

Parenting MNC networks through springboard subsidiaries: a dynamic model of evolution¹

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Abstract

Drawing on the notion of springboard subsidiary, this study extends previous theoretical literature to provide empirical evidence on how headquarters configure relationships and organize activities with the subsidiary's network, as well as the mechanisms to create added value by using this entry strategy. We conducted a qualitative study to explore the determinants, development and dynamic evolution of these units in European multinationals using Spain as a springboard subsidiary to manage its operations in Latin America. The paper also extends recent international business literature on extra-regional headquarters and parenting advantage within the multinational firm.

Keywords: springboard subsidiary, multinational firm, subsidiary-specific advantage, parenting advantage, regionalization theory

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1. INTRODUCTION

In the modern multinational firm, headquarters need to manage complex networks dealing with administrative, geographic, and economic differences among countries and regions (Kostova and Zaheer, 1999; Ghemawat, 2001). Companies must combine company-specific advantages, configured and coordinated on a global basis, and country specific advantages, arranged on a local basis. In this context, multinational companies (MNC) have the mission to arbitrate the integration-responsiveness framework across borders (Barlet and Ghoshal, 1989). To deal with these differences, some literature has shown how regional strategies are preferred for economic, geopolitical and strategic factors (Rugman and Verbeke, 2005, 2008). According to this perspective, the implementation of a regional strategy to manage foreign activities usually takes the form of establishing regional headquarters (RHQs), controlling and managing operations of subsidiaries located in that region (Lasserre, 1996, Yeung et al., 2001). However, recent work has revealed that using regional headquarters is not the only way to manage operations across different regions (Pla-Barber and Camps, 2012). In some specific contexts, MNC can implement these functions through a third subsidiary located outside the target region: a “*springboard subsidiary*” that can help to overcome the “liability of inter-regional foreignness”.

In this sense, the purpose of this paper is to arrange for additional theoretical basis by providing empirical evidence on the conceptual notion of “springboard subsidiary” (Pla-Barber and Camps, 2012) and what is more important its evolution through a dynamic model.

The springboarding phenomenon is contextualized in the relationships between Europe, Spain and Latin America. According to this perspective, Spanish subsidiaries can be seen as springboards or shortcuts to develop foreign networks in Latin America. Because of the cultural, historical, economic and business ties between Latin America and Spain, European MNC can learn to develop their relationships with Latin America indirectly through the Spanish subsidiary. This knowledge can be seized within MNC structure to overcome the liability of foreignness (Johanson and Vahlne, 2009), thus helping to reduce the risk and time in foreign entries into dissimilar markets.

We further on this theoretical central idea: how global corporations manage their subsidiaries outside their home regions in the particular context of these regions? Many transnational firms are indeed adopting a regional strategy, in which regions are considered as the means to articulate activities abroad. Regional units are better positioned to compensate for the limitations of both headquarters and the local units in matching local knowledge to global applications within the MNC (Asakawa and Lehrer, 2003). Still, on the relevant question on how subsidiaries can offer greater value to headquarters (HQ), we depict how this can be achieved in the reverse way, which is using an indirect path to develop initiatives within the MNC network at an inter-regional level.

During the last years, research on strategic management has looked at the subsidiary as a unit of analyses. We offer a wide perspective by analyzing the coevolution of both springboard subsidiaries in Spain and subsidiaries in Latin America via qualitative data. Throughout the discussion of research case studies carried out in subsidiaries in Uruguay, we bring some light into the springboard subsidiary

phenomenon. As raised by recent studies, this can foster's MNCs acknowledge on the potential role that Spain might play as a springboard for succeeding in their investments in and from Latin America.

The contributions of our study to literature are several. We offer empirical evidence on a recent conceptual proposal. This allow us to provide a useful set of guidelines on the springboard subsidiary, its development patterns and the implications for both the HQ and the subsidiaries in Latin America, potentially extendable to any other emerging region. Our findings confirm the idea that springboard subsidiaries' role constantly evolves on the assumption that host country subsidiaries' do so. This dynamic evolution is illustrated alongside three phases or stages. In each of them, springboard subsidiaries play a particular role to give support and enrich MNC's network alignment: entrepreneurial, coordination and disengagement stage. Secondly, we extend RHQs' literature concerning this novel model of advanced subsidiary as well as the notion of extra-regional headquarters (ERHQ).

This paper can also make a contribution on recent international business research analyzing MNC configurations and the "parenting advantage" (Goold, Pettifer and Young, 2001; Ciabuschi, Forsgren and Martín, 2012; Nell and Ambos, 2013). In this literature, headquarters value added is referred to the situation in which HQ offer value by influencing units to achieve better initiatives than being independent (Goold, Campbell and Alexander, 1998). Still, HQ may lack the knowledge to fully understand the complexity in their businesses, due to the fact that in some cases it is context-specific (Campbell, Goold, and Alexander, 1995; Goold et al., 1998). Therefore, in some situations parenting does not provide any advantage because headquarters can only offer low value creation. Then, authors such as Nell and Ambos (2013) suggested

the potential need to reorganize parenting activities for particular units, such as regional headquarters. An elementary condition for value creation in the MNE network is that the parent has sufficient understanding of the businesses in which subsidiaries are embedded (Goold et al., 1998). This is consistent with the notion of springboard subsidiary because its contribution needs to be acknowledged by the rest of the network, while in our view this reorganization might take the form of an extra-regional headquarters. Overall, our study highlights the importance to explore the potential advantages arising from advanced configurations of the MNC.

