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The Role of MNE Subsidiaries in the Practice of Global Business Models in Transforming Economies

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Abstract:	<p>This study provides new insights into the role of subsidiary managers in the practice of global business models of multinational enterprises in transforming economies. Drawing on the global business model literature and through semi-structured interviews with a leading Norwegian maritime multinational enterprise in China, we have developed and critically explored a theoretical framework for uncovering how subsidiary managers understand and manage the tensions between the headquarters based in a western country and the subsidiaries based in a transforming economy. More specifically, when implementing the global business model in the transforming economy, subsidiary managers need to undertake effective management of structural, behavioural and cultural tensions along with global integration-local responsiveness dilemma. Subsidiary managers can contribute to solving the structural tensions between the headquarters and subsidiary by undertaking effective market sensing and knowledge transfer activities to integrate the transforming economies into the MNE's global production networks. Meanwhile, they need to make effective relationship management to solve the behavioural and cultural tensions.</p>

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The Role of MNE Subsidiaries in the Practice of Global Business Models in Transforming Economies

Abstract

This study provides new insights into the role of subsidiary managers in the practice of global business models of multinational enterprises in transforming economies. Drawing on the global business model literature and through semi-structured interviews with a leading Norwegian maritime multinational enterprise in China, we have developed and critically explored a theoretical framework for uncovering how subsidiary managers understand and manage the tensions between the headquarters based in a western country and the subsidiaries based in a transforming economy. More specifically, when implementing the global business model in the transforming economy, subsidiary managers need to undertake effective management of structural, behavioural and cultural tensions along with global integration-local responsiveness dilemma. Subsidiary managers can contribute to solving the structural tensions between the headquarters and subsidiary by undertaking effective market sensing and knowledge transfer activities to integrate the transforming economies into the MNE's global production networks. Meanwhile, they need to make effective relationship management to solve the behavioural and cultural tensions.

Key Words: Tensions, multinational enterprises, global business models, global integration-local responsiveness dilemma, transforming economies, subsidiary managers, China

INTRODUCTION

International business scholars have intensified calls to critically examine the business model innovation in transforming economies (Volberda et al., 2017). A global business model is a holistic concept that depicts how firms create and capture value, achieving strategic fit across different types of business units, activities or networks across borders (Aspara et al., 2013; Teece, 2010; Volberda, Van den Bosch & Heij, 2017). MNEs are facing many challenges in innovating and implementing their business models due to the complicated coordinating processes and effective resource deployment in an extended global setting. The implementation of global business model by MNEs is closely related to the management of headquarters-subsidary relationships (HQS) because global business models are established on interconnectivity and synchronization between headquarters and foreign subsidiaries (Tallman, Luo & Buckley, 2018).

The previous research has highlighted the strategic role of the subsidiary (Birkinshaw et al., 2000), the management processes of MNEs (Chini, Ambos & Wehle, 2005) and the level of subsidiary autonomy and knowledge flows (Asakawa, 2001). However, there is still limited understanding about how subsidiary managers manage and overcome the tensions between headquarters and subsidiaries when implementing global business models in transforming economies. Subsidiary managers carry into the MNE's network perceptual and decision-making abilities to construct boundaries between headquarters and customers/partners in the transforming economy (Wei, Samiee & Lee, 2014). They contribute to translating, adapting and acting on the MNE's global business model in contextually appropriate ways as well as enrolling actors in the global business network in ways that shape and make the markets (Lunnan & McGaughey, 2019; Mason and Spring, 2011). Thus, we address a key research question in this

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3 paper: How do subsidiary managers of an MNE manage tensions between headquarters and
4
5 subsidiaries when implementing the global business model in the transforming economy?
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8 By addressing the above research question, this paper makes two important theoretical
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10 contributions to the global business model literature. First, we have developed and critically
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12 explored a theoretical framework for uncovering how MNEs address the tensions that develop
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14 between headquarters and subsidiary managers in implementing global business models in
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16 transforming economies. We have extended the understanding of global business model
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18 implementation in the transforming economy to complement the previous conceptual studies
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20 (Baden-Fuller & Haefliger, 2013; Tallman, Luo & Buckley, 2018) and empirical research that
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22 mainly focus on developed nations (Dunford et al., 2010; Khanagha, Volberda & Oshri, 2014).
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27 Second, we have uncovered how the management of structural, behavioural and cultural
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29 tensions by subsidiary managers enables MNEs to deal with the global integration-local
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31 responsiveness dilemma (Bartlett & Ghoshal, 1998) more effectively when implementing global
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33 business models in the transforming economy. Tallman, Luo & Buckley (2018) suggest that the
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35 global business model thinking poses the question of how a firm operating in different countries
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37 can utilize just one global business model and the implications for integrating global competitive
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39 pressures into global business model thinking. Our findings demonstrate the usefulness of a
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41 global business model as a construct for analysing the practices used by subsidiary managers in
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43 implementing the MNE's global business model in a transforming economy.
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48 Focusing on China as a transforming economy, we have not only extended the global
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50 business model literature by uncovering the tensions arising from the practice of global business
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52 model by subsidiary managers, but also looked into how these tensions can be overcome by
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54 MNEs. Our empirical evidence is based on a qualitative study of the subsidiaries of one leading
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3 Norwegian maritime MNE in China. China is a suitable transforming economy in this study
4 because of the rapid development of maritime industry and growing opportunities for MNEs. Its
5 contrasting institutional profile when compared with western countries (such as Norway)
6 provides a relevant setting for examining challenges faced by MNEs (Couper, 2019). Our
7 findings reveal that the implementation of MNEs' global business model in a transforming
8 economy requires subsidiary managers to un-pack a perceived rationally coherent global
9 business model from the perspective of the headquarters.
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19 The next section reviews the key literature used to analyse how subsidiary managers of
20 MNEs manage the tensions and global integration-local responsiveness dilemma in
21 implementing global business models, followed by the research methods. The empirical results,
22 discussion of the findings and conclusions are then presented.
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30 **LITERATURE REVIEW**

31 **The Global Business Models of MNEs**

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34 This study analyses how subsidiary managers of MNEs in transforming economies manage the
35 tensions when implementing the global business models developed in the MNEs' headquarters.
36 A business model offers "an analytical framework through which managers can seek to make
37 sense of and share understanding between individuals, groups and organisations of what the
38 situation is in order to 'work out' what is to be done" in the market in which they are operating
39 (Mason and Spring, 2011:1038). This sense-making and sharing of understanding during
40 implementation introduces a practice-orientation, in which the creation of a model is a pragmatic
41 activity involving adjustments that are based on the objective(s) to be achieved rather than the
42 literal suitability of such adjustments (Ngoasong, 2010). The practice of a global business model
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3 involves both the headquarters and subsidiary managers undertaking different kinds of corporate
4 versus business unit activities to achieve strategic fit across the MNEs' global activities (Luo &
5 Child, 2015; Aspara et al., 2013). This subjectivity is drawn upon in our analysis to uncover the
6 local responsiveness of MNEs' global business model through examining the practices of
7 subsidiary managers in a transforming economy.
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INSERT TABLE 1 ABOUT HERE

Tensions in Headquarters -Subsidiary Relationships of MNEs

The dynamic change of HQS within MNEs has been attracting substantial research interests among international business scholars, for example as seen in a recent review that identifies subsidiary roles and regional structures as critical to the success of MNEs' international activities (Kostova et al., 2016). As summarised in Table 2, the key literature reveals the structure and strategies, means of coordination and integration as well as the organisation costs through HQS management (e.g. Lunnan et al., 2019). To achieve a balanced relationship, headquarters make decisions on the basis of an understanding of the cultural needs, organizational situations and a shared organizational global vision, core values, and cultural principles by headquarters and subsidiary managers (Rodrigues, 1995). However, there are usually differences in the perceptions by headquarters (HQ) managers of western MNEs and their subsidiaries in a transforming economy, which can lead to poor relationships, conflicts and ineffective relationships (Chan & Holbert, 2001). Toth et al. (2018) discuss structural, emotional and behavioural tensions that arise during the implementation of large projects as causes of conflicts and poor relationships within MNEs.

