





ABSTRACT

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The role of personal contacts of foreign subsidiary managers in the coordination of industrial multinationals: the case of Finnish subsidiaries in Portugal.

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Finnish Summary

Diss.

This study attempts to extend current knowledge of inter- and intra-firm relationships in industrial markets. In particular, the study seeks to illuminate the distinction between individual and organizational actors in business-to-business markets as well as the coexistence of formal and informal mechanisms of coordination in multinational corporations. The main questions addressed are: 1) what factors influence the occurrence of personal contacts of foreign subsidiary managers in industrial multinational corporations? and 2) how such personal contacts enable coordination in industrial markets and within multinational corporations?

The theoretical context of the study is based on: 1) the interaction approach to industrial markets, 2) the network approach to industrial markets, and 3) the process approach to multinational management. The unit of analysis is the foreign subsidiary manager as the focal actor of a contact network. A contact network is conceptualised as encompassing "formal" and "informal" contacts within the multinational corporation as well as "private" and "business" contacts in the industrial market. The study is empirically focused on Portuguese sales subsidiaries of Finnish multinational corporations, which are managed by either a parent country national (Finnish), a host country national (Portuguese) or a third country national.

The study suggests eight scenarios of individual dependence and uncertainty, which are determined by individual, organizational, and/or market factors. Such scenarios are, in turn, thought to require personal contacts with specific functions. The study thus suggests eight interpersonal roles of foreign subsidiary managers, by which the functions of their personal contacts enable inter-firm coordination in industrial markets. In addition, the study suggests eight propositions on how the functions of foreign subsidiary managers' personal contacts enable centralization, formalization, socialization and horizontal communication in multinational corporations.

Keywords: coordination, industrial markets, multinational corporations, foreign subsidiary managers, personal contacts, qualitative research

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Vaasa, February 2004

Ricardo Madureira

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ABBREVIATIONS

EIBA	European International Business Academy
FDI	Foreign Direct Investment
FSM	Foreign Subsidiary Manager
HCN	Host Country National
IMP	Industrial Marketing and Purchasing
MNC	Multinational Corporation
MNE	Multinational Enterprise
PCN	Parent Country National
SME	Small and Medium-sized Enterprise
TCN	Third Country National
VCIB	Vaasa Conference in International Business

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ABSTRACT

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1 INTRODUCTION

1.1 Background

It is now more than twenty years since the so-called Industrial Marketing and Purchasing (IMP) group published the results of an empirical study (e.g. Cunningham 1980), which demonstrates the existence of lasting relationships between customers and suppliers in industrial markets (Håkansson 1982). Such buyer-seller relationships were characterized in the so-called interaction model (IMP group 1982) as encompassing not only economic exchanges, but also social aspects. Personal contacts have, ever since, been regarded as a crucial factor in the development of lasting inter-firm relationships in industrial markets (IMP group 1982; Easton 1992; Forsgren et al. 1995; Halinen and Salmi 2001). In particular, they are thought to reduce the perceived distance (Ford 1980) or uncertainty (Forsgren et al. 1995; Ford et al. 1998) between the parties, especially in periods of problematic or temporarily inexistent transactions (IMP group 1982).

In addition to such transactions or *exchange* episodes, business relationships are thought to encompass unilateral or reciprocal *adaptations* by the parties (IMP group 1982). Such relationship-specific investments may concern product specifications, product design, manufacturing processes, planning, delivery procedures, stockholding, administrative procedures or financial procedures (Håkansson 1982). A particular type of adaptation is the allocation of managerial time for inter-firm social exchange (Ford 1980), once that personal contacts often constitute a scarce human resource in industrial markets (Cunningham and Homse 1986). Taken together, *exchange* and *adaptation* episodes (IMP group 1982; Håkansson and Snehota 1995) constitute the two elements of short-term interaction and long-term relationships in industrial markets.

Based on the concept of inter-firm relationship (IMP group 1982; Håkansson and Snehota 1995) the notion of industrial network has been

developed (Hägg and Johanson 1983; Håkansson 1987; Axelsson and Easton 1992). The so-called “market-as-network” approach (Johanson and Mattsson 1987; Easton 1992; Mattsson 1997) suggests that industrial markets can be described as networks of connected business relationships, in which actors, resources, and activities are interdependent (Håkansson and Johanson 1984; Håkansson and Snehota 1995). Such interdependence is justified with the assumption of heterogeneity in industrial markets (Hägg and Johanson 1983; Easton 1992; Forsgren et al. 1995), which leads to a certain division of labour among the firms (Thorelli 1986). The coordination of such a division of labour is, in turn, thought to occur through inter-firm interaction rather than market prices (Johanson and Mattsson 1987; Easton 1992; Håkansson and Johanson 1993). Inter-firm interaction is thus thought to support efficiency as well as the development and control of operations in industrial markets (Håkansson and Johanson 1993).

In recent managerial studies of multinational corporations (MNCs), the concept of network (Araujo and Easton 1996) has equally been adopted in order to capture internal relationships among sister units and the headquarters as well as external relationships to counterparts in the local market (Hedlund 1986; Ghoshal and Bartlett 1990; Forsgren and Johanson 1992). The so-called “network paradigm of the MNC” (Birkinshaw 2000) encompasses numerous accounts, which describe such an organization, among others, as *heterarchy* (Hedlund 1986, 1993; Hedlund and Rolander 1990; Hedlund and Ridderstråle 1998), *multifocal* corporation (Doz 1986; Prahalad and Doz 1987), *transnational* corporation (Bartlett 1986; Bartlett and Ghoshal 1987a, 1987b, 1989, 1995a, 1995b), *multi-centre* firm (Forsgren 1990b; Forsgren et al. 1992), *horizontal* organization (White and Poynter 1990), *metanational* (Doz et al. 1996; Doz et al. 2001), *differentiated network* (Nohria and Ghoshal 1997), and *individualized enterprise* (Ghoshal and Bartlett 1998).

Such models are thought to share a view of the MNC as becoming “less-hierarchical” (Marschan 1996, 1997), once that they challenge traditional views of both hierarchy (e.g. Hedlund 1993) and formal structure (e.g. Bartlett and Ghoshal 1990). In particular, the network paradigm of the MNC attempts to circumvent the inability of studies inspired by the so-called strategy-structure paradigm (Chandler 1962) to generate a structural design, which could simultaneously support strategies for global efficiency, local responsiveness, and worldwide learning (Bartlett and Ghoshal 1989). In other words, it is suggested that a single broad design provides the MNC with more flexibility to cope with environmental and strategic change than tightly specified designs under contingency theory (Egelhoff 1999).

In general, less-hierarchical MNCs are thought to share five basic dimensions (Marschan 1997), which include: a) *delegation* of decision-making authority, b) *delaying* of organization levels, c) *geographical dispersal* of key functions, d) *de-bureaucratization* of formal procedures, and e) *differentiation* of work, responsibility and authority among subsidiaries. Such a differentiation of subsidiaries (Ghoshal and Nohria 1989) in geographically dispersed and

heterogeneous settings (Prahalad and Doz 1987) is thought to constitute a rather complex task for managers at the headquarters (Doz and Prahalad 1991) and in subsidiaries (Gupta et al. 1999). Models of less-hierarchical MNC thus tend to suggest the adoption of informal mechanisms of coordination (Martinez and Jarillo 1989; Harzing 1999) at the level of individuals and groups (Bartlett and Ghoshal 1990; Egelhoff 1999), which are thought to supplement rather than replace formal mechanisms of coordination and control¹ (O'Donnell 2000).

Informal mechanisms of coordination include inter-unit communication (e.g. Edström and Galbraith 1977; Baliga and Jaeger 1984) through personal contacts of individuals in general (Marschan 1996) and of managers in particular (Ghoshal et al. 1994). Such personal contacts are thought to support the efficiency and innovativeness of the MNC by allowing the development of trust and shared values across the organization (Nohria and Ghoshal 1997). In addition, personal contacts are regarded as a crucial mechanism, by which the MNC increases its information-processing capacity (Egelhoff 1991, 1993) to cope with environmental and organizational complexity (Hedlund 1986, 1993; Bartlett and Ghoshal 1989, 1998). In this respect, subsidiary managers may be regarded as *boundary spanning individuals* (Tushman 1977), given their wide range of contacts within and across the subsidiary's boundaries (Nohria and Ghoshal 1997). In other words, they are expected to bridge otherwise disconnected entities within and across the MNC (Granovetter 1973; Burt 1992, 1997).

The point of departure for the present study is, therefore, the assumption that industrial foreign subsidiaries are simultaneously part of a network of units belonging to the MNC and of a network of organizations in the host country (Ghoshal and Bartlett 1990; Forsgren and Johanson 1992; Birkinshaw 2000). In addition, it is assumed that, through personal contacts, foreign subsidiary managers (FSMs) contribute to inter-firm coordination both within the MNC (Martinez and Jarillo 1989; Harzing 1999) and in the local industrial market (Johanson and Mattsson 1987; Easton 1992; Håkansson and Johanson 1993).

1.2 Research Gap

As mentioned in the previous section, studies inspired by the original findings of the IMP group (e.g. Håkansson 1982; Turnbull and Valla 1986) recurrently acknowledge that personal contacts are at the heart of inter-firm interaction in industrial markets (Cunningham and Turnbull 1982; Brennan and Turnbull 1999; Halinen and Salmi 2001). In the one hand, it is claimed that exchange episodes include inter-firm social exchange (IMP group 1982; Easton 1992;

¹ In the present study coordination and control are used interchangeably under the assumption that the former leads to the latter (e.g. Martinez and Jarillo 1989; Marschan 1996; Harzing 1999).

Forsgren et al. 1995), which, in turn, may require personal contacts from general managers (Cunningham and Homse 1986). In the other hand, it is noted that adaptation episodes may include *human adaptations* such as the investment of managerial time in inter-firm personal contacts (Ford 1980; Forsgren et al. 1995).

The definition of *actor* within the “market-as-networks” approach (Johanson and Mattsson 1987; Easton 1992; Mattsson 1997) has remained, however, a rather elusive concept for theoretical and empirical reasons. In the one hand, IMP research tends to define actors as a theoretical construct (Håkansson and Johanson 1993), which may refer to an individual, a department, a business unit, a firm, or even a group of firms (Håkansson and Johanson 1984, 1992). In the other hand, it is acknowledged that, in practice, several individuals may be involved in inter-firm interaction (Ford et al. 1986; Håkansson and Snehota 1995), leading to *multiperson interactions* (Ford et al. 1998). In this respect, it has been suggested the need for further research on the extent to which managers think and behave as “networkers” in domestic (Axelsson 1992) as well as in foreign industrial markets (Axelsson and Agndal 2000).

In models of less-hierarchical MNC, efficiency (e.g. Nohria and Ghoshal 1997) and innovativeness (e.g. Doz et al. 2001) is thought to require the adoption of not only formal, but also informal mechanisms of coordination (Martinez and Jarillo 1989; Harzing 1999; O'Donnell 2000). Personal contacts are thus regarded as a key mechanism for the integration of dispersed, differentiated and interdependent subsidiaries (Ghoshal and Bartlett 1990), but the extent to which they may be oriented in the interests of the MNC as a whole remains open to debate (Marschan et al. 1996; Andersson and Holm 2002). In this respect, it has been suggested the need for further research on interpersonal relationships of individuals (Marschan 1996) and subsidiary managers (Gupta et al. 1999; O'Donnell 2000) both within and across the MNC's boundaries.

A research gap can, therefore, be identified: the need to examine the extent to which FSMs act: a) as *actors* who contribute to inter-firm coordination in industrial markets, and b) as *boundary spanning individuals* who contribute to inter-firm coordination within MNCs.

1.3 Purpose of the Study

The general purpose of the study is to describe and conceptualise the implications of FSMs' personal contacts for inter-firm coordination in industrial markets and within MNCs. The focus on FSMs rather than other individuals or managers is based on two basic assumptions about the nature of managerial work (Mintzberg 1973). The first assumption is that managers may be distinguished from other individuals in terms of legal authority (Astley and Sachdeva 1985), by which they retain a certain degree of control over organizational decision-making (Barnard 1938). This implies that, due to higher

decisional authority than other subsidiary employees, FSMs are expected to be involved in inter-firm exchange (Cunningham and Homse 1986; Forsgren et al. 1995) and adaptation (Ford 1980; Brennan and Turnbull 1999) in industrial markets.

The second assumption is that decision-making requires not only formal authority, but also personal contacts, by which information may be gathered to support such decisions (Mintzberg 1973, 1975, 1990). This implies that, due to a broader range of intra-group contacts than other subsidiary employees (Nohria and Ghoshal 1997) and of local contacts than other managers at the MNC (Bartlett and Ghoshal 1992, 1997), FSMs are expected to be involved in the local implementation of multinational strategies (Gates 1994; Ghoshal and Bartlett 1998).

The purpose of the present study may thus be synthesized in two basic research questions:

- i. *What* factors influence the occurrence of FSMs' personal contacts in industrial MNCs?
- ii. *How* FSMs' personal contacts enable coordination in industrial markets and within MNCs?

The first research question addresses the context of FSMs' personal contacts in terms of individual, organizational, and market factors. The second research question addresses the implications of FSMs' personal contacts for inter-firm coordination. The second research question may also be regarded as two separate questions, which address inter-firm coordination: a) in industrial markets (Johanson and Mattsson 1987; Easton 1992; Håkansson and Johanson 1993), and b) within MNCs (Martinez and Jarillo 1989; Harzing 1999).

1.4 Scope and Limitations

As mentioned in the previous section, the present study examines personal contacts of FSMs only, thus precluding those of other individuals in the local industrial market (e.g. Cunningham and Homse 1986; Hällén 1992) and within the MNC (e.g. Marschan 1996; Bartlett and Ghoshal 1992, 1997). Such delimitation in terms of individuals considered has been traded-off with the scope of personal contacts examined, which includes the subsidiary, other units and headquarters within the MNC as well as any entity in the local industrial market.

At the subsidiary level, the study is focused on wholly owned subsidiaries with a sales function in the local industrial market. In addition, the study is restricted to *local implementer* subsidiaries (Birkinshaw and Morrison 1995) in the sense that they are net receivers of knowledge within the MNC (Gupta and

Govindarajan 1991, 1994) and small and medium-sized enterprises (SMEs) in a non-strategic market (Bartlett and Ghoshal 1986). At the corporate level, the study is focused on Finnish MNCs instead of other European MNCs (e.g. Harzing 1999) or American and Japanese MNCs (e.g. Bartlett and Ghoshal 1989, 1998).

By focusing on industrial markets, the present study is also restricted to subsidiaries and MNCs, which make business with other firms rather than end users. In other words, the study is focused on *business-to-business* markets rather than *business-to-consumer* markets. On the other hand, the study is focused on small and open economies (Kirpalani and Luostarinen 1999) in terms of both the country in which the MNC is based (e.g. Ghauri 1992) and the market in which the subsidiary operates.

Theoretically, the present study may be delimited not only for what it is (see section 2.1), but also for what it is not. In the one hand, the study is not about organizational communication (e.g. Stohl 1995) in the sense that it examines individual rather than collective contact networks and for other purposes than information exchange. In the other hand, it is not a study of social capital (e.g. Baker 1990) in the sense that it examines the occurrence of personal contacts as the result of several individual, organizational and market factors rather than structural properties of social networks (e.g. Adler and Kwon 2002).

1.5 Key Concepts

The multidisciplinary scope of the present study requires a brief introduction to its key concepts. As it can be inferred from the basic research questions (see section 1.3), the key concepts of the study are *personal contacts* and *coordination*. *Personal contact* is here defined as “an instance of meeting or communicating with another person”. *Coordination* is defined as “any means for achieving integration among different entities both within and outside an organization”.

In addition to the key concepts, it is worth introducing related but secondary concepts, which include *contact*, *dependence*, *uncertainty* and *buyer-seller relationship*. In the present study a *contact* is defined as “an individual with whom one takes personal contacts”. *Dependence* is defined as “an individual’s lack of authority to control and be obeyed to” (Astley and Sachdeva 1985; Forsgren 1990a). *Uncertainty* is defined as “an individual’s inability to predict something accurately, including internal and external changes to the organization, their outcomes and possible responses” (Milliken 1987). Finally, a *buyer-seller relationship* is defined as “a chronological sequence of interaction episodes” (Håkansson and Snehota 1995).

In spite of constituting sub-sets of dependence, the concepts of *informational-* and *decisional* dependence also deserve a separate definition, given their relevance for the theoretical contribution of the present study.

Informational dependence is defined as “an individual’s lack of authority to control a process of information exchange, in which (s)he participates”, whereas *decisional dependence* is defined as “an individual’s lack of authority to control a process of decision-making, in which (s)he participates”.

1.6 Structure of the Dissertation

In this first chapter of the dissertation, the phenomenon under study has been introduced in terms of theoretical background, objectives, scope and key concepts. The second chapter reviews in further detail the theoretical context of the study, which is based on three research traditions: the interaction and network approaches to industrial markets as well as the process approach to MNC management. The corollary of such a review of literature is an a priori theoretical framework for analysis, which positions the present study within previous research.

The third chapter of the dissertation positions the study in philosophical and methodological terms, which bridge its theoretical and empirical context. The philosophical stance of the study is discussed in terms of key ontological, epistemological and axiological assumptions. In addition, the adopted research strategy is discussed as an instance of qualitative research and of multiple-case study approach. This is followed by a discussion of the research design in terms of data collection and analysis, which precedes an assessment of the general quality of the study.

The fourth chapter discusses the evidence from the selected cases in terms of context, content and process of FSMs’ personal contacts. The discussion of context includes some considerations on the distinctive features of FSMs’ interpersonal context, which is then illustrated with quotations from interviews. In this chapter, the content and process of FSMs’ personal contacts is equally discussed in the light of extant literature and illustrated with quotations from interviews.

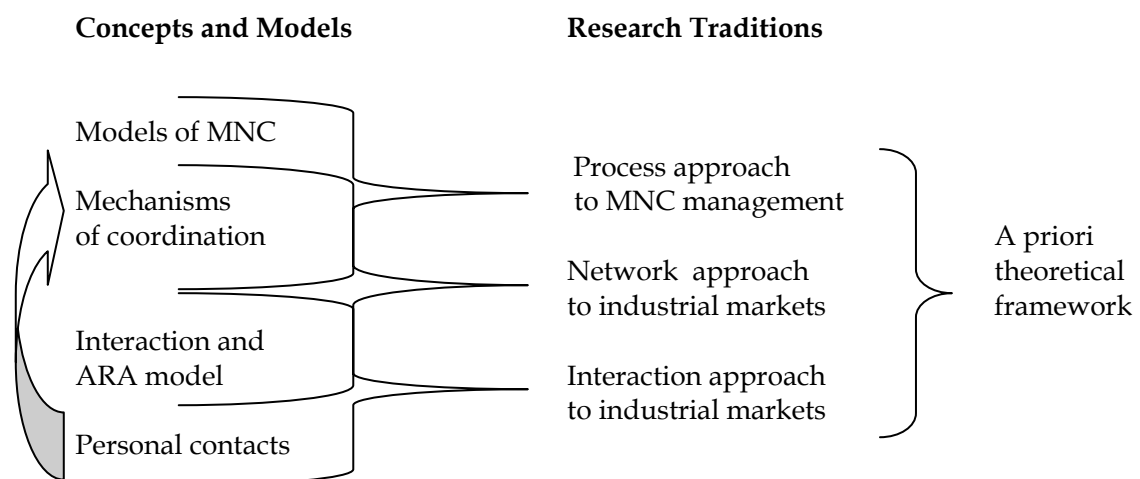
The fifth and final chapter of the dissertation presents the conclusions of the study. Its academic implications are discussed in terms of a refined theoretical framework, interpersonal roles of FSMs, and propositions on MNC coordination and control. Such academic implications are also discussed in terms of the overall theoretical and empirical contribution of the study to the research traditions, which form its theoretical context. The study’s managerial implications are also addressed, namely at the individual-, organizational- and country level. The final section provides some suggestions for further research.

2 LITERATURE REVIEW

2.1 Theoretical Context of the Study

The theoretical context of the present study consists of three research traditions: 1) the interaction approach to industrial markets (e.g. Håkansson 1982); 2) the network approach to industrial markets (e.g. Axelsson and Easton 1992); and 3) the process approach to MNC management (e.g. Doz and Prahalad 1991; Forsgren and Johanson 1992). The relevance of such research traditions for the study is depicted in Figure 1 below.

FIGURE 1 Rationale behind the selection of research traditions



As it can be inferred from Figure 1, the main goal of the present study is to explore and understand the relationship between personal contacts and inter-firm coordination in industrial markets and within MNCs. For that purpose, the study takes the interaction approach to industrial markets as its theoretical

point of departure both in terms of conceptual elaboration and empirical focus. Such a research tradition conceptualises personal contacts in industrial markets as part of inter-firm *social exchange* (Håkansson 1982; Möller and Wilson 1995) itself associated with buyer-seller relationships (Håkansson and Snehota 1995) in the so-called interaction model (IMP group 1982).

Inter-firm relationships are, in turn, the *sine qua non* for a network approach to industrial markets (Easton 1992), which moves beyond the analysis of dyads to sets of connected buyer-seller relationships. Such networks are distinguished from mere social networks (Cook and Emerson 1978) by the importance that activities and resources have for the overall network. Such simultaneous interdependence of actors, resources, and activities (Håkansson and Johanson 1984) is conceptualised in the so-called A-R-A model (Håkansson and Snehota 1995) in terms of *actors bonds*, *resources ties*, and *activities links*. In addition, it is suggested that a network of inter-firm relationships may be regarded as a mechanism of coordination (Easton 1992) or governance structure (Håkansson and Johanson 1993) by which goal-oriented actors coordinate interdependent activities and resources. The network approach conceptualises personal contacts as *social bonds* (Easton 1992) among actors, which may be firms or individuals (Håkansson and Johanson 1984, 1992).

The process approach to MNC management equally adopts the concept of network (Araujo and Easton 1996) as the basis for a single broad design (Egelhoff 1999), which is expected to provide the MNC with sufficient flexibility for simultaneous global efficiency, local responsiveness and worldwide learning (e.g. Bartlett and Ghoshal 1989). Several designs or models of MNC have been suggested, which depict the MNC as a network of inter-firm relationships within and across its legal boundaries (Ghoshal and Bartlett 1990; Birkinshaw 2000). Such models of MNC often suggest the adoption of informal mechanisms of coordination (Martinez and Jarillo 1989; Harzing 1999) in order to facilitate the management of differentiated subsidiaries (Ghoshal and Nohria 1989) in geographically dispersed and heterogeneous settings (Prahalad and Doz 1987). The process approach conceptualises personal contacts as *interpersonal networking* (Nohria and Ghoshal 1997), which is regarded as a key mechanism of coordination in MNCs (e.g. Bartlett and Ghoshal 1990).

The three research traditions may be generally compared in network terms, once that they all assume the existence of inter-firm relationships. Such relationships are regarded as *links* within the network approach and the process approach. In spite of not adopting the concept of network as a tool for theoretical development, the interaction approach takes such links as its unit of analysis (Easton 1992; Ford 1997). A systematic comparison of the three research traditions can thus be provided (see Table 1 below) in terms of: main goals, nature of actors and links analysed, focus in terms of process and/or structure, unit of analysis, research strategy, disciplinary background, and cross references.

TABLE 1 Comparison of the three research traditions

	Interaction Approach to Industrial Markets	Network Approach to Industrial Markets	Process Approach to MNC Management
Exemplary works	Håkansson 1982; Turnbull and Valla 1986	Axelsson and Easton 1992; Håkansson and Snehota 1995; Ford et al. 1998	Hedlund 1986; Bartlett and Ghoshal 1989; Forsgren 1990b; Nohria and Ghoshal 1997; Ghoshal and Bartlett 1998
Research goals	Describe and explain industrial dyadic inter-organizational relationships	Describe and explain industrial / organizational market structures	Explain decentralized, less-hierarchical organizations
Nature of actors	Organizations, individuals	Organizations	Individuals, groups
Nature of links	Resources, information	Resources, information	Communication, power, information, resources
Focus	Process	Structure and process	Structure and process
Unit of analysis	Buyer-seller relationships	Networks of relationships	Individual manager
Methodology	Case studies	Case studies	Case studies
Disciplinary background	Organization theory, Economic theory	Marketing and Purchasing	Organization theory, International business
Cross references	Contract law	Social networks	Social networks

Source: Adapted from Araujo and Easton 1996.

More generally, the three research traditions may be compared in terms of theories of the firm. In the one hand, the assumptions of the interaction and network approaches may be traced back to the theory of the growth of the firm (Penrose 1959), the behavioural theory of the firm (Cyert and March 1963) and the resource-dependence view of the firm (Pfeffer and Salancik 1978). In the other hand, the process approach, in spite of constituting a rather fragmented body of knowledge, equally shares assumptions from the behavioural theory of the firm (Cyert and March 1963) and the resource-dependence view of the firm (Pfeffer and Salancik 1978), which often combines with contingency theory (Lawrence and Lorsch 1967).

The integration of previous findings within the three research traditions thus seems appropriate, requiring, however, a critical evaluation of more specific assumptions such as bounded rationality (Cyert and March 1963) and micro-politics (Pettigrew 1973). The insights of previous studies within the interaction and network approaches to industrial markets as well as the process approach to MNC management are reviewed in the remainder of this chapter.

2.2 The Interaction Approach to Industrial Markets

2.2.1 Introduction

The so-called interaction approach to industrial markets results from research conducted within the IMP group (e.g. Cunningham 1980). Its theoretical context consists of two major theoretical models from outside the marketing literature: Inter-organizational Theory and New Institutional Economic Theory (IMP group 1982). In the one hand, the interaction approach shares the view that organizations are part of a group of interacting entities dependent on their environment (Pfeffer and Salancik 1978), which characterizes some studies within Inter-organizational Theory. In the other hand, the interaction approach shares with “New Institutionalists” (Williamson 1975) in micro-economic theory, some assumptions concerning the functioning of industrial markets. The key assumptions and findings of the interaction approach are discussed in the following sections.

2.2.2 The Interaction Model

The interaction approach has been developed in reaction to traditional marketing literature, which was thought to disregard specific features of industrial markets. In particular, marketing studies tended to: a) analyse marketing and purchasing processes separately, b) concentrate on the purchasing process for a single purchase, and c) assume that buyers were individually insignificant, passive and part of a relatively homogeneous market (Ford 1997). In contrast, the interaction approach suggests that in industrial markets: a) both buyers and sellers are active, and b) they often relate in a long-term basis, c) by which their interdependence is institutionalised, d) even in the absence of continuous purchases (IMP group 1982).

The interaction approach identifies four groups of variables that describe and influence the interaction between buying and selling firms in industrial markets. Such groups of variables are conceptualised as the four basic elements of the so-called interaction model (IMP group 1982):

- The interaction *process*
- The *participants* in the interaction process
- The *environment* within which interaction takes place
- The *atmosphere* affecting and affected by the interaction

Such basic elements are, in turn, subdivided into other elements, reflecting the descriptive nature of the research tradition. The interaction process is subdivided into *episodes* and *relationships*. Episodes involve four types of exchange: *product or service*, *information*, *financial*, and *social* exchange. Such exchange episodes may, in turn, become institutionalised over time, leading to

expectations of further exchanges. In addition to such types of exchange, the parties may make *adaptations* in the elements exchanged or in the process of exchange (IMP group 1982). These may include adaptations of the product specification, product design, manufacturing processes, planning, delivery procedures, stockholding, administrative procedures or financial procedures (Håkansson 1982).

In addition to the elements of the interaction – exchange and adaptation – the process of interaction is thought to depend on the characteristics of the participants. These may be organizations or the individuals who represent them. Organizations are characterized in terms of *technology, size, structure and strategy* as well as *experience* whereas individuals are characterized by their functional area, hierarchical level, personality, experience and motivation. On the other hand, the environment within which the interaction takes place is characterized in terms of *market structure, dynamism, internationalisation, position in the manufacturing channel, and social system*. Finally, the atmosphere affecting and being affected by the interaction is described in terms of *power-dependence relationships, conflict or cooperation, closeness or distance, and mutual expectations*.

The four basic elements of the interaction model are interrelated in the sense that the interaction process, which involves short-term exchange episodes and long-term adaptations, is influenced by the characteristics of the participants and the environment in which it takes place. Over time, the interaction process may institutionalise into a relationship, which is characterized by a certain atmosphere between the parties (IMP group 1982).

The interaction approach is the first research tradition on which the present study is based, given its explicit recognition of individuals as participants in industrial transactions (e.g. Turnbull 1979). In the terminology of contract law, such an approach emphasises *relational exchange* instead of *discrete transactions* (Macneil 1980), once that the latter implies very limited communication and narrow content. Relational exchange presupposes that each transaction is the result of a certain history and/or anticipated future based on implicit and explicit expectations, trust and planning. In Dwyer's et al. (1987:12) words: "dependence is prolonged, performance is less obvious, uncertainty leads to deeper communication, the rudiments of cooperative planning and anticipation of conflict arise, and expectations of trustworthiness may be cued by personal characteristics".

Such a relational exchange view underlines the focus of the interaction model "on a two party relationship" (IMP group 1982:14), which is also reflected in the present study's definition of personal contact (see section 1.5). As mentioned above, the interacting parties include individuals representing buyer and seller organizations under the assumption that "though the transaction cost approach is highly relevant for the study of economic relationships, business relationships also include social aspects" (Hallén et al. 1991:32). Exchange episodes between the parties thus include social exchange, which has been described as "a crucial element in the development of lasting business relationships" (Forsgren et al. 1995:24). In particular, social exchange is

thought to reduce uncertainty, especially in the case of geographical or cultural distance as well as short-term difficulties or lack of transactions. In other words, it is through a long-term social process that organizational trust is built, in addition to successful execution of product/service-, information- and financial types of exchange (IMP group 1982).

In addition to exchange, the interaction approach notes the existence of inter-firm adaptations, which are primarily seen as the result of deliberate decisions. In the original words of the IMP group (1982:18): "although adaptations by either party can occur in an unconscious manner as a relationship develops, it is important to emphasize the conscious strategy which is involved in many of these adaptations". Brennan and Turnbull (1999:481-482) add that: "it is at the individual level that interactions between buyers and suppliers take place, and it is at this level that the well-being of buyer-supplier relationships is affected. However, those individuals responsible for developing and managing buyer-seller relationships need to work within a strategic framework, so that the "right" relationships are developed in the "right" ways". Ford (1980:40) acknowledges such an "allocation of managerial resources" as *human adaptations*, which generate familiarity and trust between the interacting parties.

The original interaction model (IMP group 1982) has inspired subsequent research on its basic elements and respective interrelation. Ford et al. (1986) suggest four aspects, which concern both the *implementation* and the *effects* of interaction. The implementation of interaction implies a certain degree of *particularity* towards individual counterparts as well as of *inconsistency* or *ambiguity* given the coexistence of conflict and cooperation. In particular, the authors refer to *interpersonal inconsistency* once that "companies consist of individuals and subgroups, and it is these who are involved in the company's interactions" (Ford et al. 1986:63). In other words, each individual involved in interaction between firms will have his or her own expectations and degree of commitment to inter-firm interaction. In similar fashion, Thorelli (1986:453) considers that "power, expertise, perceived trustworthiness and social bonds are often person-specific rather than firm-specific".

More recently, Möller and Wilson (1995) reiterate the importance of social exchange, namely as a vehicle for communication and learning of meanings and values. The authors also note that episodes refer to actions of organizations and their representatives thus encompassing personal contacts in such episodes. In similar fashion, Håkansson and Snehota (1995:204) consider that: "as individuals act within relationships between two companies they bring in their limits ("the bounded rationality") but also their capabilities to learn and reflect. They develop bonds to overcome their limits". Such social bonds may thus be conceptualised as either social exchange between the firms or personal contacts between the individuals who represent them. In Easton's words (1992:12) "social relations between firms are the resultant of the relations of the individuals involved".

2.2.3 Personal Contacts in Industrial Markets

As mentioned in the previous section, social exchange between firms in industrial markets takes place through personal contacts, which are also acknowledged in the following quotation (IMP group 1982:17):

The communication or exchange of information in the episodes successfully builds up inter-organizational contact patterns and role relationships. These contact patterns can consist of individuals and groups of people filling different roles, operating in different functional departments and transmitting different messages of a technical, commercial, or reputational nature. These patterns can interlock the two parties to a greater or lesser extent and they are therefore an important variable to consider in analysing buyer-seller relationships.

Cunningham and Turnbull (1982), discuss such inter-organizational contact patterns in terms of their *importance*, relation to other *variables* in the interaction model (see section 2.2.2), *roles*, *intensity* and *style*. The importance of personal contacts results from their ability to reduce buyers' perceived risk, to improve the credibility of the supplier, and to provide market knowledge. The authors also claim that buyers perceive personal contacts with technical and general management personnel as important as with sales representatives.

Cunningham and Turnbull (1982:311) emphasize, however, that: "the intensity of personal contact patterns is not capable of explanation by a single phenomenon or variable". In this respect, the authors suggest that the occurrence of personal contacts in industrial markets reflects the resources allocated by the interacting parties as well as the complexity of the product being purchased. They also claim that factors such as the age of the relationship, the volume of business being transacted, language and cultural barriers as well as industry norms of behaviour equally influence the occurrence of personal contacts. In addition, the authors consider that, at the individual level, the influence and power of the interacting parties will partly depend on their hierarchical level.

The same authors identify several roles, which personal contacts may simultaneously perform within industrial inter-organizational relationships. Such functions of personal contacts include an *information exchange*, *assessment*, *negotiation and adaptation*, *crisis insurance*, *social*, and *ego-enhancement* role (Cunningham and Turnbull 1982). Personal contacts perform an information exchange role when carrying "soft" information, which is particularly useful in promoting mutual trust, respect, and personal friendships. In addition, personal contacts support buyers' assessment of suppliers' competencies based on subjective judgments, which supplement objective facts. The negotiation and adaptation role of personal contacts is more relevant in the case of high value, highly complex products, in which negotiations may involve a wide range of topics and several hierarchical levels over considerable periods of time. In addition, personal contacts may be activated to insure against crisis when existing channels of influence are insufficient to handle a major problem.

The four roles of personal contacts just mentioned – *information exchange, assessment, negotiation and adaptation*, and *crisis insurance* – are task-related in the sense that they serve organizational objectives. Conversely, the two other roles of personal contacts – *social* and *ego-enhancement* – are non-task related in the sense that they primarily serve individual interests. The social role implies that, in addition to their working relationship, some individuals may take personal contacts for private reasons. The ego-enhancement role refers to personal contacts established with senior people of a counterpart organization in order to enhance the individual's status in his or her own organization.

Cunningham and Turnbull (1982) also suggest that the intensity of inter-organizational personal contacts may be assessed in terms of the number and hierarchical level of people involved, the diversity of functional activities encompassed, and the frequency with which such personal contacts take place. In addition, the authors examine the style of personal contacts, namely in terms of *closeness, formality* and *institutionalisation*. In terms of closeness, it is suggested that suppliers' representatives seek closer personal interaction with buyer's personnel than vice-versa. On the other hand, the degree of formality of buyer-seller personal contacts is thought to increase with the involvement of individuals of upper hierarchical levels, although it may be deliberately kept low. Moreover, it is expected that the intensity of inter-firm personal contacts will institutionalise over time.

In a subsequent contribution, Cunningham and Homse (1986) further distinguish inter-organizational personal contacts between those which involve: a) a salesman and a buyer, b) functional staff, c) functional managers, and d) general managers. They recognize the importance of such contacts in reducing perceived distance (Ford 1980) between the interacting parties, particularly in the case of "key accounts with major customers in concentrated and highly competitive international markets" (Cunningham and Homse 1986:272). Equally inspired by the interaction model (see section 2.2.2), the authors suggest factors associated with suppliers' allocation of resources for personal contacts with customers in industrial markets. Such factors include the stage of inter-organizational relationships, market structure, customer importance, product complexity, and supplier strategy.

The same authors specify the purpose of personal contacts into commercial and technical *information exchange, negotiation* and *problem solving*, in addition to technical *training and advice* as well as delivery and technical *progressing* (Cunningham and Homse 1986). Such purposes of personal contacts can be said to resemble the *information exchange, negotiation and adaptation*, as well as *crisis insurance* roles of personal contacts previously identified (Cunningham and Turnbull 1982).

Cunningham and Homse (1986) also reiterate that the intensity of personal contacts may be evaluated in terms of frequency, breadth across different functions, and hierarchical level of the individuals involved. In this respect, they note that a matching hierarchical level in terms of inter-organizational personal contacts often occurs, although suppliers are more likely to commit

their senior management. Finally, they speculatively suggest three types of coordination and control of inter-organizational personal contacts. These include: a) *marketing and purchasing controlled* personal contacts if the latter are channelled through seller's marketing and buyer's purchasing department, b) *marketing and purchasing coordinated* personal contacts if the latter are mediated by such departments, and c) *stratified* personal contacts if the latter are taken directly by the functional staff involved. The stratified type of coordination and control of inter-organizational personal contacts is thought to require one of three conditions: a) good internal communications, b) an explicit strategy for handling the organizational counterpart, and c) a trustable inter-organizational relationship.

Hallén (1992) refers to non-task personal contacts of top executives in industrial markets. The author is focused on *infra-structural relations*, which may emerge either around the firm's business activities or around specific individuals' professional and private activities. Such personal contacts are regarded as important to handle the firm's dependence on business and non-business parties for marketing purposes and/or long-term influence. The author associates several factors with non-task personal contacts, including the individual's career background, deliberate planning and tenure, in addition to "national culture, business habits and traditions" (Hallén 1992:88). Hallén also notes the information exchange role of personal contacts as well as the prestige with which they may be associated. Finally, the author argues that attempting to manage networks of infra-structural contacts may backfire in the sense that "they must not appear opportunistic" (Hallén 1992:91).

Based on insights from the interaction approach, personal contacts in industrial markets have also been investigated in specific geographical contexts such as China (Björkman and Kock 1995) and California (Andersson et al. 1996). Björkman and Kock (1995) associate personal contacts with the cultural context, the age of relationships, individual background, and employee turnover among employers. Andersson et al. (1996) also focus on cultural differences associating personal contacts with language, individual background, and age of relationships. Both studies acknowledge the information exchange role of personal contacts, which Björkman and Kock (1995) specify into information about possible customers and upcoming purchases.

More recently, Axelsson and Agndal (2000) note the importance of individuals' network of contacts as *opportunity networks* in the context of industrial internationalisation. The authors associate personal contacts with individual background and professional experience. Axelsson and Agndal (2000) also emphasize the multidimensional role of personal contacts as the latter provide: solutions to specific problems, access to other networks, and legitimacy. In addition, the authors conceptualise the intensity of personal contacts in terms of *availability* (on-going or dormant) and *reach* (e.g. geographical, industry). Moreover, Axelsson and Agndal (2000) discuss the extent to which managers may either coordinate – through human resource

practices – or control – through systematic charting efforts – individuals' network of contacts.

Halinen and Salmi (2001:7) regard “personal contacts as forces of stability and of change” which they associate with individual background, personality, and employee turnover among employers. In addition to the roles of personal contacts within business relationships in general (Cunningham and Turnbull 1982) the authors suggest roles of personal contacts in the development of such relationships, including negative aspects. In particular, Halinen and Salmi (2001) identify positive and negative dynamic functions of personal contacts, which include: a) *door opener* and *gatekeeper* in relationship initiation, b) *peace maker* and *trouble maker* in relationship crisis, and c) *door closer* and *terminator* in relationship ending. The authors also suggest that the dynamic feature of such roles allows increased managerial control of individuals' network of contacts.

2.2.4 Conclusion

The interaction approach contributes to our understanding of industrial markets with the concept of buyer-seller relationship, which is richly described in a four element analytical framework (IMP group 1982). The concept of relationship remains, however, difficult to define. In this respect, Håkansson and Snehota (1995:25) argue that “interaction between companies in industrial markets can be fruitfully described in terms of relationships essentially for two reasons: one is that actors themselves tend to see their interactions as relationships, another is that the interaction between companies over time creates the type of quasi-organization that can be labelled a relationship”.

As mentioned in section 1.5, a buyer-seller relationship in industrial markets is here defined as “a chronological sequence of interaction episodes”. Such interaction episodes consist of exchange episodes including social exchange (IMP group 1982) and adaptations usually decided by certain individuals (Brennan and Turnbull 1999). It has been recognized, however, that “empirically it is difficult to distinguish between the social, information and business exchanges taking place when actors interact” (Björkman and Kock 1995:521). The present study addresses such a distinction between the individual and the organizational level of analysis in buyer-seller relationships by focusing on personal contacts of general managers (Cunningham and Homse 1986). Such managers – FSMs – are conceptualised as individuals representing upper hierarchical levels of an interacting firm who may participate in social exchange episodes as well as in adaptation-related decision-making processes.

Within the interaction approach, the study of personal contacts in inter-firm interaction has, in some cases, relied on a slightly narrower definition of personal contact than the one adopted in the present study (see section 1.5). Cunningham and Turnbull (1982), for instance, appear to equate personal contacts with face-to-face meetings thus precluding written communication from their definition. This and other idiosyncrasies have, however, been taken

into account in the review of studies within the interaction approach, which provide insights on the importance, context, roles, intensity, and style of personal contacts. Such aspects of personal contacts in industrial markets constitute the first conceptual block of the a priori theoretical framework for analysis (see section 2.5.2).

2.3 The Network Approach to Industrial Markets

2.3.1 Introduction

The interaction approach took the relationship among business organizations as its unit of analysis, in order to study simultaneously the processes of selling and purchasing in industrial markets (IMP group 1982). Such an approach came to realize, however, that understanding an industrial firm requires the examination of not only its relationships, but also of the network they form (Ford 1997). This wider perspective inspired the emergence of the so-called “markets-as-networks” approach, which can be seen as a development of the interaction approach beyond the analysis of dyads to networks (Hägg and Johanson 1983; Håkansson 1987; Axelsson and Easton 1992).

Such a network approach to industrial markets has been systematically compared with the “transaction-cost approach” (Williamson 1975, 1979, 1981) by Johanson and Mattson (1987) as well as with “relationship marketing” (Grönroos 1994; Sheth and Parvatiyar 1995) by Mattsson (1997). The “markets-as-networks” approach has also been briefly compared with the resource dependence view of the firm (Pfeffer and Salancik 1978), social exchange theory (Cook and Emerson 1984), communication and social networks research (Rogers and Kincaid 1981), as well as industrial organization theory (e.g. Porter 1980) by Easton (1992). The key assumptions and findings of the network approach are discussed in the following sections.

2.3.2 The A-R-A Model

Within the “market-as-networks” approach, industrial markets are described as networks of connected relationships between firms, in analogy to social networks, which have been defined as sets of connected exchange relationships between social actors (Cook and Emerson 1978). These two types of networks are primarily distinguished by the importance that activities and resources have for the overall network. In social networks, activities and resources are basically attributes of actors, whereas in industrial networks they may be equally interdependent.

Håkansson and Johanson (1984) suggest a conceptual model of industrial networks, in which the basic classes of variables – actors, activities and resources – are described as interrelated networks. The interrelatedness of the

variables results from their circular definitions. *Actors* are defined as entities (ranging from single individuals to groups of firms) that perform and control *activities* based on access (directly by ownership or indirectly through relationships) to *resources*. Actors develop relationships with other actors through exchange processes (Johanson and Mattsson 1987) and are goal oriented in the sense that they attempt to increase their control over the network (Håkansson and Johanson 1992). Activities consist of the combination, development, exchange, or creation of resources with other resources. They can be grouped into *transformation activities*, which are controlled by an actor, and *transfer activities*, which transfer direct control over a resource from an actor to another. Resources are heterogeneous and can be characterized by the actors controlling them and by their utilisation in activities (Håkansson and Johanson 1992).

Such a view of industrial markets emphasizes the interdependence of actors, activities and resources, as well as a power structure, once that relationships between actors are based on the control of resources. In addition to a structure of power, an industrial network is thought to encompass a knowledge structure, once that the design of activities and the use of resources equally reflect the knowledge and experience of present and earlier actors (Håkansson and Johanson 1992).

More recently, Håkansson and Snehota (1995:26) discuss the *substance* of business relationships in terms of the "existence, type and strength of the activity links, resource ties, and actor bonds". In particular, the authors distinguish between the role of a business relationship for: a) the dyad or conjunction of two actors, b) each of the two actors separately, and c) other relationships and actors. In addition, Håkansson and Snehota (1995:35) contend that: "the interplay of bonds, ties and links is at the origin of change and development in relationships", which reflects conscious and goal-seeking actors, organized patterns of activities as well as constellations of resources. The authors thus conceptualise an industrial network as a structure of dynamic actor bonds, resources ties, and activity links - the so-called A-R-A model - in a context of simultaneous stability and change (Gadde and Mattson 1987).