Drawing on the regionalization theory, next section presents the theoretical basis on the springboard subsidiary and underlines the mechanisms by which subsidiary specific advantages can be created, and how they can contribute to create value for the MNC in a network context. Then we provide details on the qualitative methodology and discuss the empirical findings, creating a framework for the co-evolution of the springboard subsidiary and the host country subsidiary within this context. We expose the implications of the study for MNE configuration, particularly for subsidiaries' roles, as well as parenting advantage's recent literature.

2. THEORETICAL BACKGROUND

2.1. Springboard Subsidiary and the Creation of Firm Specific Advantages

Our basic theoretical standpoint lies on Rugman and Verbeke's (2001) conception of subsidiaries' advantage and their MNC regionalization theory (Rugman and Verbeke, 2008). Regionalization theory is based on the evidence that despite the increasing globalization, MNCs still mostly operate on a regional basis to overcome

their lack of legitimacy in foreign countries (Rugman and Verbeke, 2004; Ghemawat, 2005), turning into a cluster of diverse markets in different regions all over the world.

A comprehensive stream of literature has analyzed how global multinationals manage these complex activities outside their home countries and regions from the subsidiaries literature (Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989; Bartlett and Hedlund, 1996) and the economic geography literature (Yeung et. al, 2001, Phelps, 2007, Phelps and Fuller, 2000). While a lot of literature exists on value chain slicing and location, little is still known about regional headquarters (Birkinshaw et al., 2006). Previous studies on RHQ have pointed to several variables influencing location decisions, such as convenience and cost factors, infrastructure, communications or proximity to business (Holt et al., 2010). However, our knowledge is still limited on the convenience of creating units to manage foreign activities at the extra regional level.

The importance of a springboard country for a MNC falls back on the lack of experiential knowledge on foreign markets (Eriksson et al., 1997; Johanson and Vahlne, 1977; Michailova and Wilson, 2008). The experiential knowledge is shaped by institutional and business knowledge. Both types of knowledge are tacit in nature (Polanyi, 1966), difficult to transfer and acquired through experience in the host country (knowledge on the culture, traditions, behavioral norms, etc) and experience on doing business in the network (customers, competitors and market conditions). Therefore, it becomes harder to assimilate and disseminate this relevant knowledge throughout the MNC. To acquire this experiential knowledge, MNC can acquire it directly or use shortcuts. In a nutshell, a springboard country is a way to acquire this experiential knowledge. Three conditions should be met so that a springboard country can be considered like that, as is the case of Spain and Latin America: the country should hold

an intermediate position between both countries and also has an intense flow of business with the target country, so that this accumulated knowledge can be used by the HQ. Hence, by managing their investments in Latin America through a Spanish subsidiary, European HQ can achieve legitimacy and take advantage indirectly of the knowledge and networks in the target market developed by the springboard subsidiary. However, not all the subsidiaries located in a springboard country can be considered as springboard subsidiary. This will be the mandate of the subsidiary only when the knowledge it embraces is relevant, specialized and recognized (Rugman and Verbeke, 2001). That is, it can be applicable to the target country, because of its tacit nature and context-specificity; the subsidiary should be the only holder of this experiential knowledge within the MNC structure, and, what is more important, this unique superior position regarding this host market should be recognized by the parent firm as well as the rest of subsidiaries, providing the springboard subsidiary with legitimacy to develop this assignment (Pla-Barber and Camps, 2012). In a nutshell, this is an active unit endowed with autonomy at the extra- regional scale, i.e., Latin America. The springboard subsidiary develops its mandate in markets that were supposed to be controlled by the parent firm, as a strategy to overcome the liability of foreignness (Johanson and Vahlne, 2009).

A starting point sustaining this idea is the consideration of Country Specific Advantages (CSAs) and Firm Specific Advantages (FSAs). Firm Specific Advantages (FSAs) can be developed both by parent firms and subsidiaries, leveraging CSAs among countries in which they operate (Rugman and Verbeke 1992, 2001, 2003). FSAs can be location bound (LB), or non-location-bound (NLB). LB FSAs are exploited in a particular location, generally related to local responsiveness. On the contrary, NLB

FSAAs can be exploited at a global scale. Further to this, springboarding focuses on subsidiary specific advantages (SSAs). As posited, business relationships have a strong impact on the particular market a firm decides to break into. Under these circumstances, subsidiaries might have their own initiatives to develop FSAs (Birkinshaw, 1997).