INSERT TABLE 2 ABOUT HERE

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3 Thus, differences in perceptions and conflicts between HQ and subsidiaries as sources of
4 tensions, are relevant considerations for MNEs' local responsiveness when implementing global
5 business models in host countries (Tallman, Luo & Buckley, 2018). To understand and manage
6 tensions, previous research has focused on subsidiary managers' knowledge mobilizations that
7 initiate lateral and bottom up exchanges from HQ to subsidiaries (Tippmann, Scott &
8 Mangematin, 2014). This notion of knowledge flows is also related to dynamic capabilities
9 perspective on HQS in transforming economies. Fourné, Jansen & Mom (2014) identify three
10 dynamic capabilities including market sensing local opportunities, enacting global
11 complementarities, and appropriating local value, which can help MNEs to manage and operate
12 successfully across emerging and established markets. However, it is important to address the
13 tensions among these capabilities effectively. Managing tensions in a transforming economy also
14 include resolving HQ-subsidary conflicts through increased communication, greater trust in the
15 mutual capabilities and deeper collaboration in confronting common challenges (Tasoluk,
16 Yaprak & Calantone, 2006).

36 **The Role of Subsidiary Manager in the Practice of Global Business Models**

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40 The preceding review suggests that unpacking the role of subsidiary managers in the challenging
41 HQS involve identifying mixed-motive dyad, where interests and perceptions may not be
42 completely aligned (Birkinshaw et al., 2000; Luo, 2003). MNEs encompass both an internal
43 environment and an external environment, which consist of customers, suppliers, competitors
44 and other stakeholders in both domestic and international markets (Andersson, Forsgren &
45 Holm, 2007; Birkinshaw, Hood & Young, 2005). The role of subsidiary managers across the host
46 countries depend on the type of international strategy, the degree of headquarters' control and
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3 subsidiaries' autonomy that vary across the MNEs (Ambos, Andersson & Birkinshaw, 2010).
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5 Depending on their respective positions, subsidiaries usually possess deeper and more fine-
6
7 grained knowledge about the local market in the host countries than headquarters because of
8
9 their closeness to relevant market actors and institutions (Asmussen, Foss & Pedersen, 2013).
10
11 This suggests that a headquarters-subsidiary perception gap may develop over time due to
12
13 differences in the perception of challenges arising from different contexts. Linking this
14
15 discussion about the role of subsidiary managers to the preceding review on the practice of
16
17 global business model reveals two key steps for how global business models of MNEs can be
18
19 appropriately adopted and implemented by subsidiary managers in transforming economies.
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24 First, the role of subsidiaries in the practice of global business models can be uncovered
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26 in the decision-making processes that define HQS and how subsidiary managers clarify and
27
28 adapt the core principles of global business models to achieve local responsiveness (Dunford et
29
30 al., 2010). This is related to the global business model as both a cognitive and a linguistic
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32 schema. A business model can serve as 'cognitive structures that consists of concepts and
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34 relations among them that organize managerial understanding about the design of activities and
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36 exchanges that reflect the critical interdependencies and value creation relations in their firms'
37
38 exchange networks' (Martins, Rindova & Greenbaum, 2015:105). However, over focusing on
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40 business models as schema can lead to inertia, as schemas tend to be self-reinforcing, guiding
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42 managers to ignore relevant discrepant information and data gaps in favour of more familiar or
43
44 readily available information (Massa et al., 2017). This inertia can be addressed by considering
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46 the cognitive dimension (collective and individual) and the linguistic one (communicating within
47
48 the organization), for example, through analysing the communicative interactions between
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50 stakeholders when implementing the global business model (Wallnöfer & Hacklin, 2013).
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3 Second, subsidiary managers need to understand and interpret the component parts of the
4 MNE's global business model and the challenges in transforming economies. The changes
5 undertaken by subsidiary managers to suit a specific host country context and the subjective
6 discretions in which they interpret and make judgements may end up determining the final
7 outcome of implementation processes (Hambrick, 2007). In the context of global business
8 model, the outcome of decision-making processes includes adaptations to existing global
9 business model principles, changes to the approach used to articulate key business model
10 elements to respond to business opportunities and/or deal with challenges in transforming
11 economies. Here the role of subsidiary managers includes sensing and seizing local market
12 opportunities (Fourn é , Jansen & Mom, 2014; Teece, Pisano & Shuen, 1997), creating and
13 managing customer and supplier interactions systematically to improve market offerings, attract
14 new customers and respond to regulatory constraints in transforming economies (Dunford et al.,
15 2010; Miozzo & Yamin, 2012). As higher-level intermediaries, headquarters and subsidiary
16 managers provide coordination across functional and geographical boundaries (Patriotta,
17 Castellano & Wright, 2013), by making knowledge sources available, connecting the parties to
18 the transfer, and generating opportunities for knowledge exchange (Forkmann et al., 2017).
19 However, there is little understanding of how this occurs during the implementation of global
20 business models by MNEs.
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45 The development, innovation and implementation of global business models by MNEs
46 require cross-border coordination and cooperation between headquarters and subsidiaries. It is
47 inevitable that tensions will arise from time to time. However, there has been limited research on
48 how MNEs deal with such tensions in the course of implementing global business models in the
49 transforming economies with special focus on the role of subsidiary managers. The paper
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3 extends global integration-local responsiveness framework (Bartlett & Ghoshal, 1989) by not
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5 only theorising the tensions that MNEs face when implementing global business models in
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7 transforming economies (Fourné et al., 2014; Toth et al., 2018), but also showing how they are
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9 managed by subsidiary managers.
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15 **RESEARCH METHODS**

16 17 18 **Research Setting and Sampling**

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21 With the advent of falling global market share and increased competition from the low-cost
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23 shipbuilding and manufacturing firms in Asia and Latin America in the late 1970s, Norwegian
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25 maritime MNEs have responded by undertaking global business model innovation, switching
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27 from the development of customized vessels in Norway to the manufacturing of more
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29 standardized vessels by cooperating with the external shipyards in transforming economies such
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31 as China (Amdam, Bjarnar&Wang, 2018). China is an appropriate transforming economy for the
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33 study because there are regulatory and cultural challenges for MNEs to do business in the
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35 country, in addition to developing one of the fastest growing maritime industries in the world (Jia,
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37 You & Du, 2012; Kynge et al., 2017). Such a local context can be a trigger for the innovative
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39 practices of global business model by the subsidiaries of MNEs.
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44 We purposively select one leading Norwegian maritime MNE which has high presence in
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46 China for the study due to ease of access (Plakoyiannaki, Wei & Prashantham, 2019). The MNE
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48 entered the Chinese market in 2001 with an initial plan to establish a joint venture with a Chinese
49
50 shipyard to build vessels based on its own designs. In 2005, it had similar observations in
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52 Singapore, Brazil and several European countries. However, the business plan for China was not
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54 put into practice before any substantial investment was made. Afterwards, the headquarters of
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3 MNE in Norway changed its overall international strategy from owning its own shipyards in the
4 transforming economies to cooperating with local strategic partners. Its business activities in
5 China are currently being carried out by its three wholly-owned subsidiaries engaged in
6 marketing and after-sale services, maritime engineering, maritime equipment manufacturing, and
7 shipbuilding with local strategic partners during the time period for our research.
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17 **Data Collection**

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21 The aim of data collection process was to create rich accounts of subsidiary managers'
22 experience and knowledge on the practice of the MNE's global business model in the
23 transforming economy, hence focusing on firm-specific documents and key informant interviews
24 (Eisenhardt & Graebner, 2007). The documents mainly included the annual reports and press
25 releases published on the corporate website as well as the external news articles on the
26 Norwegian maritime MNE's operation in the transforming economies in the trustworthy
27 financial media such as *Financial Times* from 2011-2019.
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37 Evidence arising from an in-depth case study can contribute to theory elaboration
38 (Eisenhardt & Graebner, 2007) and providing new insights into the practices of the MNE's
39 global business model in the transforming economy. We focused on the senior managers at both
40 headquarters and subsidiaries as key decision-makers with persuasive powers in ensuring the
41 international success of MNE's global business model in the transforming economy (Zhang et
42 al., 2009). We conducted thirteen in-depth tape-recorded interviews at the MNE's subsidiary
43 offices in China and headquarters in Norway during 2011-2013, each lasting about one or two
44 hours (Table 3). The sample is such that senior executives ensure that the context of the MNE's
45 global business model at both the headquarters and subsidiaries are incorporated in the analysis
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(Dunford et al. 2010) in a transparent manner (Aguinis & Solarino, 2019).

