & Roth, 2002). They point out the importance of recognizing the institutional duality that the subsidiary is confronted with, i.e. the need to follow HQ directives and at the same time conforming to the host country's institutions and social patterns that are specific to the country (Kostova & Roth, 2002). This institutional perspective does however not align with the subsidiary perspective of this study as this perspective belongs more to the IB field. Although this thesis has a clear emphasis on the works of Birkinshaw and Hood (1998), the works of other researchers, such as Gammelgaard,

Rugman, Jakobsson, Bartlett and Ghoshal to name a few, have been used as a reference theory throughout the writing process in an attempt to broaden the theoretical framework to some extent. Nevertheless, the reasonings of Birkinshaw and Hood have laid the foundation for other studies concerning subsidiary evolution such as the works of Gammelgaard (2010, 2012) and Jakobsson (2015). The fact that other researchers have approached similar views and further developed the reasonings rather than criticizing them strengthened the final choice of main theoretical framework for this thesis even further.

## 2.2 Subsidiary Evolution

The main theoretical framework for this study is based on the Theory of Subsidiary Evolution by Birkinshaw and Hood (1998). The theory gives an explanation of the operational changes that a subsidiary within an MNC undergo over time and emphasizes on and describes the specific drivers that cause these changes. As argued by Birkinshaw and Hood these patterns of change are specific for subsidiaries within an MNC and there are five different variations of change or patterns that all are dependent on certain combinations of explanatory factors, i.e. drivers, presented in the theory. The word evolution in this context refers to change in both a positive and negative sense, meaning that the change could either be of increase or decrease of capabilities that can determine what charters the subsidiary receives (Birkinshaw & Hood, 1998). The evolution is also closely intertwined with the change of role that the subsidiary plays in the MNC as a part of the internal network (Jakobsson, 2015). The theory is based on a few key concepts, Charters, Capabilities and Drivers, that interact with each other in order to describe the process of subsidiary evolution (Birkinshaw & Hood, 1998). The change in Charters and or Capabilities is driven by certain Drivers, and the overall change over time results in Subsidiary Evolution (Birkinshaw & Hood 1998).

These concepts will later be presented and discussed further individually under their own respective section, *2.1.1 Charters*, *2.1.2 Capabilities* and *2.1.3 Drivers*. But prior to that, to fully be able to understand how these key concepts are related to each other, some other clarifications need to be made and some definitions of basic assumption need to be further elaborated.

A subsidiary is defined as a single value adding entity within a company established by the same with the purpose of contributing to the main company's overall purpose in a host country context, i.e. another country outside of the country of origin of the main company

(Birkinshaw, Hood, 1998). The size of the subsidiary can vary, from being a small local sales office to large production plants, from managing only one part of the value chain to managing every step of the complete value chain (Rugman et al, 2011). The entity is either wholly or partially owned and is thus a part of the company, in contrast to outsourcing where the parent company does not own the business unit. Hence, one of the main traits of a subsidiary is that they are a part of a larger company, the parent company. The relationship and power distribution between the two is characterized by, at least traditionally, hierarchy (Bartlett, Ghoshal, 1986). The parent company is usually the more powerful part and the subsidiary is usually more submissive or dependent on the parent company. This relationship and the fact that the subsidiary has a purpose to fulfill for the parent company is one of the things that separates them from independent companies (Rugman et al, 2011). However other studies have shown that this does not always have to be the case as subsidiaries very well may be considered crucial financial contributors, and that the parent company can be equally dependent on the subsidiary (Birkinshaw, Hood, Jonsson, 1998). Economic activity and substantial value creation can appear anywhere in the MNC, subsidiaries has been given a higher level of importance (Birkinshaw, Hood, Jonsson, 1998).

This dual role of the subsidiary is also reflected in it being a member of both internal and external networks. The internal network refers to relations with HQ, other subsidiaries within the same MNC and any potential supporting functions, whereas the external network refers to relations with customers and other actors within the same business segment (Gammelgaard et al, 2012). Another aspect that relates to the dual role of a subsidiary is semi-autonomy, which is described as a typical and prominent characteristic for subsidiaries (Birkinshaw & Hood, 1998). However, the state of semi-autonomy is not static, but dynamic and changes over time. The relationship with and the partial dependency on HQ, both in terms of resources and decisions fluctuates over the lifespan of a subsidiary and especially dependency tends to diminish as the subsidiary matures (Rugman et al, 2011). The aspect of semi-autonomy is important, as it enables the subsidiary to take their own decisions with minimum or even completely without HQ interference. According to Birkinshaw and Hood (1998) semi-autonomy is constantly an underlying factor that influence the drivers of subsidiary evolution. The perception of being independent and acting independently from the HQ as a subsidiary show some subjective traits due to the fact that they actually not are independent. The view on the semi-autonomy of the subsidiary and the consequences of the same can be rather different from a HQ or subsidiary perspective (Birkinshaw & Hood, 1998).

### 2.2.1 Charters

All individual subsidiaries within an MNC has a specific function, or play a specific role or part in the overall set of activities of the MNC. They are given a certain task to perform a certain business responsibility- a charter (Birkinshaw, Hood 1998; Jakobsson, 2015).

Charters can also be described as a mutual understanding between the subsidiary and the head office of the responsibilities that the subsidiary undertakes (Jakobsson, 2015). Gammelgaard uses the term strategic mandate, also emphasizing the responsibility that a charter entails (Gammelgaard et al, 2012). All these various ways of explaining and defining what a charter is all relates to that the term charter is also closely interlinked with the distribution of available resources to finance subsidiary operations (Birkinshaw & Hood, 1998; Gammelgaard, 2012; Jakobsson, 2015). The charter of a subsidiary can both be sought for by the individual subsidiary itself or handed down from the parent company, the charter can therefore also be either wanted or unwanted by the subsidiary. Charters can also be taken away from a certain subsidiary and redistributed within the MNC, resulting in charter-loss for that particular subsidiary (Dörrenbächer & Gammelgaard, 2010). Furthermore, the amount of charters available within an MNC is also limited. Depending on the amount of available charters contra competing subsidiaries within the MNC, so called internal competition may arise (Birkinshaw, Hood 1998). The issue of internal competition will be dealt with further down below, as it can be one of the underlying motives drivers of the pursual of charters (Birkinshaw, Hood 1998). Neither the amount of available charters or their durability for the individual subsidiary is constant, but varies over time due to a number of different factors, internal competition being on of them. Charters and how they are distributed within the MNC is however constantly changing, some on short-term and others on more of a long-term view (Birkinshaw & Hood, 1998; Rugman et al, 2011). This dynamic aspects is one of the factors influencing subsidiary evolution (Birkinshaw & Hood,1998).

### 2.2.2 Capabilities

Each subsidiary within an MNC is said to have certain capabilities. These capabilities have similarities with the ones of any company, meaning that they are a set of special traits and knowhow that separates the company and its activities from its competition making the capability to an advantage the company can put to use and possibly and hopefully profit from (Birkinshaw, Hood 1998). Furthermore, in order to be able to measure the evolution of capabilities they have to reflect actions of some kind or the result of an accomplished activity (Jakobsson, 2015). These actions are routine based behaviours that, when performed, allow

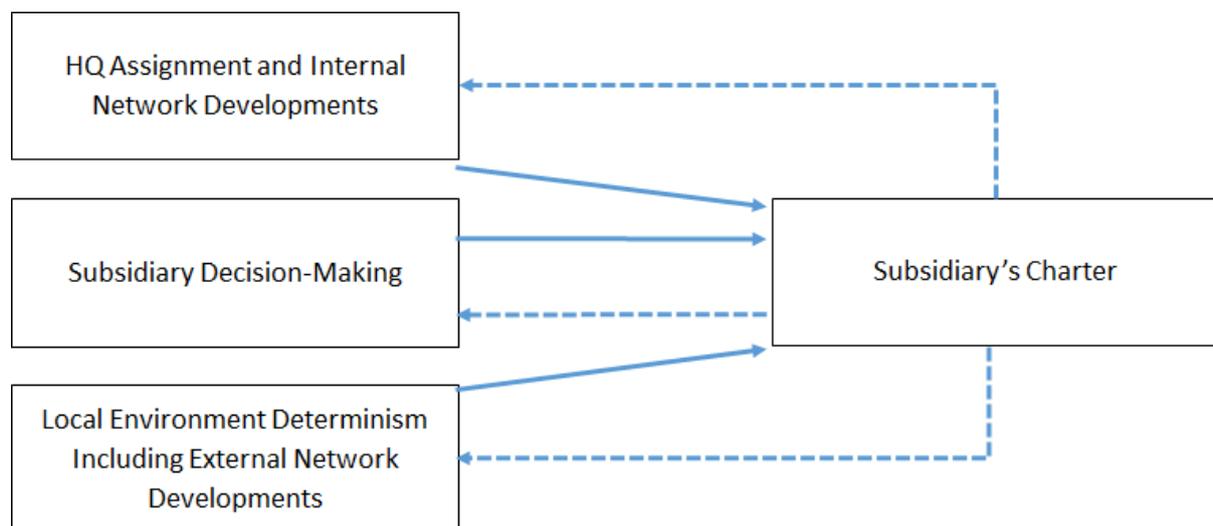
for development of added-value and thus creates what is called a capability for a specific subsidiary (Winter, 2003). As such, capabilities are made of a unique set of activities performed by the subsidiary company that allow for operationalization of charters (Rugman et al, 2011). These capabilities are of great importance both for the MNC and not the least for the subsidiary itself, in order for them to defend their position within the internal network of the MNC, giving them identity and a function within the same (Gammelgaard et al, 2012.). Equal for all capabilities, whether on a general firm level or with a more local heritage, is that the creation of capabilities require resources (Jakobsson, 2015). These resources are, most commonly but not only, distributed from the head office or parent company to some extent. The resources are expressed as the foundation of capabilities (Birkinshaw, Hood, 1998; Gammelgaard, 2012; Jakobsson, 2015). The difference between a general capability of a company and one of a subsidiary, i.e. what specific trait that makes it a capability of a subsidiary in particular and not of the whole company per se, is that the capability in question is distinct from the capabilities of the parent company or the ones at the headquarters. These characteristics of the subsidiary capabilities could for instance be related to the local context of the subsidiary, such as specific local market knowledge, a certain experience or history or institutional setting or some form of expertise on a more personal level of the local management (Birkinshaw, Hood, Jonsson 1998).

Subsidiary capabilities tend to, due to the local embeddedness of the such, have a certain “*stickiness*” to them which also reinforces their local context even more. The stickiness relates to the fact that due to the local embeddedness, a certain subsidiary capability created in a certain local context, is difficult borderline impossible to codify and thus translate and implement in another country specific context, may it be in the home country or another host country (Birkinshaw, Hood 1998). Contrary to the stickiness is the concept of “*slippery*” knowledge. Slippery knowledge refers to the kind of capabilities and competences that easily translate and can be leveraged from one part to an other of the organization (Rugman et al, 2011). A subsidiary capability is developed over time, created from experience, within a certain local context that only could have emerged under these particular conditions, regardless of whether they evolve to become either sticky or slippery and transferable.

