

The Interpersonal Role of Foreign Subsidiary Managers Revisited

ABSTRACT

The purpose of this paper is: (1) to review generic roles of foreign subsidiary managers (2) to examine the characteristics of industrial inter-firm relationships, and (3) to synthesize recent conceptualizations of the multinational corporation as both an intra- and inter-organizational network. As a corollary of these tasks an attempt is made to further specify the interpersonal role of foreign subsidiary managers in industrial coordination. The findings are based on a study of eleven industrial Portuguese subsidiaries of Finnish multinational corporations. In the final section, some managerial implications are outlined.

Key Words: industrial coordination, multinational corporations, foreign subsidiary managers, personal contacts, qualitative research

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1. INTRODUCTION

This Workshop paper deals with a specific context of inter-firm relationships in industrial markets: a foreign subsidiary of a MNC (multinational corporation) as the focal actor of an industrial network, which encompasses both local counterparts (Håkansson 1982; Turnbull and Valla 1986) and other units within the MNC (Ghoshal and Bartlett 1990). The unit of analysis is the FSM (foreign subsidiary manager) rather than the inter-firm relationship or the network of inter-firm relationships.

The two basic questions addressed in this exploratory research are: 1) what factors influence FSMs' interpersonal role, and 2) how such a role enables coordination both within the MNC they represent and the local industrial market they interact with. Forsgren and Johanson (1992) refer to such a scope of subsidiary relationships as the coexistence of both an *owner system* and a *business network*. For the purposes of this paper, *coordination* is defined as "any tool for achieving integration among different units both within and outside an organization" (Martinez and Jarillo 1989). The terms *interpersonal role* and *personal contacts* are used interchangeably.

Following the introduction of the research context and questions, the paper proceeds with a review of previous research on managerial work, industrial markets, and MNC management. The following three sections are therefore concerned with generic managerial roles as well as with coordination in both industrial markets and MNCs. The methodological aspects of the research are discussed in the fifth section, followed by a synthesis of literature review in the sixth. The seventh section discusses the findings of the present study in three sub-sections, which examine the context, the factors, and the content of personal contacts, respectively. A final section contemplates academic and managerial implications of such findings.

2. ROLES OF FOREIGN SUBSIDIARY MANAGERS

The classical view of managerial work emphasizes decision-making in an organizational hierarchy of authority and responsibility (Barnard 1938) associated with activities such as long-term planning, efficient organizing, goal-oriented directives and systematic control. In his study of managerial sets of behavior or “roles”, Mintzberg (1973) dismisses such an image of managers as rational and plan-oriented decision-makers noting instead that a large part of their job consists of short, fragmented and verbal interactions of mainly a reactive kind. In particular, the author refers to the interpersonal roles of managers, characterized by the establishment and maintenance of contacts and interactions not only with superiors and subordinates, but also with individuals outside the formal chain of command. Furthermore, the author suggests an interrelationship between *interpersonal roles*, which result from the manager’s formal authority, *informational roles*, which provide access to information, and *decisional roles* by which information is used to support decision-making (Mintzberg 1973, 1990). The author specifies such main types of managerial roles as follows:

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

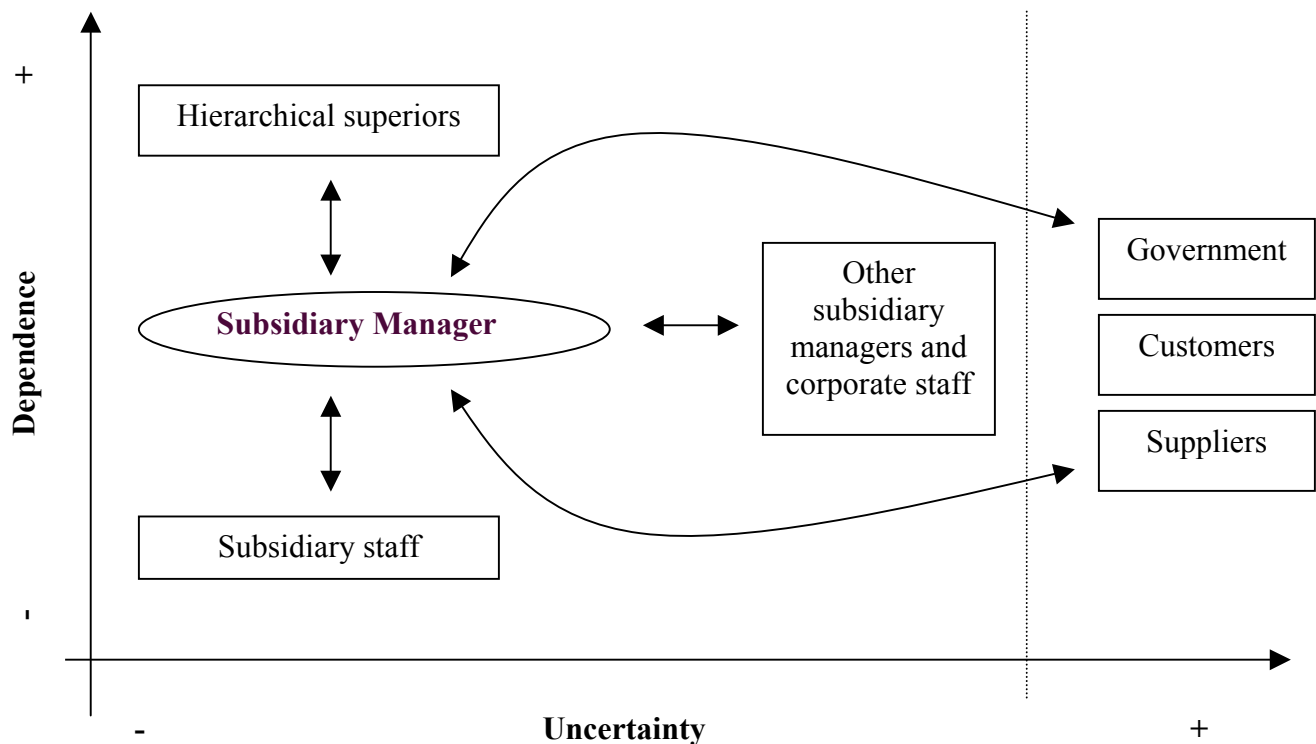
Such findings have been replicated in several studies (e.g. Kurke and Aldrich 1983), including the relevance of verbal communication as a source of information for managers in MNCs (Keegan, 1974). Even though, in a retrospective commentary, Mintzberg (1990) considers the proposed sequence of roles eventually over-rational as it emphasizes separate aspects of managerial work rather than its holistic nature, for which the author recommends further research on its content. Further limitations of such a research program have to do with its focus on top-level executives and respective on-the-job interaction patterns instead of their wider social networks (Carroll and Teo 1996).