INSERT TABLE 3 ABOUT HERE

Informed by the themes developed in our literature review, the interview guide had two parts. In the first part, we focused on the strategic objective, structure and operations of the global business model, including identifying the role of the subsidiary. In the second part, we drew on the responses from the first part to ask questions about the tensions and perception gaps between the managers at the headquarters and subsidiaries during the implementation of the global business model. The semi-structured format of the questions gave informants additional freedom to direct the interviews towards the themes that were of specific significance to the tensions in the course of implementing global business model in China through drawing on their experiences. The interviews in China were organized and conducted by the Chinese author and the two Norwegian authors. The two Norwegian authors conducted the interviews in the headquarters of MNE in Norway. The differences in any issues that arose were discussed and resolved among the research team to ensure the reliable and relevant data analysis (Mihalache & Mihalache, 2019).

Data Analysis

Given that this paper aims at theory development rather than theory elaboration, this study adopts the Gioia data analysis technique (Gehman et al., 2018; Gioia, Corley & Hamilton, 2013). This method can be effectively used to analyse small samples because, instead of focusing on comparing a certain number of cases, it centres on eliciting a data structure composed of first-order, second-order, and aggregate dimensions based on theoretical sampling to stimulate theoretical insights (Gioia, Corley & Hamilton, 2013). Then the transcribed data is ordered

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3 according to hierarchical categories representing informant terms, followed by themes, and
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5 subsequently aggregate theoretical dimensions (Aguinis & Solarino, 2019). Figure 1 provides a
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7 summary of our data structure.
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11 INSERT FIGURE 1 ABOUT HERE
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14 The first phase consisted of identifying the first-order categories based on descriptive
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16 labels for the activities that interviewees reported and which we conceptualized during our
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18 analytical procedure as narratives about the global integration-local responsiveness dilemma,
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20 structural, behavioural and cultural tensions in the practice of global business model by the
21
22 subsidiaries of Norwegian maritime MNE in China. Through the documentary analysis and
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24 interview data, we identified the major component parts of global business model of the
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26 Norwegian maritime MNE, from the perspectives of both the HQ and the Subsidiary in a
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28 transforming economy (China).
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32 The second phase consisted of an iterative process to identify the constructs that were
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34 more abstract. Congruent with our literature review, analysis of the first-order categories
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36 revealed the component parts of global business models in the interpretations of interviews,
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38 which triggered the judgement of subsidiary managers when implementing the global business
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40 models in the transforming economy. The third phase consisted of identifying key theoretical
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42 dimensions emerging from the second-order constructs. For this, we undertook the analysis of
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44 the communicative interactions (Wallnöfer & Hacklin, 2013) between the MNE headquarters
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46 and subsidiaries before aggregating to reveal the practices of MNE subsidiaries with respect to
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48 working with and managing the tensions with the headquarters in the process of implementing
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50 the MNE's global business model to ensure local responsiveness in the Chinese market. Finally,
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52 from the data structure (Figure 1), we condensed the relationships between the key concepts into
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3 an emergent theoretical framework (Gioia et al., 2013; Aguinis & Solarino, 2019). Our findings
4 are presented below.
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8 9 10 **FINDINGS**

11 12 **Global Integration-Local Responsiveness Dilemma**

13
14 For the Norwegian maritime MNE we interviewed, unpacking the inter-linked component parts
15 of its global business model and the communicative interactions between the headquarters and
16 subsidiary managers reveals the complexities that come into play during its implementation
17 process (Figure 1). The value propositions emphasise the product-service offerings. A fully
18 integrated global business model enables the MNE to protect its product-service offerings
19 because the configuration ensures that each business partner can contribute to the value creation
20 through its global production networks including shipyards, ship owners.
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31 By expanding into the transforming economies in Europe, Asia and Latin America, the
32 Norwegian maritime MNE is able to build more standardized vessels at a lower cost by using
33 external shipyards than at its home shipbuilding base in Norway, thereby ensuring that the
34 subsidiaries contribute positively to the MNE's value creation (Amdam & Bjarnar, 2015). To
35 establish a local presence while maintaining global integration, the subsidiary implements the
36 MNE's global business model by acting as an agent and knowledge broker to facilitate the value
37 creation, delivery and capture in the transforming economy. This includes negotiating contracts
38 that are signed between the headquarters in Norway and shipyards (value creation),
39 manufacturing and supply of maritime equipment (design and technology), sales of maritime
40 knowhow and solutions (value delivery) and ensuring lower production and operation costs
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3 (value capture) in China. The CEO at the headquarters in Norway captured this vividly as
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5 follows:

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8 *'What we do in China follows our international strategy of using partner yards, and*
9 *we coordinate what we should do in Norway, Brazil, China and other places. We*
10 *have people on-site who control that these things are done'.*
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15 However, when entering the transforming economies in Europe, Asia and Latin America,
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17 the Norwegian maritime MNE faces the global integration and local responsiveness dilemma like
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19 other western MNEs (Bartlett & Ghoshal, 1998). Our data revealed a typical dilemma where the
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21 Norwegian maritime MNE's value creation focuses on high revenue designs and highly-efficient
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23 vessels that can be more expensive when compared with those produced in the transforming
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25 economies. The Director of Engineering in China commented as follows:

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28 *'...Then they don't have the connection to the market. Some of the products in Norway is*
29 *top of the art, state of the art products but it has been engineered or produced by our*
30 *engineer and the engineers like technical features. I feel that the link between the*
31 *developer product and the market has been gone'.*
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38 The above quote reveals that it is important for the headquarters in Norway to consider
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40 some adaptation of state of the art products to meet the local needs of transforming economy
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42 under the global business model due to the contextual factors. Perception gaps can constantly
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44 arise between the headquarters in a western economy and the subsidiaries in a transforming
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46 economy. Therefore, the headquarters needs to keep in close touch and communication with their
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48 subsidiaries in the transforming economy because the subsidiary managers can keep sensing the
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50 local market and contribute to seizing the local business opportunities (Dunford et al., 2010;
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52 Teece, 2010). In addition to dealing with the global integration-local responsiveness dilemma,
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54 our data shows that subsidiary managers should manage structural, behavioural and cultural
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3 tensions between the headquarters and subsidiaries effectively to ensure the successful
4 implementation of MNE's global business model.
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10 **Structural Tensions**

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13 Structural tensions arise from the organization of global business activities and global network
14 governance between the headquarters and subsidiaries of MNEs (Fourne, Jansen & Mom, 2014;
15 Toth et al., 2018). In order to reduce the production costs and improve the integrated product-
16 service offerings to the clients, the Norwegian maritime MNE set up a second subsidiary in
17 Ningbo City, East China in 2007, and appointed a Norwegian subsidiary manager in May 2008.
18 This is related to value creation and the need to sustain value capture over the long term
19 (Tallman, Luo & Buckley, 2018). The subsidiary manager had rich working experiences as a
20 highly skilled engineer in different multinational maritime firms in Norway. There were about 40
21 employees in the subsidiary in 2011, which mainly produced maritime electrical equipment for
22 the headquarters in Norway accounting for about 70% of its total output. Meanwhile, the
23 subsidiary was also responsible for making procurement of maritime components from the local
24 companies in China for the headquarters.
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41 Structural tensions emerged when a subsidiary manager found that it took some time for
42 the headquarters to recognize the identity of his subsidiary within the global production networks
43 of MNE. He even supposed that one of the main reasons why the headquarters had ignored the
44 subsidiary was because the Chinese subsidiary did not have a competitive position within the
45 MNE's global production networks. From an HQ manager's perspective, a competitive position
46 is important for realizing value creation and the setting up of a production unit linked to the
47 MNE's global production networks (Lunnan & McGaughey, 2019) facilitates the value that can
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3 be captured (Mason & Spring, 2011). The subsidiary manager of production unit in Ningbo City,
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5 China made the following comment in the interview:
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8 *'Didn't have the support, it was not planned, it was not..., most people didn't know*
9 *about this factory the first year. How can they use this factory, how can they know*
10 *how to use this factory if they don't know it's here?'*
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15 As the business grew, the subsidiary manager and his colleagues gradually developed their
16
17 knowledge about the local market and established more business relationships with the local
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19 clients in China. This is related to the knowledge search and transfer role of subsidiary managers
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21 (Tippmann, Scott & Mangematin, 2014) in the sense that they initiate additional lateral and
22
23 bottom up exchanges, locally with Chinese partners and internationally with HQ managers. The
24
25 new interactions also facilitate their market sensing role in that continual interactions
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27 increasingly urged them to explore new business opportunities in the transforming economy,
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29 which did not directly align to the global business model of MNE. This resulted in structural
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31 tensions between the subsidiary and the headquarters, as indicated by the subsidiary manager of
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33 production unit in Ningbo City, China:
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38 *'I hope so because then we remove one link and if we cannot sell the design to a*
39 *shipyard or ship owner, maybe they want to buy a Rolls Royce design, or maybe*
40 *other local design on the vessel, then we can supply the power package to them*
41 *directly. Now, we cannot do that. That's decided by the board of this company. This*
42 *is where I'm trying to use my politics now!'*
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48 Regarding the seizing of local business opportunities, the subsidiary manager of sales and
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50 engineering unit in China stated clearly in the interview that he would like to challenge the
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52 global business model that the headquarters was implementing. He showed his intention to target
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54 new ship owners directly:
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3 *'It will on the global but we are also targeting foreign ship owners that build vessels*
4 *here in China because then we can have a different approach, instead of going*
5 *directly to the shipyard, we can persuade the ship owner, we can tell them that 'you*
6 *have to tell the shipyard that you want only this product from (the name of MNE),*
7 *you don't want anything else because of the quality of something.'* Then, they can tell
8 *the shipyard 'we want the product from them'. Then we can deal with the shipyard*
9 *directly.'*