### 2.2.3 Drivers

The underlying factors that affect the direction of how a subsidiary and its given charters are evolving depend on certain drivers or motivational functions. According to this theory, three different drivers can be distinguished. Subsidiary evolution can be stimulated by either one or more of these drivers and the combination of the same is said to be a determining factor of the type of change a specific subsidiary experiences (Birkinshaw, Hood 1998). The drivers are not completely mutually exclusive, they can rather and may very well be intertwined (Rugman et al, 2011). The combination of drivers influence a subsidiary's charter as illustrated by the figure below, *Figure 1*. Each of the three drivers will each be presented separately down below.

Figure 1 Drivers of Subsidiary Evolution



Source: Modified from Birkinshaw & Hood (1998, p. 775)

#### 2.2.3.1 Head office assignment

The charters of a subsidiary is defined, determined and assigned to them by the parent company or headquarter. In this case the active role, the driving factor, stems from as the name entails the headquarter or central parts of the MNC. The subsidiary takes on a more passive role and accepts and carries out the charter that is given to them (Birkinshaw & Hood, 1998). This pattern or power balance is a common way of thinking about the subsidiary-head office relationship, portraying an traditional hierarchical perspective and a top-down flow of decisions and resources (Lee, Chen & Lu, 2009). Levels of subsidiary autonomy and independency are relatively low or non existent in this driver (Gammelgaard et al, 2012). This type of behavior or role taken by the subsidiary shows some similarities with

the category “*Implementor*” in Bartlett and Ghoshal’s model of generic subsidiary roles (Rugman et al. 2011). The subsidiary takes on a more passive role and show low levels of initiatives when it comes to elaboration of new charters and implements suggestions a ideas from the head office (Rugman et al. 2011). This has also been studied from an institutional theory perspective by Kostova and Roth (2002) where the operationalization of charters is described as divided into two steps, implementation and internationalization (Kostova & Roth, 2002). The implementation of a charter is then regarded as the actions required or implied for the practice to implemented, from an external and objective perspective. Internalization can be described as to what extent the employees at the recipient subsidiary regard the practice as useful and thus internalize the practice into their everyday work. According to Kostova and Roth (2002), the adoption of HQ directives of subsidiaries is said to vary in different levels and combinations of implementation and internalization. Kostova and Roth (2002) stress that it is important to acknowledge the fact that a subsidiary in a foreign country can be obligated to implement the practice if HQ require them to do. This also aligns with the head office assignment driver, since the operationalization and implementation of the charters suggested by a HQ may vary in success, depending on level of trust for the HQ from the subsidiary, cultural distance, current capabilities of the subsidiary i.e. do they posses the capabilities necessary to perform the charters (Birkinshaw & Hood, 1998).

As subsidiaries create capabilities and evolve existing ones over time, the head office assignment becomes less present and prominent in relation to more growing semi-autonomy. This driver tends thus to be more prominent in the early stages of subsidiary evolution and there is a tendency for this driver to decrease as autonomy increases (Birkinshaw & Hood, 1998).

#### 2.2.3.2 Subsidiary Choice

As the name indicates, here the subsidiary takes on a more active role in both elaboration of new charters and pursuing existing ones, and the underlying initiatives for change and development comes from the local managers (Birkinshaw & Hood, 1998). Decisions are made and carried through at a local level with minimum distance between where they are taken and implemented, and are according to theory highly dependent on local managers personal characteristics and preferences (Birkinshaw & Hood, 1998). Levels of autonomy and independency are generally high, sometimes to the point where the subsidiary can be

considered semi-autonomous (Birkinshaw & Hood, 1998). The connection to the head office are therefore relatively low and communication on charters and charter distribution between the two are rare. Decentralization in combination with high levels of autonomy creates a sort of distance to the head office, providing local managers with the space needed to take their own decisions and run the business more according to their own vision. Subsidiaries driven by this kind of driver usually show high levels of entrepreneurship on local management level, innovation driven business and low risk aversion. This could be a way of gaining more charters by showing excellent results, it is worth mentioning that this most often is individual based, based on the local management and their agenda (Birkinshaw, Hood & Jonsson, 1998). The motive for proceeding with local initiatives may also be to strengthen the position vis-a-vis other subsidiaries within the MNC, hence the internal network and the corresponding internal competition (Gammelgaard et al, 2012). It is important to point out that subsidiary choice most often is a combination of the above stated factors (Birkinshaw & Hood, 1998). The impact and significance of subsidiary autonomy within the MNC and their influence on network relationship and interaction and subsidiary performance has been studied by Gammelgaard (2012) among others. In the studies of Gammelgaard, autonomy in a subsidiary is positively related to both intrafirm and interfirm relationships on a similar level, whereas increased autonomy had a negative impact on relationship with head office (Gammelgaard et al, 2012).

#### 2.2.3.3 Local determinism

In this driving factor Birkinshaw and Hood (1998) stresses the influence of the local environment and how it affects the actions of a subsidiary in different ways and on different levels. Each and every local environment entails a unique set of conditions that both enables and limits the range of action of the subsidiary. The subsidiary is not only influenced by these settings, but can not avoid being so. This is called local embeddedness and is a contributing factor of subsidiary characteristic and operational space. These local conditions are made up of both institutional framework and more relationship based aspects such as the local business climate and overall cultural influence (Birkinshaw & Hood, 1998).

Not all charters are “*contestable*”, some are country specific and so are linked inextricably to the local subsidiary’s operations (Birkinshaw & Hood 1998). The institutions may be of formal character, such as regulatory framework, or of informal character, such as cognitive or normative institutions and general opinions on how to conduct business within a certain area

(Kostova & Roth 2012). A subsidiary of an MNC is, as previously has been stated, a part of both an internal and an external network (Gammelgaard et al, 2012). Both networks allows the subsidiary to access vital information and valuable contacts and relationships for future development and learning from the other members of the network (Håkansson & Snehota, 1995). The informal institutions of the external network is a function of its members and reflects the local embeddedness whose importance and influence is highlighted in this driver (Gammelgaard et al, 2012). This kind of influence that local determinism represent might be one of the most commonly accepted and well-known factors when it comes to studies of subsidiary behavior, and is explained and illustrated through various perspectives (Birkinshaw & Hood, 1998).

## 3. Methodology

The chapter below is a description of the research methods chosen to fulfill the purpose of this thesis and answering the research question of the study. Decisions, and the reasoning behind them, concerning the ways the study was conducted and other delimitations will be addressed and validated. The chapter also contains a description of qualitative research and why it was considered suitable for this study and a thorough explanation of the data collection. Finally, the scientific quality of the study is discussed by four quality parameters of qualitative research, *dependability*, *credibility*, *confirmability* and *transferability*.

### 3.1 Research Approach

This thesis is based on a multiple case study with a comparative design that aims to get a deeper insight into the drivers behind subsidiary evolution from a subsidiary perspective for companies within the digital business service sector. The research objects at use for this thesis are two subsidiaries within the same MNC providing knowledge-intensive business services, Deloitte Digital Spain and Mobineto by Deloitte Digital (Sweden).

Studies of MNCs from a subsidiary perspective is a relatively unexplored area (Aharoni, 2011). Furthermore, research on KIBS has also been lagging (Miles, 2005). As the study is researching a relatively unexplored field of research with few, from what the authors could find, papers on the subject, an exploratory method is to be preferred within the three forms of research; descriptive, explanatory and exploratory (Saunders, Lewis & Thornhill, 2009). The exploratory approach is fitting when the research is founded of a set of existing theories, and is most often used when the research requires understanding of the new area combined with staying open to, and aiming to gain new insights of it (Saunders, Lewis & Thornhill, 2009; Cooper and Schindler, 2011). This thesis takes its stand in the theory of Subsidiary Evolution of Birkinshaw and Hood yet within a “new” or seldom investigated field, KIBS and digital business service. The research is thus based on an existing theory and the aim is to reach a deeper understanding for a particular business sector. Furthermore, the exploratory approach is usually considered to be well accompanied by qualitative rather than quantitative data (Bryman & Bell, 2014). Due to the subsidiary perspective and the aim to reach a deeper understanding of the drivers of subsidiary evolution for the research objects the authors chose

a qualitative method as it allows for reaching a deeper level of understanding and access to more in depth information (Merriam 1998).

This qualitative study takes on an abductive approach (Bryman & Bell, 2011). The abductive method is described as a mix of an inductive and deductive method by Bryman & Bell (2011). The inductive method the empirical research results in theoretical contributions (Bryman & Bell, 2011). The deductive is, in contrast, when a hypothesis is created from initial sources of knowledge and the empirical data is analyzed in order to reject or accept the hypothesis (Bryman & Bell, 2011). The combination of the two is a way to counteract the limitation of the separate methods of research (Bryman & Bell, 2014). The first step in the research process for this thesis was focused on reviewing relevant literature concerning Subsidiary Evolution, secondly the interviews were conducted with representatives from each subsidiary respectively. After performing the interviews and transcribing them, relevant literature was reviewed once more to add complementing literature based on the empirical data. This process of revisitation based of new data exemplifies an abductive research method according to Bryman & Bell (2014).

## 3.2 Multiple case study

Within the field of business economics different variations of case studies are a common and well-accepted way of conducting research (Bryman & Bell, 2014). Case studies have been widely utilized to approach various problems within this field and to highlight specific or unique phenomenon within a certain context, and is often used in combination with qualitative research (Bryman & Bell, 2014). This thesis is based on a multiple case study with a comparative design to resolve the research question. This kind of design contributes to increase the likelihood of analytical generalizations being drawn from the research findings in comparison to a single case study (Yin, 2003; Bryman & Bell, 2014). Two objects were chosen, researched and then analyzed to distinguish similarities and differences between the two. The selection of the specific branch, company and representative subsidiaries will be discussed below.

### 3.2.1 Choosing the case study and the selection process

This multiple case study aims to get a deeper insight into the drivers behind subsidiary evolution from a subsidiary perspective for companies within the digital business service

sector. The choices made to resolve this question should reflect the case ability to provide sufficient and useful insight to do so (Merriam, 1998). The company chosen as a research subject for this study is Deloitte Digital, a worldwide digital consultancy firm and a part of a well known advanced business service company, Deloitte Touche Tohmatsu Limited (DTTL). DTTL qualifies as a KIBS company, has global market coverage and offers a variety of business services, digital business consultancy amongst one of them (Deloitte Global, 2016). The structure of the company is based on a network of member companies who all cooperate and work under the brand name Deloitte (Deloitte S.L, 2016). Although the different phalanges of the company are called member companies, the member companies do share many similarities with what generally is defined as a subsidiary as “well performing unit in the process of developing strong connections to both types of strategic networks” which exemplifies characteristics of subsidiary typologies (Bouquet & Birkinshaw, 2008). The authors argue that the structure of Deloitte Digital and the services they offer makes them a suitable object for observation for this thesis as the company suits the profile of KIBS and matches the topic of digitalization.