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

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

Such findings, although convergent with Mintzberg's *entrepreneurial role* for the particular case of FSMs, challenge the author's proposed sequence of roles in particular that "formal authority gives rise to the three interpersonal roles" (Mintzberg 1990:168). As a matter of fact, the need for knowledge of local market requirements combined with compliance to parent company's rules and programs, requires FSMs whose contact network not only results from, but also adds to their formal authority. In other words, the interpersonal context of FSMs is characterized by various degrees of dependence and uncertainty (see Figure 1. below).

Figure 1. Interpersonal context of FSMs in industrial markets



Forsgren (1990a:74) distinguishes between authority i.e. “power based on a right to control and a concomitant obligation to obey” and influence i.e. power based on the control of critical resources (Larsson 1985). Authority is thought to affect organizational decisions directly and to flow unilaterally downward, whereas influence is conceptualized as more informal and multidirectional in nature. Such a distinction of power is implicit in Figure 1. as it is assumed that, within the MNC, FSMs have the obligation to obey to hierarchical superiors, the right to control subsidiary staff, and an even relationship in terms of authority with other subsidiary managers and corporate staff. It is also assumed that, in the local industrial market, FSMs are in general decreasingly influential over suppliers, customers, and governmental counterparts, respectively, although it is recognized that such degrees of dependence are contingent upon the control of critical resources by either party.

On the other hand, Forsgren and Johanson (1992:24) distinguish between an *owner system* and a *business network* to which “any unit in an international firm, be it a subsidiary or a business unit, belongs at the same time”. Furthermore, the authors note a fundamental difference between the subsidiary’s strategic role in the MNC and its role in the business network, once that the former is based on formal relationships which can be changed fairly quickly, whereas the latter is based on business relationships developed over time. Such a view appears to contradict the assumption implicit in Figure 1. that FSMs are confronted with lower degrees of uncertainty within the MNC than in the local industrial market. This may be justified with the fact that Forsgren and Johanson (1992) refer to manufacturing rather than marketing subsidiaries, for which higher degrees of uncertainty in the *business network* have been reported, particularly within the IMP (Industrial Marketing and Purchasing) tradition. On the other hand, their assumption that relationships within the *owner system* may be disrupted by top management decisions appears to reflect an authoritarian view of organizational change, which has been questioned by less-hierarchical models of MNC. The assumptions of both the IMP approach to industrial markets and less-hierarchical models of MNC are thus reviewed in the following two sections, respectively.

3. CHARACTERISTICS OF INDUSTRIAL INTER-FIRM RELATIONSHIPS

Within the IMP tradition it has been observed that firms often operate in industrial markets with only a limited number of counterparts (Håkansson 1982; Turnbull and Valla 1986). Industrial markets have been described as networks of inter-firm relationships based on a certain division of labor, which in turn determines firms’ interdependence in terms of resources and knowledge (Håkansson and Johansson 1984; Thorelli 1986). Such a division of labor is justified with the assumption of heterogeneity in industrial markets, which in turn derives from both *naturally determined* and *acquired* differences among potential exchange partners (Forsgren et. al. 1995). In a heterogeneous environment, the firm’s efficiency is expected to result considerably from marketing and purchasing functions once that *production costs* are perceived as interdependent with *exchange costs* (Forsgren et. al. 1995). A further implication of heterogeneity is firms’ uncertainty in terms of alternative exchange options in input and sales markets (Forsgren et. al. 1995). It follows that not only sellers, but also buyers are expected to engage in active communication with exchange counterparts in industrial markets (IMP Group 1997).

In such a context, inter-organizational behavior can be said to involve both relationships and interactions. Relationships are rather general and long-term in nature, whereas interactions

represent the present and dynamic aspects of relationships (Johanson and Mattsson 1987). Relationships, which form the context in which interactions take place, can be established either directly or indirectly with counterparts in industrial networks (Easton 1992). Inter-firm relationships thus presuppose mutual orientation, which in turn implies mutual knowledge and trust enabling firms to expect and engage in interaction (Forsgren et. al. 1995).