The structural or stable aspect of industrial networks results from the assumption of firm interdependence. In Easton's (1992:16) words: "interdependence introduces constraints on the actions of individual firms which create structure "in the large"". Such an emphasis on firm interdependence reflects, in turn, the assumption within the "markets-as-networks" approach that industrial markets are essentially heterogeneous in nature (Hägg and Johanson 1983). In particular, such markets are characterized by heterogeneous supply of multidimensional resources as well as by heterogeneous demand for goods and services (Alderson 1965). One such a resource is human capital (Alchian and Demsetz 1972), which combined with specialized equipment (Richardson 1972) and environmental complexity and uncertainty (Williamson 1975, 1979) gives rise to heterogeneous firms and relationships in industrial markets. In addition to human capital, heterogeneity

has been associated with adopted techniques in firms due to different: a) input goods, b) timing of long-term investments, c) and technical installations (Forsgren et al. 1995).

Industrial firms are thus seen as idiosyncratic in terms of their “structure, employee preferences, history, resources, investments, skills, etc” (Easton 1992:17) and involved in relationships, which further promote heterogeneity. In particular, by specializing in certain activities, firms are expected to coordinate complementary activities with other firms (Richardson 1972). Such a coordination of activities is, in turn, likely to require transaction-specific investments (Williamson 1981) such as inter-firm training and learning-by-doing, which lead to further specialisation. In this respect, Forsgren et al. (1995) distinguish between *naturally determined* and *acquired* heterogeneity in industrial markets. Naturally determined heterogeneity includes, among others, physical location, qualities of raw materials, and human nature. Acquired heterogeneity is generated over time and based on naturally determined differences, thus reinforcing the idiosyncratic nature of both firms and their relationships.

2.3.3 Coordination in Industrial Markets

As mentioned in the previous section, heterogeneity in industrial markets implies that activities and resources of actors may be interdependent. In particular, “heterogeneity implies that the company will live in a world characterized by uncertainty” (Forsgren et al. 1995:32) thus possessing a limited overview of the options available in input and sales markets. It follows that, due to such a lack of information, the firm’s efficiency will largely depend on costs associated with transfer activities (Håkansson and Johanson 1992), which Forsgren et al. (1995) refer to as *exchange costs*.

Exchange costs may be current or result from certain investments. One such an investment is the channel by which the firm seeks to obtain information about other firm’s offers, requirements, possibilities and limitations. An information channel represents an investment of not only physical means, but more importantly of “time spent in building up the contact with the opposite party” (Forsgren et al. 1995:33). In other words, it is the information channel that allows the interacting parties to engage in social exchange (IMP group 1982), and to build up trust, which, in turn, renders costly defensive measures unnecessary.

In addition to costs, the firm’s efficiency in industrial markets may be assessed in terms of benefits from transfer activities (Håkansson and Johanson 1992). In this respect, Håkansson and Snehota (1995:39) argue that: “costs and benefits of engaging in a relationship are related to the consequences that a relationship has on the innovativeness, productivity and competence that stem from the impact it has on the activity structure, the set of resources that can be accessed, but also for the perceived goal structure of the actor”. The contribution of relationships to an industrial firm’s efficiency may thus be synthesized as: a) a more effective acquisition of resources and sales of products

through learning by doing, b) a higher degree of control over the environment through mutual relationship-specific investments, and c) a more effective development and application of new knowledge based on buyer-seller cooperation (Forsgren et al. 1995).

At the network level, lasting relationships are thought to form the basis for a certain division of labour among the firms (Thorelli 1986), which requires some sort of coordination (Richardson 1972). In this respect, Easton (1992) distinguishes between three kinds of coordination mechanisms: *the invisible hand*, *the visible hand*, and *network processes*. The invisible hand (Smith 1776) presupposes perfect markets in which the division of labour follows firms' reaction to price formation, whereas the visible hand emphasizes the discretion of firms as self-directing hierarchies (Williamson 1975). Network processes are regarded as "a form of coordination which is neither market nor hierarchy or yet an intermediate form" (Easton 1992:22). In a "markets-as-networks" perspective firms are characterized as relatively independent from market prices and relatively dependent on supplementary activities and heterogeneous resources of other firms. It follows that an alternative form of coordination to the invisible hand and the visible hand is required in industrial markets. Johanson and Mattsson (1987:34-35) formulate such a view as follows:

In industrial systems, firms are engaged in production, distribution, and use of goods and services. We describe such systems as networks of relationships among firms. There is a division of work in a network that means that firms are dependent on each other. Therefore, their activities need to be coordinated. Coordination is not achieved through a central plan or an organizational hierarchy, nor does it take place through the price mechanism, as in the traditional market model. Instead, coordination takes place through interaction among firms in the network, in which price is just one of several influencing conditions.

Håkansson and Johanson (1993:218) discuss the coordinating aspect of industrial networks in terms of specific governance structures, which they define as "organizational forms and processes through which activities are directed in a field". The authors take into account *external forces*, which are subdivided into *specific-* and *general relations* among the actors as well as *internal forces*, which are subdivided into *interests* and *norms* by which the actors are guided (see Figure 2 below). In other words, external forces are relational conditions in which actors perform or direct their activities, whereas internal forces are motives behind the actions of such actors. The combination of such external- and internal forces leads to four governance structures, which are labelled: *network*, *hierarchy*, *market*, and *culture*.

In an industrial *network*, interdependent activities are coordinated through specific relationships among goal-oriented actors (Johanson and Mattsson 1987; Håkansson and Johanson 1992). The relational conditions are thus specific inter-firm relationships rather than general market relations. On the other hand, the motives of the actors are based on individual interests rather than shared norms.

FIGURE 2 Classification of governance structures

External force based on:	Internal force based on:	
	Interests	Norms
Specific relations	Network	Hierarchy
General relations	Market	Culture

Source: Adapted from Håkansson and Johanson 1993.

In a *hierarchy*, activities are also coordinated through specific relationships among actors, but their actions are driven by norms imposed by a central authority (Williamson 1975). A hierarchy thus allows efficient coordination of activity interdependences, but precludes the dynamic confrontation of actors' interests, which is assumed by the network approach to industrial markets.

In a *market*, activities are coordinated through the total interplay of all actors, who pursue their own interests. A market thus implies goal-oriented actors, but, in contrast to the network approach, ignores the potential for efficiency gains through specific rather than general supply/demand relations.

Finally, in a *culture* or profession, activities are coordinated through general rather than specific relations between actors, whose behaviour is determined by shared norms rather than individual interests. A culture or profession thus allow a stable and uniform coordination of actors, but not of specific interdependent activities as assumed by the network approach.

Håkansson and Johanson (1993:45) recognize that such pure types of governance coexist in industrial markets, claiming, however, that an industrial network constitutes the most effective and viable governance structure in the context of "many, changing, strong specific activity interdependencies". Such a context has been characterized in the previous section, as the coexistence of stability and change in industrial markets (Gadde and Mattson 1987), which requires a structure of dynamic actor bonds, resources ties, and activity links (Håkansson and Snehota 1995). Concerning actor bonds, Håkansson and Johanson (1993:38) note that: "actors in a network can be an individual, a department in a company, a business unit in a company, a whole company, or even a group of companies". In spite of such a broad definition, the authors assume that actors in industrial markets share: a) purposeful actions towards general economic gain (Penrose 1959), b) bounded knowledge (Cyert and March 1963), and c) control of certain resources/activities (Richardson 1972). In addition, Håkansson and Johanson (1993:46) note the relevance of individual perceptions in industrial inter-firm coordination as follows:

In the comparison between different governance structures we suggested that structural conditions affect the viability of the governance modes differentially. But, given the way we have characterized industrial networks, structural conditions shall not be viewed as external constraints but as enacted structures, in which the perceptions and experiences of actors are important. Hence, activity

interdependencies are enacted and they are based on cognitive models of the interdependencies. Similarly, the network structure is enacted and the actors base their action on their network perceptions. Thus, the network viability in a certain industrial field is largely dependent on the network perceptions of the actors involved and in their ability to mobilize other actors in realizing network structures rather than on any external structural conditions.

In other words, the emergence of an industrial network as a structure of knowledge and power (Håkansson and Johanson 1992) and, ultimately, as a mechanism of coordination (Easton 1992; Håkansson and Johanson 1993) largely depends on the *network theory* (Johanson and Mattsson 1992) or *strategic framework* (Brennan and Turnbull 1999) of the individuals involved. In this respect, Axelsson (1992:249) suggests that an “appealing task would be to examine empirically the extent to which managers think and behave like “networkers””.

2.3.4 Conclusion

The network approach contributes to our understanding of industrial markets with the assumptions of heterogeneity (e.g. Forsgren et al. 1995) and inter-firm interdependence (e.g. Easton 1992). The notion of interdependence is captured with the concept of industrial network as a set of connected buyer-seller relationships (Cook and Emerson 1978), which encompasses not only actors, but also activities and resources (Håkansson and Johanson 1984). Such a structure is characterized by simultaneous stability and change (Gadde and Mattsson 1987) based on long-lasting actor bonds, resource ties, and activity links (Håkansson and Snehota 1995), which do not preclude the confrontation of actors’ interests.

Interdependence in industrial markets implies a certain division of labour among firms (Thorelli 1986), which requires, in turn, some sort of coordination (Richardson 1972). In this respect, it has been suggested that an industrial network constitutes an alternative governance structure to both markets and hierarchies (Williamson 1975). In particular, it is considered a viable mechanism of coordination in the context of changing and specific activity interdependencies (Håkansson and Johanson 1993) by allowing a stable yet dynamic distribution of power and knowledge among the actors (Håkansson and Johanson 1992). In practice, it is argued that: “coordination takes place through interaction among firms” (Håkansson and Mattsson 1987:35).

In such a context, personal contacts are regarded as social bonds among actors, which may reduce their uncertainty in terms of options available in input and sales markets, and increase their control over the environment through relationship-specific investments (Forsgren et al. 1995). In other words, *social bonds* in the context of a network encompass both *social exchange* (Forsgren et al. 1995) and *human adaptations* (Ford 1980) in the context of inter-firm relationships (see section 2.2.2).

Personal contacts may thus be conceptualised as playing a crucial role in industrial coordination, by enabling actors’ participation in inter-firm knowledge and power structures (Håkansson and Johanson 1992). Because

resource- and activity interdependencies (Håkansson and Snehota 1995) are enacted rather than objectively defined (Håkansson and Johanson 1993), personal contacts are relevant both at the individual- and organizational level. Such aspects of coordination in industrial markets constitute the second conceptual block of the a priori theoretical framework for analysis (see section 2.5.2).

2.4 The Process Approach to Multinational Management

2.4.1 Introduction

In the field of international business, MNCs have been extensively studied both in economic and managerial terms. The first economic studies of the multinational enterprise (MNE) were conducted in the 1950s and 1960s (e.g. Vernon 1966) culminating in a widely accepted “theory of the MNE” in the 1980s (e.g. Dunning 1980). More managerially oriented studies emerged in the 1970s focusing on strategy, structure and administrative processes of MNCs. Such managerial studies of MNCs may, in turn, be subdivided in two streams of research following Whittington’s (1993) distinction between a classical and a processual approach to strategy. The classical approach is associated with profit-oriented rational analysis, whereas the processual approach takes bounded rationality (Cyert and March 1963) and organizational micro-politics (Pettigrew 1973) as the driving forces behind organizational strategic behaviour.

Correspondingly, managerial studies of MNCs may be classified into studies inspired by: a) the so-called strategy-structure paradigm (Chandler 1962) and b) the process perspective of strategy (Bower 1970). The former studies (e.g. Stopford and Wells 1972; Franko 1976; Hulbert and Brandt 1980; Egelhoff 1982, 1988; Daniels et al. 1984) may be labelled the *classical approach to MNC management* by assuming that organizational structure reflects firms’ strategy itself associated with a relatively stable environment (Egelhoff 1999). The latter studies, including the so-called “process school” of the diversified MNC (Doz and Prahalad 1991), may be labelled the *process approach to MNC management* as they assume a constant dilemma between integration and responsiveness needs (Doz and Prahalad 1984), which is to be resolved by confronting managers’ conflicting views (e.g. Prahalad and Doz 1981a, 1981b; Doz 1986).

The process approach to MNC management does not emphasize, therefore, a causal chain between environment, strategy and structure (Chandler 1962). It assumes, instead, that organizational structure may as well determine strategic change (e.g. Hall and Saias 1980) without being necessarily triggered by the environment (Hedlund and Rolander 1990). In recent years, research within the process approach has increasingly attempted to model the

MNC as a network (Hedlund 1986; Ghoshal and Bartlett 1990; Forsgren and Johanson 1992). In this respect, Birkinshaw (2000:108) even refers to a *network theory of the MNC* “in which each unit has both its internal network relationships (to sister units and to HQ) and its external network relationships (to the local marketplace and beyond)”. The author notes, however, that: “in its current form it probably deserves to be called a paradigm or framework rather than a theory” (Birkinshaw 2000:98). The following sections review the key assumptions and findings of the process approach.

2.4.2 Models of Less-Hierarchical MNC

Within the process approach to MNC management, the trade-off between global integration and local responsiveness (Prahalad and Doz 1987) is thought to be permanent, implying a quest for balance between formal structure, communication systems and organizational culture (Bartlett and Ghoshal 1990). Several models of MNC have been proposed, which share elements of formal and/or informal matrix management. Five of such models are briefly described in Table 2 below, including the *heterarchy* (Hedlund 1986, 1993; Hedlund and Rolander 1990; Hedlund and Ridderstråle 1998), the *multifocal* corporation (Doz 1986; Prahalad and Doz 1987), the *transnational* corporation (Bartlett 1986; Bartlett and Ghoshal 1987a, 1987b, 1989, 1995a, 1995b, 1998), the *multi-centre* firm (Forsgren 1990b; Forsgren et al. 1992) and the *horizontal* organization (White and Poynter 1990).

More recently, other models of MNC have been suggested including the *metanational* (Doz et al. 1996; Doz et al. 2001), the *differentiated network* (Nohria and Ghoshal 1997), and the *individualized enterprise* (Ghoshal and Bartlett 1998). Such models can be said to share a view of the MNC as becoming less-hierarchical (Marschan 1996, 1997). The less-hierarchical MNC is expected to operate as a network of highly differentiated (Ghoshal and Nohria 1989) and functionally interdependent subsidiaries (Hedlund 1986), resulting in a complex flow of products, people and information (Bartlett and Ghoshal 1989) beyond the constraints of formal, bureaucratic structures (Bartlett and Ghoshal 1990). In particular, geographically dispersed subsidiaries are granted responsibility and decision-making authority to perform strategically important functions, being coordinated primarily through informal mechanisms such as organizational culture, interlocking board of directors and personal relationships (Hedlund 1986; Hedlund and Rolander 1990; Bartlett and Ghoshal 1990).

TABLE 2 Comparison of five models of MNC

	Heterarchy	Multifocal	Transnational	Multi-centre	Horizontal
Theoretical background	Cybernetics, Organization theory	Political influence, Diversified MNC	Strategy-structure paradigm, Contingency theory	Resource-dependence view	Decision-making processes
Focus	Innovation, change, flexibility	Balancing global/local challenges	Internal differentiation	External and internal networks	Horizontal exchange of information
Organizational structure	Multiple and shifting heterarchies through projects	Between conventional and matrix	Integrated network of HQ and subsidiaries	Multi-centred network of HQ and subsidiaries	Horizontal network of functions
Strategic implications	Matching knowledge, action and people	Balancing global integration, national responsiveness	Aiming global efficiency, local responsiveness, learning transfer	Considering network relationships	Achieving globally and locally based advantages
Driving force	Change in information technology, acquisitions	Industry characteristics	Industry characteristics	Power structures, politics	Competitive advantage
Relationship between units	Inter-dependent, circular, shifting	Inter-dependent	Inter-dependent	Inter-dependent	Inter-dependent, horizontal

Source: Adapted from Marschan 1996.

Marschan (1997) justifies the term “less-hierarchical MNC” with the fact that the process approach to MNC management challenges traditional views of both hierarchy (e.g. Hedlund 1993) and formal structure (e.g. Bartlett and Ghoshal 1990). The author identifies five distinctive dimensions of less-hierarchical MNCs, which include: a) *delegation* of decision-making authority, b) *delaying* of organization levels, c) *geographical dispersal* of key functions, d) *de-bureaucratization* of formal procedures, and e) *differentiation* of work, responsibility and authority among subsidiaries.

In general, such models of MNC attempt to circumvent the inability of studies inspired by the strategy-structure paradigm (Chandler 1962) to generate a structural design, which could simultaneously support strategies for global efficiency, local responsiveness, and worldwide learning (Bartlett and Ghoshal 1989). In other words, the multidimensionality, complexity and heterogeneity of an MNC is thought to require a single broad design (Egelhoff 1999), which takes into account the following aspects of their management (Doz and Prahalad 1991:147):

- *structural undeterminacy* (little usefulness of any stable uni-dimensional structural design or concept)
- *internal differentiation* (recognition in management processes of various countries, products, and functions)
- *integrative optimisation* (recognition of decision-making trade-offs)
- *information intensity* (formal and informal information flows as a source of competitive advantage)
- *latent linkages* (facilitated rather than pre-specified interdependences)
- *networked organization and "fuzzy" boundaries* (recognition of business counterparts and network relationships)
- *learning and continuity* (tension between low cost interaction and innovation and change)

Based on such assumptions, Doz and Prahalad (1991:153) recognize the relevance of both contingency theory (Lawrence and Lorsch 1967) and "research on external power and dependence" (Pfeffer and Salancik 1978) for studies of MNCs. Correspondingly, two perspectives appear to coexist within the process approach, which may be labelled the *design* and the *organic* approach to less-hierarchical MNC management (Andersson and Holm 2002).

The design approach is inspired by contingency theory (Lawrence and Lorsch 1967) and more normative in orientation whereas the organic approach is based on the resource dependence view of the firm (Pfeffer and Salancik 1978) and more descriptive in nature. Most studies of less-hierarchical MNCs (e.g. Prahalad and Doz 1987; Bartlett and Ghoshal 1989, 1998; Nohria and Ghoshal 1997; Ghoshal and Bartlett 1998) appear to subscribe the design approach, by assuming that headquarters control subsidiaries and decide the overall strategy. Other studies (e.g. Forsgren 1990b; Ghoshal and Bartlett 1990) appear to subscribe the organic approach, by assuming that MNC coordination reflects both headquarters' authority (Forsgren 1990a) and subsidiary influence based on the control of critical resources (Larsson 1985).

Given its assumptions, the organic approach has been considered "consistent with empirical findings and theories about the function of business networks, as developed by researchers in Sweden, Great Britain and the USA" (Holm and Pedersen 2000:4). In other words, studies of MNCs within the organic approach may be informed by research within the IMP group (see

sections 2.2 and 2.3) which regards the control of resources as dependent on specific inter-firm relationships (e.g. Cunnigham and Homse 1986; Håkansson 1982; Turnbull and Valla 1986; Håkansson and Snehota 1989, 1995; Ford 1997; Forsgren and Johanson 1992; Forsgren et al. 1995). Such inter-firm relationships have been conceptualised as internal and external networks to the MNC by Ghoshal and Bartlett (1990) requiring, in Melin's (1992:113) words, further research on "the interplay regarding exchange processes and political processes between these two types of networks".

2.4.3 Roles of Foreign Subsidiaries

As mentioned in the previous section, one dimension of less-hierarchical MNCs is differentiation, by which "subsidiary units are granted highly specialised roles in terms of functional and geographical responsibilities" (Marschan 1997:440). Subsidiary roles have been addressed both within the design and the organic approaches to less-hierarchical MNC management. Within the design approach, the headquarters are thought to deliberately differentiate the formal structure as well as formal and informal management processes to match different national contexts (Lawrence and Lorsch 1967). Within the organic approach, such organizational processes are supposedly differentiated based on internal power relationships, which, in turn, are dependent on the control of resources (Pfeffer and Salacik 1978). In similar fashion, Birkinshaw and Morrison (1995) arguably contend that the term "role" suggests an imposed function on the subsidiary, whereas the term "strategy" implies a higher degree of freedom on the part of subsidiary management to decide its own destiny.

Bartlett and Ghoshal (1986:87) appear to subscribe the design approach by stating that: "corporate management can benefit the company by dispersion of responsibilities and differentiating subsidiary's tasks". The authors identify four subsidiary roles based on the strategic importance of the local environment and on the level of local resources and capabilities of the subsidiary. The four roles are labelled: *strategic leader* with substantial resources in a strategic market, *black hole* with few resources in a strategic market, *contributor* with many resources in a non strategic market, and *implementer* with few resources in a non strategic market.

Inspired by the integration-responsiveness framework (Prahalad and Doz 1987), Jarillo and Martinez (1990) also suggest three generic roles for subsidiaries, which are based on the degree of integration and localization of their activities. Such roles include: *receptive subsidiary* performing few highly integrated and little differentiated activities, *active subsidiary* performing many highly integrated and differentiated activities, and *autonomous subsidiary* performing many little integrated and highly differentiated activities. Such roles are also seen as typical subsidiary strategies of global, transnational, and multinational MNCs, respectively (Bartlett 1986).

On the other hand, White and Poynter (1984) suggest five generic strategies of subsidiaries, based on the product-, market-, and value added

scope of their activities. Such strategies include: *miniature replica* with a small-scale replica business of the parent company, *marketing satellite* with final product processing at the subsidiary, *rationalized manufacturer* with worldwide component part or product production, *product specialist* with limited world product line development, production and marketing, and *strategic independent* with autonomy and resources to develop any worldwide lines of business. Roth and Morrison (1992) examine the last strategy in further detail, distinguishing between *integrated* subsidiaries with worldwide responsibility for a narrow set of value added activities, and *global subsidiary mandate* subsidiaries with worldwide responsibility for the complete set of value added activities for a single product or product line.

Gupta and Govindarajan (1991, 1994) focus on inter-subsidiary knowledge flows such as technology and/or skill transfer, in order to distinguish between four generic subsidiary roles. Such roles include: *global innovator* with high outflow and low inflow of knowledge, *integrated player* with high outflow and inflow of knowledge, *implementor* with low outflow and high inflow of knowledge, and *local innovator* with low outflow and inflow of knowledge. The authors appear to subscribe the organic approach with the following statement (Gupta and Govindarajan 1994:455):

In suggesting the presence and criticality of autonomous bottom-up processes within MNCs, this study also reinforces the notion that, if researchers' intent is to understand strategic processes within MNCs, then focusing only on corporate "induced" (i.e. centrally managed) processes would run the risk of overlooking important and directly relevant phenomenon.

Birkinshaw and Morrison (1995) synthesize previous studies of subsidiary roles into a three-fold typology (see Table 3 below), which includes: *local implementer* with limited geographic and value added scope, *specialized contributor* with extended geographic scope but narrow value added scope, and *world mandate* with worldwide or regional responsibility for a product line or entire business.

More recently, Taggart (1997a) suggests four subsidiary roles based on decision-making autonomy and procedural justice (Kim and Mauborgne 1991, 1993). Such roles include: *collaborator subsidiary* with high procedural justice and low autonomy, *vassal subsidiary* with low procedural justice and autonomy, *militant subsidiary* with low procedural justice and high autonomy, and *partner subsidiary* with high procedural justice and autonomy. The author generally associates militant and collaborator subsidiary roles with Birkinshaw and Morrison's (1995) *local implementer* and *specialized contributor* roles, respectively.

TABLE 3 Typologies of subsidiary roles

Authors	Local Implementer	Specialized Contributor	World Mandate
White and Poynter 1984	Miniature Replica	Rationalized, Manufacturer, Product Specialist	Global Mandate
D'Cruz 1986	Branch Plant	Globally Rationalized	World Product Mandate
Bartlett and Ghoshal 1986	Implementer	Contributor	Strategic Leader
Jarillo and Martinez 1990	Autonomous	Receptive	Active
Gupta and Govindarajan 1991	Local Innovator, Implementor	Global Innovator	Integrated Player
Roth and Morrison 1992		Integrated	Global Subsidiary Mandate

Source: Adapted from Birkinshaw and Morrison 1995.

The same author (Taggart 1997b) supplements Jarillo and Martinez's (1990) taxonomy of subsidiary roles with a low integration/low responsiveness role, which he labels *quiescent subsidiary* i.e. performing little integrated and differentiated activities. Such a role is seen as the typical subsidiary strategy of international MNCs (Bartlett and Ghoshal 1989) and equivalent to Bartlett and Ghoshal's (1986) *black hole*, which is excluded from Birkinshaw and Morrison's (1995) typology. The author also renames Jarillo and Martinez's (1990) *active subsidiary* into *constrained independent subsidiary*, which he considers "much less bound to the parent's network" (Taggart 1997b:310). Taggart (1997b:301) appears to subscribe the organic approach by stating that: "there seems no *prima facie* reason why an MNC subsidiary should not adopt a low integration-low responsiveness strategy, either pro-actively or due to negligence on the part of the parent corporation".

Finally, Andersson and Forsgren (2000) focus on inter-subsidiary product flows in terms of purchases and sales, in order to distinguish between four generic subsidiary roles. Such roles include: *external subsidiary* with low inflow and outflow of products, *backward vertical subsidiary* with high inflow and low outflow of products, *forward vertical subsidiary* with low inflow and high outflow of products, and *mutually integrated subsidiary* with high inflow and outflow of products. Such subsidiary roles may be interpreted as equivalent to *quiescent*, *local implementer*, *specialized contributor*, and *world mandate* roles, respectively (Birkinshaw and Morrison 1995; Taggart 1997b). Moreover, the authors appear to subscribe the organic approach by stating that: "literature to a large extent ignores that an MNC, as other firms, are organic entities rather than instruments. The headquarters intentions to orchestrate an integration within the MNC are always in conflict with every sub-units history, interest and business context" (Andersson and Forsgren 2000:162). In this respect, it is also

worth noting the similarity between the latter part of such a statement and Easton's (1992:17) characterisation of firm heterogeneity in industrial markets (see section 2.3.2).

2.4.4 MNC Coordination and Control

As mentioned in section 2.4.2, less-hierarchical MNCs are characterized not only by *differentiation* of subsidiaries, but also by *delaying* of organization levels, *geographical dispersal* of key functions, *delegation* of decision-making authority, and *de-bureaucratisation* of formal procedures (Marschan 1997). It follows that, similarly to subsidiary roles, the MNC's "internal coordination mechanisms might be differentiated to match the variety of subunit contexts" (Ghoshal and Bartlett 1990:620).

Martinez and Jarillo (1989) identify eight coordination mechanisms, which may be adopted in MNCs, subdividing them into: a) *structural and formal mechanisms*, and b) *other mechanisms, more informal and subtle* (Barnard 1938). The former sub-set of coordination mechanisms includes: formal structure of organizational units, hierarchical locus of decisional authority, formalization and standardization, planning, and output and behaviour control. The latter sub-set of coordination mechanisms includes: cross-departmental relations, informal communication, and socialization. Hennart (1993) refers to a ninth mechanism of coordination – *price control* – which the author conceptualises as a form of output control, by which individuals in an MNC are informed, motivated and rewarded.

The mechanisms of coordination suggested by alternative models of MNC are briefly reviewed in the following paragraphs. In addition, the mechanisms of coordination, which are suggested by the five models of MNC described in Table 2 (see section 2.4.2), are depicted in Table 4 below.

TABLE 4 Mechanisms of coordination in five models of MNC

	Heterarchy	Multifocal	Transnational	Multi-centre	Horizontal
Mechanisms of coordination	Shared culture, continuous information flow	Sub-processes of change, management tools	Structural configurations, administrative processes, management mentalities	Power structure, politics	Lateral decision-making, shared premises

The authors of the model of MNC as a *heterarchy* suggest that coordination is achieved through a continuous flow of information across the MNC in a flexible and integrated manner, in addition to normative mechanisms such as shared culture and ethics (Hedlund 1986; Hedlund and Rolander 1990; Hedlund and Ridderstråle 1998). The authors of the model of MNC as a *multifocal* corporation recommend instead a matrix of sub-processes of change and a collection of management tools. The sub-processes of change involve three dimensions:

cognitive perspective, strategic priorities, and power allocation, whereas the management tools are of three kinds: data management tools, managers' management tools and conflict resolution tools (Doz and Prahalad 1981, 1984, 1987; Prahalad and Doz 1981a, 1981b, 1987).

In particular, Prahalad and Doz (1981a, 1981b) suggest that in MNCs the need to balance national and global priorities flexibly from decision to decision requires the management of several orientations, which are expected to differ among individual managers. The authors identify a *cognitive orientation* i.e. the perception of the relevant environment; a *strategic orientation* i.e. the competitive posture and methods adopted; and a *power orientation* i.e. the locus of power to commit resources. MNCs' top managers can then use a variety of management mechanisms in order to influence and control these three orientations as well as a fourth, the *administrative orientation* i.e. the orientation of supporting systems. Management mechanisms include: *data management mechanisms* that generate and regulate the flow of information; *manager management mechanisms*, which determine the assignments, compensation, development, evaluation and socialization of managers; and *conflict resolution mechanisms* such as task forces, planning committees, integrators and coordinating groups (Prahalad and Doz 1981a, 1981b).

The authors of the model of MNC as a *transnational* corporation distinguish between different structural configurations, administrative processes and management mentalities in order to simultaneously achieve global efficiency, local responsiveness, and worldwide learning (Bartlett and Ghoshal 1989, 1998). In particular, they suggest that coordination through centralization, formalization and socialization, correspond to the most common processes of Japanese, American and European MNCs, respectively.

Centralization allows rapid decision-making and minimizes headquarters-subsidiary arm wrestling, but can become expensive not only in terms of travel costs, but also for the strain it puts on managers at the centre. Formalization is largely based on formal systems, policies, and standards, thus decreasing the power of both headquarters and subsidiaries and increasing decision-making efficiency due to routines. Formalization implies, however, high fixed costs of establishment and may induce lack of flexibility toward complex or changing tasks. Socialization is based on careful recruitment, development and acculturation of key decision-makers, therefore overcoming both headquarters' overload and formalization's inflexibility. The major disadvantage of socialization is the cost of intensive indoctrination and training, in addition to the eventual ambiguity, slowness and complexity of decision-making and management processes.

The authors of the model of MNC as a *multi-centre* firm emphasize the subsidiary's point of view in its relationship with headquarters, namely in terms of strategic influence and control (Forsgren 1990b; Forsgren et al. 1992). They are thus focused on power structures and politics as a means of coordination from a resource-dependence perspective. The authors of the model of MNC as a *horizontal* organization refer, instead, to lateral decision-

making processes in a context of functional networking, which requires shared values as the basis for consensus among managers (White and Poynter 1990).

More recently, the authors of the model of MNC as a *differentiated network* (Nohria and Ghoshal 1997) suggest conditions of “fit” between the structure of each headquarters-subsidary relation and the subsidiary context. They believe that such a contingency framework may enhance performance both at the subsidiary (Ghoshal and Nohria 1989) and at the MNC level (Nohria and Ghoshal 1994). The structure of the headquarters-subsidary relation is differentiated in terms of a combination of centralization, formalization, and normative integration, whereas the subsidiary context is differentiated in terms of local resource levels and environmental complexity (Ghoshal and Nohria 1989; Nohria and Ghoshal 1997). In particular, the authors suggest four specific structures of a headquarters-subsidary relation (see Figure 3 below), which supposedly “fit” four different subsidiary contexts.

FIGURE 3 Fit structures of a headquarters-subsidary relation

		Local Resources	
		Low	High
Environmental Complexity	High	Centralization: Moderate Formalization: Low Socialization: High	Centralization: Low Formalization: Moderate Socialization: High
	Low	Centralization: High Formalization: Low Socialization: Low	Centralization: Low Formalization: High Socialization: Low

Source: Adapted from Nohria and Ghoshal 1997.

Such a contingency framework at the subsidiary level is based on particular assumptions concerning: a) the degree of headquarters-subsidary interdependence and b) the cost efficiency of centralization, formalization, and normative integration in each context. In particular, interdependent headquarters-subsidary interests are seen as positively associated with environmental complexity. In addition, both environmental complexity and local resource levels are seen as positively associated with formalization and normative integration, and negatively associated with centralization (Ghoshal and Nohria 1989; Nohria and Ghoshal 1997).

At the MNC level, the authors suggest that it is more difficult to differentiate the degree of normative integration among various subsidiaries than it is to differentiate centralization and formalization (Nohria and Ghoshal 1994, 1997). The authors thus distinguish between *differentiated fit* consisting of centralization and formalization, and *shared values* through normative integration, which are akin to Baliga and Jaeger’s (1984) *administrative control*

and *normative-cultural control*, respectively. Nohria and Ghoshal (1997:115) contend, however, that: “differentiated fit and shared values are equally effective alternatives for managing headquarters-subsidary relations”. In addition, the authors claim that: “firms that can simultaneously create both a strong set of shared values and differentiated fit will outperform those that rely on one or the other of these administrative approaches” (Nohria and Ghoshal 1997:126). They justify such a prescriptive tone with the adoption of contingency theory (e.g. Donaldson 1995) as their theoretical perspective, which, in turn, may be associated with the design approach to less-hierarchical MNC management (see section 2.4.2).

In their model of MNC as a *differentiated network*, Nohria and Ghoshal (1997) also emphasize the importance of inter-unit communication for effective MNC management (Edström and Galbraith 1977; Baliga and Jaeger 1984; Ghoshal et al. 1994) as it increases information processing capacity (Egelhoff 1991, 1993) to cope with environmental and organizational complexity (Hedlund 1986, 1993; Prahalad and Doz 1987; Bartlett and Ghoshal 1989; Martinez and Jarillo 1991). In this respect, the authors note that: “interpersonal networking has significant positive effects on the ongoing communication of subsidiary managers, both with their counterparts in the headquarters and with managers in other subsidiaries (Nohria and Ghoshal 1997:146) as well as that: “in MNCs, interpersonal networks are vital because they serve as the glue that holds these vast geographically dispersed and internally differentiated organizations together” (Nohria and Ghoshal 1997:151).

Nohria and Ghoshal (1997) recognize, however, that interpersonal networking can be constrained by human cognitive capacity as well as by different time zones, language, and culture. For the particular case of functional departmental heads and general managers in subsidiaries, the authors suggest, in addition to individual *personality* and *motivation*, key career-related factors, which influence the formation of a contact network. Such factors include: *tenure*, *mobility*, *expatriate status*, *initial socialization*, and *mentoring relationships*.

Finally, the authors of the model of MNC as an *individualized enterprise* (Ghoshal and Bartlett 1998) emphasize coordination through three core organizational processes: the *entrepreneurial process*, the *integration process*, and the *renewal process*. The entrepreneurial process supports externally focused opportunity-seeking entrepreneurship; the integration process links dispersed resources and competencies; and the renewal process supports strategic revitalization. These processes are, in turn, associated with roles rather than tasks and responsibilities of front-line, middle, and top managers. Ghoshal and Bartlett (1998:209) synthesize their view as follows:

The Individualized Corporation can be examined in terms of its core processes and the new management roles embedded within these processes. Because these new roles are what lie at the heart of the new organizational model, the key challenge in transforming a company into an Individualized Corporation lies in transforming the frontline, middle, and top-level managers so that they are willing and able to play their respective roles of entrepreneurs, capability developers, and institutional leaders.

2.4.5 Roles of FSMs

The importance of managerial hierarchies for coordination and control of economic activities in general (Chandler 1977; Williamson 1975) and organizational decision-making in particular (Taylor 1911; Fayol 1916; Barnard 1938) has long been recognized. Mintzberg (1973) distinguishes between eight major schools of thought on the manager's job: *classical*, *great man*, *entrepreneurship*, *decision theory*, *leader effectiveness*, *leader power*, *leader behavior*, and *work activity*. Mintzberg's own study belongs to the latter school, which the author describes as "the school of inductive research, in which the work activities of managers are analysed systematically; conclusions are drawn only when they can be supported by the empirical evidence" (Mintzberg 1973:21).

Mintzberg (1973) also notes that a basic distinction can be made between the *content* and the *characteristics* of managerial work. Content consists of activities that managers carry out such as negotiating, whereas characteristics describe where, with whom, how long, and with what media managers work. Moreover, categorizations of content and purpose lead to statements of *functions* or *roles* of managerial work, which the author defines as "organized sets of behaviors identified with a position" (Mintzberg 1990:168).

Interpersonal roles are a particular type of managerial roles, being characterized by the establishment and maintenance of interactions with superiors and subordinates as well as individuals outside the formal chain of command. Such *interpersonal roles*, which result from managers' formal authority, are interrelated with *informational roles*, which provide access to information, and with *decisional roles* by which information supports decision-making (Mintzberg 1973, 1975). Three main types of managerial roles are thus identified:

- i) Interpersonal roles: *figure head* (ceremonial), *leader* (staff responsibility), and *liaison* (outside the vertical chain of command)
- ii) Informational roles: *monitor* (central access to information), *disseminator* (informing staff), and *spokesperson* (informing external people)
- iii) Decisional roles: *entrepreneur* (initiating and supervising projects), *disturbance handler* (reacting to change), *resource allocator* (time, approval), and *negotiator* (commitment)

Such interrelated roles constitute a challenge to the classical view of management, which associates managerial work with activities such as long-term planning, efficient organizing, goal-oriented directives, and systematic control (e.g. Hemphill 1959; Carroll and Gillen 1987). Mintzberg's (1973) findings dismiss such an image of managers as rational and plan-oriented decision-makers, by noting that a large part of their job consists of short, fragmented and verbal interactions of mainly a reactive kind. Kotter (1982a, 1982b) and Stewart (1974, 1976, 1982) equally question the usefulness of the

classical view of managerial work, based on their own conceptualisations of managers' job.

Mintzberg's study (1973) has, however, been criticized for: a) its exclusive reliance on observable work activities, b) particular conceptualisation of managerial roles, c) lack of relationship between such roles and organizational theory, d) simplistic definition of management, and e) lack of explanatory power (Willmott 1984, 1987; Martinko and Gardner 1985; Hales 1986, 1989, 1999; Carroll and Gillen 1987; Whitley 1988, 1989; Watson 1994; Stewart 1998; Watson and Harris 1999). Nevertheless, several other studies can be identified, which adopt role theory to conceptualise managerial work (e.g. Dalton 1959; Kotter 1982a, 1982b; Martinko and Gardner 1990; Fondas and Stewart 1994) or provide support to the general validity of Mintzberg's roles (e.g. Snyder and Glueck 1980; Lau et al. 1980; Stewart 1982; Kurke and Aldrich 1983; Hannaway 1989; Carroll and Teo 1996).

In the case of MNCs, Bartlett and Ghoshal (1997) suggest that rather than sharing identical behaviour and responsibility, *top-level*, *middle-level* and *front-line* managers have their roles differentiated by organizational hierarchy. In the authors' words: "top-level managers set direction by formulating strategy and controlling resources; middle-level managers mediate the vertical information processing and resource allocation processes by assuming the role of administrative controllers; and, swamped by direction and control from above, front-line managers find themselves in the role of operational implementers" (Bartlett and Ghoshal 1997:1). The authors further argue that MNCs' transition away from a traditional authority-based hierarchy implies that front-line managers are increasingly required to take the initiative to create and pursue new business opportunities. In particular, country managers may play three roles: "the *sensor* and interpreter of local opportunities and threats, the *builder* of local resources and capabilities, and the *contributor* to and active participant in global strategy" (Bartlett and Ghoshal 1992:128).

In his study of American, European and Asian FSMs, Gates (1994) reiterates that the work of such managers includes entrepreneurial challenges such as meeting local customer needs, satisfying local government requirements, and defending the company's position vis-à-vis local and foreign competitors. The author reports an increasing number of local nationals in that position (e.g. Harzing 2001) due to their "knowledge of local customers and government" (Gates 1994:7) as well as an increasing concern of FSMs' with marketing and customer relations including deal making and approval. Conversely, traditional planning and budgeting procedures, manufacturing, and research and development are all expected to account less for FSMs' time in the future.

Such findings, although convergent with Mintzberg's roles for the particular case of FSMs, challenge the author's proposed sequence of roles, especially that "formal authority gives rise to the three interpersonal roles" (Mintzberg 1990:168). In other words, the need for knowledge of local market requirements combined with compliance to parent company's rules and

programmes requires FSMs whose contact network not only results from, but also adds to their formal authority. In retrospect, Mintzberg (1990, 1991) equally considers his list of roles as over-rational by emphasizing a one-way sequence of separate aspects of managerial work rather than their holistic and interdependent nature. The author thus recommends further research on the content of managerial work (Mintzberg 1991), in addition to calls for further research on the context of managerial work (e.g. Fondas and Stewart 1994). In this respect, opinions remain divided on whether recent models of network organization require different managerial roles (e.g. Harvey and Novicevic 2002) or not (e.g. Hales 2002).

2.4.6 Conclusion

The process approach to MNC management contributes to our understanding of MNCs with the assumptions of bounded rationality (Cyert and March 1963) and micro-politics (Pettigrew 1973) in such organizations. In addition, by assuming that subsidiaries are differentiated and interdependent (e.g. Hedlund 1993) such a research tradition suggests that MNCs are increasingly complex and heterogeneous (Doz and Prahalad 1991; Gupta et al. 1999). Such a view of MNCs as becoming less-hierarchical (Marschan 1997) has been labelled the network paradigm of MNCs (Birkinshaw 2000), which emphasizes non-structural and informal mechanisms of coordination (e.g. Hedlund and Rolander 1990; Bartlett and Ghoshal 1990).

Different views on the extent to which network linkages are facilitated rather than pre-specified (Doz and Prahalad 1991) justify, however, a further distinction between an *organic* and a *design* approach to less-hierarchical MNC management (Andersson and Holm 2002). The former approach is inspired by the resource dependence view of the firm (Pfeffer and Salancik 1978) and is primarily descriptive, whereas the latter approach tends to adopt contingency theory (Lawrence and Lorsch 1967) as the basis for normative implications (Donaldson 1995).

The present study shares the assumptions of the organic approach to less-hierarchical MNC management thus attempting to integrate findings within the process approach to MNC management with those of studies within the IMP group (see sections 2.2 and 2.3). As mentioned in section 2.1, the three research traditions are thought to share the assumption of bounded rationality (Cyert and March 1963), resource dependency (Pfeffer and Salancik 1978), and asymmetrical distribution of power (Forsgren and Johanson 1992). In addition, the three streams of research address the implications of personal contacts for inter-firm coordination, in spite of distinct terminology such as *social exchange* (IMP group 1982) and *interpersonal networking* (Nohria and Ghoshal 1997).

Within the MNC, the coordination of interdependent subsidiaries is thought to require that their differentiated roles be taken into account. In this respect, and as mentioned in section 1.4, the present study is limited to subsidiaries generally labelled *local implementers* (Birkinshaw and Morrison

1995). In particular, such subsidiaries are thought to operate with few resources in a non-strategic market (Bartlett and Ghoshal 1986), being net receivers of knowledge flows (Gupta and Govindarajan 1991).

In terms of specific mechanisms of coordination at the subsidiary level, network models of MNC refer to interpersonal networking (e.g. Nohria and Ghoshal 1997), but also to centralization, formalization, and socialization (e.g. Ghoshal and Nohria 1989). Bartlett and Ghoshal (1989, 1998) generally associate the latter three mechanisms of coordination with Japanese, American, and European MNCs, respectively. Nohria and Ghoshal (1997) associate them with specific subsidiary contexts in terms of environmental complexity and local resources levels (Ghoshal and Nohria 1989). Such studies (Bartlett and Ghoshal 1989, 1998; Nohria and Ghoshal 1997) subscribe the design approach to less-hierarchical MNC management (see section 2.4.2) in the sense that they prescribe contingency-frameworks that headquarters are supposedly able to design and implement.

On the other hand, the model of the MNC as an *individualized enterprise* (Ghoshal and Bartlett 1998) explicitly associates MNC coordination with specific managerial roles. In particular, the role of FSMs is distinguished from that of middle and top-level managers (Bartlett and Ghoshal 1997) as entrepreneurs (Ghoshal and Bartlett 1998) who *sense* the local environment, *build* local resources, and *contribute* to MNC strategy (Bartlett and Ghoshal 1992). In the present study and due to its focus on *interpersonal roles* (Mintzberg 1973) and *local implementer* subsidiaries (Birkinshaw and Morrison 1995) only sensing and building roles of FSMs (Bartlett and Ghoshal 1992) are considered.