The two subsidiaries, Deloitte Digital Spain and Mobiento by Deloitte Digital (Sweden), were chosen on a basis of them being sufficiently similar and different from each other at the same time. Firstly, they both belong to the same MNC. This allows the authors to further enhance and distinguish specific drivers of subsidiary evolution. The underlying argument being that influence from the HQ would be more easily detected if it came from the same HQ. Both subsidiaries are situated within the European Union and thus share a significant set of supranational laws and regulations which make them somewhat similar. Yet both the subsidiaries experience rather different market conditions and levels of market maturity in regards to digitalization (European Commission, 2016). According to the Digital Economy and Society Index (DESI) of 2017 presented by the European Commission the Swedish market ranks at third place and the Spanish market ranks at 14th place just above the European average (European Commission, 2016). DESI is an index that summarizes relevant indicators on Europe’s digital performance, tracks the evolution of EU member states in digital competitiveness and is a way of measuring market maturity in terms of digitalization (European Commission, a, 2017). The report shows that the Swedish market is highly advanced and characterized by very intensive competition. The Swedish market is said to be “one of the most competitive economies in the world with a strong business environment and a thriving startup community“ digitalization wise (European Commission, b,

2017). The level of market maturity in Spain is in line with the European average although it has been evolving dramatically since the end of the Spanish financial crisis in 2011-2013 (European Commission, c, 2017).

Regarding the choice of the respondents, it was important that the candidates picked reflected the subsidiary perspective. The choice of the respondents was taken on the criteria of the respondents having sufficient knowledge about and control over the subsidiaries' operations on both a strategic and operational level. It was also prioritized that they had a similar if not the same position within the company. Interviews were held with one Senior Manager in Spain and a Key Account Manager in Sweden as they both belong to top management within each subsidiary and their positions are comparable. In addition to these interviews, two additional interviews were held with respondents with other managerial positions at the Swedish subsidiary as the opportunity was given and their answers could add fullness and variety to the study.

Furthermore, the selection of the multiple case study was facilitated by a personal contact with the company. The choice of the subsidiaries and the company thus in question falls into the category of both purposeful sampling and convenience sampling (Bryman & Bell, 2014). Finally, one of the requirements of the Bachelor Course in which this thesis was written was that the thesis preferably should have some connection to the language profile of the students (Handelshögskolan, 2017).

### 3.3 Research Process

In the following section the different stages of research and what each of these entails will be presented in short, aiming to enhance the study's transferability and add transparency to the way the empirical data was gathered. Some stages and methodological choices will be further elaborated and motivated in other sections later on in this chapter, mainly 3.6 *Quality of the Study*, if no other section is referred to.

#### 3.3.1 Phase one

The first phase of the research process mainly consisted of literature reviews and general information gathering. The authors searched for and reviewed relevant literature concerning the theoretical framework and other essential concepts for this thesis such as research on

subsidiaries, KIBS, digitalization in the EU and specifically in Spain and Sweden, digital service and agile processes. In addition to reviewing literature and reports the initial information was gathered in coordination with the vice president of one of the subsidiaries. This was done in order to understand the organization better, its overall structure and what kind of services the MNC provided to its clients. This was complemented with information from annual reports of both the individual subsidiaries and other official information from the Deloitte Digital concern.

### 3.3.2 Phase two

In the second phase, interview questions were created and put together into an interview guide using the data received above in phase one as a foundation. The construction of the interview guide will be presented more thoroughly in section. *3.4.2 Interview Design* and the complete interview guide is found in *Appendix 1*. With some help and advice from one of our contacts at the company, suitable respondents were contacted and asked whether they would like to participate in the study. A chart of all respondents and contacts with the company is found in section *3.4.3 Conducting the Interviews*. After they affirmed their participation the interview guide was sent to respondents two days prior to the interviews for a briefing. The short amount of time between sending the interview guide and the actual interviews decreased the possibility of too formalized answers yet enabled the respondents to prepare themselves sufficiently and familiarize themselves with the topic accordingly.

### 3.3.3 Phase three

In the third phase the main collection of empirical data of this study took place. Interviews were held in both Spain and Sweden with the respondents, all interviews were recorded and later transcribed. Some interviews were also translated into English during this phase.

### 3.3.4 Phase four

In the last phase, the authors analyzed the empirical data collected from the interviews and connected it with the theoretical framework. During this phase, the authors simultaneously reviewed additional literature in line with findings of the empirical data and revisited other sources in order to deepen their understanding of the subject. This is a further testament to the exploratory approach of the thesis and the abductive method (Saunders et al., 2009; Bryman & Bell, 2014). How the analysis process was conducted is further elaborated in section 3.5

*Analysis Process*. The results of the analysis were then summarized in a conclusion (chapter 6. *Conclusion*).

### 3.4 Data Collection

In this thesis, a combination of primary and secondary data collection has been used, although with a clear emphasis on the primary data due to the exploratory character of the study. In the following section the collection of both types of data will be presented.

#### 3.4.1 Primary Data Collection Through Interviews

The main body of this thesis is based on qualitative data collected through a series of semi-structured qualitative interviews. This method highlights the importance of words, wordings and the way the respondents express themselves and the interpretation of their answers (Bryman & Bell, 2014). With these kind of interviews, focus lies on the respondent's point of view and their perception of things, as the wordings, and the interpretation of them, expresses their opinions (Bryman & Bell, 2014). This aligns with the overall subsidiary perspective of the study and was thus considered a suitable method as it let the respondents speak their mind more freely. Conducting qualitative interviews gives the respondent an opportunity to give full and detailed answers and enables the interviewer to be more flexible than during structured or standardized interviews (Bryman & Bell, 2014). As the aim of this study is to get a deeper insight into the drivers behind subsidiary evolution from a subsidiary perspective, a qualitative study fitted better in order to achieve this.

During the research period, four semi-structured interviews were held, one in Spain with a respondent at Deloitte Digital Spain and three in Sweden with respondents at Mobiento by Deloitte Digital (Sweden). In addition to the main interviews, the authors had continuous contact with one representative of the company on several occasions throughout the research process. However, these conversations have not been analyzed in the same way as the main interviews and are thus not included in the study. The conversations were more of a general character and not directly related to drivers or the research question. The duration of the interviews, as well as the representativeness of the respondents, is illustrated in section 3.4.3 *Conducting the Interviews* and found in *Figure 2*. Although the semi-structured interviews fitted the research question and the method was considered suitable for this particular study, this process also can be fairly time and resource consuming (Saunders et al., 2009). For the

purpose of this study, the semi-structured interviews were however considered a necessity in order to approach the issue in the best way possible and thus performed in spite of the resource issue.

### 3.4.2 Interview Design

To access relevant and useful information in order to resolve the research question, the authors chose to follow a semi-structured approach to the interviews held as motivated in the section above, *3.4.1. Primary Data Collection Through Interviews*. To make the outcome of the interviews as comparable as possible the following measures were taken.

Firstly, an interview guide consisting of a series of open-ended questions was put together with questions about the subsidiaries service delivery process and operations as a starting point. The questions were formulated to have as a neutral tone as possible to minimize the impact of the author's presumptions and allow for the respondents express what they found most relevant in regards to the topic. Open-ended questions also give the interviewer the opportunity to access information that would not be accessible otherwise as the flexibility allows for follow up questions of various kinds (Bryman & Bell, 2014). Using the interview guide as initiating questions was favorable for the comparability of the answers contributed to the dependability of the study and in the end facilitated the analysis process. The initiating questions in the interview guide took its starting point in the service delivery process and continued on to questions about the current market situation in both countries respectively, the perception and status of the relationships on different levels within the organization such as to the HQ and other subsidiaries. All initiating questions touched upon the theme of drivers, but the exact words related to concepts of the Theory of Subsidiary Evolution were not mentioned expressly. In order to facilitate the analysis process later on, the interview guide was conducted in a “*non-coded*” and a “*coded*” version both found in *Appendix 1* and *Appendix 2*. The “*non-coded*” (*Appendix 1*) version was sent to the respondents and used during the interviews as it merely contains the initiating questions. The “*coded*” interview guide (*Appendix 2*) consists of the initiating questions with some remarks of which driver each question was related to. This interview guide was not shown to the respondents and only used by the authors to assist the analytical work. A more thoroughly description of the analysis process is found in section *3.5 Analysis process*.

Secondly, the interview guide was sent to the respondents for review a couple of days prior to the actual interviews. The authors argue that this gave the respondents enough time to initiate their own reflections, yet not too much time in order for them to prepare fixed answers. This is believed to have had a positive impact on the quality of the study as the respondents were more prepared and increased the credibility of the interviews. Thirdly, during the interviews, the authors aimed to make the interview circumstances as similar as possible for the respondents apart from the interview guide. All interviews were held at respondent's offices and all respondents were given the opportunity to answer the questions in the language they preferred. The interviews were also held on the same day in order to minimize unwanted cooperation between the respondents and prevent streamlining or fabricated answers. This was important for the study due to the subsidiary perspective and the aim of deeper insight as to formal and fabricated answers would have hindered the sincerity and thus decreased the usefulness of the interview material.

### 3.4.3 Conducting the Interviews

*Table 1* in this section gives a brief overview of all respondents, their position at the subsidiary, from which of the two subsidiaries they came from, their nationality together with the length of the interviews. All interviews with the respondents were recorded with the permission of the respective interviewee. This enabled the authors to listen through the empirical data numerous times to get a full understanding of what was said. The authors were able to perform onsite interviews at both the Spanish head office in Madrid and at the Swedish head office in Stockholm. This further enabled a close interaction with all interviewees for the authors. All respondents were anonymized to alleviate any concern that they would not answer honestly in the context that it could affect their work situation. After the interviews had been conducted they were transcribed in order to reduce the risk of misunderstanding and to act as further support to the authors in the analysis process. All interviews were conducted in either Swedish or English. The Spanish respondent was also given the opportunity to answer in Spanish and did so during parts of the interview. In the transcriptional process of the interview material, the transcriptions were first written in the language spoken and then translated to English for the empirical chapter.

**Table 1: Display of respondents**

Professional Title	Subsidiary	Nationality	Circumstance	Length
Respondent 1, Department Head	Mobiento by Deloitte Digital	Italian	Face-to-face	30 minutes
Respondent 2, Account Director	Mobiento by Deloitte Digital	Swedish	Face-to-face	30 minutes
Respondent 3, Project Manager	Mobiento by Deloitte Digital	Swedish	Face-to-face	20 minutes
Respondent 4, Senior Partner	Deloitte Digital Spain	Spanish	Face-to-face	35 minutes
Respondent 5, Senior Partner	Mobiento by Deloitte Digital	Swedish	Phone, continuously through thesis	Varying

*Source: Author's own 2017*

As shown in *Table 1*, two of the four semi-structured interviews were held with respondents at the top managerial level at each subsidiary in order to attain a subsidiary perspective. These respondents were chosen with the criteria of them having sufficient knowledge about and control over the subsidiaries' operations on both a strategic and operational level. In addition to these interviews, two additional interviews were held with respondents with other managerial positions at the Swedish subsidiary as the opportunity was given and their answers could add fullness and variety to the study. All interviews were approximately the same length in time and the interview guide (*Appendix 1*) was used for all occasions. The slight numerical over-representation of interviews from the Swedish subsidiary can be seen as

a limiting factor, as three interviews in total were conducted in Sweden and only one in Spain. However, to attain sufficient information in order to answer the research question only managers at the top level were considered suitable for this as their positions involve more strategic tasks or tasks related to drivers of subsidiary evolution. The two additional interviews at the Swedish subsidiary was thus a great source of additional information yet not crucial to the findings of the study as their positions were of a lower managerial level. To conduct similar interviews at a lower managerial level at the Spanish subsidiary was not feasible during the time and resource frame of this thesis although it would have enriched the thesis as did the additional interviews in Sweden.