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16 The above quotation is related to perception gaps in the sense that whereas a headquarters
17 perspective might suggest a rational decision-making process for negotiating a contract (Lunnan
18 et al., 2019), the subsidiary manager adopts a pragmatic approach in negotiating a contract based
19 on its perception of what is acceptable within the local business environment. The contradiction
20 between rational and pragmatic decision-making is related to structural tensions, which are
21 organizational in nature (Fourne et al., 2014).

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30 We also find that the subsidiary managers must abide by the local regulations in China,
31 which were sometimes in conflict of implementing the MNE's global business model set by the
32 headquarters. The interview data reveals an additional consideration, namely the time it takes to
33 complete transactions given the institutional complexities in the transforming economy. This is
34 captured in the following quotation by the Norwegian general manager in China:
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41 *'In Norway they can have, they can do a DNV [a classification company] inspection*
42 *on a switchboard after two to three days. You deliver the drawings for approval, the*
43 *DNV and then after two to three days they can be at the factory and delivery*
44 *inspection. Here in China they do the approval in Shanghai. They told us they need*
45 *40 days! We have a disadvantage. For some orders even if we can compete on price,*
46 *it doesn't matter because we cannot deliver on time'.*

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53 The above empirical analysis indicates that subsidiary managers need to deal with
54 structural tensions when implementing global business models in transforming economies.
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3 However, their roles in sensing the local business opportunities contribute to resolving the
4 structural tensions by integrating the subsidiaries' local responsiveness requirements in the
5 transforming economy into the MNE's global production networks, despite they face
6 institutional complexities.
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14 **Behavioural Tensions**

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16 Behavioural tensions occur within the MNEs where decisions are mainly made by the managers
17 at the headquarters. We see this in the implementation of global business model by the MNE in
18 the transforming economy (Figure 1). Though it has a global focus without considering country-
19 specific factors fully in the transforming economy, the framing of the component parts allows the
20 subsidiary managers to be able to interpret and judge what adaptations might be needed in a
21 specific transforming economy. This was typified by the Norwegian maritime MNE in the study,
22 where its subsidiary had not been fully informed of the strategy made at the headquarters about
23 manufacturing maritime equipment in China, as remarked by the subsidiary manager of
24 production unit in China.
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38 *'It was decided on board level of the group but not taken further down in the*
39 *organisation [to the subsidiary]. We had to learn from Danish companies that are*
40 *here in China. They have a much more open strategy. I met [names withheld] and on*
41 *their side, when they presented their organisation and factory in China, it is written*
42 *that within two years all production will take place in China. This was not written*
43 *anywhere in [our company]. [But we said to ourselves] After some time, maybe this*
44 *product will have to be produced in China'.*
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52 The above quotation is related to the knowledge brokerage role in that communicative
53 interactions are made by subsidiary managers to interpret elements of a global business model as
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3 the basis for making judgements about the feasibility of a value proposition and legitimising the
4 actions to take in response (Wallnöfer & Hacklin, 2013). The different working practices
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6 between the headquarters and subsidiaries can also result in behavioural tensions due to the lack
7
8 of trust, as remarked by the subsidiary manager:
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12 *'It's a little bit of that as well but especially the production manager and the*
13 *manager for the operation in the headquarters. They have said one thing and then*
14 *done a totally different thing. This I've seen many times when they've been here. And*
15 *they have been here quite many times, and everything is like sunshine and 'oh yeah,*
16 *here we are going to do some businesses. As soon as they go back to Norway, which*
17 *is changed.'*
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24 The decision-making is usually centralized within the Norwegian MNEs, which is another
25 source of HQS tensions because the subsidiary manager usually hopes to have more autonomy to
26 implement the global business model in the transforming economy. There is a perception gap
27 arising from differences in the behavior of the subsidiary managers vis-à-vis the headquarters
28 managers, which influences decision-making. Here, the relationship management by subsidiary
29 managers becomes crucial, as stated in the below quotation by the Director of Marketing in
30 China in the interview:
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41 *'It is, but of course there is where I should use my politician skills, which I don't*
42 *have! I am a little bit too open, speak a little bit too open and too straight forward*
43 *sometimes. When you come up to the level where I am now you sometimes must be a*
44 *politician to do some lobbying and things like this. I have something to learn here'.*
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48 In addition, the interview data indicates that it usually takes much longer time for the senior
49 managers at the headquarters to initiate change of global business models than the subsidiary
50 managers had expected, which led to the tensions. This was typified in relationship management,
51 evidenced in accounts of how the subsidiary manages relationships with the headquarters to
52 facilitate value delivery and value capture (e.g. Dunford et al., 2010). For example, the Director
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3 of Engineering in the subsidiary of Shanghai City, East China made the following comment:
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5 *'when you settle down, you need to write down what is your product and how to*
6 *build this product, how to produce it, how to maybe improve this product but anyway*
7 *you have to write down everything, get all the heads in Norway, squeeze them, get it*
8 *on the paper and then you can start to produce here because it takes, it will take you*
9 *a very, very long time, I told him, if you are going to do it the Norwegian way. And,*
10 *actually, here in China, the Chinese government they are not so patient so after two*
11 *years you should have positive results'.*
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19 The above analysis indicates that the factors leading to the behavioural tensions of the MNE
20 include the centralisation of decision-making within the headquarters, lack of trust and different
21 working practices between the headquarters and subsidiaries in the transforming economy.
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Subsidiary managers need to make effective relationship management with HQ to solve the behavioural tensions.

Cultural Tensions

The global business model of the Norwegian maritime MNE emphasizes the close involvement in the whole shipbuilding processes in the transforming economies. In the practice, the subsidiary manager acts as an important knowledge broker to ensure the value co-creation with its stakeholders in the transforming economies. To reduce the possibility for perception gaps that can be associated with cultural tension (e.g. Lunnan & McGaughey, 2019), the local teams were set up on-site at the shipyards to ensure efficient project management and communication among the subsidiary, headquarters, shipyards and ship owners. This is related to communicative interactions used by managers to interpret and act on business models (Wallnöfer & Hacklin, 2013). This had to do with the fact that the MNE cooperated with the local shipyards in the

