

## LBS Research Online

[J Birkinshaw](#), T C Ambos and C Bouquet

Boundary spanning activities of corporate HQ executives: insights from a longitudinal study

Article

This version is available in the LBS Research Online repository: <https://lbsresearch.london.edu/id/eprint/768/>

[Birkinshaw, J](#), Ambos, T C and Bouquet, C

(2017)

*Boundary spanning activities of corporate HQ executives: insights from a longitudinal study.*

Journal of Management Studies, 54 (4). pp. 422-454. ISSN 0022-2380

DOI: <https://doi.org/10.1111/joms.12260>

Wiley

<http://onlinelibrary.wiley.com/doi/10.1111/joms.12...>

---

Users may download and/or print one copy of any article(s) in LBS Research Online for purposes of research and/or private study. Further distribution of the material, or use for any commercial gain, is not permitted.

**This is the peer reviewed version of the following article: Birkinshaw, J., Ambos, T. C. and Bouquet, C. (2017), Boundary Spanning Activities of Corporate HQ Executives Insights from a Longitudinal Study. Jour. of Manage. Stud., which has been published in final form at <http://dx.doi.org/10.1111/joms.12260>. This article may be used for non-commercial purposes in accordance with Wiley Terms and Conditions for Self-Archiving.**

## **BOUNDARY SPANNING ACTIVITIES OF CORPORATE HQ EXECUTIVES**

### **INSIGHTS FROM A LONGITUDINAL STUDY**

**Julian Birkinshaw**

**Tina C. Ambos**

**Cyril Bouquet**

## **ABSTRACT**

What are the boundary spanning activities undertaken by the Corporate Headquarters (HQ) executives of a Multinational Corporation? We address this question through a five-year longitudinal case study of one company as it shifted from a traditional HQ in one location, to a dual HQ in two locations, to a virtual HQ split across multiple locations. By observing how HQ executives prioritized their time over the course of this transition, we identified four generic boundary spanning activities: two (*spearheading* and *facilitating*) focused on making connections across boundaries, two (*reconciling* and *lubricating*) focused on overcoming differences in worldview across boundaries. By considering these activities together, and how they vary in importance over time, we show how each boundary spanning activity adds value to the MNC and improves the effectiveness of the internal and external network. An important feature of our study is that we operationalize boundary spanning at the *activity level*, i.e. in terms of the specific actions taken by corporate HQ executives, to provide a more granular understanding of how boundary spanning works in practice. .

## INTRODUCTION

Boundary spanning is central to the *raison d'être* of the Multinational Corporation (MNC), in that the MNC seeks to achieve competitive advantage through its capacity to bridge geographical boundaries, internalize difficult transactions, and tap into knowledge from overseas locations. As MNCs mature, and their subsidiaries develop distinctive capabilities of their own, the challenges in getting a complex set of geographically-dispersed activities to work effectively together increases significantly – making the importance of boundary spanning even greater. However, even though boundary spanning is intuitively a key activity in the MNC, and the literature on boundary spanning has been in existence for many years (e.g. Thompson, 1967; Tushman, 1977), we do not have a clear understanding of how it works or what its consequences are (for partial exceptions see Kostova and Roth, 2003 and Schotter and Beamish, 2011). In this paper, we address part of this gap in our knowledge by examining how the boundary spanning activities of corporate headquarters (HQ) executives add value to the MNC as a whole.

A common perspective is to view boundary spanners as specific individuals or units who mediate between the *external* task environment and the focal organization (Thompson, 1967; Tushman and Katz, 1980). In the networked MNC where organizational units take on differentiated roles and responsibilities (Nohria and Ghoshal, 1997; Bartlett and Ghoshal, 1989), these boundary spanners are likely to be specialized units on the periphery of the organization, such as scouts located in technologically sophisticated locations, corporate relations teams working with foreign governments, or business development teams seeking to build partnerships with universities, customers, competitors or suppliers. A considerable amount of research has been based on this perspective, and has provided valuable insights into the mechanisms that individuals or organizational units in the MNCs use to tap into and leverage information that lies beyond their formal boundaries (Doz et al, 2001; Monteiro and Birkinshaw, 2016; von Zedtwitz and Gassman, 2002; Yang, Mudambi and Meyer, 2008).

A complementary view is that boundary spanners are the individuals or units who mediate the flow of information *within* the MNC (e.g. between subsidiary units and corporate headquarters). Based on this

perspective, most senior subsidiary managers are likely to act as boundary spanners as they have contacts with their counterparts in other units, and they often spend significant amounts of their time reporting back to HQ or working in cross-national teams to enable coordination (Schotter and Beamish, 2011). It is also likely that managers in the corporate HQ act as boundary spanners, making connections between internal subsidiary units and linking up with external actors such as government bodies and prospective customers, with a view to increasing the effectiveness of the networked MNC as a whole. While the discussion on the roles and value added functions of HQ has recently gained momentum (Baaij et al, 2012; Baaij and Slangen, 2013; Campbell et al, 2014; Kunisch et al., 2014; Menz et al, 2015; Nell and Ambos, 2013), there has not yet been explicit attention given to what specific boundary spanning activities HQ executives might undertake.

This paper seeks to address these gaps by focusing on the *boundary spanning activities of corporate HQ executives* in the differentiated network MNC. While acknowledging all the required facets of the HQ's role in terms of formal governance and oversight, the purpose of our study is to explore the different ways HQ executives seek to *add value* and improve the effectiveness of the internal and external network through boundary spanning activities.

We take an inductive approach in our study, because the literatures on boundary spanning and on HQ roles have mostly remained separated and we need to investigate if and how boundary spanning is relevant to HQ activities. We review the relevant bodies of literature to distinguish the various value-adding activities corporate HQ executives can undertake, including those that involve boundary spanning. We then draw on an in-depth longitudinal case study of one MNC – Softcorp – that went through an unusual transition from a traditional (HQ-dominated) to a networked (multi-centre) organizational model over a five-year period. Based on a definition of boundary spanning as a specialized function that seeks opportunities to mediate the flow of information between relevant actors in a focal organizational unit and its task environment, we identify four boundary spanning activities undertaken by corporate HQ in Softcorp. Two are well-known in that they involve making connections across boundaries: *spearheading* is about opening up relationships with external actors, *facilitating* involves linking actors within the MNC. The other two are more surprising, in that they

involve overcoming differences: *reconciling* is about helping external actors and MNC managers to understand each other's point of view, while *lubricating* focuses on helping individuals within the MNC to overcome biases and misperceptions about how they might work together. By looking at all four activities together, and considering how they vary in importance over time, we develop a novel integrative framework demonstrating how HQ boundary spanning activities contribute to the effectiveness of a networked MNC, and we consider the implications of this framework for future research.

## **THEORETICAL BACKGROUND**

The notion of boundary spanning is well established, and it is a cornerstone of the open-system perspective that sees organisations accessing information from their task environment through specialised individuals or units (March and Simon, 1958; Perrow, 1970; Thompson, 1967; Tushman and Katz, 1980). There have been many prior studies of boundary spanning in very different settings. For example, one strand focused on boundary spanning individuals in R&D departments (Tushman, 1977; Tushman and Katz, 1983; Tushman and Scanlan, 1981, Mudambi and Swift, 2009), another looked at boundary spanning in teams (Ancona and Caldwell, 1988; 1992) and the informational and representational roles boundary spanners play, and a third focused on boundary spanning as a specific organizational function such as investor relations, public relations or union lobbying (Aldrich and Herker, 1977; Friedman and Podolny, 1992; Rao and Sivakumar, 1999), where these units act as 'buffers' as well as 'bridges' (Meznar and Nigh, 1995). More recently, boundary spanning has also been studied in the context of HQ-subsidary relationships (Schotter and Beamish, 2011), with a focus on the conflict-solving capacity of subsidiary managers.

While these studies have all taken somewhat different perspectives, they are consistent with a definition of a boundary spanning as *a specialized function that seeks opportunities to mediate the flow of information between relevant actors in a focal organizational unit and its task environment*. There are several important components to this definition. First, boundary spanning builds on a combination of expert knowledge, personal power and trust (Fleming and Waguespack, 2007;

Schotter and Beamish, 2011). Second, boundary spanning has an entrepreneurial quality, in that it involves individuals undertaking action in response to mediation opportunities (Kirzner, 1973; Shane and Venkataraman, 2000). In some cases, actors inside and outside the organization are in a position to talk to one another directly and there is no role for the boundary spanner; in other cases, they may not know one another or may be unable to communicate effectively, in which case there is a boundary spanning opportunity. Third, boundary spanning transpires at different levels of analysis – sometimes it involves mediating between a team and the rest of the organization (Ancona and Caldwell, 1992), at other times it is about mediating between the organization and the outside world (Mezner and Nigh, 1995). Finally, the notion of *mediation* is deliberately broad. At a minimum it involves transferring information, and it can also involve some degree of translating and transforming as well (Tushman and Katz, 1980; Tushman and Scanlan, 1981). Translating and transforming boundary spanning activities often has a sense-making aspect, as managers interpret and act upon certain cues in their context (Weick, 1995; Fiss and Zajac, 2006). We build on Carlile’s (2002, 2004) distinction between transferring knowledge (across semantic boundaries where common knowledge exists), translating knowledge (across semantic boundaries where interpretation or brokerage is needed), and transforming knowledge (across pragmatic boundaries where different interests have to be resolved).

In the context of the MNC, the term boundary spanning has been used in a variety of ways. For the most part, it has been used to describe how overseas units sense and gain access to external knowledge (Doz et al., 2001; Monteiro and Birkinshaw, 2016), but it has also been used to refer to bridging between different functions or professional guilds in the organization (Mudambi and Swift, 2009), and to the roles played by subsidiary managers more generally (Schotter and Beamish, 2011). The intention in this paper is to complement these primarily subsidiary-level studies with an analysis of boundary spanning in the corporate HQ of the MNC. An important feature of our study is that we operationalize boundary spanning at the *activity level*, i.e. in terms of the specific actions taken by corporate HQ executives, to provide a more granular understanding of how boundary spanning works in practice.

### **The Corporate HQ as Boundary Spanner**

Classical views of the MNC assumed that the HQ sat at the centre and that overseas subsidiaries existed first as sales outlets, as recipients of products developed at the centre (Vernon, 1966), and then gradually upgraded their roles to become contributors to the MNC's knowledge base, for example by tapping into ideas and opportunities in the local market that could be fed back to the centre (Ambos et al., 2006; Birkinshaw and Hood, 1998; Yang et al., 2008).

This traditional model is still evident in many industries, because there are enduring benefits to operating a hierarchical, centrally-led organization with regards to information processing, coordination and control (Egelhoff, 2010). Increasingly though, the MNC is conceptualized as a differentiated network<sup>1</sup> (Ghoshal and Bartlett, 1990; Nohria and Ghoshal, 1997) where subsidiary units have important resources that are valued by other parts of the MNC and have significant discretion in terms of how they act (Birkinshaw, 1995; 2000). Subsidiaries are characterized by multiple embeddedness, in the MNC and in local markets, and are redefining their roles and contributions through social interactions and bargaining with headquarters (Ambos et al., 2010; Meyer et al., 2011; Narula, 2014). Mudambi (2011) argued that boundary spanning enables the MNC to increase both, the 'integration-pay off' (connectivity to the MNC) as well as the 'innovation-pay off' (opportunities from local embeddedness).

In this networked model, the relationship between the corporate HQ and subsidiaries is subtly different. While the HQ still retains formal power over its subsidiaries through ownership, its ability to exercise that power is constrained by the informal power of the subsidiaries, through the resources and relationships they control (Bouquet and Birkinshaw, 2008b; Mudambi and Navarra, 2004; Prahalad and Doz, 1981). This tension is typically resolved through corporate HQ adopting a less-dominant role than in the past, with executives focusing on orchestrating resources and on enabling subsidiary units to develop their unique capabilities and to work effectively together (Nohria and Ghoshal, 1997).