As this thesis takes on a subsidiary perspective on drivers of subsidiary evolution, only the people in direct contact with these aspects and their answers were considered relevant for the study. The selection of respondents represent the most suitable candidates for answering the research question and is thus considered to compensate for the total amount of empirical data collected. Conducting more and more extensive interviews was not a feasible option during the writing of this thesis for several reasons, time being one of the main issues. Nevertheless, collecting more empirical data might have been preferable.

#### 3.4.4 Secondary Data

The secondary data in use for this study consists mainly of information from the subsidiaries annual reports and websites, both prior to and post the gathering of the primary data. Mainly to give the interviewers initial and basic insights about the subsidiary in order to ask relevant follow-up questions, and after the interviews to compare the respondents' answers to more formally expressed ones. Although the primary data collection is considered the main source of information in this study, the addition of secondary data adds another comparative dimension to the study.

### 3.5 Analysis Process

For the analysis of this thesis, the empirical data collected through the series of semi-structured interviews were analyzed with the Theory of Subsidiary Evolution as a foundation in order to extract findings of drivers of subsidiary evolution at the subsidiaries. The underlying data for the analysis process is based on answers received from the respondents during the interviews and the transcriptions of these. During the interviews, an interview

guide (*Appendix 1*) that contained open-ended questions was used as a starting and the interviews were then conducted in a semi-structured manner. The interview process is presented more thoroughly in section 3.4 *Data Collection*. The data collected from the interviews thus resulted in categorical data, i.e. non-numerical data (Saunders et al., 2009). In order to structure the collected data, the interviews were transcribed and studied to bring forth key concepts and thematic findings. By transcribing the data and extracting key points prior to the full analysis, the time consumed in analyzing the data in total was reduced (Collis & Hussey, 2009). As the timeframe for this thesis was limited, the authors considered these timesaving methods to be of good use.

Qualitative research highlights the importance of words and wording and aims to make sense of expressions and sometimes access underlying meanings of the spoken word (Polkinghorne, 2005; van Nes et al, 2010). A qualitative method is also considered to be suitable for studies with the purpose of reaching a deeper understanding of a specific phenomenon or situation rather than to achieve generalizations (Bryman & Bell 2011). As the purpose of this thesis is to get a deeper insight into the drivers behind subsidiary evolution from a subsidiary perspective, the use of certain expressions, words, and wordings by the respondents during the interviews was of high importance. Keywords, phrases, and expressions used by the respondents during the interviews were compared to the key concepts of the theoretical framework and then interpreted into categories related to specific drivers by the authors. The authors used the “*coded*” interview guide (*Appendix 2*) as a tool to help to distinguish, categorize and highlighted relevant data from the transcribed interviews. During this part of the analysis, the theoretical framework was re-evaluated in order to remain a critical research approach. This last step of re-evaluation indicates an abductive approach and triangulates the study.

### 3.6 Quality of the Study

To ensure the quality of any scientific study, the research process is evaluated and reviewed by certain criteria. When conducting qualitative research these criteria are divided into four aspects; *dependability*, *credibility*, *confirmability* and *transferability* (Guba, 1981; Lincoln & Guba, 1986; Guba & Lincoln, 1994; Bryman & Bell 2014). These criteria all relate to the trustworthiness and the representativeness of the methods used to answer the research question of this particular study and will be presented and elaborated below.

### 3.6.1 Dependability

The dependability of a study and its methods refers to whether the exact same results of the research could be attained if the study was to be conducted again, meaning if they are replicable (Bryman & Bell, 2014). However, the very nature of qualitative studies makes it the exact same results slightly difficult to replicate, particularly with the use of semi-structured qualitative interviews. The respondents and their answers can be affected by various circumstances that may be very difficult to control (Guba & Lincoln, 1994; Eriksson & Kovalainen, 2008). In order to overcome this potential weakness of the contextual influence on research results, all phases and measures taken in order to extract the results during the research process need to be documented and characterized by as high levels of accuracy and transparency as possible (Guba, 1981). The documentation of the research methods will also facilitate for readers to grasp the essence of the results and hopefully increase the understanding of the study (Guba and Lincoln, 1994).

In this study, the issue of dependability was addressed by the following steps. Firstly, the interviews followed the same interview guide and they were conducted under as similar conditions and circumstances as possible for the respondents. The interview guides are found in *Appendix 1* and *Appendix 2*. All interviews were held in the language preferred by the respondents to eliminate potential language barriers and were performed on the respondent's home turf. They were also given equal opportunity to add or correct their answers with additional information post the interview if they felt the need to do so. These steps are presented more in detail in section 3.4.2, *Interview Design*. All interviews held have also been recorded and transcribed and are available to access on request to shed further understanding for third parties if interested (Bryman & Bell, 2014). This procedure strengthens the dependability of the thesis (Bryman & Bell, 2014).

### 3.6.2 Credibility

The credibility aspect refers to what extent the results from the research are probable or believable and how well the concepts or phenomenon studied reflects the concepts they are said to portray (Bryman & Bell, 2014). The credibility criteria also reflect the issue of apparent causal linkages or nonsense causality, and if the results obtained from the research really do reflect a proper causal link (Bryman & Bell, 2014). Bryman and Bell (2014) distinguishes two aspects of this criteria, good practice and the understanding of the purpose of the study by the respondents. All respondents were aware of and understood the subject

and the purpose of the interviews and had significant knowledge about the topics addressed during the interviews and are thus considered suitable and credible respondents and a representative choice of candidates. Furthermore, by applying a comparative approach and thus investigating two different subsidiaries in addition to conducting several interviews the credibility is increased even more. The triangulation of the study is also deepened by the use of secondary data as it adds another comparative dimension to the study and enhances the credibility.

The relatively small sample size of this thesis can be considered a hindering factor for the credibility of the study. Including more or more extensive interviews Spain and in Sweden as well as at other subsidiaries could have strengthened the credibility of the thesis. This option was however not feasible given the time and resource frame for this thesis.

### 3.6.3 Confirmability

This criterion relates to the objectiveness of the study, more precisely to what degree the authors have been influenced by their own norms and values and how bias might have affected the results. The issue also concerns how to avoid or diminish the impact of the author's bias as much as possible (Bryman & Bell, 2014; Guba, 1981). Just as the respondents are influenced by previous experiences and knowledge so are the authors and a completely unbiased study is therefore not feasible (Bryman & Bell, 2014). This is especially the case in qualitative studies based on the interpretation words, wordings and expressions where (Polkinghorne, 2005). As mentioned before, the authors applied a neutral approach whilst conducting the interviews. During the analysis process, the authors used the material gathered through the interviews and interpreted these by distinguishing certain keywords the authors interpreted as related to the theoretical framework. In this process of interpretation in order to access the meaning of the expressions and keywords used by the respondents during, a completely neutral approach is impossible to achieve (Polkinghorne, 2005). Furthermore, the translation of the interviews from Swedish to English, in combination with the fact that neither the respondents nor the authors are English speaking natives, might have decreased the confirmability further as the true meaning of the expressions could have been misinterpreted (van Nes et al, 2010).

In addition to this, the study takes on a subsidiary perspective and its findings are therefore influenced by the opinions of the respondents and is thus a subject for subjectivity. However,

the aim of the study was not to achieve this complete objectivity but to analyze and highlight the subjective experience and opinion of each subsidiary. The issue was nevertheless addressed to decrease excess subjectivity by applying the interview guide at all interview sessions.

#### 3.6.4 Transferability

As the previous criteria all relate to the trustworthiness and quality guarantee of both the methods and the results of a study, so does transferability. Transferability refers to whether the research could be replicated and conducted in a similar context and generate the same or very similar results (Bryman & Bell, 2014). The research design of this study is based on a comparative case study, with two subsidiaries set in two different countries and cultural contexts but within one specific industry. The exact transferability is therefore difficult to achieve, but accepting a more general stance by looking at the subsidiaries as representatives of a service-based MNC could possibly generate analytical generalizations (Yin, 2003). All steps and measures taken in order to resolve the research question have been presented carefully and clearly throughout this chapter (*3. Methodology*), such as in the section *3.2.1 Choosing the Case Study and the Selection Process*, *3.3 Research Process*, *3.4 Data Collection*, and *3.5 Analysis Process*. Furthermore, all interview material is accessible for readers, which also enhances the transferability. The interview guides are found in *Appendix 1* and *Appendix 2* and the transcribed interviews are accessible at request. From a broader perspective, the transferability of this thesis, methods used and findings obtained, are considered to make up a good foundation for further research by the authors.

### 3.7 Limitations

There are some limitations in relation to the empirical data collected and the case study for this thesis. The study could have included the investigation of other advanced business services to see whether the findings generated would have appeared differently in other areas than the ones the interviews pointed towards. This thesis only investigates one MNC and only one specific part of the business service sector. Instead of looking at the several firms within the knowledge intensive business service sector, the focus lies on digitalization. It is possible that the result of the study might have been improved by including more or more geographically differentiated, subsidiaries from different countries. Nevertheless, the fact that only two subsidiaries were chosen also allows for more in-depth and live interaction with

each subsidiary. If more were investigated, performing qualitative interviews would have been difficult to manage within the timeframe.

There is also a slight overweight of data gathered from the Swedish subsidiary in comparison to the Spanish, which could affect the process. This could result in biased results, but performing more interviews in Spain was not feasible within the frame for this thesis. However, the quality and the scope of the interview conducted in Spain are argued to compensate sufficiently for the potential loss of variable data, the reasoning behind this stance is motivated in section 3.2.1 *Choosing the Multiple Case Study and the Selection Process*. Furthermore, the number of subsidiaries investigated is limited to two subsidiaries. Including more subsidiaries could have strengthened the credibility of the thesis, yet only investigating two subsidiaries was considered sufficient in order to fulfill the purpose of the study. Reasonings behind this choice are also motivated in the previously mentioned section. The nature of the two subsidiaries as previously acquired units in relation to the theoretical framework also limits to what extent the empirical data can be analyzed in comparison to the framework. Within the Theory of Subsidiary Evolution by Birkinshaw and Hood (1998) aspects of organic versus nonorganic growth of a subsidiary are not included. The fact that both subsidiaries were acquired, rather than originally founded by the MNC itself, could hinder a direct connection to some aspects of the theory, mainly aspects related to semi-autonomy.

Lastly, choices regarding the sample size and the scope of this study in the end also was a matter of limited resources. Expanding the scope and thus including more travels to other and more distant countries would have resulted in higher costs. This simply was not a feasible option during the timeframe for the study. However, the authors argue that the scale of the research is sufficient for the purpose of this thesis.