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3 transforming economies. Meanwhile, the MNE's shipyard in Norway also played an important
4 role in contributing to its design success and providing the shipyards and its business partners in
5 the transforming economy the opportunities to visit the shipyard and headquarters in Norway to
6 experience the innovative new-generation of vessels that were being designed and constructed.
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8 The Manager of Sales and Engineering Unit in China made the following comment in the
9 interview:
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17 *'In China we have staff at the shipyards for all vessels under construction, providing*
18 *sourcing support and feedback on construction which we forward to the design team*
19 *in Norway. There is direct communication every single day. So you can see the*
20 *bridge but there is also a filter. A lot of the patent correspondence is handled by us.*
21 *We filter everything and provide a draft of what type of design, equipment or solution*
22 *is needed'.*
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32 The above quotation about daily communication is related to knowledge brokerage role
33 of subsidiary managers, seen as important for facilitating the connecting of formal and informal
34 knowledge search and transfer mechanisms across functional and geographical boundaries of
35 MNEs (Patriotta, Castellano & Wright, 2013). This helps address cultural tensions in the sense
36 that though the MNE operates a centralized global business model, the interview data shows that
37 one of the Chinese subsidiary managers, who had been educated and worked in both China and
38 Norway, plays an important role in orchestrating the local production networks in China and
39 making effective cross-cultural management and communication by distilling the business
40 information from cross-functional teams in China to the headquarters in Norway.
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52 In addition, the *guanxi* network, which requires the informal building of trust to underpin
53 effective business relationships, plays an important part in the marketing, sales and delivery of
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3 maritime product-service offerings in China (Bu and Roy, 2015). For example, the marketing
4 manager of the Norwegian maritime MNE's subsidiary in Shanghai City needs to undertake
5 effective management of local *guanxi* network to transfer the tacit knowledge from the
6 headquarters in Norway to the shipyards in China successfully.
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12 Our analysis also reveals that the value creation approach emphasised by HQ managers
13 illustrates how the MNE 'builds a wide range of highly efficient vessels with lasting
14 competitiveness' and 'to secure long term shareholder return'. However, this comes into conflict
15 with perceptions in China, where products and services are assessed on local price and costs.
16 This is related to customer sensing (Baden-Fuller & Haefliger, 2013) role of the subsidiary
17 managers as useful for managing cultural tensions by reacting to situations in which the customer
18 does not display the expected reaction to the headquarters' framing of products or services. A
19 subsidiary marketing manager made the following remarks in the interview:
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31 *'Our main customers are not Chinese ship owners but build vessels in China. The*
32 *only thing that seems they care about is the price. The cost of this. If you don't have*
33 *a very good cooperation with the shipyard, if you are not friends with them, then you*
34 *can never get a contract here because of the price, because we have a slightly higher*
35 *indirect cost than other Chinese companies'*
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41 We see the above quotation is related to *guanxi* influences as the subsidiary managers rely
42 on informal friendships alongside formal interactions in building long-term relationship both as
43 part of sensing what customers desire but also to market products and services. Through
44 understanding the perception gap in the framing of products and services, the subsidiary is able
45 to manage the cultural tensions and help to address the global integration-local responsiveness
46 dilemma (Bartlett & Ghoshal, 1998) that could have potentially had negative impacts on the
47 MNE's revenue generation potential.
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DISCUSSION

Theoretical Implications

When MNEs implement their global business models in transforming economies, different types of tensions can arise between the headquarters and subsidiaries, which need to be overcome to ensure that their products, services and delivery mechanisms can be adapted to the needs of local conditions. In examining how the subsidiaries of one leading Norwegian maritime MNE practise its global business model in China, we have made the following two important theoretical contributions to the study of global business models of MNEs in transforming economies.

First, we propose a theoretical framework for understanding the practice of MNEs' global business models in transforming economies, focusing on the role of subsidiary managers (Figure 2). The model links the headquarters perspectives of the components of a global business model (left), the tensions between the headquarters in a western MNE context and the subsidiaries in a transforming economy (middle) and the practices of the subsidiary managers in the transforming economy (right). The two-way arrow at the bottom of the Figure 2 is the feedback loop to the headquarters illustrating the global integration-local responsiveness dilemma (Bartlett & Ghoshal, 1998). This dilemma is evidenced in the perception gaps between an MNE's headquarters and subsidiaries. The examples of perception gaps in our data include the use of "politics" or "making friends" as alternatives to rational decision-making by subsidiary managers, the alternative framing of product-service offering to secure buy-in from local partners in the transforming economy. Such examples illustrate how the practices of subsidiary managers (A, B, and C in the Subsidiary Managers box) combine with the headquarters perspective on tensions along with the response to the global integration-local responsiveness

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3 dilemma. Our findings show clearly that subsidiary managers need to un-pack in the
4 transforming economy what might otherwise seem to be a rational coherent global business
5 model from the perspective of the headquarters.
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10 INSERT FIGURE 2 ABOUT HERE
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12 The framework shows that subsidiary managers implement the MNEs' global business
13 model through understanding and managing the tensions between the headquarters based in a
14 western country and the subsidiaries located in a transforming economy. Evidence of
15 understanding and managing tensions has been uncovered through examining the communicative
16 interactions (Wallnöfer & Hacklin, 2013) that the subsidiary managers have with key
17 stakeholders within the MNE's global business networks. For this, the subsidiary managers
18 perform three key functions, namely market sensing, knowledge brokerage (sharing and transfer)
19 and relationship management (see A, B and C in the right column of Figure 2). Our emergent
20 framework complements the existing literature on global business models of MNEs (e.g. Baden-
21 Fuller & Haefliger, 2013; Tallman, Luo & Buckley, 2018) by addressing how MNEs operating
22 in transforming economies can achieve local responsiveness by ensuring that subsidiary
23 managers understand how to manage the tensions associated with the implementation of global
24 business model.
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41 For instance, by assessing that the clients in transforming economies of Asia and Latin
42 America are price-sensitive and do not place quality as their core orientation, this is a challenge
43 for the headquarters and subsidiary managers, who strive for local responsiveness (Wei et al.,
44 2014). To deal with this global integration-local responsiveness dilemma, the subsidiary
45 managers of the MNE were inspired by the adaptation of the ship design to a more 'cost-
46 effective design' of tangible (ship design) and intangible (value for money) components. Thus,
47 the subsidiary manager dealing with global integration and local responsiveness dilemma
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3 (Bartlett & Ghoshal, 1998) by enlisting customers' preferences and securing local buy-in. Chang
4 & Park (2012) explore how Chinese customers have become more demanding with both price
5 and value important consideration in their choices of product and service offerings, a change
6 requiring western MNEs in China to develop strategies that enable them to use market
7 heterogeneity and technological complexity to become competitive. Thus, the practice of global
8 business models goes beyond enabling MNEs to 'select technologies and features to be
9 embedded in the product and/or service' (Teece, 2010:173). The in-depth case study in the paper
10 indicates that the subsidiary managers act as high-level knowledge intermediary (Patriotta,
11 Castellano & Wright, 2013) in the successful implementation of global business models in
12 transforming economies.
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26 Our second main contribution is that we have uncovered how the management of structural,
27 behavioural and cultural tensions by subsidiary managers enables MNEs to deal with the global
28 integration-local responsiveness dilemma more effectively in the transforming economy. These
29 tensions are consistent with those faced by MNEs that try to use globally-oriented and locally-
30 focused capabilities simultaneously. For example, behavioural and cultural tensions mainly arise
31 from mistrust between the headquarters and subsidiary managers. Structural tensions can result
32 from managing multiple organizational sub-systems and the inherent organizational
33 contradictions (Fourné et al., 2014; Toth et al., 2018). With respect to managing the tensions, our
34 findings reveal it is important for subsidiary managers to communicate the value proposition to
35 the local stakeholders effectively while aligning to the MNE's global business model
36 requirements.
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51 According to Baden-Fuller & Haefliger (2013), many MNEs fail commercially in
52 transforming economies because little attention has been given to adapting their global business
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3 models to the transforming economies properly. They need help to remedy market-specific
4 challenges by their subsidiaries. To interpret and coordinate actions within an MNE's global
5 production networks (Lunnan & McGaughey, 2019), subsidiary managers act as knowledge
6 brokers in that they keep sensing the local business environment in transforming economies and
7 contribute to developing the strategic direction and global business model of the MNE. For
8 example, the subsidiary manager is able to try something new or experiment (Dunford et al.,
9 2010) by using alternative interpretations of existing product-service offering to enrol customers
10 and suppliers in the transforming economy into the MNE's international business activities and
11 strategies while keeping close communication with the headquarters.
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24 With respect to knowledge transfer, knowledge sharing and networking relationships (e.g.
25 Asmussen, Foss & Pedersen, 2013), our results reveal how the subsidiary managers act as
26 'bridge' and 'filter' interactions between the headquarters and stakeholders, which helps protect
27 the MNEs' core competencies in transforming economies. As 'filter', the subsidiary interacts
28 with both internal and external stakeholders in the transforming economy and send to the
29 headquarters only information that is consistent with the core principles of the MNE's global
30 business model. This role of the subsidiary ensures that customers and suppliers in transforming
31 economies primarily have contact with the subsidiary, and not with the headquarters, enabling
32 the MNEs to protect their internalization advantages. The only exception to this occurred in
33 situations where on-site subsidiary teams at the shipyards have a mandate to secure direct contact
34 between headquarters and local business partners. This is crucial for protecting competencies
35 when operating in transforming economies such as China, where market heterogeneity and
36 technological complexity requires broadening and deepening the local knowledge and
37 relationships to enhancing competitiveness of MNE (Chang & Park, 2012; Prashantham, Zhou &
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3 Dhanaraj, 2020). While subsidiary roles can be defined by headquarters, our findings are
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5 consistent with the view that certain strategic choices should be available to subsidiaries beyond
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7 those provided by headquarters in transforming economies (Birkinshaw, Hood & Young 2005;
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9 Miozzo & Yamin, 2012). Therefore, we do not suggest that the practices of global business
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11 models by subsidiary managers in transforming economies can be similar with those in
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13 developed economies due to their specific institutional environments.
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19 **Managerial Implications**