Consistent with this view, a sizable body of literature has emerged over the last two decades looking at the changing nature of the corporate HQ in MNCs, and in particular at the extent to which HQ



seeks to provide a *value-added function* to subsidiary units around the world (Ambos and Mahnke, 2010; Campbell et al., 1995; Kunisch et al., 2014). Some studies have focused on the different ways the HQ adds value to its network of subsidiary operations (Ambos et al, 2010; Chandler, 1991; Foss, 1997), others have examined the movement of HQ operations to overseas locations (Birkinshaw et al, 2006; Laamanen et al, 2012; Strauss-Kahn and Vives, 2009), and the creation of ‘virtual’ HQs without a fixed location (Prahalad and Bhattacharyya, 1998; Pasternak and Viscio, 1998).

In line with these developments, our research seeks to shed new light on the value-added or entrepreneurial activities (Chandler, 1991) pursued by corporate HQ executives in a differentiated network MNC – assuming that the ultimate goal of such executives is to make the MNC network more effective. As the literature on HQ activities has not taken into account the potential value-added effect of boundary spanning, we pursue an inductive approach. We follow the development of one MNC over time, using a boundary spanning lens to view its HQ activities, and thereby to uncover the changing nature of boundary spanning over time. Our formal research questions are:

*What are the boundary-spanning activities undertaken by corporate HQ executives? And how – if at all – do they contribute the overall effectiveness of the network MNC?*

## **DATA AND METHODOLOGY**

### **Research Design**

To address our research questions, we opted for an inductive longitudinal study because, while there are various conceptualizations of boundary spanning in the literature, they have not been researched in the context of the networked MNC (Nohria and Ghoshal, 1997) and we don’t know how they might become relevant. In choosing an inductive design, concerns about limited external validity were traded off against the opportunity to gain deep insight into a poorly documented phenomenon (Miles and Huberman, 1984; Yin 1984, Eisenhardt 1989). Our research approach aimed to identify diverse examples of boundary spanning activity and to investigate how they emerged and changed over time.

Our research questions also made it important to identify a particular type of setting. We needed to identify an MNC that to some degree was managed in a ‘networked’ way, rather than with a strong top-down approach to control. An ideal methodology to investigate these issues was a longitudinal study that would allow us to observe emergent patterns of boundary spanning activity, rather than pre-determined roles and charters. We sought to study a company undergoing a transition, as such firms are more likely to reflect on their deeply held assumptions and beliefs (Andersson et al, 2007), and to experiment with new ways of working that can be observed and evaluated.

These criteria led us to study Softcorp, an Amsterdam-based software company operating on a global basis that undertook a dramatic change in the nature and location of its HQ, from a traditional HQ in one location (Amsterdam), to a Dual HQ split between Amsterdam and Beijing, to a Virtual HQ split across several locations<sup>2</sup>. As a company doing something relatively unusual, Softcorp helps to illuminate phenomena that might otherwise be hard to study (Eisenhardt and Graebner, 2007; Siggelkow, 2007). We should note that two authors of the current paper also studied the Softcorp case in a project on the process of organizational change (Birkinshaw, Crilly, Bouquet and Lee, 2016). We take a very different cut here by emphasizing the interventions made by HQ executives to make the MNC work more effectively, and in the discussion section we show how the two papers provide complementary perspectives on Softcorp’s transformation.

### **Research Setting and Data Collection**

Our primary mode of data-collection was interviews with senior and middle managers of Softcorp, who reported on the corporate priorities and the changes in structure, processes and mindset over a period of five years, from 2007 to 2012. We conducted 45 interviews with two major rounds of interviews before and after the initial change, and periodic conversations with the CEO and his team throughout the whole period. We used open-ended questions, which helped respondents to raised avenues for discussion that we had not considered. To minimize respondent bias, we interviewed managers several times over the course of the study and solicited multiple perspectives on specific topics. In addition, we were given access to internal documents, memos, reports, presentations to

analysts, and emails (though the financial statements were not shared with us, as Softcorp is privately held).

We also administered a questionnaire at four different points in time over during our five-year study, which allowed us to quantitatively validate some of the claims made by executives about changes that had occurred. The same survey instrument was used at four points in time, targeting managers in the senior management team (SMT, between 8-10 people over the duration of the study) and all members of the middle management team (MMT, between 40-50 people over the duration of the study). Details of the specific measures used in the survey are provided in the Appendix. There were between 39 and 50 respondents in each of the four surveys, for a total of 161 survey responses, representing an average response rate in excess of 80%. This allowed us to do some simple statistical analysis, comparing outcomes across the different time periods (Golden, 1992, Miller et al. 1997), and giving us greater confidence in the results than would normally be seen in a qualitative longitudinal study. Moreover, because the shift was from a traditional to networked model, we were able to identify very clearly the emergent activities of corporate HQ executives. Table 1 gives an overview of the data collected for this study.

\*\*\*\*\* Table 1 about here \*\*\*\*\*

### **Data Analysis and Emerging Patterns**

We used established approaches for qualitative inductive data analysis and followed an iterative process of theory development and analysis (Glaser and Strauss 1967, Miles and Huberman 1984, Eisenhardt 1989, Yin 1984). First, we transcribed and analyzed data used established coding techniques (e.g. Langley 1999; Miles and Huberman 1984). Following a longitudinal process study approach (Ambos and Birkinshaw, 2010; Clarysse and Moray, 2004), we developed a schematic representation of the changes made by Softcorp over time, as reported in Birkinshaw et al. (2016). We then identified the various activities undertaken by HQ executives over the five year period of study, and we overlaid these on the process framework, with a view to understanding the differences and commonalities across them. This led to the identification of eleven specific first- and second-

order categories that were aggregated into overarching concepts, as suggested by Gioia et al. (2013) (these are described later in Figure 3). In a next step we examined the contextual conditions over time to help us understand the circumstances in which each type of boundary spanning activity emerged, the result of which was the integrative framework we present here. The iterative analyses were first conducted independently by the researchers and then jointly discussed and revised.

Our quantitative data analysis was limited due the small sample size (no more than 50 responses per survey) and the nature of the data. The questionnaire data from four different years was coded and descriptive data as well as analyses of variance (ANOVA) were used to show how managers' perceptions differed and evolved over the course of our study. In contrast to Birkinshaw et al. (2016) who used part of this data as evidence of the changes in strategic priorities, we present this data to contrast the changes in the *internal* versus the *external* networks and the organizational affiliation of the respondents (European vs Asian locations) to illustrate the wider effects of HQ's value-adding activities. This paper also uses four periods of data collection ending in 2012, whereas Birkinshaw et al (2016) used three periods of data collection ending in 2010.

## **FINDINGS**

We present our findings in three parts. First, we provide a brief overview of Softcorp, focusing on the changes in the corporate HQ and the impact these changes had on activities across the company. Then we move into a discussion of our inductive findings, describing how the boundary spanning activities were identified and how they were undertaken. Finally, we assess the variation in these activities over time and develop arguments for testing in future empirical research.

### **Overview of Softcorp and the Evolution of its Corporate HQ**

Softcorp is a mid-sized software company in digital pay-TV, internet and mobile communications, specializing in encryption technology and digital rights management systems to media operators. The company is owned by a South African media group, and it operates with a high degree of autonomy. While the ultimate financial owner is South African, the headquarters in Amsterdam is operationally responsible for the company and is actively managing and controlling Softcorp's international units.

Our research began in 2007 when the company was headquartered in Amsterdam and employed 356 people in 14 offices worldwide, half of whom were in R&D positions. Softcorp's global operations were organized by geographic regions. At that time, total world demand for Softcorp products was estimated to be 1.3 billion USD and Softcorp was the third-largest player, with particularly strong positions in Europe, Middle East and Africa (57 % of sales), Asia Pacific (36 % of sales), and to a lesser extent, in the US (7 % of sales). The industry was experiencing a significant degree of change due to mass digitalization and a shift of market potential from the maturing Western economies to Asia, Softcorp's top executives recognized that the company was poorly positioned to respond to this growth opportunity, as it was still a predominantly European company in activities and its outlook, despite 30 nationalities being represented at HQ and intense travelling of senior executives. In the words of the CEO:

*“There was a fundamental problem that most of our growth was going to be in the East and we were very much a Western-orientated company. Something just felt absolutely wrong about seeing this future world and being completely skewed in the West in all our organization, all our thinking. ... So this was our challenge —we were very much rooted in one place.”*

This realization led the top executives to the notion of a Dual HQ split between Amsterdam and Beijing (the location of their Chinese subsidiary). This was felt to be the only way of achieving a “step change” in the company's ability to compete on a global basis. In 2007 the Dual HQ was announced in a press release, *“we want to move away from the traditional concept of a single headquarters and be even more representative of the markets and customers we serve by changing the way we operate to be more balanced between East and West”*. The CEO, the Sales and Marketing Director and a third executive responsible for one major business line relocated to Beijing between 2007 and 2009.

The 2008 global financial crisis led to a downturn in the global Pay TV market, and Softcorp made a small number of layoffs. In 2009, Softcorp acquired two smaller North American companies. The make-up of the top executive team changed accordingly, with three of nine based in North America, three in Europe and three in Asia. By 2011, Softcorp was performing well, but with more than one third of employees and sales now coming from North America, the senior executive team questioned whether the Dual-Core HQ split between Amsterdam and Beijing was the right model any more. To

respond to these concerns, in September 2012 the CEO announced that Softcorp would have a Virtual HQ with three primary centers (Amsterdam, Beijing and San Francisco), and with the senior executive team as well as the various support activities provided by HQ split across those three locations.

We concluded our formal study of Softcorp at the end of 2012. At this point, the Virtual HQ model was in place and was functioning effectively. Figure 1 is a graphical depiction of the evolution of the corporate HQ.

\*\*\*\*\* Figure 1 about here \*\*\*\*\*

It is important to acknowledge that the location of the corporate HQ is a function of its formal legal home, the residential homes of the top executive team members, and the locations of the various support activities (Birkinshaw et al, 2006). The legal home of Softcorp (i.e. a private company incorporated in the Netherlands) did not change over this period. The primary changes were in where the top executives lived, with three executives (out of seven) living in Beijing during the Dual HQ period. With the creation of the Virtual HQ, the CEO was dividing his time between Beijing and Amsterdam and the rest of the top team were split between those two cities and a further three locations in California. The location of top-team executive meetings began to alternate between Amsterdam and Beijing in October 2007, and this became a rotation across three locations in 2012. Mirroring the changes made by the top executives, there were also changes in support functions such as HR, IT, and Finance, with some of these functions moving to Beijing in 2007 and then increasing amounts moving to Beijing and San Francisco over the period of study. There was also a major new R&D center built in Beijing in January 2010, and one in Singapore in June 2010.

### **Identification of HQ Boundary Spanning Activities**

The findings emerged through an iterative process, with our prior understanding shaping our research questions, leading to interesting insights from the field, and causing us to look afresh at the academic literature. Before getting into the substance of what we found, it is therefore useful to acknowledge the relative balance of deduction and induction in our study. Specifically, we started with two anchors

built on prior research: (1) Softcorp was an example of an MNC shifting towards a more networked way of working through its creation of a Dual HQ; and (2) we saw the corporate HQ as having some sort of boundary spanning function that included linking subsidiary units up with external actors and also helping them to work more effectively with each other.

The key parts of our story that emerged (inductively) from the data were: (1) the notion that effective boundary spanning is entrepreneurial in nature, in that it involves acting on mediation opportunities that might otherwise be missed, and (2) the distinction between making connections and overcoming different worldviews as conceptually separate boundary spanning activities. Both these insights were subsequently linked back to the relevant bodies of theory, as described below.

It is worth noting parenthetically that these insights emerged in large part because of the experimental and high-profile nature of the changes Softcorp was making, in shifting towards a Dual HQ and then a Virtual HQ. The executives we interviewed were keen to make their experimental model work. They travelled extensively between the three different regions, and they often sought out ways to be helpful to the subsidiaries around the world. From our perspective as researchers, their proactive stance helped us to identify and make sense of the different activities they undertook.

\*\*\*\*\* Figure 2 about here \*\*\*\*\*

The framework that emerged from this iterative research process was a typology<sup>3</sup> of boundary spanning activities linked to the HQ's goals and priorities (Figure 2). Naturally, the HQ executives also performed other functions as well, for example in terms of corporate oversight and control, but those activities are not discussed here. Our longitudinal design allowed us to observe how these boundary spanning activities emerged and changed over time and how they were used to increase the effectiveness of the network MNC.

