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Control research in MNCs: Towards a new research agenda

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Abstract: The purpose of this paper is to evaluate, whether the current MNC organizational control literature is up-to-date and responding to the challenges in the current global business environment. We clarify the current state of MNC control literature, challenge the present MNC control research agenda, and finally, make suggestions for a new research agenda. The paper provides a comprehensive literature review and analysis of over seventy articles on organizational control in MNCs studies from 1975 to 2009. Further, this paper introduces and overviews five research streams on organizational control in MNCs. A trend in research going from more simple to more complex was detected: from one explaining theory to multiple theories, and from formal to informal types of control. Also, the research has evolved from the headquarters-dominated view towards subsidiary gaining power and influence. This paper contributes to the international business literature on MNC control and provides fresh angles and suggestions for future research, promoting control as a contemporary research topic.

Keywords: Multinational Corporation, Control, Headquarter-Subsidiary Relations, Literature Review

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1. Introduction

In the midst of the financial and economic crises exploded in 2008, the governments, economists and tax payers across the world are calling for more control on the actors of the global economy. Multinational corporations (MNCs) play a key role on this scene, and will have to turn these requirements into practice across their own network of subsidiaries, often spanning the five continents and hundreds of legal entities. However, for the MNCs this is only an additional, external pressure to their own innate needs to control their subsidiaries across the world. Over the past decades, such phenomena as globalization of business, growth of MNC size and complexity, and rapid increase in the number of international acquisitions has presented tremendous challenges on the multinational corporations' ability to control their global operations (Martinez and Jarillo, 1989).

Then, a while ago one of the authors of this paper was presenting a working paper on MNC control in a doctoral tutorial. The feedback from the distinguished audience claimed the topic was boring and old-fashioned in the international business research. This response puzzled us as we had not only seen a lot of new and interesting pieces of control research, but it was also in stark contrast with the real world, where the MNC managers were facing more and more complex control issues, far from being resolved, neither in practice nor academically. Indeed, we were puzzled enough to put together this paper, exploring the past evolution of control research and analyzing how its future might look like.

As a response, a set of research questions has been prepared for this paper: How has the concept of organizational control developed over the years? How has MNC control research developed since the 1970's? And finally, does current MNC control research respond on one hand to the novel perception of control and on the other hand to the challenges of global business environment? What research gaps still remain?

In this paper, we will first, examine the definition of control in MNCs, second, explore MNC control literature and identify five overarching research streams. This will be based on an extensive literature review and systematic analysis of over seventy articles on organizational control in MNCs dating from 1970's up today. We will also look into the recent trends in the MNC control literature, as well as in international business environment, which provide the basis to challenge assumptions and look at issues from new perspectives. Finally, we compare our findings of the recent literature and current needs for control research in MNCs and make suggestions for a new research agenda, concentrating on future (1) research topics, (2) research choices in approach and methodology and, (3) units of analysis.

2. Theories, main streams and evolution of MNC control research

2.1. Conceptualization of control and control mechanisms

Control and coordination are functions which all organizations confront. Through control management generally aims at "regulating the activities within an organization so that they are in accord with the expectations established in policies, plans and targets" (Child,

1973), in other words to finally ensure the achievement of organizational goals. However, control is more than merely a technical matter (Child, 1984). Control as an activity spans over several functions in an organization. Accordingly, as a fuzzy, abstract concept, there is no unifying view of control. Control is traditionally portrayed as a systematic management process, but at the other end, it can be seen as a state of mind. One could for instance ask, "Is the management of the post-acquisition integration in control?"

An array of research approaches to control has appeared after the general rise of interest towards the subject since the 1980's. Perspectives differ from those of sociologists and psychologists to administrative theorists and operation researchers (Merchant, 1985). Therefore, control literature as a whole includes various different concepts and definitions of control² The two concepts of coordination and control are at the heart of the definitions of MNC and organization literature, as important integrative mechanisms in organizations. However, control is by no means a straight-forward concept (Jones, 2002). Considerable effort has been put forward to discuss and define concepts in earlier literature. Although there has been considerable overlap in the usage of the concepts, there exist nowadays distinct and generally consistent definitions. Whereas control can be defined as a process bringing about adherence to a goal or target through the exercise of power or authority (Etzioni, 1965) vertically in an organization, coordination is seen more as an enabling process in linking different task units within organization horizontally.