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21 The empirical case study has provided practice lessons that can inform the headquarters-
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23 subsidiary interactions and activities for those MNEs that implement global business models in
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25 transforming economies. Subsidiary managers need to constantly undertake market sensing
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27 activities to adapt market offering of MNEs to meet the needs of transforming economy. To
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29 effectively manage the integration of transforming economy into MNEs' global production
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31 networks and the delivery of value co-creation with the local business partners, subsidiary
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33 managers act as knowledge brokers to facilitate the creation and communication of the value
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35 proposition to stakeholders, contributing to the successful implementation of global business
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37 model of MNEs in transforming economies.
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42 The business environment in a transforming economy such as China, is constantly evolving
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44 and has distinctive governance mechanism, which differs from that in the western developed
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46 countries considerably (Lewin, Välikangas & Chen, 2017). To succeed in such business
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48 environment, subsidiary managers of western MNEs in the transforming economy must
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50 understand and work with structural, behavioural, cultural tensions along with global integration-
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52 local responsiveness dilemma effectively. They need to be simultaneously cognizant of and
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3 engage in those practices, which are most fit for the particular type of transforming economy
4 stakeholders. For example, with respect to cultural tensions, the subsidiary managers should
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6 make effective cross-cultural management between HQ and transforming economies,
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8 understanding that cultural practices in a country such as China can often be judged moral
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10 grounds leading to negative influences, which may affect the performance of the subsidiary (Bu
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12 and Roy, 2015). This understanding enables the subsidiary manager to better share and transfer
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14 knowledge, which is useful for facilitating the creation and marketing of comprehensive product-
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16 service offerings from the headquarters to satisfy the local needs.
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24 **Limitations and Future Research Opportunities**

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26 Our study has opened up two possibilities for future research. First, though we uncovered three
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28 tensions and link these to three roles for HQ managers in the implementation of business models,
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30 our data does not sufficiently allow us to assess whether all three roles are equally important for
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32 all tensions or whether some roles are more important in solving some tensions than others.
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34 Future quantitative research utilizing multiple case studies of HQS managers can build and
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36 strengthen our findings in this area. We believe our data does not sufficiently allow us to
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38 determine whether the roles are equally important for all tensions. We have recognised this in the
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40 as a limitation and suggested for future research.
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45 Second, while we adopt the perspective of the MNE in implementing global business
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47 model, the customers' perspective in transforming economies is equally critical and important
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49 (Kristensson et al., 2008). This is relevant because value creation in the practice of global
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51 business model is seen as a mutual co-evolving activity involving an MNE and its business
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53 network partners, such as suppliers, customers and other stakeholders. Our discussion of the
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3 relationships among the headquarters, subsidiary, business partners and clients require further
4 enquiry in relation to the organizational and knowledge management challenges under global
5 network architecture. The existing research on global business models of MNEs suggests that
6 such relationships have implications for industry boundaries and industry evolution (Miozzo &
7 Yamin, 2012; Teece, 2010). Future research in this area can improve our understanding of
8 relationship management in global business models implementation in transforming economies.
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19 **CONCLUSION**