A key part of our definition is that boundary spanners *seek opportunities* to mediate the flow of information. This is therefore an entrepreneurial or value-adding role (Kirzner, 1973; Shane and Venkatraman, 2000), meaning that executives only become involved when they see an opportunity that is lying unfulfilled. More practically, this definition acknowledges that many flows of

information between two subsidiaries, or between a subsidiary and an external actor, happen naturally and without any sort of external intervention. HQ executives only step in when they are needed – when they are in a position to mediate a flow of information between parties that is blocked for some reason. Conceptually, this can be viewed as a *tertius iungens* orientation (Obstfeld, 2005), in that it involves connecting two other parties and then stepping back, rather than holding the two parties apart through a *tertius gaudens* orientation (Burt, 1992). Building on our field insights and prior research, it is possible to identify two broad forms of mediation, which we refer to as “boundary spanning objectives” in Figure 2. One involves *making connections* between actors who are unaware of each other’s existence. In Tushman’s (1977: 587) original formulation this is about “linking the organization's internal network to external sources of information” and in Carlile’s (2004) terminology it is primarily about information transfer, though with some translation. This type of bridging activity has also been observed in many other settings (e.g. Ancona and Caldwell, 1992; Monteiro, 2014; Obstfeld, 2005; Mezner and Nigh, 1995).

The other, less well-known, form of mediation involves *overcoming different worldviews*. There are many situations where an initial connection exists between actors across boundaries, but a middleman is still required to help them understand each other. For example, Tushman and Katz (1980: 1073) talk about the role of boundary spanners “translat[ing] information into terms that are meaningful and useful to their more local oriented colleagues,” while Tushman and Scanlan (1981: 291) describe them straddling different thought worlds so that they “convert words into the second semantic space, while retaining the meaning intended in the first.” Recently, Whitford and Zirpoli (2016) showed how actors used “discursive resources” to mobilize support across internal and external boundaries in the case of Fiat-Chrysler. In Carlile’s (2004) terminology, this activity includes elements of translating and transforming. While they sometimes happen together, these two forms of mediation are conceptually distinct, in that the former is mostly about linking actors together (through transfer and some translation), while the latter is about helping actors (who have already met) to talk constructively to one another (through transformation and some translation).



The other important distinction, which is well-established in the literature, is the “boundary spanning direction” distinguishing between *external* and *internal* partners, with HQ executives mediating between a specific subsidiary unit and external actors, and also between subsidiary units. Some prior studies have focused on internal boundary spanning (Ancona and Caldwell, 1992), some have focused on external boundary spanning (e.g. Friedman and Podolny, 1992), and some have encompassed both (e.g. Tushman, 1977).

By putting these two dimensions together, we can identify four generic boundary spanning activities (see Figure 2). This framework builds on Nohria and Ghoshal’s (1997) notion of the MNC as a differentiated network, in that each subsidiary operates on a semi-autonomous basis, with linkages to various external actors and sister subsidiaries. But subsidiary managers are limited in terms of whom they know, and they have their own distinctive worldview, so one of the key value-added or entrepreneurial roles of HQ executives (Chandler, 1991) is to help make connections across this network, and to enable the actors within this network to interact effectively with one another.

This framework emerged during the research and it helped us to organize our emerging understanding of the boundary spanning activities played by HQ executives in Softcorp. We now consider each of these in turn, first describing the evidence and then moving onto conceptual arguments, see Figure 3 for a graphical summary. Our contribution is not so much the activities themselves (as most of them have been acknowledged before in other bodies of literature), but rather how they are categorized in terms of boundary spanning objective and boundary spanning direction and form an integrated whole that contributes to our understanding of the network perspective of the MNC.

\*\*\*\*\* Figure 3 about here \*\*\*\*\*

### **Spearheading**

This involves HQ executives making connections between subsidiary units and important actors in their external task environment, including customers, suppliers, collaboration partners, government bodies, the public in general, and potential employees. In many cases, subsidiary managers do not need any help in making such connections, but there are certain occasions when HQ executives,

perhaps because of their personal contacts, status or individual capabilities, are able to help. Over the five years of our study of Softcorp, we observed HQ executives playing the spearheading role on many occasions. Based on our analysis, three specific activities could be identified (see also Figure 3).

***Opening up new relationships.*** The most important activity of top HQ executives was opening up entirely new relationships with external actors through their formal status as senior representatives of Softcorp. For example, when the CEO and head of sales and marketing moved to Beijing in 2007 and 2008 respectively, they were able to secure meetings with many existing and prospective customers, as well as officials from the government and from local universities.

*“I’ve forged much closer relationships with our partners, since I’ve been here. For instance, one of our major Korean partners, roughly every three months I go there for dinner or he comes here for dinner and so the networking opportunity is higher.” (Head of sales and marketing, 2009).*

*“I met with more than ten key customers in that first few months, as well as all sorts of vice ministers in the Chinese government. I wanted to let them know we were serious... that we were going to be a major player in the region.”(CEO, 2009).*

In such cases, the value added by HQ executives was to open up relationships with important external parties that the local subsidiary managers wanted, but could not achieve on their own. Of course, HQ executives can potentially play such a role regardless of where they are located, but the evidence from Softcorp showed that their Dual HQ designation, and the fact that HQ executives lived in the local region, made this role much easier to play.

***Brokering existing relationships.*** A related aspect of spearheading was HQ executives using their *existing* relationships with external parties to broker a link to local subsidiary managers. For example, in one case the global head of sales and marketing set up a meeting with a global customer in India through his Europe-based contacts in that company.

*“We had been working with Polynet for years, in fact I had done the original project with them back in 2003, so through my contacts I arranged for Alex to meet their local office in Delhi.” (Head of sales and marketing, 2009).*

In our study, we did not identify many examples of this activity. However, it is conceptually distinct from the prior activity, as it involves HQ executives adding value through their own network of external contacts rather than by using their presence as a means of opening up new relationships.

**Generating broader visibility.** The third aspect of spearheading was HQ executives building connections to external media who could then promote the company to a broader network of local actors, including potential customers, suppliers and employees.

This activity was most visible when the initial announcement of the Dual HQ was made. There was a considerable amount of press coverage (19 articles between October 2007 and March 2008, 14 in the Asian business press, five in global outlets such as the Wall Street Journal and the Financial Times), and the CEO did interviews with local Beijing media during his first year in China. This visibility created an awareness of Softcorp in the Asia region that helped local subsidiary managers build relationships with local partners, and also gradually to improve the quality of employees they were able to hire.

*“Our name is becoming better known in the region [Asia], though it takes time and constant reinforcement for them [customers] to understand our commitment [...] We are doing a lot more work with universities here as well: interns and joint research programs. It’s a function of us making a conscious shift to the east.” (CEO, 2009).*

These three activities, in different ways, enabled the subsidiary operations to extend and enhance their networks with external partners, hence our choice of the term *spearheading*. Analysis of timing and sequencing showed that spearheading was most salient when Softcorp moved to its Dual HQ structure. It was invigorated every time a new executive moved to China, and it became more salient again when the three North American executives were placed in the top executive team in 2010.

At a conceptual level, spearheading has been well-recognised in the boundary spanning literature over the years (Aldrich and Herker, 1977; Tushman, 1977) as one of the primary means by which a focal firm builds relationships with external actors. There is also a signalling component to spearheading, at least in the case of Softcorp, in that the presence of HQ executives in the subsidiary’s local market is a sufficiently costly investment that it represents a credible signal of commitment (Laamanen et al, 2012; Spence, 1974). In summary:

*Insight 1. In a networked MNC, HQ executives seek to add value by facilitating connections between subsidiary managers and external actors. They do this through three linked activities: opening up new relationships, brokering existing relationships, and generating broader visibility.*

## **Reconciling**

This involved HQ executives working to overcome the different worldviews of subsidiary managers and actors in their external network. Sometimes, despite their best intentions and despite knowing whom to speak to, subsidiary managers were unwilling or unable to work effectively with certain external parties. In such cases, there was sometimes a useful role to be played by HQ executives who, by virtue of their breadth or depth of expertise, or their status, were able to overcome this disconnect through a form of translation (Carlile, 2004). However, it is worth noting already that of the four boundary spanning activities we observed, this one was the least common. It was also typically reactive, a way of addressing specific problems, whereas the other activities were all performed on a more proactive basis.

**Clarifying opportunities.** On a few occasions, HQ executives took on a business development role, opening up high-level conversations with government officials, regulatory bodies or industry associations. HQ executives saw themselves partly making connections (through spearheading), but also doing a certain amount of translating because these bodies were often removed from the day-to-day reality the subsidiary managers faced:

*We were working with the NCTA (National Cable and Telecommunications Association) on digital rights management issues, a long, drawn-out process, trying to get all the players [in the US market] lined up. I took the lead on this, working with a team split between Carlsbad and Amsterdam. (Business unit head, based in San Francisco, 2010).*

**Buffering external demands.** HQ executives also found themselves playing a useful buffering role between the subsidiary and certain external stakeholders. For example, there were several occasions when the CEO was required to intervene in the relationship between Softcorp China and the Beijing government:

*I have found myself being summoned by the ministers in charge of the media industry in Beijing, and being able to drop everything and show up immediately has being very helpful in managing Softcorp's relationship with the government [...] I am the foreign whipping-boy, so I kow-tow to the minister, who seems himself as a demi-god, and then he lets me go."(CEO, 2012).*

In the CEO's view, such incidents were beneficial for Softcorp, because they were an opportunity for him to play up the bigger picture story about the company's commitment to the region. If he had not

been present locally, there was a risk of the subsidiary's operations being tarnished, or even closed down temporarily.

These two activities comprised a form of *reconciling*, as they involved HQ executives intervening in complex and sometimes confrontational relationships between subsidiary managers and external actors. In terms of links to prior research, this activity involved some translating across the boundary of the MNC (Monteiro and Birkinshaw, 2014; Tushman and Scanlan, 1978) and also some transformation when buffering the MNC from external threats (Mezner and Nigh, 1995; Thompson, 1967), with the relative balance between these two activities varying according to the specific circumstances and the judgment of the HQ executives who were involved.

*Insight 2. In a networked MNC, HQ executives seek to add value by overcoming differences between subsidiary managers and external actors. They do this through two linked activities: clarifying opportunities and buffering external demands.*

### **Facilitating**

This involved HQ executives making connections between individuals and teams working in different subsidiaries. Of the four activities, it transpired with the greatest frequency, often on a daily basis. It also had a cyclical quality, with HQ executives working very actively to make such connections at some times, and then reducing the intensity of effort at other times. As above, based on our observations we broke this role down into several separate activities.

***Making internal introductions.*** First, we observed HQ executives making links between individuals in different subsidiaries. Some of these were mundane, for example introducing a new sales person in Beijing to a product development manager in San Diego so that the latter could provide detailed information to the former. Some were higher value-added, for example in a case where a development group in Ottawa was struggling with a particular technical problem, and the HQ executive was able to introduce them to a separate group in San Francisco who had developed a solution to that problem. These occurred too frequently to keep track of, with a single meeting or phone call often involving several such introductions:

*I will have weekly meetings [often by phone] with my sales team, and a lot of that is about joining the dots – making sure they know who is talking to whom, suggesting they reach out to someone in another location. Because we are so dispersed [geographically], we need to work hard on alignment and priorities. (Sales and marketing manager, 2009).*

**Creating opportunities for people to interact.** The second activity was about the creation of specific forums or events in which people from different parts of the MNC could work together. For example, in 2008 cross-regional working teams in shared services and software development were created. The project teams were selected by HQ executives and were important in building connections between managers from Europe and Asia. In another example, the head of sales and marketing created a single global salesforce in 2009, as a way to help salespeople work more closely with their counterparts in other regions and to create links across product lines:

*“...to help smaller units piggyback on the Conditional Access part of the business. This means the guys running the stand-alone operations are now much closer” (Sales and marketing head, 2010).*

**Moving individuals to new locations.** The third activity involved moving key individuals around to facilitate shared understanding (Edstrom and Galbraith, 1977). Prior to 2007, there were few Softcorp managers working in overseas locations (at any given time, around 5-6 people, primarily Europeans working in Asia). During the period of our research, these numbers increased substantially, with a mix of long-term expatriate assignments and also shorter project-specific assignments in different locations. For example, in 2009 three subsidiary managers from Europe were moved to Beijing “to help inculcate the Chinese in our way of working” (HR director, 2009). There was also some movement the other way: in 2010, there were “10 to 20 Chinese or Koreans working in Amsterdam, mostly on permanent assignments” (HR director, 2010). During 2010-2011 there were also six secondments of managers from Europe to Asia, and four from Asia to Europe to give individuals opportunities to develop their careers on a global basis.