### 3.8 Ethical Considerations

During this research process, the authors have tried to apply an as transparent and ethical approach as possible. According to Eriksson and Kovalainen (2008) it is of the highest importance to strive to be as ethical as possible and they highlight anonymity and confidentiality as important measures in order to achieve this. The authors have tried to follow this advice by offering both confidentiality and anonymity to all individual

respondents. Before beginning the research all participants were informed about the purpose of the research and that the final thesis would be for academic use only. The interview process was conducted in an open and transparent way as the academic purpose was made clear. They were also informed that their participation was voluntary and that they could say no to participation at any time during or after the interview. In the end, none of the respondents wanted to be anonymous nor gave the authors any restriction on using any of the interview material. Nevertheless, to minimize the possible impact of prejudices whilst reading the thesis, the identity of the respondents was removed and the only personal information about them showing in the thesis is their position and in which of the subsidiaries they were working. The authors deemed other personal information about the respondents irrelevant for answering the research question. This neutral approach is expressed as ethical by Bryman and Bell (2014).

## 4. Empirical Data

The following chapter presents the empirical data in use for this thesis. The chapter is divided into two main parts, *4.1 Empirical Background* and *4.2 Interview Results*. The first part consists of a short description of the company and the two subsidiaries respectively, Deloitte Digital Spain and Mobiento by Deloitte Digital (Sweden).

In the second part the findings based on the respondent's answers from the interviews are presented. The respondents are referred to as *R1*, *R2*, *R3*, and *R4*. *R1*, *R2*, and *R3* are representatives from the Swedish subsidiary and *R4* is a representative from the Spanish subsidiary. A description of the respondents is found in section *3.4.3 Conducting the Interviews* under *Table 1*.

### 4.1 Empirical Background

#### 4.1.1 Overview of Deloitte Digital

The subject company for this thesis is Deloitte Digital, a part of a well known advanced business service company, Deloitte Touche Tohmatsu Limited (DTTL). DTTL has global market coverage and offers a variety of knowledge intensive business services, digital business consultancy amongst one of them (Deloitte Global, 2016). The structure of the company is based on a network of member companies who all cooperate and work under the brand name Deloitte (Deloitte S.L, 2016). Although the different phalanges of the company are called member companies, the member companies do share many similarities with what generally is defined as a subsidiary as “well-performing unit in the process of developing strong connections to both types of strategic networks” which exemplifies characteristics of subsidiary typologies (Bouquet & Birkinshaw, 2008). This relationship is expressed in the annual report as a mutual one where the individual subsidiary remains an independent entity but also voluntarily agree to follow and share standard and values set by DTTL (Deloitte S.L, 2016). The independence is thus of a conditioned kind, and subsidiaries have agreed to follow certain guidelines given by the HQ.

The company has its origin in London, UK where the holding company's head office still is located. By the year of 2016, the annual turnover rate of DTTL was 21% globally and 23% in

the European market by the European member companies. DTTL employs 240 000 people worldwide with approximately subsidiaries in 150 countries (Deloitte, 2017).

#### 4.1.2 Subsidiary in Sweden, Mobiento by Deloitte Digital

The Swedish subsidiary Mobiento by Deloitte Digital is situated in Stockholm, Sweden. Deloitte as a whole, including management consulting and audit, have offices represented in all major cities of Sweden. The subsidiary in question that is researched in this case was founded in 2001, and work with digital, multi-platform products, services and experiences within an Imagine, Deliver, Run model which encompass different phases in providing services to their clients (Mobiento, 2017). Mobiento was acquired in 2015 by Deloitte Digital and is today a subsidiary of Deloitte Sweden AB, so there has been plenty of time and opportunity to establish themselves on the Swedish markets of Stockholm and Gothenburg in between 2001 and 2015. There have also been occasions of when Mobiento have operated in New York (Deloitte Sweden, 2015). Mobiento, being one of the providers of digital service evolution in Sweden, is in the future meant to represent Deloitte Digital in Sweden and in the Nordics. At the time of writing this research, they are however still known as Mobiento, with an addition of “by Deloitte Digital”. The expectation is that they will, in a foreseeable future, fully convert into the brand Deloitte Digital. They currently have a delivery organization with digital production and within that UX, visual design and user experience, it has however been tendencies towards digital advisory. There are 40 employees divided between the Gothenburg and Stockholm offices and 2016 had a turnover of just over 60 million SEK (Mobiento 2016).

#### 4.1.3 Subsidiary in Spain, Deloitte Digital Spain

The Spanish subsidiary researched in the study has its head office in the Spanish capital Madrid and goes by the name Deloitte Digital Spain. Deloitte Digital Spain employs about 100 people (R4). The parent company, DTTL, has several subsidiaries represented in various parts of the country, mainly in big urban areas such as Barcelona, Valencia, Alicante, and Bilbao. Albeit Deloitte’s relatively strong presence on the Spanish market overall (SourceGlobalResearch, 2016), the Madrid office is the only one specialized within the digital field and is therefore responsible for all the digitalization related operations on the whole Iberian Peninsula for DTTL. About five years ago the MNC acquired a small but relatively well known so called digital native firm to handle their digital and tech-innovation part of their business. The acquired company, previously known as Daemon Quest, had then been in business for approximately another 5-6 years prior to the acquisition. The subsidiary

has gradually integrated into the Deloitte Digital brand and has just recently left their old brand name completely in favor for Deloitte Digital at the turn of the year 2017, and they have, according to the annual report “voluntarily become part of the Deloitte Network” (Deloitte S.L, 2016). Deloitte Digital Spain also works accordingly a three-step process, similar to the Imagine, Deliver and Run - concept offered in Sweden but instead goes under the name Design, Build and Run. With this concept clients most frequently ask for or demand a different type of digital transformation services with a great amount of digital strategic or brand renewal elements. The actual delivery process of a service per se, or the operationalization of the services, is described as an agile process where continuous change and “imperfections” are key (interview R4).

## 4.2 Interview Results

This second part of the chapter is divided into four sections. The sections are based on the findings from the interviews held at the two subsidiaries in Sweden and in Spain. The sections relate one by one to the key concepts of subsidiary evolution, charters, capabilities, and drivers. The findings are based on keywords and expressions indicating these key concepts used by the respondents. Their answers and expressions are exemplified by quotes throughout the sections and thus represent a subsidiary perspective. There is also a separate section about semi-autonomy, as this theme stood out during the interviews.

### 4.2.1 Charters - Local Market Responsibilities while Serving Global Jewels

*“Deloitte is a member firm company. So, that means that the market, the Spanish market belongs to the Spanish partners, the Swedish market to the Swedish partners” - R4*

Both Deloitte Digital Spain and Mobiento by Deloitte Digital have a clear local market or geographical area responsibility, which appears to be the main charter for the two subsidiaries respectively as illustrated by the quotation above. They both control all steps of the local value chain and function as independent economic entities within their home regions concerning most economic activity. This includes, for instance, strategic market decisions, allocation, and distribution of resources and the practical implementation of the service delivery three-step framework, *Design, Build and Run* or *Imagine, Deliver and Run*. The Spanish subsidiary is thus mainly responsible for the Spanish market and the Swedish subsidiary for the Swedish market, but both also manage some operations in nearby regions.

In addition to the Spanish market, Deloitte Digital Spain is responsible for operations in Portugal and in some Latin American countries. Prior to the acquisition the company also had operations in Mexico, but the Spanish subsidiary did experience a charter loss in this market.

*“We used to serve Mexico when we were Daemon Quest. Now our partners in Mexico are a mix from the states and, American partners and Mexican partners” - R4*

Expansion of the geographical responsibility area is also present at Mobiento by Deloitte Digital, as the office in Stockholm has been given the role to function as a regional headquarters with the aim to become a “*Nordic Hub*”.

*“Our purpose is to represent Deloitte Digital in Sweden. We are supposed to be the “Nordic Hub”, and I think that we will become more like Deloitte Digital little by little over time.”- R2*

The three-step delivery process framework *Design, Build and Run* (Spain) or *Imagine, Deliver and Run* (Sweden) is an example of process standardization set by the HQ. As part of the Deloitte Digital network, each and every subsidiary is supposed to be able to offer the same kind of services to serve what they call their “*Global Jewels*” (R4). These Global Jewels are large MNC clients with operations worldwide, and the Deloitte Digital subsidiaries cooperate with each other to best serve these clients regardless of in which country they use the services.

*“Because of higher levels of globalization, we need to have the same standards to provide service to the global companies. Such as Siemens or other big companies. We have high local market know-how and we establish a better relationship, a closer relationship, to understand what we call our Global Jewels” - R4*

Managing these global clients and support other subsidiaries within the MNC is also one of the charters that Deloitte Digital Spain and Mobiento have in common. Even though they both work after and use the same three-step standardized concept, they do however accentuate different parts of these standardizations as their primary service towards clients. Within the internal network of subsidiaries some of them are more specialized in certain areas than others. Consequently, they also have additional responsibilities and charters related to their specialization and serve as an internal service provider within the network. This

specialization is connected to special capabilities and called a “center of excellence” at Deloitte Digital. During the interviews Deloitte Digital Spain was mentioned as a center of excellence in cyber security and analytics. At Mobiento by Deloitte Digital their skills in user experience (UX) and visual design was highlighted as a special capability. The following quotes illustrate charters related to other aspects than purely geographical ones.

*“There are two cyber-security centers in the world (within Deloitte Digital) and one of them is Spain. This is a center that has been used by all Europe” - R4*

*“We have very talented UX and visual designers who also work with the user experience... that is one of our strengths, that we recognize the value of user centricity and centralized design.” - R1*

#### 4.2.2 Capabilities from the past make Centers of Excellence

In the previous section, the similarities between the charter allocations of the two subsidiaries appeared to be a prominent feature in relation to local market responsibility. When it comes to capabilities, the differences between the two become clearer. Even though they both work after and use a similar standardization of the three-step delivery process, they excel at different parts of the framework and their perception of what are their major capabilities differs as well. In the interviews the respondents highlighted different qualities or capabilities that they see as their strengths, ranging from technical and IT competences such as UX design to more strategic and service related capabilities such as user-centricity and the ability to offer a service with full coverage as a one-stop-shop with a complete package of related services for clients in their digital transformation (Dicken, 2011). There were also signs of similar traits of course, such as good market know-how and highly educated and competent staff, although these were not spoken about with the same emphasis as the more specialized traits.

*“We are very close to our markets and we decide how the business needs to be done. That is one our main strengths I would say” - R4*

*“We do user research and get to know the customers of our clients to be able to set a goal for what our clients want to achieve.” - R3*

In the case of the Spanish subsidiary regarding their operations in Latin America, sharing the same language, Spanish, also was brought forward as a subsidiary specific capability within the internal network.

*“We do have operations in South America because of the language, it makes it easier.”- R4*

Another similarity between the two subsidiaries did however stand out as an important aspect during the interviews. One of the capabilities all respondents regarded as highly important and as one of their main strengths was the ability of working with agile processes. The respondents did however express their thoughts on the agility of their service delivery process and defined agile processes and agility slightly different from each other, this will be further discussed in section 5.2 *Capabilities Emerging to Match Different Needs*.