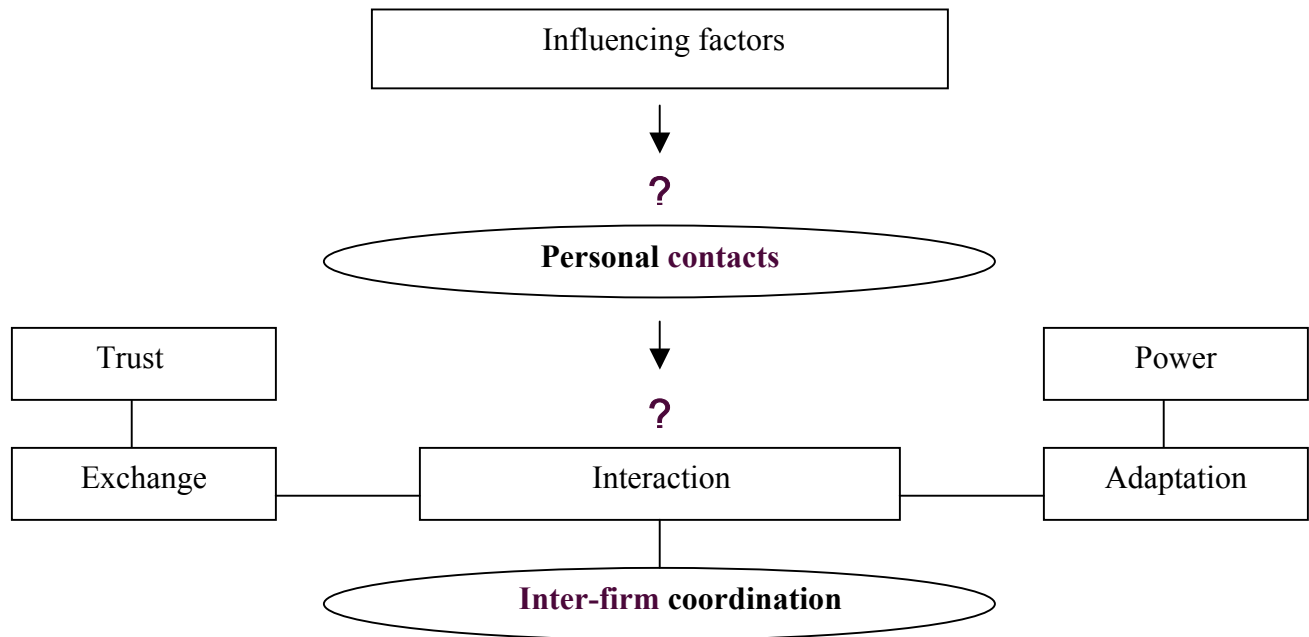
Based on such assumptions, it has been claimed that coordination among firms in industrial networks is achieved through *interaction* instead of a central plan, an organizational hierarchy or a price mechanism (Johanson and Mattsson 1987). Furthermore, it is thought that interaction between firms comprises both *exchange* and *adaptation* processes (Easton 1992). In the exchange process three interrelated aspects have been distinguished: product exchange, information exchange, and social exchange. Adaptations, on the other hand, are thought to include any means of adjusting firms to each other, having been positively associated with the intensity of exchange processes (Forsgren et. al. 1995). Although such insights are focused on inter-firm relationships, authors within the IMP tradition often note that actors in industrial networks can be either organizations or individuals and groups (Johanson and Mattsson 1987).

As a matter of fact, personal contacts and negotiations are expected to influence the level of trust among the interacting parties as well as the intensity of their relationship (Cunningham and Turnbull 1982). The importance of trust is, however, contingent upon individual and organizational factors. In particular, on the perceptions, attitudes and behavior of individuals (Håkansson 1982; IMP group 1997), which are in turn affected by their cultural background and language skills as well as by their functional background and hierarchical level. On the other hand, the age of the inter-firm relationship, the business volume being exchanged, the complexity of technology involved as well as the resources being invested by either firm, are all expected to influence the level of trust among interacting parties (Cunningham and Turnbull 1982).

In his study of top managers' contact networks, Hallén (1992) distinguishes between *business*, *non-market*, and *infra-structural* relations. The first and second types of relations are directly and indirectly related with specific business transactions, respectively. The third type of relations refers to contacts, which managers maintain independently from the occurrence of deals. The general intention of such infra-structural relations is to handle the firm's dependence on counterparts for marketing purposes and long-term influence.

Personal contacts can thus be regarded as a mechanism of coordination by which managers may influence the quality of inter-organizational exchange as well as the intensity of adaptations (see Figure 2. below). The quality of exchange may be perceived not only in terms of information and communication restricted to the products and/or services being transacted, but also in terms of personal contacts in times of business inactivity or even crisis (Cunningham and Turnbull 1982). Adaptations are closely related with the negotiations taking place between interacting parties, which are expected to reflect their differences in terms of interests and power (Easton 1992). In this respect, control over resources and knowledge is assumed to be determinant for the coordination of activities between actors in industrial markets (Håkansson and Johanson 1984).

Figure 2. Research questions and industrial inter-firm coordination



Within the MNC, similar processes of exchange and adaptation are expected to occur, as large and diversified companies move away from a classical authority-based hierarchy of vertically oriented relationships towards higher decentralization of responsibility and individual accountability (Bartlett and Ghoshal 1997). The characteristics of such emergent models of MNC and their implications for managerial work are reviewed in the following section.

4. MNCs AS BOTH INTRA- AND INTER-ORGANIZATIONAL NETWORKS

In his discussion of alternative approaches to strategy, Whittington (1993) distinguishes between a classical approach, which the author associates with profit-oriented rational analysis, and a processual approach. The latter approach assumes *bounded rationality* (Cyert and March 1963) and organizational micro-politics (Pettigrew 1973) as the driving forces of strategic behavior in organizations. In similar fashion, the so-called “process school” of the diversified MNC (Doz and Prahalad 1991), suggests that responsiveness and integration needs (Doz and Prahalad 84) must be weighted one against the other separately for each decision by confronting managers’ conflicting views (Doz, 1986). The “process school” of the diversified MNC has, however, been criticized for over-relying on the ability of top managers to design and implement appropriate mechanisms of coordination, which promote integration within the MNC (Forsgren 1992).