² As a concept control is controversial and raises frequently negative connotations. The word "control" has a large variety of definitions, ranging from neutrally active (e.g. to operate), and representing superior position (e.g. to command, to direct, to be in charge) to those with negative undertone (to dominate, to manipulate, to restrain).

Further, for the purposes of this study, we should also make a distinction between corporate and organizational control functions. Whereas corporate control is concerned with corporate governance issues and control over the means and methods (e.g. capital) on which the conduct of an organization depends (Child, 1984), organizational control is the process of management influencing the behaviour of people as members of a formal organization. Organizational control is often understood to be another expression for management control. Still, management control also refers specifically to performance measurement systems used by the accounting function in organizations. It is a matter of emphasis, whether the focus is on the active party, controller (management) or - less actively - the object to be controlled (organization). Since organizational control as a concept does not take stance towards activeness of the control function, it acknowledges also the use of more indirect and “uncontrollable” control types, such as informal control. In search for the articles reviewed for this study, somewhat clear separation was evident between organizational and accounting, or corporate governance studies. In this study, the focus is on the multinational corporation (MNC) and the field of study is international business. Similarly, we concentrate on organizational control, which hereafter will be referred to as control.

Over the course of over three decades, scholars have provided a variety of overlapping categorizations of control mechanisms and types. These contrasting definitions are usually difficult to compare. Categorizations and definitions vary according to what is controlled (results - actions - personnel; input - behaviour - output), timing of control (ex ante - ex

post), control formality (formal - informal; bureaucratic - cultural) and how directly the control is exercised (direct - indirect; personal - impersonal). This activity reflects the tendency to conceptualize an inherently qualitative concept, control, into quantitative, measurable constructs. We argue that quantitative research methods in this respect have hardly contributed to the coherence of the control research field.

Control is often portrayed as a set of devices or tools, such as rules, procedures, measurements and rewards. More suitable label for such items is formal control mechanisms, which include elements such as budgets, plans, reports, policies, rules and manuals. Cardinal et al. (2004, p. 414) define formal mechanisms as “officially sanctioned (usually codified) institutional mechanisms”, which are visible and objective. Informal control mechanisms refer to more subtle tools, like transfers of managers, career path management, reward systems, management training programs, informal communication networks, and corporate culture, all of which together can be considered to create the foundation of socialization process. Informal control mechanisms can be defined as “unwritten, unofficial values, norms, shared values and beliefs that guide employee actions and behaviours - less objective, uncoded forms of control” (Ibid.).

All in all, most studies of control in multinational corporations (MNCs) and control adopt a rational, modernist view on control (see Czarniawska, 2003). This mainstream view is grounded in the assumption that managers and leaders have the ability to plan rationally and implement the plans. Control is frequently portrayed as unidirectional, top-down

managerial activity, taken for granted. However, based on their studies some researchers claim that for instance organizational change processes, such as post-acquisition integration, is less easy to control than much previous literature suggests (Vaara, 2003) and that managers are in fact more frequently “out of control” of their change processes. Therefore, some recent studies have opted to reject the rational view of control and recognize the complex and rather uncontrollable reality of organizational change situations (see Salancik & Meindl, 1984; Streatfield, 2001). These perspectives acknowledge that the existence of for instance powerful environmental and nonlinear forces affect the functions of an organization in ways that are often unpredictable and uncontrollable (Finkelstein, 2002). From this perspective managers are not able to control the paradoxical movement of continuity and transformation, since it is impossible to be in control of it. Rather, managerial action at the same time both forms the movement of the organization and is formed by it (Streatfield, 2001). Instead of acknowledging uncontrollability of reality and to satisfy organizational stakeholders managers may engage in social construction of a “public face” to promote belief among constituencies to maintain an illusion of control (Salancik & Meindl, 1994).