At Deloitte Digital Spain, the main capabilities that were highlighted were related to analytics and the usage of data or statistics in combination with softer aspects such as marketing. The respondent also expressed their ability of creating a complete package for their clients in the process of digitalization of their clients' businesses as a task they were skilfull at. According to the respondent, they take care of the client from the first stage till the implementation of the product and sometimes the managing of the product in the last stage. This resembles a traditional one-stop-shop and the service delivery was expressed as being very much aligned with the three-step delivery process.

*“We design, build and run based on relationship models with our clients. We do not only design. I can be telling you what you should be doing, and then we would help you put in technology in the design yourself. Or we build the design for you, put in all the technology you need, on your web page or whatever you need. And if you don't want to do it, we will do it for you, we can run the whole thing. And in the end, we could be selling something instead of you for you.” - R4*

Other capabilities that were mentioned were strengths in analytics per se as an individual service. In this case analytics was exemplified as the gathering, interpretation and implementation of hard figures and statistics for strategic business usage. Their knowledge and regional responsibility as a center of excellence within the fields of cyber security was also mentioned. Both cyber security and analytics were expressed as capabilities that the

subsidiary had before being acquired, in which they were particularly skillful at from the beginning.

*“What we started doing here as very much related to how to integrate technology, mathematics, and analytics, into the commercial marketing world.” - R4*

*“We (Daemon Quest) really thought that there was a space on the market. To have a consultancy firm that was very much specialized on putting these two worlds together. Technical, technological data analytics business marketing and sales all of these things together. So we started a consultancy agency, as we call them today” - R4*

This trait, of pursuing and developing original core capabilities, also seems to be a pattern at the Swedish office, Mobiento by Deloitte Digital. Before the acquisition by Deloitte Digital, the respondents expressed that they already had made a well-known name for themselves within the industry as a digital transformation firm. The more specialized and competitive capabilities that they had acquired before the acquisition of the larger MNC, stemmed from digital production, UX design with a high level of user centricity.

*“We have very talented UX and visual designers who also work with the user experience...that is one of our strengths, that we recognize the value of user centricity and centralized design.” - R1*

The skillfulness at programming and design was also expressed in relation to the three-step process. According to the respondents the subsidiary's strengths had previously been focused mainly on the first two steps, Imagine and Build, as the subsidiary was particularly good at this. Even though the last step, the Run - phase, also is sold and delivered to clients, the respondents stress that it at times is more difficult to sell this stage to their clients in Sweden. Since the integration with Deloitte Digital the Swedish subsidiary has increasingly implemented a more “complete package” way of working, putting more emphasis on for instance salesforce and thus expand their business model.

*“We are making a transformation journey from being a production bureau, or digital bureau like we have been for the last 10 years in a field where we have competed globally. A transformation journey of becoming Deloitte Digital, maybe work more with platform strategies, such as Adobe and salesforce.” -R2*

### 4.2.3 Semi-Autonomy and Independence

The previous sections brought forward charters and capabilities at Deloitte Digital Spain and Mobiento by Deloitte Digital (Sweden) brought up by the respondents during the interviews. Through their answers, a sense of general emphasize on the perception of independence the companies uphold toward Deloitte HQ is found at both subsidiaries. This is for exemplified by the following quote.

*“I still say that I work at Mobiento. I rarely say that I work at Mobiento by Deloitte Digital. If however, someone does not know about Mobiento, I generally end up explaining how the company is run by Deloitte Digital. But I never only say that I work at Deloitte Digital.” - R3*

The independence can be connected to the fact the subsidiaries within Deloitte Digital have a mandate to operate within the local market that they exist (Deloitte S.L, 2016). This appears to create a feeling of that it is “their” market and that they are separated from the internal network among the respondents. As mentioned before, both subsidiaries are relatively new acquisitions by Deloitte Digital. This, in combination with the fact that both companies were running successful businesses and delivering solutions before the acquisitions, show that they still have their way of doing business.

*“I think we are still, or I like to think we are still independent. In terms of what I said before, we like to maintain our identity and our culture. Mobiento has a very strong culture and also that we try to define our processes and how we would like to work.” - R1*

*“That means that we have a very high level of independency in the way we do things. We don’t like have a big corporation telling us what to do on each market. That is not the way it works. It’s the other way around. We are very close to our markets and we decide how the business needs to be done” - R4*

As described in section 4.1.1 *Overview of Deloitte Digital*, the structure of DTTL and the description of subsidiary roles within the company still makes the subsidiaries fall under what can be considered a subsidiary in the sense that they are “well performing unit in the process of developing strong connections to both types of strategic networks” which exemplifies characteristics of subsidiary typologies (Bouquet & Birkinshaw, 2008). The respondents both in Spain and in Sweden show a clear view of their perceived autonomy combined with

explicit writing in official statements. However, the respondents also express a certain level of acceptance toward both the framework that is provided from Deloitte Digital and the company as a whole. The emphasized perception of autonomy aside, the respondents nevertheless expressed that the acquisition by DTTL as positive, although they thought of it as a merger rather than an acquisition.

*“It feels as if we have had a good merge. We got to keep what we are, but we are able to get input as well. What I think we got input on is how to align process to a larger extent, and to not reinvent the wheel each time. But we still are what we were before, but we got much more resources. If we need help, we get that help.” - R3*

#### 4.2.4 Drivers

In this last section of the empirical data, findings are also based on keywords, phrases, and expressions used by the respondents during the interviews. The section is divided into three parts presenting findings in relation to each of the drivers of subsidiary evolution one by one.

##### 4.2.4.1 Head office Assignment and Integration Process

The *Design, Build and Run* or *Imagine, Deliver and Run* concept has previously been addressed in previous sections and is at use in both subsidiaries. The three-step delivery process framework is an example of a process standardization set by the HQ. This framework is expressed by both parts as an HQ initiative, and the implementation of the same appears to be a Head Office Assignment driver process (Birkinshaw & Hood, 1998). As does the integration into the internal network. Phrases such as “becoming Deloitte Digital” (R1) was mentioned by one of the respondents. Aligning the delivery process to some extent and gradually leaving the original names, Daemon Quest and Mobiento, also appears to be an initiative partially requested by the HQ but also shows traits of Subsidiary Choice in how they are positive towards the name-change.

*“We have been using this name (Deloitte Digital) for a long time here also when we integrated into Deloitte Digital. We have been doing the transition, and this year (2017) we decided to just use Deloitte digital instead of doing both. Because we had a very large level of brand awareness being Diamond Quest, but also have to help the Deloitte brand to be seen by the market as a digital firm, or as a digital firm that can help our customers to solve their digital problems.” - R4*

The Swedish respondents also address head office driven topics, in relation to for instance resources and autonomy.

*“We are very independent in working methods, yet very dependent on what they (Deloitte Digital) think. If we had performed better financially we probably would have had more free rein than what actually have.” - R2*

#### 4.2.4.2 Subsidiary Choice and Highlighting Own Initiatives

*“We have a very high level of independence in the way we do things. We do not have a big corporation telling us what to do in each market. That is not the way it works. It’s the other way around. We are very close to our markets and we decide how the business needs to be done. And that is one our main strengths I would say”- R4*

In the interviews, the respondents expressed how many decisions regarding charters and capability development were influenced by their own initiative in various ways. They all emphasized how their own ideas was a driving factor behind their operations, such as the implementation and slight adaptation of the standardized three-step delivery process.

*“I do not know how it is for other offices. For us, we are still pretty independent in how we decide to work within the phases. Especially when it comes down to hands on working processes.” - R1*

The actual operationalization of the three-step delivery process, and what actual actions the process should include has been interpreted and then adjusted in a way that the subsidiaries themselves found adequate. The name of the framework suggested by the HQ is originally *Design, Build and Run*, and this name runs through the main part of the affiliated subsidiaries in Europe. In Sweden, the delivery process has however been renamed to *Imagine, Deliver and Run*, an initiative taken on a local level. Another operationalization related aspect that is subsidiary driven is the choice of whom they cooperate with inside the internal network and where they go to seek advice.

*“ We share knowledge and resources to serve some specific customers and set up groups of coordination for the different teams. This helps us to see if there is someone in Germany who can help me with this project, a specific project. We try to do this very smoothly.” - R4*

*“We work a lot with Finland, they are super-nice. And we have been working a lot with Denmark, Norway and the UK. So we have great experience of Deloitte Digital in cooperation. We often ask for help to resolve cases. Everyone is very “on” and eager to help each other out.” - R2*

Both subsidiaries also expressed themselves as the ones taking the initiative when talking about the capabilities they regard as their strengths or specialties. Respondents were more or less consistently using the word “we” and referring to themselves, which the quotes above affirm. More focus on developing their strong assets, such as analytics in Spain and user-centricity in Sweden, was addressed as and explained as ideas sprung from their own team rather than anything else. Highlighting their own perception of market strategic skills.

#### 4.2.4.3 Local Determinism Through Local Market Adaptation

*“No one from other countries can work on this market without us, or the other way around.” -R4*

Although the respondents highlight their own influence on decisions, the impact of current and local market conditions also shines through in the respondent's answers. Many of the decisions taken, that are expressed as initiated by themselves and thus may be driven by Subsidiary Choice, also relates to the local context. Both subsidiaries express themselves as driven by Local Determinism in terms of the need for responsiveness to market conditions and their clients' desires and requests. As explained in section *1.1 Background*, the subsidiaries in Spain and Sweden face two very different levels of market maturity. This is also reflected in the answers by the respondents. Clients in Sweden are described as generally more used to implementing technology and digital platforms and marketing strategies to their business plan than the clients in Spain, whereas the difference in technology acceptance and digitalization between the customers of the clients on each market respectively is thought of as less pronounced. In Spain, the clients requested services of all three phases to a higher degree than the clients in Sweden did. The digitalization of firms is spoken of as a relatively new trend in Spain and the market is to a large extent characterized by change.

*“The main characteristic of the market at this moment is evolution, it is changing constantly. It's changing a lot because everything related to technology and to innovation, is changing a lot. This affects how customers try to implement all of these changes, sometimes in a defensive way, and sometimes trying to adopt their own business models to the new markets.” - R4*

*“The market is changing a lot because of the non-native customers, non-native clients, needs to do something to compete in the new environment. And we as a supplier for these clients, need to change a lot as well. So, we also need to organize differently internally to be able to provide valuable services to our customers.” - R4*

The statements above illustrate the impact of the Spanish market conditions and how the subsidiary has changed their operations to better match these conditions. Similar thoughts were expressed at the Swedish subsidiary. The recent years they had noticed an increase in demand for services related to strategy. They also expressed how they recently had laid more focus and resources in connection to that area and that the proportion between strategy services and developing technical solutions now is more even than before.