Given such nuances in the perception of MNC challenges and respective remedies, a synthesis of the MNC as both an intra- and inter-firm network may be labeled the *processual approach to MNC management*. Such an approach assumes a closely intertwined relationship between the firm’s environment, strategy and structure (Bartlett and Ghoshal 1987a,b; Hedlund and Rolander 1990) thus questioning the assumptions of the so-called strategy-structure paradigm (Chandler 1962; Stopford and Wells 1972; Franko 1976), which considers organizational change reactive to

shifts in the environment and corporate strategy. Within the processual approach to MNC management, the trade-off between global integration and local responsiveness is thought to be permanent, implying a quest for balance between the organizational structure, communication systems and organizational culture (Bartlett and Ghoshal 1990).

Several models of the MNC have been proposed, which share elements of formal and/or informal matrix management such as the “heterarchy” (Hedlund 1986), the “multifocal” corporation (Prahalad and Doz 1987), the “transnational” corporation (Bartlett 1986; Bartlett and Ghoshal 1989), the “multicenter” firm (Forsgren 1990b) and the “horizontal” organization (White and Poynter 1990). Despite their differences in terms of emphasis and suggestions, these models can be said to share a view of the MNC as becoming less hierarchical (Marschan 1996).

The less hierarchical MNC is expected to operate as a network of highly differentiated and functionally interdependent subsidiaries, resulting in a complex flow of products, people and information, beyond the constraints of formal, bureaucratic structures (Bartlett and Ghoshal 1989). Geographically dispersed subsidiaries are granted responsibility and decision-making authority to perform strategically important functions, being coordinated and controlled particularly through informal mechanisms such as organizational culture, interlocking board of directors and personal relationships (Hedlund 1986; Hedlund and Rolander 1990; Bartlett and Ghoshal 1990). Less-hierarchical models of the MNC thus suggest that front-line managers (Bartlett and Ghoshal 1992) play a crucial role in group-wide coordination by taking part in different teams as well as contacts with other individuals either by their own or others’ initiative (Martinez and Jarillo 1989; Ghoshal et. al. 1994). The use of lateral relations and informal communication is, however, thought to be contingent on language, cultural and organizational barriers (Marschan 1996).

In a recent contribution, Andersson and Forsgren (2000) reiterate the importance of coordination mechanisms to combine global integration with local responsiveness at the MNC level. By examining the knowledge- and product-flows of foreign subsidiaries belonging to Swedish MNCs, Andersson and Forsgren (2000) report that most of those were either net receivers of knowledge- and product-flows – *implementers* and *backward vertical subsidiaries*, respectively – or disconnected from the rest of the MNC in terms of both flows – *local innovators* and *external subsidiaries*, respectively. The authors interpret their findings as a challenge to the less hierarchical view discussed above, namely in terms of integration costs vis-à-vis benefits at the MNC level, assuming an eventual lack of motivation from subsidiaries to invest their resources in the realization of synergies within the *internal corporate network*.

Despite such claims of a less than expected level of integration in contemporary MNCs, it may be argued that, at the subsidiary level, the need for coordination by means of exchange and adaptation processes remains high for all knowledge- and product-types of subsidiaries considered (Andersson and Forsgren 2000) except for *local innovators* and *external subsidiaries*, respectively. As a matter of fact, the vast majority of subsidiaries examined for the purposes of this paper can be classified as *implementers* (Gupta and Govindarajan 1991) and *backward vertical subsidiaries* (Andersson and Forsgren 2000). The characteristics of the sample as well as other methodological aspects of the present study are addressed in the following section.

5. METHOD

The present study adopts a qualitative research design. Hakim (1987) refers to “qualitative research” as a particular type of research design rather than a methodological umbrella, under which any study producing purely non-quantitative data is included (Patton 1980; Miles and Huberman 1984). The author distinguishes such a research design from case study as follows:

The fundamental difference between case studies and qualitative research (as the terms are used here) is that qualitative research is concerned with obtaining people’s *own accounts* of situations and events, with reporting *their* perspectives and feelings, whereas case study research is concerned with obtaining a rounded picture of a situation or event from perspectives of all persons involved, usually by using a variety of methods. Qualitative research can deal with causes only at the level of the intentional, self-directing and knowledgeable individual, whereas case studies can deal with a greater variety of causal processes.” (Hakim 1987:8-9).

Qualitative research is therefore suitable for exploratory studies, which examine causal processes at the individual level of analysis, without implying, however, the adoption of “methodological individualism” i.e. the view that all explanation can be reduced to accounts of self-directing individuals (Boudon 1981). The most common method used in qualitative research is the depth interview, which is unstructured and of considerable length (Hakim 1987). The strength of qualitative research is the validity of the data once that “individuals are interviewed in sufficient detail for the results to be taken as true, correct, complete and believable reports of their views and experiences” (Hakim 1987:27). Its main weakness is that small numbers of respondents cannot be taken as representative.

Due to its unstructured and exploratory character, qualitative research may overlap with case study research. Even though, “cases studies are distinguished from qualitative research by their focus on analytical social units and social processes rather than on individuals in the round” (Hakim 1987:32). Case studies have been considered particularly suitable for research conducted within the IMP tradition (Easton 2000) and commonly employed within the “process school” of the diversified MNC (Doz and Prahalad 1991). In similar fashion to proponents of case study design, the present study attempts to develop theory by both replication and extension among individual cases (Eisenhardt 1991). The *cases* are individual FSMs as the focal actor of a contact network assuming that “at minimum, every study is a case study because it is an analysis of social phenomena specific to time and space” (Ragin and Becker 1992:2).

The selection of *cases* has been primarily based on the research questions as well as on the similarity of their context in order to raise the level of internal and external validity. In particular, the selected managers may be said to share increasing marketing orientation (Gates 1994) while reporting to division headquarters as leaders of typically a SME (small and medium enterprise). The research is thus based on eleven Portuguese subsidiaries of Finnish MNCs operating in diverse industries, including six sales units, four sales and manufacturing units, and one service unit. The sample of *cases* includes four HCNs (host country nationals), three PCNs (parent country nationals), and four TCNs (third country nationals).