A critical research issue is therefore how LB FSAs can become NLB FSAs (Lo, Mahoney and Tan, 2010; Rugman et al., 2011). In particular, a less covered piece is how to integrate and transfer SSAs to the rest of the MNCs through inter-units to reinforce FSAs (for instance, location bound marketing know-how or technological capabilities). This requires a recombination effort to exploit competences in other countries. While FSAs can be measured through proxies on intangible assets based on marketing or know how, the formation and evolution of SSAs are more difficult to analyze, and can be explained basing on knowledge management and dynamic capabilities literature. Subsidiaries evolve its own set of managerial and technological capabilities (Cantwell and Mudambi, 2005) so that once created, MNC might attempt to create a network within their units, basing on the internalization of these assets.

2.2. The evolution of the springboard subsidiary in the MNC

MNCs can profit from heterogeneity across markets (Kogut and Zander, 1992; Zahra and Garvis, 2000), thus FSAs are often based in the identification and diffusion of knowledge across locations and units (Kogut and Zander, 1992, Rugman and Verbeke, 2001). In this sense, relevant opportunities are those that can be leveraged through the MNC network when location specificity is low (Nell et al., 2013). Indeed, units at intermediate geographic levels have been acknowledged as relevant supporters of subsidiaries for the identification, extraction and diffusion of opportunities to connect

then to the rest of the MNC (Asakawa and Lehner, 2003). With these particularities, RHQ deal with in the integration and coordination of activities developed by different subsidiaries in several countries.

But, how can MNCs develop FSAs through the utilization of a springboard subsidiary? While some works relax the crucial position of HQ within the MNC, we follow Nell et al. (2013) in considering that HQ still might play an important role within the MNC, due to the fact that “they can add value to their subsidiaries even under challenging conditions by taking on an active role”. Basically, parent firms can create value through synergy management, knowledge sharing, and the organization of shared services, referred as the positive role of parents (Foss, 1997). However, our study is outlined in the reverse direction, i.e., how to overcome a negative position due to cultural, institutional or business barriers. As posited, to do so HQ will surely need to acknowledge limitations arising from its natural lack of legitimacy and local knowledge (Asakawa and Lehrer, 2003).

In accordance with the notion of multiple embeddedness (Meyer, Mudambi and Narula, 2011), Nell and Ambos (2013) found that complexity makes parenting more difficult, while some mechanisms can help to overcome these difficulties, such as achieving external embeddedness in the subsidiary’s local network (customers, suppliers, institutions, etc.). The implementation of these mechanisms would avoid synergy bias and bad practice transfer, so headquarters would better understand in which situations they should not arbitrate in subsidiary matters (Foss, Foss and Nell, 2012). We argue that these limitations could also be indirectly overcome by a springboard subsidiary in host, dissimilar countries. The springboard subsidiary can develop functions that were previously carried out by the parent firm, while not from a subordinate position. As posited, the necessary condition is the acknowledgement of its expertise and the

allowance of legitimacy to develop these strategic functions for the MNC. Then, a springboard subsidiary would transfer organizational knowledge and corporate routines to subsidiaries, but also reverse the knowledge on local markets to the parent company (Gupta and Govindarajan, 1991). SSAs in springboard subsidiaries are therefore based on its accumulation of a relevant, specialized and recognized knowledge (Rugman and Verbeke, 2001) on the Latin American local context and its expertise in business relationships in there. These subsidiaries account for a high strategic responsibility for some particular activities, or taking the form of an extra-regional headquarters with autonomy to manage extra-regional operations (Pla-Barber and Camps, 2012).

Consequently, the evolution of the functions in a springboard subsidiary is highly dependent on the dynamic process of accumulation of capabilities carried out over time (Birkinshaw and Hood, 1998). Among the extensive literature analyzing subsidiary initiatives and mandates (Birkinshaw, 1997; Birkinshaw and Hood, 1998), Lasserre (1996) suggested two basic roles for the evolution of a RHQ: integrative and entrepreneurial. Essentially, RHQs with an integrative function coordinate corporate and regional policies, while RHQ with an entrepreneurial mandate include functions such as scouting (serve as a base to initiate new ventures in the region), strategic stimulation (assistance to integrate the regional context into the business strategy) and signaling commitment (demonstrate the commitment of the company into the region). According to Lasserre (1996), in the first stage RHQ have an integrative role to exploit synergies, while in the final administration stage, the responsibilities of the RHQ are assumed by local subsidiaries. Finally, parent firm assumes the coordination and control of the local subsidiaries. Throughout the methodology section, we depict how this coevolution takes place.