*“I can see more and more demand for the strategy bit than there used to be a couple of years ago. Just a year ago at this time, we had one strategist and sometimes she was not even allocated on projects. And now we have three or more, around four. And at times it is hard to find a strategist to put on my project.” - R1*

In Sweden, the market impact on agile working methods also emerged during the interviews. Clients often asked for an agile process but then, also wanted a fixed price. This was expressed as problematic as the respondents' definition of agility and working agile does not include fixed prices. Whilst working with clients requesting an agile process, the respondents believed that clients, in general, did not fully understand the concept of an agile scope.

*“Even within Sweden, there are companies or clients that are not used to the agile process. They might not buy into it completely. They are starting to, they might use the word agile but might not fully understand what it means. Working fully agile is not there yet, it really depends on the client.” -*

*R2*

The contradiction in between clients' fondness of buzzwords such as agility, and their unwillingness to accept the uncertainty that follows with an agile scope in terms of cost, in combination with the overall structure of the three-step framework was explained by the same respondent as follows.

*“To me, it is actually more of an iterative process in 3 stages which still is waterfall controlled. I think we should work even more with lean startup. We iterate very much during the Imagine phase.*

*We will also iterate during the delivering phase in the development teams, but we still have a solid concept of a prototype. That is, we do not work completely lean or agile, but we work agile within every phase. I would say that overall it is quite waterfall-based and I think there is improvement potential in our delivery process, but it's also about customers being willing to accept that they work more iteratively all the time and that they do not really know what the end result is.” - R2*

## 5. Analysis

### 5.1 Charters; Old, New, and Developing

In the theoretical framework, a charter is explained as the task given or the business responsibility that the subsidiary receives (Birkinshaw, Hood, 1998). The fact that the authors of the theoretical framework have an organic growth point of view creates an interesting situation for this particular case, as both the subsidiaries in this were acquired. The charters are to a high degree based on the already existing charters of the two subsidiaries prior to the acquisition, such as cyber security in Spain and UX and design in Sweden, with some exceptions.

In the example of Deloitte Digital Spain, they were active in Mexico prior to the acquisition, when they still were operating under the name of Daemon Quest. After the acquisition, they no longer do business in Mexico. This indicates a charter loss (Dörrenbächer & Gammelgaard, 2010) from HQ as the American partners within the internal network now are responsible for the Mexican market instead. The opposite occurred for the Swedish subsidiary. The respondents' answers during the interviews indicate that they, in the long run, are meant to be the Nordic hub, thus potentially gaining charters (Dörrenbächer & Gammelgaard, 2010). The theory of Subsidiary Evolution brought forward internal competition among subsidiaries for charters as there could be a finite amount of charters within the internal network to be distributed among them (Birkinshaw, Hood, 1998; Dörrenbächer & Gammelgaard, 2010), to which we have the example of Deloitte Digital Spain losing the business responsibility for the Mexican market.

In relation to these charter gains and losses, it becomes evident through the interviews that both Deloitte Digital Spain and Mobiento by Deloitte Digital have a clear local market or geographical area responsibility. Local market responsibility appears to be the main charter for the two subsidiaries respectively and a prominent feature. This also became evident in the way the respondents spoke about serving their so called Global Jewels, where their specific market know-how was highlighted. A close local market connection aligns with the characteristics of KIBS and agile processes (Miller, 2001; Miles, 2005). In addition to the local market responsibility, the subsidiaries were responsible for certain areas of expertise

within the internal network and their specific capabilities. This resulted in what was called centers of excellence, charters also based on prior operations and experience.

## 5.2 Capabilities Emerging to Match Different Needs

Capabilities are explained as something that is developed over time and which more often than not require resources from HQ (Birkinshaw & Hood, 1998; Gammelgaard et al, 2012; Jakobsson, 2015). This is not completely the case with these two subsidiaries, where most of their current capabilities are based on the fact that they are acquisitions and their prior capabilities. All respondents stressed that the capabilities that they had today were something that had been built up over time before the acquisitions.

Respondents from both subsidiaries highlight a general market-know-how as a main capability. Apart from this capability, the subsidiaries differ in what they saw as their specific capabilities. The Spanish subsidiary highlighted cyber security and general data knowledge as their key capabilities, together with a one-stop-shop in which they help clients throughout the entire process. The Swedish subsidiary brought forward UX and visual design together with an end customer centralized focus as capabilities they had prior to the acquisition and that they currently were evolving within the strategy field, essentially shaping into more of a digital advisory company. Implementing more strategy services to their portfolio was expressed as to be done in connection with the HQ, and shows an example of resources emanating from HQ to evolve capabilities. Both subsidiaries perceived their capabilities to have a local embeddedness to them, which connects to the theoretical concept of “sticky” capabilities (Birkinshaw, Hood 1998). That is to say, capabilities that are connected to the local market in which they operate (Birkinshaw, Hood, Jonsson 1998). This also relates to the fact that they are delivering knowledge intensive business services and work with agile processes as this requires a closer interaction between the service provider and the service receiver or client (Samiee, 1999; Miller, 2001; Miles, 2005).

Working agile was brought forward as a capability by both subsidiaries. They both saw agility in processes as something important. How they defined working agile did, however, seem to differ. The Spanish subsidiary explained the work process and how they worked in an iterative manner within the three phases of the three-step delivery process. The Swedish subsidiary on the other hand, puts emphasis on the development of agile working. That they

at this point of time work agile and iterative within the three processes but not completely. What they would consider a fully agile working process would be to move away from the limits of the different processes. For example, not setting a prototype in the imagine phase and using that as the definitive solution, but constantly testing and correcting up until a project is done. The reasons as to why they cannot fully convert to agile work processes have to do with pricing and the lack of predictability that comes with an agile scope without any set delivery points. The discrepancy between the Swedish clients' expectations and desires resulting in the subsidiary to alter their service delivery could be explained by the characteristics of knowledge intensive business services as they often require cooperation between the service provider and the service receiver (Miles, 2005).

If compared to the definition of agile processes by Miller (2001) the Swedish respondents' definition is the most resemblant. A reason as to why the Spanish subsidiary's definition is not at the same level could be correlated to the clients that they work with, i.e. the level of market maturity in relation to digitalization. The respondent described the Spanish clients as not being as technologically developed to the same extent as did the Swedish respondents concerning the Swedish market. It appears to come down to a matter of difference in market maturity, where the Spanish market is at a more juvenile state than the Swedish (European Commission, a, 2017). The clients of Deloitte Digital in Spain were described through the interviews as not as far driven in the technological adaptation as the Swedish clients were, although the end customer, i.e. anyone using a phone or computer that utilized an app or solution or the customers of the clients, were generally as susceptible to new technological solution in both markets. The difference in market maturity resulted in a more fractured working process in Sweden, where clients were more used to this kind of technology, whereas the Spanish clients generally go through the entire three-step service delivery process from start to finish. As an effect of this the Spanish subsidiary, more often than the Swedish, delivered services in which the actual run phase was sold and then performed by themselves.

### 5.3 A Combination of Drivers Reflecting the Balance Between Local and Global Presence

The three underlying factors and drivers of subsidiary evolution, Head Office Assignment, Subsidiary Choice and Local Determinism, all appear present in the case of the two

subsidiaries. As stated in the theoretical framework, the drivers are not mutually exclusive and in this case, a combination of drivers can be distinguished by interpretation of the respondents' answers (Birkinshaw & Hood, 1998). Before addressing the drivers found to be the most influential through the interviews, Subsidiary Choice and Local Determinism, the impact of Head Office Assignment will be discussed.

Although the HQ-Subsidiary relationships in this case do not follow a traditional hierarchical structure (Bartlett, Ghoshal, 1986; Lee, Chen & Lu, 2009), and both subsidiaries stress their independence highly, there still are traits of head office driven initiatives. The standardized three-step delivery process, *Design, Build and Run*, and the Swedish subsidiary's gradual transition to implement more strategy services in their portfolio, are a few examples of actions and changes initiated by the HQ. Changes driven by the Head Office Assignment driver is however more or less unavoidable to some extent, due to their role as a subsidiary and a part of an MNC (Birkinshaw & Hood, 1998; Rugman et al, 2011), even though it as in this case is at its minimum.

One of the overall themes extracted from the interviews is the impact of local market conditions, the impact of the subsidiaries own initiatives and their prior experiences as previously independent entities. The main drivers behind the subsidiary evolution of each of the two subsidiaries respectively thus appear to be a combination of Local Determinism and Subsidiary Choice. During the interviews, the respondents expressed the importance of market knowledge and how current and future market tendencies affected their decisions concerning strategic market approaches, for both themselves and their clients. Nevertheless, the decisions, although influenced by market conditions and hence driven by Local Determinism, were expressed as *their decisions*. The emphasis on their own accomplishment, knowledge and initiative, indicates that change related to capability enhancement and creation of charters could be Subsidiary Choice driven. Both subsidiaries have adapted their delivery process and operations to some degree in order to fit the local market conditions regarding the level of market maturity better. In Spain, the clients are described as not as used to new technology as the clients' customers and there is a rather pronounced gap between consumers and companies when it comes to digital habits. The clients thus requested a complete service package, due to what is described as the clients' lack of knowledge and therefore more need of help in their digitalization process according to the respondent. This also aligns with the respondent's answer, describing the clients i.e. companies at the local

market, as slower than consumers and the description of the subsidiary itself as a *one-stop-shop*.

In Sweden, market adaptation was expressed in terms of changing the delivery process in order to fit client's expectations concerning the agility of the same. Clients usually requested an agile process yet wanted to pay a fixed price. According to the respondents, clients had "*picked up the buzzwords*" such as agile, but might not share the same understanding and definition of agile processes. This discrepancy led the subsidiary to adjust their delivery process to a less agile one in their opinion.

The adaptation to the market and request of clients also reflects the characteristic traits of services (Grönroos, 2001; Miller, 2001; Edvardsson, Gustafsson and Roos, 2005; Miles, 2005; ). According to Grönroos (2001), the interaction with clients and providing the client with suitable solutions to their problem is a key feature in what define services. Clients experience different situations and troubles that they need solved or assistance with depending on the context of in which the problems occur (Edvardsson, Gustafsson and Roos, 2005). Thus, adapting the service delivery process to the local market is a necessity to be able to actually serve the client (Edvardsson, Gustafsson and Roos, 2005). The fact that both subsidiaries appear to be driven by Local Determinism could possibly be influenced by them providing services. The adaptation to clients' requests expressed in the interviews can therefore also be interpreted as a result of the subsidiaries operating in the digital service industry.

In addition to serving the local market, both subsidiaries work with a set of global clients called Global Jewels. During the interviews, the respondents expressed their need to streamline their services by using standards while at the same time provide local expertise in order to serve these clients. When serving these clients, the balance between acting locally and being global as well as the combination of the different drivers perhaps becomes the most evident. The global jewels were served by the different subsidiaries in the network for the individual subsidiary's specific capabilities at different times, whether it was their market knowledge or some other specialty, such as the cyber security center in Spain.

The high level of independence might also have influenced the composition of the drivers in both Sweden and in Spain, as taking own initiatives is a significant trait in the subsidiary

choice driver (Birkinshaw & Hood, 1998). The issue of the semi-autonomous situation and role for the subsidiaries will be further elaborated in the following section.