The data collection process has been primarily based on qualitative interviews and personal correspondence with the subsidiary managers. Personal interviews have been conducted and

tape-recorded in 2001 based on a standardized set of open-ended questions (Patton 1990), having lasted from two to three hours (see the interview guide in Appendix A). In addition, secondary data has been collected, such as corporate reports and documents in order to provide supplementary sources of evidence (Yin 1994). Data analysis has been conducted both within and across *cases* (Eisenhardt 1989). Given the subjectivity of meaning conveyed by words, interpretation of data has been based on coding. A code is a category applied to a word or set of words in order to interpret data documents, so that new theoretical insights may be generated from them. The coding system has been derived from both an a priori theoretical framework for analysis (see Figure 3. in section 6.) and the data. Such a process was supported with computer software for qualitative data analysis, in particular *NUD*IST N5* and *Decision Explorer*.

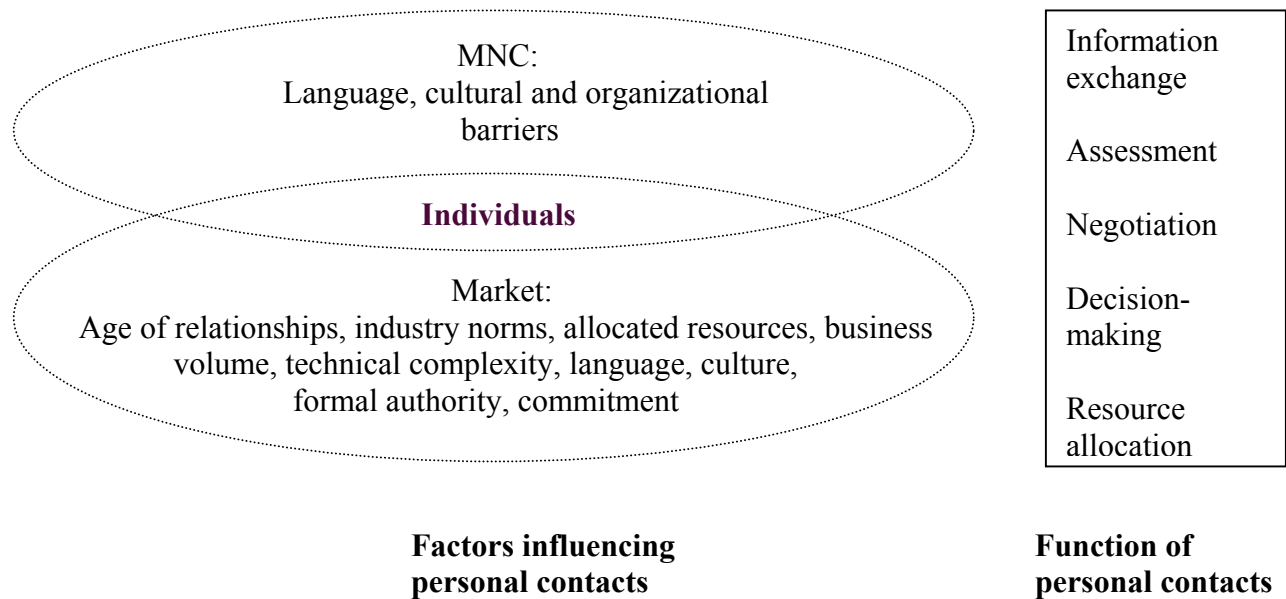
6. PREVIOUS FINDINGS ON THE INTERPERSONAL ROLE OF FSMs IN INDUSTRIAL MARKETS

The interpersonal roles suggested by Mintzberg (1973, 1990) imply that managers take contact with various individuals both internal and external to the unit they lead. Although such contacts have been primarily associated with formal authority, the author recognizes that leadership will also determine the extent to which managers exercise such a source of power. In similar fashion, research conducted within the IMP tradition claims that personal contacts in industrial markets are influenced by other factors than formal authority such as *age of relationships, industry norms, allocated resources, business volume, technical complexity, language skills, cultural background, and individual commitment* (Cunningham and Turnbull 1982; Håkansson 1982). On the other hand, research within the processual approach to MNC management, assumes that personal contacts are affected by organizational change as well as by language and cultural barriers (Marschan 1996; Marschan et. al 1996).

Research conducted within the IMP tradition has also assigned roles or functions to personal contacts such as *information-exchange, assessment, negotiation, and adaptation* (Turnbull 1979; Cunningham and Turnbull 1982; Halinen and Salmi 2001). In spite of referring to individuals in general, such functions of personal contacts are noticeably coincident with informational and decisional roles previously attributed to managers (Mintzberg 1973). In the one hand, such overlap may reflect an attempt by IMP researchers to bridge individual and firm levels of analysis, thus underlining the informational and decisional implications of personal contacts. On the other, it simply confirms Mintzberg's (1990:168) assertion that "authority gives rise to the three interpersonal roles, *which in turn give rise to the three informational roles*; these two sets of roles enable the managers to play the four decisional roles" [italics added]. In other words, the functions of personal contacts of managers in industrial markets may be synthesized as *information-exchange, assessment, negotiation, decision-making, and resource allocation*.

The answer of previous research to the two basic questions in this paper is depicted in Figure 3. below. In particular, it can be noted that personal contacts are supposedly influenced by other factors than formal authority both within the MNC and in the local industrial market. On the other hand, personal contacts are thought to have a function or role, which partially overlaps with the generic roles attributed to managers.

Figure 3. Previous findings on the interpersonal role of FSMs in industrial markets



The present study attempts to supplement previous insights on the factors and functions of personal contacts in industrial markets, by focusing on a particular type of managers – FSMs – and on a particular type of organizational phenomena – inter-firm coordination. Such insights are discussed in the following section.