At a conceptual level, facilitating is well established in the academic literature. Studies of MNCs have often discussed HQ involvement in lateral activities (Ambos et al, 2010; Ciabuschi et al, 2011), as well as the more general ways HQ executives can facilitate horizontal connections (Bartlett and Ghoshal, 1989; Edstrom and Galbraith, 1977). The social network literature has also given

considerable attention to how and why individuals facilitate linkages between previously-unconnected others (Fleming and Waguespack, 2007; Obstfeld, 2005). In sum:

*Insight 3. In a networked MNC, HQ executives seek to add value by facilitating connections between subsidiary managers in different locations. They do this through three linked activities: making internal introductions, creating opportunities for people to interact, and moving individuals to new locations.*

### **Lubricating**

This involved HQ executives working internally to improve the effectiveness of the interactions between individuals in different subsidiaries, who often had very different worldviews. Of the four boundary spanning functions we identified, this was the most surprising, at least in part because it was the most subtle in how it was undertaken. Once we recognised it, however, we realised that it was a pervasive role, and potentially very important in a networked MNC that is seeking to operate on a *Transnational* basis (Bartlett and Ghoshal, 1989). Conceptually, lubricating emphasizes knowledge transformation, as different political interests or pragmatic boundaries have to be reconciled (Carlile, 2004).

Lubricating was important for Softcorp because the company had historically had a strong headquarters operation in Amsterdam, and as a result most decisions implicitly favoured Amsterdam as a location for activities (especially software development), and most senior Softcorp employees saw the world from an Amsterdam perspective, a phenomenon that is known as ethnocentrism (Perlmutter, 1969). For example, managers interviewed at the start of the research observed:

*“Our concern is not only driven by job security or knowledge is power, but also a lack of faith in the ability for our Chinese colleagues to keep secrets, to respect intellectual property rights, not to job hop” (Product manager, Amsterdam, 2007)*

*“We’ve always been the HQ, people are proud of it, and it gives people a sense of security because your close to where everything is supposed to happen.” (IT manager, Amsterdam, 2007)*

The HQ executives were aware of this ethnocentric mindset, so in order to overcome it they undertook a range of activities to help individuals across the company to shed their biases, and

become more effective at recognising each other's strengths. Our analysis suggested three specific lubricating activities.

***Signalling a shift from the status quo.*** This activity included several highly-visible changes, most notably the original decision to create the Dual Core HQ, which was viewed positively by those employees based in Asia (“it sends a huge signal to the market” (Software engineer, Asia, 2007); “Our customers were very happy to hear the news” (Sales manager, Asia, 2007)). Other manifestations of this signalling activity included the incorporation of North American executives in the top executive team in 2010, and also significant shifts in resource allocation: R&D expenditure in Asia increased by 190% and 69% in 2008 and 2009 respectively (compared to 60% and 40% in Europe), and investment into North America increased faster than to Europe during 2010 and 2011.

***Creating equilibration procedures.*** A second set of activities were changes to formal procedures across Softcorp, as a way of ensuring that all subsidiaries were on an equal footing. The HQ executive meetings began alternating in location between Amsterdam and Beijing in 2007, and then in 2010 they rotated across the three locations. In 2008, the monthly middle-manager meeting was held at the same time in both locations and connected by video (CEO, 2008: “*This was a conscious attempt to get the [local Asian] managers to take more ownership, to shape their destiny*”). The timing was adjusted so that sometimes the Asia-based managers stayed late, while at other times the Europe-based managers came in early, the chair was rotated so that all managers got a chance to lead, and the agenda had to include issues relevant to each region. These changes required considerable effort on the part of the HQ executives:

*“Making this new model work isn't easy. I am spending even more time away from home than I was before.” (Business unit head, 2008).*

***Questioning and challenging assumptions.*** Finally, there were many micro-level interventions by HQ executives, typically done during meetings, in which subsidiary managers were challenged in a way that sought to expose and overcome their implicit biases. As the CEO observed, “*there are people either consciously or unconsciously favouring the Netherlands in their everyday decisions.*”



*This is human nature. So we need to work actively to overcome these views.”* They did this through questioning:

*“Sitting here in China, making my personal observations help me add things up to better appreciate what happens on the ground. I see different news stories, many things move more quickly. So it becomes easier for me to see when people are slipping back into traditional assumptions, and I challenge them. Why are we selling to this customer like this? Why is this process taking so long? Why are we evaluating performance on these measures? It forces them to think more deeply than they used to” (CEO, 2010).*

Taken together, these various activities served the important function of lubricating the internal network of Softcorp, so that managers in different subsidiaries were able to converse more effectively with one another, and internal decisions were made for the good of the company, rather than the parochial interests of a sub-group. Using the language of Carlile (2002), these lubricating activities involved the development of ‘boundary objects’ such as new procedures and discussion forums that allow managers in different parts of the organization to develop a shared language and to challenge their prior assumptions. As with the reconciling activity, lubricating was about overcoming differences rather than making connections. However it was much more proactive: HQ executives frequently took the initiative to tackle managers’ biases and priorities, to help the company shift away from its ethnocentric traditions.

At a conceptual level, we could not find prior studies in the MNC literature that acknowledged the lubricating activity *per se*. There is of course a broader body of behavioural literature that explores the way mediators help people relate more effectively by seeing each other’s perspectives (e.g. Batson 1991; Davis, 1994), and there is research on how MNCs shift from an ethnocentric to geocentric mindset (e.g. Malnight, 1995; Perlmutter, 1969), but this study is the first to our knowledge that focuses on the boundary spanning activities of HQ executives in facilitating such a shift.

*Insight 4. In a networked MNC, HQ executives seek to add value by overcoming differences between subsidiary managers in different locations. They do this through three linked activities: signalling a shift from the status quo, creating equilibration procedures, and challenging and questioning assumptions.*

## **Integrating the Four Activities**

In pulling together our ideas about HQ boundary-spanning, it is useful to consider how these four activities shifted in emphasis over time. Birkinshaw et al (2016) proposed a three-stage process of change for Softcorp, with the CEO's move to Beijing representing a 'counterweight' to the dominance of Amsterdam; then a 'hybrid-engine' logic where both regions got equal attention; and finally the emergence of a 'flywheel' logic whereby the new model was sustained through bottom-up as well as top-down efforts. In Table 2, we map these three stages against the four boundary-spanning activities, based on our interpretation of the data. In the first stage (counterweight logic), spearheading and facilitating were the dominant activities, as the HQ executives sought to make new connections inside and outside the MNC network. In the second stage (hybrid-engine logic), the emphasis shifted to reconciling and lubricating, with HQ executives seeking to reconcile different world views among subsidiaries and with external parties such as customers and government bodies. In the third stage (flywheel logic), the amount of HQ-led boundary spanning dropped off, but there was still a significant amount of facilitating and lubricating, to maintain the necessary levels of internal collaboration, and occasional reconciling and spearheading activity when specific market-based challenges arose.

In Table 2 we also summarize the types of activities undertaken and how they were typically manifested. It is worth acknowledging here that we were not able to measure the frequency of these four sets of activities in a definitive way. This is because they occurred at very different levels of analysis, from major one-off decisions at one end of the spectrum through to micro-level daily conversations at the other.

\*\*\*\*\* Table 2 about here \*\*\*\*\*

As a final insight into the four boundary spanning activities, we suggest there is *meta-role* for HQ executives, namely to judge how much emphasis to place on each of the four activities at different points in time. Our interviews indicated that the HQ executives in Softcorp gave a great deal of thought to this issue, in terms of how proactive they should be. The CEO observed "*My biggest*

*challenge is getting my team into the right place so they can add value*". Another senior executive observed:

*"We spend a lot of time in meetings asking ourselves, are we pushing too hard, is there too much change going on here? We wanted to make sure everyone got the message [that the Dual HQ was there to stay] but we realized we were asking a lot of some people, with all the extra meetings and taskforces."*

To decide how to get the right balance between the four boundary spanning activities, the senior executives sought feedback from subsidiary managers, and in particular they were sensitive to tensions or conflicts that were arising. For example, by emphasizing spearheading early on, the HQ executives appeared to be prioritizing Asia ahead of Europe, and this led to some push-back from managers in Europe (*"We have less faith in [top] management than previously"* said one, soon after the Dual HQ was established), which in turn led the HQ executives to put more emphasis on lubricating. Then in 2010, with the growth potential in North American not being realized, spearheading and facilitating were emphasized (by adding more US-based managers to the executive team, and by creating more opportunities for interaction). More broadly, the HQ executives were conscious of the scarcity of their attention (Ocasio, 2011), and that time spent on one activity meant less time being spent on another. As well as shifting their emphasis between boundary spanning activities, the top executives also gave considerable thought to the timing of specific interventions (e.g. announcing the new R&D center in Asia), and to the formal roles they took on. The exact make-up and location of the executive team, for example, changed six times during the course of our research, with each change intended to help address a particular challenge or opportunity for Softcorp.

In sum:

*Insight 5. The four boundary spanning activities for HQ executives have different levels of importance at different times. An important meta-level activity for HQ executives is therefore to be able to sense areas of tension within the MNC and to rebalance between these four activities to relieve those tensions.*

## **The Consequences of HQ Boundary Spanning Behavior**

As a single company case study, our research on Softcorp does not allow us to make strong inferences on performance. However, it is important to consider how the changes the company went through were perceived, so that we might develop arguments that can be tested in subsequent research. We draw on two different types of data here, both the qualitative accounts of those interviewed at various points during the study, and statistical analyses of the surveys that were conducted at four points in time during the research (see Table 3).

Because of our emphasis on “value-added” efforts by HQ executives, the relevant performance dimension here is effectiveness not efficiency – in other words, it is about making external and internal relationships work in a higher-quality way rather than seeking out cost savings. However, this approach also means that the boundary spanning effort put in by corporate HQs could have been excessive. In insights 1-4 above we said that HQ executives “seek to add value”, but it is always possible that intention and outcome are not fully aligned – for example the HQ executives in Softcorp might have overstepped, and ended up interfering unduly in the day-to-day activities of the subsidiary units. We have no evidence that this actually happened in Softcorp during our period of study, but it would be unwise to generalize from this observation, as we know that many corporate parenting activities end up destroying as much value as they create (Campbell et al, 2014).

In line with our theoretical framing of the boundary spanning direction, we distinguish between the effectiveness of external and internal boundary spanning activities. Taking an *external perspective* first, the boundary spanning activities of the HQ executives was intended to enhance the quality of interactions between Softcorp subsidiary managers and external parties such as customers and government officials, primarily through the spearheading and reconciling activities. In our interviews, Softcorp’s executives felt that these relationships had improved, for example:

*“Customers [in Asia] have told me, your commitment to our market was the thing that made the difference in choosing you. In competitive bids, Softcorp’s win rate has gone up, local patenting has gone up as well... We are a bit less foreign now.” (CEO, 2010)*

*“Since moving to the Dual-Core HQ, we are three times bigger, with two-thirds of that coming through organic growth and one-third through acquisitions [of sister companies in North America]. Europe has been growing 5–10% annually, mostly in Eastern Europe, while parts of Asia are growing at 50% annually.” (Head of sales and marketing, 2010).*

Our survey data revealed how alert Softcorp's subsidiary managers were to what was happening in different markets around the world. Specifically, we asked about their *awareness* of the different market and how frequently they *interacted with customers* in those markets. The ANOVA analyses presented in Table 3 show that there were significant increases on some of these measures over the period of study, most notably the increased awareness of and interaction with Asian customers by *European* subsidiary managers (note that these findings are an extension of findings reported in Birkinshaw et al, 2016). This suggests the following insight:

*Insight 6. By facilitating connections and overcoming differences between external actors and subsidiary managers, HQ executives enhance the effectiveness of the external network of the MNC, particularly in terms increased commitment to and understanding of local markets.*

\*\*\*\*\* Table 3 about here \*\*\*\*\*

Taking an *internal perspective*, the other big shift that the HQ executives were seeking to achieve was stronger relationships between subsidiary managers across the MNC. Facilitating and lubricating were central to this process. Here, again, the evidence from the interviews was positive. Several executives commented on the improved relationships across the subsidiaries, for example:

*“It has given employees the feeling that they are part of one global organization, rather than one managed out of a single place.” (Group HR director, 2010).*

There was also a perception that the formerly ethnocentric perspective held by many (Amsterdam-based) employees had receded.