## 5.4 Semi-Autonomy; a Result of Market Conditions, Non-Organic Growth and Service Characteristics

As stated in section 4.2.3 *Semi-Autonomy and Independence*, and throughout various quotes in the empirical data chapter, the respondents in both Sweden and in Spain all expressed and highlighted their sense of autonomy and independence. None of the subsidiaries is however completely autonomous, but rather experience semi-autonomy as a result of them being a part of an MNC as defined by Birkinshaw and Hood (1998). The autonomy of a subsidiary is said to fluctuate over time and is not a static but a dynamic state and changes as the subsidiary develops and grows (Rugman et al. 2011). However, in the context of this theoretical framework, the concept of semi-autonomy does not consider *how* this growth has taken place. In the article on Subsidiary Evolution by Birkinshaw and Hood (1998), the issue of whether a subsidiary has experienced organic or non-organic growth, such as it would in the case of being an acquired unit, is not addressed.

Both the subsidiaries in question share a similar kind of merger history, of being rather small but yet successful and independent specialized companies within the digitalization and digital service industry, prior to them being acquired by and incorporated in Deloitte Digital. The two subsidiaries thus already had an established profile with a specific set of capabilities and operationalization patterns of their own. The consistent use of the word “we” as a description of the subsidiaries as independent entities distinguished from the rest of Deloitte Digital, especially prominent in the case of Sweden and demonstrated by various quotes in the previous chapter, 4. *Empirical Data*, exemplifies the emphasis of their perceived autonomy. The quotes could also indicate a certain degree of organizational inertia (Hill, 2014), as both the subsidiaries have chosen to maintain and further develop their own character and previous strengths. This is illustrated by the Spanish respondent highlighting their excellence in analytics and being somewhat of a pioneer filling a new hole on the market, and by the Swedish equivalent stressing their agile operationalization and user-centricity focus. Furthermore, the usage of phrases such as “*becoming more and more Deloitte*”, “*to support the Deloitte Brand*”, “*I like to think that we are still independent*” and “*not completely a part*

*of Deloitte*” in combination with the uplifting tone of what the respondents spoke of as *their own* initiatives, could be interpreted as a way to remain true to its origin and independence.

At the same time, although the respondents stressed their independence, they also expressed themselves as a part of an internal network (Dörrenbächer & Gammelgaard, 2010). This was generally seen as and expressed a purely positive aspect by all respondents. The cooperation within the network was described in positive terms and as a “very cooperative”, both in terms of resource and knowledge sharing (Håkansson & Snehota, 1995). Being a part of the internal network with other subsidiaries of Deloitte Digital, also seemed to have little negative impact on the subsidiaries regarding internal competition in terms of charters and resources (Birkinshaw & Hood, 1998). The only time a competitive situation caused by internal competition appeared to possibly have had a negative effect was with the charter loss (Dörrenbächer & Gammelgaard, 2010) for the Spanish subsidiary of the Mexican market. The positive attitude towards, and the high level of interaction with the internal network in combination with a clear perception of autonomy, illustrates the conditions of semi-autonomy, yet perhaps from another point of view. The term semi-autonomy usually refers to the HQ-subsidiary relationship whereas in this case, a more horizontal and equal exchange between peers is accentuated in the subsidiary-subsidiary relationship (Birkinshaw & Hood, 1998). The relationship with other subsidiaries in this case was described as a mutual one, characterized sharing and supporting each other.

The consequences and impact of the non-organic growth, aspects related to autonomy and the lack of internal competition, is not initially included within the Subsidiary Evolution theory but is an issue that emerged during the interview process. This aspect could, therefore, be an interesting area for future and further research.

## 6. Conclusion

All chapters leading up to this concluding chapter throughout this thesis have resulted in a deeper understanding of the determining factors of subsidiary evolution in a knowledge intensive service-based MNC. However, the results have shown that it is difficult to completely distinguish which exact factors that have driven the subsidiary evolution as the drivers appear to be intertwined. Partly due to the fact that services per definition are dynamic activities, whose nature depends on the specific project and circumstances in play. This is specifically the case when it comes to agile working processes, a key feature of both the subsidiaries studied, which are characterized by continuous change and flexibility. Nevertheless, we argue that the findings of this thesis are highly relevant for the IB field in the context of the increase of subsidiaries on the global market, the rising servicification and general digitalization of the same.

In answering our research question, *What are the determining factors of subsidiary evolution for subsidiaries within a service-based MNC in the knowledge intensive business service sector?*, the analysis of the empirical data through the theoretical framework result in some indications. The research findings point at that the driving factors appears to be a combination of all three drivers of Subsidiary Evolution, Head Office Assignment, Subsidiary Choice and Local Determinism, with emphasis on the last two.

The two drivers appear to interact with each other in a circular reaction chain, based on high level of perceived semi-autonomy and the continuous and rapid change that characterizes the digital service industry. On each market respectively, the subsidiaries were found to highlight the importance of market responsiveness and their own initiative and effort to adapt quickly to changing market conditions. This in combination with interaction based service delivery process resulted in the subsidiaries to implement an as agile approach as possible. A discrepancy in between the implementation of agile processes and clients' expectation of fixed prices does, however, indicate that the driving factor behind implementing agile processes stemmed from the subsidiaries themselves. The difficulty to work completely agile with clients and the difference in what the kind of services the clients demand in the different markets also appears to have a connection to market maturity. Through this study, the difference in market maturity has come through as a determining factor of how the three-step delivery process is performed and to what extent all three steps are sold. The maturity of the

market is thus a local market condition that the subsidiaries have adopted to by changing their ways of working. This is expressed through performing a complete package services in Spain and adjusting the service delivery process to be less agile in Sweden and applying a more fractured waterfall-like working process instead.

Besides the influence of agility in working processes on drivers, semi-autonomy stands out as one of the most influential factors of the operationalization of charters. During the interviews, all respondents consistently highlighted their independence in all aspects of their business, stressing the minimum interference of HQ both strategically and operationally. On the other hand, they both expressed their role in the internal network as important and the network itself as being mutually beneficial for all parties. The cooperation with other subsidiaries within the MNC was described as a source of vital information and a way of sharing various resources in a way that the individual subsidiary also needed. This became particularly evident when serving what the subsidiaries called their Global Jewels, large MNC clients. In order to provide good service to the Global Jewels, the subsidiaries both used standardizations sought advice within the internal network and used their local market knowledge simultaneously. The subsidiaries worked in a cooperative way with these specific clients which they would not have worked with solely by themselves. The emphasis on their independence hence had a twofold feature. This is reflected in the combination of drivers and the fact that they appear intertwined with no clear cuts, especially between the decisions that stemmed from Subsidiary Choice and Local Determinism.

## 6.1 Theoretical Contribution

The main theoretical contribution of this thesis is its subsidiary perspective. By keeping the subsidiaries own point of view in focus, the study provides an in depth understanding of the knowledge intensive business service sector. Two areas have risen as especially important for subsidiaries operating within the knowledge intensive business service sector.

Firstly, local embeddedness, market maturity and agile working processes within subsidiaries in a knowledge intensive service-based MNC constitute the key influencing factors on drivers. Secondly, the semi-autonomy that the two subsidiaries operate under, combined with the influence of both internal and external networks, played an influential role in the use of resources and how independent from the HQ the subsidiaries perceived themselves to be.

Both these factors contribute to the field of research of subsidiary evolution in MNCs and make up the most influential aspects of the subsidiary evolution of this multiple case study.

## 6.2 Suggestions for Further Research

Aspects of semi-autonomy and its effect on subsidiary evolution presented in the theoretical framework at use for this study have proven to be on of the key issue of this study. Both the research objects of this study were recently acquired units, something that might have had an impact on this matter. In the theory by Birkinshaw and Hood (1998), the concept of organic versus non-organic growth and its implications on subsidiary evolution is limited. A suggestion for future research is thus to implement the aspect of the type of growth, i.e organic or non-organic, to possibly generate a deeper understanding of subsidiary evolution.

Another aspect that emerged during the writing of this thesis is the concept of agile working processes. Agile processes are per definition perceived with uncertainty in terms of resources required and affect resource and charter distribution accordingly.

This is a rather new phenomenon in the service industry and the corresponding research field. Agility and its impact on charter distribution and charter control could make a good and interesting suggestion for future research.

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## 8. Appendix

### 8.1 Appendix 1

#### Interview Guide

1. Could you describe your background and what is your position/responsibilities in the company.

#### Market

2. How would you describe the market that you operate in, i.e services demanded, tendencies, government or state initiatives?

- What are the main services that you provide or that are demanded by clients?
- Can you see any tendencies of change in what is demanded in the last years?
- Do you have any affiliation with the government in government driven initiatives?
- Do operate outside of your domestic market?

#### Delivery process

3. Could you, in short describe the service delivery process?

4. How do you experience the process? Challenges and Opportunities.

- What factors do you believe affect the process and how?
- Do you consider the process locally adapted?
- Have you noticed any change in the process in last years?
- To what extent does framework from HQ shape your service delivery process in comparison to the impact of your own initiatives?

#### Relationships

5. To what extent do you experience that your ideas and initiatives are taken in consideration?

- Could you describe the relationship and interaction between HQ and the Madrid subsidiary?

- Do you have a habit of cooperating with other subsidiaries within Deloitte Digital?
- Do you cooperate with other digital service firms within your domestic market?
- To what extent do you identify your company as a part of the Company's worldwide?
- How dependent is your company of the rest of the organization?

## 8.2 Appendix 2

### ”Coded” Interview Guide

1. Could you describe your background and what is your position/responsibilities in the company?

*(Ice-breaker, initial question to lighten up the situation and get the respondent to feel comfortable.)*

### Market

2. How would you describe the market that you operate in, i.e services demanded, tendencies, gov. Initiatives?

- What are the main services that you provide or that are demanded by clients?
- Can you see any tendencies of change in what is demanded in the last years?
- Do you have any affiliation with the government in government driven initiatives
- Do operate outside of your domestic market?

*(Questions regarding the respondents’ opinions, initiating the subsidiary perspective)*

### Delivery process

3. Could you, in short describe the service delivery process?

4. How do you experience the process? Challenges and Opportunities.

- What factors do you believe affect the process and how?
- Do you consider the process locally adapted? *(potential driver local determinism?)*
- Have you noticed any change in the process in last years? *(Time perspective)*
- What factors do you believe affect the process and how? *(question related to drivers)*

### **Relationships**

5. To what extent do you experience that your ideas and initiatives are taken in consideration?

*(Question related to semi-autonomy and drivers, subsidiary choice)*

- Could you describe the relationship and interaction between HQ and the Madrid subsidiary? *(question related to drivers, head office assignment)*

- Do you have a habit of cooperating with other subsidiaries within Deloitte Digital?  
*(question related to internal competition)*
- Do you cooperate with other digital service firms within your domestic market?  
*(question related to drivers, local determinism)*
- To what extent do you identify your company as a part of the Company's worldwide?  
*(question related to internal network and semi-autonomy)*
- How dependent is your company of the rest of the organization? *(question related to semi-autonomy)*