7. FURTHER INSIGHTS ON THE INTERPERSONAL ROLE OF FSMs IN INDUSTRIAL MARKETS

7.1. Context of FSMs' Interpersonal Role

It has been argued above, that personal contacts of FSMs are characterized by various degrees of dependence and uncertainty both within the MNC and in the local industrial market (see Figure 1. in section 2.). Based on such assumptions, the present study distinguishes between four types of interpersonal roles of FSMs, which correspond to four scenarios of uncertainty and dependence (see Figure 4. below). It must be noted, that such interpersonal roles integrate the distinction between *cerimonial*, *leader* and *liaison* behavior of managers in general (Mintzberg 1973), the distinction between *sensor*, *builder* and *contributor* behavior of front-line managers in MNCs (Bartlett and Ghoshal 1992), and the distinction between *business*, *non-market*, and *infra-structural relations* of managers in industrial markets (Hallén 1992).

Figure 4. Interpersonal roles of FSMs in industrial markets

- Dependence +	<i>Integrated sensor</i>	<i>Integrated allocator</i>
	<i>Autonomous allocator</i>	<i>Autonomous sensor</i>
	-	Uncertainty +

In conditions of considerable uncertainty and limited autonomy, FSMs take contacts as ***integrated allocators***, i.e. involving negotiation, decision-making and resource allocation such as during periods of start-up or organizational change, which in turn are subject to planning- and approval processes within the MNC. In similar conditions of uncertainty but with increased autonomy, FSMs take contacts as ***autonomous sensors***, i.e. involving information-exchange and assessment in order to reduce uncertainty, which in turn is influenced by business culture in the host country, organizational culture and employee turnover, as well as individual language skills and background. In conditions of reduced uncertainty and yet limited autonomy, FSMs take contacts as ***integrated sensors***, i.e. involving information-exchange and assessment due to reporting processes within the MNC. Finally, in conditions of reduced uncertainty and considerable autonomy, FSMs take contacts as ***autonomous allocators***, i.e. involving negotiation, decision-making and resource allocation, which in turn are contingent upon individual job tenure and availability as well as geographical distance.

7.2. Factors influencing FSMs' Interpersonal Role

The variables underlined in the section 7.1. have been identified in the present study as factors, which influence the interpersonal role of FSMs in industrial markets. Such factors are discussed in the following paragraphs in the light of previous research findings (see Figure 3. in section 6.).

A factor, which is related to, but precedes the age of inter-firm relationships (Cunningham and Turnbull 1982) in industrial markets, is the *start-up* of subsidiary operations, in which FSMs may take part. The intensity of FSMs' contacts may be particularly high at that period, involving foreign direct investment studies together with colleagues and hierarchical superiors at the MNC as well as support to staff, who may still lack experience and specific guidelines. In addition, FSMs are likely to be involved in the establishment of relationships with key decision-makers in local customer and supplier organizations, particularly with those responsible for strategy, purchases and payments.

Such an involvement may be associated with *business culture*, which in turn may encompass industry norms (Cunningham and Turnbull 1982). In practice, FSMs and respective staff may face difficulties in establishing the first contact with individuals of a higher or even similar hierarchical rank in local organizations, who may require being introduced by a third party. Once

the relationship is established, those individuals may as well refuse to handle matters directly with staff, requiring the FSM instead.

A factor, which is related with the level of resources allocated by the subsidiary into relationships with local counterparts (Cunningham and Turnbull 1982), is the *approval process* within the MNC. In particular for investments greater than an established limit, FSMs may submit proposals for evaluation and approval, which require specific contacts with hierarchical superiors. On the other hand, the business volume (Cunningham and Turnbull 1982) of the subsidiary partly results from FSMs' contacts with hierarchical superiors and eventually divisional colleagues, through which sales targets are established.

In terms of *language* (Marschan 1996; Marschan et. al. 1996), FSMs may experience brief alienation by colleagues within the MNC, who may engage in a conversation in their native language even in formal meetings, irrespective of the official corporate language. Common *educational* background (IMP group 1997) may, however, facilitate FSMs' contacts within and external to the MNC. On the other hand, *foreign nationality* (Håkansson 1982) may work as an "ice-breaker" when establishing relationships on a business-, but not necessarily private level with local counterparts.

A related issue is *corporate culture* (Marschan 1996), as deliberate promotion of integrative mechanisms such as manager meetings and training may be offset by ethnocentric attitudes and sub-groups of identity, particularly as a result of mergers and acquisitions. As a matter of fact, *organizational change* (Marschan 1996), namely in terms of subsidiary's scope of supply and of customers' ownership, may intensify FSMs' establishment and development of relationships, in an effort which may be comparable to that of a subsidiary start-up. A specific type of change is *employee turnover* (Marschan 1996), which may require FSMs to re-build trustable relationships with contact-persons in both the MNC and local organizations.

FSMs may have to trade-off such requirements with their limited *availability*. Such a lack of time may be further aggravated by *geographical distance*, namely due to official time differences around the globe and traveling distances in the local market. On the other hand, the *job tenure* of FSMs may limit their participation in integrative mechanisms as they tend to accumulate knowledge and experience over the years, while at the same time justifies increased support to own staff and local counterparts.

Finally, formal authority (Mintzberg 1990) implies the participation of FSMs in reporting and planning processes within the MNC. The *reporting process* is expected to require FSMs to take regular contacts with hierarchical superiors as well as with own staff, whereas the *planning process* is expected to require recurrent contacts with own staff, hierarchical superiors as well as divisional and functional colleagues.

In sum, the interpersonal role of FSMs is reportedly influenced by factors such as: *start-up*, *organizational change* and *employee turnover* involving organizations both within and external to the MNC; *business culture* and *geographical distance* in the host country; *reporting*-, *planning*-, and *approval processes* as well as *corporate culture* within the MNC; and, finally, *language skills*, *background*, *job tenure*, and *availability* of the manager.