In sum, coordination in less-hierarchical MNCs may be discussed in terms of differentiated subsidiary roles (e.g. Birkinshaw and Morrison 1995), specific mechanisms of coordination (e.g. Ghoshal and Nohria 1989), and managerial roles (e.g. Bartlett and Ghoshal 1997). Such aspects of coordination in MNCs constitute the third and final conceptual block of the a priori theoretical framework for analysis, which is discussed in the following section.

2.5 Theoretical Framework for Analysis

2.5.1 Introduction

The present study adopts two conceptual frameworks, which represent “the current version of the researcher’s map of the territory being investigated” (Miles and Huberman 1994:20) before and after data collection and analysis. They are labelled the *a priori theoretical framework for analysis* (see section 2.5.2) and the *final theoretical framework* (see section 5.1), respectively.

An a priori theoretical framework for analysis may be characterized by its degree of elaboration as well as by the extent to which it is deductive (Miles and Huberman 1994). In the present study, the a priori theoretical framework for

analysis is deductive to the extent that it is based on literature review (see Figure 1 in section 2.1), but little elaborated once that the research questions are rather exploratory (see section 1.3). On the other hand, the a priori theoretical framework for analysis is meant to guide subsequent data collection and analysis. In Yin's (1994:46) words, it specifies "the conditions under which a particular phenomenon is likely to be found (a literal replication) as well as the conditions when it is not likely to be found (a theoretical replication)", thus supporting case selection and analysis (Eisenhardt 1991).

Miles and Huberman (1994:18) acknowledge the usefulness of conceptual frameworks in qualitative research by stating that "a conceptual framework explains, either graphically or in narrative form, the main things to be studied – the key factors, constructs or variables – and the presumed relationships among them". In the present study the a priori theoretical framework for analysis is presented graphically in the following section and refined into a final theoretical framework in section 5.1.

2.5.2 A Priori Theoretical Framework for Analysis

As mentioned in section 2.2, studies within the interaction approach to industrial markets demonstrate that in such markets, transactions are unlikely to occur without the establishment of personal contacts. The importance of the latter is, however, supposedly contingent on the levels of uncertainty and risk perceived by the interacting parties (e.g. Cunningham and Turnbull 1982; Forsgren et al. 1995). In this respect, *social exchange* has been emphasized and associated with the exchange of information, product and/or services as well as money in transactions (Håkansson 1982; IMP group 1982).

The network approach to industrial markets (see section 2.3) assumes that inter-organizational relationships are connected to the extent that a stable structure of relationships may be observed (Easton 1992). In such a context, coordination of actors, activities and resources (Håkansson and Johanson 1984) is expected to occur by means of inter-organizational interaction (Johanson and Mattsson 1987), which consists, in turn, of both exchange and adaptation processes (IMP group 1982; Håkansson and Snehota 1995). Although interaction is primarily discussed as occurring among firms, the role of individuals in such a process is equally acknowledged (e.g. Brennan and Turnbull 1999).

The occurrence of personal contacts in industrial markets is thought to be contingent on individual, organizational and market factors. In particular, on the perceptions, *attitudes* and behaviour of individuals (IMP group 1982), which are, in turn, affected by their *personality* (Halinen and Salmi 2001) as well as *cultural-* (Cunningham and Turnbull 1982; Hällen 1992; Björkman and Kock 1995; Andersson et al. 1996), *language-* (Cunningham and Turnbull 1982; Andersson et al. 1996), and *professional* background. The latter has also been specified into the individual's *career* (Hällen 1992; Björkman and Kock 1995; Andersson et al. 1996; Axelsson and Agndal 2000; Halinen and Salmi 2001) and *tenure* (Hällen 1992).

At the organizational level, factors such as the *age of the inter-firm relationship* (Cunningham and Turnbull 1982; Cunningham and Homse 1986; Björkman and Kock 1995; Andersson et al. 1996), the *business volume* exchanged (Cunningham and Turnbull 1982; Cunningham and Homse 1986), *supplier strategy* (Cunningham and Homse 1986), and *employee turnover* among employers (Björkman and Kock 1995; Halinen and Salmi 2001) are also expected to influence the occurrence of personal contacts in industrial markets. At the market level, such factors include the *complexity of technology* involved (Cunningham and Turnbull 1982; Cunningham and Homse 1986), *industry norms* of behaviour (Cunningham and Turnbull 1982), and *market structure* (Cunningham and Homse 1986).

In terms of the role or function of personal contacts, information exchange (Cunningham and Turnbull 1982) has been specified into *commercial information exchange* as well as *technical information exchange* and *advice*, in addition to *delivery and technical progressing* (Cunningham and Homse 1986). Such an information exchange role of personal contacts may also be associated with non-task socializing for *friendship* and *ego-enhancement* (Cunningham and Turnbull 1982) or *prestige* (Hällén 1992). In addition, the assessment role of personal contacts (Cunningham and Turnbull 1982) has been associated with *information about possible customers* and upcoming purchases (Björkman and Kock 1995), legitimacy (Axelsson and Agndal 2000) and door opening (Halinen and Salmi 2001).

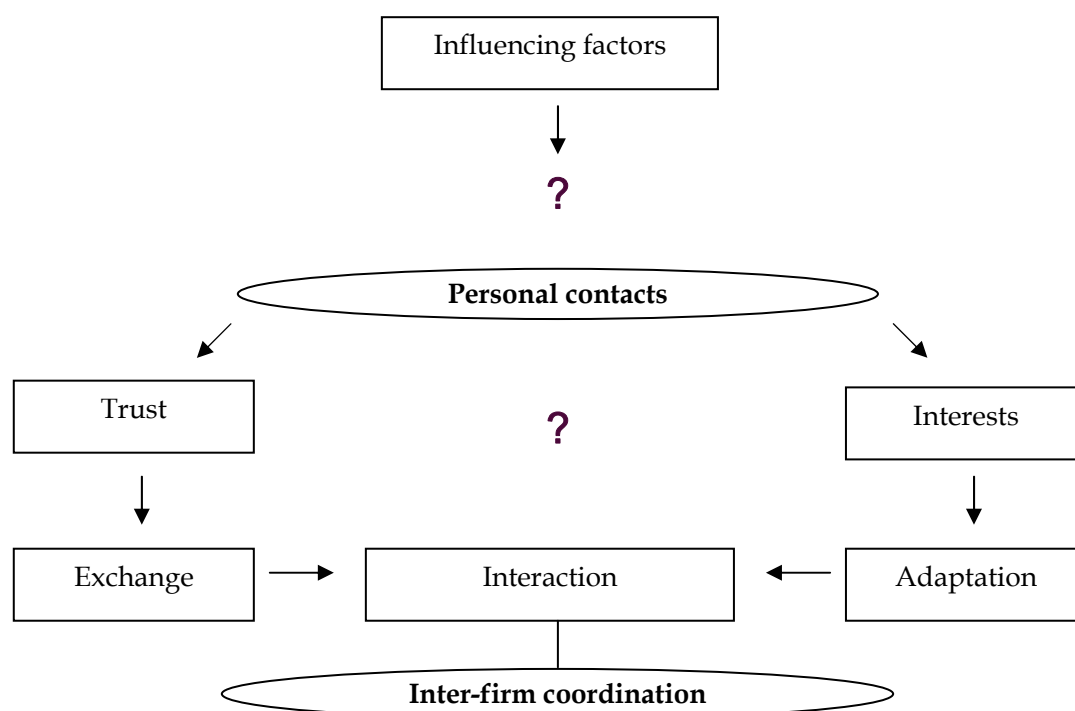
On the other hand, the *negotiation* and adaptation role of personal contacts (Cunningham and Turnbull 1982; Cunningham and Homse 1986) may be subdivided, once that the adaptation role implies deliberate decision-making (IMP group 1982; Brennan and Turnbull 1999). Such a decision-making function of personal contacts is expected to enable *problem solving* (Cunningham and Turnbull 1982; Cunningham and Homse 1986; Axelsson and Agndal 2000; Halinen and Salmi 2001) as well as allocation of resources namely in terms of *training* (Cunningham and Homse 1986).

Personal contacts can thus be regarded as contributing to inter-firm coordination in industrial markets by influencing the quality of inter-organizational exchange as well as the intensity of adaptations (see Figure 4 below). The quality of exchange is perceived not only in terms of information and communication concerning products/services, but also in terms of social exchange in times of business inactivity or even crisis (IMP group 1982). Adaptations are closely related to the negotiations between the parties, which reflect, in turn, their differences in terms of interests and power (Easton 1992). In this respect, control over resources and knowledge may be determinant for the distribution of power among the actors (Håkansson and Johanson 1992).

In other words, inter-firm coordination in industrial markets may be described in terms of the function or role of personal contacts. In the one hand, personal contacts may increase the trust between the parties by reducing the uncertainty, which eventually prevents them from engaging in an exchange process. In the other hand, personal contacts may enable the parties to persuade

each other into integrating their resources and/or activities in spite of conflicting interests, which eventually prevent them from engaging in an adaptation process. The lower question mark in Figure 4 represents, therefore, the second research question of the present study. The upper question mark represents the first research question of the study, and concerns not the function or role of personal contacts, but the factors which influence their occurrence in the first place (see section 1.3).

FIGURE 4 Research questions and industrial inter-firm coordination



Within the MNC, similar processes of exchange and adaptation are expected to occur, as large and diversified companies move away from a classical authority-based hierarchy of vertically oriented relationships towards higher decentralization of responsibility (Marschan 1997) and individual accountability (Bartlett and Ghoshal 1997). As mentioned in section 2.4, subsidiaries of less-hierarchical MNCs are increasingly coordinated through informal mechanisms such as organizational culture, interlocking board of directors and personal relationships (Hedlund 1986; Hedlund and Rolander 1990; Bartlett and Ghoshal 1990). Network models of MNC thus suggest that individuals establish personal contacts by joining different teams as well as by taking direct contact with other individuals (e.g. Ghoshal et al. 1994). It has been suggested, however, that such a degree of interpersonal networking depends on individual factors such as *personality, motivation, tenure, mobility, expatriate status, initial socialization, and mentoring relationships* (Nohria and Ghoshal 1997).

On the other hand, network models of MNC appear to agree on three basic roles or functions of personal contacts of FSMs, which enable coordination at the MNC level: a) information exchange, b) decision-making, and c) resource allocation (e.g. Bartlett and Ghoshal 1992, 1997). In particular, the models of MNC as a *heterarchy* (Hedlund 1986), *transnational* corporation (Bartlett 1986; Bartlett and Ghoshal 1989, 1998), *horizontal* organization (White and Poynter 1990), *differentiated network* (Nohria and Ghoshal 1997), and *individualized enterprise* (Ghoshal and Barlett 1998) emphasize the importance of a continuous flow of information within the MNC, in order to support transfer of knowledge and decision-making.

The influence of FSMs on decision-making is also addressed in the models of MNC as a *multifocal* corporation (Pralhad and Doz 1981a, 1981b), *multi-centre* firm (Forsgren 1990b), *transnational* corporation (Bartlett 1986; Bartlett and Ghoshal 1989, 1998), *horizontal* organization (White and Poynter 1990), *differentiated network* (Nohria and Ghoshal 1997), and *individualized enterprise* (Ghoshal and Barlett 1998), especially to achieve decisional consensus. Finally, FSMs' influence and control over resource allocation is discussed in the models of MNC as a *multi-centre* firm (Forsgren 1990b), *transnational* corporation (Bartlett 1986; Bartlett and Ghoshal 1989, 1998), *multifocal* corporation (Pralhad and Doz 1981a, 1981b) and *individualized enterprise* (Ghoshal and Barlett 1998).

The extent to which the reviewed literature (see section 2.1) answers the basic questions of the present study (see section 1.3) is graphically synthesized into an a priori theoretical framework for analysis (see Figure 5 below). In the one hand, research within the interaction and the network approaches to industrial markets (see sections 2.2 and 2.3) suggests several contextual factors which influence the occurrence of personal contacts as well as possible functions of such personal contacts. It must be noted, however, that such research traditions rarely specify the individuals who take personal contacts (for an exception see Cunningham and Homse 1986; Hällén 1992). In the other hand, research within the process approach to MNC management does make a distinction between the roles of FSMs and other managers (Bartlett and Ghoshal 1992, 1997), but rarely specifies factors and functions of their personal contacts (for an exception see Ghoshal et al. 1994; Nohria and Ghoshal 1997).

The a priori theoretical framework thus lists all individual, organizational, and market factors, which have been identified through literature review as associated with the occurrence of personal contacts. In this respect, *motivation*, *expatriate status* and *mobility* (Nohria and Ghoshal 1997) were integrated with *attitude*, *nationality* and *employee turnover* (IMP group 1982; Björkman and Kock 1995; Andersson et al. 1996; Halinen and Salmi 2001), respectively. On the other hand, *initial socialization* and *mentoring relationships* (Nohria and Ghoshal 1997) were integrated with *career* (Hällén 1992; Björkman and Kock 1995; Andersson et al. 1996; Axelsson and Agndal 2000; Halinen and Salmi 2001).

FIGURE 5 A priori theoretical framework for analysis

Individual	Personality, Attitude, Nationality, Career, Tenure, Language
Organizational	Age of relationships, Business volume, Supplier strategy, Employee turnover
Market	Technical complexity, Industry norms, Market structure

Information exchange	Commercial info Technical info Technical advice Delivery progress Technical progress Friendship
Assessment	Customers
Negotiation	Negotiations
Decision-making	Problem solving
Resource allocation	Training

In addition, the a priori theoretical framework lists all functions of personal contacts, which have been identified through literature review as enabling coordination within the MNC and in the local industrial market. In this respect, the *negotiation and adaptation* role of personal contacts (Cunningham and Turnbull 1982) has been subdivided into negotiation in the one hand, and decision-making and resource allocation in the other. Such a subdivision of functions of personal contacts is meant to acknowledge the distinctive features of managerial work in general (e.g. Mintzberg 1973) and of subsidiary management in particular (Bartlett and Ghoshal 1992, 1997).

On the other hand, the specification of such functions of personal contacts into certain contents was mostly based on previous findings within the IMP group (Cunningham and Turnbull 1982; Cunningham and Homse 1986; Björkman and Kock 1995; Axelsson and Agndal 2000; Halinen and Salmi 2001). In this respect, *ego-enhancement* (Cunningham and Turnbull 1982) or *prestige*

(Hällén 1992) has been excluded from the a priori theoretical framework under the assumption that FSMs may be regarded as part of an *elite* (Welch et al. 2002), which does not take personal contacts exclusively for such purposes.

It must be noted as well that the a priori theoretical framework for analysis emphasizes the lack of an explicit relationship between the factors and functions of personal contacts in previous research. In other words, the relationship between the context and content of *social exchange* (IMP group 1982) in industrial markets and of *interpersonal networking* (Nohria and Ghoshal 1997) in MNCs has remained unspecified. Such a relationship could be illuminated with the dynamic aspects of personal contacts, following Pettigrew's (1987:6) claim that sounding theorizing on managerial phenomena requires "the continuous interplay of ideas about the context, the process and the content of change, together with skill in regulating the relations among the three".

The dynamic aspects of personal contacts in industrial markets have been examined by IMP researchers, namely in terms of frequency and institutionalisation (Cunnigham and Turnbull 1982; Cunningham and Homse 1986) as well as deliberate planning and control (Hällén 1992; Axelsson and Agndal 2000; Halinen and Salmi 2001). Such findings are, however, excluded from the a priori theoretical framework for analysis for two main reasons. In the one hand, they are too general in order to specify the relationship between certain factors and functions of personal contacts. In the other hand, they were less influential in the present study's collection and analysis of data, following the adoption of a cross-sectional rather than longitudinal research strategy (see section 3.3.2). The research strategy and other methodological aspects of the present study are discussed in the following chapter.

3 METHODOLOGY

3.1 Introduction

This chapter examines the philosophical and methodological stance of the present study in relation to other possible approaches to social science in general and management studies in particular. Key ontological, epistemological, and axiological assumptions are thus made explicit in order to justify the research strategy and design of the study. In sum, the present study can be said to adopt a cross-sectional multiple-case strategy primarily based on semi-structured interviews, which are interpreted from a realist perspective.

3.2 Philosophical Stance of the Study

It is almost twenty-five years since Burrell and Morgan (1979:23), in reaction to the hegemony of functionalist orthodoxy in social science, suggested four paradigms as “meta-theoretical assumptions, which underwrite the frame of reference, mode of theorising and *modus operandi* of the social theorists who operate within them”. The authors claimed that such paradigms are mutually exclusive as they are based on at least one set of opposing meta-theoretical assumptions. Jackson and Carter (1991:110) reiterate the impossibility for a synthesis between such paradigms, implying “that each paradigm must, logically, develop separately, pursuing its own problematic and ignoring those of other paradigms as paradigmatically invalid, and that different claims about organizations would, in an ideal world, be resolved in the light of their implications for social praxis”.

Such an assumption of paradigm incommensurability as a necessary condition for pluralism in organization studies (Jackson and Carter 1993) has been challenged based on the argument that “it locks analysis into a series of parallel narratives that disqualifies them from engaging with each other”

(Willmott 1993:727). Although I recognize the slippery nature of such arguments, namely due to the lack of agreement on paradigmatic boundaries, my view is that a separatist paradigm mentality may compromise scientific progress rather than promote its pluralism (Weick 1999). In similar fashion, Lincoln and Guba (2000:164) maintain that: “to argue that it is paradigms that are in contention is probably less useful than to probe where and how paradigms exhibit confluence and where and how they exhibit differences, controversies, and contradictions”.

Furthermore, I agree that “one *can* operate in different paradigms sequentially over time” (Burrell and Morgan 1979:25) but not necessarily that “for a theorist to switch paradigms calls for a change in meta-theoretical assumptions, something which, although manifestly possible, is not often achieved in practice” (Burrell and Morgan 1979:24-25). In other words, I believe in the distinction between *fanatically*-, *firmly*-, and *weakly* held assumptions (Zaltman et al. 1982), which suggests that only some meta-theoretical assumptions may indeed be inseparable from the researcher. I thus prefer referring to the philosophical stance of a study rather than that of a researcher.

In an article which reviews the methods generally employed by the interaction and the network approaches to industrial markets, Easton (1995:421) defines orientation as a “fixed profile of positions” in terms of axiology, ontology, and epistemology, which, in turn, is thought to determine methodological choice. The author emphasizes the idea of consistency as “the necessary metacriterion required to create an orientation” (Easton 1995:422), which he illustrates with Burrell and Morgan’s (1979) subjectivist and objectivist approaches to social science (see Table 5 below).

TABLE 5 Assumptions about the nature of social science

Objective-Subjective Dimensions	Subjectivist approach to social science	Objectivist approach to social science
Ontology	Nominalism	Realism
Epistemology	Anti-positivism	Positivism
Human nature	Voluntarism	Determinism
Methodology	Ideographic	Nomothetic

Source: Adapted from Burrell and Morgan 1979.

Such a dichotomy between qualitative and quantitative methodology has been further elaborated by Morgan and Smircich (1980), who subdivide the subjectivist-objectivist continuum into six distinct positions (see Table 6 below). The authors acknowledge, however, that it “is often the case that the advocates of any given position may attempt to incorporate insights from others” (Morgan and Smircich 1980:42).

TABLE 6 The subjective-objective debate within social science

Core ontological assumptions	Reality as a projection of human imagination	Reality as a social construction	Reality as a realm of social discourse	Reality as a contextual field of information	Reality as a concrete process	Reality as a concrete structure
Assumptions about human nature	Man as pure spirit, consciousness, being	Man as a social constructor, the symbol creator	Man as an actor, the symbol user	Man as an information processor	Man as an adaptor	Man as a responder
Basic epistemological stance	To obtain phenomenological insight, revelation	To understand how social reality is created	To understand patterns of symbolic discourse	To map contexts	To study systems, process, change	To construct a positivist science
Favoured metaphors	Transcendental	Language game, accomplishment, text	Theatre, culture	Cybernetic	Organism	Machine
Research methods	Exploration of pure subjectivity	Hermeneutics	Symbolic analysis	Contextual analysis of Gestalten	Historical analysis	Lab experiments, surveys

Source: Adapted from Morgan and Smircich 1980.

In terms of ontological assumptions, the present study shares the view of the social world as a contextual field of information, which consists of activities based on the transmission of information. Human beings are thought to participate in such activities by receiving, interpreting, and acting upon information (Morgan and Smircich 1980; Arbnor and Bjerke 1998). Such an ontological position implies that some forms of activity are more stable than others reflecting relative rather than fixed and real relationships (Morgan and Smircich 1980). The way such relationships are viewed in the present study eventually comes closer to the next ontological position towards the objectivist end of the continuum. In particular, because the study shares the realist view that relationships may be *necessary* or *contingent* depending, respectively, on

whether the identity of social entities is mutually dependent or not (Sayer 1992). In other words, I do not regard inter-firm or inter-personal relationships as constantly modified as a result of patterns of learning and mutual adjustment (Morgan and Smircich 1980) but rather as relationships, which, in some cases, may be fixed and real.

According to Morgan and Smircich (1980) viewing reality as a contextual field of information implies the adoption of epistemologies based on cybernetic metaphors. One such a metaphor, which is central to the theoretical context of the present study (see section 2.1), is the concept of “network” namely for the network approach to industrial markets and the process approach to MNC management. A key feature of such an epistemological stance is the concern with contexts rather than boundaries (Morgan and Smircich 1980).

In other words, social entities such as organizations and their environment are conceptualised in terms of a reciprocal rather than a one-sided relationship. Such an emphasis on the interactive rather than causal nature of relationships is reflected on the research goals of the interaction and network approaches to industrial markets, which are mainly descriptive in nature (Easton 2000). Also primarily descriptive, the process approach to MNC management questions the assumptions of studies inspired by the so-called strategy-structure paradigm (Chandler 1962), which emphasizes a one-sided relationship between organizational strategy and environment (Whittington 1993). The focus of the present study on managerial work (Mintzberg 1973) also justifies such an epistemological stance once that studies of management roles have been considered the most contextual type of management studies (Tsoukas 2000).

A recent taxonomy of social research paradigms is provided by Guba and Lincoln (1998), who distinguish between *positivism*, *postpositivism*, *critical theory et al.*, and *constructivism*, namely in terms of ontology, epistemology, and methodology. In brief, critical theory and constructivism assume the co-existence of multiple social realities, which cannot be dissociated from particular belief systems, whereas positivism assumes a single apprehensible reality. Correspondingly, critical theory and constructivism assume knowledge to be value-dependent, whereas positivism assumes value-free researchers (Guba and Lincoln 1998) and independent non-reflective respondents (Numagami 1998).

Realism - *postpositivism* in Lincoln and Guba's (2000) terminology - constitutes a somewhat intermediate stance by assuming simultaneously that: a) the world exists independently of our knowledge of it (Sayer 1992), but b) knowledge can only be produced in terms of available descriptions or discourses (Sayer 2000). In other words, scientific theories and discourse change over time, but the world they address largely remains the same. It follows that social science goals are neither nomothetic i.e. the postulation of invariant laws, nor idiographic i.e. the documentation of idiosyncrasies (Sayer 2000).

The present study shares the view that although social phenomena are concept-dependent, they exist regardless of researchers' interpretation of them. Furthermore, although our knowledge of the world is fallible and theory-laden

it is not immune to empirical check and critical evaluation (Sayer 1992). The following sections enable such an evaluation by justifying the methodological choices of the present study.

3.3 Research Strategy

3.3.1 Qualitative Research

The present study represents an instance of qualitative research within the realist paradigm (Healy and Perry 2000). A general distinctive feature of qualitative research is its reliance on a few cases and many variables in contrast to quantitative research's concern with a few variables and many cases (Ragin 1987). It must be noted, however, the general lack of consensus on what constitutes a "case" (Ragin and Becker 1992) and "qualitative research" (e.g. Creswell 1998). The present study shares the view that a "case" is "a phenomena occurring in a bounded context" (Miles and Huberman 1994:26). From such a perspective, the "case" is the unit of analysis of the study. A study may, in turn, consist of one or several cases, constituting a *single-* or *multiple-case* study, respectively.²

The present study also shares the view that rather than a specific research design (Hakim 2000), qualitative research is "an umbrella term covering an array of interpretative techniques that seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world" (Van Maanen 1983:9). In the present study such an emphasis on meaning rather than frequency does not necessarily reflect conventionalist or constructivist epistemology (Easton 1995) once that realism also takes into account "the meanings and purposes that people ascribe to their actions" (Guba and Lincoln 1998:205). In other words, the present study takes the perceptions of FSMs and their meaning not as multiples realities, but as alternative perspectives of a single but not perfectly apprehensible reality (Healy and Perry 2000).

The present study is, therefore, qualitative in the sense that it builds a complex and holistic picture of a phenomenon in its natural setting, based on the analysis of words and on the report of detailed views of informants (Creswell 1998). The informants are FSMs in industrial markets, who constitute the cases of the study (Miles and Huberman 1994). The following section discusses the reasons behind the adoption of a multiple-case study approach in the present study.

² In addition, "the same case study may involve more than one unit of analysis" (Yin 1994:41), constituting a single- or multiple-case *embedded design* in which one or several subunits are also analysed.

3.3.2 Case Study Approach

According to McGrath (1982:70) “*all research strategies and methods are seriously flawed, often with their very strengths in regard to one desideratum functioning as serious weaknesses in regard to other, equally important, goals. Indeed, it is not possible, in principle, to do “good” (that is, methodologically sound) research*”. Such a methodological dilemma has to do with the inability of any research strategy to simultaneously minimize threats to data integrity i.e. absence of error and bias, and to currency i.e. generalizability of research results (Campbell and Stanley 1963). In Bonoma’s (1985:200) words: “high degree of data integrity requires a precise operationalization of the research variables, a relatively large sample size and quantitative data for statistical power, and the ability to exercise control over persons, settings, and other factors to prevent causal contamination”. In the same author’s words: “high currency typically demands situationally unconstrained operationalizations of variables to allow cross-setting generalization, and observations within natural, ecologically valid settings – “noisy” settings – where large samples, quantitative measures, and control are more difficult to achieve” (Bonoma 1985:200-201).

The present study adopts a cross-sectional multiple-case study approach, which is primarily justified with three interrelated factors: 1) the research questions, 2) the nature of the phenomenon under study, and 3) practical constraints. Each of these issues is addressed in the following paragraphs.

As mentioned in section 1.3, the purpose of the present study is to describe and conceptualise the implications of FSMs’ personal contacts for inter-firm coordination in industrial markets and within MNCs. In particular, the study attempts to answer two basic research questions:

- i. *What* factors influence the occurrence of FSMs’ personal contacts in industrial MNCs?
- ii. *How* FSMs’ personal contacts enable coordination in industrial markets and within MNCs?

In the one hand, the exploratory and descriptive nature of such questions requires a methodological approach, which supports the development of in-depth information on contextual factors and their association with the phenomenon under study (Bonoma 1985). One such approach is case study research, which Yin (1994) considers appropriate to answer both exploratory types of “what” questions and “how” questions. In Easton’s (1995:476) words: “case research allows the researcher the opportunity to tease out and disentangle a complex set of factors and relationships”.

In the other hand, the research questions help narrowing down the scope of the study into “*some* actors in *some* contexts dealing with *some* issues” (Miles and Huberman 1994:22). In other words, they influence both the theoretical context of the study (see section 2.1) and the a priori theoretical framework for

analysis (see section 2.5.2). Such a theoretical framework supports, in turn, the adoption of a multiple- rather than single-case design by stating “the conditions under which a particular phenomenon is likely to be found (a literal replication) as well as the conditions when it is not likely to be found (a theoretical replication)” (Yin 1994:46). In Miles and Huberman’s (1994:22) words: “we begin with some orienting constructs, extract the questions, and then start to line up questions with an appropriate sampling frame and methodology”.

The second factor behind the adoption of a case study approach is the nature of the phenomenon under study. In particular, whether the phenomenon can be studied outside its natural setting, and whether it may be meaningfully quantified (Bonoma 1985). In the present study, personal contacts of FSMs are regarded as highly contextual requiring a methodological approach, which does not interfere with their natural setting. On the other hand, the complex and interdisciplinary nature of such a phenomenon makes it less amenable to meaningful quantification. The adoption of a case study approach in the present study thus seems appropriate as it is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin 1994:13).

The discussion of factors influencing methodological choice in the present study would not be complete without referring practical constraints, which “could be overcome in principle, but are not necessarily easy to overcome in practice” (Easton 1995:420). In the present study, the main constraint has been what Bonoma (1985:206) defines as *executorial* problem, that is, “access to corporations *appropriate for the research objectives*”. Such a barrier is, in turn, primarily justified with a second constraint, which is time. In the one hand, FSMs had limited availability to support collection of data for the study and to comment its findings. In the other hand, the research project itself has been financed from September 1999 to September 2003 thus restricting the time available for literature review, data collection and analysis as well as reporting. Such practical constraints partly justify the implementation of a cross-sectional research design, as longitudinal research would have required more access and time by involving “the collection of data that refer to different points in time” (Easton 1995:480).

In terms of sample, a case study approach usually relies on one or a few cases. As mentioned above, the present study adopts a multiple-case approach, which Stake (2000) labels *collective case study* as distinct from *intrinsic-* and *instrumental case studies*. In an *intrinsic case study* “the purpose is not to come to understand some abstract construct or generic phenomenon”, but the particular features of the case, whereas in an *instrumental case study* the case is of secondary interest, but it facilitates our understanding of something else (Stake 2000:437). In an *instrumental case study* “the case still is looked at in depth, its contexts scrutinized, its ordinary activities detailed, but all because this helps the researcher pursue the external interest” (Stake 2000:437). From this perspective, a *collective case study* such as the present study is a collection of

instrumental cases, which are selected under the assumption that understanding them will lead to better theorizing about a phenomenon (Stake 2000).

In similar fashion, Eisenhardt (1991:620) argues that: “multiple cases are a powerful means to create theory because they permit replication and extension among individual cases”. Replication supports the identification of patterns through independent corroboration of specific propositions across individual cases, whereas extension supports a more complete theoretical picture based on the complementary nature of the cases (Eisenhardt 1991). Such a replication logic reflects the concern of the present study with conceptual instead of statistical representativeness (Strauss and Corbin 1990), which analyses the frequency of a particular phenomenon with inferential statistics (Yin 1994). The sampling procedures of the present study are discussed in the following section.

3.3.3 Case Selection

As mentioned in section 3.3.1, a “case” in the present study is a FSM as the focal actor of a contact network in the context of an industrial MNC. Such delimitation follows Miles and Huberman’s (1994:26) assertion that a case “may be an *individual* in a defined context”. Bonoma (1985:204), on the other hand, defines a case as “a description, directly obtained, of a management situation based on interview, archival, naturalistic observation, and other data, constructed to be sensitive to the context in which management behaviour takes place and to its temporal restraints”. It may be concluded, therefore, that a *case study* “is both a process of inquiry about the case and the product of that inquiry” (Stake 2000:436).

In the present study, the selection of cases has been primarily based on the research questions, following the deductive reasoning of Miles and Huberman (1994) and Yin (1994) to whom “the cases are opportunities to study the phenomena” (Stake 2000:446). The selection of cases was thus aimed at replication and extension (Eisenhardt 1991) and preceded by literature review (see section 2.5.2) under the assumption that “an important step in all of these replication procedures is the development of a rich, theoretical framework” (Yin 1994:46). In other words, the present study adopts a logic of theoretical sampling based on the potential for replication and extension instead of a logic of random sampling for statistical purposes (Glaser and Strauss 1967).

The final sample of cases was determined by the characteristics of the phenomenon under study and its context – personal contacts of FSMs in the coordination of industrial MNCs – but also by some practical constraints (see section 3.3.2). The characterization of the phenomenon and its context was based on literature review (see chapter 2) leading to a criterion for the selection of cases, which is depicted in Table 7 below. Such a criterion was designed to ensure uniformity across cases, while preserving some degree of variety (Stake 2000) in order to facilitate both replication and extension (Eisenhardt 1991).

TABLE 7 Criterion for the selection of cases

Level of analysis	Insights from literature	Attributes of sample
Country	Socialization in European MNCs (Bartlett and Ghoshal 1989); European roots of IMP group (Cunningham 1980)	11 Portuguese subsidiaries of Finnish MNCs
Industry	Social exchange and bonds in industrial markets (Håkansson 1982; Easton 1992); Industry norms (Cunningham and Turnbull 1982)	11 business-to-business subsidiaries; 6 product industries
MNC	Less-hierarchical models of MNC (Marschan 1996)	11 divisions of 9 MNCs coordinated through formal and informal mechanisms
Subsidiary	Marketing orientation (Gates 1994); Subsidiary roles (Gupta and Govindarajan 1991)	10 sales subsidiaries and 1 service subsidiary; 11 SMEs as net knowledge receivers
Individual	Roles of managers (Mintzberg 1973); Roles of front-line managers (Bartlett and Ghoshal 1997)	11 FSMs including 3 PCNs, 4 HCNs, and 4 TCNs

At the individual level, the cases were selected in order to share a position of FSM, which has been associated with *interpersonal roles* (Mintzberg 1973, 1975) in general and with a *sensor-, builder-, and contributor role* in particular (Bartlett and Ghoshal 1992). In addition, the sample was designed to include managers of various nationalities, in order to assess the extent to which such a background influences their interpersonal roles.

At the subsidiary level, the selection of firms with sales or service function reflects the assumption that FSMs responsible for such functions are more likely to engage in personal contacts within and external to the MNC (Gates 1994). Still at the subsidiary level, the selection of SMEs, which are net receivers of knowledge within the MNC, reflects the assumption that firm size and resourcefulness equally influences the engagement of FSMs in inter-firm communication.

At the corporate level, the multinational divisions selected resemble less-hierarchical MNCs (Marschan 1996) given their adoption of both formal and informal mechanisms of coordination such as matrix structures and inter-unit communication. Together with the subsidiary level, the corporate level of analysis constitutes the organizational context of the cases i.e. the FSMs and their contact network within the MNC.

At the industrial level, the selected firms operate in business-to-business instead of business-to-consumer markets reflecting the assumption of intensive social interaction in such markets (Håkansson 1982). In addition, the selected

firms may be grouped into five pairs of product industries³ in order to assess the extent to which personal contacts in business-to-business markets are contingent on industry norms of behaviour (Cunningham and Turnbull 1982).

Finally, at the country level, the selected firms share the nationality of the parent company – Finnish – as well as the local market in which they operate – Portugal. Such a selection is justified with the assumption that coordination of European MNCs tends to rely on socialization rather than formalization or centralization, which are more typical of American and Japanese MNCs, respectively (Bartlett and Ghoshal 1989, 1998). Together with the industrial level, the country level of analysis constitutes the market context of the cases i.e. the FSMs and their contact network in the local industrial market.

In addition to the characteristics of the phenomenon under study and its context, the final sample was moulded by practical constraints, namely the degree of access to corporations (Bonoma 1985). At the outset of the research no personal contact had ever been established with any representative of a Finnish MNC in Portugal. A first personal contact was made with Mr. Tapani Lankinen at the office of FinPro in Lisbon, who kindly provided a list of eighteen (18) Finnish firms with direct investments in Portugal. Initial personal contacts with such firms were aimed at characterising them in terms of: offered products and services, business functions, year and type of entry mode, as well as nationality of the manager. One firm has shown no interest to participate in the study whereas six (6) others were excluded from the final sample based on the criterion depicted in Table 7.

In particular, two (2) subsidiaries had no sales function in Portugal, a third subsidiary had spin-off following the merger of its parent company with a competitor, a fourth subsidiary represented a Finnish SME rather than an MNC, a fifth subsidiary was not managed by a FSM but by several functional managers, and a sixth subsidiary was operating in a business-to-consumer instead of business-to-business market. Taken together with the only firm, which refused to participate in the study, the final sample of eleven (11) firms thus constitutes the total population of firms, which suits the selection criterion depicted in Table 7.

3.4 Research Design

3.4.1 Data Collection

A case study approach typically involves the collection of multiple sources of evidence in order to allow in depth and holistic understanding of a small number of social entities or situations (Eisenhardt 1989; Yin 1994; Creswell 1998). In Yin's (1994:92) words: "any finding or conclusion in a case study is

³ See Appendix A for further information on the selected firms and respective product industries.

likely to be much more convincing and accurate if it is based on several different sources of information, following a corroboratory mode". In similar fashion, Jick (1979:602) contends that: "organizational researchers can improve the accuracy of their judgements by collecting different kinds of data bearing on the same phenomenon". For case studies aimed at theory generation it is equally claimed that: "triangulation made possible by multiple data collection methods provides stronger substantiation of constructs and hypotheses" (Eisenhardt 1989:538).

Such claims that through *data triangulation* (Patton 1987) the strengths of one source of evidence may compensate the weaknesses of another (e.g. Yin 1994) implicitly assume a single and apprehensible reality and measurable convergence of findings (Easton 1995). Although the present study shares such an ontological realism (see section 3.2), comparability of data is seen here as contingent on the data collection methods employed (Easton 1995), which, in turn, should reflect the nature of the phenomenon studied. In this respect, personal contacts of FSMs in the coordination of industrial MNCs constitute a simultaneously social, economic and technical phenomenon (Easton 1995), requiring collection methods, which suit restricted access to and measurement of data (Bonoma 1985). In the present study, the main sources of evidence⁴ are, therefore, interviews, documents, audio-visual materials, and observations (Creswell 1998; Yin 1994).

According to Alvesson (2003:15), the present study adopts a *neopositivist* position on research interviewing aimed at establishing "a context-free truth about reality "out there" through following a research protocol and getting responses relevant to it, minimizing researcher influence and other sources of bias". In particular, the present study adopts a *standardized open-ended interview* approach, which, according to Patton (1990:280), "consists of a set of questions carefully worded and arranged with the intention of taking each respondent through the same sequence and asking each respondent the same questions with essentially the same words". A standardized open-ended interview is an intermediate option between a *general interview guide* by which the order and actual wording of questions is not determined in advance, and a *closed, fixed response interview* by which respondents must fit their knowledge, experience and feelings into the researcher's categories (Patton 1990).

The relatively low degree of flexibility and spontaneity associated with such a type of structured interviewing (Fontana and Frey 2000) has been compensated with the use of probes and follow-up questions (Patton 1990). Such probes were not written out in the standardized open-ended interview guide⁵, but proved crucial in enhancing the degree of comfort, accuracy, and honesty with which the interview questions were answered. In this respect, it must also be noted that the respondents may be regarded as *elite interviewees*

⁴ See Appendix B for further information on the types of data collected in the present study.

⁵ See Appendix C for further information on the standardized open-ended interview guide.

(Welch et al. 2002), which constitutes both an opportunity and a challenge in terms of access, power, openness, and feedback.

In the present study interviewees were selected on the basis of their knowledge rather than convenience, which is recommended, particularly “if only one informant per organization is to be questioned” (Huber and Power 1985:174). In terms of access, the general lack of time from managers (cf. Mintzberg 1973) has been compensated with support from gatekeepers and the adoption of a formal approach (Welch et al. 2002). In particular, the present study has benefited from contact information provided by the representative office of FinPro in Lisbon (see section 3.3.3) and from a cooperative attitude of FSMs’ secretaries. The actual interview was preceded by a first personal contact well in advance in order to characterise the firms (see section 3.3.3) as well as personal contacts in order to agree the date and place of the interview. The approach was formal in the sense that the standardized open-ended interview guide (see Appendix C) and a consent form⁶ were sent to the interviewees beforehand.

The issue of power imbalance between the researcher and the interviewee was not detected in the present study. Although a few interviewees did express lack of time even during the interview, most of them did praise the relevance of the topic in general and of some of the questions in particular. The physical setting of the interviews – a meeting room with the exception of two instances in which the FSM’s own office was used – did not constitute a source of power imbalance either. In general, the formal approach mentioned above appears to have stimulated a respectful and even proactive response from interviewees, who in some cases gathered unsolicited documents before the interview. The use of English as the working language during the interview also appears to have levelled any power imbalance, which could have persisted in favour of the interviewee.

The openness of interviewees was stimulated with an explicit mention in the consent form (see Appendix D) to the implications of the study in general and to the anonymity and confidentiality of responses in particular (Huber and Power 1985). On the other hand, as expatriates and/or frequent travellers, the interviewed managers appeared to have appreciated my own international experience. The fact that I am a resident in the home country of the MNC they represent as well as a national of the host country they serve appears to have contributed to a certain degree of identification while preserving my status of a neutral outsider. In this respect, the extent to which some interviewees have elaborated on some issues indicates that they may have appreciated “the presence of an attentive and neutral listener” (Welch et al. 2002: 623).

In terms of feedback, interviewing FSMs appears to have constituted an opportunity rather than a challenge “as elites are comfortable with written correspondence and they may be willing to engage directly in the process of factual verification of the findings” (Welch et al. 2002:618). In the present study, interviewees were required to provide feedback in two stages. In the first stage, the interview transcripts were sent to interviewees for factual verification,

⁶ See Appendix D for further information on the consent form.

whereas in the second stage the preliminary conclusions of the study were sent for their evaluation and approval. Interview transcripts were sent by email, whereas the preliminary conclusions were sent and received by post in order to facilitate handwriting notes in a ready-made printout. The preliminary conclusions were illustrated with quotations from the interviewee to whom they were sent and adapted in terms of form in order to include an executive summary. No interviewee has objected the facts of the interview transcript or the contents of the preliminary conclusions.

As mentioned in section 3.3.3, at the firm level, the final sample of eleven (11) cases can be said to represent the total population of firms, which suit the selection criterion depicted in Table 7. Correspondingly, the “cases” in the study - the managing directors of such firms - may be said to constitute an instance of *population sampling* (Breakwell 1990), once that all the people who share the characteristics of interest for the study were interviewed. In this respect, it may be argued that other individuals than FSMs themselves could have been interviewed in order to analyse their personal contacts in the coordination of industrial MNCs. Such a possibility was ruled out in the present study based on the assumption that “when the knowledge of the informants varies, and the most knowledgeable people are likely to be queried first, responses from additional but less knowledgeable informants can actually decrease the accuracy of responses” (Huber and Power 1985:175). The same reasoning is put forward by Golden (1992:885) concerning retrospective accounts to whom “the benefits of using multiple respondents has to be balanced against the possibility of introducing greater systematic error into the measurement of certain phenomena”. In other words, it was assumed in the present study that a contact network is a social phenomenon, which is difficult to perceive for other individuals than the focal actor of such a network. Moreover, interviewing other individuals than the FSM could have been interpreted as lack of confidence in the manager (Welch et al. 2002).

The present study is thus based on a total of eleven (11) semi-structured interviews, that is, an interview to each of the FSMs included in the final sample of cases. Such interviews were preceded by a pilot interview to the managing director of the Portuguese subsidiary of a German business-to-business MNC, in order to evaluate the standardized open-ended interview guide. Such a pilot interview was conducted on the 3rd of May 2001 whereas the interviews to the FSMs were conducted between the 10th of May 2001 and the 7th of January 2002. Excluding the pilot interview, the average length of interviews was two (2) hours. All interviews were tape recorded with permission from the interviewees (Patton 1990) and transcribed. The resulting data amounted to nearly 350 pages or 160 thousand words of transcribed text.

As mentioned above, in addition to interviews, the present study relies on documents, audio-visual materials, and observations (Creswell 1998; Yin 1994) as sources of evidence. Documents included annual reports, other corporate publications, internal documents, and research reports. Annual reports were a major source of contextual data. In the one hand, they have supported the

selection of cases by providing information with which the corporation could be characterized as a less-hierarchical MNC (Marschan 1996). In the other hand, they have supported the preparation of the interview, by providing information on the formal structure of the MNC and the characteristics of its business. In particular, all interviews were preceded by a brief discussion of the subsidiary activities, based on a printout of the organizational structure of the MNC, valid at the beginning of year 2001.

In addition to annual reports, the present study relies on other corporate publications such as Press and stock exchange releases, promotional brochures, and group magazines. Internal documents, whenever possible, included organizational charts at the divisional and subsidiary level, which were not available in the annual report, reports on subsidiary performance, and job descriptions of the interviewed FSMs. Research reports included doctoral dissertations concerning the MNCs which provide the context for the cases in the present study.

On the other hand, interviews and documents were supplemented with audio-visual materials and observations. Audio-visual materials were as crucial as documents in terms of contextual data, once that the studied MNCs provide extensive information in their web sites. Useful data for the present study available in the World Wide Web included corporate key figures, divisions, organization, history, and contact information, among others. In addition to data collected from web sites, the present study relies on electronic mail messages exchanged with the FSMs and respective secretaries. Although primarily concerned with practical arrangements such as the date for an interview, such messages provided sometimes information on the MNC and/or the subsidiary, which was not available in annual reports or in web sites.