*“People are now much more sensitive to potential differences or misunderstandings.” (Group HR director, 2010).*

*“We increasingly have the cutting edge technology done in Beijing, for example the Smart Card Security has now been replicated there. It was one of the sacred cows that the Dutch contingent said should never be moved. But it works fine. Some of the key strategic developments of the company technologically are now done solely out of China (CEO, 2012).*

In terms of the survey evidence, we chose to measure the *influence* the subsidiary had over other units and the *centrality of managers* in the overall corporate network. Our analyses (see Table 3) showed there was a marked increase in influence and centrality for the Asia-based employees during the

period of study, with no overall loss of centrality for those based in Europe (unfortunately we do not have comparable data for the North American subsidiary, as it only became part of the Softcorp group in the second half of the period under investigation). The net effect appears to be that the internal network of Softcorp became stronger. Clearly, we cannot attribute all these changes to the boundary spanning activities of the HQ executives, but our theory and evidence both point towards them playing a significant part.

*Insight 7. By facilitating connections and overcoming differences between subsidiary managers in different locations, HQ executives enhance the effectiveness of the internal network of the MNC, particularly in terms of helping subsidiary managers to be better connected to others, and perceiving themselves as having greater influence.*

In sum, we observed an increase in the effectiveness of the external and internal networks for Softcorp during the period under investigation, and we attribute these changes in part to the boundary spanning activities of the HQ executives. Figure 4 is a summary of our arguments.

\*\*\*\*\* Figure 4 about here \*\*\*\*\*

## **DISCUSSION**

Our detailed analysis of the organisational changes made by Softcorp over a five year period provided us with some important insights into the nature of boundary spanning as a set of activities undertaken by HQ executives in the network MNC. We highlighted some of the very specific ways in which HQ can intervene to improve the effectiveness of the internal network – to act as the glue to hold the subsidiaries together – as well as all the ways they can help to enhance the quality of the MNC's external relationships. In this final part of the paper, we briefly discuss some broader conceptual issues that arise from our analysis.

### **The Changing Nature of HQ in the Multinational Corporation**

The case of Softcorp illustrates the challenges many contemporary MNCs are facing as they seek to clarify the role of corporate HQ in connecting and managing a geographically distributed network of

activities. Our research therefore contributes to the recent literature on HQ value-added (Campell, Goold, Alexander, 1995; Ambos and Mahnke, 2010, Kunisch et al., 2014) as well as to the debate on “new” forms of organizing (Puranam et al, 2014). Some frameworks for the role of HQ have been suggested (e.g. Chandler, 1991; Goold et al., 1998), but few of them offer an integrative theoretical perspective, and none has explicitly considered the emergence of value adding functions over time (see Kunisch et al 2014 for a review).

Softcorp’s original decision to create a Dual HQ was unusual though not entirely unprecedented - there is anecdotal evidence of other MNCs making similar changes (Birkinshaw et al 2006; Prahalad and Bhattacharyya, 1998; Pasternak and Viscio, 1998). Our detailed analysis of the changes the company made over a five year period suggests that the nature of the Corporate HQ in the MNC is more fragmented and fluid than previously recognized in the literature, in that the number and locations of the individuals in the executive team changed frequently (Baaij et al., 2012). This fluidity is, arguably, a useful feature for an MNC that is seeking to adapt, because it allows the make-up of the HQ to reflect the particular circumstances in its business environment on an ongoing basis.

Our study also provides some interesting perspectives on how power is exercised in MNCs. While the corporate HQ holds formal authority over its subsidiaries, major subsidiaries typically have a lot of informal power of their own, through the resources, knowledge and relationships they control (Bouquet and Birkinshaw, 2008b; Mudambi and Navarra, 2004). HQ executives increasingly exercise their power not through “command-and-control” but through influencing mechanisms that seek to gain the willing involvement and support of subsidiary managers around a common set of objectives. Our elaboration of the boundary spanning activities of corporate HQ can be seen as one such set of mechanisms for blunting the power of the subsidiaries; for improving the flow of knowledge around the MNC, and for helping people across the organization to see the bigger picture.

### **Boundary Spanning in MNCs**

Our study was set in the context of a MNC where the global dimension played an important role, but it offers several insights into the nature of boundary spanning in large, complex organisations in

general (cf. Menz et al. 2015; Ambos and Mueller-Stewens 2017). The most important finding was that boundary spanners don't just make connections between those either side of a boundary, they also have an important role to play in overcoming the different worldviews and institutional contexts of the two parties. While this point had previously been acknowledged in the literature (e.g. Carlile 2004; Tushman and Scanlan 1978; Schotter and Beamish 2011), ours is the first study to shed light on the specific activities associated with these two broad activities.

The boundary spanning activities we observed in Softcorp's evolution show some similarities to Whitford and Zirpoli's (2016) case analysis of Fiat and Chrysler, showing how actors mobilised support across internal and external organizational boundaries. We posit that boundary spanning, particularly the lubricating and reconciling activities, can also be seen as sensemaking, framing, and negotiating processing between different political coalitions (Weick 1995; Kaplan 2008). While we did not apply a power perspective to our case, we see parallels in how support structures and coalitions are "activated" within and across the boundaries of the firm and we believe that our framework can be also used to structure the dynamics of political activities in networked organizations (see also Geppert, Becker-Ritterspach and Mudambi, 2016).

Another important insight from our study was the shifting of these different boundary-spanning activities over time. We observed that HQ executives considered their interventions carefully and were also conscious about their limited capacity to give attention to all issues at the same time (Ocasio 2011; Birkinshaw et al. 2006). There was, as a result, evidence of a sequencing of activities, with more focus on making connections (spearheading and reconciling) during the initial shift to a Dual-HQ model, and then more focus on overcoming differences (facilitating and lubricating) in the latter stages (Birkinshaw et al, 2016). However, it would be wrong to suggest that this observed sequence is predetermined. A more accurate view, as suggested in Insight 5, is that HQ executives are constantly reviewing the status of their subsidiary units and market positions around the world, and then judging when and how best to intervene.

As the boundary spanning literature is very diverse and anchored in many different settings, from technology scouting to negotiations with unions (e.g. Friedman and Podolny 1992; Mezner and Nigh



1995), it was interesting to see at which levels boundary spanning emerged. In our research interviews, we focused on boundary spanning as exhibited by the members of the corporate executive team, which varied in size but was typically eight or nine people. This was useful as a way to shed light on specific activities, and it was also appropriate given that these individuals had taken responsibility for engineering a significant shift in Softcorp's global positioning. However, in considering the broader meaning of the changes, we observed how these boundary spanning activities became an institutionalized function that transcended the efforts of individual executives. This "functional" approach to boundary spanning has a long history, for example Chandler's (1991) distinction between the administrative and entrepreneurial/value-added functions of the HQ, with the value added function then being further split into sub-functions (e.g. strategic guidance, stretching targets, leveraging corporate resources and facilitating synergies, Goold et al, 1998). In the evolution of Softcorp, certain changes had been institutionalized, for example the rotation of meetings and the impartial approach to resource allocation, but other aspects were still highly individual in nature, especially those relying on the proactive efforts of the CEO himself. So, our findings can be seen as sitting at the intersection between these prior bodies of work that looked at boundary spanning in terms of individual tasks or activities (e.g. Ancona and Caldwell, 1988; Schotter and Beamish, 2011) and those that see it as an organizational function (e.g. Monteiro and Birkinshaw, 2016).

### **Limitations and Future Directions**

The usual limitations of single-case studies apply here (Eisenhardt, 1989, Yin, 1984; Siggelkow, 2007). While Softcorp provided an excellent context to study our research questions, the generalizability of our findings may be limited. More specifically, Softcorp allowed us to observe specific changes in how the HQ executives went about their work, and also a relatively high level of self-reflection among the top management team who were questioning their initiatives and putting a lot of efforts into making the new organizational model work. However, the speed of Softcorp's transition and reorganization during a period of five years was unusual and probably not comparable with many other firms. We are therefore cautious in terms of generalizing from the specifics of this

case. Instead, we see this study as providing the unusual context through which new ways of working can be explored. We encourage others to pick up on our insights and examine them in other settings.

By drawing on qualitative and quantitative data in a longitudinal setting, we were able to show some interesting dynamics over time and also validate our insights through different sources and points of view (HQ managers, subsidiary managers, external partners). But despite these efforts, it is difficult to establish causality and to make inferences on performance. So, we also encourage future research to test our emergent insights in multi-firm studies, to identify these patterns more conclusively.

## **CONCLUSIONS**

This paper addressed the question: what are the boundary spanning activities performed by the Corporate HQ? Through our detailed analysis of Softcorp's transition from a traditional HQ in one location, to a Dual HQ in two locations, to a virtual HQ split across multiple locations, we were able to identify four generic boundary spanning activities. By showing how these activities were related to one another, and how they added value to the corporate system as a whole, we developed a new perspective on the role of corporate HQ in the operation of a networked MNC.

## REFERENCES

- Aldrich, H. and Herker, D. (1977). 'Boundary spanning role and organization structure'. *Academy of Management*, 2, 217-230.
- Ambos, B. and Mahnke, V. (2010). 'How do MNC headquarters add value'. *Management International Review*, 50, 403-412.
- Ambos, T.C. and Mueller-Stewens, G. (2017). Rethinking the Role of the Center in the Multidivisional Firm: A Retrospective, Long Range Planning, forthcoming.
- Ambos, T.C., Andersson, U. and Birkinshaw, J. (2010). 'What are the consequences of initiative-taking multinational subsidiaries?'. *Journal of International Business Studies*, 41, 1099-1118.
- Ambos, T.C. and Birkinshaw, J. (2010). 'How do new ventures evolve. An inductive study of archetype changes in science-based ventures'. *Organization Science*, 21,6, 1125-1140.
- Ambos, T. C., Ambos, B. and Schlegelmilch, B.B. (2006). 'Learning from foreign subsidiaries: An empirical investigation of headquarters' benefit from reverse knowledge transfer'. *International Business Review*, 15, 294-312.
- Ancona and Caldwell, (1988). 'Beyond task and maintenance: Defining external functions in groups'. *Group and Organization Management*, 13, 468-494.
- Ancona, D. G. and Caldwell, D. (1992). 'Bridging the boundary: External activity and performance in organizational team'. *Administrative Science Quarterly*, 37, 634-665.
- Andersson, U., Forsgren, M. and Holm, U. (2007). Balancing subsidiary influence in the federative MNC: A business network view. *Journal of International Business Studies*, 35, 802-818.
- Baaij, M. G., Mom, T. J., Van den Bosch, F. A., and Volberda, H. W. (2012). Why Do Multinational Corporations Relocate Core Parts of Their Corporate Headquarters Abroad?. *Long Range Planning*.
- Baaij, M. G., and Slangen, A. H. (2013). The role of headquarters-subsidiary geographic distance in strategic decisions by spatially disaggregated headquarters. *Journal of International Business Studies*, 44(9), 941-952.
- Bartlett, C.A. and Ghoshal, S. (1989). 'Global strategic management: Impact on the new frontiers of strategy research'. *Strategic Management Journal*, 12, 5-16.
- Batson, C.D. (1991). *The Altruism Question: Toward A Social-psychological Answer*. Hillsdale, NJ: Erlbaum.
- Birkinshaw, J.(1995). 'Is the country manager an endangered species?'. *International Executive*, 729-302.