7.3. Content of FSMs' Interpersonal Role

It has been suggested above that FSMs take contacts, which in turn may have distinct functions and be influenced by various factors. Such combinations of factors and functions of personal contacts were labeled interpersonal roles of FSMs, based on four scenarios of uncertainty and dependence (see figure 4. in section 7.1.). In terms of functions, the interpersonal role of FSMs was distinguished between *sensor* and *allocator*. As *sensors*, FSMs take contacts which enable *information-exchange* and *assessment*, whereas as *allocators*, FSMs take contacts which enable *negotiation*, *decision-making*, and *resource allocation*. Such functions of personal contacts explicitly bridge individual and firm levels of interaction in industrial markets, once that *information-exchange* and *assessment* are thought to improve the level of trust among interacting parties, whereas *negotiation*, *decision-making*, and *resource allocation* are expected to influence the intensity of adaptations (Cunningham and Turnbull 1982).

In terms of information-exchange, the interpersonal role of FSMs may enable *contact transfer*, *functional advice*, *follow-up*, *knowledge transfer*, and *benchmarking*. Foreign subsidiary managers may get individuals' contact information from hierarchical superiors, colleagues and own staff as well as from customers, embassies, trade organizations, local government officials, and independent individuals who may be friends. On the other hand, FSMs may themselves transfer contact information to own staff, particularly in the case of expatriates and managers with longer tenure within the MNC, as well as to colleagues, namely of international customers and suppliers.

FSMs may also exchange information in terms of financial, legal, marketing, technical and human resources advice. Financial advice may require contacts with external accountants, consultants and auditors as well as with functional staff at the MNC, in particular related with the reporting process. Legal advice may require additional contacts with functional staff at the MNC, external layers, consultants, government officials and even independent individuals, in particular related with tax issues, customer claims and organizational change such as mergers and acquisitions. Marketing advice may require contacts with hierarchical superiors as well as divisional colleagues and functional staff at the MNC, related with terms and conditions offered to customers, namely price and delivery terms. In this respect, FSMs may also take contacts with peers within the MNC, to ensure harmonized offers to customers supplied in several or nearby countries. Although the technical side of operations tends to be delegated, FSMs may take contact with friends within the MNC and even with former staff for additional technical support. Finally, human resources issues may require contacts with hierarchical superiors and functional staff at the MNC as well as with government officials.

A related purpose of information-exchange is the follow-up of transactions, namely in terms of delivery times and collection of receivables. Although usually delegated, an occasional lack of resolve on such tasks, may require FSMs to take contact with functional staff at the MNC and local forwarding agents as well as with divisional colleagues and customer representatives, respectively.

FSMs may also engage in the transfer of knowledge rooted within the MNC, by participating in training for themselves and respective staff as well as by consulting customers and local organizations, namely within joint implementation and educational projects. A related issue is

FSMs' benchmarking of best practices, which may require contacts with peers in the MNC namely for common implementation projects as well as technical and organizational issues, particularly among similar units. Benchmarking organizational issues may also require contacts with peers managing local subsidiaries from other industries.

A function, which is closely related with information-exchange, is assessment, which in turn includes *trust enhancement*, *occasional reporting*, *corporate reputation* as well as *organizational-*, *market-*, *customer-*, and *supplier-assessment*. The interpersonal role of FSMs may enable trust enhancement, in particular through face-to-face contacts and non by-pass of decision-makers both within and external to the MNC. In addition, contacts for occasional vertical reporting, allow the supervision of FSMs and respective staff. On the other hand, FSMs may assess the MNC themselves, namely in terms of organizational change and informal decision-making, through contacts with hierarchical superiors, divisional colleagues and peers. FSMs may also promote the reputation of their unit through contacts with the press for advertisement or publication of MNC-related information.

Externally, FSMs may assess local and regional market trends, namely through contacts with peers and staff as well as with embassies, trade organizations, local government officials, and independent individuals who may be friends. Competitors may also be assessed through contacts with peers and customers. In similar fashion, FSMs may assess customer organizations, namely in terms of decision-making process, supplying requirements and organizational change. Still for purposes of assessment, FSMs may take contacts with peers managing sister and local suppliers as well as with account managers of local service counterparts such as banks, insurance companies, forwarding agents and consultants.

In addition to information-exchange and assessment, the interpersonal role of FSMs enables *negotiation* and *staff empowerment*. However, FSMs' participation in negotiations with customers and suppliers may be restricted to large deals or occasions where the counterpart requires their involvement. A related issue is the empowerment of staff, by which FSMs take contacts with customers together with subordinates to emphasize their staff accountability and even to mediate customer-staff impasses. Such impasses may also occur with functional staff within the MNC, requiring similar type of involvement from FSMs.

The decision-making role of FSMs' contacts is reflected on occasional *approval* and *planning*, as well as on *problem solving*. Apart from functional advice, FSMs may take contacts namely with hierarchical superiors and divisional colleagues for approval of terms and conditions offered to customers, with functional staff for approval of recruitment and remuneration issues, and with local government officials for certain permits. On the other hand, FSMs may take contacts related with occasional planning namely with customers for project implementation and with those in charge of exhibition logistics. FSMs may also take contacts to solve problems, mostly related with customer claims, which may reach their MNC colleagues, as well as with technical and legal idiosyncrasies. The resolution of such problems requires FSMs to take contacts with hierarchical superiors, divisional colleagues and functional staff at the MNC, in addition to own staff and customer representatives, consultants and government officials, depending on the issue.

Finally, the interpersonal role of FSMs may enable resource allocation, namely through *coaching*, *buffer relations* and *resource leverage*. Particularly in a period of individual or

subsidiary start-up, FSMs may be required to allocate substantial part of their time to coach own staff, namely in terms of marketing and technical issues. In addition, FSMs may invest in interpersonal relationships with hierarchical superiors and divisional colleagues at the MNC, exclusively motivated by individual and business prospects, such as the promotion of their own career and future subsidiary support. In similar fashion, FSMs may invest their time into relationships with representatives of potential customers.

