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How Subsidiaries Gain Strategic Influence In MNE Value Chains

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ABSTRACT

As MNEs are increasingly disaggregating their value chains and assigning functional responsibilities as mandates to foreign subsidiaries the MNE is increasingly focused on augmenting spatially distant activities and resources. At the same time despite subsidiary managers operating at the ‘middle’ of the organization and having awareness of operational and strategic contexts they have received significant criticism for being hindrances to successful coordination and integration of value chain activities. This appears counterintuitive as on the one hand MNEs are increasingly disaggregating their value chains and on the other subsidiary managers are increasing gaining responsibilities for functions which have strategic implications for the MNE. Using a sample of globally dispersed R&D subsidiaries from ABB, we examined subsidiary resource stocks and subsidiary managers' bundling and deployment activities in global value chains. Results indicate integration responsibilities are decentralized as properties of subsidiary mandates and that the subsidiary manager's activities significantly affect the strategic influence that can be exercised by the subsidiary locally and globally. However, their efficacy depends on the scope of the mandate, managerial contextual factors, and the deployment flexibility of specific resources.

Keywords: R&D mandate; integration; resource management; resource dependency; strategic influence.