- Birkinshaw, J. (2000). *Entrepreneurship in the Global Firm*. London: Sage.
- Birkinshaw, J., Braunerhjelm, P., Holm, U. and Terjesen, S. (2006). 'Why do some multinational corporations relocate their headquarters overseas'. *Strategic Management Journal*, 27, 681-700.
- Birkinshaw, J., and Hood, N. (1998). 'Multinational subsidiary evolution: Capability and charter change in foreign-owned subsidiary companies'. *Academy of management review*, 23(4), 773-795.
- Bouquet, C., and Birkinshaw J. (2008a). Weight versus voice: How foreign subsidiaries gain attention from corporate headquarters. *Academy of Management Journal*, 51: 577-601.
- Bouquet, C., and Birkinshaw, J. (2008b). Managing power in the multinational corporation: How low-power actors gain influence. *Journal of Management*, 34(3), 477-508.
- Birkinshaw, J., Crilly, D., Bouquet, C., and Lee, S.Y. (2016). How do firms manage strategic dualities? A process perspective, *Academy of Management Discoveries*, forthcoming.
- Burt, R.S. (1992). *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press.
- Campbell, A., Goold, M. and Alexander, M. (1995). 'Corporate Strategy: The Quest for Parenting Advantage'. *Harvard Business Review*, 73, 120-133.
- Campbell, A., M. Goold, M. Alexander, J. Whitehead (2014). *Strategy for the Corporate Level*. London: Jossey Bass / Wiley.
- Carlile, P. R. (2002). A pragmatic view of knowledge and boundaries: Boundary objects in new product development. *Organization science*, 13(4), 442-455.
- Carlile, P. R. (2004). Transferring, translating, and transforming: An integrative framework for managing knowledge across boundaries. *Organization science*, 15(5), 555-568.
- Chandler, A.D. (1991). 'The functions of the HQ unit in the multibusiness firm'. *Strategic Management Journal*, 12, 31-50.
- Ciabuschi, F., Forsgren, M. and Martín, O. M. (2011). 'Rationality vs ignorance: The role of MNE headquarters in subsidiaries' innovation processes'. *Journal of International Business Studies*, 42, 958-970.
- Clarysse, B. and Moray, N. (2004). 'A process study of entrepreneurial team formation: The case of a research-based spin-off'. *Journal of Business Venturing*, 19, 55-80.
- Davis, M.H. (1994). *Empathy: A social psychological approach*. Boulder, CO, US: Westview Press.
- Doz, Y.L., Santos, J., and Williamson, P. (2001). *From Global to Metanational: How Companies Win in the Knowledge Economy*. Boston: Harvard Business School Press.

- Edstrom, A. and Galbraith, J. R.(1977). 'Transfer of managers as a coordination and control strategy in multinational organizations'. *Administrative Science Quarterly*, 22, 248-263.
- Eisenhardt, K. M. (1989). 'Building theories from case study research'. *Academy of Management Review*, 14, 532-550.
- Eisenhardt, K.M., and Graebner, M.E. (2007). 'Theory building from cases: Opportunities and challenges'. *Academy of Management Journal*, 50: 25–32.
- Egelhoff, W. G. (2010). 'How the parent headquarters add value to the MNC'. *Management International Review*, 50, 413-431.
- Fiss, P.C. and Zajac, E.J. (2006) 'The symbolic management of strategic change: Sensegiving via framing and decoupling.' *Academy of Management Journal*. 49(6),1173-1193.
- Fleming, L. and Waguespack, D.M. (2007). 'Brokerage, boundary spanning, and leadership in open innovation communities'. *Organization Science*, 18, 165-180.
- Freeman, L. (1979). Centrality in social networks: Conceptual clarification. *Social Networks*, 1: 215–239
- Friedman, R.A. and Podolny, J. (1992). 'Differentiation of boundary spanning roles: Labor negotiations and implications for role conflict'. *Administrative Science Quarterly*, 37, 28-47.
- Foss, N. J. (1997). 'On the rationales of corporate headquarters'. *Industrial and Corporate Change*, 6, 313-338.
- Galunic, D.C. and Eisenhardt, K.M. (2001). 'Architectural innovation and modular corporate forms'. *Academy of Management Journal*, 44, 1229-1249.
- Geppert, M., Becker-Ritterspach, F. and Mudambi, R. (2016). 'Politics and Power in Multinational Companies: Integrating the International Business and Organization Studies Perspectives'. *Organization Studies*, 37(9), 1209-1225.
- Ghoshal, S. and Bartlett, C.A. (1990). 'The multinational corporations as an interorganizational network'. *Academy of Management Review*, 15, 603-625.
- Gioia, D. A., Corley, K. G., and Hamilton, A. L. (2013). Seeking qualitative rigor in inductive research notes on the Gioia methodology. *Organizational Research Methods*, 16(1), 15-31.
- Goold, M., Campbell, A. and Alexander, M. (1998). 'Corporate strategy and parenting theory'. *Long Range Planning*, 31, 308–314.
- Glaser, B. and Strauss, A. (1967). *Discovery of Grounded Theory*. Weidenfield and Nicolson: London.

- Golden, B. R. (1992). 'Research notes. The past in the past- or is it? The use of retrospective accounts as indicators of past strategy'. *Academy of Management Journal*, 35, 848-860.
- Kaplan, S. (2008) 'Cognition, capabilities, and incentives: Assessing firm response to the fiber-optic revolution.' *Academy of Management Journal* 51(4): 672-695..
- Kirzner, (1973). *Competition and Entrepreneurship*. Chicago: University of Chicago Press.
- Kostova, T. and Roth, K. (2003). 'Social capital in multinational corporations and a micro-macro model of its formation'. *Academy of Management Journal*, 28,297-317.
- Kunisch, S., Menz, M. and Ambos, B. (2014). 'Changes at corporate headquarters: Review, integration and future research'. *International Journal of Management Reviews*,
- Laamanen, T., Simula, T. and Torstila, S. (2012). 'Cross-border relocations of headquarters in Europe'. *Journal of International Business Studies*, 43, 187-210.
- Langley, A. (1999). Strategies for Theorizing from Process Data. *The Academy of Management Review*, 24(4), p.691-710.
- March, J. G. and Simon, H.A. (1958). *Organizations*. New York: Wiley.
- Malnight, T.W.(1995). Globalization of an ethnocentric firm: An evolutionary perspective. *Strategic Management Journal*. 16: 119-142.
- Menz, M., Kunisch, S. and Collis, D. (2015). The Corporate Headquarters in the Contemporary Corporation: Advancing a Multimarket Firm Perspective. *The Academy of Management Annals*, 9(1), 633-714.
- Meyer, K. E., Mudambi, R., and Narula, R. (2011). Multinational enterprises and local contexts: the opportunities and challenges of multiple embeddedness. *Journal of Management Studies*, 48(2), 235-252.
- Meznar, B. and Nigh, D. (1995). 'Buffer or bridge? Environmental and organizational determinants of public affair activities in American Firm'. *Academy of Management Journal*, 38, 975-996.
- Miles, M. B. and Huberman, A. M. (1984). 'Drawing valid meaning from qualitative data: Towards a shared craft'. *Educational Researcher*, 13, 20-30.
- Miller, C. C., Cardinal, L. B. and Glick, W. H. (1997). Retrospective reports in organizational research: A re-examination of recent evidence. *Academy of Management Journal*. 40, 189–201.
- Monteiro, F. (2014). Selective attention and the initiation of the global knowledge sourcing process in multinational corporations. *Journal of International Business Studies* (forthcoming).
- Monteiro, F. and Birkinshaw, J. (2016). How do firms identify and make use of external sources of knowledge? A boundary-spanning perspective. *Strategic Management Journal* (forthcoming).

Mudambi, R. (2011). Hierarchy, coordination, and innovation in the multinational enterprise. *Global Strategy Journal*, 1(3-4), 317-323.

Mudambi, R., and Navarra, P. (2004). Is knowledge power? Knowledge flows, subsidiary power and rent-seeking within MNCs. *Journal of International Business Studies*, 35(5), 385-406.

Mudambi, R and Swift, T. (2009). 'Leveraging knowledge and competencies across space: The next frontier in international business'. *Journal of International Management*, 17, 186-189.

Narula, R. (2014). Exploring the paradox of competence-creating subsidiaries: balancing bandwidth and dispersion in MNEs. *Long Range Planning*, 47(1), 4-15.

Nell, P. C., and Ambos, B. (2013). Parenting advantage in the MNC: An embeddedness perspective on the value added by headquarters. *Strategic Management Journal*, 34(9), 1086-1103.

Nohria, N. and Ghoshal, S. (1997). *The differentiated network: Organizing multinational corporations for value creation*. San Francisco: Jossey-Bass Publishers.

O'Donnell S. (2000). Managing foreign subsidiaries: agents of headquarters, or an interdependent network? *Strategic Management Journal*, 21: 525-548.

Ocasio, W. (2011). Attention to attention. *Organization Science* 22(5) 1286-1296.

Obstfeld, D. (2005). 'Social networks, the tertius iungens orientation, and involvement in innovation. *Administrative science quarterly*, 50, 100-130.

Pasternak, B.A. and Viscio, A. J. (1998). *The Centerless Corporation: A New Model for Transforming Your Organization for Growth and Prosperity*. New York: Simon and Schuster.

Perlmutter, H. V. (1969). 'The tortuous evolution of the multinational corporation'. *Columbia Journal of World Business*, 4, 9-18.

Perrow, C. (1970). *Organizational Analysis: A Sociological View*. New York: Tavistock Publications.

Prahalad, C. K., and Doz, Y. L. (1981). An approach to strategic control in MNCs. *Sloan Management Review*, 22(4), 5-13.

Prahalad, C.K. and Bhattacharyya, H. (1998). Twenty Hubs and No HQ", *Strategy+Business*, 50/Spring: 1-6.

Puranam, P., Alexy, O., and Reitzig, M. (2014). What's "new" about new forms of organizing?. *Academy of Management Review*, 39(2), 162-180.

Rao, H. and Sivakumar, K (1999). 'Institutional sources of boundary spanning structures: the establishment of investor relations departments in the fortune 500 industrials'. *Organization Science*, 10, 27-42.

- Schotter, A. and Beamish, P. W. (2011). 'Performance effects on MNC headquarters-subsiidiary conflict and the role of boundary spanners: The case of headquarter initiative rejection'. *Journal of International Management*, 17, 243-259.
- Shane, S. and Venkataraman, S. (2000). 'The promise of entrepreneurship as a field of research'. *Academy of Management*, 25, 217-226.
- Siggelkow, N.(2007). Persuasion with case studies. *Academy of Management Journal* 50 20-24.
- Strauss-Kahn, V. and Vives, X. (2009). 'Why and where do headquarters move'. *Regional Science and Urban Economics*, 39, 168-186.
- Spence, A.M. (1974). *Market Signaling: Information transfer in hiring and related processes*. Harvard University Press, Cambridge, MA.
- Tushman, M. (1977). 'Communication across organizational boundaries: special boundary roles in the innovation process'. *Administrative Science Quarterly*, 22, 587-605.
- Tushman, M. and Katz, R. (1980). 'External communication and project performance: An investigation into the role of gatekeepers'. *Management Science*, 26, 1071-1085.
- Tushman, M.L. and Katz, R. (1983). 'A longitudinal study of the effects of the boundary spanning supervision on turnover and promotion in research and development'. *Academy of Management Journal*, 26, 437-456.
- Tushman, M.L. and Scanlan, T. J. (1981). 'Boundary spanning individuals: their role in information transfer and their antecedents'. *Academy of Management*, 24, 289-305.
- Thompson, J.D. (1967). *Organizations in Action*. New York: McGraw-Hill.
- Weick, K.E. (1995) *Sensemaking in organizations*. Sage.
- Whitford, J. and Zirpoli, F. (2016). 'The Network Firm as a Political Coalition'. *Organization Studies*, 37(9), 1227-1248.
- Vernon, (1966). 'International investment and international trade in the product cycle'. *Quarterly Journal of Economics*, 191-207.
- Yang, Q., Mudambi, R., and Meyer, K.E. (2008). 'Conventional and reverse knowledge flow in multinational corporations'. *Journal of Management*, 34, 882-902.
- Yin, R. K. (1984). *Case Study Research: Design and Methods*. California: Sage Publications.
- Von Zedtwitz, M, and Gassmann, O. (2002) 'Market versus technology drive in R&D internationalization: four different patterns of managing research and development.' *Research policy* 31, 569-588.