To some extent, observations were also a source of evidence in the present study, particularly on the day of the interviews. Before the interview, some notes were made concerning the subsidiary physical setting, which could provide some clues on the relationship of FSMs with subordinates and on the degree of subsidiary integration in the MNC. During the interview, notes were also made whenever the FSM displayed emotional involvement (Huber and Power 1985) concerning an issue or was interrupted by either a knock on the door or a phone call, thus communicating "live" with a counterpart.

In sum, the present study relies on data collected through semi-structured interviews, which were supplemented, ex-ante and ex-post, with data from published and internal documents, audio-visual materials such as web sites and emails, and non participant observations (Creswell 1998). The findings of the present study are thus mainly based on primary rather than secondary data.

3.4.2 Data Analysis

There is no consensual definition of qualitative data analysis (Coffey and Atkinson 1996; Creswell 1998), which in case studies largely "depends on an

investigator's own style of rigorous thinking, along with the sufficient presentation of evidence and careful consideration of alternative interpretations" (Yin 1994:102-103). Stake (1995) distinguishes between *direct interpretation* and *categorical aggregation* as two strategies of making sense of case study evidence. The former refers to meaning, which emerges from a single instance, whereas the latter refers to meaning from the repetition of phenomena. The author adds that: "with instrumental case studies, where the case serves to help us understand phenomena or relationships within it, the need for categorical data and measurements is greater" (Stake 1995:77). In similar fashion, Silverman (2000) distinguishes between a *narrative* and a *realist* approach to interview data. The former attempts to access various stories or narratives through which people describe their worlds, whereas the latter equally searches for the "subjective" meanings of people, but relates them to "objective" social structures (Silverman 2000).

As mentioned in section 3.3.2, the present study is a collection of instrumental cases primarily based on evidence from interviews (see section 3.4.1), which are analysed from a realist perspective (see section 3.2). Data analysis was therefore based on categorical aggregation (Stake 1995) in general and a realist approach to interview data (Silverman 2000) in particular.

Miles and Huberman (1994) define data analysis as three linked sub-processes of *data reduction*, *data display*, and *conclusion drawing and verification*. Data reduction begins even before data collection with the specification of the research questions, the theoretical framework for analysis, the case selection criterion, and the data collection methods, by which the scope of data collection is set. During and after data collection, data reduction proceeds with summaries, coding, and identification of themes. Data display implies the organization and display of reduced data for further examination. Conclusion drawing and verification involves the interpretation of displayed data. Creswell (1998:141) provides a synthesis of Miles and Huberman's (1994) and two other general data analysis strategies (Bogdan and Biklen 1992; Wolcott 1994), which was adopted in the present study as follows:

- i. Sketching ideas
- ii. Displaying data
- iii. Identifying codes
- iv. Reducing information
- v. Counting frequency of codes
- vi. Relating categories
- vii. Relating to analytic framework in literature

In the present study sketching ideas consisted of reading through all collected information in order to obtain a sense of the overall data (Tesch 1990). Interview transcripts – the main source of evidence – were read several times during the process of transcription, increasing the familiarity with the eleven (11) cases selected (Eisenhardt 1989). Once the transcription was concluded, the interview

text was read again and margin notes were written down. Such notes referred to initial impressions about the data such as eventual categories or conceptual relationships.

The second step in the analysis was the creation of a matrix, which displays the data collected by case. In addition to such a data matrix (see Appendix B), a table was created in order to visualize variables by theme. The themes were based on the research questions thus encompassing variables (1) *triggering* or (2) *inhibiting* the (3) *establishment* or (4) *maintenance* of FSMs' personal contacts, supposedly (5) *enabling*, in turn, certain coordination tasks to be performed. Some of the variables with which such five (5) themes were associated have been identified in extant literature and included in the a priori theoretical framework for analysis (see section 2.5.2).

Such themes and variables can be regarded as the a priori hierarchical coding frame (Richards and Richards 1995) of the present study, following the view that "coding must start with a frame that is well grounded in a theory or conceptual scheme" (Araujo 1995:97). In other words, the themes constitute single categories at the top of a coding hierarchy, which define the scope of the data through general-to-specific links to other categories immediately below (Richards and Richards 1995). In the present study, such categories are codes, which are empirically grounded by relating to chunks of text as well as theoretically relevant by only acquiring meaning in relation to other categories (Dey 1993). The final hierarchical coding frame⁷ results, therefore, from a *bottom-up* or *data-driven* method of building coding trees (Richards and Richards 1995), which is also informed by the a priori theoretical framework for analysis (Araujo 1995).

The actual process by which the hierarchical coding frame was developed implied, in turn, a reduction of information in terms of the number of categories considered. The first list of codes consisted of 128 categories including the five (5) a priori themes referred above, whereas the final list of codes (see Appendix E) encompasses 82 categories, including seventeen (17) themes: *inf.dependence-/uncertainty+*, *inf.dependence-/uncertainty-*, *inf.dependence+/uncertainty+*, *inf.dependence+/uncertainty-*, *dec.dependence-/uncertainty+*, *dec.dependence-/uncertainty-*, *dec.dependence+/uncertainty+*, *dec.dependence+/uncertainty-*, *channels*, *direction*, *frequency*, *paths*, *information exchange*, *assessment*, *negotiation*, *decision-making* and *resource allocation*. The first eight themes in the final list of codes correspond to the a priori *triggering* and *inhibiting* contextual factors, once that FSMs' personal contacts may be triggered and inhibited by the very same factor. The four following themes in the final list of codes correspond not to the context, but to the process or dynamic aspects of FSMs' personal contacts, once that both their *establishment* and *maintenance* may be characterized in terms of channels, direction, frequency and paths. The last five themes in the final list of codes correspond to a sub-categorization of the a priori *enabling* theme into five types of content or function of FSMs' personal contacts.

⁷ See Appendix E for further details on the final hierarchical coding frame.

The several updates of the hierarchical coding frame also implied a reduction of information in terms of the amount of text to which codes were attached. Although the codes have been attached to lines of text instead of sentences or paragraphs, substantial chunks of text were coded for each category in the first coding phase in order to avoid atheoretical decontextualization (Araujo 1995). Subsequent retrieval of coded data allowed, however, the refinement of categories (Eisenhardt 1989) reducing the amount of text to which codes were attached. The overall amount of coded text was also reduced whenever such a process of refining categories involved the merger of two different codes and respective text.

The retrieval of coded data also allowed “counts” of data in order to determine how frequently codes appeared in the database (Miles and Huberman 1994). Counting the frequency of codes across cases (Eisenhardt 1989) helped confirming or disconfirming patterns, which were initially noted through data reduction. In particular, it was possible to identify 29 categories from the final list of 82 codes (see Appendix E), which were not attached to the text of at least one case. On average, each of such 29 categories was not attached to the text of 1.75 cases out of the eleven (11) selected. On the other hand, the text of a case was not coded, on average, with 4.6 categories out of the final list of 82 codes. As mentioned in section 3.3.2, the counting of such frequencies has followed a logic of replication across individual cases (Eisenhardt 1991) aiming at conceptual rather than statistical representativeness (Strauss and Corbin 1990; Yin 1994).

The process of counting frequencies of codes preceded the development of a final theoretical framework (see section 5.1), which underlines the overall relation between the categories. In Miles and Huberman’s (1994:261) words: “when you’re trying to determine what someone’s behaviour “means”, the mental exercise involves connecting a discrete fact with other discrete facts, and then grouping these into lawful, comprehensible, and more abstract patterns”. In this respect, an effort was made in the present study to preserve the holistic nature of the phenomena by considering simultaneously its content, context and process (Pettigrew 1987).

The analysis of data was concluded with the discussion of findings in the light of previous research (see sections 5.1 to 5.3). Eisenhardt (1989) refers to such a step as *enfolding literature* by which emerging concepts or propositions are compared with a broad range of extant literature. In this respect, the present study considers the three research traditions, which constitute its theoretical context (see section 2.1), the body of knowledge to which the present study contributes (see section 5.4).

The seven steps just described were all supported with computer software including *MS Word*, *MS Excel* and *NUD*IST N5*, the latter as an acronym for Non-numerical Unstructured Data Indexing Searching and Theorizing. The development and use of computer software programmes for qualitative data analysis has become widespread over the last decade (Wolfe et al. 1993; Weitzman 2000). Correspondingly, there has been a proliferation of literature

on the topic, reviewing different software packages (e.g. Tesch 1990; Fielding and Lee 1991; Weitzman and Miles 1995) as well as their methodological capabilities and limitations (e.g. Dey 1993; Kelle 1995; Weitzman 1999). NUD*IST is specifically developed to support text interpretation and theory building (Wolfe et al. 1993) having been categorized as a *text analysis program* by Tesch (1990) and as a *code-based theory builder* by Weitzman and Miles (1995). The program has basically three tools: the *coders*, *text search*, and *node search*. Such tools operate on two complementary sets of data: the *document system*, which holds documents, notes and memos, and the *node system*, which represents themes and categories. The two systems are related through hierarchical coding (Richards 2000).

In the present study, the use of computer software supported the following data analysis tasks: *transcribing*, *storage*, *data display*, *coding*, *memoing*, *search and retrieval*, *data "linking"*, *content analysis*, *conclusion-drawing and verification*, and *theory-building* (Weitzman 1999). The interviews were transcribed with MS Word and subsequently stored as separate documents in the document system of NUD*IST. Such interview transcripts and other sources of evidence were displayed in a data matrix (see Appendix B) which was created with MS Excel. The same program was used to create a table in order to display the total number of categories emerging over time. Such categories corresponded to the codes displayed in the node system of NUD*IST thus including themes and variables (see Appendix E). Coding itself was performed with the coders of NUD*IST which allow memoing of both documents and nodes. Search and retrieval of coded text was performed with the text- and node-search tools of NUD*IST. By allowing the simultaneous update of documents and nodes, NUD*IST has also allowed data "linking" by which segments of text were connected to each other in order to form categories.

Content analysis was supported with NUD*IST's *browser menu for nodes*, which allows the researcher to review all codes which have been attached to a particular quotation (coded text), and to "jump" to the respective interview transcript (document) in order to review the context of such a quotation. In addition, NUD*IST's *node explorer* automatically counts the number of both lines and interview transcripts coded by a certain node or category, thus having supported the counting of codes within and across cases. Understandably, such tasks also supported the drawing and verification of conclusions, based on the on-going refinement of the hierarchical coding frame in NUD*IST's *tree node*. Theory building, by which the study findings are justified and confronted with extant literature, was performed with MS Word.

3.4.3 Validity and Reliability

The quality of the present study may be assessed in terms of tests commonly adopted in the social sciences such as *construct validity*, *external validity*, and *reliability* (Yin 1994). Construct validity refers to the adoption of appropriate operational measures for the concepts being studied, whereas external validity

concerns the extent to which findings may be generalized beyond the scope of the study. Reliability implies that the repetition of the study's procedures would ensure identical findings (Yin 1994).

In the present study, the tactics adopted in order to increase construct validity include: 1) a pilot interview, 2) clarifications in interviews, 3) feedback from interviewees, and 4) interviewees' verbatim responses. As mentioned in section 3.4.1, the present study included a pilot interview in order to evaluate the standardized open-ended interview guide (Patton 1990), namely in terms of sequence and wording of questions. In addition, some concepts such as "personal contact" were clarified at the beginning of the interviews as well as during the interviews when necessary. In this respect, the adoption of a single working language - English - in addition to my own background and international experience (see section 3.4.1) appears to have reduced the likelihood of misunderstandings with the interviewees.

A third tactic to improve construct validity in the present study was the request for feedback concerning the interview transcript and its interpretation (see section 3.4.1). Such a factual verification, evaluation and approval from interviewees is thought to have further reduced eventual misunderstandings. A fourth and final tactic to improve construct validity was the extensive use of quotations from the interviews in preliminary and final reports in order to illustrate the studied concepts and their relationships. Such quotations relate conceptual variables based on the a priori theoretical framework for analysis (see section 2.5.2) with empirical accounts from the interviewees (see sections 4.2. to 4.4) thus contributing to a logical chain of evidence (Yin 1994), which allows readers to make their own interpretation (Patton 1990).

Concerning external validity, the present study aims at *analytical* rather than *statistical* generalization (Yin 1994), based on replication logic (see section 3.3.2). Such a *conceptual* representativeness (Strauss and Corbin 1990) requires, in turn, a careful selection of cases based on theoretical rather than random sampling (Glaser and Strauss 1967). In this respect, it is the criterion for the selection of cases adopted in the present study (see Table 7 in section 3.3.3), which defines the domain to which its findings may be generalized (Yin 1994). It must be noted, however, that even within such a domain the study's findings should be cautiously generalized. In particular, because the study's sample does not necessarily represent the population of individuals, subsidiaries, MNCs, industries, and countries, which constitute the referred domain.

In the one hand, the sample may not be representative of other European countries (e.g. Bartlett and Ghoshal 1989) or industries (e.g. Håkansson 1982), especially in terms of contextual factors of FSMs' personal contacts such as market idiosyncrasy and business culture (see section 4.2.3). In the other hand, the sample may not be representative of other MNCs, given the eventual influence of MNCs' nationality in the adoption of formal and informal mechanisms of coordination (e.g. Harzing 1999) and the general difficulty of operationalizing the distinctive features of less-hierarchical MNCs (e.g. Marschan 1996). Moreover, the fact that the sample includes subsidiaries with

more than one function (see Appendix A) may restrict the extent to which the findings can be generalized to a larger population of sales subsidiaries (e.g. Gates 1994). Finally, the specificity of the sample in terms of nationality, educational background, gender, prior international assignments, and tenure of the FSMs (see section 4.1) must also be taken into account when generalizing the findings to a larger population of front-line managers (e.g. Bartlett and Ghoshal 1997). In addition to such sampling issues the limited amount of interviews and the difficulties encountered in terms of data- and respondent triangulation (see section 3.4.1) further justify a cautious generalization of the study's findings.

In terms of reliability, the present study has been enhanced with the adoption of explicit procedures for data collection and analysis including: 1) a data matrix, 2) a consent form, 3) a standardized open-ended interview guide, and 4) computer software for qualitative data analysis. The data matrix (see Appendix B) specifies the types of data collected per case following Yin's (1994:36) reminder that reliability implies "doing the *same* case over again, not on "replicating" the results of one case by doing *another* case study". In other words, such a data matrix identifies the sources of evidence, which were collected for each of the cases selected, contributing to the reliability of data collection. The access to such sources of evidence was facilitated by the adoption of a consent form (see Appendix D), which explicitly states the requirements of the study in terms of sources of evidence as well as the implications for those who may provide such types of data. Such a consent form can therefore be regarded as a further factor of reliability in terms of data collection in the present study.

For the particular case of interviews – the main source of evidence – the standardized open-ended interview guide (see Appendix C) is also thought to have reduced research error and bias (Fontana and Frey 2000). The contribution of such an interview guide to the reliability of the study may, however, be questioned in two ways. In the one hand, the standardized open-ended interview guide was supplemented with probes and follow-up questions (see section 3.4.1), which trades-off reliability for construct validity due to an increased but less transparent control over the interview (Patton 1990). In the other hand, collecting data in different moments in time (Yin 1994:36) even with the same interview guide may involve bias and error due to respondents' inability to recall past events accurately (Huber and Power 1985).

A final procedure to enhance the reliability of the present study was the adoption of computer software for qualitative data analysis (see section 3.4.2). In particular, the adoption of NUD*IST contributed to the reliability of the present study by allowing its document and node systems to be saved as a separate version of the study in different moments in time. In the present study, such an electronic database of interview transcripts and respective coding has been saved in four different dates, over a period of one year. Such versions thus allow a subsequent audit trail of notes, memos, and more importantly, themes and categories (Richards 2000). In similar but paper-based fashion, the overall

study has been chronologically documented over a period of four years. Such a process is briefly depicted in Figure 6 below, thus providing general guidance on the aspects of the research project which may be subject of subsequent scrutiny.

FIGURE 6 The research process

Chronology	Theory and methodology	Empirical data
September 1999	<ul style="list-style-type: none"> - first doctoral course - first term paper - initial literature review 	<ul style="list-style-type: none"> - list of 18 Finnish firms with FDI in Portugal
November 2000	<ul style="list-style-type: none"> - change of topic from "foreign market entry" to "MNC coordination" - first a priori theoretical framework 	<ul style="list-style-type: none"> - selection of 11 cases
May 2001	<ul style="list-style-type: none"> - data matrix - interview guide - consent form - first transcriptions 	<ul style="list-style-type: none"> - access negotiations - secondary data - pilot interview - first interviews
January 2002	<ul style="list-style-type: none"> - initial data analysis 	<ul style="list-style-type: none"> - final interview
May 2002	<ul style="list-style-type: none"> - first conference paper (IMP) 	<ul style="list-style-type: none"> - initial feedback on transcripts
September 2002	<ul style="list-style-type: none"> - second conference paper (EIBA) 	
January 2003	<ul style="list-style-type: none"> - final data analysis 	<ul style="list-style-type: none"> - initial feedback on conclusions
May 2003	<ul style="list-style-type: none"> - third conference paper (IMP) 	
June 2003		<ul style="list-style-type: none"> - closing negotiations
July 2003	<ul style="list-style-type: none"> - doctoral dissertation (submitted version) 	
August 2003	<ul style="list-style-type: none"> - fourth conference paper (VCIB) 	
October 2003	<ul style="list-style-type: none"> - fifth conference paper (EIBA) 	
December 2003	<ul style="list-style-type: none"> - doctoral dissertation (revised version) 	

4 DISCUSSION OF CASE EVIDENCE

4.1 Introduction

As mentioned in section 3.3.3, although the “cases” in the present study are FSMs as the focal actors of a contact network, the criterion for their selection also took into account their context at the subsidiary-, corporate-, industrial- and country level.

At the subsidiary level, and as mentioned in section 1.4, the context of the eleven cases is a *local implementer* subsidiary (Birkinshaw and Morrison 1995), in the sense that it operates with few resources in a non-strategic market (Bartlett and Ghoshal 1986) and is a net receiver of knowledge within the MNC (Gupta and Govindarajan 1991, 1994). In the present study, the size of the subsidiary, measured in terms of absolute and relative amount of sales and employees, is adopted as a proxy for both the level of local resources (Ghoshal and Nohria 1989) and strategic importance of the local market (Bartlett and Ghoshal 1986). In this respect, the studied subsidiaries are typically SMEs with an average of EUR 28.8 million in sales and 51 employees in 2001. The relative weight of the subsidiary’s sales and employees on the MNC as a whole was, on average, 1.4% and 1.8%, respectively. In terms of knowledge flows (Gupta and Govindarajan 1991), all subsidiaries were classified as net knowledge receivers by their respective FSM.

At the corporate level, the context of the cases is an MNC with an average of EUR 7598 million in sales and 22562 employees in 2001. The smallest MNC had sales of EUR 131 million and a total of 1360 employees in 2001, whereas the largest MNC had sales of EUR 31191 million and a total of 53849 employees. At the industrial level, and as mentioned in section 1.4, the context of the eleven cases are six general product industries, which include telecommunications, pulp and paper, technical textiles, minerals, mechanical engineering and plastic pipes (see Appendix A). Finally, at the country level, and as equally mentioned

in section 1.4, the context of the eleven cases is a small and open economy for both the MNCs - Finland - and their subsidiaries - Portugal.

The cases themselves - FSMs - can be characterized in terms of their nationality, educational background, gender and prior international assignments as well as tenure in the host country, in the industry, in the MNC, in the subsidiary, and in their current position. In terms of nationality, the final sample of cases includes three (3) Finnish nationals or PCNs, four (4) Portuguese nationals or HCNs as well as a Belgian, a Dutch, a French and a Spanish national as four (4) TCNs. In terms of educational background, the final sample of cases includes seven (7) degrees in engineering and four (4) degrees in economics or business administration. The final sample only included male managers.

On average the eleven cases had had 3 international assignments prior to their current position. It must be noted, however, that five (5) out of eleven had had none. The FSM with most international experience had had 10 international assignments.

In terms of tenure in the host country, and excluding HCNs, the cases had been, on average, 11 years in Portugal. In this respect, the most experienced FSM had been 31 years in the country, whereas the least experienced one had been 2 years.

On the other hand, the cases had, on average, worked for 21 years in the industry. In this respect, the most experienced FSM had been working for 35 years, whereas the least experienced one had been working for 6 years.

Within the MNC, the cases had, on average, worked for 15 years. The most experienced FSM had been working for 30 years, whereas the least experienced one had been working for 6 years.

In addition, the cases had, on average, worked for 12 years in the subsidiary. In this respect, the most experienced FSM had been working for 29 years, whereas the least experienced one had been working for 2 years.

Finally, the cases had, on average, worked for 8 years in their current position at the subsidiary. The most experienced FSM had been working for 12 years, whereas the least experienced one had been working for 2 years. The key figures concerning the cases and their context are depicted in Table 8 below.

TABLE 8 Key figures of the cases and their context

Key Figures 2001	Average	Minimum	Maximum
Subsidiary ⁸ sales (EUR million)	28.8		
Subsidiary employees	51		
Subsidiary weight on MNC sales	1.4%		
Subsidiary weight on MNC employees	1.8%		
MNC ⁹ sales (EUR million)	7598	131	31191
MNC employees (thousand)	22.562	1.360	53.849
FSM's international assignments	3	0	10
FSM's tenure in host country	11	2	31
FSM's tenure in industry	21	6	35
FSM's tenure at the MNC	15	6	30
FSM's tenure at the subsidiary	12	2	29
FSM's tenure at the position	8	2	12

As mentioned in section 3.3.3, such characteristics of the final sample of cases and their context were defined in order to ensure some degree of both uniformity and variety, thus facilitating replication and extension in the analysis of case evidence (Eisenhardt 1991). Such case evidence is discussed in the following sections in terms of context, content and process of FSMs' personal contacts. As mentioned in section 2.5.2, the adoption of such a specific structure for the discussion of case evidence is based on Pettigrew's (1987) call for a simultaneous account of context, content and process in theories of dynamic managerial phenomena.

⁸ The minimum and maximum figures concerning the subsidiary are undisclosed as requested by some FSMs.

⁹ The average figures concerning the MNC are calculated for 9 rather than 11 MNCs (see Table 7 in section 3.3.3).

4.2 Context of Personal Contacts

4.2.1 Interpersonal Context of FSMs

As mentioned in section 2.5.2, previous studies within the IMP group (see sections 2.2 and 2.3) and the process approach to MNC management (see section 2.4) do not explicitly account for the distinctive features of FSMs' personal contacts. Research within the IMP group tends to examine personal contacts in industrial markets without specifying the individuals who are involved in *social exchange* (IMP group 1982) or the *actors* who are involved in industrial coordination (Håkansson and Johanson 1993). The process approach to MNC management increasingly suggests the relevance of personal contacts for coordination at the subsidiary and MNC level, without specifying the individuals who are involved in *interpersonal networking* (Nohria and Ghoshal 1997). The present study attempts, therefore, to clarify the distinctive features of FSMs' interpersonal context following the suggestion that social networks of "managers and nonmanagers do differ" (Carroll and Teo 1996:437). For that purpose, two main constructs are adopted: *dependence* and *uncertainty*.

According to social exchange theory, the dependence of one party in an exchange relationship corresponds to the power of the other. In this respect, Emerson (1962:32) argues that: "the dependence of actor A upon actor B is (1) directly proportional to A's motivational investment in goals mediated by B, and (2) inversely proportional to the availability of those goals to A outside the A-B relation". Earlier, Weber (1947) equally asserted that bureaucratic authority is based on formal decree, but also on the superior's ability to control resources upon which the subordinate depends. Astley and Sachdeva (1985) label such two sources of authority the *legal* and the *rational* components of authority, respectively.

In the context of MNCs, Forsgren (1990a:74) equates *authority* with "power based on a right to control and a concomitant obligation to obey" and *influence* with "power based on the control of critical resources" (Larsson 1985). Authority is thought to affect organizational decisions directly and to flow unilaterally downward, whereas influence is seen as more informal and multidirectional in nature. Forsgren (1990a) thus seems to restrict authority to its legal component by equating its rational component with influence (Astley and Sachdeva 1985). More recently, Hewett and Bearden (2001:53) define dependence of one party on another "as the extent to which the first party relies on the relationship for the fulfillment of important needs" such the case of FSMs on the headquarters. The authors do not specify, however, whether such a dependence and concomitant authority is legal or rational (Astley and Sachdeva 1985).

In the context of industrial markets, dependence is primarily discussed in terms of mutual control of activities (Håkansson and Johanson 1984) through inter-firm relationships, which provide access to external resources (Pfeffer and

Salancik 1978). Such an emphasis on mutuality (Ford et al. 1986) thus seems to equate dependence with Forsgren's (1990a) notion of influence, given the assumption of interdependent actors, resources, and activities (Håkansson and Johanson 1992) in those markets.

Uncertainty, on the other hand, has been generally defined as the difference between the amount of information required to perform a task and the amount of information already possessed by the organization (Galbraith 1973, 1977). Tushman (1979:483) refers to both internal and external sources of work related uncertainty, which require organizations "to gather information from the environment, process information within the organization, and then export information back to the environment". Earlier, Thompson (1967) had identified technologies and environments as major sources of uncertainty for organizations.

In his review of literature employing the concept of uncertainty, Milliken (1987:134) notes that environmental uncertainty may be used "both as a descriptor of the state of the organizational environment and as a descriptor of the state of a person who perceives himself/herself to be lacking critical information about the environment". The former implies that uncertainty can be objectively measured (e.g. Starbuck 1976), whereas the latter takes such measurements as incompatible with contrasting perceptions due to contextual factors and individual attributes (e.g. Downey et al. 1975). Milliken (1987:136) appears to subscribe the latter view by defining uncertainty "as an individual's perceived inability to predict something accurately". The author suggests three types of environmental uncertainty, which can be experienced by the organization's administrators: *state*, *effect* and *response* uncertainty. State uncertainty refers to perceived unpredictability of changes in the general environment or of actions by key organizational counterparts. Effect uncertainty refers to the inability to predict what impact a change or action will have on the organization. Response uncertainty refers to the lack of knowledge of own response options and/or the inability to predict their consequences.

In the context of industrial markets, uncertainty has been associated with heterogeneity (Hägg and Johanson 1983) and equated with lack of information on the options available in input and sales markets (Forsgren et al. 1995). Ford (1980) refers to uncertainty in terms of potential costs and benefits associated with the adaptation to a specific counterpart, including opportunity costs of not doing it with other potential partners. More recently, Ford et al. (1998) refer to *need-*, *market-* and *transaction* uncertainty of buyers as well as *capacity-*, *application-* and *transaction* uncertainty of suppliers in industrial markets. Such views of uncertainty in industrial markets seem to generally correspond to Milliken's (1987:138) notion of *response* uncertainty, which is usually experienced "in the course of choosing from a number of possible strategies".

In the context of less-hierarchical MNCs, Gupta et al. (1999) discuss heterogeneity in terms of country differences, strategic roles assigned to subsidiaries, and clarity of roles assigned to FSMs. The authors suggest that FSMs may experience uncertainty "about the manner in which goals should be

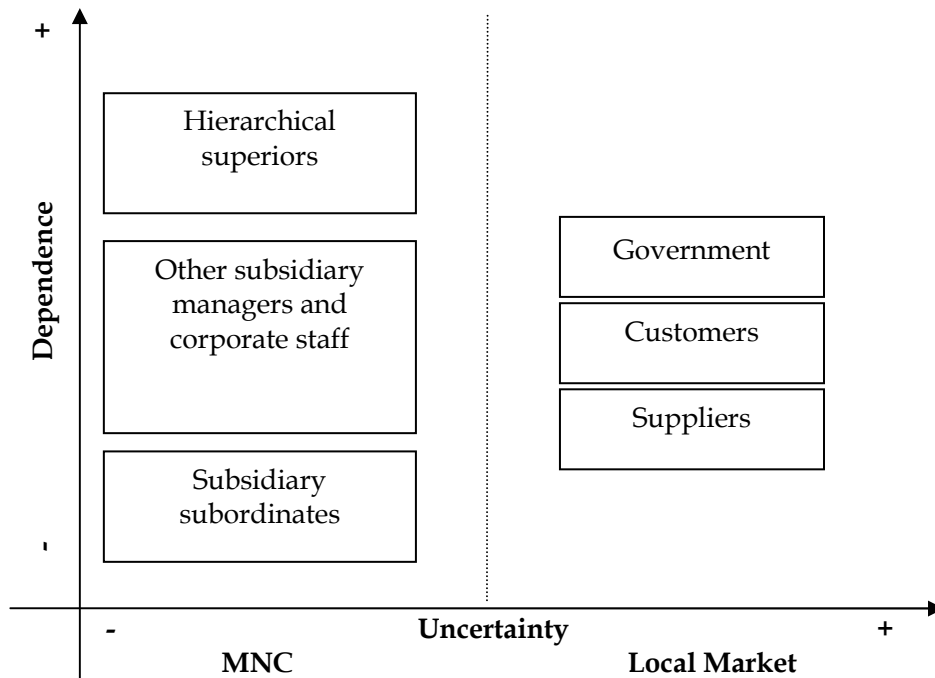
prioritised, and the appropriate behaviours needed to achieve results” (Gupta et al. 1999:208). Such a view of uncertainty equally seems to correspond to Millikon’s (1987) notion of *response* uncertainty.

As mentioned in section 1.5, the present study equates dependence with FSMs’ lack of authority (Weber 1947), which, in turn, may be legal or rational (Astley and Sachdeva 1985). Legal authority is based on the formal right to control and be obeyed to, whereas rational authority is based on the control of resources upon which others depend. As also mentioned in section 1.5, uncertainty is here equated with FSMs’ inability to predict something accurately, including internal and external changes to the organization, their outcomes and possible responses (Milliken 1987). In the present study, both dependence and uncertainty are thus viewed as perceptions of FSMs rather than objectively measurable characteristics of their context. Such a view is based on the assumption of FSMs’ bounded rationality (see section 2.1) in a single but not perfectly apprehensible reality (see section 3.2).

In terms of FSMs’ context, a distinction can be made between an *owner system* and a *business network* to which “any unit in an international firm, be it a subsidiary or a business unit, belongs at the same time” (Forsgren and Johanson 1992:24). The owner system or MNC is primarily based on formal relationships established by a central authority (Williamson 1975), whereas the business network or the local industrial market is primarily based on long-term business relationships among goal-oriented actors (Johanson and Mattsson 1987). Such a distinction is depicted in Figure 7 below by a vertical dotted line, which separates FSMs’ counterparts within the MNC from those in the local industrial market. This follows the assumption that FSMs have *boundary spanning roles* (Tushman 1977), that is, “act as link pins between subunits and external information areas” (Tushman 1979:498).

In terms of dependence it is assumed (see Figure 7) that FSMs generally perceive an obligation to obey to hierarchical superiors, the right to control subsidiary subordinates, and an even *legal authority* (Astley and Sachdeva 1985) vis-à-vis other subsidiary managers and corporate staff. In addition, it is assumed that, in general, FSMs have more *influence* (Forsgren 1990a) over suppliers than over customers following evidence that suppliers’ managing directors participate more often than their customers’ counterparts in buyer-seller social exchange (Cunningham and Homse 1986). In terms of uncertainty, it is assumed (see Figure 7) that FSMs generally perceive more uncertainty in the local industrial market than within the MNC due to a higher degree of heterogeneity in the former (Hägg and Johanson 1983; Forsgren et al. 1995) than in the latter context (Doz and Prahalad 1991; Gupta et al. 1999).

FIGURE 7 Interpersonal context of FSMs in industrial MNCs



The degree of dependence and uncertainty perceived by FSMs, may, in turn, be associated with contextual factors of personal contacts (see section 2.5.2). In this respect, the present study suggests individual, organizational, and market factors¹⁰, which were identified in the analysis of case evidence (see section 3.4.2). The discussion of such contextual factors in the following sections is, however, restricted to FSMs' degree of dependence or lack of legal authority within the MNC and to FSMs' degree of uncertainty or inability to predict something accurately in the local industrial market. In other words, the case evidence (see section 3.4.1) did not allow the analysis of FSMs' degree of dependence based on the control of resources within the MNC (e.g. Larsson 1985) or in the local industrial market (e.g. Håkansson and Johanson 1984), nor the analysis of FSMs' degree of uncertainty within the MNC (e.g. Gupta et al. 1999).

The following sections thus discuss case evidence only in terms of FSMs' perceived lack of legal authority within the MNC (left section of Figure 7) and perceived inability to predict something accurately in the local industrial market (right section of Figure 7). It must be noted as well that FSMs may perceive lack of legal authority within the MNC for different purposes. Two such purposes, which have been previously associated with the interpersonal role of managers, are information exchange and decision-making (e.g. Mintzberg 1990). Such purposes may be regarded as *goals* (Emerson 1962) or

¹⁰ Please see Appendix F for an alphabetic list of variables and respective definition, which are identified in the present study as contextual factors of FSMs' personal contacts.

needs (Hewett and Bearden 2001), which form the basis for a manager's dependence on other actors. FSMs' lack of legal authority within the MNC may, therefore, be sub-divided into *informational*- and *decisional* dependence. Such types of dependence are defined in the present study (see section 1.5) as "an individual's lack of authority to control a process of information exchange, in which (s)he participates" and "an individual's lack of authority to control a process of decision-making, in which (s)he participates", respectively.

Such definitions of dependence reflect the focus of the present study on legal rather than rational authority (Astley and Sachdeva 1985). Informational dependence does not refer to dependence on *information* as a resource controlled by others (Pfeffer and Salancik 1978), but to the participation of an individual in a *process of information exchange*, which (s)he does not control. An example of a process of information exchange within the MNC, in which a FSM participates but does not control, is a bureaucratic reporting system (e.g. Child 1973, 1972). An example of a process of information exchange within the MNC, in which a FSM participates and controls, is benchmarking other subsidiaries by own initiative.

Likewise, decisional dependence does not refer to lack of control over the outcome of decision-making – *decisions* – but to lack of control over the *process of decision-making*, in which an individual participates. An example of a process of decision-making within the MNC, in which a FSM participates but does not control, is bureaucratic goal setting (e.g. Galbraith 1973). An example of a process of decision-making within the MNC, in which a FSM participates and controls, is coaching a subordinate by own initiative.

The notions of *informational dependence* and *decisional dependence* may, therefore, be combined with the notion of *uncertainty* in order to analyse the interpersonal context of FSMs. In the one hand, the combination of informational dependence with uncertainty results in four scenarios, which are depicted in Figure 8 below.

FIGURE 8 Case evidence on FSMs' informational dependence

Informational dependence	+	High informational dependence Low uncertainty (section 4.2.6)	High informational dependence High uncertainty (section 4.2.5)
	-	Low informational dependence Low uncertainty (section 4.2.4)	Low informational dependence High uncertainty (section 4.2.3)
		-	+
		Uncertainty	

In the other hand, the combination of decisional dependence with uncertainty equally results in four scenarios, which are depicted in Figure 9 below.

FIGURE 9 Case evidence on FSMs' decisional dependence

Decisional dependence + -	High decisional dependence Low uncertainty (section 4.2.10)	High decisional dependence High uncertainty (section 4.2.9)
	Low decisional dependence Low uncertainty (section 4.2.8)	Low decisional dependence High uncertainty (section 4.2.7)
	-	+

As mentioned above, FSMs' degree of dependence and uncertainty may be associated with individual, organizational, and/or market factors of personal contacts (see Appendix F). Such contextual factors were identified in the analysis of case evidence (see section 3.4.2) and subsequently associated with a particular scenario of informational- or decisional dependence. In other words, each contextual factor has been associated with only one of the eight possible scenarios depicted above. Arguably, the association of certain contextual factors with more than one scenario would have been equally plausible. It has been assumed, however, that associating each contextual factor only with the scenario that it appears to be *primarily* related to, would enhance the clarity of the analysis.

On the other hand, the focus of the present study on dependence within the MNC (left section of Figure 7) and uncertainty in the local industrial market (right section of Figure 7) made the association between contextual factors and scenarios relatively straightforward. Market factors of personal contacts were associated with FSMs' degree of uncertainty, whereas organizational factors were associated with their degree of dependence. Individual factors of personal contacts were associated with uncertainty in the local industrial market and/or dependence within the MNC.

As mentioned in Figures 8 and 9, the eight scenarios are discussed in separate sections. Each section starts by listing the contextual factors associated with the respective scenario and proceeds with their separate analysis. Each contextual factor is thus: a) briefly described in terms of insights from the eleven cases, b) illustrated with quotations from the interviews, and c) reviewed in the light of extant literature. Such a procedure is intended to increase the construct validity of the present study (see section 3.4.3) by allowing readers to follow the chain of evidence and make their own interpretation.

4.2.2 Contact Networks of FSMs

Before addressing the contextual factors of FSMs' personal contacts a distinction can be made between different types of FSMs' contact networks. In particular, it is assumed in the present study that FSMs' overall contact network may be sub-

divided into a *private-*, a *business-*, a *formal-*, and an *informal contact network*. The *private contact network* includes FSMs' relatives, friends, acquaintances and ex-colleagues external to the MNC. The *business contact network* consists of individuals equally external to the MNC, but who represent governmental, customer, supplier and other organizations in the local industrial market. The *formal contact network* consists of FSMs' colleagues at the MNC. Finally, the *informal contact network* also includes FSMs' relatives, friends, acquaintances and ex-colleagues, but who are employed at the MNC.

Such contact networks of FSMs are illustrated in the following paragraphs, ahead of the discussion of contextual factors in sections 4.2.3 to 4.2.10. In terms of *private contact network*, most of the interviewed FSMs mention personal contacts with friends and acquaintances. A few of the interviewed FSMs mention personal contacts with relatives.

Sometimes you have a private guy who knows more than these legal guys... (...) that's a bit what type of circles you are moving yourself and what are the basic contacts for you... in this case how Finland is established in Portugal, can you use your Finnish colleagues or some other companies you know and this is quite... I mean, in some cases I have an English friend whose company is extremely active in Portugal and I ask him: "Can you introduce me to this man in Portugal?"...

PCN manager

I call to the embassy, I call to the chambers, I call my friend...

TCN manager

Outside the group I have a lot, but basically on the Portuguese and the Spanish market. This is where I have my contacts. (...) [In local firms] production and marketing I know. (...) But, apart from those contacts, all what I consider the company references in Portugal, I have regular contacts with them. (...) I am also the president of ISO certified companies in Portugal, so I know... now there are almost one thousand companies... (...) Politically, because of this position of president of the ISO certified companies, I am member of a national quality counsel as well. So, politically, I have some good contacts on the government level. You know, all the ministries are part of the national quality counsel... (...) Then, perhaps one of the most important, because is also a hobby I have, is the schools. (...) And in our neighbourhood all those important people which can influence in society. I know all those local authorities quite well. (...) actually, I have a lot of friends from other activities I had before coming here. I still use them... (...) And I have still a lot of contacts with my family. (...) I am quite close with more eleven companies to found a benchmarking club saying in our country what are the best practices in the several areas of management.

HCN manager

Because some of FSMs' acquaintances represent trade centres, chambers of commerce and associations, their *private contact network* may be regarded as including their *business contact network* i.e. individuals who are primarily business-related contacts (see section 1.5 for the definition of *contact*). In other words, the distinction between *private-* and *business* contact may become blurred due to the *multiplexity* or variety of contents comprised in FSMs' personal contacts (Mitchell 1969). In this respect, Rangan (2000:814) argues that the relevance of social networks is "greatest in those spheres of economic activity where *search* and *deliberation* pertaining to potential exchange partners are important but problematic". The author equates *search* with the

identification of potential partners, and *deliberation* with the assessment of their quality and intentions.

In addition to their *private-* and *business contact network*, FSMs may take personal contacts with relatives, friends, acquaintances and ex-colleagues within the MNC, who are defined in the present study as their *informal contact network*. Most of the interviewed FSMs mention personal contacts with acquaintances. A few of the interviewed FSMs mention personal contacts with ex-colleagues.

Depends on your personal network within the company. (...) of course there is a formal structure, which you find out one way or another, which helps you, but usually is much easier just to call where you know the people and they know you, so you just pick up the phone and call them. (...) I have some contacts, which I have been [having] all my working time in this specific company...

PCN manager

I know quite a number of people in Switzerland, in France, in Holland, and in Trieste, but this is because I am working in this group since ten years, so I have contacts, of course. (...) I know a very good friend, who moved from [...] to [...] and he is head of [...] division, so I call him...

TCN manager

In some units I only know the managing director or perhaps also the marketing manager, but if its one organization on which I used to go through to understand their processes and how they developed their processes, I know not only the managing director. I know all the managers and even the operators. (...) at least five persons you use to call them even if you have no points. Just to see how life is going. And that at least five contacts I have. (...) With the group reorganization some of them went out to other divisions, but of course friendship is very transversal, so you can keep it wherever they are.

HCN manager

The *informal contact network* of FSMs is thus seen in the present study as a subset of the MNC's informal organization (Barnard 1938), with which FSMs take personal contacts. In this respect, Krackhardt (1990:344) distinguishes between an *advice network*, which "represents the instrumental, workflow-based network in the organization" and a *friendship network*, which "is not necessarily linked to the routine work done in the organization, but it does capture important affective and social bonds". In a latter contribution the same author further distinguishes between an *advice network* related with technical information, a *trust network* related with political information, and a *communication network* related with work-related matters (Krackhardt and Hanson 1993).

Finally, some personal contacts of FSMs may involve hierarchical superiors, subsidiary subordinates, corporate staff and other subsidiary managers within the MNC. Such a scope of contacts is defined in the present study as the FSM's *formal contact network*. Most of the interviewed FSMs mention formally assigned contacts for reporting, planning and approval purposes. A few of the interviewed FSMs mention formally assigned contacts for technical or marketing support.

I have a very thin link to the actual organization formally. So the formal restrictions in my job are almost non-existent. I have my boss, but that's the president of the Iberian company and is purely administrative, looking formally. All the functional contacts I create myself through the necessities of my work... (...) As a negotiator you follow very clearly the organigram.

PCN manager

We don't have direct access to [...], for example, people of technology and research and development. If we have problems of this kind it will always go through an expert in [...] and expert will go to [...] and we will get the answer the same way. (...) Everything goes through [...], because if you start to accept that kind of organization then the group starts to be totally unmanageable.

TCN manager

These people are assisting all the sales offices in the world so I have my contact in each location. I have one contact for quotations and also I have my order handling people, which is different matters. (...) We have specialists for everything, so I can use my contact, it takes a little bit longer, but ok it's the channel or I can use directly the specialists... (...) In a daily basis is very good to have that person, [or] when he is on holidays... he is sending a message that: "from this day to that day, please contact our colleague", because otherwise it would be a mess, everybody calling everybody.

HCN manager

The *formal contact network* of FSMs is thus seen in the present study as a subset of the MNC's formal structure, with which FSMs take personal contacts. Bartlett and Ghoshal (1990) regard *formal structure* and *interpersonal relationships* as complementary mechanisms of coordination (Martinez and Jarillo 1989), which they label the MNCs' *anatomy* and *physiology*, respectively. In this respect, Egelhoff (1993:204) argues that: "a key function of formal MNC structure is that managers across the company know where specific sources of knowledge and capability lie, the locations tend to be fairly stable, and managers are generally familiar with how to access them".

The four contact networks of FSMs – private, business, formal, informal – are not addressed in the discussion of contextual factors (see sections 4.2.3 to 4.2.10), which only refers to general personal contacts of FSMs. Such contact networks will form the basis, however, for some of the managerial implications and suggestions for further research of the present study (see sections 5.5 and 5.6).

4.2.3 Low Informational Dependence / High Uncertainty

A scenario of low informational dependence and high uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual factors: *market idiosyncrasy*, *market dynamism*, *supplier closeness*, *customer closeness*, *business culture*, *corporate culture*, *background*, *career*, *language skills*, *initiative*, *sales orientation*, *social skills*, *personality*, *attitude*, and *availability*. Such market, organizational, and individual factors of FSMs' personal contacts in industrial markets (see Appendix F) are illustrated with three quotations from the interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

As mentioned in section 4.2.1, the discussion of contextual factors in the present study is restricted to FSMs' degree of uncertainty in the local industrial

market and to FSMs' degree of dependence within the MNC. Therefore, high uncertainty for FSMs is associated with the market factors listed above, whereas their low informational dependence is associated with the organizational factor. The individual factors are associated with high uncertainty in the local industrial market and/or low informational dependence within the MNC.

Market idiosyncrasy is the first market factor listed, being assumed to increase FSMs' degree of uncertainty. In this respect, most of the interviewed FSMs mention local specificity in terms of market size and educational level. A few of the interviewed FSMs mention local specificity in terms of legislation and market concentration.