3. METHODS

3.1. Case Study Methodology

This paper emerged from ongoing research during which we became aware that a new type of regional headquarters was emerging in the specific relationships between European multinationals and their subsidiaries in Latin-American. As the primary motivation for this study was “theory elaboration”, a process in which one contrast preexisting understandings with observed events, we use an inductive logic through a case study approach which allows us to obtain rich data and explain holistically the complex and dynamic phenomenon of the relationships between subsidiaries at different regional levels (Ghauri 2004). Additionally, our analysis involved historical processes. Such dynamic events are best analyzed using inductive techniques by which event sequences are clarified and overlapping causal forces disentangled (Greenwood and Suddaby, 2006)

Sampling methodology

Defining the research sample posed two methodological problems. The first problem was that most MNC subsidiaries in Spain have never undertaken this role of SBS, so it was necessary to identify a sample of subsidiaries that had assumed this role. Using the AMADEUS database we identified all the Spanish subsidiaries from European Multinationals that have investments in Latin America with a level of direct control over the Latin American subsidiaries higher than 50%.

At his primary stage, to avoid country variables effects, the second problem was identifying a sample of Latin American subsidiaries in one single country controlled from this Spanish SS. The decision was made to research the entire set of subsidiaries in

a small number but covering one single country, on the grounds that the quality of data was a critical element of this study. We select Uruguay as we identified only 3 subsidiaries that accomplish our conditions. Subsidiaries from this sample were then approached on a convenience basis. The three subsidiaries agreed to participate fully. The data collection period was January 2013 during a research stay of one of the authors at ORT University (Uruguay). For the purpose of this study, these subsidiaries were called Alpha, Beta and Gamma.

Data collection methods

The two primary sources of data were (1) semi-structured interviews with subsidiary CEO who was actively involved in the relationship with the Spanish subsidiary and (2) a questionnaire filled out by the key individual for each subsidiary. In order to mitigate the concerns of retrospective bias (Langley, 1999), these data were complemented by other company documents (annual reports, organizational charts and articles in newspapers) and secondary data compiled through AMADEUS database.

Interviews followed a carefully prepared protocol, with a mixture of specific questions and open-ended questions. All interviews were between two and two hour and a half in length. The interviews were done by two researchers so as to minimize interviewer bias. Interviews were taped and transcribed, and notes were also taken. The questionnaire was put together towards the end of the research, as a means of validating the qualitative interview findings. A total of approximately 100 pages of data were assembled through this process.

Data analysis

Qualitative data were analyzed using the procedures recommended by Miles and Huberman (1984), which emphasize the use of tables and diagrams for reducing and visualizing data. The qualitative findings were summarized in the form of a case history, and sent to the interviewees for factual verification. They were also asked to comment or add on the final draft of the case analyses.

In each sample company, the role of the Spanish Subsidiary was identified through discussions with senior managers. The major aspects of this role, particularly those that had been related to language and cultural traditions were identified immediately, but some careful investigation was required to pick out other issues. Guided by the insights from the literature, we grouped our data into broad categories on both the configuration of the MNC (such as home country, structure, FDI in Latin America) and the Latin American subsidiary (ownership, strategic and operational decision making, degree of responsiveness, coordination and control, relationships with parent company). Table 1 in the Appendix provides details on these characteristics.

Case Narratives

Alpha

Alpha is the Uruguayan subsidiary of a French European MNC operating in the electrical appliance industry with more than 2.000 employees in total. This is the only subsidiary in Latin America, with around 40-50 employees. MNC is structured along an international division dealing with all the exports of the group, while each unit deals with marketing issues on their own products.

Alpha was created in 2004 as an initiative of the Spanish Subsidiary. Indeed, the Spanish subsidiary holds 100% of this subsidiary, which is fully dependent on Spain for both strategic and operational decision making. All processes are standardized in line with the mandates coming from Spain, which were initially fixed by the parent company. Reporting is done according to the requirements of the Spanish subsidiary in order to consolidate their results. Alpha lacks a technical unit, which is located in Spain. Consequently, managers in Latin America have limited capability to modify processes, and its responsiveness is limited to marketing issues for local customers. Nowadays, it operates an extension of the Spanish subsidiary, reporting directly to them in Spanish. Relationships with parent company are scarce, and in any case, developed through the Spanish subsidiary.

Beta

Born and headquartered in Stockholm, this MNC provides security services and technology for both firms and particulars (such as security appliances and security guard). It operates in 51 countries in three regions (Europe, USA and Latin America). The MNC is structured into geographical regions and the HQ in Sweden gives supports for shared services. Foreign direct investment in Latin America started in 2000 in Argentina, the largest unit in Latin America with more than 15000 employees. Then they entered in Uruguay in 2006 followed by Chile, Peru, Colombia, Ecuador and Costa Rica. In 2012 the group forms the Iberoamerican region, comprising LA, Spain and Portugal and controlled by the same Spanish manager, who first started business in LA. Most of these entries were done through acquisitions and then integrated into the procedures and routines of the group. Uruguayan subsidiary accounts with around 3000 employees.

Reporting is done as stated by the standard procedures established by the parent company, and accounting balances are consolidated with the Iberoamerican unit. Meetings for Latin America region are done mainly in there under the coordination of the manager for Iberoamerica and Spain, while in some cases they also travel to Sweden. However, nowadays the first communication flow takes place with the rest of Latin American subsidiaries, sharing information about processes, products or marketing. Units have individual autonomy to make strategic decisions, but the parent firm acts as a controller. For instance, they can make decisions on investments up to certain quantitative thresholds without the permission of Spain, the general CEO, and then the Board of Directors, respectively.