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22 In this paper we have developed an empirically grounded theoretical framework for
23 understanding how subsidiary managers of western MNEs manage the structural, behavioural
24 and cultural tensions between headquarters and subsidiaries along with the global integration-
25 local responsiveness dilemma when implementing global business models in transforming
26 economies. Our findings reveal how the subsidiaries of one leading Norwegian maritime MNE
27 communicated the value of their market offering to convey both tangible and intangible elements
28 and doing so in a way that reflects the strategic objectives of the headquarters and the
29 responsiveness challenges of the host transforming economy.
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41 However, it is not argued in the paper that MNEs in the maritime industry are unique in
42 terms of implementing their global business models. The cases of MNEs such as global retail
43 banks (Dunford et al., 2010) or the recorded music industry (Mason & Spring, 2011) also point
44 to a global business model focus in responding to international competitiveness and local
45 responsiveness. Our focus on the maritime industry complements and extends the existing
46 literature by demonstrating how the practice of global business models by MNEs involves
47 understanding and managing tensions between their headquarters and subsidiaries in
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3 transforming economies with special reference to China. More research using multiple case
4 studies can clarify the conditions under which each of the three subsidiary manager roles
5 contributes to solving each of the three tensions in our proposed framework.
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10 Regarding our theoretical contribution around addressing the tensions between headquarters
11 and subsidiaries of MNEs in the transforming economy, the literature mainly deals with the
12 tensions as problems, or challenges, but what we have shown is that the tensions can also be a
13 source for innovation and change. Subsidiary managers may be innovative because they keep
14 sensing and seizing the local business opportunities while implementing global business models
15 in transforming economies.
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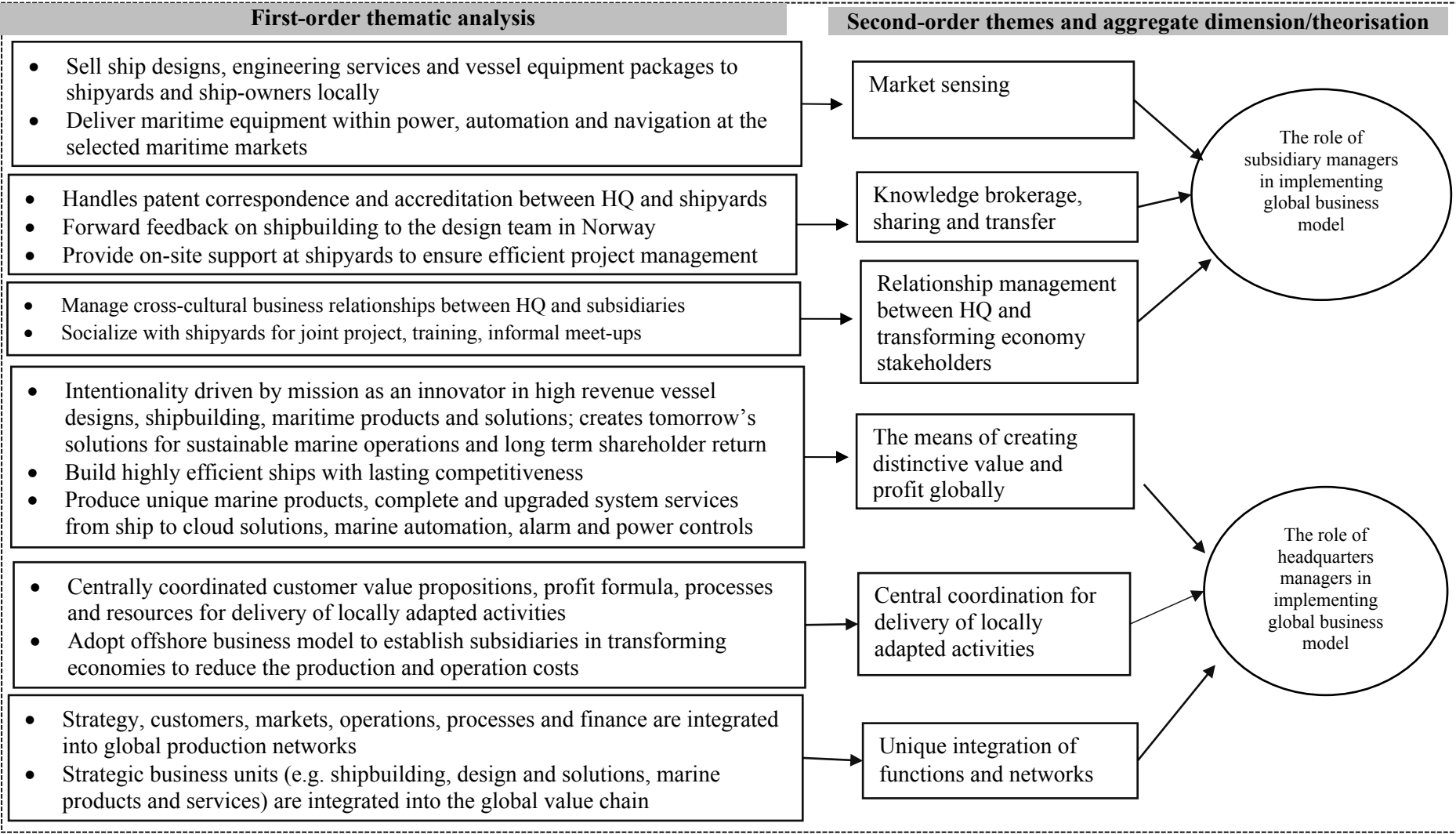
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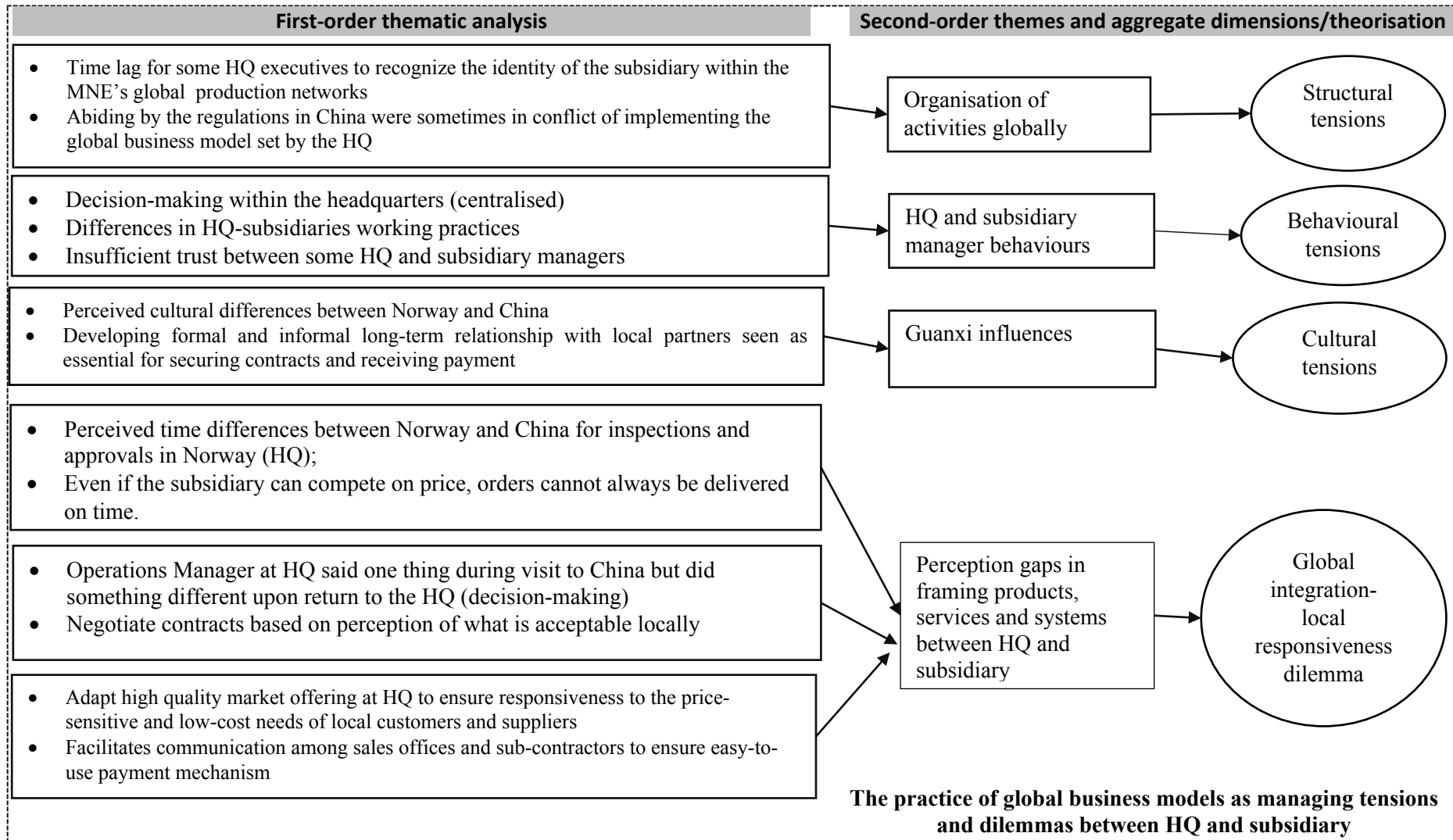


Figure 1. Data structure

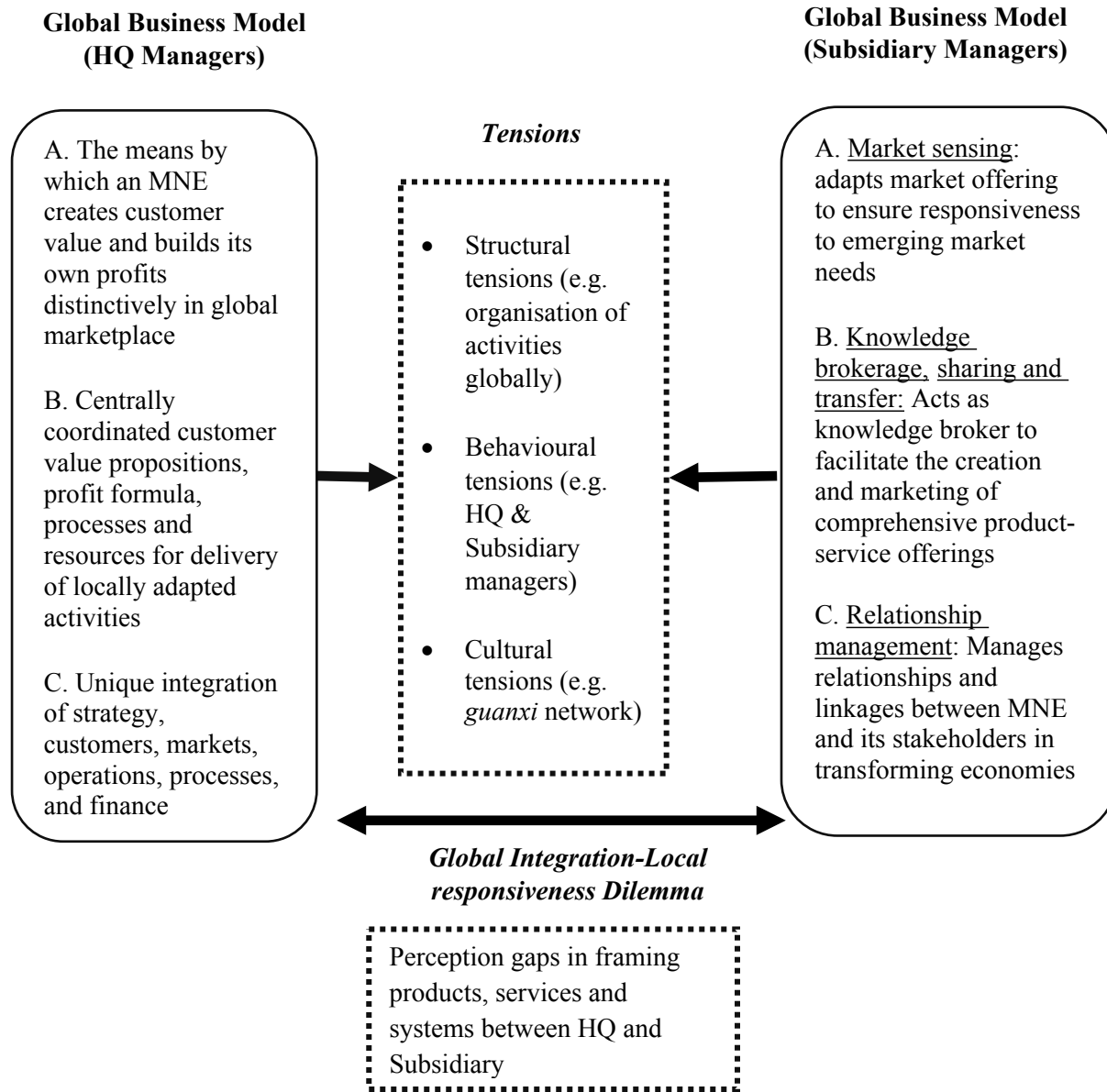


Figure 2. Understanding the practice of MNEs’ global business model by subsidiary managers in transforming economies

Sources: Compiled by the authors.