When they plan the strategy so we participate in the planning of those strategies, is very difficult to consider all the details of various countries and various companies. (...) Portugal is still fairly person or family oriented in all the businesses, so you talk about influential families and persons. (...) Portugal, especially, is in that sense in a quite rapid process of establishing some of the European Union laws and manners and that you need to know it, not to make a mistake that will cost you financially.

PCN manager

Social organization of Portugal is such that you have a very close world, only five percent makes ninety five percent of the business in Portugal, this is a close club with very famous families in Portugal. (...) We are interested to have consultant who can see where you are good and bad to compare with the other. But this is not really [the case] in Portugal.

TCN manager

When I started with this business, in our customers you never met any engineer. Ten years ago or twelve ago and now all customers have an engineer, who have the responsibility for the plant. (...) In this type of mining engineers, I think that there are five or six per year, not more.

HCN manager

In the context of industrial markets, Cunningham and Homse (1986:262) also speculate that: "market structure will have a major impact upon the amount of interaction and, therefore, on the human resources committed to develop or defend special relationships".

Market dynamism is related with, but distinct from *market idiosyncrasy*, being equally assumed to increase FSMs' degree of uncertainty. In this respect, most of the interviewed FSMs mention uncertain demand in the local industrial market.

There are also changes in the market place, mergers between our customers and takeovers. (...) The business environment changes continuously, that means that we have to be on a continuous search for new opportunities, and also it's a continuous follow-up of threats, new competition or due to changes at the customers, maybe a financial crisis of a customer or even a certain business segment.

PCN manager

If the competitors reduce twenty percent the level of prices, what do you do? You stop your work? No. You need to convince to the marketing director that the competitors have another level in the market. And you need to convince that is necessary to maintain the customer and the product and everything.

TCN manager

Nowadays it has become more and more difficult because we are surviving in a world with lots of speed as you know, but I am used to have one meeting every fifteen days with the local management, where we analyse the evolution of the company, the most important problems, the most interesting opportunities...

HCN manager

In the context of industrial markets, Cunningham and Turnbull (1982:305) similarly contend that: "there are several groups of variables, identified in the theoretical model of interaction, which affect or are affected by, personal contacts". One such variable is *dynamism* once that: "in a dynamic environment the opportunity cost of reliance on a single or small number of relationships can be very high when expressed in terms of the developments of other market members" (IMP group 1982:20).

In addition to *market dynamism*, a high degree of uncertainty perceived by FSMs may be associated with *supplier closeness*. Most of the interviewed FSMs mention personal contacts to understand customers' hierarchy and decision-making process. A few of the interviewed FSMs mention suppliers' initiative to take personal contacts with customer counterparts.

Our suppliers it's quite usual, and it goes quite straightforward: they have a little bit the responsibility to create the relationship with us... (...) Also we are consciously dividing the hierarchies of the organization into responsibility areas of certain people. (...) Is of course that people are doing the decisions, is not the company making the decisions, is a group of people within the company who make the decisions. Your personal influence on those people is crucial value...

PCN manager

You go over the head of the purchasing manager and he may get a little annoyed when you do that, so usually it's better to do it straight to the purchasing manager. (...) He is the decision-maker after all. And he should be your friend, if he is not your friend, he doesn't buy from you...

TCN manager

Normally my contacts they go through the people with top-level positions, with power for decision process as much as we can. However, we and I also develop some contacts on lower levels, medium and high level, as soon as I think that they are going to take decisions. (...) So decision-makers for me they are very important on every company, on every department.

HCN manager

In the context of industrial markets, Cunningham and Turnbull (1982:312) acknowledge *supplier closeness* as a dimension of the *style* of personal contacts, arguing that: "marketers seek a much closer personal interaction with customer's personnel than the buyers do with suppliers".

The reverse of *supplier closeness* is *customer closeness*, which is also associated with a high degree of uncertainty for FSMs. Most of the interviewed FSMs mention personal contacts by customers' initiative as well as close relationships with suppliers.

We may get an impulse from a customer saying that: "I would like to have that and that change in your product to suit better to my needs, can you make it?"... (...) a managing director of a customer, who called me and said that he knew that we had an investment project which would affect them in a positive sense, [to ask if] there

were any news, was it going according to the plan, what would happen to the prices...

PCN manager

All customers that call me to ask or write to ask or send information or inquiries to ask, I try to know, I try to visit.

TCN manager

Each time I sell machines we are obliged to sell a structure to support the machines and this structure we make in Portugal with our plans. That means that we have a good relationship with these two enterprises... (...) The idea is to have some local suppliers and maintain these suppliers. Is very important for this type of business. (...) during one exhibition we decided to contact one of these suppliers in France, the best in France, and I propose to work together... (...) we had a lot of demands of customers for this type of the plants and we decided to work and to sell this kind of plants.

HCN manager

In the context of industrial markets, Cunningham and Turnbull (1982:304) contend that: "buyers are by no means passive and personal contacts can be initiated by either the buying or the selling company".

The last market factor listed in this section is *business culture*, being equally assumed to increase FSMs' degree of uncertainty. Most of the interviewed FSMs mention personal contacts, which are initially difficult to take due to a high degree of ceremony in local counterparts, but subsequently frequent due to a high degree of centralization in such counterparts.

Portugal is a country which has a lot of very specific cultural issues, when it comes to the business behaviour and we need to implement the strategies of ours knowing all that. (...) In the Portuguese culture there is quite often that before you close the deal, actually is formally closed, the president of the company, the owner of this kind of whatever, [...] or [...] company, he wants to close it and he doesn't close it with the salesman, he wants to close it with this part. Is structured so. (...) In Finland you can call almost everyone, you just pick the phone and call and introduce yourself and say: "I want to talk to you about this subject". Unless he is a government official you can invite him even for a lunch and talk. It's no problem at all. In United States you can do almost the same. In Portugal you cannot. Somebody needs to present you and if you can't find, then you at least need to write a letter and say: "I have this and this", you ask his permission too: "could I call, could our secretaries find some common time for us?" and then he says: "yeah, that's alright. Let's put for lunch or whatever". But this is quite... it's different, you need to do it in a civilized way.

PCN manager

The owner of a big company in Portugal will not accept to discuss with our vice-president. (...) People who I am meeting and certainly at the end of the day most of the industry, the boss does not delegate. (...) And this is very special in Portugal, which is not the case here. Here we have clear share of responsibility and [a subordinate] knows to which point he can negotiate in our company. Other partner, most of the time, everything is going to the top, which makes some of the problems very difficult.

TCN manager

Mill managers and the project managers usually they want to discuss and to talk to the other managers. (...) A certain person that it was a decision maker, that it was replaced by another person that we never met, it's not easy, in almost one hundred percent of the cases is not easy. We must be introduced...

HCN manager

In the context of industrial markets, Cunningham and Turnbull (1982:311) similarly refer to *industry norms of behaviour* as a factor of the intensity of personal contacts.

As mentioned in section 4.2.1, the association of the market factors just described with other scenarios of high uncertainty (see sections 4.2.5, 4.2.7 and 4.2.9) would have been eventually plausible. The analysis of case evidence suggests, however, that *market idiosyncrasy, market dynamism, supplier closeness, customer closeness, and business culture* are primarily related with a scenario of low informational dependence as defined in section 1.5.

On the other hand, *corporate culture* is the only organizational factor listed in this section, being assumed to decrease FSMs' degree of informational dependence. In this respect, most of the interviewed FSMs mention relatively common interests as well as open communication within the MNC. A few of the interviewed FSMs mention, however, heterogeneous interests within the MNC due to mergers and acquisitions.

Instead of having a very formal structure we have this kind of informal structure where you basically do your work by contacting people. (...) In theory we all try to do the best for the shareholders, so in that sense there should not be a conflict of interest, [but] there might be a difference of opinion of what would be the best benefit for the shareholders.

PCN manager

There is no limitation and I don't need to contact first the director, because I am in contact with another people, salesman directly or something like this. (...) of course there is inside the group cooperation about the way each profit centre reaches the targets... (...) I think that one thing very positive in the group is exactly the fluency in the contacts. They are very simple, they are normally very constructive in general and very easy to maintain.

TCN manager

There is a sub-culture in France and there is a sub-culture in Finland. (...) I can see very good and very complicated also with this fusion with [...]. We decided to work with some guys with a different culture of enterprise and I think that it is a challenge...

HCN manager

The MNC's *corporate culture* is thus seen in the present study as a common set of values that minimizes divergent interests, emphasizes mutual interdependence, and leads to domain consensus (Van Maanen and Schein 1979). In similar fashion, Bartlett and Ghoshal (1990:140) refer to MNC's *psychology* or "shared norms, values and beliefs that shape the way individual managers think and act".

As mentioned in section 4.2.1, the association of this organizational factor with other scenarios of low informational dependence (see section 4.2.4) and even of low decisional dependence (see sections 4.2.7 and 4.2.8) would have been eventually plausible. The analysis of case evidence suggests, however, that *corporate culture* is primarily related with a scenario of low informational dependence and high uncertainty as defined in section 1.5.

Background is the first individual factor listed in this section, being associated with both FSMs' high degree of uncertainty and/or low degree of

informational dependence. In this respect, most of the interviewed FSMs mention personal contacts within the MNC or in the local industrial market, which are either enhanced or inhibited by their nationality and/or profession.

Not being engineer as such, really, I delegate the engineering discussions, and anyway that's not really my speciality... (...) I think that here actually being a foreigner is easier to establish contacts, than if you would be a local. It's a question actually in many countries/cultures because then you are free of any other background issues, which might affect the relationship otherwise.

PCN manager

[Within the MNC] I am a foreigner so I have a different background than the background from Portugal, so I have to defend the house and Portugal and with my Northern European background and that makes it easier for the Finns to understand what the situation is... (...) [In the local market] I feel that I have more opportunities and more possibilities to maintain or start those contacts because I am a foreigner.

TCN manager

[Within the MNC] [...] was an economist and this guy is the same formation that I have, it means mechanical engineer. He's not a French, is a Swedish guy, it means that with [...] I spoke in French, with this guy I am obliged to speak in English, is a challenge.

HCN manager

In this respect, Mishler (1965:560) considers nationality as especially "important in affecting the kind of contacts made and their potential for becoming long-term relationships" in the case of students and scholars who become sojourners abroad. In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:158) argue that expatriates or "individuals whose home country is the MNC's corporate headquarters" typically have a larger range of inter-subsidary contacts. In the context of industrial markets, an individual's national and professional background has also been referred, albeit implicitly, as a factor of personal contacts (Hällén 1992; Björkman and Kock 1995; Andersson et al. 1996; Axelsson and Agndal 2000; Halinen and Salmi 2001).

Related to, but distinct from *background*, the *career* of FSMs is also associated with their high degree of uncertainty and/or low degree of informational dependence. Most of the interviewed FSMs mention personal contacts within the MNC or in the local industrial market with contacts that they first met in another job.

There is lot of my ex-colleagues from [...], for example, joining the same multinational, so yes I had a lot of contacts already before. (...) same people who might have been working within our customers in Italy, Poland, here, so usually I knew the people sometimes quite intimately before even coming here.

PCN manager

Sometimes I know the companies, I have a relationship with the companies because I was selling other products in these companies, in another markets...

TCN manager

Two of my colleagues I already knew before I joined this company, because I used to be a customer.

HCN manager

In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997) distinguish between *initial socialization* by which a newcomer is formally introduced to key individuals in the organization, and *mentoring relationships* by which individuals are informally advised by a more senior member of the organization. The authors claim that “ties formed early in our careers are the most important and durable contacts we form” (Nohria and Ghoshal 1997:169). In the context of industrial markets, an individual’s career has also been referred as a factor of personal contacts (Hällén 1992; Björkman and Kock 1995; Andersson et al. 1996; Axelsson and Agndal 2000; Halinen and Salmi 2001).

In addition to FSMs’ *career*, their *language skills* are also associated with their high degree of uncertainty and/or low degree of informational dependence. Most of the interviewed FSMs mention personal contacts within the MNC or in the local industrial market, which are either inhibited or enhanced by their language skills.

[In the local market] language is an enormous barrier. You feel always difficulties to get close to the people if you are talking a foreign language. (...) basically to be part of the social life there you should be speaking fluently Portuguese.

PCN manager

[Within the MNC] the language barrier, so if we are together with the Finns and they start talking in Finnish then you feel an outcast, and then you must have the confidence and the trust that they are not discussing something different, but sometimes is difficult to accept this...

TCN manager

I think the big handicap is the language, but I can speak in English not very fast, not very well, but I understand the people, it’s very easy for me to speak French, Spanish... (...) The relationship is different if you speak the same language. (...) I am convinced that I have a good relationship with my boss, because I can speak with him in French.

HCN manager

In the context of less-hierarchical MNCs, language constraints on individuals’ ability to maintain an extensive number of ties, has been acknowledged by Nohria and Ghoshal (1997) and examined in further detail by Marschan et al. (1997, 1999). More recently, Charles and Marschan-Piekkari (2002) further distinguish language constraints in less-hierarchical MNCs into: a) problems caused by absence of a common language, and b) comprehension problems caused by inadequate knowledge of a shared language. In the context of industrial markets, individuals’ language skills have also been referred as a factor of personal contacts (Cunningham and Turnbull 1982; Andersson et al. 1996).

In addition to *language skills*, a high degree of uncertainty and/or low degree of informational dependence may be associated with FSMs’ *initiative* to take personal contacts. Most of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market by their own initiative.

One thing is to be personally active in company, so go around and meet people and get to know them... (...) [In the local market] in most cases you need to seek the opportunity to meet the people, just as simple. You call as many times as required to get the meeting, to get to know the people.

PCN manager

Always there are opportunities for maintaining the contact. Always. If you want you can talk everyday. If somebody doesn't want to attend your call, there are another people that you can have a possibility to talk with also. Depends of you, you are the manager. You need to decide if it is good for your company these people or another people, this contact or another contact.

TCN manager

From my initiative I also have more contacts to the big customers... (...) if I want to make an advertisement or send a technical article to the magazine, in that case, it's my initiative.

HCN manager

In the context of less-hierarchical MNCs, Barlett and Ghoshal (1997:95) equally emphasize "the initiative to create and pursue new business opportunities" of front-line managers. In similar fashion, Cunningham and Turnbull (1982:306) argue that personal contacts in industrial buyer-seller relationships "provide both companies with the dynamic necessary to respond to new opportunities and threats".

FSMs' *initiative* may, in turn, be associated with their *sales orientation*. Most of the interviewed FSMs mention personal contacts with customer representatives. A few of the interviewed FSMs admit giving priority to sales.

If I would restrict something I would restrict to sales and marketing. So, the administration is the part which I have to do, the marketing and sales is the one I want to do.

PCN manager

If you are one hour by phone with the marketing director of the factory or the manager of the business line, you cannot develop your work. (...) I am worried calling to the customers, not calling to my colleagues. If they want to talk with me, they can call. My work is with the customer.

TCN manager

The price it's one thing that is very important, but for me not the most important. The most important is the quality of relationship with the customers... (...) I work with some customers, not all the customers, but I know all customers personally. (...) The idea is the market share. It means that you are obliged to contact new customers.

HCN manager

In similar fashion, Gates (1994:12) suggests that: "FSMs devote over a third of their time, the largest share, to marketing and customer relations". Quelch and Bloom (1998:376) also refer to *traders* as country managers who "focus primarily on sales and distribution", but in consumer- rather than industrial markets.

In addition to *sales orientation*, FSMs' *initiative* may be contingent on their *social skills*. Most of the interviewed FSMs mention the importance of being able to engage in personal contacts within the MNC or in the local industrial market.

[Within the MNC] is a question of your personal networking skills, basically, so you learn to know people. (...) I have personally been always able to establish very close relationships with the local people and one thing I believe is affecting is that usually if your social skills are good, you are able to establish personal relationships in general...

PCN manager

Well, I think that the contact with the person is for me something easy to get, so I don't see any problem related with this. On the contrary I see pleasure and benefits.
TCN manager

For me is very easy to do the contacts [within the MNC]... (...) It means that for me is not a problem to speak with anybody. The same with customers, with subcontractors, I have no problems to do the relationship.
HCN manager

In practice, however, it may be difficult to dissociate FSMs' *social skills* from their *personality*. Most of the interviewed FSMs mention the importance of matching personalities within the MNC or in the local industrial market.

[Within the MNC] of course, the chemistry between people affects...
PCN manager

[Within the MNC] it depends on the character of the people. (...) they don't like you or you don't like them... (...) [In the local market] depends on the personality of the customer. It is necessary to study the people that it is in front of you. (...) You need to put your best, but always is impossible. Sometimes your character is different...
TCN manager

[Within the MNC] depends on the persons. Sometimes there are shy [persons], it's very difficult, but for me it is not a problem. (...) The first contact it's very important and the chemistry.
HCN manager

In similar fashion, Nohria and Ghoshal (1997:155) acknowledge that, in principle, "individual factors such as personality and motivation, can influence an individual's social capital". In the context of industrial markets, Halinen and Salmi (2001:12) refer to *personal chemistry*, which "may have various negatives consequences for business relationships".

The *personality* of FSMs may, in turn, be difficult to dissociate from their *attitude*. Most of the interviewed FSMs mention attitudes within the MNC or in the local industrial market, which either enhance or inhibit the intensity of their personal contacts.

[Within the MNC] there are sometimes conflicts, but I would say that conflict mainly arises if you are not willing to accept that maybe your view of the things is more narrow than should be. (...) [In the local market] you need to be persistent to create them as well as you need to be able to provide some value added to the relationships...
PCN manager

[Within the MNC] there is conflict, he is optimistic, he is realistic and there is many in between.
TCN manager

I am curious about what others are doing, I am always asking and I try to be polite with them, so I would say that nowadays I think I have a quite big list of potential and good friends. (...) You know, I am an optimistic. (...) [In the local market] if somebody decided to call me, I can't be impolite and say: "no, I don't want to talk". (...) my persistence is strong enough to keep insisting.
HCN manager

As mentioned above, Nohria and Ghoshal (1997) also acknowledge motivation as an individual factor of personal contacts. In the context of industrial markets, Halinen and Salmi (2001:12) implicitly acknowledge the negative side of individual attitude, by stating that: “people necessarily get involved with inter-firm conflicts and, in the worst case, even aggravate them by their own behaviour”.

Finally, the *attitude* of FSMs may, in turn, be contingent on their *availability*. Most of the interviewed FSMs mention limited time for personal contacts within the MNC and in the local industrial market.

[Within the MNC] you would need to have time to have the relationships and I don't think there is any kind of barriers, except this kind of natural barrier, lack of time or availability... (...) [In the local market] a personal relationship doesn't happen over night, you need time to create it... (...) getting time to meet them also because usually the people I meet are very busy people.

PCN manager

[Within the MNC] I don't have many free time or everyday to talk with the people. (...) if you go with the customer, you have no time practically for the day.

TCN manager

The difficulty is time. I think that you are involved in lot of things and sometimes you don't have time to do the things correctly... (...) [In the local market] the customer can see the difference of availability...

HCN manager

In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:152) argue that: “individuals simply do not have enough time or cognitive capacity to maintain such an extensive number of ties, especially since many of these ties have to span the globe”. In the context of industrial markets, Cunningham and Turnbull (1982:305, italics added) implicitly acknowledge the relevance of FSMs’ availability by stating that: “personal contacts between buyers and the technical and *general management personnel* were rated as highly as sales representatives as necessary channels of communication”.

As mentioned in section 4.2.1, the association of the individual factors just described with another scenario of low informational dependence (see section 4.2.4) would have been eventually plausible. The analysis of case evidence suggests, however, that *background, career, language skills, initiative, sales orientation, social skills, personality, attitude, and availability* are primarily related with a scenario of high uncertainty as defined in section 1.5.

4.2.4 Low Informational Dependence / Low Uncertainty

A scenario of low informational dependence and low uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual factors: *geographical proximity, age of relationships, tenure and delegation*. Such organizational and individual factors of FSMs’ personal contacts in industrial markets (see Appendix F) are illustrated with three quotations from the

interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

As mentioned in section 4.2.1, the discussion of contextual factors in the present study is restricted to FSMs' degree of uncertainty in the local industrial market and to FSMs' degree of dependence within the MNC. Therefore, low informational dependence for FSMs is associated with the organizational factors listed above. The individual factors are associated with low uncertainty in the local industrial market and/or low informational dependence within the MNC.

Geographical proximity is the first organizational factor listed in this section, being associated with a low degree of informational dependence for FSMs. In this respect, most of the interviewed FSMs mention physical location as either enhancing or inhibiting the intensity of their personal contacts within the MNC.

[Within the MNC] maybe the most frequent contacts, as far as exchange of market information is concerned, is with Spain.

PCN manager

On the business side we have a close relationship with Spain, and this is easy to understand ... (...) if I was closer from Helsinki I would probably have a meeting one, two, three times per week and to see how the things are progressing, but I am too far. (...) We are very far, we are not in Europe... in Portugal, but the central activities in Helsinki means at least five hours trip or all day trip and is significant. I mean, within the product company and in Europe, really France, Italy and all these countries they are meeting often and actually sharing quite a lot of things, but Portugal is too far, even Spain is too far. We are not involved...

TCN manager

It doesn't mean that abroad we don't talk together. But because also we are too far away from those countries, we are really in the Iberia, so we cannot receive lots of support from them. (...) It has been very difficult for me, for instance with Finland, it's difficult because Finland it's too far away...

HCN manager

In the context of less-hierarchical MNCs, Marschan (1996:157) found that: "geographical distance and differences in time zones caused problems in running inter-unit communication and the daily business".

Age of relationships is the last organizational factor listed in this section, being equally associated with a low degree of informational dependence for FSMs. In this respect, most of the interviewed FSMs mention personal contacts within the MNC, which are enhanced by long-lasting relationships.

[Within the MNC] it's easy to approach the people whom you already met and had contact and business with... (...) After a certain time working together you get an image of the other person... (...) [In the local market] when we reorganized our sales responsibilities we took very much into account that was there a longer existing relationship and a good working relationship with certain customers... (...) Completely new customers maybe less... of course it's easier to expand the cooperation with customers that you already have relationships with.

PCN manager

[In the local market] very close relationship between customer and company. Of course that this work is during years. (...) We started with one company and we worked with them ten years more or less... (...) New customers, is difficult... if you have opened of course the door is easy for you. If you are a new salesman perhaps

you have a problem because the purchasing man has a habit of receiving another salesman and you need to change...

TCN manager

[Within the MNC] if you want to negotiate with a person you know, if this person knows me it's very easy to negotiate because he knows me, he knows my work, my reputation, he knows a lot of things. (...) [In the local market] all local suppliers started to work with us ten years ago, twelve years ago, at the beginning or creation of this local sales unit. (...) when we arrive to a relationship with a customer is necessary a lot of years of relationship...

HCN manager

In the context of less-hierarchical MNCs, Marschan (1996:153) suggests that: "building personal relationships within a large MNC takes time". In the local industrial market, Cunningham and Turnbull (1982:311) refer to inter-firm *age of relationships* due to "the progressive institutionalisation of contact patterns" over time. Cunningham and Homse (1986:257) suggest as well that perceived distance between two firms "is reduced in stages as the personal contacts change from a simple salesman-buyer relationship to a multi-functional network of contacts".

As mentioned in section 4.2.1, the association of the organizational factors just described with other scenarios of low informational dependence (see section 4.2.3) and even of low decisional dependence (see sections 4.2.7 and 4.2.8) would have been eventually plausible. The analysis of case evidence suggests, however, that *geographical proximity* and *age of relationships* are primarily related with a scenario of low informational dependence and low uncertainty as defined in section 1.5.

Tenure is the first individual factor listed in this section, being assumed to decrease FSMs' degree of uncertainty and/or informational dependence. In this respect, most of the interviewed FSMs mention larger scope of personal contacts over time within the MNC and in the local industrial market. A few of the interviewed FSMs mention less frequent personal contacts over time within the MNC.

In most of these types of operations, my colleagues were fairly senior guys. And the reason for that selection is obviously that due to our personal career we have been able to establish quite numerous contacts in various developments during the recent years. So for us is very easy to call, ask, introduce ideas without always need to introduce who you are, why you are calling. So you make more right questions and your approach in that sense is more effective. The younger guys are actually the operative guys. There we have a different structure. And in my case, as you saw, being working that long, for me personally is extremely easy. I am one of those who probably know best all the organization by person.

PCN manager

I know what is the situation in Portugal, I am living here for many, many years, so, I know exactly what the situation is, and that means that I can easily work with these two worlds.

TCN manager

A lot of trainings when I joined the company, so much more than now, because I needed in the beginning, now not so many. (...) In terms of customers (...) In the beginning I didn't know almost anybody, but ok after these eleven years...

HCN manager

In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:156) consider intuitively obvious that: “the longer an individual has worked in any organization, the more opportunities he or she has to meet and form contacts through the organization”. In the context of industrial markets, Hällén (1992:90) similarly states that: “the number of contacts is also likely to multiply over time”.

Delegation is the last individual factor listed in this section, being assumed to decrease FSMs’ degree of uncertainty and/or informational dependence. In this respect, most of the interviewed FSMs mention having delegated the operative side of relationships, namely with customers and suppliers as well as with accountants, auditors, lawyers, banks and forwarding agents. A few of the interviewed FSMs mention having delegated the operative side of relationships with local authorities.

With some of them like with the accountants and auditors and lawyers, banks, it's not only myself. In many cases it is in parallel with our controller or with our sales director...

PCN manager

Also the local authorities, the municipalities, local government is very important that you know exactly where you can find your information or get your information. (...) Sometimes I do it myself, and most of it I delegate. (...) I have contacts with Portuguese customers as well, but on the daily basis is better to leave it to the local people than to do it yourself.

TCN manager

I don't like to operate just by myself on the majority of the cases, because I cannot go to maintain a certain kind of regularity... (...) I delegate as much as I can in terms of business, but I like to participate when I decide that the business in terms of supplier or in terms of customer is important, is relevant for the company.

HCN manager

Delegation is thus seen in the present study as the transfer of assigned tasks and responsibilities to lower levels in the organizational hierarchy. In the context of MNCs, delegation has been identified as one of five dimensions of less-hierarchical structures (Marschan 1997), which is expected to translate into a broader rather than narrower set of tasks and responsibilities for FSMs. Such a view of delegation at the MNC rather than subsidiary level is captured in the present study’s notion of *extra duties* (see section 4.2.7) rather than *delegation*.

As mentioned in section 4.2.1, the association of the individual factors just described with other scenarios of low informational dependence (see section 4.2.3) and even of low decisional dependence (see sections 4.2.7 and 4.2.8) would have been eventually plausible. The analysis of case evidence suggests, however, that *tenure* and *delegation* are primarily related with a scenario of low uncertainty and low informational dependence as defined in section 1.5.

4.2.5 High Informational Dependence / High Uncertainty

A scenario of high informational dependence and high uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual

factors: *technical complexity*, *market internationalisation*, *start-up*, *organizational change* and *employee turnover*. Such market and organizational factors of FSMs' personal contacts in industrial markets (see Appendix F) are illustrated with three quotations from the interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

As mentioned in section 4.2.1, the discussion of contextual factors in the present study is restricted to FSMs' degree of uncertainty in the local industrial market and to FSMs' degree of dependence within the MNC. Therefore, FSMs' high degree of uncertainty is associated with the market factors listed above, whereas their high degree of informational dependence is associated with the organizational factors.

Technical complexity is the first market factor listed in this section, being assumed to increase FSMs' degree of uncertainty. In this respect, most of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market concerning technical issues.

If you don't know it, you find someone who knows. This is very complex business that we have, which means that even simple questions like what is the price is not easily defined. (...) Most likely I don't even understand the question what I am doing myself properly, but I am just transferring the question and I am trying to apply the answer. (...) [In the local market] usually our customers demand that there has to be a certain amount of expatriates in the organization otherwise they cannot trust that our competence is on the right level.

PCN manager

I never try, and this is my philosophy, I never try to solve a problem myself when I can find somebody more competent in the group to solve it. (...) [In the local market] [...] knows more about our engine than [...], because when you have fifty engines to deal with in a day-to-day business, I mean, you know much more on the engine than any service engineer...

TCN manager

[Within the MNC] if we have on the sales area a technical problem, and we need to clarify this technical problem on the business level to have some explanation about some specifics then I will talk with the technical director for international operations... (...) basically related with technical information on some equipments, assistance for training sessions, for supporting technical information to our sales people, drawings, designs, recommendations, doubts about certain kinds of utilizations of products that should be taken in consideration, this kind of things. (...) In one business, just like this one, it's quite difficult. Very often many things are brand new. The situations are brand new. It's a question of assuming risks...

HCN manager

In the context of local industrial markets, Cunningham and Turnbull (1982:305) contend that: "the type and level of technology of the customer's organization and the complexity of the product being purchased, have profound effects on the amount of information exchange which is required". Such a view is reiterated by Cunnigham and Homse (1986), who refer to *product-* and *transaction complexity*.

Market internationalisation is the second market factor listed in this section, being equally assumed to increase FSMs' degree of uncertainty. In this respect,

a few of the interviewed FSMs mention personal contacts concerning information on competitors and legislation.

It may be that a certain competitor has increased or decreased prices, which affects us on a number of markets, so it's a clear policy decision from the competition and then we have to react in whatever way...

PCN manager

Portugal is part of the European Union and that's very important because laws are more or less the same in all countries, so what we have here, if we have a problem here is more or less the same solution it will need in Portugal as in another country and everybody is aware of that. (...) More and more companies will come to Portugal, foreign companies, and I see this as an opportunity.

TCN manager

For me it's important to know the price of the competitors but for him [the product manager] is very important also, because he can influence the transfer price or he can influence the cost price. (...) From the multinational and the other multinationals, the other competitors.

HCN manager

Market internationalisation may be regarded as negatively associated with psychic distance, which Johanson and Vahlne (1977:24) define as "the sum of factors preventing the flow of information from and to the market". Such a negative relationship is, however, not clear-cut when sub-dividing the concept of psychic distance into *cultural affinity* at the national level, *trust* at the organizational level, and *experience* at the individual level (Hällén and Wiedersheim-Paul (1984). In this respect, Johanson and Mattsson (1986:258) argue that when the local industrial market is highly internationalised the MNC may coordinate positions in different national nets, requiring, in turn, "that the lateral relations within the firm are rather strong".

As mentioned in section 4.2.1, the association of the market factors just described with other scenarios of high uncertainty (see sections 4.2.3, 4.2.7 and 4.2.9) would have been eventually plausible. The analysis of case evidence suggests, however, that *technical complexity* and *market internationalisation* are primarily related with a scenario of high informational dependence as defined in section 1.5.

The *start-up* of subsidiary operations is the first organizational factor listed in this section, being associated with a high degree of informational dependence for FSMs. A few of the interviewed FSMs mention having participated in the establishment of the subsidiary in the local industrial market as well as difficulties of delegation at that period.

In the beginning of usually any activities, those escalations are more frequent and before people start learning things and those processes and decision-making criteria are well defined.

PCN manager

In the beginning when I visited [...] I have been presented to the different directors and also the people that I should possibly contact later...

TCN manager

[...] at that time was interested to invest in Portugal (...) after many talks and many meetings we have been all together making the studies for the investments in Portugal, we have been selecting the area to put the plant, what kind of strategy for Portugal (...) So at that time I have been establishing good contacts with some fellows in the company, so after one year and half of defining the majority of items, the details... (...) they decided to come and invited me (...) in a way that I should come to take care of the company in Portugal.

HCN manager

In the context of MNCs, it has been argued that young or recently established subsidiaries tend to be dependent on the headquarters for both resources and decision-making (Ghoshal and Nohria 1989). In the context of industrial markets, Ford (1980:40) argues that the *early stage* of buyer-seller relationships in industrial markets is characterized by considerable uncertainty, requiring human resource investments such as the "allocation of managerial resources".

Organizational change is the second organizational factor listed in this section, being equally associated with a high degree of informational dependence for FSMs. In this respect, most of the interviewed FSMs mention changes within the MNC due to mergers and acquisitions.

[Within the MNC] changes the people you are in terms of normal processes involved with. (...) In one way it expands your personal network, because you can know new people. The other one is of course that you might not keep contacts with those people you knew before so much, then is very much a question of your personal activities...

PCN manager

[Within the MNC] if there are some special changes in management, they notify the changes, the structure of the company... (...) Last year was a very special year, many changes inside the company. (...) I think that always there are opportunities. Inside the company because year by year changes the structure and you need to know new people or you know the people in the new positions.

TCN manager

[Within the MNC] if the situation is changing all the time, in my opinion, is not very good, because we have certain contacts and we have certain persons and then... (...) If they are changing all the time I am changing my contacts all the time... (...) Sometimes these changes make some confusion in the customer: "But, now what's the name of your company?"; "But you are still selling the same?", so we have to talk to the customers or visiting them or by phone, because sometimes, this is true, it happened in the past, they are a little bit confused with several changes, but we explain of course and they understand.

HCN manager

The present study regards *organizational change* as the disruption of a status quo between opposing entities, which may be internal or external to the organization (Van de Ven and Poole 1995). From such a dialectical perspective, change is explained by reference to the balance of power between opposing entities. In similar fashion, Prahalad and Doz (1981a, 1981b) argue that in less-hierarchical MNCs national and global priorities are balanced by the confrontation of managers' differing *cognitive-, strategic-, power- and administrative orientations*. In the case of organizational change towards a less-hierarchical structure, it has also been suggested that personal relationships

particularly at middle management and operating levels may be disrupted by such a process (Marschan 1996).

Employee turnover is the last organizational factor listed in this section, being associated with a high degree of informational dependence for FSMs. Most of the interviewed FSMs mention employee turnover within the MNC as either increasing or decreasing the intensity of their personal contacts.

Our organization develops continuously and new appointments are an everyday thing. If a person who knows the Portuguese market well for his or for her present or past job description, for instance, that the person has been responsible for this market as a marketing manager or area export manager, or sales director, if he has good experiences of this market, including [...] Portugal or if he has bad experiences, that most probably will affect us in a negative or positive sense.

PCN manager

[Within the MNC] the managing directors change and they go for another business line or they go to another company, but there are another people in these positions. If you have the same person, you talk about the same business, but with a different person, of course. The problem is that you need to explain [the] whole market, all things, all problems, all questions and you need to convince...

TCN manager

[Within the MNC] is necessary to convince that my ideas for Iberia are good ideas. That means that all work that I made with [...] I need to start with the new [boss]...

HCN manager

In the context of MNCs, Nohria and Ghoshal (1997:156) refer to *horizontal mobility* or “the number of different functions and subsidiaries in which an individual has worked during his or her tenure” as key mechanism for building social capital. Marschan (1996:141) also suggests a “positive influence of staff transfers on inter-unit communication”. In the context of industrial markets, Björkman and Kock (1995:527) claim that: “the retirement or transfer of one key person can be enough to destroy the social relationships that existed”. In similar fashion, Halinen and Salmi (2001:11) argue that “people change jobs, get ill and retire, which always creates a risk for an on-going business relationship”.

As mentioned in section 4.2.1, the association of the organizational factors just described with a scenario of high decisional dependence (see section 4.2.9) would have been eventually plausible. The analysis of case evidence suggests, however, that *start-up*, *organizational change* and *employee turnover* are primarily related with a scenario of high informational dependence as defined in section 1.5.

4.2.6 High Informational Dependence / Low Uncertainty

A scenario of high informational dependence and low uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual factor: *reporting process*. Such a factor of FSMs’ personal contacts in industrial markets (see Appendix F) is illustrated with three quotations from the interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

Reporting process is the only organizational factor listed in this section, being assumed to increase FSMs' degree of informational dependence. In this respect, most of the interviewed FSMs mention recurrent personal contacts concerning financial and marketing information. A few of the interviewed FSMs mention recurrent personal contacts concerning internal and external audits to the subsidiary.

There is an organizational link. I report to my superior and to the board and then also to controllers and personnel management. So that is all established... (...) The same goes for the auditor.

PCN manager

Usually, we maintain the structure of the company. We transmit to our chief, we transmit to the chief of the factory, to the marketing chief of the factory or the business guy... (...) if you forget to notify these persons and you notify the chief or the boss of these persons, tomorrow you have a problem with these... (...) We have also auditors every year... (...) From the multinational twice by year.

TCN manager

I need also to report to my boss abroad on a monthly basis and to maintain a regular contact, at least once per week with my boss, in a way to cover more or less the most important issues in the Iberian area. (...) financial, because we need just to evaluate and just to cover the reports and so on, once or twice per month. (...) We have auditing and these kind of things internal and external.

HCN manager

The *reporting process* is thus seen in the present study as a monitoring process (Baliga and Jaeger 1984) of output (Ouchi 1977) through bureaucratic control systems (Child 1973, 1972). Ouchi (1978) argues that implementing output control presupposes organizational processes of selection, socialization, and peer pressure. In similar fashion, Martinez and Jarillo (1989:491) equate output control in MNCs with "the evaluation of files, records, and reports submitted by organizational units to corporate management". According to Harzing (1999:22) the distinctive feature of output control is that "certain goals/results/outputs are specified and monitored by reporting systems".

As mentioned in section 4.2.1, the association of the organizational factor just described with another scenario of high informational dependence (see section 4.2.5) would have been eventually plausible. The analysis of case evidence suggests, however, that the *reporting process* is primarily related with a scenario of low uncertainty as defined in section 1.5.

4.2.7 Low Decisional Dependence / High Uncertainty

A scenario of low decisional dependence and high uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual factors: *job description* and *extra duties*. Such individual factors of FSMs' personal contacts in industrial markets (see Appendix F) are illustrated with three quotations from the interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

Job description is the first individual factor listed in this section, being assumed to increase FSMs' degree of uncertainty and/or decrease their degree of decisional dependence. In this respect, most of the interviewed FSMs mention total responsibility for the subsidiary, namely in administrative/legal, strategic/planning, marketing and sales, financial, and human resources issues. A few of the interviewed FSMs also mention responsibility for logistics, production, purchasing and public relations issues. A few of the interviewed FSMs mention that marketing and sales responsibility includes direct customer accountability.

My responsibilities cover a number of different functions. I have the global responsibility for managing and representing the interests of the [...] group on the Portuguese market (...) And then of course there are legal aspects I have to administer. (...) A very important part of my work is an annual business plan (...) And then of course I have the responsibility of reaching the strategic targets in terms of market shares and of course the profitability targets of our sales and the cost-effectiveness of our company (...) I am responsible for securing adequate human resources at the sales office to meet the objectives of the group (...) and apart from my managing director function I also have a number of sales director functions for a certain number of customers active in different business areas. (...) I am responsible for all the communication with the [...] trade press...

PCN manager

My responsibility is a total responsibility for the subsidiary in Portugal. It means that I am responsible for the financial results, and of course for the industrial results, and on top of that, which has not been foreseen in the beginning, I am also responsible for the sales and the marketing results. So it's an overall responsibility.

TCN manager

I became the managing director of Portugal in June '93 and in that time managing director meant, as it means today, the total responsibility for managing the Portuguese site (...) the important areas of my main concern are how to define the strategy, how to deploy the goals and, most of all, how to commit all the people and organization to meet the goals.

HCN manager

The *job description* of the FSMs is thus seen in the present study as tasks or *demands*, which Stewart (1982:9) defines as "what anyone in the job *has* do". A decade later, the same author argues that "job descriptions no longer rigidly define a manager's domain: managers are expected to contribute more broadly, in areas that will enhance their unit's and organization's effectiveness" (Stewart and Fondas 1992:11). In the context of less-hierarchical MNCs, Ghoshal and Bartlett (1998) similarly argue that organizational processes require general managerial roles rather than specific tasks and responsibilities.

Extra duties are the second individual factor listed in this section, being equally assumed to increase FSMs' degree of uncertainty and/or decrease their degree of decisional dependence. In this respect, most of the interviewed FSMs mention marketing in other geographic region. A few of the interviewed FSMs mention an extension of the range of products and services offered by the subsidiary.

I am responsible just like all the other sales office directors on other markets for projects in the group. The most important of them today is TQM (Total Quality Management). (...) the business unit has changed, they may discontinue with a product or they may introduce or want to introduce a new product. So you have this kind of projects, which happen with a variable frequency...

PCN manager

On top of that, which has not been foreseen in the beginning, I am also responsible for the sales and the marketing results. (...) for Spain and for Portugal...

TCN manager

The other point I am using [time] really is to take care of the quality and participate in the process of quality control, nowadays with the total quality systems... (...) we may have possibilities to present our proposals in doing business with other countries out of Iberian Peninsula. (...) I have been closing a business in Brazil, but this Brazilian business came after a talk with the mother company that we should be the ones to pick the business from Brazil...

HCN manager

Extra duties of FSMs are thus seen in the present study as supplementary tasks and responsibilities, which extend FSMs' domain (Stewart and Fondas 1992; Ghoshal and Bartlett 1998).

As mentioned in section 4.2.1, the association of the individual factors just described with another scenario of high uncertainty (see section 4.2.9) would have been eventually plausible. The analysis of case evidence suggests, however, that *job description* and *extra duties* are primarily related with a scenario of low decisional dependence as defined in section 1.5.

4.2.8 Low Decisional Dependence / Low Uncertainty

A scenario of low decisional dependence and low uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual factors: *size* and *experience*. Such organizational and individual factors of FSMs' personal contacts in industrial markets (see Appendix F) are illustrated with three quotations from the interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

As mentioned in section 4.2.1, the discussion of contextual factors in the present study is restricted to FSMs' degree of uncertainty in the local industrial market and to FSMs' degree of dependence within the MNC. Therefore, FSMs' low degree of decisional dependence is associated with the organizational factor listed above, whereas the individual factor is associated with low uncertainty in the local industrial market and/or low decisional dependence within the MNC.

The *size* of the subsidiary is the only organizational factor listed in this section, being assumed to decrease FSMs' degree of decisional dependence. In this respect, most of the interviewed FSMs mention personal contacts within the MNC due to the lack of subsidiary resources.

Getting actual support, which means resources usually, not usually money, but is the resources, so you need a person, somebody to work... (...) We don't have too much of the resources, so what happens is that there has to be some priorities, obviously my duty is to put the priority as high as possible for these our cases and then basically

other people who have more responsibility or wider responsibility they try to look it from the wider perspective...

PCN manager

We have no legal department here in [...] Portugal, so if I have a problem of a legal matter, if I have a financial matter, a tax problem, there is always people available by this group to advise me.

TCN manager

Because we are, first of all, small company in terms of human resources, the point is that our daily activities are a bit spread on the field and also in the company, so I take care of the main issues and the main subjects in the company trying to coordinate the main activities connected with the various departments...

HCN manager

Hedlund (1981:52) argues that: "increased size means that the subsidiary can build up its own resources and become less dependent on management". Harzing (1999) implicitly suggests personal contacts among managers (Martinez and Jarillo 1989) as a mechanism of coordination in small subsidiaries of Finnish MNCs, by claiming a positive relationship between subsidiary size and output control in such MNCs.

As mentioned in section 4.2.1, the association of the organizational factor just described with other scenarios of low decisional dependence (see section 4.2.7) and even of low informational dependence (see sections 4.2.3 and 4.2.4) would have been eventually plausible. The analysis of case evidence suggests, however, that *size* is primarily related with a scenario of low decisional dependence and low uncertainty as defined in section 1.5.

Experience is the only individual factor listed in this section, being assumed to decrease FSMs' degree of uncertainty and/or decisional dependence. In this respect, most of the interviewed FSMs mention their participation in negotiations within the MNC and in the local industrial market, which are affected by their working experience.

[Within the MNC] is as any sales, because we are talking internal sales (...) also depends on the credibility of the people doing the proposal... (...) [In the local market] this business is complex and you cannot learn it from the books and if you are a local person who has not been in the business before obviously you cannot have real experience of the business unless you have been working abroad so usually our customers demand that there has to be a certain amount of expatriates in the organization...

PCN manager

[In the local market] we are not talking about the contents, technical contents, which is always the same, but it's is the conditions, responsibilities, payments, liability... and in this respect, they don't have any experience, they could have, I mean, probably they agree, but this part of work I have some decades of experience in negotiating the contract, which is not the case of our operational people, which are more practitioners...

TCN manager

But if you are becoming a guy with, after a couple of years in the company, and you have been showing a certain kind of sense and good sense making the company control and so on, probably if you are presenting some investments it's much easier to get the approval if they know you comparing with other people that don't know...

HCN manager

In the context of industrial markets, it has been argued that “the varied personalities, experience and motivation of each company’s representatives will mean that they will take part in the social exchange differently” (IMP group 1982:19). In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:156) argue that: “an experienced individual is often seen as a credible and valuable source of information and may thus be sought out by other individuals trying to build their own contact network”.