Gamma

Gamma belongs to a Belgian MNC producing additives for baking industry since the 20s. It is present in more than 100 countries and is structured into geographical areas (North America, Latin America, France, Spain, Portugal, Asia and Asia-Pacific). A regional HQ is located in Chile, and a second one is located in North America to deal with Canada, USA and Mexico. In the late 90s the expansion into Latin America started, subsequently to a merger with a Spanish company.

While some subsidiaries in Latin America are just sales branches, such as Honduras or Guatemala, Uruguayan subsidiary has production facilities. There is regional support for product development, although final supervision is competence of the HQ in Belgium. Managers in parent companies generally travel to all the countries to monitor and control some procedures. Each subsidiary manages its own budget, and the CEO acts as a business controller during his visits. Subsidiaries can also adapt marketing and

develop incremental innovation in case there is not fit for the original product from the parent firm for the Latin American market.

4. FINDINGS AND DISCUSSION

As noted above, a springboard subsidiary's role is thought to change over time. Throughout the analyses of case studies, we illustrate the determinants and context in which its role may evolve. This evidences diverse roles in the springboard subsidiary depending on the evolution of the Latin American subsidiary, as well as its historical and future development. Table 2 (see the Appendix) also exemplifies some of the statements by the senior managers during the interviews. This refers to the decision to invest in Latin America, the perception of the easiness of doing business and the perception of the cultural barriers among regions, decision making processes on strategic and operational issues, and the evolution patterns that the configuration of the MNC seems to be following for future years.

Stage 1.- Entrepreneurial role

At first, springboard subsidiary may have an entrepreneurial role, searching for opportunities to invest. A subsidiary mandate in the entrepreneurial stage includes recognition, identification, evaluation and exploitation of opportunities (Shane and Venkatraman, 2000). In this initial stage, the springboard subsidiary needs to create opportunities to generate value. Alpha's manager stated "*opportunity investment in Latin America was originated by the Spanish Subsidiary and then proposed to the parent company and they accepted. The parent company previously tried to invest in Latin America through a Spanish customer already serving Uruguay markets*".

Although initially products were supposed to be easily sold to Spanish customers in Latin America, market turned to be quite different and currently most of the products need to be adapted to local requirements.

Even so, for Alpha *“previous relationships with some customers of the subsidiary in Spain were used by ourselves to do business”*. On the role of the Spanish subsidiary, they stated *“I think it would have been really difficult not to invest through Spain due to the need of adaptation to local customer. Spain can understand this much more easily than France. France is perhaps more rigid on process developments, which are highly standardized. Spain is more flexible, and we need even more flexibility than Spain”*.

In the case of Beta, the current Iberoamerican and Spanish manager exerts a strong leadership and after the merger he was designed by the group to open markets in Latin America and chosen *“because of being from Spain”*. He received the mandate to develop businesses in the host market, so he created the subsidiary in Uruguay and bought a firm in Argentina. Gamma seems to have followed a similar pattern. Even if the MNC entered in Latin American Markets more than 20 years ago, current managers remark its historical influence: *“I think the expansion into Latin America was done through the subsidiary in Spain due to cultural aspects, and also managers used the same language. But today, we work in a totally independent way, indeed I can buy to any unit in the MNC but I pay as any other would do”*. However, the appropriateness of using the Spanish channel is admitted: *“Spain probably ought to have had an important role for the expansion of the group, as we use the same language, there is a shorter cultural distance, then I guess in that moment, Spain was looking to Latin America and Belgium to the rest of Europe”*. Hence.

Proposition 1: In the MNC network, the Springboard Subsidiary Role (SBS) evolves accordingly to the evolution of the local network of subsidiaries. At the initial stage, the SBS role will develop an entrepreneurial role that involves the creation of the local subsidiaries network

Stage 2.- Integrative/coordinator role

As soon as its presence in Latin America increases, the springboard subsidiary needs to coordinate different units in the regions. While the Latin America subsidiary consolidates its position, Spanish subsidiary might play an administrative role as an ERHQ that integrates activities to create added value in the region. Indeed, Spanish-located RHQs could be more successful in coordinating disperse units, as Spain can be seen as a close but not as a competing or rival country inside the region. Ideally, over time the subsidiary in Latin America will have accumulated a stock of know-how on its regional market to make some strategic decisions inside their country, such as new product developments or new investments in communication with the rest of local subsidiaries. In line with this, Beta's manager stated *"while we are more similar to Spanish than to Swedish, we are more similar to an Argentinian, Colombian or Chilean"*.

Subsidiaries may then have certain flexibility to adapt processes and marketing initiatives, although in many cases most procedures can be maintained according to the requirements of the parent company. Alpha's manager stated *"I think it would have been really difficult not to invest through Spain due to the need of adaptation to local customer. Spain can understand this much more easily than France. France is perhaps more rigid on process developments, which are highly standardized. Spain is more flexible, and we need even more flexibility than Spain"*. For Alpha, both strategic (new

investments, product innovations...) and operative decisions on further developments are done under the strict supervision of the technical office in the Spanish Subsidiary.