In terms of leveraging resources to meet subsidiary and MNC purposes, FSMs may take contacts with divisional colleagues and peers namely to mobilize their expertise towards the formulation of specific bids, the delivery of temporarily missing stocks of spare parts and final products, and technical aid for project implementation. In addition, FSMs may take contacts in support of their customers, thorough direct contacts with their customers, potential suppliers and competitors as well as with government officials.

In sum, the function of personal contacts has been specified for the particular case of FSMs involved with industrial inter-firm coordination both within and external to the MNC. In the one hand, FSMs are thought to participate as both *integrated-* and *autonomous sensors* in inter-firm exchange processes, which in turn presuppose information-exchange and assessment. On the other, FSMs are thought to participate as both *integrated-* and *autonomous allocators* in inter-firm adaptation processes, which in turn require negotiation, decision-making and resource allocation. It must be noted, however, that when taking contacts, which enable negotiation, FSMs may participate in both inter-firm exchange and adaptation processes. In this respect, it has been assumed in the present study that rather than improving the level of trust among interacting parties (a equally valid argument), negotiations influence the intensity of mutual adaptations (Cunningham and Turnbull 1982).

8. CONCLUSION

This Workshop paper examines the interpersonal role of FSMs as a mechanism of coordination both within the MNC they represent and the local industrial market they interact with. In particular, it has been suggested that several other factors than formal authority must be taken into account for a comprehensive understanding of managerial personal contacts in industrial markets. In addition, the relationship between interpersonal, informational and decisional roles of managers has been made explicit by identifying four interpersonal roles of FSMs, which correspond to four scenarios of uncertainty and dependence.

The first question was concerned with the factors, which influence FSMs' interpersonal role. In this respect, previous research within the IMP approach to industrial markets as well as from the processual approach to MNC management reveals several individual, organizational and industrial factors, which influence the occurrence of personal contacts in industrial markets. The factors, which were explicitly described on the present study were: *start-up*, *organizational change* and *employee turnover* involving organizations both within and external to the MNC; *business culture* and *geographical distance* in the host country; *reporting-*, *planning-*, and *approval processes* as well as *corporate culture* within the MNC; and, finally, *language skills*, *background*, *job tenure*, and *availability* of the manager.

The second question was concerned with how the interpersonal role of FSMs enables industrial inter-firm coordination. For that purpose, four interpersonal roles of FSMs have been conceptualised which take into account the specific characteristics of their relational context in industrial markets. Such interpersonal roles of FSMs – *integrated sensor*, *integrated allocator*, *autonomous sensor*, and *autonomous allocator* – were described in terms of factors and functions of personal contacts. In addition, the content of personal contacts has been further specified across five functions: information-exchange, assessment, negotiation, decision-making, and resource allocation. It was thus possible to explicitly associate FSMs' role as *sensors* and *allocators* with inter-firm exchange and adaptation processes, respectively.

Both the questions and exploratory answers in this paper are expected to contribute to the ongoing debate on individuals' contact network and their interplay with inter-firm relationships, particularly in industrial (Halinen and Salmi 2001) and international contexts (Axelsson and Agndal 2000; Andersson and Forsgren 2000). Further research efforts could be aimed at clarifying the relationships here explored. Alternative research paths include attempts to answer similar research questions in other contexts of managerial work. In particular, it would be interesting to examine the interpersonal role of FSMs at different stages of internationalization. Other research avenue would be to compare such interpersonal role across subsidiary types, namely in terms of knowledge- and product-flows.

The relevance of personal contacts for managerial work is certainly not surprising for practitioners. It may be argued, however, that by considering such a phenomenon as inherent to their job, managers may lose sight of the interplay between their own agency and the social structures in which they are embedded. In other words, the findings reported in this paper are expected to enhance managers' awareness of the contingencies involved in the establishment and maintenance of their contact network. In the case of FSMs such an awareness is likely to have to compete with their hectic agenda, where decisions are often handled with little chance for reflection.

It suffices to say, that most of us would not remember by heart all our friends, acquaintances and colleagues, let alone contact persons with whom we lack any private or organizational link. Rather than supporting such a listing, this paper attempts to clarify the informational and decisional implications of contacts with individuals within and external to the MNC. By doing so, it is expected that FSMs may benchmark themselves and their peers, in terms of options they probably already knew, but may have kept aside their daily routine.

The findings reported in this paper are also expected to clarify the interpersonal roles of FSMs to those involved with managers-to-be, namely through higher management education and corporate human resources. By providing a structured picture of the dilemmas FSMs face while preserving the holistic nature of their job, this paper may support a realistic view of their contribution to the constituencies they interact with.

APPENDIX A

Interview Guide

Project: "Social networks of foreign subsidiary managers as a mechanism of coordination in industrial MNCs: the case of Finnish subsidiaries in Portugal."

1. Could you please describe your work activities and personal responsibilities?
2. Could you please draw or describe a diagram of your personal contacts with other subsidiaries and with corporate headquarters?
3. How did you establish these personal contacts?
4. Could you please describe these personal contacts in terms of frequency and purpose?
5. What opportunities and barriers, if any, do you perceive/experience to maintain these personal contacts?
6. Could you please draw or describe a diagram of your personal contacts with organizations not belonging to the multinational corporation you represent?
7. How did you establish these personal contacts?
8. Could you please describe these personal contacts in terms of frequency and purpose?
9. What opportunities and barriers, if any, do you perceive/experience to maintain these personal contacts?
10. What opportunities and barriers, if any, do you perceive to establish further personal contacts, both internal and external to the multinational corporation you represent?

Signature of Participant: _____

Date: ____/____/____

Ricardo Madureira, Researcher, Corporate Strategy, University of Jyväskylä

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