As mentioned in section 4.2.1, the association of the individual factor just described with another scenario of low uncertainty (see section 4.2.4) would have been eventually plausible. The analysis of case evidence suggests, however, that *experience* is primarily related with a scenario of low decisional dependence as defined in section 1.5.

4.2.9 High Decisional Dependence / High Uncertainty

A scenario of high decisional dependence and high uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual factors: *customer internationalisation, planning process, approval process, business volume* and *intra-group transactions*. Such market and organizational factors of FSMs’ personal contacts in industrial markets (see Appendix F) are illustrated with three quotations from the interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

As mentioned in section 4.2.1, the discussion of contextual factors in the present study is restricted to FSMs’ degree of uncertainty in the local industrial market and to FSMs’ degree of dependence within the MNC. Therefore, FSMs’ high degree of uncertainty is associated with the market factor listed above, whereas their high degree of decisional dependence is associated with the organizational factors.

Customer internationalisation is the only market factor listed in this section, being assumed to increase FSMs’ degree of uncertainty. In this respect, most of the interviewed FSMs mention having negotiated the terms offered to multinational customers.

I have a lot of contacts with my colleagues, because we want to share some of the resources, some of the key things and timings and also because, it's even more important, the customers are usually linked very much between themselves. (...) if we are making a tender for one of the international operators here which are operating in Portugal, with one subsidiary in Portugal, we are ensuring that we are in line with the pricing that we have been providing as a multinational company in other locations...

PCN manager

If I have some problem with marketing or then always there is some customer, which is also operating, let's say, in the Benelux, then I call marketing, Mr. [...], and discuss it with him and what should we do, what we can do with this customer and that customer and what we can offer on prices, so that is joint strategy, we always discuss...

TCN manager

Some customers with very close frontier with another country, the idea is to ask the price in our country and the neighbour country, and it is necessary to pass this information to prevent some problems with price, with different price. (...) I spoke a

lot of times with the general manager of France, because we have common customers. It means French customers or French enterprises which work in Portugal and it means [that] sometimes is necessary to speak with my colleague in France for these matters.

HCN manager

Customer internationalisation is thus regarded in the present study as positively associated with *international integration*, which Johanson and Mattsson (1986:249) define as “increasing coordination between positions in different national nets”. The same authors argue that an MNC facing internationally active counterparts in a local industrial market is expected to use its network of positions across countries for strategic decision-making rather than for mere knowledge development (Johanson and Mattsson 1988).

As mentioned in section 4.2.1, the association of the market factor just described with other scenarios of high uncertainty (see sections 4.2.7, 4.2.5 and 4.2.3) would have been eventually plausible. The analysis of case evidence suggests, however, that *customer internationalisation* is primarily related with a scenario of high decisional dependence as defined in section 1.5.

Planning process is the first organizational factor listed in this section, being assumed to increase FSMs’ degree of decisional dependence. In this respect, most of the interviewed FSMs mention a budget, which is supplemented with more qualitative long-term planning.

The basic thing is the budgeting for the next six months in time and we have this kind of rolling planning for the one year ahead, and then we have this kind of long range planning for the three years. And the planning itself for Portugal is defined by our team here. (...) I would say that final approval is done somewhere else, the planning itself is done here. (...) Having this kind of common planning and reporting, budgeting meetings, it's one way of meeting those people...

PCN manager

We make meetings during the year usually in October and the budgets we establish during this meeting together. Production, quality, marketing and accounting also, sometimes... We make a discussion of these budgets, we agree usually. Or, if we don't have together the meeting we make a proposal to the company that are in this position to sell at this price, with this level of costs to the company and they approve or not. (...) The final approval always is the top of the division, is the manager of division who establishes... (...) In October usually we make the strategic budget forecasts for the next year and we make a report of the nine or the ten months in that year. During the month, in March, we make a revision of the first quarter of the year [and] we establish the objectives for the rest of the year...

TCN manager

When I am preparing the budget I have many talks with my staff... (...) Then I have to send the budget to several people because there are lots of entities involved... (...) As far as I know, my boss and all the other bosses with more or less his duties in Europe and Asia Pacific and North America and Latin America, have certain targets and then they try to reach these targets asking to the country managers what they need. Then you reply if it's possible or not and reasons if is not possible, which are the reasons behind. (...) Usually we have only one meeting in September/October, where we discuss the budget for the next year. (...) With my boss, with the controller of Europe, with some guys from key accounts from marketing...

HCN manager

The *planning process* is thus seen in the present study as goal setting (Galbraith 1973), which requires FSMs' personal contacts within the MNC. In similar fashion, Cray (1984:88) argues that: "to agree upon a budget generally necessitates a great deal of communication". In the context of MNCs, planning is indeed thought to "guide and channel the activities and actions of independent units" (Martinez and Jarillo 1989:491) especially through vertical communication (e.g. Hulbert and Brandt 1980; Marschan 1996).

The planning process within the MNC may also include the submission of investment proposals for evaluation and approval, which is the second organizational factor listed in this section - *approval process* - and thus assumed to increase FSMs' degree of decisional dependence. In this respect, most of the interviewed FSMs mention their participation in a process by which subsidiary investments over a certain limit are evaluated concerning human resources and infrastructure. A few of the interviewed FSMs mention that such a process results in slower and/or less transparent decision-making.

If there is a certain investment or thing that [...] has to do of course, as in any company, there is a certain process to accept the investments. (...) So you have a pre-defined process for the approval, sometimes you have also pre-defined process in terms of who are participating in terms of creating the proposal... (...) Sometimes I don't know the objective criteria, I just know the result. I am trying to influence the result obviously, but I don't know exactly always what are the criteria used to decide.

PCN manager

Investments it always depend on what [...] tells us to do and that's always a yearly fight to get investments, money for investments. And that's mostly decided by the president, Mr. [...], and together with Mr. [...]. And that sometimes is not easy to understand... (...) You have really to fight and try to convince people to give you the money. Is very personal, if you don't do anything, they don't do anything at all. (...) it takes a long time for the Finns to take a decision, and if you are not used to it, you get nervous...

TCN manager

Some investments you can proceed locally without any kind of approval, but there are some limitations over which you need to present the program payback for those investments in a way that you can prove that the investment is a need. (...) Next year, if you still have some previous ones without approval and if you think that they are still important and with the kind of priority, then you continue the process and you put more. So this is a dynamic process, you talk, you justify. (...) It's a question of confidence and also according with the confidence it's a question of sense... (...) I would say that normally we are not used to have a too fast decision in the company internationally wise...

HCN manager

The *approval process* is thus seen in the present study as hierarchical referral (Galbraith 1973). In the context of MNCs, Egelhoff (1993:185) has similarly argued that: "when uncertainty increases, exceptions must be referred up the hierarchical authority structure for decision-making".

In addition to investments, the approval process may also concern the *business volume* of the subsidiary, which is the third organizational factor listed in this section and equally associated with a high degree of decisional dependence for FSMs. Most of the interviewed FSMs mention having

negotiated their sales targets with hierarchical superiors as well as restricting their participation in customer negotiations to large deals. A few of the interviewed FSMs mention restricting their participation in supplier negotiations to large deals.

If there is a major subcontractor in Portugal I might take the responsibility of taking personal relations with the president... (...) The bigger the deal, the more important is and because of the nature of the business, is more and more difficult to measure things. As I said if we are talking about some kind of delivery or whatever the business relationship is usually something between five and ten years after decision-making.

PCN manager

The final approval always is the top of the division, is the manager of division who establishes... sometimes they make a proposal to sell more quantities than we have the possibilities, but we discuss that it is too high that level for our sales (...) and we refuse to sell, but sometimes is an imposition... (...) For the most important customers sometimes, well I make special invitations...

TCN manager

As far as I know, my boss and all the other bosses with more or less his duties in Europe and Asia Pacific and North America and Latin America, have certain targets and then they try to reach these targets asking to the country managers what they need. Then you reply if it's possible or not and reasons if is not possible, which are the reasons behind. (...) In big customers, my [contacts] are everybody, are the mill manager, are the project manager, are the maintenance manager, are the purchasing department manager, are also people that are not manager, but reporting to all these people. In terms of very small mills, in those cases I just know two or three key people...

HCN manager

The subsidiary's *business volume* is thus seen in the present study as either a budget item, which is negotiated through the planning process, or the volume of business, which is exchanged with other firms. In the context of industrial markets, the volume of business *transacted* has indeed been associated with the allocation of suppliers' resources for personal contacts with customers (Cunningham and Turnbull 1982; Cunningham and Homse 1986).

The business volume of the subsidiary may, in turn, include *intra-group transactions*, which is the last organizational factor listed in this section and equally associated with a high degree of decisional dependence for FSMs. In this respect, all the interviewed FSMs mention their participation in the negotiation of transactions with supplier firms within the MNC. A few of the interviewed FSMs mention their participation in the negotiation of transactions with customer firms within the MNC.

It covers also all the supply chain. So looking for solutions, how to get the [...] best to the customers, what the most economical or responsive to the customers requirements, all that stuff, and that's quite... logistics, is fairly complicated part, because as you understand this kind of multinational company has [...] mills who supply to Portugal from almost all over the world. How to orchestrate it in a way that we get the best economical results is an important part. (...) As a negotiator you follow very clearly the organigram.

PCN manager

We make a proposal to the business lines according to the total consumption of the market and according to our share of the market. (...) they have the final decision because sometimes they have more attractive markets in another countries with better margins... (...) The problem is that you need to explain all market, all things, all problems, all questions and you need to convince...

TCN manager

I work with these products, I sell a lot of machines of these two product managers and I pass the information that I consider very important for him. (...) because he can influence the transfer price... (...) If I try to sell some kind of machines and I have a problem with the price or with the delay, it's necessary to negotiate these things with the product managers.

HCN manager

Intra-group transactions are thus seen in the present study as negotiated through the planning process or the approval process. In similar fashion, Harzing (1999) distinguishes between *interdependence* between the subsidiary, the headquarters, and other subsidiaries, and *dependence* of the subsidiary on headquarters. According to the author, subsidiary-dependent subsidiaries "experience a higher level of control by socialization and networks than headquarters-dependent subsidiaries" (Harzing 1999:292).

As mentioned in section 4.2.1, the association of the organizational factors just described with another scenario of high decisional dependence (see section 4.2.10) would have been eventually plausible. The analysis of case evidence suggests, however, that *planning process*, *approval process*, *business volume* and *intra-group transactions* are primarily related with a scenario of high uncertainty as defined in section 1.5.

4.2.10 High Decisional Dependence / Low Uncertainty

Finally, a scenario of high decisional dependence and low uncertainty as perceived by FSMs in industrial MNCs may be associated with the following contextual factors: *rules and programmes* and *performance*. Such organizational and individual factors of FSMs' personal contacts in industrial markets (see Appendix F) are illustrated with three quotations from the interviews (see section 3.4.1) and discussed in the light of extant literature in the following paragraphs.

As mentioned in section 4.2.1, the discussion of contextual factors in the present study is restricted to FSMs' degree of uncertainty in the local industrial market and to FSMs' degree of dependence within the MNC. Therefore, FSMs' high degree of decisional dependence is associated with the organizational factor listed above, whereas the individual factor is associated with their low degree of uncertainty in the local industrial market and/or high degree of decisional dependence within the MNC.

Rules and programmes are the only organizational factor listed in this section, being assumed to increase FSMs' degree of decisional dependence. In this respect, most of the interviewed FSMs mention group wide policies concerning marketing and procurement. A few of the interviewed FSMs mention group wide policies concerning human resources.

If you are a low-cost provider then you show the product and the price and that's it, you don't put a lot of value on this. If you look for more service type of approach like as you see that we have even segmented the customers, we think that the customers behave differently and if your strategy is that, then you put a lot of emphasis to these relationship issues...

PCN manager

Internally too I am responsible that everything is done according to our guidelines. (...) [...] Portugal has to follow those guidelines in terms of administration and technical and material...

TCN manager

We have an international agreement with suppliers duly coordinated by our vice-president and after that each company is more or less independent to negotiate with each one, according to the local means. (...) the board is defining a kind of global strategies for different kind of subsidiaries. We need as much as we can, at least on those specific areas which can be adapted to the local markets, to try to implement also those strategies on the local markets in a way to follow an image, something related with the overall idea of the board...

HCN manager

Rules and programmes are thus seen in the present study as written policies and rules (Pugh et al. 1968; Galbraith 1973) including corporate strategies. In particular, it has been argued that such sets of rules, regulations, and procedures “clearly limit subsidiary management’s role and authority” (Baliga and Jaeger 1984:26) by “pre-specifying, mostly in a written form, the behaviour that is expected from employees” (Harzing 1999:21).

As mentioned in section 4.2.1, the association of the organizational factor just described with another scenario of high decisional dependence (see section 4.2.9) would have been eventually plausible. The analysis of case evidence suggests, however, that *rules and programmes* are primarily related with a scenario of low uncertainty as defined in section 1.5.

Performance is the only individual factor listed in this section, being associated with FSMs’ low degree of uncertainty and/or high degree of decisional dependence. In this respect, most of the interviewed FSMs mention the intensity of their personal contacts in the local industrial market as contingent on their degree of professionalism.

During the time you have been working with the other people you have created a certain image of your company and you have been transferring not only your personal relationship but more a part of, let's say, the company you are working for, its values, its way of operating, and giving an image of that. (...) when you have had this kind of operational problems, then part of the decision process of solving those problems is of course easily related to the fact that you need to have the relationship to communicate with other parties and to be able to solve the problems, so of course personal relations play a big role in terms of solving those issues, but between two companies I would say that typically is the question of the actual real life performance issues...

PCN manager

When we have a problem with our products in most cases the customer continues to buy from us, so that's an indication that we solve it in the right way... (...) in most of those cases I negotiate a solution. I don't let it go for years, and for weeks or for months.

TCN manager

[Within the MNC] it's the figures that make the trust. If the product managers see that all years you sell the machines, you make the budget and you win the money, it's very easy after. (...) if people see in my person a competent person, it's easier to establish the contacts. (...) I have a reputation... [In the local market] the idea, if the customer has a problem, is to solve the problems immediately... (...) Time is very important and the quality of support. If the customers see that we are interested to solve their problems is easier after to sell something to these customers.

HCN manager

In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:156) argue that: "more experienced individuals may maintain key contacts in other areas whom they have found over time to be helpful in their performance". In the context of industrial markets, social exchange has been associated with trust, which, in turn, is supposedly based on the *successful execution* of product-, information-, and financial exchange (IMP group 1982:17).

As mentioned in section 4.2.1, the association of the individual factor just described with other scenarios of high decisional dependence (see section 4.2.9) and even of low decisional dependence (see sections 4.2.7 and 4.2.8) would have been eventually plausible. The analysis of case evidence suggests, however, that *performance* is primarily related with a scenario of low uncertainty and high decisional dependence as defined in section 1.5.

4.3 Content of Personal Contacts

In section 4.2, the context of FSMs' personal contacts has been discussed in terms of individual, organizational, and market factors which are thought to influence the occurrence of such personal contacts. In addition, the referred contextual factors have been associated with the degree of dependence and uncertainty perceived by FSMs. Such a discussion was illustrated with three selected quotations from the interviews (see section 3.4.1) for the reader to assess the extent to which case evidence allows the present study to answer the first research question (see section 1.3).

The following sections discuss, in the light of extant literature, the content of FSMs' personal contacts in terms of five basic functions: *information exchange*, *assessment*, *negotiation*, *decision-making*, and *resource allocation* (see section 2.5.2). Such a discussion is also illustrated with three selected quotations from the interviews (see section 3.4.1) for the reader to assess the extent to which case evidence allows the present study to answer the second research question (see section 1.3).

4.3.1 Information Exchange

In terms of information exchange, FSMs' personal contacts may enable *contact transfer*, *socializing*, *friendship*, *advice*, *follow-up*, *knowledge transfer*, and *benchmarking*. In particular, FSMs may take personal contacts to receive and *transfer* third party's *contact* information. Most of the interviewed FSMs mention

having received third party's contact information within the MNC and in the local industrial market. A few of the interviewed FSMs mention having transferred third party's contact information within the MNC and in the local industrial market.

Expatriates are bringing their own personal networks also to the company. (...) [In the local market] if you know somebody who knows somebody else then that's a way of getting to know third persons. (...) lots of requirements in terms of what kind of entity we need to work with come from our teams, who are defining their needs and then it's my job to create the relationship. (...) some part of them are transferred naturally in the sense that we are doing this intentionally, so we are introducing people: "so, this is the one, who is going to do this work from now on" and things like that...

PCN manager

Normally if I have some doubt about the people or a person to contact I can get this information through the director of the division or through the Corporate Planning manager. (...) [In the local market] if I need a contact in financial, public institutions or something I can call a friend...

TCN manager

Usually the customers contact us if we know somebody in some organization and if I know I say: "yes I know one person you can call and you can speak in my name". (...) Sometimes when I visit a customer he makes a contact with also other persons.

HCN manager

Contact transfer is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Marschan (1996:140) similarly suggests that: "some of the expatriate's contacts may also be transferred to local personnel". In the context of industrial markets, Hällén (1992:79) argues that, in contrast to *person-centred infrastructural networks* of contacts, *organization-centred infrastructural networks* "can mostly be transferable to other individuals". By *infrastructural*, the author refers to non-task relationships i.e. little oriented towards actual business deals. The analysis of case evidence suggests that *contact transfer* is primarily related with a scenario of low informational dependence and high uncertainty (see section 4.2.3) influenced by factors such as the FSM's *career* and *background* in addition to *corporate culture* (see Appendix F).

FSMs may also take personal contacts for mere *socializing*. Most of the interviewed FSMs mention personal contacts at gatherings within the MNC. A few of the interviewed FSMs mention personal contacts at gatherings in the local industrial market.

[Within the MNC] in structured meetings, whether it's sales organization meeting or sales meetings of the divisions, we always exchange information with the colleagues.

PCN manager

[In the local market] for the most important customers sometimes, I make special invitations to my house, parties, or I try to go to lunch during the weekend or to visit, travels to the factory or to pass the holidays during the Summer or during the Christmas... because I have the confidence of the manager or the owner, his wife, his sons, my sons, my family, his family, everything... in this form I obtain information

that is very important for me, you know, sometimes about competitors, about strategic plans for the future of the companies, for example.

TCN manager

I have been part of some training courses the group has promoted. (...) And living five weeks together, naturally, by the end, we are committed. We can't say that we don't know the others, because we know, we lived together. And with some of them, perhaps the only thing we have had is that we lived together for that period, but with most of them we have used then all the possible, all the potential help they could give us.

HCN manager

Socializing is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of MNCs, Edström and Galbraith (1977) equate *socialization* with the process of selecting, training and transferring managers across units, by which they are able to create a verbal communication network. The authors thus largely equate socialization with the present study's notion of *employee turnover* (see section 4.2.5) rather than socializing. In the context of industrial markets, Andersson et al. (1996:150) implicitly refer to socializing by suggesting that: "it is easier to deal with business colleagues from a land with a culture close to that in their home country". The analysis of case evidence suggests that *socializing* is primarily related with a scenario of low informational dependence and high uncertainty (see section 4.2.3) influenced by factors such as the FSM's *language* and *social skills* (see Appendix F).

FSMs' personal contacts may also promote *friendship*. Most of the interviewed FSMs mention personal contacts for friendship in the local industrial market. A few of the interviewed FSMs mention personal contacts for friendship within the MNC.

Also I made friends, I mean, personal friends, which I will keep.

PCN manager

[Within the MNC] I know a very good friend, who moved from [...] to [...] and he is head of [...] division...

TCN manager

Some of them are old friends, which for any reason I noted in our division. With the group reorganization some of them went out to other divisions, but of course friendship is very transversal, so you can keep it wherever they are. (...) [In the local market] I have a lot of friends as well.

HCN manager

Friendship is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Marschan et al. (1996:142) argue that: "both company-based and individual-based personal networks can be used for either company or individual purposes". In the context of industrial markets, Cunningham and Turnbull (1982:308) similarly suggest that it may happen "that personal liking develops as a consequence of instrumental action and the two people then tend to interact more frequently for the social reasons". The

analysis of case evidence suggests that *friendship* is primarily related with a scenario of low informational dependence and low uncertainty (see section 4.2.4) influenced by factors such as the FSM's *tenure* and *geographical proximity* (see Appendix F).

FSMs may also exchange information in terms of marketing-, technical-, financial-, and legal *advice*. Most of the interviewed FSMs mention personal contacts within the MNC for advice on marketing and technical issues. A few of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market for advice on financial and legal issues.

In this kind of business decision things, then you involve people like finance and trade finance, for example, you might even employ people from legal department... (...) is very complicated thing to define what is the price, it's not simple like "the price is this", because there is a lot of variables and it can mean a lot of different things, so actually that's one part of it, so you need to seek for those basic answers, which can be very complicated. The same is about technical issues, for example, what are our capabilities in certain technical things. Most likely I don't even understand the question what I am doing myself properly, but I am just transferring the question and I am trying to apply the answer.

PCN manager

If I have some problem with marketing or then always there is some customer, which is also operating, let's say, in the Benelux, then I call marketing... (...) [In the local market] we have a contact with a lawyer's office in Lisbon and we have our accounting company, that's [...] in Porto, and they give us advice on legal issues.

TCN manager

[Within the MNC] contact people in all the factories mainly for support and marketing activity. (...) pricing that is not in our system yet, this kind of things, also in some cases is technical support... (...) I have contacts for instance with Legal Affairs, to Human Resources, to Strategy and Marketing... because sometimes I have other tasks different from sales and management. (...) in certain cases, certain applications, you always need to be supported by someone.

HCN manager

Advice is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. The need for advice in less-hierarchical MNCs, is implicit in Marschan's (1996) discussion of limited "know who" information especially among middle managers and operating staff. In the context of industrial markets, Cunningham and Homse (1986:261) suggest *technical advice* and *general commercial information exchange* as "topics dealt with through these personal contacts". The analysis of case evidence suggests that *advice* is primarily related with a scenario of high informational dependence and high uncertainty (see section 4.2.5) influenced by factors such as the *start-up* of subsidiary operations, *organizational change*, *technical complexity* and *market internationalisation* (see Appendix F).

A related purpose of personal contacts is the *follow-up* of transactions. Most of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market concerning delivery times. A few of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market for the settlement of receivables.

With our logistics partner I am in contact with the managing director. Our sales assistants are in contact mostly with the person responsible for the stock management and the deliveries. If the customer calls us and says that he has a problem with a delivery then we have to resolve it. (...) If a customer has a payment problem, the sales director may contact our lawyers or we do it together and then we proceed, but as the overall responsibility towards the parent company is mine, it also implies that I have to be informed and I want to be informed...

PCN manager

I am just in between, so I say to the customer: "sorry, sir, but I am not a bank and you have to settle your bill and if you don't, I stop to deliver any spare parts and services". (...) within the group, if for example we should receive a commission for sets of spare parts in the Portuguese territory and we haven't received any commissions and we haven't been kept informed that sales have been done directly from the production company to the ship owner for example, it's my duty to claim. I will do it and I have done it. (...) if we are missing one or two spare parts they can come from [...], it is day-to-day business.

TCN manager

[Within the MNC] these people are assisting all the sales offices in the world so I have my contact, in each location I have one contact for quotations and also I have my order handling people, which is different matters. (...) [In the local market] the equipment is not always delivered exactly according the requirements... (...) if it's involving costs of any type, transportation costs, they know that I am the only person that can decide this...

HCN manager

Follow-up is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. The need for follow-up in less-hierarchical MNCs, is also implicit in Marschan's (1996) discussion of limited "know who" information. In the context of industrial markets, Cunningham and Homse (1986) suggest *progressing (delivery and technical)* as a topic dealt with through personal contacts. The analysis of case evidence suggests that *follow-up* is primarily related with a scenario of low informational dependence and low uncertainty (see section 4.2.4) influenced by factors such as the FSM's *delegation* and *age of relationships* (see Appendix F).

FSMs may also engage in the *transfer of knowledge* originated within the MNC. Most of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market for knowledge transfer.

Part of the responsibility, yes, is the knowledge transfer. We are a knowledge-based company, of course, so ensuring that the knowledge is transferred and that we are keeping ourselves competent in part with the technological development as well with the market development, yes, that's part of my job description, ensure knowledge transfer actively. (...) Being in my case a friend of the mother company or anyway an expatriate... the assumption is that I should bring some kind of knowledge, which doesn't exist here.

PCN manager

[In the local market] we inform in technology, in quality the requirements of the products to the customers... (...) We try to teach, to supply one more thing for another machine because is better in productivity, we try to teach new system of production, we try to teach new methodology, we try to teach our systems of production, visiting our factories... (...) visits to the factory in technical production to look the machines, to look mechanical characteristics of chemical compositions...

TCN manager

[Within the MNC] I receive a lot of information, of types of information, technical information, marketing information... (...) when I speak of marketing information is marketing information as new products. (...) [In the local market] we give all information.

HCN manager

Knowledge transfer is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Marschan (1996:140) suggests that: "generally, the role of the expatriate was seen as a teacher who was sent over to share technical knowledge and expertise with local personnel". In the context of industrial markets, Cunningham and Homse (1986) suggest *general technical information exchange* as a topic dealt with through personal contacts. The analysis of case evidence suggests that *knowledge transfer* is primarily related with a scenario of high informational dependence and high uncertainty (see section 4.2.5) influenced by factors such as the *start-up* of subsidiary operations and *technical complexity* (see Appendix F).

A related issue is FSMs' *benchmarking* of best practices. Most of the interviewed FSMs mention personal contacts within the MNC concerning organizational and technical issues. At least one of the interviewed FSMs mentions personal contacts in the local industrial market concerning organizational issues.

I work with my colleagues as well, to understand things better, number one, to benchmark cases, the bigger sales units than Portugal have more resources, so I call them: "hey, how have you clever guys thought about this?"

PCN manager

If we have a problem that is known by Helsinki and if they have the same problem in Philippines so they know how to serve it ... (...) We have a problem in one plant in Portugal and I want to know technically if this problem was known by this group...

TCN manager

I am in a position, which allows me to know most of the good achievements in the several areas of the different units, so I access to that information, which means that I can define who are more interesting to me. (...) Those, which I could call benchmarking relationships they are occasional, but they are so many. (...) [In the local market] all what I consider the company references in Portugal, I have regular contacts with them. (...) to develop my leadership skills or my research management skills or whatever (...) I am quite close with more eleven companies to found a benchmarking club saying in our country what are the best practices in the several areas of management.

HCN manager

Benchmarking is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:152) implicitly acknowledge benchmarking by arguing that: "information obtained through interpersonal contacts can greatly enhance innovation". In the context of industrial markets, Cunningham and Turnbull (1982:307) implicitly refer to benchmarking by mentioning confidential information exchange "which provides market and technological feedback to the customer and supplier

alike". The analysis of case evidence suggests that *benchmarking* is primarily related with a scenario of low informational dependence and high uncertainty (see section 4.2.3) influenced by factors such as the FSM's *background* and *initiative* (see Appendix F).

4.3.2 Assessment

In terms of assessment, FSMs' personal contacts may enable *trust enhancement, reporting, corporate reputation* as well as *MNC-, market-, customer-, and supplier assessment*. In particular, FSMs may take personal contacts, which *enhance individual counterparts' trust*. Most of the interviewed FSMs mention the importance of face-to-face personal contacts in the local industrial market. A few of the interviewed FSMs mention negative perceptions of bypassing decision-makers within the MNC and in the local industrial market.

Without personal contacts is very difficult to do any business. You need to be able to trust people you are dealing with so you need to be able to establish mutual trust and mutual respect. (...) The decision is based on the evaluation of things, but then the last thing is the trust. You trust that this company is able to provide what they are promising? And the trust you need to create in personal relationships and there is no other way of creating it. (...) you as person are functioning as some kind of guarantee of this thing...

PCN manager

[Within the MNC] if you forget to notify these persons and you notify the chief or the boss of these persons, tomorrow you have a problem with these... (...) [In the local market] I visit and I try to find the confidence with the customers. It is very important when you visit one customer to talk with the top of the customer. Top in management or with the owner, because you need to go where is the decision.

TCN manager

[In the local market] all the big opportunities I would lose, because the mill managers and the project managers just want, usually they want to discuss and to talk to the other managers.

HCN manager

Trust enhancement is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:152) argue that: "interpersonal ties are also mechanisms for building trust". In the context of industrial markets, it has also been acknowledged that a buyer-seller relationship is based on mutual trust and that "building up this trust is a social process" (IMP group 1982:17). The analysis of case evidence suggests that *trust enhancement* is primarily related with a scenario of low informational dependence and high uncertainty (see section 4.2.3) influenced by factors such as the FSM's *availability, attitude* and *personality* in addition to *supplier closeness* (see Appendix F).

FSMs may also take personal contacts within the MNC for vertical *reporting*. Most of the interviewed FSMs mention top-down and bottom-up requests for information.

Our business environment is in constant change so if I see or our sales directors see that a new opportunity arises, say for instance, a new [...] or a new [...], if this happens in January we certainly don't wait until September or October, but we approach the respective business unit or all of them potentially involved in different ways.

PCN manager

If it's technical then it is more our initiative, and if it's financial then it's mostly from the group.

TCN manager

An estimate sometimes is requested. One or several estimates concerning mainly net sales, order intake, gross profit, and sometimes the expenses... (...) Mainly by their initiative, mainly in what concerns these Legal Affairs and this Strategy and Marketing... (...) I receive requests and "please reply up to fifteen days later"...

HCN manager

Reporting is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC. In similar fashion, Egelhoff (1993:185) refers to "vertical information-processing systems that increase the organization's information-processing capacity" and "frequently include computer-based information systems and staff groups". The analysis of case evidence suggests that *reporting* is primarily related with a scenario of high informational dependence and low uncertainty (see section 4.2.6) influenced by factors such as the *reporting process* (see Appendix F).

On the other hand, FSMs may take personal contacts in order to promote the *reputation* of their subsidiary in the local industrial market. Most of the interviewed FSMs mention personal contacts in order to become a reference for customers. A few of the interviewed FSMs mention personal contacts in order to publish MNC-related information.

Sometimes we are approached by these associations sometimes we approach them and the same goes for the trade Press. (...) in a way the managing director of any multinational company on any market is seen by customers and by associations as the counterpart if they want information ...

PCN manager

As a managing director is what I am doing very often, I am an ambassador of the group. I mean, I will certainly participate to seminars, to professional meetings to show up... (...) you meet a lot people in the same time, in the same day, so there is some message you can send through...

TCN manager

I know all those local authorities quite well. Actually one of our values is to be a good neighbour and being a good neighbour is not only a declaration is to be a good neighbour. (...) On the customers, when we pass concepts, one of the aims is to be a reference for them... (...) the people/company image was a key question to me. (...) a social reference for the business and outside the business as well.

HCN manager

Corporate reputation is thus seen in the present study as a specific content of FSMs' personal contacts in the local industrial market. In this respect, Hällén (1992:82) argues that: "a basic difference exists between influence through mass communication (e.g. public relations) on the one hand and individual contacts on

the other", by which managers may get involved in political or social activities in order to influence opinions. The analysis of case evidence suggests that *corporate reputation* is primarily related with a scenario of high informational dependence and high uncertainty (see section 4.2.5) influenced by factors such as *technical complexity* and *market internationalisation* (see Appendix F).

FSMs may also take personal contacts to *assess* their own MNC. Most of the interviewed FSMs mention personal contacts within the MNC in search of support. A few of the interviewed FSMs mention personal contacts within the MNC in order to assess organizational change.

It takes you a lot of time to understand how various functions are led because the styles are never the same. Although we try to establish [...]s style it depends a lot of the managers themselves. When you go to the function and you need the help of that function you need to ask around a bit and how it's really working and who's really the decision-maker, is it the team or is it a "one man show" or what...

PCN manager

Of course through my contacts I see what's going on. (...) Maybe sometimes you are aware the situation a little bit before the other, because, ok, you know that this will happen... (...) so I knew also two years before that they would be re-organized and they would be moved to [...] or we know that one engine will be phased out...

TCN manager

We have a lot of people, you know, in the exhibitions, that I have no idea what kind of work they [do] in the multinational, in our group. (...) The big problem is the change of organization, because a lot of times we don't know these changes. (...) I know very well two or three persons key in this group. If I have a problem I speak with these persons.

HCN manager

MNC assessment is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC. In this respect, Marschan (1996:155) suggests that: "while the lack of "know who" information was perceived as a constraint among middle manager and operating staff, this was not the case in the interviews at top management level". The analysis of case evidence suggests that *MNC assessment* is primarily related with a scenario of high informational dependence and high uncertainty (see section 4.2.5) influenced by factors such as *organizational change* and *employee turnover* (see Appendix F).

FSMs may also take personal contacts to *assess the market*. Most of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market for assessment of local and eventually regional market trends.

I could not be a good managing director unless I had direct sales responsibilities on the market, because that gives me the knowledge and the ideas of how to direct my sales directors. (...) If I find myself in a certain situation on the Portuguese market where the market is changing, the prices are going down or the prices are going up, or I get certain market information from my customers, I very frequently talk to my colleagues, very informally and I explain what I hear here and then I ask them: "well, how is it on your market, is the customer just bluffing that the prices are going down or how is it on your market, how did the competitors or that particular competitor behave?" and then I get a wider picture.

PCN manager

There are innovations in the market and you need to be in this market. How it is possible if you don't attend faxes, calls, or inquiries, you listen to information... if you don't go? (...) I visited the associations in the country, industrial associations, because it was necessary to find information, for example, the directory of the companies. Or I visited the chambers of commerce, local chambers of commerce also to obtain information or asking to other customers about his competitors...

TCN manager

By meaning knowing the business I am including the whole parts of the business. Not only customers but also the view point of investors, suppliers and competitors. (...) [Within the MNC] on the operative meetings the first agenda point is the business situation. So in that sense is not only the financial figures, is how is the market, how we are positioning, what are the trends, what are the expectations, what are the actions we are preparing to the several projects we are making...

HCN manager

Market assessment is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context MNCs, Keegan (1974:414) suggests that: "when a headquarters executive in an international corporation with operations abroad acquires external information, the most likely single source of information is the corporation's own staff abroad". In the context of industrial markets, Björkman and Kock (1995:524) refer to *social relations* in order "to obtain information about possible customers". The analysis of case evidence suggests that *market assessment* is primarily related with a scenario of low informational dependence and high uncertainty (see section 4.2.3) influenced by factors such as *market idiosyncrasy* and *market dynamism* (see Appendix F).

In addition to market trends, FSMs may take personal contacts in order to *assess customers*. Most of the interviewed FSMs mention personal contacts in order to assess customers' needs and decision-making process. A few of the interviewed FSMs mention personal contacts in order to assess change in customer organizations.

I have the role of contacting the people, having the contact with people corresponding to my level. (...) to understand the customer requirements correctly you need to have several different views from customer's side, because it's not homogeneous requirement, because it's a sum of several people. It's not a company. A company consists of decision-makers who are people. (...) the needs are so different. (...) how do they want we deliver the product, what are the personal contacts, how do they physically want, what are the time limits, and how do we follow-up, what's the technical service level, what's the whole package, is totally dependent of some individuals' own thinking. There are some companies where the organizational power is enormous, they have created standards, they do this and that, but those companies are an exception.

PCN manager

We transmit the necessities of the customer to the company... (...) who are the people responsible in the customer for purchases, the top in this direction, the manager for this function... (...) you need to go where is the decision. (...) When you visit the customer you know if they have twenty salesman, if they have trucks, if they have stocks in consignment, if they have money, many things...

TCN manager

On the exhibitions, at least twice a year, we use to make what we called a "tournée" on the most important customers. So, I know them, the top management and the

second level, and their facilities. (...) When you are facing an external organization, depending on what is your aim, you have to find who is the key person for the decisions. (...) The purpose with private customers is basically to understand their business, what are the opportunities to help them to grow or, saying differently, to develop our common growth. With public [customers] is a little different because you know, changes are happening more times, so, we have to be very much updated with the status of the organization...

HCN manager

Customer assessment is thus seen in the present study as a specific content of FSMs' personal contacts in the local industrial market. In similar fashion, Björkman and Kock (1995:520) argue that: "for companies marketing industrial products and large-scale projects a key question is how to obtain information about up-coming purchasing decisions, and how to establish and nurture relationships to potential buyers". The analysis of case evidence suggests that *customer assessment* is primarily related with a scenario of low informational dependence and high uncertainty (see section 4.2.3) influenced by factors such as the FSM's *sales orientation* in addition to *supplier closeness* (see Appendix F).

Similarly to customers, FSMs may take personal contacts in order to *assess suppliers*. Most of the interviewed FSMs mention personal contacts in order to assess local service providers as well as subcontractors.

The banks, insurance companies, operative logistic companies, and things like that, which are related to our business, whose services we need... (...) What comes to operative support like bankers and logistics varies... I don't need the managing director of any Portuguese bank, but I know some of the managers who run the businesses of ours, and their bosses.

PCN manager

I have the normal contact that you can expect with public organizations, with financial organizations, with consulting organizations... (...) suppliers they don't know the structure of the company, so when I contact them this is in the role of managing director or president of the company, but inside a certain purpose of sales, of purchase or something else.

TCN manager

And then to select the main suppliers on each moment according to pricing, conditions, technical facilities, needs in terms of production... (...) for sure I am assuming that banks and the insurance companies they are part of the suppliers. (...) I like to assist, because it might be many things around and then normally the contracts they are going to be signed by me representing the company and I would like to know some specifics on some specific businesses according with the size of the business and so on.

HCN manager

Supplier assessment is thus seen in the present study as a specific content of FSMs' personal contacts in the local industrial market. In similar fashion, Cunningham and Turnbull (1982:307) contend that: "the assessment of a supplier's competence, is a process frequently involving personal judgements as well as objective facts; these judgements are improved through interacting with the other party in both formal and informal situations". The analysis of case evidence suggests that *supplier assessment* is primarily related with a scenario of low informational dependence and high uncertainty (see section

4.2.3) influenced by factors such as *customer closeness* and *business culture* (see Appendix F).

4.3.3 Negotiation

In terms of negotiation, FSMs' personal contacts may enable *negotiations* and *staff empowerment*. In particular, FSMs may participate in *negotiations* both within the MNC and in the local industrial market. Most of the interviewed FSMs mention personal contacts in order to negotiate with customers and with suppliers. A few of the interviewed FSMs mention easier negotiations within the MNC than in the local industrial market.

The computer neither written reports can ever replace the personal contact where you exchange information and you read between the lines and you develop a certain idea together and then at the end of the day you define your policy, make a price policy, all the targets and so forth. (...) we try to get first feedback from the customers and then we give that information probably by phone or by e-mail to the mill, we get their comments, the customer says one hundred, the mill may say one hundred-and-ten and then we start to develop it from that...

PCN manager

[In the local market] I have negotiated the last maintenance contract. (...) We are not talking about the contents, technical contents, which is always the same, but it is the conditions, responsibilities, payments, liability... and in this respect, they don't have any experience, they could have, I mean, probably they agree, but this part of work I have some decades of experience in negotiating the contract, which is not the case of our operational people, which are more practitioners...

TCN manager

Is easier to negotiate intra-group than to negotiate with the customers. (...) With one or two product managers, these guys gave me the cost price and we decided together if I have a problem in front of the customer "you can go until that price"... (...) [In the local market] if I do a business and my gross margin is much better than I think I can give something plus to the subcontractors... (...) our key success of this local sales unit is the negotiation with these subcontractors. (...) I know the boss of the enterprise and I negotiate always with the boss.

HCN manager

Negotiations are thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Marschan (1996:131) suggests that: "personal relationships were used for gaining influence in inter-unit communication". In the context of industrial markets, Cunningham and Turnbull (1982:308) argue that: "personal contacts in buying and selling are the normal means of persuasion and negotiation both at the time of, and subsequent to the original order". The analysis of case evidence suggests that *negotiations* are primarily related with a scenario of low decisional dependence and low uncertainty (see section 4.2.8) influenced by factors such as the FSM's *experience* in addition to *subsidiary size* (see Appendix F).

FSMs may also take personal contacts for *staff empowerment*. Most of the interviewed FSMs mention personal contacts in the local industrial market in

order to mediate subsidiary-customer relationships as well as within the MNC in order to intervene in subsidiary-headquarters relationships.

Sometimes the sales director may come and say: "I would need your support because it would be important that the customer understands that the terms of payment or the price policy or this and that does not depend on me personally and it's a group policy" (...) the sales director is involved, otherwise he would lose face, because in this kind of situations, sometimes it happens that the customer thinks that if he goes to a higher level or sends a fax or whatever directly to the parent company that then he gets what he wants. (...) What I never do is that I would go to meet or contact customers of my sales directors behind their backs. It has got to be always open, say, completely transparent and always with the idea of supporting my team.

PCN manager

What is important for [...] is to keep a good relationship with the rest of the group because he has to deal with those people everyday. I have to deal once a year so is totally different approach. And not the same level actually, so each time is necessary... technically he doesn't need my contact, but as soon as we are talking about relationship, then I will take over, I will be in charge. [In the local market] I have received a copy of this claim. So there is two ways. Who is going to answer? We are talking about price, overall. It should be [...] because he made the proposal. I did it, because I don't see the point why he would fight against this customer when he has to deal with him everyday, when as the president of the company I can give all the explanations he wants...

TCN manager

Sometimes it happens that you have a subordinate, it might be a manager, trying to solve some problem and he has been trying once, twice, and three times and nothing was happening. So, maybe you can go directly or you can go first to the boss just to say: "well, I have a problem with this, do you like that you treat this on your way, or may I go straight?" (...) [In the local market] when I am trying to be in touch with these decision-makers, normally I would like to have one of my managers in this case, sales and marketing managers with me... (...) you can say in the majority of the times, ninety five percent of the cases I never establish any kind of contact with our customers without any previous contact with our people.

HCN manager

Staff empowerment is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Marschan (1996:139) suggests that: "in some situations local personnel or third country nationals use, for example, Finnish expatriates as stepping stones in inter-unit communication to overcome language barriers or gain more influence". In the context of industrial markets, Cunningham and Homse (1982:269) refer to *marketing and purchasing coordinated contact patterns* by which, for example, "the sales representative "brings along" a member of the engineering department". The analysis of case evidence suggests that *staff empowerment* is primarily related with a scenario of low decisional dependence and high uncertainty (see section 4.2.7) influenced by factors such as the FSM's *job description* and *extra duties* (see Appendix F).

4.3.4 Decision-Making

In terms of decision-making, FSMs' personal contacts may enable *approval*, *planning* and *problem solving*. In particular, FSMs may take personal contacts for

approval of their decisions. Most of the interviewed FSMs mention personal contacts within the MNC for marketing issues. A few of the interviewed FSMs also mention personal contacts within the MNC for human resources issues. A few of the interviewed FSMs mention personal contacts in the local industrial market concerning permits from local authorities.

HR issues, basically. So simple things, salary increases, whatever. Those are usually done within the line organization. (...) is permission, basically, "shall we do this way, or that way" and get permission or approval for that our approach. (...) you need to get this kind of approval that "yes, you can offer this kind of offering to your customer" and typically that involves my line management... (...) typically it involves usually two or three people, as a minimum... (...) usually the proposal is related to extraordinary things like a tender or whatever.

PCN manager

If special decisions have to be made I have to get permission or discuss it with my colleagues from the other units. (...) strategic decisions that we say: - "ok, we do it with this price", if we produce it with a lower price because strategically it is better to do it now, and then make profit next year, but I cannot from here, from Portugal, I cannot oversee the situation, so that has to come from Finland... (...) [In the local market] most is for special authorizations, if we need to construct something or if we need another permit authorization then we need to go to local authorities.

TCN manager

[My boss] if I decide to increase my team I need to discuss with him. (...) If I try to sell some kind of machines and I have a problem with the price or with the delay, it's necessary to negotiate these things with the product managers.

HCN manager

Approval is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of MNCs, Egelhoff (1993:185) refers to *hierarchical referrals* by which "exceptions must be referred up the hierarchical authority structure for decision-making". In the context of industrial markets, Hällén (1992:79) argues that: "the relationships with non-business actors such as government and local authorities, trade unions, industrial federations, and private-interest associations may be as important as the business relationships". The analysis of case evidence suggests that *approval* is primarily related with a scenario of high decisional dependence and high uncertainty (see section 4.2.9) influenced by factors such as *approval process* and *customer internationalisation* (see Appendix F).

FSMs may also take personal contacts for *planning*. Most of the interviewed FSMs mention personal contacts within the MNC to review marketing plans.