Conversely, and due to the need for local responsiveness in security services, Beta has more autonomy for some particular aspects in service development and marketing adaptation, and now they manage their own marketing budget (at first it was centralized). *“In Stockholm they don’t understand what we call marketing positioning in TV, they consider mouth-to mouth as the best marketing strategy”*. Any initiative on firm acquisition by Beta is authorized by the Spain and Iberoamerican manager, then the money is paid by the group and remains as an corporate investment with marginal participation of the Uruguayan subsidiary (less than 1%). Beta reports to both Spain and Sweden, while generally monitoring is done by the Iberoamerican manager in periodical meetings with the rest of Latin American subsidiaries. All through these meetings *“Spain always plays a coordinator role for two main reasons: because they had the know-how and because the manager for Iberoamerica and Spain tends to impose his ideas”*. Beta reports to both Spain and Sweden, while direct communication with parent company is scarce, and in practice it is carried out through the Spanish Subsidiary, which is noticeably developing an integrative role.

For Gamma, the coordination received from the Spanish subsidiary is almost insignificant. Business plans are discussed with the regional division and, in any case, with the parent firm in Belgium. The springboard subsidiary seems to have lost the coordination role in this case. Any technological standard or requirement comes finally from the headquarters, yet with constant support from the RHQ in Chile. Hence:

Proposition 2: In the MNC network, the Springboard Subsidiary Role (SBS) changes accordingly to the evolution of the local network of subsidiaries. At a mature stage, the SBS role will develop a coordination parent-like role that involves formulating and implementing strategic decisions in the local subsidiaries network.

Stage 3.-Disengagement

At this stage, the springboard subsidiary loses the mandate it was given by the MNC. This is the consequence of an evolutionary process: it is the result of the successful development of the subsidiaries in the host region. At this point, local subsidiaries have settled in, and as shown, have developed its linkages among themselves. Indeed, one of our case studies indicates the establishment of a RHQ in Chile following the administrative/coordination stage. This is consistent with the evolution of the model, in which the parent company has decided to assign more autonomy to a local, expertise subsidiary, up to the point of creating a RHQ in Latin America. The number of local subsidiaries operating in the region has increased considerably and once they have gained experiential knowledge, the establishment of a RHQ allows a better coordination of the regional business.

This stage can be identified only in the case of Gamma. While initially founded by the Spanish subsidiary, nowadays Gamma operates independently, or in any case, dependent on the RHQ in Chile and the parent firm. RHQ give strategic and technical support on business, while this is being directly supervised by the HQ in Belgium. Managers are expected to travel to Belgium and the income of expatriates from there is a common practice for standardizing procedures and coordinate activities. After many

years of accumulated experience and many units Latin America, Gamma is now endowed with the legitimacy to manage regional operations from its RHQ. Hence:

Proposition 3: In the MNC network, the Springboard Subsidiary Role (SBS) changes accordingly to the evolution of the local network of subsidiaries. At a final stage, the SBS role disappears in favor of a more autonomy to the local subsidiaries network.

Evolution patterns of the springboard subsidiaries

As the expansion into Latin America evolves, the springboard subsidiary moves to a more generalist role, coordinating a wide range of subsidiaries. Case studies have depicted several roles of the springboard subsidiary along with the expansion of the business in Latin America.

First, managers agreed in the important role of Spain in developing the initiative to invest in the host country. While in some cases it was due to a strong intention of the manager, the necessary condition is autonomy legacy by the parent company. Most experienced subsidiaries (Beta and Gamma) have evolved and moved to other roles (coordination and disengagement, respectively). But Alpha, as the unique subsidiary in Latin America and recently created in 2004, undeniably still remains into this phase. While the Latin American business is expanding, the subsidiary is fully controlled by Spain, and its communication channel with the HQ is always due through the Spanish subsidiary. Yet, according to Alpha's manager. *“If our business keeps on growing up, managing it in the distance might become really hard. Then, we will need to create more infrastructures here to improve decision making processes on technical aspects that need to be adapted to this market”*. With an increasing future market potential, probably the springboard subsidiary will need to adapt its role to the requirements of the

host context. This issue was the case of Beta, in which Spanish subsidiary presents functions similar to a RHQ, but with the particularity to be located in Spain. Since its creation in 2006, and with several others subsidiaries in Latin America in its portfolio, the Spanish subsidiary had to changed its mandate for Beta. *“At first procedures came from Spain and Sweden, but as the organization became more complex and the subsidiaries in Latin America grew, this generated a critical mass among units in LA, for instance, to share experiences with a particular product or process, because our culture is similar”*. Indeed, managers consider reasonable that the next step seems to be the location of a RHQ, probably in Argentina, to manage local businesses.