Table 1 Summary of key global business model literature

<i>Authors (Year)</i>	<i>Study type</i>	<i>Key content</i>	<i>Theoretical findings</i>
Aspara, Lamberg, Laukia, Tikkanen, 2013	Historical / archival study	Identify/discuss the cognitive drivers of existing corporate business model elements that top managers decide to retain and/or renew in complex business settings	Business models as binary choices to be synthesised by corporate and unit-level managers to understand and work with paradoxical tensions. Future research should identify opportunities in the environment, the behaviour of managers, or the initiatives of other stakeholders than top managers (or investors), internal and external to the firm.
Baden-Fuller, & Haefliger, 2013	Conceptual	Business model as a system that solves the problem of identifying the customer(s), engaging with their needs, delivering satisfaction, and monetizing the value.	Business model as a set of cognitive configurations with four-part typology: customer sensing, customer engagement, monetization, and value chain and linkages. Business models contain theory and assumptions about customer behaviour and agency that may not hold in a specific situation (and how this can guide managerial action).
Dunford, Palmer, & Benveniste, 2010	Empirical (Qualitative)	The processes through which business model replication can provide a basis for the early and rapid internationalisation of MNE in foreign markets	Four processes (clarification, localization, experimentation and co-option) determine the business model evolution during an MNE's early and rapid international expansion. Uncovers the processes and nature of inter-subsidiary and head office-subsidiary interaction in the context of early and rapid internationalisation through global business model implementation.
Forkmann, Ramos, Henneberg, & Naudé, 2017	Empirical (Qualitative)	Multi-actor service infusion and diffusion process through reconfiguration of a business model over a period of time	Develops and elaborates a process theory for understanding the business model characteristics and the knowledge conversion mechanisms and the associated capacities involved for each of the phases underlying the reconfiguration of the focal firm's business model.
Mason & Spring, 2011	Historical / archival study	The multiple and changing sites of business models and the various combinations of practices through which this happens.	Develops a framework in which technology, market offering and network architecture are three interlinked components for analysing how managers develop, represent, translate and transform business models within and between organisations, industries and across multiple geographies
Tallman, Luo & Buckley, 2018	Conceptual	How do MNEs relate the choice of business model to their strategic context?	Global business models consist of value proposition, value creation, value delivery, value capture and value allocation activities of MNEs. Future research should apply business model thinking to uncover how MNEs deal with global integration-local responsiveness dilemma.
Teece, 2010	Conceptual	How are business models, business strategy and innovation interlinked?	Business model is a source of competitive advantage where the design or architecture of the value creation, delivery, and capture mechanisms of the firm enables the delivery of customers' needs and be non-imitable.

Table 2. Summary of key literature regarding tensions in headquarters -subsidiary relationships

<i>Authors (Year)</i>	<i>Study type</i>	<i>Relevance</i>	<i>Major findings</i>
Toth, Peters, Pressey, & Johnston, 2018	Empirical (Qualitative)	Analyse tensions arising in complex industrial networks	Identifies structural, emotional and behavioural tensions within industrial networks as triggered by actors and how these can destabilize the network by creating unsustainable communication structures that impact value co-creation.
Fourné, Jansen, & Mom, 2014	Empirical (Qualitative)	Manage tensions to capture opportunities across emerging and established markets	Identifies and illustrates three dynamic capabilities (sensing local opportunities, enacting global complementarities, and appropriating local value) by which MNEs are able to operate successfully across emerging and established markets. Doing so demands embracing the tensions between these capabilities effectively.
Tasoluk, Yaprak & Calantone, 2006	Empirical (Qualitative)	The collaborative intent, trust development, and conflict resolution in a headquarters-subsubsidiary relationship in a new product launch context in an emerging market.	Recommends the mechanisms for resolving conflict through increased communication, greater trust in each other's capabilities, and greater collaboration in meeting common challenges.
Chan & Holbert, 2001	Empirical (Qualitative)	Differences in the perceptions of the marketing process between the headquarters and subsidiaries	Finds that important divergence between home and away in various aspects of the marketing process of MNCs exists, which may lead to poor relationships, dysfunctional conflict, and ineffectiveness.
Rodrigues, 1995	Conceptual	Headquarters-foreign subsidiary control relationships	Suggests that it is important for MNEs to establish a balanced HQS relationship. It can be achieved when managers at the headquarters make decisions on the basis of an understanding of the cultural needs of foreign subsidiary managers, the specific organizational situations and a shared organizational global vision, core values, and cultural principles by all subsidiary managers.
Lunnan, Tomassen, Andersson & Benito, 2019	Empirical (Quantitative)	Interactions between subsidiaries and headquarters in terms of organizing costs	Finds that relationship atmosphere significantly reduces both information and bargaining costs, whereas distance increases bargaining costs. Centralization and formalization reduce information costs, whereas social integration increases bargaining costs.
Patriotta, Castellano & Wright, 2013	Empirical (Qualitative)	Global managers as higher-level intermediaries for knowledge search and knowledge transfer in	Argues that global managers, as higher-level intermediaries, act as 'ambidextrous ties' able to connect formal and informal knowledge search and transfer mechanisms across functional and geographical boundaries of MNCs.

		different contexts	
Tippmann, Scott & Mangematin, 2014	Empirical (Qualitative)	Subsidiary managers' knowledge mobilizations	Subsidiary managers use knowledge mobilization to initiate a complex pattern of subsidiary knowledge inflows, pinpointing the significance of lateral and bottom up exchanges (locally as well as internationally).

Table 3. Information on the interviews conducted

	Interviewee	Date (dd/mm/yyyy)	Venue	Length (hours)
IV1	CEO (Norwegian)	02/09/2013	Headquarters in Norway	2.0
IV2	Chairman of the Board (Norwegian)	02/09/2013	Headquarters in Norway	2.0
IV3	Manager in Design (Norwegian)	17/04/2012	Headquarters in Norway	2.0
IV4	Manager in Human resource management (Norwegian)	07/05/2012	Headquarters in Norway	2.0
IV5	Manager in Marketing (Norwegian)	07/05/2012	Headquarters in Norway	2.0
IV6	Senior Manager in Human resources management (Norwegian)	07/05/2012 14/06/2012	Headquarters in Norway	2.0 1.0
IV7	General Manager in China (Norwegian)	02/09/2013 12/03/2013	Headquarters in Norway Subsidiary in Shanghai City, China	1.0 1.0
IV8	Manager of Production Unit (Norwegian)	06/04/2011	Subsidiary in Ningbo City, China	2.0
IV9	Manager of Sales and Engineering Unit (Chinese)	08/04/2011	Subsidiary in Shanghai City, China	2.0
IV10	Director of Marketing (Chinese)	08/04/2011	Subsidiary in Shanghai City, China	2.0
IV11	Director of Engineering (Chinese)	08/04/2011	Subsidiary in Shanghai City, China	1.0
IV12	Assistant to Director of Marketing (Chinese)	08/04/2011	Subsidiary in Shanghai City, China	1.0
IV13	Assistant to Director of Engineering (Chinese)	08/04/2011	Subsidiary in Shanghai City, China	1.0

Sources: Compiled by the authors.