I am a natural part of the process in the sense that if you are planning something to Iberian Peninsula then I am involved...

PCN manager

You decide objectives, but it is not definitive objectives, you change because the markets change during the year, and the first tertiary for example is a very good level of the market, but the second tertiary reduce consumption and we don't sell nothing and is necessary a revision of forecasts. (...) you don't need to make ten or twelve persons together, you can establish information or strategy by phone, e-mail or private meetings, two, three persons, in factory, in market, in customers, it depends...

TCN manager

I am preparing the budget right now, end of August/beginning of September, preparing the budget for 2002. In June, for instance in June 2002, my opinion will be completely different from now so what I am thinking now that will happen next year can change or not, but can change a lot, so an estimate sometimes is requested.

HCN manager

Planning is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC. In this respect, Nohria and Eccles (1992:292) argue that: "the social dimension of organization is especially crucial in the network organization because the type of coordination action that is required is rarely routine". The analysis of case evidence suggests that *planning* is primarily related with a scenario of high decisional dependence and high uncertainty (see section 4.2.9) influenced by factors such as the *planning process*, *business volume*, and *intra-group transactions* (see Appendix F).

Finally, FSMs may take personal contacts to *solve problems*. Most of the interviewed FSMs mention personal contacts in the local industrial market due to customer claims. A few of the interviewed FSMs mention personal contacts within the MNC concerning decisions on technical-, logistic-, financial- and legal problems.

The customer calls us and says that he has a problem with a delivery then we have to resolve it. (...) if a problematic situation arises, then of course the ultimate responsibility is mine (...) Sometimes a customer may get in touch with me directly. (...) I have a certain control function, because the overall responsibility is mine regarding especially the payments and the legal aspects, because the legal responsibility of the company I cannot delegate, it's mine. So when it comes to problem solving of an impasse then it's my duty.

PCN manager

That's important that you know exactly whom to contact when you have a problem. (...) when there is a big problem, so then I have to solve the problem or take the decision to do something. (...) it's decision-making. (...) is my task and my position to say: "ok, let's do it then like this, and we accept this, and that's it". (...) most of it is technical. (...) it has to do with sometimes logistics, sometimes with the quality of the raw material, sometimes with the specifications, and sometimes with the product...

TCN manager

I may have additional contacts on the level of some directors in the mother company related with different kinds of eventual problems we face on the daily operations. (...) I am a kind of fireman. (...) [In the local market] If they are claiming, normally the bosses, I send immediately these claims to our people, asking them if they can give me the feedback. And before establishing contacts I would like to know details about these. (...) Sometimes because they have been facing some conflict or because they thought that the people didn't transfer the message in the company...

HCN manager

Problem solving is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, *problem solving* is implicit in Marschan's (1996:139) discussion of expatriates' *conduit role* by which "local personnel of third country nationals use, for example, Finnish expatriates as stepping stones in inter-unit communication". In industrial markets, Cunningham and Turnbull (1982:308) refer to the *crisis insurance role* of personal contacts by which contacts

are established for later use “when a major problem or crisis occurs”. The analysis of case evidence suggests that *problem solving* is primarily related with a scenario of high decisional dependence and low uncertainty (see section 4.2.10) influenced by factors such as the FSM’s *performance* in addition to *rules and programmes* (see Appendix F).

4.3.5 Resource Allocation

In terms of resource allocation, FSMs’ personal contacts may enable *coaching*, *buffer relations* and *resource leverage*. In particular, FSMs may be required to allocate part of their time to *coach* subordinates. A few of the interviewed FSMs mention personal contacts in order to coach subordinates on marketing and management issues.

I am more a coach than a managing director, because the operations are done by [...] segments and by things like that. (...) I work more with the people, so that the people are motivated, people understand things correctly... (...) In some cases, I act as a trainer myself...

PCN manager

This is also part of my tasks. That’s training...

TCN manager

Many proposals I don't make them or I just give the guidelines to my colleagues. In this case is not sales activities, is also management...

HCN manager

Coaching is thus seen in the present study as a specific content of FSMs’ personal contacts within the MNC. In similar fashion, Marschan (1996:140) suggests that: “generally, the role of the expatriate was seen as a teacher” by local personnel. The analysis of case evidence suggests that *coaching* is primarily related with a scenario of low decisional dependence and low uncertainty (see section 4.2.8) influenced by factors such as the FSM’s *experience* in addition to *subsidiary size* (see Appendix F).

FSMs may also invest their time in *buffer relations* i.e. potential contacts. Most of the interviewed FSMs mention personal contacts in the local industrial market based on subsidiary business prospects. A few of the interviewed FSMs mention personal contacts within the MNC based on subsidiary business prospects. At least one of the interviewed FSMs mentions personal contacts within the MNC based on individual career prospects.

[In the local market] you also create a friendship with people, who do you think it will be useful... (...) you need to have the relationship before you get into difficulties.

PCN manager

[Within the MNC] take a guy of forty now in my shoes, he will have a tremendous connection in the group, he wants to be known from everywhere. He will make papers, he will show up because he has another twenty years in front of him, and is always useful to be known. (...) [In the local market] since we are not in charge [of the other Division’s products], it would be a waste of money and a waste of time to try to build-up relationships...

TCN manager

[Within the MNC] the idea is to have some contacts per year, which mean that people don't forget you. (...) [In the local market] if you help these students, after you have some good experiences with these people. (...) These students in the future can come to work with our machines and it's easier for us to speak with a person who knows our machines, our equipment, than with a person that doesn't know anything about our machines.

HCN manager

Buffer relations are thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In similar fashion, Marschan (1996:145) suggests that the development of personal relationships depends on "the value perceived in personal communication networks". In industrial markets, *buffer relations* are implicit in Cunningham and Turnbull's (1982:308) discussion of "personal contacts taking place between individuals in organizations for no immediately obvious reason". The analysis of case evidence suggests that *buffer relations* are primarily related with a scenario of low decisional dependence and high uncertainty (see section 4.2.7) influenced by factors such as *job description* and *extra duties* (see Appendix F).

Finally, FSMs may take personal contacts in order to *leverage* the MNC's *resources*. Most of the interviewed FSMs mention personal contacts within the MNC concerning technical and logistic issues. A few of the interviewed FSMs mention personal contacts within the MNC and in the local industrial market concerning marketing issues.

[Within the MNC] I have a lot of contacts with my colleagues, because we want to share some of the resources... (...) in a lot of cases there might be some specific competence (...) the strength of each employee individually and in this networking organization is that you involve other people who are not part of the process to give their contribution.

PCN manager

[Within the MNC] if we need someone who is a specialist for a special operation, we ask the product company to send the guy with the tools or whatever. (...) It worked very well last time because I have this guy as the boss and, I would say, five days later they came to Portugal to solve the problem. And the problem has been solved. Not with me, with those people and the customer. But without me would not work, of course.

TCN manager

If you need, for example, small machines in Europe we decide to discuss with everybody and decide if the president of the region talks with the [...] divisions to influence to do another machines... (...) [In the local market] we have contacts with institutes of [...] and this type of institutes can help to solve not our problems, but the problems of the customers.

HCN manager

Resource leverage is thus seen in the present study as a specific content of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:151) similarly argue that: "exchange of information allows the various subunits of the multinational to take advantage of opportunities for arbitrage" such as ad hoc allocation of stocks among subsidiaries. In the context of industrial markets, Cunningham and Turnbull (1982:308) contend that: "adaptations to the product, manufacturing processes and delivery systems are discussed and

agreements reached through personal discussions”, which may include the “allocation of managerial resources” (Ford 1980:40). The analysis of case evidence suggests that *resource leverage* is primarily related with a scenario of low decisional dependence and high uncertainty (see section 4.2.7) influenced by factors such as *job description* and *extra duties* (see Appendix F).

4.4 Process of Personal Contacts

In addition to the context (see section 4.2) and content (see section 4.3) of FSMs’ personal contacts, the present study discusses, in the light of extant literature, the process by which such personal contacts take place, namely in terms of *channels, direction, frequency* and *paths*. Such a discussion is also illustrated with three selected quotations from the interviews (see section 3.4.1) for the reader to assess the extent to which case evidence allows the present study to explore the dynamics of FSMs’ personal contacts.

4.4.1 Channels

The channels, by which FSMs take personal contacts, include: *telecommunications and information systems, meetings, visits, training, events, memberships, and leisure*.

Telecommunications and information systems are the most frequent channel, by which FSMs take personal contacts within the MNC and in the local industrial market. Most of the interviewed FSMs mention personal contacts within the MNC through fixed and mobile phone, email and fax. A few of the interviewed FSMs mention that verbal personal contacts are more appropriate than written personal contacts for negotiation purposes.

An e-mail, or a fax, or earlier it was a telex... (...) you give the basic information and as the first contact is good (...) And then normally whatever is then talked over the phone, then the next step is mutually to confirm it, just to take an order summarizing our telephone conversation and previous e-mail exchange... (...) The computer neither written reports can ever replace the personal contact where you exchange information and you read between the lines and you develop a certain idea together and then at the end of the day you define your policy, made a price policy, all the targets and so forth. (...) we try to get first feedback from the customers and then we give that information probably by phone or by e-mail to the mill (...) it's always a combination of written and personal information.

PCN manager

You have the opportunity to communicate with many people, now you have a new technology, e-mails... (...) You can establish information or strategy by phone, e-mail or private meetings...

TCN manager

I spend a lot of time at the mobile phone... (...) [Within the MNC] you can do the things together, you can put the mail or make the email and after call the persons, if the matter is very urgent or is very complicated or is a big problem. It's easier to

write the problem and after call this person. (...) [In the local market] if you help the customer in this situation... if he has a problem later he will call you.

HCN manager

In the context of MNCs, it has been suggested that *vertical information systems* "frequently include computer-based information systems" (Egelhoff 1993:185), but also that: "the viability and effectiveness of this electronic network will depend critically on an underlying network of social relationships based on face-to-face interaction" (Nohria and Eccles 1992:290). In the context of industrial markets, it is also claimed that: "information technology improves the ability of organizations to communicate with one another through interorganizational systems and other forms of electronic data interchange" (Nohria and Eccles 1992:291).

In addition to *telecommunications and information systems*, FSMs may take personal contacts through *meetings* within the MNC and in the local industrial market. Most of the interviewed FSMs mention meetings with subordinates and hierarchical superiors for planning purposes as well as with customers and suppliers for negotiation purposes. A few of the interviewed FSMs mention meetings with corporate staff, other subsidiary managers and hierarchical superiors for approval and problem solving purposes.

The overall strategy not only for Portugal but also for the other markets is more or less set in what is called "sales meetings" that take place in the Autumn, September/October. (...) Two annual board meetings in the Autumn and then in the Spring a kind of a follow-up meeting. (...) Apart from that, the corporate marketing and sales organizes normally once or twice a year a meeting with the sales offices... (...) There you meet your colleagues, your superior, the key people from the divisions, from the support functions... So that is a very common way of establishing contacts... (...) [In the local market] the customer wants to have a meeting. We talk about a future contract or if he has a problem...

PCN manager

This is my business I am the only one who knows that we need a meeting to solve one issue... (...) so I am in contact with one people I have never met before, but we have a problem and I need his help, so, we have discussed... If I was closer from Helsinki I would probably have a meeting one, two, three times per week and to see how the things are progressing, but I am too far.

TCN manager

This can come from these personal conversations, these can come from the normal meetings or annual meetings, in the particular case of the divisional meetings, they are twice a year. So, you have more than thirty people with whom you are talking or you can talk. (...) [In the local market] when we are talking about suppliers or customers, all the needed represented operationals are present, always present. And sometimes they lead the meeting.

HCN manager

In the context of less-hierarchical MNCs, Marschan (1996:132) argues that: "personal relationships are most effectively created through participation in international meetings". In industrial markets, Cunningham and Turnbull (1982:304) note that: "face to face meetings are desirable and that negotiations between the parties are best conducted on a person-to-person basis".

FSMs may also take personal contacts through *visits* within the MNC and in the local industrial market. Most of the interviewed FSMs mention visits to customers for assessment purposes. A few of the interviewed FSMs mention visits to/from corporate staff and other subsidiary managers for benchmarking purposes.

We receive visits from the business units and divisions on the sales and marketing side and also on the technical side. (...) I visited the customers, two potential customers...

PCN manager

I visit and I try to find the confidence with the customers. (...) [Within the MNC] we visit, for example [...] in Spain and there factories are the same, the system of production, the factory has the same resources, technical and everything.

TCN manager

[Within the MNC] I decided at that time to visit as maximum as I could other group companies. I remember that I used very much the Danish company to see what they were doing and what they were not doing. So trying to understand their success and their failures as well. (...) Because we have got this silver trophy of EFQM methodologies, my contacts with the group have increased very much, especially on the last part of last year and early this year, because I have got a lot of visitors from the group.

HCN manager

In the context of less-hierarchical MNCs, Marschan (1996:134) reports a “positive effect on relationship building” among middle managers and operatives who visit other units. In the context of industrial markets, Cunningham and Turnbull (1982:313) acknowledge “periodic visits of salesman from supplier” which the authors apparently distinguish from “higher level meetings of senior management from the two companies”.

Some *meetings* or *visits* within the MNC are arranged specifically for *training* purposes. Most of the interviewed FSMs mention personal contacts with other subsidiary managers through training at the MNC, which also allows socializing.

I am one of those who, in spite of the age, is training himself all the time.

PCN manager

We have in this group a permanent development of the personnel... and this is probably an opportunity to build-up a relationship and to meet physically people...

TCN manager

I have been part of some training courses the group has promoted. (...) And with some of them, perhaps the only thing we have had is that we lived together for that period, but with most of them we have used then all the possible, all the potential help they could give us. (...) It happened many times that I never had a direct connection with those guys. They are in different divisions, in different tasks. But sometimes I use them to understand something...

HCN manager

Training is thus seen in the present study as a channel by which FSMs take personal contacts within the MNC. In similar fashion, Marschan (1996:135)

suggests that: “participants in the same training course or meeting build contacts among themselves”.

In addition to *training* within the MNC, FSMs may take personal contacts through *events* in the local industrial market. Most of the interviewed FSMs mention personal contacts with corporate staff, customers and suppliers through seminars or exhibitions for knowledge transfer and trust enhancement purposes.

I believe that all relationships are based on informal creation of the relationships, but it might be done in a formal environment or formal occasions.

PCN manager

When the customers organize events and they invite you, my system is to go to all events, because if they invite you, they recognize that you are something in his organization. It is necessary to be present. (...) If you make the event in Finland or in Spain... some customers like to go...

TCN manager

Last month I was closing the three days conference of the innovation educational institute (...) and there I can find a lot of teachers, which are also managers in other companies. (...) On the exhibitions, at least twice a year, we use to make what we called a "tourn e" on the most important customers. (...) By being invited to seminars, by being member of certain institutions, you have no other chance than to meet people. (...) Most of them are managerial seminars. (...) the best way to access to the political or public companies... (...) By being invited as well for technical seminars related with our industry, we make ourselves somehow a reference for the technicians...

HCN manager

Events are thus seen in the present study as a channel by which FSMs take personal contacts in the local industrial market. Andersson et al. (1996:150) implicitly discuss *events* in their discussion of “a business lunch” as an “important means of meeting people”.

In addition to *events*, FSMs may take personal contacts in the local industrial market through *memberships*. Most of the interviewed FSMs mention personal contacts through industrial or national associations and clubs for market assessment purposes.

Some of our customers belong to an association, which has the objective of promoting the interests of that whole business branch or business area in Portugal. And sometimes we are approached by these associations sometimes we approach them...

PCN manager

I am a member of the Finnish business... (...) We have an international organization, is called [...], but we are not member at the moment, but we will be a member again in a very few period of time and there you meet all your colleagues, your friends, your enemies, everybody. So, is just an informal way of meeting those people.

TCN manager

I am also the president of ISO certified companies in Portugal, so I know now there almost a thousand companies... (...) Because of this position of president of the ISO certified companies, I am member of a national quality counsel as well. So, politically, I have some good contacts on the government level. (...) by being member of certain institutions, you have no other chance than to meet people. (...) I am quite close with more eleven companies to found a benchmarking club saying in our

country what are the best practices in several areas of management. (...) Not only to establish further contacts, but to develop much more the ones we have.

HCN manager

Memberships are thus seen in the present study as a channel by which FSMs take personal contacts in the local industrial market. In similar fashion, Axelsson and Agndal (2000:12) acknowledge “membership in clubs” as an *origin* of contacts.

Finally, FSMs may take personal contacts within the MNC and in the local industrial market in *leisure* time. A few of the interviewed FSMs mention personal contacts with customers in *leisure* activities such as golf, tennis, hunting, kart driving, and holidays for customer assessment purposes.

[In the local market] you establish the contact purely business related and if in the conversation it comes up that you share same hobbies you may develop that kind of relationship that you invite them...

PCN manager

We sometimes go hunting with one of our customers and things like that or we have dinner with them...

TCN manager

Some of the people they are using the golf tournaments and tennis...

HCN manager

Leisure is thus seen in the present study as a channel by which FSMs’ take personal contacts in the local industrial market. In this respect, Andersson et al. (1996:150) equally acknowledge “a tennis match or a golf match” as an “important means of meeting people”.

In general (see Table 9 below), the case evidence suggests that *telecommunications and information systems* are the only channel by which FSMs take personal contacts with all functions: information exchange, assessment, negotiation, decision-making, and resource allocation (see section 4.3). In particular, telecommunications and information systems may be used for *contact transfer, advice and follow-up* (see section 4.3.1), *reporting and MNC assessment* (see section 4.3.2), *staff empowerment* (see section 4.3.3), *problem solving* (see section 4.3.4) as well as *buffer relations and resource leverage* (see section 4.3.5).

In addition, the case evidence suggests that *meetings* are primarily arranged for negotiation, decision-making, and resource allocation purposes. In particular, meetings may be used for *negotiations* (see section 4.3.3), *approval, planning, and problem solving* (see section 4.3.4) as well as *coaching* (see section 4.3.5).

On the other hand, the case evidence suggests that *visits, training, events, memberships* and *leisure* are channels by which FSMs take personal contacts primarily for information exchange and assessment purposes. In particular, visits may be used for *benchmarking* (see section 4.3.1) as well as *customer- and supplier assessment* (see section 4.3.2); trainings may be used for *socializing* (see section 4.3.1) and *MNC assessment* (see section 4.3.2); events may be used for *knowledge transfer* (see section 4.3.1) as well as *trust enhancement and corporate*

reputation (see section 4.3.2); memberships may be used for *socializing* (see section 4.3.1) and *market assessment* (see section 4.3.2); and leisure may be used for *friendship* (see section 4.3.1) and *customer assessment* (see section 4.3.2).

TABLE 9 Content of FSMs' personal contacts per channel

	Information exchange	Assessment	Negotiation	Decision-making	Resource allocation
T & IS	Contact transfer, Advice, Follow-up	Reporting, MNC assessment	Staff empowerment	Problem solving	Buffer relations, Resource leverage
Meetings			Negotiations	Approval, Planning, Problem solving	Coaching
Visits	Benchmarking	Customer assessment, Supplier assessment			
Training	Socializing	MNC assessment			
Events	Knowledge transfer	Trust enhancement, Corporate reputation			
Memberships	Socializing	Market assessment			
Leisure	Friendship	Customer assessment			

In spite of suggesting a direct relationship between the contents of FSMs' personal contacts and the type of channel by which they take place, the present study equally acknowledges that such a relationship is not necessarily exclusive. In particular, FSMs' personal contacts for *problem solving*, *MNC-* and *customer assessment* as well as *socializing* may take place by more than one channel (see Table 9).

4.4.2 Direction

The process of FSMs' personal contacts may also be discussed in terms of *direction*. In this respect, most of the interviewed FSMs mention personal contacts from their own initiative with hierarchical superiors and corporate staff for marketing and technical support. A few of the interviewed FSMs

mention personal contacts from the initiative of hierarchical superiors and corporate staff for reporting and of customers for problem solving purposes.

In terms of reporting the initiative always comes from up. In terms of getting help or getting some contribution to our specific issues, then the initiative is ours.

PCN manager

If its technical then it is more our initiative, and if it's financial then it's mostly from the group.

TCN manager

Many they are related with business requests from the field, in a way to make proposals for different kinds of countries, sending some kind of additional information, asking for some questions about some reports, some things like that. From our side the initiative, they are basically related with technical information... (...) [In the local market] if they are claiming, normally the bosses, I receive here claims directly...

HCN manager

The present study thus suggests FSMs' personal contacts within the MNC due to top-down initiative for *reporting* and bottom-up initiative for *advice*. In addition, the present study suggests FSMs' personal contacts in the local industrial market due to customer initiative for *problem solving* purposes. In the context of MNCs, Marschan (1996:28) argues that: "inter-unit communication aimed at control (such as financial reports) tends to be more vertical by nature than the communication endeavouring to enhance coordination and socialization (such as cross-unit projects and training)". In the context of industrial markets, Cunningham and Turnbull (1982:308) suggest that: "when a major problem or crisis occurs, which cannot be resolved through existing channels of influence" it may happen that "the supplier attempts to establish some links at a very high level".

As mentioned in the previous section, the case evidence suggests that the main channel by which FSMs take personal contacts for *reporting*, *advice* and *problem solving* is *telecommunications and information systems*.

4.4.3 Frequency

In addition to *channels* (see section 4.4.1) and *direction* (see section 4.4.2), the process of FSMs' personal contacts may be discussed in terms of *frequency*. In this respect, most of the interviewed FSMs mention yearly and monthly personal contacts with hierarchical superiors and corporate staff for planning and reporting purposes, respectively. A few of the interviewed FSMs also mention frequent personal contacts with customers as well as yearly personal contacts with suppliers and auditors.

Part of my work is an annual business plan (...) Corporate Marketing and Sales organizes normally once or twice a year a meeting with the sales offices... (...) We report to the divisions, the business units. In most cases is monthly. (...) Most frequent contacts are of course with the customers...

PCN manager

Year by year we establish the objectives. (...) We have also auditors every year... (...) Every month, I visit the customers.

TCN manager

Usually we have only one meeting in September/October, where we discuss the budget for the next year. (...) I have one monthly report that I have to send... (...) I would say customers, everyday. (...) Audits, usually is once per year...

HCN manager

The present study thus suggests recurrent FSMs' personal contacts for *planning* and *reporting* as well as *customer-* and *supplier assessment* purposes. In the context of MNCs, Egelhoff (1993:194) refers to *formal single-cycle planning systems* as well as *post-action control systems* as routine information processing mechanisms, which deal with "inputs that are frequent and homogenous". In the context of industrial markets, Cunningham and Turnbull (1982:313) suggest *frequency* as an indicator of the intensity of inter-organizational personal contacts, which is expected to increase over time, namely among lower hierarchical levels, which "are then supported by infrequent, more formal top level meetings".

As mentioned in section 4.4.1, the case evidence suggests that the main channel by which FSMs take personal contacts for *reporting* is *telecommunications and information systems*, for *planning* is a *meeting*, and for *customer-* and *supplier assessment* is a *visit*.

4.4.4 Paths

Finally, the process of FSMs' personal contacts may be characterized in terms of *paths*. In particular, FSMs may extend the scope of their business- and informal contact network (see section 4.2.2) through a *snowballing* path. Most of the interviewed FSMs mention personal contacts in the local industrial market by which their private contact network has been extended. A few of the interviewed FSMs mention personal contacts within the MNC by which their informal contact network has been extended.

Over the years you meet people by just working...

PCN manager

What we are doing now is quite good and I don't think that will be less. Not at all, I think that this will increase it will be better in the future, the contacts. I don't think it will be reversed now.

TCN manager

If you need you have to find the best way to meet them. (...) But then is like a snowball, since you know one, that one allows you to know somebody more and those somebody more, somebody more and it's a never ending ball.

HCN manager

In the other hand, FSMs may reduce the intensity of their personal contacts through a *selecting* path. Most of the interviewed FSMs mention personal contacts within their formal contact network (see section 4.2.2), by which the

intensity of personal contacts within their business- and informal contact network may be reduced.

Because we have then delegated people to take care of our purchasing processes. Of course I am involved to certain extent and usually it's a question of hierarchy... (...) In the beginning of usually any activities, those escalations are more frequent and before people start learning things and those processes and decision-making criteria are well defined. Before that, of course they are more frequent.

PCN manager

Basically I try to delegate the most possible the contacts with external partners, unless in some sensitive case that I keep for myself or when I feel that the purpose is so important that I have to act by myself. In general this is the rule.

TCN manager

I think that you have steps. I would say that nowadays there are a few contacts that I know more or less that some of my people sales and marketing manager, is going to face some more difficulties... (...) So the delegation is a little bit in accordance with the positioning of the people [in customer organizations], knowing that these people they rather prefer to have some personal contacts instead of going with a different contacts.

HCN manager

The present study thus suggests a *snowballing*- and a *selecting path* of FSMs' personal contacts within the MNC and in the local industrial market. In the context of less-hierarchical MNCs, Nohria and Ghoshal (1997:156) similarly argue that "the longer an individual has worked in any organization, the more opportunities he or she has to meet and form contacts throughout the organization" although "no individual could possibly maintain the thousands of contacts that a fully connected network would require" (1997:152). In the context of industrial markets, Hällén (1992:90) argues that: "the number of contacts is also likely to multiply over time".

This section concludes the discussion of case evidence, which includes insights not only on the process (see section 4.4), but also on the context (see section 4.2) and content (see section 4.3) of FSMs' personal contacts. The extent to which such insights answer the research questions of the present study (see section 1.3) is discussed in the following chapter.

5 CONCLUSIONS

5.1 Final Theoretical Framework

Based on the analysis of evidence from the cases, a refined version of the a priori theoretical framework for analysis (see section 2.5.2) is depicted in Figure 10 below. Such a final theoretical framework lists thirty-six (36) factors and twenty-two (22) contents of FSMs' personal contacts in industrial markets, which form the basis for the answer to the first and second questions of the study, respectively (see section 1.3). Thirteen (13) factors and ten (10) contents had already been identified through literature review (see Figure 5 in section 2.5.2), being depicted in italic for better assessment of the present study's contribution to such a listing.

In terms of contextual factors of FSMs' personal contacts, the present study adds: nine (9) individual factors to the six (6) previously identified; nine (9) organizational factors to the four (4) previously identified; and five (5) market factors to the three (3) previously identified (see section 2.5.2). In terms of specific contents of FSMs' personal contacts, the present study adds: three (3) information exchange contents to the six (6) previously identified¹¹; six (6) assessment contents to the one (1) previously identified; one (1) negotiation content to the one (1) previously identified; two (2) decision-making contents to the one (1) previously identified; and two (2) resource allocation contents the one (1) previously identified.

It must be noted, however, that some of the factors and contents of FSMs' personal contacts, which are added in the present study may have been implicit in previous findings within the IMP group and/or the process approach to MNC management. In spite of being absent in the a priori theoretical framework for analysis (see section 2.5.2) such findings are acknowledged in sections 4.2 and 4.3, respectively.

¹¹ The six information exchange contents previously identified have been regrouped into four: *friendship*, *progress*, *advice*, and *technical information*.

The final theoretical framework also supplements the initial theoretical framework for analysis by making explicit the relationship between factors and functions of FSMs' personal contacts. Such a relationship is established through the notions of individual uncertainty and dependence (see section 1.5) and the scenarios, which result from their combination (see section 4.2.1). In the one hand, it is suggested that the four scenarios of informational dependence (see sections 4.2.3 to 4.2.6) are associated with FSMs' personal contacts for information exchange and assessment. In the other hand, the four scenarios of decisional dependence (see sections 4.2.7 to 4.2.10) are associated with FSMs' personal contacts for negotiation, decision-making and resource allocation. More specifically, it is suggested that each scenario results from particular contextual factors, which are associated, in turn, with specific contents of FSMs' personal contacts (see sections 4.3.1 to 4.3.5).

Moreover, and in order to facilitate its comparison with the a priori theoretical framework for analysis, the final theoretical framework does not include dynamic aspects of FSMs' personal contacts. Such aspects were, however, equally discussed in the light of extant literature, namely in terms of channels (see section 4.4.1), direction (see section 4.4.2), frequency (see section 4.4.3), and paths (see section 4.4.4). In particular, the present study identifies seven (7) channels by which FSMs' personal contacts take place. The study also suggests that the direction of FSMs' personal contacts is usually top-down concerning *reporting*, bottom-up concerning *advice*, and buyer-supplier concerning *problem solving*. In addition, it is suggested that *reporting* and *customer assessment* are the most frequent contents of FSMs' personal contacts. In terms of paths, the study suggests a *snowballing path* mainly in the local industrial market and a *selecting path* within the MNC and in the local industrial market.

In sum, the present study identifies factors and functions of FSMs' personal contacts (see sections 4.2 and 4.3), which are listed in the final theoretical framework for analysis. In addition, the study identifies channels, patterns of direction and frequency as well as long-term paths of such personal contacts (see section 4.4). The identification of individual, organizational, and market factors influencing the occurrence of FSMs' personal contacts in industrial MNCs constitutes the answer to the first research question (see section 1.3). The identification of functions and dynamic aspects of FSMs' personal contacts constitutes a preliminary, but still incipient answer to the second research question, which calls for a more integrated conceptualisation of the phenomenon under study. Such a conceptualisation of the interplay between context and content of FSMs' personal contacts is here captured by the notion of *interpersonal role* (Mintzberg 1973). The following section thus discusses the extent to which the formulation of FSMs' interpersonal roles answers the second research question of the present study.

FIGURE 10 Final theoretical framework

Individual	Background (inc. Nationality), Career, Language skills, Initiative, Sales orientation, Social skills, Personality, Attitude, Availability	Tenure, Delegation	Reporting process	Job description, Extra duties	Experience	Performance
Organizational	Corporate culture	Geographical proximity, Age of relationships	Start-up, Organizational change, Employee turnover		Size	Rules and programmes (inc. Supplier strategy)
Market	Market idiosyncrasy (inc. Market structure), Market dynamism, Supplier closeness, Customer closeness, Business culture (inc. Industry norms)		Technical complexity, Market internationalisation		Customer internationalisation	
	Inf. dep. (-) Uncertainty (+)	Inf. dep. (-) Uncertainty (-)	Inf. dep. (+) Uncertainty (-)	Dec. dep. (-) Uncertainty (+)	Dec. dep. (-) Uncertainty (-)	Dec. dep. (+) Uncertainty (-)
Information exchange	Contact transfer, Socializing, Benchmarking	Friendship, Follow-up (inc. Delivery and Technical progress)	Advice (inc. Technical advice and Commercial info), Knowledge transfer (inc. Technical info)			
Assessment	Trust enhancement, Market, Customers, Suppliers		Corporate reputation, MNC assessment	Reporting		
Negotiation				Staff empowerment	Negotiations	
Decision-making					Approval, Planning	Problem solving
Resource allocation				Buffer relations, Resource leverage	Coaching (inc. Training)	

5.2 Interpersonal Roles of FSMs in Industrial Markets

In his original conceptualisation of managerial working roles, Mintzberg (1973:54) defines role “as an organized set of behaviours belonging to an identified office or position”. The author argues that roles are predetermined even if individuals may interpret them differently. An apparently less deterministic view is provided by Pettigrew (1973:31) who argues that an individual’s behaviour is governed “not only by the structure of the situation in which he participates but also by his ability to shape and mould the structure to fit his interests”. As mentioned in section 4.2.5, the present study shares such a dialectical perspective (Van de Ven and Poole 1995), according to which members of an organization are able to retain some discretion in spite of situational constraints.

In order to emphasize FSMs’ discretion in terms of personal contacts, the present study refers to *autonomous* interpersonal roles. These roles are expected to co-exist with *integrated* interpersonal roles, which encompass FSMs’ personal contacts primarily determined by situational constraints. FSMs’ autonomous and integrated interpersonal roles are thus associated, respectively, with low and high degrees of dependence within the MNC. Such a dependence may, in turn, be informational or decisional (see section 1.5), leading to four scenarios of dependence within the MNC. In order to distinguish between informational and decisional dependence, the present study refers to *sensor* and *allocator* interpersonal roles of FSMs, respectively. Moreover, each of the four scenarios of dependence within the MNC may be associated with two scenarios of uncertainty in the local industrial market, leading to eight scenarios of uncertainty and dependence (see section 4.2.1). In order to differentiate between the two scenarios of uncertainty, the present study refers to *certain* and *uncertain* interpersonal roles of FSMs.

The explicit association between the eight scenarios of uncertainty and dependence (see sections 4.2.3 to 4.2.10) and specific contents of FSMs’ personal contacts (see sections 4.3.1 to 4.3.5) may be interpreted as interpersonal roles of FSMs. In other words, each scenario may be regarded a structured situation moulded by market, organizational and individual factors, which leads to an organized set of personal contacts with particular contents. The implications of FSMs’ interpersonal roles for inter-firm coordination in industrial markets (see sections 2.3.3 and 2.3.4) are discussed in the following paragraphs.

As *uncertain autonomous sensors*, FSMs are expected to perceive a high degree of uncertainty and a low degree of informational dependence (see section 4.2.3). Such an interpersonal role implies that FSMs take personal contacts specifically for *contact transfer*, *socializing*, *benchmarking*, *trust enhancement* as well as *market-*, *customer-*, and *supplier assessment* (see Figure 10 in the previous section).

As *certain autonomous sensors*, FSMs are expected to perceive a low degree of both uncertainty and informational dependence (see section 4.2.4). Such an

interpersonal role implies that FSMs take personal contacts specifically for *friendship* and *follow-up* (see Figure 10).

As *uncertain integrated sensors*, FSMs are expected to perceive a high degree of both uncertainty and informational dependence (see section 4.2.5). Such an interpersonal role implies that FSMs take personal contacts specifically for *advice*, *knowledge transfer*, *corporate reputation* and *MNC assessment* (see Figure 10).

Finally, as *certain integrated sensors*, FSMs are expected to perceive a low degree of uncertainty and a high degree of informational dependence (see section 4.2.6). Such an interpersonal role implies that FSMs take personal contacts specifically for *reporting* (see Figure 10).

The four interpersonal roles of FSMs just mentioned correspond to the four scenarios of informational dependence discussed earlier (see sections 4.2.3 to 4.2.6), being exclusively concerned with personal contacts for information exchange and assessment (see sections 4.3.1 and 4.3.2). Conversely, the four interpersonal roles of FSMs mentioned below correspond to the four scenarios of decisional dependence discussed earlier (see sections 4.2.7 to 4.2.10), being exclusively concerned with personal contacts for negotiation, decision-making and resource allocation (see sections 4.3.3 to 4.3.5).

As *uncertain autonomous allocators*, FSMs are expected to perceive a high degree of uncertainty and a low degree of decisional dependence (see section 4.2.7). Such an interpersonal role implies that FSMs take personal contacts specifically for *staff empowerment*, *buffer relations* and *resource leverage* (see Figure 10).

As *certain autonomous allocators*, FSMs are expected to perceive a low degree of both uncertainty and decisional dependence (see section 4.2.8). Such an interpersonal role implies that FSMs take personal contacts specifically for *negotiations* and *coaching* (see Figure 10).

As *uncertain integrated allocators*, FSMs are expected to perceive a high degree of both uncertainty and decisional dependence (see section 4.2.9). Such an interpersonal role implies that FSMs take personal contacts specifically for *approval* and *planning* (see Figure 10).

Finally, as *certain integrated allocators*, FSMs are expected to perceive a low degree of uncertainty and a high degree of decisional dependence (see section 4.2.10). Such an interpersonal role implies that FSMs take personal contacts specifically for *problem solving* (see Figure 10).

The overall association between FSMs' interpersonal roles and the content of their personal contacts is depicted in Table 10 below, which corresponds to the lower section of Figure 10. Given the characteristics of coordination in industrial markets (see sections 2.3.3 and 2.3.4), it may be concluded that FSMs participate as *sensors* in processes of inter-firm exchange (IMP group 1982; Cunningham and Homse 1986; Forsgren et al. 1995) and as *allocators* in processes of inter-firm adaptation (Ford 1980; Håkansson 1982; Brennan and Turnbull 1999). In other words, the present study suggests that although both sub-processes of inter-firm interaction – exchange and adaptation – presuppose

FSMs' personal contacts, the contents of personal contacts they require are rather different.

TABLE 10 Content of FSMs' personal contacts per interpersonal role

	Information exchange	Assessment	Negotiation	Decision-making	Resource allocation
Uncertain Autonomous Sensors	Contact transfer, Socializing, Benchmarking	Trust enhancement, Market assessment, Customer assessment, Supplier assessment			
Certain Autonomous Sensors	Friendship, Follow-up				
Uncertain Integrated Sensors	Advice, Knowledge transfer	Corporate reputation, MNC assessment			
Certain Integrated Sensors		Reporting			
Uncertain Autonomous Allocators			Staff empowerment		Buffer relations, Resource leverage
Certain Autonomous Allocators			Negotiations		Coaching
Uncertain Integrated Allocators				Approval, Planning	
Certain Integrated Allocators				Problem solving	

In sum, personal contacts of FSMs enable inter-firm coordination in industrial markets (Johanson and Mattsson 1987; Easton 1992; Håkansson and Johanson 1993) in the sense that such managers participate as *sensors* in *social exchange* (IMP group 1982; Forsgren et al. 1995) and as *allocators* in *human adaptations* (Ford 1980; Brennan and Turnbull 1999) within inter-firm relationships (Håkansson and Snehota 1995). The identification of FSMs' interpersonal roles thus constitutes the answer to the second research question (see section 1.3) in the context of industrial markets. The extent to which such interpersonal roles

answer the very same question in the context of less-hierarchical MNCs is discussed in the following section.

5.3 Propositions on MNC Coordination and Control

As mentioned in section 2.4.2, the process approach to MNC management may be said to encompass a *design* and an *organic* approach to less-hierarchical MNC management (Andersson and Holm 2002). The design approach (e.g. Prahalad and Doz 1987; Bartlett and Ghoshal 1989; Nohria and Ghoshal 1997; Ghoshal and Bartlett 1998) assumes that headquarters deliberately control subsidiaries, whereas the organic approach (e.g. Forsgren 1990a, 1990b; Ghoshal and Bartlett 1990) assumes that headquarters' authority (Forsgren 1990a) is contingent on subsidiaries' control of critical resources (Larsson 1985). It has also been argued that the organic approach is generally consistent with findings within the interaction and network approaches to industrial markets (Holm and Pedersen 2000), which further justifies the theoretical context of the present study (see section 2.1).

It must be noted, however, that coordination of differentiated subsidiaries in less-hierarchical MNCs (see section 2.4.4) is not equated, in the present study, with coordination of interdependent firms in industrial markets (Johanson and Mattsson 1987; Easton 1992; Håkansson and Johanson 1993). In spite of downplaying hierarchy (e.g. Hedlund 1993) and formal structure (e.g. Bartlett and Ghoshal 1990) in favour of differentiation and heterogeneity (Doz and Prahalad 1991; Gupta et al. 1999), headquarters of less-hierarchical MNCs are not expected to relinquish the very authority (Forsgren 1990a), which prevents the MNC from breaking down into anarchy (Hedlund and Rolander 1990). What is expected, instead, is that headquarters' authority may not translate into control over subsidiaries due to negligence of the former and/or pro-activeness of the latter (Taggart 1997b).

Marschan et al. (1996) equally appear to subscribe the organic approach by questioning the extent to which headquarters are able to control informal communication and corporate culture. As mentioned in section 2.4.4, informal communication and corporate culture are regarded in the present study as two informal mechanisms of MNC coordination (Martinez and Jarillo 1989). Based on the identification of FSMs' interpersonal roles (see previous section), the present study may equally discuss the extent to which headquarters of less-hierarchical MNCs control informal communication and corporate culture. Such two informal mechanisms of coordination are here labelled *horizontal communication* and *socialization*, respectively. In addition, the present study may discuss the adoption of *centralization* and *formalization* in less-hierarchical MNCs, which are here seen as two formal mechanisms of MNC coordination (Martinez and Jarillo 1989).

In particular, eight propositions can be suggested, which relate the adoption of such mechanisms of coordination with specific contents of FSMs' personal contacts. In this respect, three remarks must be made. First, as mentioned in section 4.2.1, the case evidence of the present study (see section 3.4.1) does not allow the analysis of dependence based on the control of resources within the MNC (e.g. Larsson 1985) or in the local industrial market (e.g. Håkansson and Johanson 1984). That means that, in spite of sharing the assumptions of the organic approach, the present study can only discuss the adoption of mechanisms of coordination in terms of FSMs' legal dependence (see section 4.2.1). Second, in contrast to previous research which has attempted to objectively measure environmental uncertainty (e.g. Nohria and Ghoshal 1997; Harzing 1999), the present study only discusses the adoption of mechanisms of coordination in terms uncertainty as perceived by FSMs (see section 4.2.1). Finally, and as mentioned in section 2.4.6, coordination of interdependent subsidiaries requires that their differentiating roles be taken into account. That means that the suggested propositions only concern the type of subsidiaries analysed in the present study, that is, *local implementers* (Birkinshaw and Morrison 1995).

Given the definition of decisional dependence adopted in the present study (see section 1.5), centralization and socialization may be equated with high and low decisional dependence of FSMs, respectively. On the other hand, the definition of informational dependence adopted in the present study (see section 1.5) implies that formalization and horizontal communication may be equated with high and low informational dependence of FSMs, respectively. It follows that the association between such mechanisms of coordination with specific contents of FSMs' personal contacts is here discussed as primarily contingent on FSMs' degree of uncertainty¹².

Correspondingly, two scenarios of uncertainty may be considered per each mechanism of coordination, based on the distinction between *certain* and *uncertain* interpersonal roles of FSMs (see previous section). In particular, two propositions are suggested per each mechanism of coordination, which relate its adoption at the subsidiary level with specific contents of FSMs' personal contacts. Such propositions are discussed in the following paragraphs.

Centralization is a mechanism of coordination by which decision-making authority is concentrated at the higher levels of the organizational chain of command (e.g. Pugh et al. 1968; Simon 1976). Centralization is relatively inexpensive once it allows administration by fiat (Williamson 1975; Ghoshal and Nohria 1989) requiring, however, administrative resources for continuous decision-making (Bartlett and Ghoshal 1989). In addition, centralization is thought to allow fast decision-making (Bartlett and Ghoshal 1989) and to enable headquarters' support to non-resourceful subsidiaries (Ghoshal and Nohria 1989).

¹² As mentioned in section 4.2.1, FSMs' degree of uncertainty is, in turn, contingent on individual and market factors.

The present study suggests that the adoption of *centralization* as a mechanism of coordination at the studied subsidiaries may occur in a scenario of both high and low uncertainty as perceived by FSMs. In a scenario of high uncertainty, centralization would be justified by the need to coordinate the terms offered to multinational customers, being contingent on the degree of *customer internationalisation*. By definition, centralization would also presuppose a high degree of decisional dependence for FSMs, itself contingent on *planning- and approval processes, business volume and intra-group transactions*. In other words, the adoption of centralization as a mechanism of coordination in a scenario of high uncertainty may be associated with FSMs' personal contacts as *uncertain integrated allocators*. The following proposition is thus suggested:

Proposition 1a: FSMs' personal contacts for approval and planning are positively associated with centralization in a scenario of high uncertainty.

In a scenario of low uncertainty, centralization would still be justified by the need to ensure fast and resourceful response to local customers, that is, appropriate *performance*. By definition, centralization would also presuppose a high degree of decisional dependence for FSMs, itself contingent on *rules and programmes*¹³. In other words, the adoption of centralization as a mechanism of coordination in a scenario of low uncertainty may be associated with FSMs' personal contacts as *certain integrated allocators*. The following proposition is thus suggested:

Proposition 1b: FSMs' personal contacts for problem solving are positively associated with centralization in a scenario of low uncertainty.

Formalization is a mechanism of coordination by which an organization's policies, rules and procedures are written down and established through routines (e.g. Pugh et al. 1968; Galbraith 1973). Although it requires administrative resources for its establishment (Bartlett and Ghoshal 1989), formalization is relatively inexpensive to maintain (Ghoshal and Nohria 1989). In addition, formalization is thought to reduce the potential for conflict in headquarters-subsidiary relations (Ghoshal and Nohria 1989) and to induce lack of flexibility in complex or changing environments (Bartlett and Ghoshal 1989).