This final stage has already been achieved by Gamma. After 20 years operating in Latin America in 10 countries, the MNC is more prepared to overcome the limitations derived by the initial lack of local knowledge: *“while cultural differences are relevant, I believe this is becoming less important to the extent that communications are developing. Belgium has a different culture, but these differences with Latin America are minimizing...I think these cultural differences are lower than before, perhaps it is easier if a Spanish manager comes as we can get along better with each other, but I do not perceive that there is a barrier if a Belgian comes today. The world has globalized and these differences are lower”*.

Figure 1 (see the Appendix) presents the general dynamic model of evolution of the SBS role derived from the interactions between the theory and our case studies

5. CONCLUSIONS

In this paper we expanded and tested empirically theoretical propositions on the role of springboard subsidiaries as proposed by Pla-Barber and Camps (2012). We have depicted this evidence basing on several case studies. The foundations of this standpoint in all the cases were similar: the springboard subsidiary can develop a relevant, specialized tacit knowledge which is acknowledged as valuable in the parent firm (Rugman and Verbeke, 2001). This is the trigger of the investment process into Latin America, started as an initiative of the Spanish subsidiary. It arranges the subsidiary with the legitimacy to coordinate value added activities in the Latin American market. Our results are consistent with the literature on SSA's by Rugman and Verbeke (2001, 2003). This relevant and tacit knowledge becomes non-location bound, thus providing the subsidiary with a valuable specific advantage susceptible to be exploited beyond its regional boundaries.

Our proposal extends previous theoretical studies and underlines the fact that regional units can be better positioned to compensate for the limitations of both HQ and the local units in matching local knowledge to global applications within the MNC (Asakawa and Lehrer, 2003). Therefore, through the concept of springboard subsidiary, we aim to offer a wider perspective on novel configurations of the MNC network that may help to manage complex operations succeeding in dissimilar environments. These differences have a mix of cultural, administrative, geographic and economic roots which have important implications for the internal functioning of an MNC network (Ghemawat, 2001, 2005). To an extent, springboard subsidiaries allow firms to overcome the liability of outsidership (Johanson and Vahlne, 2009) intrinsic to the internationalization process. This might increase the possibilities of success in a

dissimilar host market, while it grants the HQ with expertise to deal with parenting opportunities.

We believe this study can make some interesting contributions to several streams of literature on international business. By extending theoretical works through qualitative data, we have depicted a dynamic model on the development patterns within the context of the springboard subsidiary, HQ and target country subsidiaries. Our findings suggest the existence of several stages in a dynamic model of co-evolution among the MNC units involved in the springboard strategy. The role of the springboard subsidiary moves from entrepreneurial to coordinator meanwhile the local subsidiary in the host country is deploying its own resources and capabilities. Over time, once these units have achieved expertise and the local network has been installed in the region, the mandate of the springboard subsidiary over local subsidiaries can be assumed by another unit which is even more similar to them (culturally and institutionally). Therefore, the success of the foreign units causes the disengagement of the springboard subsidiary.

We also address recent research discussing the possibility that parent companies exert a parenting advantage over its subsidiaries. While some works have done comprehensive suggestions at different organizational processes on a positive (e.g., Nell et al., 2013) or negative role (e.g., Ciabuschi et al., 2012), we contribute to this literature by offering an integrative perspective, i.e, how a MNC could overcome the existence of a parenting disadvantage because of being foreigner to local institutions and business networks. In this case, a feasible way to organize these complex activities is the establishment of ERHQ outside the boundaries of the region. This also makes an input

for the literature on the configuration and management of advanced structures in the MNC.

Some of the limitations of this study might arise from the qualitative methodology. For instance, due to the qualitative perspective we adopted we cannot address an improvement in the performance results of the MNC using a springboard subsidiary for investments in other regions. Future quantitative studies might contrast this fact, as well as the existence of positive spillovers in local firms located in the host country. Moreover, as raised in the case studies, dynamics in the evolution are highly dependent on the industry in which the firm operates. In services, such as for Beta, marketing and customer responsiveness are required to adapt many standard procedures to the characteristics of the host market. Other patterns and differences among service industries could also be analyzed in-depth.

Further extensions to this study might also focus on the practical aspects of both internal and external embeddedness (e.g. Andersson et al., 2002, Anderson and Forsgren, 1996, Dellestrand and Kappen, 2012), analyzing the role of both internal and external actors, such as customers, suppliers or institutions. Moreover, this particular configuration arises many challenges for communication flows and knowledge sharing within the MNC structure. It is a necessary but not sufficient condition to provide with the mechanisms for knowledge dissemination, as reverse knowledge transfer becomes more relevant to provide HQ with the local knowledge acquired by the springboard subsidiary. If HQ relationships with subsidiary networks can increase HQ's knowledge on their local contexts such as on behavioral norms, customers, competitors and market conditions, then the parent company should also learn to acquire it indirectly from this

unit. This is required to internalize SSAs as the final aspiration of any parent company using a springboard strategy.