FIGURE 1. Changes in Softcorp’s Corporate HQ Activities Over Time

|                                | 2007                                       | 2008  | 2009  | 2010  | 2011   | 2012   |
|--------------------------------|--|---|---|---|--|--|
| Location of top executive team | All 6 in Amsterdam                         | CEO in Beijing, CEO, head of sales in Beijing, Other 5 in Amsterdam                             | CEO, head of sales in Beijing, other 4 in Amsterdam               | 3 in Beijing, 3 Amsterdam, 2 San Diego, 1 Ottawa                                    | 3 in Beijing, 3 Amsterdam, 2 San Francisco, 1 Ottawa | 2 Beijing, 2 Amsterdam, 2 San Francisco, 1 Ottawa            |
| Official view of HQ            | Single HQ, Amsterdam                       | Dual HQ, Amsterdam + Beijing  | ----->  |   |  | Virtual HQ, team in three locations                          |
| Other HQ activities            | HR, legal, finance, R&D based in Amsterdam | Mostly in Amsterdam; a few key support and business people moved to Beijing or promoted locally | R&D “centre of excellence” moved to N. Am. to be built in Beijing | Some support staff close to those top executives, centres of excellence built there |  | Support staff dispersed across six locations on 3 continents |

FIGURE 2. Four Generic Boundary-Spanning Activities for Corporate HQ Executives

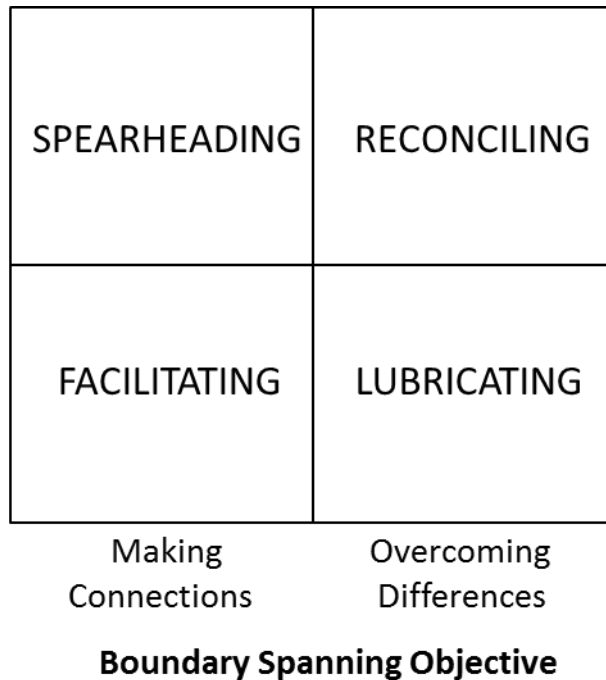


FIGURE 3: Data Structure

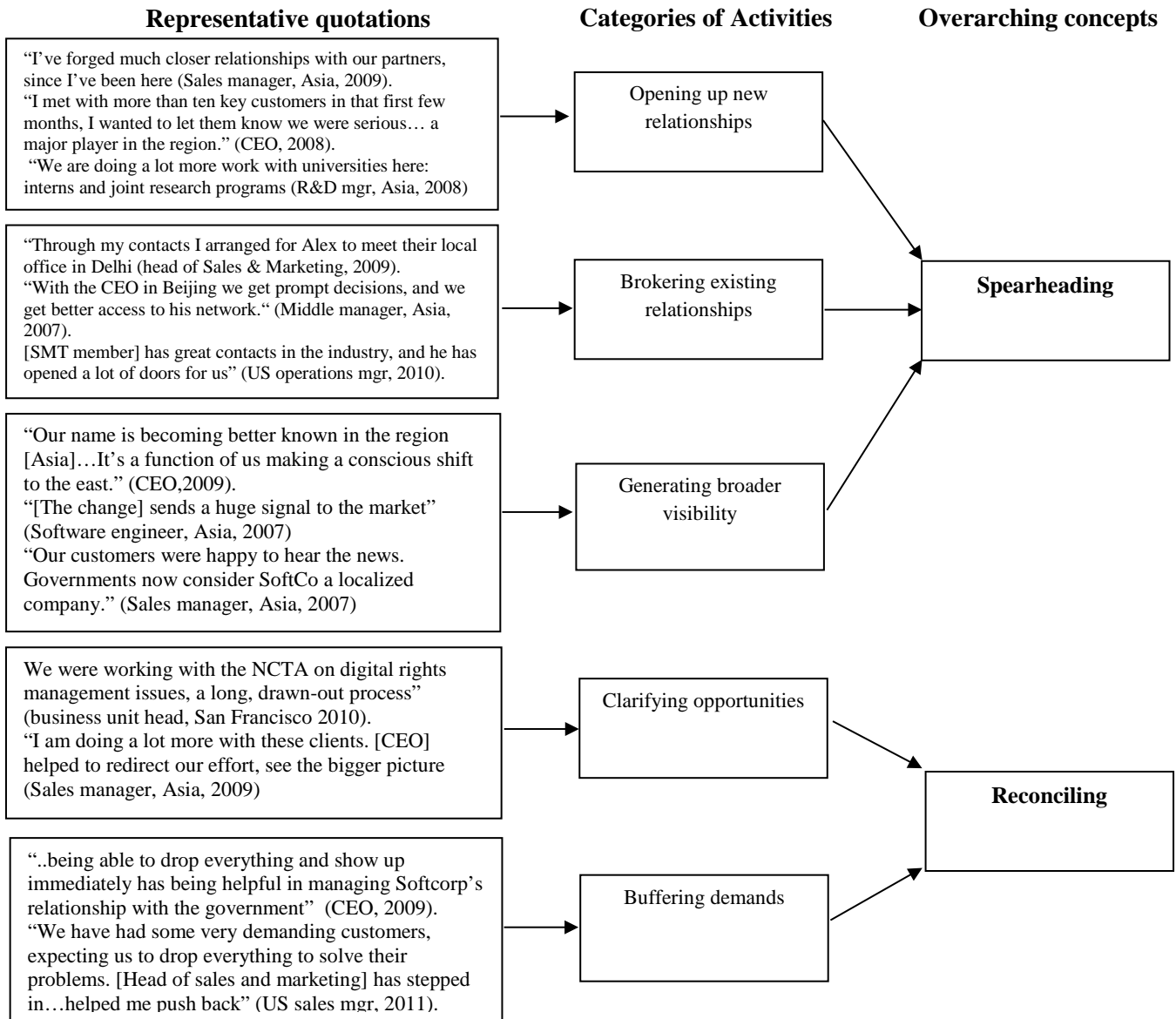


FIGURE 3: Data Structure continued...