The present study suggests that the adoption of *formalization* as a mechanism of coordination at the studied subsidiaries may occur in a scenario of both high and low uncertainty as perceived by FSMs. In a scenario of high uncertainty, formalization would be justified by the need to recurrently exchange information on technical issues - contingent on *technical complexity* - as well as on competitors and legislation - contingent on *market*

¹³ Please note that *rules and programmes* constitute both an instance of formalization and a contextual factor of centralization. In other words, the two mechanisms of coordination may be mutually reinforcing.

internationalisation. By definition, formalization would also presuppose a high degree of informational dependence for FSMs, itself contingent on the *start-up* of subsidiary operations, *organizational change* and *employee turnover*. In other words, the adoption of formalization as a mechanism of coordination in a scenario of high uncertainty may be associated with FSMs' personal contacts as *uncertain integrated sensors*. The following proposition is thus suggested:

Proposition 2a: FSMs' personal contacts for advice, knowledge transfer, corporate reputation, and MNC assessment are positively associated with formalization in a scenario of high uncertainty.

In a scenario of low uncertainty, formalization would still be justified by the need to recurrently exchange information on financial issues. By definition, formalization would also presuppose a high degree of informational dependence for FSMs, itself contingent on the *reporting process*. In other words, the adoption of formalization as a mechanism of coordination in a scenario of low uncertainty may be associated with FSMs' personal contacts as *certain integrated sensors*. The following proposition is thus suggested:

Proposition 2b: FSMs' personal contacts for reporting are positively associated with formalization in a scenario of low uncertainty.

Socialization is a mechanism of coordination by which an organization's norms, values and beliefs are communicated to its members (e.g. Van Maanen and Schein 1979; Pfeffer 1982). Although it overcomes both the workload of headquarters and the inflexibility of formalized routines (Bartlett and Ghoshal 1989), socialization is relatively expensive in terms of administrative resources required for continuous indoctrination and training (Ouchi 1980). In addition, socialization is thought to reduce the potential for headquarters-subsidary conflict (Ghoshal and Nohria 1989) but also to induce ambiguity in decision-making (Bartlett and Ghoshal 1989).

The present study suggests that the adoption of *socialization* as a mechanism of coordination at the studied subsidiaries may occur in a scenario of both high and low uncertainty as perceived by FSMs. In a scenario of high uncertainty, socialization would be justified by the impossibility to specify the tasks and responsibilities of managers, being contingent on their *job description* and *extra duties*. By definition, socialization would also presuppose a low degree of decisional dependence for FSMs. In other words, the adoption of socialization as a mechanism of coordination in a scenario of high uncertainty may be associated with FSMs' personal contacts as *uncertain autonomous allocators*. The following proposition is thus suggested:

Proposition 3a: FSMs' personal contacts for staff empowerment, buffer relations and resource leverage are positively associated with socialization in a scenario of high uncertainty.

In a scenario of low uncertainty, socialization would still be justified by the need to ensure reliable interaction with local customers, contingent on FSMs' *experience*. By definition, socialization would also presuppose a low degree of decisional dependence for FSMs, itself contingent on the *size* of the subsidiary. In other words, the adoption of socialization as a mechanism of coordination in a scenario of low uncertainty may be associated with FSMs' personal contacts as *certain autonomous allocators*. The following proposition is thus suggested:

Proposition 3b: FSMs' personal contacts for negotiations and coaching are positively associated with socialization in a scenario of low uncertainty.

Finally, *horizontal communication* is a mechanism of coordination by which an organization's informal networks of personal relationships are promoted (e.g. Galbraith 1973; Martinez and Jarillo 1989). Horizontal communication is relatively expensive to establish, namely through lateral or cross-departmental relations, but relatively inexpensive to maintain depending on the channel of communication which is used (Marschan 1996). In addition, horizontal communication is thought to develop beyond the control of headquarters (Marschan et al. 1996) and to promote information flows through the organization (Bartlett and Ghoshal 1990).

The present study suggests that the adoption of *horizontal communication* as a mechanism of coordination at the studied subsidiaries may occur in a scenario of both high and low uncertainty as perceived by FSMs. In a scenario of high uncertainty, horizontal communication would be justified by the need to understand the local environment and counterparts, itself contingent on local *market idiosyncrasy* and *dynamism* as well as *supplier-* and *customer closeness*, in addition to *business culture*. By definition, horizontal communication would also presuppose a low degree of informational dependence for FSMs, itself contingent on *corporate culture*¹⁴. In other words, the adoption of horizontal communication as a mechanism of coordination in a scenario of high uncertainty may be associated with FSMs' personal contacts as *uncertain autonomous sensors*. The following proposition is thus suggested:

Proposition 4a: FSMs' personal contacts for contact transfer, socializing, benchmarking, trust enhancement as well as market-, customer- and supplier assessment are positively associated with horizontal communication in a scenario of high uncertainty.

In a scenario of low uncertainty, horizontal communication would still be justified by the snowballing and selecting paths of FSMs' contact network (see section 4.4.4), which are contingent on their *tenure* and use of *delegation*, respectively. By definition, horizontal communication would also presuppose a

¹⁴ Please note that *corporate culture* constitutes both an instance of socialization and a contextual factor of horizontal communication. In other words, the two mechanisms of coordination may be mutually reinforcing.

low degree of informational dependence for FSMs, itself contingent on *geographical proximity* and *age of relationships*. In other words, the adoption of horizontal communication as a mechanism of coordination in a scenario of low uncertainty may be associated with FSMs' personal contacts as *certain autonomous sensors*. The following proposition is thus suggested:

Proposition 4b: FSMs' personal contacts for friendship and follow-up are positively associated with horizontal communication in a scenario of low uncertainty.

The overall association between the content of FSMs' personal contacts and mechanisms of coordination in MNCs (e.g. Martinez and Jarillo 1989) is depicted in Table 11 below.

TABLE 11 Content of FSMs' personal contacts per coordination mechanism

	Information exchange	Assessment	Negotiation	Decision-making	Resource allocation
Centralization				Approval, Planning, Problem solving	
Formalization	Advice, Knowledge transfer	Corporate reputation, MNC assessment, Reporting			
Socialization			Staff empowerment, Negotiations		Buffer relations, Resource Leverage, Coaching
Horizontal communication	Contact transfer, Socializing, Benchmarking, Friendship, Follow-up	Trust enhancement, Market assessment, Customer assessment, Supplier assessment			

Such a table is equally based on the lower section of Figure 10 (see section 5.1), but merges the two degrees of uncertainty per each scenario of dependence. In other words, the present study suggests that each of the four mechanisms of coordination - centralization, formalization, socialization, horizontal communication - may be adopted regardless of FSMs' perceived degree of uncertainty. In addition, the study suggests that the simultaneous adoption of

such mechanisms of coordination is possible in terms of FSMs' personal contacts.

In sum, personal contacts of FSMs enable inter-firm coordination in less-hierarchical MNCs (Martinez and Jarillo 1989) in the sense that such individuals participate in *interpersonal networking* (Nohria and Ghoshal 1997) in the MNC as an inter-organizational network (Ghoshal and Bartlett 1990). In particular, it is suggested that, in *local implementer* subsidiaries (Birkinshaw and Morrison 1995), FSMs participate in *centralization* as *integrated allocators*, in *formalization* as *integrated sensors*, in *socialization* as *autonomous allocators*, and in *horizontal communication* as *autonomous sensors*. The eight propositions, which associate such mechanisms of coordination at the subsidiary level with specific functions of FSMs' personal contacts, constitute the answer to the second research question (see section 1.3) in the context of less-hierarchical MNCs. The overall findings of the study are discussed in the light of extant literature in the following section.

5.4 Theoretical and Empirical Contribution

The present study contributes theoretically to the research traditions, which form its theoretical context (see section 2.1) by describing and conceptualising the implications of FSMs' personal contacts for inter-firm coordination in industrial markets and within MNCs. In the one hand, FSMs' personal contacts are conceptualised in terms of *interpersonal context, factors, functions* and *dynamics*. In the other hand, inter-firm coordination is conceptualised in terms of individual *interpersonal roles, inter-firm interaction* as well as MNC *centralization, formalization, socialization* and *horizontal communication*. Such aspects of the role of FSMs' personal contacts in the coordination of industrial MNCs are discussed in the light of extant literature in the following paragraphs.

Following calls for a better understanding of the content (e.g. Mintzberg 1991) and context (e.g. Fondas and Stewart 1994) of managerial work, the present study starts by addressing the distinctive features of FSMs' personal contacts compared to other individuals in general and other managers in particular. The study thus conceptualises the interpersonal context of FSMs in industrial MNCs (see Figure 7 in section 4.2.1) in terms of perceived dependence (Astley and Sachdeva 1985; Forsgren 1990a) and uncertainty (Milliken 1987) at the individual level. In addition, such an interpersonal context is conceptualised in terms of counterparts with whom FSMs are expected to take personal contacts. Such counterparts are both external and internal to the MNC, once that FSMs are regarded as boundary spanning individuals (Tushman 1977). By conceptualising FSMs' interpersonal context, the present study supplements previous findings, which do not specify the individuals who take personal contacts (see Cunningham and Homse 1986;

Hällén 1992; Nohria and Ghoshal 1997 for exceptions) nor their perceptions or counterparts.

Previous studies have identified, however, individual, organizational and market factors, which supposedly influence the occurrence of personal contacts in industrial markets (Cunningham and Turnbull 1982; Cunningham and Homse 1986; Hällén 1992; Björkman and Kock 1995; Andersson et al. 1996; Axelsson and Agndal 2000; Halinen and Salmi 2001) and in MNCs (Ghoshal et al. 1994; Marschan 1996; Nohria and Ghoshal 1997). Such contributions follow previous claims that: “a major problem of studying the process of personal interaction and communication between buying and selling companies is the large number of variables impinging on the nature and extent of the process” (Turnbull 1979:83). In this respect, the present study identifies nine (9) individual factors, nine (9) organizational factors, and five (5) market factors, which were either implicit or absent in such studies (see Figure 10 in section 5.1). In addition, the present study suggests that contextual factors influence not only the occurrence of personal contacts, but also perceptions of dependence and uncertainty at the individual level (see sections 4.2.3 to 4.2.10).

On the other hand, previous studies have identified functions of personal contacts and their specific contents in industrial markets (Cunningham and Turnbull 1982; Cunningham and Homse 1986; Björkman and Kock 1995; Axelsson and Agndal 2000; Halinen and Salmi 2001) and in MNCs (Bartlett and Ghoshal 1992, 1997). In this respect, the present study identifies three (3) information exchange contents, six (6) assessment contents, one (1) negotiation content, two (2) decision-making contents, and two (2) resource allocation contents, which were either implicit or absent in previous findings (see Figure 10 in section 5.1). In addition, the present study associates one (1) information exchange content, three (3) assessment contents, and two (2) decision-making contents with the general direction and/or frequency of FSMs’ personal contacts (see sections 4.4.2 and 4.4.3).

Other dynamics aspects of FSMs’ personal contacts than direction and frequency are the channels by which they take place and their general paths over time. In this respect, the present study suggests seven (7) channels (see section 4.4.1), which have also been identified in previous studies of either industrial markets (Cunningham and Turnbull 1982; Andersson et al. 1996; Axelsson and Agndal 2000) or MNCs (Egelhoff 1993; Marschan 1996). In addition, the present study suggests two (2) general paths of FSMs’ contact network (see section 4.4.4), which have been implicitly identified in previous studies of industrial markets (Cunningham and Turnbull 1986; Hällén 1992) and of MNCs (Nohria and Ghoshal 1997).

Before continuing with the review of the present study’s theoretical contribution to the three research traditions on which it builds upon (see section 2.1), it may be worth noting its assumptions on what constitutes such a contribution. It is assumed here that a theoretical contribution should go beyond the mere listing of variables from data or literature review (Sutton and Staw 1995) and specify the relationships among them, which, based on a certain

set of assumptions (Whetten 1989), are made explicit through diagrams and propositions (Weick 1995). Correspondingly, the present study moves beyond the mere identification of factors, functions and dynamics of FSMs' personal contacts by specifying relationships among them based on assumptions of FSMs' perceived dependence and uncertainty. Such relationships are made explicit with the conceptualisation of four interpersonal roles (Mintzberg 1973), which are discussed in section 5.2.

Previous studies within the process approach to MNC management have suggested managerial working roles of FSMs (Bartlett and Ghoshal 1992, 1997; Ghoshal and Bartlett 1998) without acknowledging, however, a sub-set of interpersonal roles. In particular, Bartlett and Ghoshal (1992, 1997) distinguish FSMs from other managers in the MNC, by suggesting three roles of *front-line* managers: *sensor* and interpreter of local opportunities and threats; *builder* of local resources and capabilities; and *contributor* to and active participant in global strategy. The latter role is not addressed in the present study due to its focus on *local implementer* subsidiaries (Birkinshaw and Morrison 1995), which according to Taggart (1997a) tend to be *militant subsidiaries*, that is, with low procedural justice (Kim and Mauborgne 1991, 1993). The two remaining roles – *sensor* and *builder* – are addressed in the present study, but as specific interpersonal roles rather than general working roles. This follows the assumption that informational and decisional roles presuppose interpersonal roles (Mintzberg 1973, 1975) rather than vice-versa.

The interpersonal roles of FSMs suggested in the present study – *sensor* and *allocator* – may be said to supplement those proposed by Bartlett and Ghoshal (1992, 1997) by distinguishing the degree of individual dependence and uncertainty involved in their notion of *sensing* and *building*. In particular, FSMs are thought to interpret local opportunities and threats both as *integrated-* and *autonomous sensors*, and to build local resources and capabilities both as *integrated-* and *autonomous allocators*. An important assumption behind this distinction is that managerial roles are not exclusively determined by situational constraints such as the organization's formal structure, but also by individual agency (Pettigrew 1973). On the other hand, FSMs are expected to perceive a varying degree of uncertainty in the local market, which leads to the present study's distinction between *certain* and *uncertain* interpersonal roles.

The eight interpersonal roles of FSMs here suggested constitute the basis for a theoretical argument, which explicitly relates FSMs' personal contacts with coordination in industrial markets. In the one hand, it is suggested that FSMs' personal contacts as *integrated-* and *autonomous sensors* allow information exchange and assessment at the individual level, which supports processes of exchange at the organizational level. Such a relationship between personal contacts and inter-firm exchange in industrial markets has been acknowledged in previous studies as *social exchange* (IMP group 1982; Forsgren et al. 1995) at the firm level, which may include personal contacts between *general managers* (Cunningham and Homse 1986). The present study supplements such studies by explicitly identifying specific contents of FSMs' personal contacts, which

enable the firm's perception of other actors in industrial networks (see section 5.2.). This follows Håkansson and Johanson's (1993) claim that the viability of an industrial network as a governance structure in industrial markets is largely dependent on the perceptions of the actors involved.

In the other hand, the present study suggests that FSMs' personal contacts as *integrated-* and *autonomous allocators* allow negotiation, decision-making, and resource allocation at the individual level, which supports processes of adaptation at the organizational level. Such a relationship between personal contacts and inter-firm adaptation in industrial markets has been acknowledged in previous studies as *human adaptations* (Ford 1980) at the firm level, which require a proper *strategic framework* (Brennan and Turnbull 1999) at the individual level. The present study supplements such studies by explicitly identifying specific contents of FSMs' personal contacts, which enable the firm's allocation of resources in industrial networks (see section 5.2.). This follows Håkansson and Johanson's (1993) claim that the viability of an industrial network as a governance structure in industrial markets is dependent on the ability of actors to mobilize other actors.

As mentioned in section 2.2.2, processes of exchange and adaptation constitute the two elements of inter-firm interaction in industrial markets (IMP group 1982; Håkansson and Snehota 1995). Interaction among firms in an industrial network (see Figure 4 in section 2.5.2) is, in turn, thought to enable inter-firm coordination in such markets (Johanson and Mattsson 1987; Easton 1992; Håkansson and Johanson 1993). FSMs' personal contacts are thus conceptualised in the present study as playing a crucial role in the coordination of industrial markets in the sense that they enable processes of exchange and adaptation at the firm level.

The present study also suggests that FSMs' personal contacts may be explicitly associated with coordination in less-hierarchical MNCs. It is claimed, in particular, that in *local implementer* subsidiaries (Birkinshaw and Morrison 1995) *centralization* is associated with FSMs' personal contacts for approval and planning in a scenario of high uncertainty. Such a proposition illuminates the inconclusive notion of *moderate* centralization in subsidiaries that have scarce local resources in highly complex environments (Nohria and Ghoshal 1997). In addition, the present study suggests that *centralization* is associated with FSMs' personal contacts for problem solving in a scenario of low uncertainty. Such a proposition gives little support to the notion of *high* centralization in subsidiaries that have scarce local resources in little complex environments (Nohria and Ghoshal 1997). It must be noted, however, that the authors equate environmental complexity with *local competition* and *technological dynamism*, thus appearing to subscribe the view that perceived environmental uncertainty may be objectively measured (see section 4.2.1) rather than constituting a subjective perception at the individual level (Milliken 1987). In addition, the authors appear to subscribe the design approach to less-hierarchical MNC management (see section 2.4.2) by prescribing rather than describing centralization at the subsidiary level based on the assumption that "there is a fit structure of the

headquarters-subsidary relation that leads to improved performance" (Nohria and Ghoshal 1997:111).

The present study also suggests that in *local implementer* subsidiaries (Birkinshaw and Morrison 1995) *formalization* is associated with FSMs' personal contacts for advice, knowledge transfer, corporate reputation, and MNC assessment in a scenario of high uncertainty and for reporting in a scenario of low uncertainty. Such a proposition contrasts with Nohria and Ghoshal's (1997) suggestion that subsidiaries with low levels of local resources are expected to adopt a *low* degree of formalization in both highly and little complex environments.

Moreover, the present study suggests that in *local implementer* subsidiaries (Birkinshaw and Morrison 1995) *socialization* is associated with FSMs' personal contacts for staff empowerment, buffer relations, and resource leverage in a scenario of high uncertainty. Such a proposition supplements the notion of *high* socialization, which has been put forward by Nohria and Ghoshal (1997) for subsidiaries with low levels of local resources in highly complex environments. In addition, the present study suggests that *socialization* is associated with FSMs' personal contacts for negotiations and coaching in a scenario of low uncertainty. Such a proposition contrasts with Nohria and Ghoshal's (1997) suggestion that subsidiaries with low levels of local resources are expected to adopt a *low* degree of socialization in little complex environments.

Finally, the present study suggests that in *local implementer* subsidiaries (Birkinshaw and Morrison 1995) *horizontal communication* is associated with FSMs' personal contacts for contact transfer, socializing, benchmarking, trust enhancement as well as market-, customer- and supplier assessment in a scenario of high uncertainty. Such a proposition supplements Harzing's (1999) suggestion that *networks*¹⁵ are positively related with environmental uncertainty. In addition, the present study suggests that *horizontal communication* is associated with FSMs' personal contacts for friendship and follow-up in a scenario of low uncertainty. Such a proposition thus contrasts with Harzing's (1999) very same suggestion that networks are positively related with environmental uncertainty. It must be noted, however, that Harzing (1999) attempts to measure environmental uncertainty with questions concerning *consumers, competition, technological change, and necessity for continuous adaptation*, appearing to subscribe the view that perceived environmental uncertainty may be objectively measured (see section 4.2.1) rather than constituting a subjective perception at the individual level (Milliken 1987).

As mentioned in section 4.2.1, the present study subscribes the view that perceived environmental uncertainty is a subjective perception at the individual level rather than an objectively measurable phenomenon (Milliken 1987). In addition, the present study subscribes the organic approach to less-hierarchical

¹⁵ The author refers to *networks* as comprising *informal, lateral or horizontal exchange of information* as well as *formalised lateral or cross-departmental relations*. Together with *socialization* such mechanisms of coordination are labelled by the author *control by socialization and networks* (Harzing 1999:22-23).

MNC management (see section 2.4.2) by describing the adoption of mechanisms of coordination in *local implementer* subsidiaries (Birkinshaw and Morrison 1995) as the result of co-existing headquarters' authority (Forsgren 1990a) and FSMs' discretion (Pettigrew 1973). By contrast, other authors appear to subscribe the design approach to less-hierarchical MNC management (see section 2.4.2) by prescribing an optimal "mix" of centralization, formalization and socialization, which headquarters are supposedly able to design and implement. In Nohria and Ghoshal's (1997) words: "managers must adjust the control mechanisms of centralization, formalization, and normative integration in the proper manner to achieve the administrative form that matches the structure appropriate for a particular subsidiary" (Nohria and Ghoshal 1997:111).

According to the present study, Nohria and Ghoshal's (1997) view of coordination in their model of MNC as a *differentiated network* may be questioned in at least two ways. First, even if headquarters would deliberate a particular degree of centralization, formalization, and socialization at the subsidiary level their implementation would still be contingent on FSMs' opportunity, motivation and ability (Adler and Kwon 2002) to take the personal contacts that such mechanisms require. This point can ironically be illustrated with Ghoshal's own words, when proposing another model of less-hierarchical MNC: "the key challenge in transforming a company into an Individualized Corporation lies in transforming the frontline, middle, and top-level managers so that they are willing and able to play their respective roles" (Ghoshal and Bartlett 1998:209).

Second, centralization, formalization and socialization are not necessarily mutually exclusive and should be discussed in combination with a fourth mechanism of coordination - horizontal communication. Nohria and Ghoshal (1997) appear to regard such mechanisms as mutually exclusive by proposing a "mix" of mechanisms for subsidiaries with few resources, which is primarily composed of either centralization or socialization (see Figure 3 in section 2.4.4). The authors acknowledge a fourth mechanism of coordination - *interpersonal networking* - but its adoption is not discussed in combination with the three former mechanisms (Nohria and Ghoshal 1997). By contrast, the present study suggests that the simultaneous adoption of the four mechanisms of coordination is possible in terms of FSMs' personal contacts (see previous section). In addition, it is here suggested that formalization (e.g. rules and programmes) may reinforce centralization, whereas socialization (e.g. corporate culture) may reinforce horizontal communication. In this respect, Ouchi (1978) also suggests that socialization reinforces formalization (e.g. output control).

In sum, the present study contributes to the interaction approach to industrial markets (see section 2.2) with the conceptualisation of FSMs' *interpersonal context*, which has not been distinguished from that of other individuals in previous research. In addition, the study contributes to such a research tradition with the identification of *factors, functions* and *dynamics* of personal contacts, which have been only partially addressed in previous research. On the other hand, the study contributes to the network approach to

industrial markets (see section 2.3) with the conceptualisation of *interpersonal roles*, which enable FSMs' participation in inter-firm *interaction* in industrial networks. Finally, the study contributes to the process approach to MNC management (see section 2.4) with eight propositions, which associate specific contents of FSMs' personal contacts with the adoption of *centralization, formalization, socialization, and horizontal communication* in local implementer subsidiaries (Birkinshaw and Morrison 1995).

The present study also contributes empirically to the research traditions, which form its theoretical context (see section 2.1) by confirming *factors and functions* of personal contacts, which have been identified in previous research (see Figure 5 in section 2.5.2). In the one hand, the study illustrates, with quotations from the interviews (see section 4.2), six (6) individual factors, four (4) organizational factors, and three (3) market factors, which have been identified in previous studies of industrial markets (Cunningham and Turnbull 1982; Cunningham and Homse 1986; Hällén 1992; Björkman and Kock 1995; Andersson et al. 1996; Axelsson and Agndal 2000; Halinen and Salmi 2001) and of MNCs (Nohria and Ghoshal 1997). In the other hand, the study illustrates, with quotations from the interviews (see section 4.3), six (6) information exchange contents as well as one (1) assessment, negotiation, decision-making, and resource allocation content of personal contacts. Such contents of personal contacts have been identified in previous studies of industrial markets (Cunningham and Homse 1982; Cunningham and Homse 1986; Hällén 1992; Björkman and Kock 1995; Axelsson and Agndal 2000; Halinen and Salmi 2001) and, more implicitly, of MNCs (Bartlett and Ghoshal 1992, 1997).

Finally, the present study confirms some *dynamics* of personal contacts, which have been previously identified within the three research traditions (see section 2.1). In particular, the study illustrates, with quotations from the interviews (see section 4.4.1), seven (7) channels, by which personal contacts take place. Such channels have also been identified in previous studies of industrial markets (Cunningham and Turnbull 1982; Andersson et al. 1996; Axelsson and Agndal 2000) and of MNCs (Marschan 1996).

5.5 Managerial Implications

The findings of the present study are expected to support the specification of FSMs' job as well as the selection, development and appraisal of such managers. The discussion of the study's practical implications in the following paragraphs only concerns, however, FSMs in charge of local implementer subsidiaries in industrial markets.

In general, the present study supports the specification of FSMs' job by identifying factors and functions of their personal contacts (see Figure 10 in section 5.1), which highlight the context and content of their work. Such a holistic yet structured framework is expected to provide a realistic picture of

the complex interplay between individual agency and situational constraints, which characterises FSMs' personal contacts. In the one hand, the framework lists individual factors of FSMs' personal contacts, which define the scope of managerial discretion as well as organizational and market factors of FSMs' personal contacts, which characterize their structural contingencies. In the other hand, the framework identifies functions of FSMs' personal contacts related with a low degree of dependence, which further characterises their discretion, as well as a high degree of dependence, which further characterises their situational constraints. Such interplay between individual agency and situational constraints is especially relevant for FSMs given their boundary spanning interaction with multiple, but often unconnected counterparts (see Figure 7 in section 4.2.1).

By specifying the factors and functions of FSMs' personal contacts, the present study also supports the selection, development and appraisal of such managers. In the one hand, it is expected to help MBA students and candidate managers anticipate the specific job requirements of a FSM's position. In the other hand, it is expected to support current FSMs in terms of training, self-assessment and benchmarking of best practices. This is especially important in MNCs where the very adoption of a less-hierarchical design requires new managerial roles across the hierarchy (Ghoshal and Bartlett 1998) in a context of increasingly differentiated subsidiary roles (Gupta et al. 1999).

By addressing the dynamics of FSMs' personal contacts, the study is also expected to support the long-term planning of their contact network as well as the short-term handling of their hectic agenda. In the one hand, the study lists channels, by which FSMs take personal contacts, and emphasises two paths that their contact network is expected to follow over time. In the other hand, the study specifies FSMs' counterparts as well as certain contents, which are expected to characterise the direction and frequency of their personal contacts (see section 4.4).

Concerning the mechanisms of coordination discussed in sections 2.4.4 and 5.3 – centralization, formalization, socialization, horizontal communication – several managerial implications may be outlined. First, it is here suggested that, through the various contents of their personal contacts, FSMs may participate in the simultaneous implementation of such mechanisms of coordination. It follows that, in spite of having different implications in terms of administrative and opportunity costs, such mechanisms of coordination should not be regarded as mutually exclusive in terms of FSMs' personal contacts. Second, subjecting the adoption of each mechanism of coordination to the degree of local complexity or uncertainty may be problematic, given the difficulties of monitoring, let alone measuring, environmental uncertainty. Third, several other variables than uncertainty should be taken into account when considering the adoption of each mechanism of coordination, including mimetic behaviour, local market practices, MNC's administrative heritage,

subsidiary history, and headquarters preferences¹⁶. To such a list, the present study adds individual variables such as the background, career, language skills, initiative and availability of FSMs, which characterize their opportunity, motivation and ability to participate in the adoption of mechanisms of coordination at the subsidiary level. In other words, the choice of mechanisms of coordination should not be dissociated from the selection, development and appraisal of FSMs. Fourth, a more detailed way of taking FSMs into account in the choice of mechanisms of coordination is by considering the type of channels (see section 4.4.1) and contact networks (see section 4.2.2) required by such mechanisms. In this respect, the present study provides some insights which are synthesized in the following paragraph.

FSMs' personal contacts enabling centralization usually take place through meetings as well as telecommunications and information systems, involving primarily their formal- and business contact network. FSMs' personal contacts enabling formalization tend to take place through telecommunications and information systems as well as events, and also involve mainly their formal- and business contact network. FSMs' personal contacts enabling socialization usually take place through telecommunications and information systems as well as meetings, involving their four contact networks. Finally, FSMs' personal contacts enabling horizontal communication tend to take place through visits, telecommunications and information systems, memberships, events, trainings, and leisure, also involving their four contact networks.

The remaining implications of the present study concern the design of industrial and national programmes of both FDI (foreign direct investment) and export promotion. In the one hand, organizations in charge of attracting FDI should regard the selection of FSMs as a key factor in the promotion of their country as a potential recipient of FDI. In the other hand, organizations in charge of export promotion may contribute to intra-group exports of domestic MNCs, by equally supporting their recruitment needs in terms of FSMs. In other words, the availability of qualified FSMs at the corporate level may be regarded as a crucial requirement for the attraction of FDI and/or promotion of exports at the industrial- and, ultimately, national level.

5.6 Suggestions for Further Research

The findings of the present study suggest several avenues for further research. In the one hand, the conceptualisation of the distinctive features of FSMs' personal contacts here suggested could be compared with other individuals' interpersonal context. In this respect, the notion of elite (e.g. Welch et al. 2002) may prove useful in order to assess contrasting perceptions, namely between managers and non-managers (Carroll and Teo 1996), of the role personal contacts play in inter-

¹⁶ I am grateful to an anonymous reviewer of my fifth conference paper (see Figure 6 in section 3.4.3) for this point.

firm coordination. A related issue is the extent to which the roles of managers in MNCs differ. The findings of the present study could thus be supplemented with the analysis of middle- and top managers (e.g. Ghoshal and Bartlett 1998) as well as functional subsidiary managers (e.g. Nohria and Ghoshal 1997). In this respect, the notions of role (e.g. Mintzberg 1973) and network organization (e.g. Hales 2002) would need to be considered, once that: a) the distinction between interpersonal-, informational- and decisional roles is primarily conceptual (e.g. Mintzberg 1990) and b) the critical features of “less-hierarchical” MNCs tend to be difficult to operationalise (Marschan 1996).

In terms of individuals appointed to such managerial positions, further research would be required on issues of gender and national background. In particular, it would be interesting to compare the findings of the present study with a similar study of female managers. In addition, future studies could examine the extent to which national background combines with other variables such as tenure and experience to explain the increasing assignment of HCNs as FSMs (e.g. Harzing 2001).

The present study also provides an exploratory assessment of individual, organizational, and market factors of FSMs’ personal contacts, which could be examined in further detail. In particular, the extensive list of factors here provided may constitute the basis for more explanatory and quantitative type of studies, in which key variables are measured. Two such variables are dependence and uncertainty, which are here analysed only in terms of legal authority (e.g. Astley and Sachdeva 1985) and inability to predict something accurately (e.g. Milliken 1987), respectively. Further studies are thus recommended to collect data, which also allows the analysis of dependence based on the control of critical resources (e.g. Larsson 1985) as well as other measures of perceived environmental uncertainty (e.g. Miller 1993).

On the other hand, further research would be required to examine the findings of the present study in other subsidiary-, corporate-, industrial-, and national settings. In particular, it would be interesting to assess the extent to which the analysis of other types of subsidiaries, namely in terms of knowledge flows (e.g. Gupta and Govindarajan 1991) and level of resources (e.g. Bartlett and Ghoshal 1986), would lead to contrasting findings. In addition, the scope of MNCs here analysed could be extended through comparative studies, based on their national (e.g. Harzing 1999) and regional (e.g. Bartlett and Ghoshal 1989) background. The fact that the present study only considers six product industries in a small and open economy, would also justify further research in other industrial and national settings.

Finally, longitudinal studies would be required to shed light on the dynamic aspects of FSMs’ personal contacts here suggested. Such studies could examine the channels, direction, frequency, and paths of personal contacts as well as the extent to which FSMs’ interpersonal roles co-exist over time. In this respect, examining the relationship between the channels by which FSMs take personal contacts and the type of contact network involved may constitute a fruitful approach.

TIIVISTELMÄ

Ulkomaisten tytäryhtiöiden johtajien henkilökohtaisten kontaktien rooli koordinoinnissa monikansallisissa teollisuusyrityksissä. Case: Suomalaiset tytäryhtiöt Portugalissa.

Tämä tutkimus pyrkii laajentamaan nykyistä tietämystä yrityksen sisäisistä ja ulkoisista suhteista teollisuusmarkkinoilla. Tutkimus pyrkii erityisesti valaisemaan individuaalisten ja organisatoristen toimijoiden eroa business-to-business markkinoilla sekä virallisten ja epävirallisten koordinointimekanismien rinnakkaiseloja monikansallisissa yrityksissä. Pääkysymykset ovat: 1) mitkä tekijät vaikuttavat ulkomaisten tytäryhtiöiden johtajien henkilökohtaisten kontaktien esiintymiseen teollisuusmarkkinoilla? ja 2) kuinka sellaiset henkilökohtaiset kontaktit mahdollistavat koordinoinnin teollisuusmarkkinoilla ja monikansallisissa yrityksissä?

Tutkimuksen teoreettinen konteksti perustuu kolmeen näkökulmaan: 1) vuorovaikutusnäkökulma teollisuusmarkkinoihin, 2) verkostonäkökulma teollisuusmarkkinoihin, ja 3) prosessinäkökulma monikansalliseen johtamiseen. Analyysiyksikkö on ulkomaisen tytäryhtiön johtaja keskeisenä toimijana kontaktiverkostossa. Kontaktiverkosto on käsitteellistetty kattamaan "viralliset" ja "epäviralliset" kontaktit monikansallisessa yrityksessä sekä "yksityiset" ja "business" - kontaktit teollisuusmarkkinoilla. Tutkimus keskittyy empiirisesti suomalaisten monikansallisten yritysten portugalilaisiin myyntiä harjoittaviin tytäryhtiöihin, joita johtaa joko emomaan kansalainen (suomalainen), isäntämaan kansalainen (portugalilainen) tai jonkin kolmannen maan kansalainen.

Tutkimuksessa esitetään kahdeksan individuaalisen riippuvuuden ja epävarmuuden skenaariota, jotka määräytyvät individuaalisen, organisatorisen, ja/tai markkinatekijöiden mukaan. Sellaisten skenaarioiden ajatellaan vuorostaan vaativan henkilökohtaisia kontakteja, joihin liittyy erityisiä tehtäviä. Tämä tutkimus esittää kahdeksan ulkomaisten tytäryhtiöiden johtajien ihmistenvälistä roolia, joiden avulla heidän henkilökohtaisten kontaktiensa tehtävät mahdollistavat yrityksen sisäisen koordinoinnin teollisuusmarkkinoilla. Sen lisäksi tutkimuksessa esitetään kahdeksan väittämää siitä, kuinka ulkomaisten tytäryhtiöiden johtajien henkilökohtaisten kontaktien tehtävät mahdollistavat keskittämisen, virallistamisen, sosialisoinnin ja horisontaalisen kommunikoinnin monikansallisissa yrityksissä.

Avainsanat: koordinointi, teollisuusmarkkinat, monikansalliset yritykset, ulkomaisten tytäryhtiöiden johtajat, henkilökohtaiset kontaktit, laadullinen tutkimus

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APPENDICES

Appendix A – Selected Finnish MNCs* in Portugal

MNC/Division	Product Industry	Subsidiary Function
Nokia Networks	Telecommunications	Sales
Anonymous1	Pulp and Paper	Sales
UPM-Kymmene	Pulp and Paper	Sales
Anonymous2	Technical textiles	Production and sales
Rosenlew	Technical textiles	Production and sales
Outokumpu Cooper	Minerals	Sales
Metso Minerals	Minerals	Sales
Metso Automation	Mechanical engineering	Sales
Wärtsila Service	Mechanical engineering	Service
KWH Pipe	Plastic pipes	Production and sales
Uponor	Plastic pipes	Production and sales

* Two MNCs are kept anonymous as requested by their respective FSM in Portugal. The information reports to year 2001.

Appendix B - Data Matrix

Data / Cases	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11
Annual reports	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001	2000/ 2001
Other publications	P. release (28.700)	I. review (1.03.01)	Brochure (2001)	Brochure (1999)	Brochure (1999)	P. release (4.02.02)			Brochure (1999)	Brochure (2/2001)	Brochure (2000)
Internal materials	Chart (28.3.01)	Job desc. (07.01)		Chart (1999)			Chart (2000)			Manual (10.98)	Subsidiary (1999)
Personal correspondence	Consent (5.9.01)	Consent (30.08.01)	Consent (15.11.01)	Consent (30.07.01)	Consent (7.01.02)	Consent (10.05.01)	Consent (28.08.01)	Consent (3.09.01)	Consent (21.05.01)	Consent (18.07.01)	Consent (4.09.01)
Research reports	Kulkki, S. 1994					Stenberg, E. 1992			Stenberg, E. 1992		
Electronic messages	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:	Received: Sent:
Internet text	13.09.00; 6.04.01	13.09.00; 31.07.01	4.10.01	13.09.00; 4.10.01	26.08.01	13.09.00; 10.05.01	13.09.00; 26.08.01	13.09.00; 26.08.01	13.09.01; 15.02.01	13.09.00; 18.07.01	13.09.00; 26.08.01
Tapes	2 HF90 (5.9.01)	2 HF90 (30.08.01)	2 HF90 (4.10.01)	1 HF90 (30.07.01)	1 HF90 (7.01.02)	2 HF90 (10.05.01)	2 HF90 (28.08.01)	2 HF90 (3.09.01)	2 HF90 (21.05.01)	2 HF90 (18.07.01)	2 HF90 (4.09.01)
Transcripts	Interview	Interview	Interview	Interview	Interview	Interview	Interview	Interview	Interview	Interview	Interview
Notes	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol	Meeting; I. Protocol
Verification comments	24.9.01; 04.03	04.03	21.11.01; 03.03	03.03	03.03	21.05.01; 03.03	1.10.01; 03.03	03.03	8.06.01; 04.03	29.08.01; 05.03	04.03
Observation notes	29.5.01; 5.09.01	31.07.01; 30.08.01	15.11.01	30.07.01	7.01.02	12.07.99; 10.05.01	28.08.01	3.09.01	22.07.99; 21.05.01	5.07.99; 18.07.01	4.09.01

Appendix C – Standardized Open-Ended Interview Guide

Project: "Social networks of foreign subsidiary managers as a mechanism of coordination in industrial MNCs: the case of Finnish subsidiaries in Portugal."

1. Could you please describe your work activities and personal responsibilities?
2. Could you please draw a diagram of your personal contacts with other subsidiaries and with corporate headquarters?
3. How did you establish these personal contacts?
4. Could you please describe these personal contacts in terms of frequency and purpose?
5. What opportunities and barriers, if any, do you perceive/experience to maintain these personal contacts?
6. Could you please draw a diagram of your personal contacts with organizations not belonging to the multinational corporation you represent?
7. How did you establish these personal contacts?
8. Could you please describe these personal contacts in terms of frequency and purpose?
9. What opportunities and barriers, if any, do you perceive/experience to maintain these personal contacts?
10. What opportunities and barriers, if any, do you perceive to establish further personal contacts, both internal and external to the multinational corporation you represent?

Signature of Researcher: _____

Date: ___/___/_____

Ricardo Madureira, Researcher, Corporate Strategy, University of Jyväskylä

Appendix D - Consent Form

The following information is provided for you to decide whether you wish to participate in the present study:

1. You should be aware that you are free to decide not to participate or withdraw at any time without affecting your relationship with this department, the researcher, or the University of Jyväskylä.
2. The purpose of this study is to describe and analyse the role of social networks of foreign subsidiary managers as a mechanism of coordination in industrial multinational corporations. The procedure will be a multiple case study design and the findings will be reported in the form of a Ph.D. dissertation.
3. Data collection will involve documents (annual reports, research reports, internal newsletters and other company material), audio-visual material (electronic messages and texts), interviews (transcripts of interviews and verification comments), and observation field notes.
4. The expected benefits associated with your participation are the information about the role of social networks of foreign subsidiary managers in the coordination of industrial multinational corporations, and the opportunity to participate in a qualitative research study.
5. There are no known risks and/or discomforts associated with this study.
6. Your name will not be associated with the research findings in any way, and your identity will be known only to the researcher.

Signature of Researcher: _____

Date: ___/___/_____

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Appendix E – Hierarchical Coding Frame

(1) Context	(2) Content	(3) Process
(11) Inf. dep.-/Uncertainty+	(21) Information exchange	(31) Channels
(111) Individual	(211) Contact transfer	(311) T&IS
(1111) Background	(212) Socializing	(312) Meetings
(1112) Career	(213) Friendship	(313) Visits
(1113) Language skills	(214) Advice	(314) Training
(1114) Initiative	(215) Follow-up	(315) Events
(1115) Sales orientation	(216) Knowledge transfer	(316) Memberships
(1116) Social skills	(217) Benchmarking	(317) Leisure
(1117) Personality	(22) Assessment	(32) Direction
(1118) Attitude	(221) Trust enhancement	(33) Frequency
(1119) Availability	(222) Reporting	(34) Paths
(112) Organization	(223) Corporate reputation	
(1121) Corporate culture	(224) MNC assessment	
(113) Market	(225) Market assessment	
(1131) Market idiosyncrasy	(226) Customer assessment	
(1132) Market dynamism	(227) Supplier assessment	
(1133) Supplier closeness	(23) Negotiation	
(1134) Customer closeness	(231) Negotiations	
(1135) Business culture	(232) Staff empowerment	
(12) Inf. dep.-/Uncertainty-	(24) Decision-making	
(121) Individual	(241) Approval	
(1211) Tenure	(242) Planning	
(1212) Delegation	(243) Problem solving	
(122) Organization	(25) Resource allocation	
(1221) Geographical proximity	(251) Coaching	
(1222) Age of relationships	(252) Buffer relations	
(13) Inf. dep.+/Uncertainty+	(253) Resource leverage	
(132) Organization		
(1321) Start-up		
(1322) Organizational change		
(1323) Employee turnover		
(133) Market		
(1331) Technical complexity		
(1332) Market internationalisation		
(14) Inf. dep.+/Uncertainty-		
(142) Organization		
(1421) Reporting process		
(15) Dec. dep.-/Uncertainty+		
(151) Individual		
(1511) Job description		
(1512) Extra duties		
(16) Dec. dep.-/Uncertainty-		
(161) Individual		
(1611) Experience		
(162) Organization		
(1621) Size		
(17) Dec. dep.+/Uncertainty+		
(172) Organization		
(1721) Planning process		
(1722) Approval process		
(1723) Business volume		
(1724) Intra-group transactions		
(173) Market		
(1731) Customer internationalisation		
(18) Dec. dep.+/Uncertainty-		
(181) Individual		
(1811) Performance		
(182) Organization		
(1821) Rules and programmes		

Appendix F – Glossary of Factors of FSMs’ Personal Contacts

Age of relationships is the time the subsidiary has been doing business with other firms within the MNC and in the local industrial market.

Approval process is the formal process within the MNC, by which the subsidiary’s investments are decided.

Attitude is the way of thinking and behaving of the FSM towards his or her contacts.

Availability is the time available to the FSM for personal contacts.

Background is the nationality and educational background of the FSM.

Business culture is shared and informal norms of behaviour in the local industrial market.

Business volume is the amount of transactions between the subsidiary and firms within the MNC and in the local industrial market.

Career is the positions, which the FSM has previously held in firms within and external to the MNC.

Corporate culture is shared and informal norms of behaviour within the MNC.

Customer closeness is the initiative from customers to communicate with suppliers in the local industrial market.

Customer internationalisation is the degree of internationalisation of subsidiary’s customers.

Delegation is the assignment of FSMs’ tasks to subordinates.

Employee turnover is the change of position held by employees within the MNC.

Experience is the knowledge or skills previously acquired by the FSM.

Extra duties are responsibilities assigned to the FSM in addition to his or her initial job description.

Geographical proximity is the proximity between the subsidiary and other firms within the MNC and in the local industrial market.

Initiative is the active rather than reactive engagement of the FSM in personal contacts.

Intra-group transactions are transactions between the subsidiary and firms within the MNC.

Job description is the formal description of the FSM’s duties.

Language skills are the ability of the FSM to communicate in a foreign language.

Market dynamism is the degree of change in the local industrial market.

Market idiosyncrasy is unique features of the local industrial market.

Market internationalisation is the degree of internationalisation of the local industrial market.

Organizational change is the formal establishment of a different status quo within the MNC.

Performance is the degree of competence of the FSM in performing his or her duties.

Personality is the ensemble of personal characteristics of the FSM.

Planning process is the formal process within the MNC, by which the subsidiary's plans are decided.

Reporting process is the formal exchange of information along the chain of command within the MNC.

Rules and programmes are formal policies and procedures within the MNC.

Sales orientation is the FSM's preference for personal contacts with customers.

Size is the subsidiary's amount of sales and employees.

Social skills are the ability of the FSM to engage in personal contacts.

Start-up is the establishment of subsidiary operations in the local industrial market.

Supplier closeness is the initiative from suppliers to communicate with customers in the local industrial market.

Technical complexity is the complexity of technology sold by the subsidiary.

Tenure is the time the FSM has been holding his or her current position.

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