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APPENDIX

Table 1. Characteristics of the MNC in the sample

	Characteristics	Alpha	Beta	Gamma
Configuration of the MNC	Home Country in Europe	France	Sweden	Belgium
	Structure	International Division	Geographical areas	Geographical areas
	Other FDI in Latin America	Uruguay	Argentina, Uruguay, Chile, Colombia, Costa Rica	Argentina, Mexico, Venezuela, Dominican R., Chile, Costa Rica, Brazil Peru, Uruguay, Paraguay
	Year of first investment in LA	2004	2000	n.a. (after merger)
Configuration of the Subsidiary in Latin America	Year of creation of the subsidiary	2004	2006	1998
	Ownership	Spanish subsidiary (100%)	n.a.	Spanish subsidiary (after merger by a Spanish and Belgian company)
	Strategic decision making	Dependent on Spain as the ERHQ	Coordination Spain/parent firm	Dependent on Chile as the RHQ
	Operational management	According to Spain's requirements (already standardized by the parent company)	According to parent company requirements	Based on the know-how owned by the parent firm (patents, brands and range of products), with local flexibility
	Degree of Responsiveness	Adoptative (technology and processes, some marketing features)	Adaptative (marketing activities and incremental innovation)	Adaptative (marketing and incremental innovation in product and processes)
	Coordination and control	Spain Reporting in Spanish according to Spanish indicators	Spain and then Sweden Reporting in Spanish according to parent firm indicators	RQ in Chile and then Belgium Reporting in English according to parent firm indicators
	Top Management Team	Spain Subsidiary manager	Iberoamerican and Spanish manager	Chile's RHQ manager
	Relationships and communication with parent company	Through Spain	Generally through Spain as the Iberoamerican region	Through the RHQ and directly with the parent company

Table 2. Representative data obtained in the Latin American Subsidiaries

Statements by Latin American managers	
Decision to invest	<p>“Investment in LA came through the Spanish subsidiary. This was not executed by the parent company, it was the Spanish Subsidiary the one bringing the opportunity to the group, and they accepted” (Alpha)</p> <p>“Our manager is Spanish and he is integrating everything he had received the mandate for, which is development in LA” (Beta)</p> <p>“The success of the Spanish manager in LA is having integrated the Board of Directors. He was the boss in Spain. In 2000 he came designed by the group because of being from Spain, as in the group they thought that he was the one speaking Spanish, but acquisitions were done through the Spanish units” (Beta)</p> <p>“I think the expansion into Latin America was done through the subsidiary in Spain due to cultural aspects, and also managers used the same language. But currently, we work in a totally independent way, indeed I can buy to any unit in the MNC but I pay as any other would do” (Gamma)</p>
Perception easiness of doing business and cultural barriers	<p>“I think it would have been really difficult not to invest through Spain due to the need of adaptation to local customer. Spain can understand this much more easily than France. France is perhaps more rigid on process developments, which are highly standardized. Spain is more flexible, and we need even more flexibility than Spain”(Alpha)</p> <p>“Previous relationships with some customers of the subsidiary in Spain were used by ourselves to do business” (Alpha)</p> <p>“While we are more similar to a Spanish than to a Swedish, we are indeed more similar to an Argentinian, Colombian or Chilean” (Beta)</p> <p>“Spain probably ought to have had an important role in the expansion of the group, as we use the same language, there is a shorter cultural distance, then I guess in that moment, Spain was looking to Latin America and Belgium to the rest of Europe” (Gamma)</p>
Decision making processes	<p>“Product development is mixed with the technical office in Spain, we do not have a technical office but a commercial branch to deal with customer assistance (Alpha)</p> <p>“Any investment proposal is first consulted in Spain” (Alpha)</p> <p>“For strategic decisions, each three months meetings are planned between Spain and the rest of LA, with an increasing number of countries coming. In these meetings, Spain always plays a coordinator role for two main reasons: because they had the know-how and because the manager for Iberoamerica and Spain tends to impose his ideas” (Beta)</p> <p>“In each country we have received certain internal formalization from the group. Some subsidiaries also have allowance for development, that is, changing raw materials, market requirements...This is done with regional support.” (Gamma)</p> <p>“We discuss our business plan with the regional division, but we never take any decision if not in consensus with Belgium” (Gamma)</p>
Evolution patterns	<p>“If our business keeps on growing up, managing it in the distance might become really hard. Then, we will need to create more infrastructure here to improve decision making processes on technical aspects that need to be adapted to this market”(Alpha)</p> <p>“At first procedures came from Spain and Sweden, but as the organization became more complex and the subsidiaries in LA grew, this generated a critical mass among units in LA, for instance, to share experiences with a particular product or process, because our culture is similar” (Beta)</p> <p>“While cultural differences are relevant, I believe this is becoming less important to the extent that communications are developing. Belgium has a different culture, but these differences with Latin America are minimizing...I think these cultural differences are lower than before, perhaps it is easier if a Spanish comes as we can get along better with each other, but I do not perceive that there is a barrier if a Belgian comes today. The world has globalized and these differences are lower” (Gamma)</p>

Figure 1. A dynamic model of evolution of the SBS role