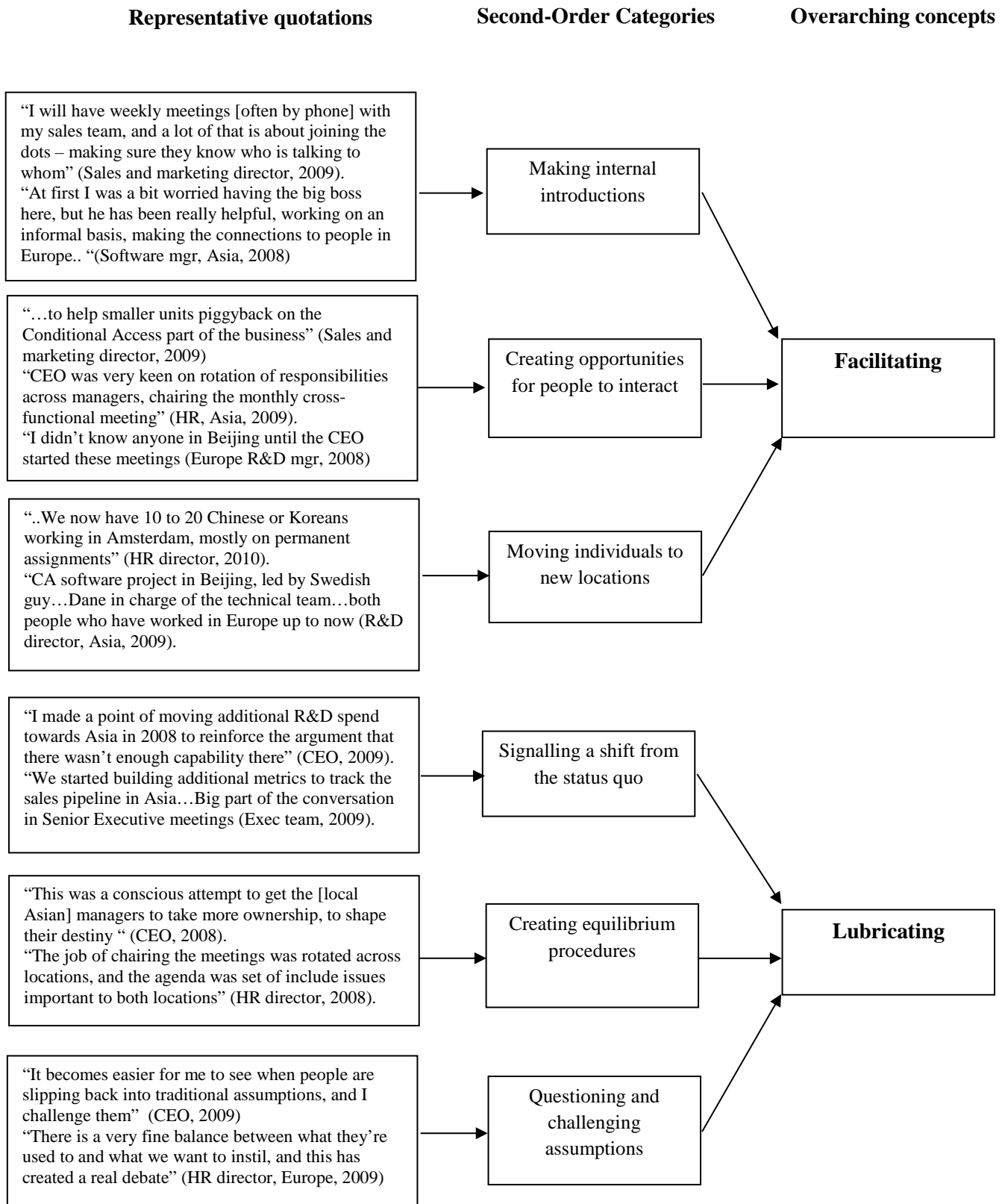


FIGURE 4: Boundary Spanning Activities to Make the Network MNC Effective

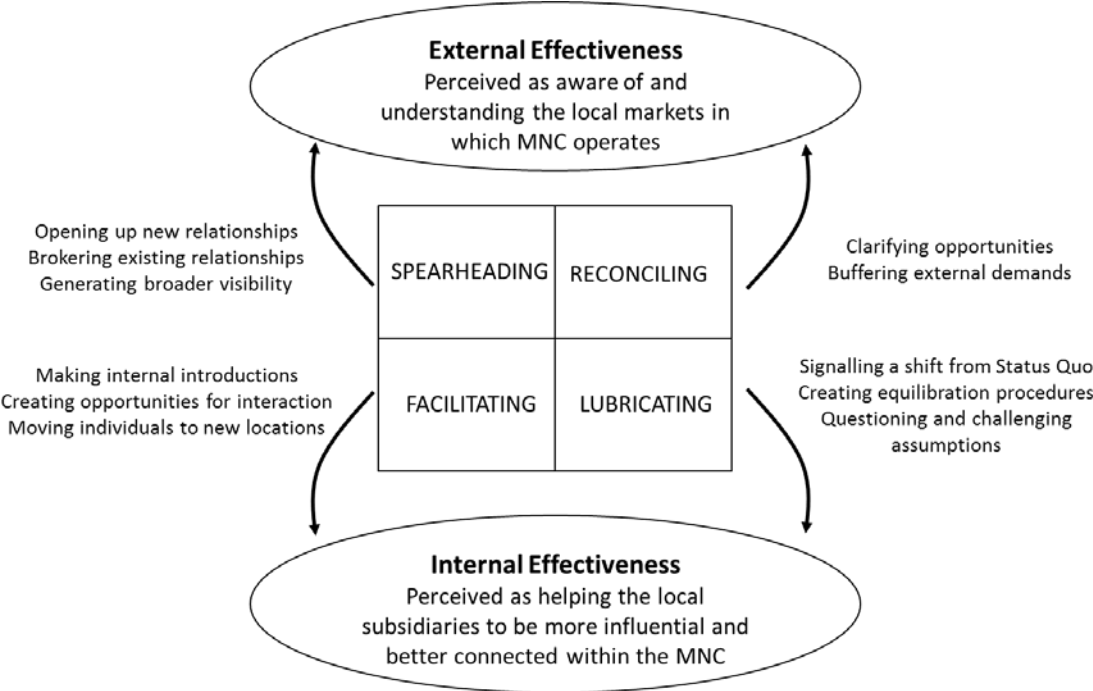


TABLE 1. Survey and Interview Respondents

| Data collection activity                              | Respondents   |
|---|---|
| Survey 1<br>(September 2007)                          | HQ executives: 8 (of 9)<br>Subsidiary managers: 30 (of 38)  |
| First round interviews<br>(November 2007)             | 60-minute interviews with 4 members of HQ executive team and 20 mid-level managers in HQ and subsidiaries |
| Survey 2<br>(July 2008)                               | HQ executives: 8 (of 10)<br>Subsidiary managers: 33 (of 45)   |
| Second round interviews<br>(April 2009)               | 60-minute interviews with 4 members of HQ executive team and 12 mid-level managers in HQ and subsidiaries |
| Survey 3<br>(May 2009)                                | HQ executives: 8 (of 9)<br>Subsidiary managers: 34 (of 45)  |
| Third round interviews<br>(December 2010, April 2012) | 2 x 90 minute interviews with CEO, 60 minutes with 3 other members of HQ executive                        |
| Survey 4<br>March 2012                                | HQ executives 7 (out of 9)<br>Subsidiary managers: 43 (out of 58)   |
| <b>Total Number of Respondents</b>                    | Qualitative: 45 Interviews<br>Quantitative: 161 survey responses  |

TABLE 2: HQ Activities and Boundary Spanning Activities

| <i>Boundary Spanning activity</i>                                   | <i>At what stages in the change process is this activity undertaken? (using terminology from Birkinshaw et al, 2016)</i> |   |  | <i>Types of executives involved in these activities</i>                           | <i>Organizational Outcomes</i>  |
|---|--|---|--|---|---|
|   | First stage (counterbalance logic)   | Second stage (hybrid-engine logic)  | Third stage (flywheel logic)   |   |   |
| <b>Spearheading</b><br>Connecting with external partners            | Undertaken frequently and proactively, as a means of setting the new agenda for Softcorp                                 | Undertaken intermittently, as a way of stimulating further growth in non-Europe markets                               | Undertaken very occasionally, as a way of connecting to specific external actors | Undertaken primarily by the CEO, head of sales/marketing, and business unit heads | Increased awareness and understanding of external partners, such as customers, suppliers, government bodies |
| <b>Reconciling</b><br>Overcoming differences with external partners | Undertaken very rarely   | Undertaken intermittently, always in reaction to problems with customers or government bodies                         |  | Undertaken primarily by the CEO and business unit heads                           |   |
| <b>Facilitating</b><br>Connecting internally                        | Undertaken frequently, as a means of shaking things up internally  | Undertaken very frequently as a means of building relationships between Asia and Europe                               | Undertaken intermittently, when relationships created earlier had broken down    | Undertaken by all top executives, especially those in support functions           | Increased connections between subsidiary managers, perception of greater influence with other subsidiaries  |
| <b>Lubricating</b><br>Overcoming internal differences               | Undertaken very rarely   | Undertaken frequently, as a means of challenging assumptions held by Softcorp people in different parts of the world. |  | Undertaken by all top executives  |   |

TABLE 3: Changes in measures of external and internal network effectiveness over time

|  | 2007        |            | 2008                    |             | 2009         |             | 2012                    |            |
|--|-------------|------------|-------------------------|-------------|--------------|-------------|-------------------------|------------|
| <b>EXTERNAL NETWORK EFFECTIVENESS</b>      |             |            |                         |             |              |             |                         |            |
| <b>Awareness of Asian Market</b>           | <b>Mean</b> | <b>S.E</b> | <b>Mean</b>             | <b>S.E.</b> | <b>Mean</b>  | <b>S.E.</b> | <b>Mean</b>             | <b>S.E</b> |
| European subsidiary unit                   | <b>3.31</b> | 0.32       | <b>4.13*</b>            | 0.30        | <b>4.15*</b> | 0.32        | <b>4.17*</b>            | 0.26       |
| Asian subsidiary unit                      | <b>4.10</b> | 0.39       | <b>4.45</b>             | 0.47        | <b>4.38</b>  | 0.39        | <b>4.21</b>             | 0.33       |
| <b>Awareness of European Market</b>        |             |            |                         |             |              |             |                         |            |
| European subsidiary unit                   | <b>4.24</b> | 0.29       | <b>4.14</b>             | 0.30        | <b>4.31</b>  | 0.27        | <b>4.19</b>             | 0.45       |
| Asian subsidiary unit                      | <b>2.78</b> | 0.26       | <b>3.07</b>             | 0.34        | <b>2.93</b>  | 0.39        | <b>3.06</b>             | 0.17       |
| N=35 (European = 21; Asian = 14).          |             |            |                         |             |              |             |                         |            |
| <b>Interaction with Asian Customers</b>    | <b>Mean</b> | <b>S.E</b> | <b>Mean</b>             | <b>S.E.</b> | <b>Mean</b>  | <b>S.E.</b> | <b>Mean</b>             | <b>S.E</b> |
| European subsidiary unit                   | <b>1.42</b> | 0.15       | <b>1.70<sup>+</sup></b> | 0.21        | <b>2.07*</b> | 0.17        | <b>2.17*</b>            | 0.27       |
| Asian subsidiary unit                      | <b>3.07</b> | 0.36       | <b>3.49<sup>+</sup></b> | 0.21        | <b>3.83*</b> | 0.23        | <b>3.74<sup>+</sup></b> | 0.17       |
| <b>Interaction with European Customers</b> |             |            |                         |             |              |             |                         |            |
| European subsidiary unit                   | <b>2.83</b> | 0.29       | <b>2.75</b>             | 0.27        | <b>2.69</b>  | 0.29        | <b>2.78</b>             | 0.45       |
| Asian subsidiary unit                      | <b>1.50</b> | 0.17       | <b>1.45</b>             | 0.14        | <b>1.97*</b> | 0.21        | <b>1.78</b>             | 0.21       |
| N=29 (European = 18; Asian = 11).          |             |            |                         |             |              |             |                         |            |
| <b>INTERNAL NETWORK EFFECTIVENESS</b>      |             |            |                         |             |              |             |                         |            |
| <b>Between Centrality</b>                  |             |            |                         |             |              |             |                         |            |
| European subsidiary unit                   | <b>0.13</b> | 0.02       | <b>0.08*</b>            | 0.02        | <b>0.13</b>  | 0.02        | <b>0.14</b>             | 0.01       |
| Asian subsidiary unit                      | <b>0.02</b> | 0.02       | <b>0.07*</b>            | 0.02        | <b>0.12*</b> | 0.02        | <b>0.14*</b>            | 0.02       |
| N=25 (European = 13; Asian = 12).          |             |            |                         |             |              |             |                         |            |
| <b>Subsidiary Unit Influence</b>           | <b>Mean</b> | <b>S.E</b> | <b>Mean</b>             | <b>S.E.</b> | <b>Mean</b>  | <b>S.E.</b> | <b>Mean</b>             | <b>S.E</b> |
| European Middle Management Team            | <b>1.14</b> | 0.03       | <b>1.09</b>             | 0.05        | <b>1.12</b>  | 0.08        | <b>1.11</b>             | 0.06       |
| Asian Middle Management Team               | <b>0.86</b> | 0.05       | <b>0.85</b>             | 0.09        | <b>1.05*</b> | 0.09        | <b>1.07*</b>            | 0.04       |
| N= 30 (European = 17; Asian = 13)          |             |            |                         |             |              |             |                         |            |

Note. Mean scores are reported; significance differences (vs. 2007) are indicated from simple ANOVA tests where time is the independent variable.

+p<.10, \* p<.05, \*\*p<.001

## APPENDIX – MEASURES USED IN QUESTIONNAIRE

*Awareness of market developments in Asia / Europe.* Survey respondents were asked: Within the past six months, how many developments captured your attention in the following country locations? (a) China, (b) Other Asian markets (e.g. Korea, Singapore, Thailand), (c) Western Europe, (d) Eastern Europe (1=few noticeable developments, 7=Many noticeable developments). We summed the first two items to create an aggregate measure of awareness of developments in Asian markets and we summed the latter two items to create an aggregate measure of awareness of developments in European markets.

*Frequency of Interaction with Asian / European customers.* Survey respondents were asked: how frequently did you personally interact with current and prospective customers in each of the following locations? (past 12 months). (a) Chinese customers, (b) Customers in rest of Asia, (c) Customers in the Netherlands, and (d) Customers in rest of Europe (1=3 times or less, 2=every second month, 3=once a month, 4=every other week, 5=once a week, 6=twice a week, 7=daily). As above, we combined each pair of items, to create a measure of interaction with Asian customers and interaction with European Customers.

*Influence of Asian / European unit over their peers.* We used the measure of subsidiary unit influence developed by O'Donnell (2000) and Bouquet and Birkinshaw (2008b). Survey respondents were asked the extent to which the following statements described how their office (i.e. the Asian unit or the European unit) interacted with other parts of Softcorp: (a) this office influences the activities of other regional offices, (b) work in this office is connected to the work of other regional offices, (c) the activities of other regional offices influences my office, and (d) this office depends on the effective functioning of other offices to keep performing its own tasks effectively (1=to a very little extent, 7=to a very great extent). We then calculated unit influence as item (a) divided by the mean of items (b), (c) and (d).

*Centrality of middle managers in Asian / European unit within their peer network.* Centrality is a measure of how well connected an individual is within an overall network and is often used to measure the influence of an individual in a group (Burt, 1992; Freeman, 1979). Survey respondents were asked to indicate the typical frequency of their personal interactions with every other senior and middle MMT member in Softcorp for the past 12 months. We then calculated a *between centrality* measure for each individual, which captures the extent to which he or she acts as a bridge between other individuals. Between centrality is calculated as:

$$C_B (p_i) = \frac{\sum_{j=1}^N \sum_{k=1}^{j-1} g_{jk}(p_i)}{g_{jk}}$$

Where  $g_{jk}$  is the total number of ties linking  $p_j$  and  $p_k$ , and  $g_{jk}(p_i)$  is the number of those ties that include linking  $p_j$  (Freeman, 1979). Finally, we summed these scores for all the MMT members in the Asian unit, and for those in the European unit.



## NOTES

---

<sup>1</sup> We acknowledge the distinction between the differentiated network model of Nohria and Ghoshal (1997) and the federative network model of the Uppsala school (e.g. Andersson, Forsgren and Holm, 2007), with the former giving greater primacy to the corporate HQ in its capacity to shape the context of the MNC and assign roles to subsidiaries and the latter giving greater primacy to subsidiary units and their capacity to shape the internal MNC networks through their own competencies and their privileged access to scarce resources in their local markets. Our emphasis on the activities of Corporate HQ in this paper means we are more aligned with the differentiated network model.

<sup>2</sup> We use the terms dual HQ and virtual HQ here because this is the language Softcorp used. Technically speaking, their virtual HQ could also have been called a triple-HQ because it had executives based in three cities. Birkinshaw et al. (2016) refer to a “flywheel logic” as the means by which the Virtual HQ operates.

<sup>3</sup> Strictly speaking a typology is derived from theory and a taxonomy is derived from observation, while the framework presented here is actually derived from a combination of theory and observation. We call it a typology because we were able to identify theoretical arguments to justify both dimensions of the framework.