The question arises then, whether managers are in control or out of control (Streatfield, 2001). In this view the concept of control is perceived in a more abstract or philosophical form than a tool or set of mechanisms. A fuzzy concept such as control lends itself to be handled in different ways. Control can be studied as a formal mechanism, as well as a social construction. Control can be seen as a state of mind, a mindset, or even an illusion (Barker, 1998). The view depends through which epistemological lenses we look at the

phenomenon of control. From an organizational point of view, also organizational resistance is a form of control (Mumby, 2005; Putnam et al., 2005). Researchers have also directed interest towards the concept of feedback-seeking behavior, i.e. self-control (Gupta et al., 1999). In Figure 1 we attempt to visualize different control forms and conceptions by arranging them from more concrete (at the bottom) towards more abstract (at the top). The list of forms is not exhaustive, but illustrative.

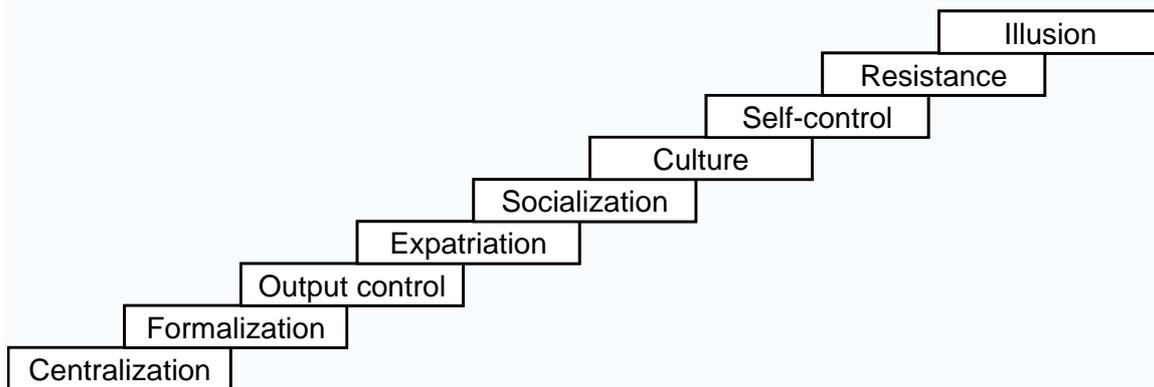


Figure 1. Categorization of control forms

The purpose of the next section is to show an evolution in the study of control in MNCs. We will present a rigorous literature review of over seventy studies dating from years 1975 up to 2009. We attempt to identify periods and perspectives within this field and finally, based on recent development in global business environment and control research, suggest new research agenda for MNC and control researchers.

2.2. Methods of the review

To uncover the extant literature in MNC control area, we searched for MNC control publications and key studies in the electronic journal databases such as ProQuest Direct, EBSCO Business Source and Emerald journals. For our analysis, we accepted papers which dealt specifically with control in the international or global arena, meaning in MNCs. This was achieved by reading each paper partly or fully before the decision. Table 1 presents a chronological inventory of the selected seventy-two pieces of research published in academic journals such as Academy of Management Journal, Academy of Management Review, Harvard Business Review, Human Resource Management, International Business Review, International Journal of Human Resource Management, Journal of International Business Studies, Journal of Management, Management International Review, Organization Science, Organization Studies and Strategic Management Journal. Some few papers are working papers or published in conference proceedings. Some journals were omitted from the final inventory, as they were classified not as international business studies, but had for instance, a local or domestic empirical span.

Our methodological choices follow the lines of systematic literature review. In a systematic literature review (also called “overview”), a review strives to comprehensively identify and track down all the literature on a given topic. (Green, 2005) Further, a systematic review is a summary of research that uses explicit methods to perform a thorough literature search and critical appraisal of individual studies to identify the valid and applicable evidence. While many systematic reviews are based on an explicit quantitative meta-analysis of available data, there are also qualitative reviews which

adhere to the standards for gathering, analyzing and reporting evidence. The purpose of this study was not to combine the results of several studies addressing a set of related research hypotheses and results as is common in a meta-analysis. Our purpose was to review the theoretical background, the main area of attention, and some methodological choices. This is done to suggest novel lenses, topics and methods to spice up the control research and shift it towards the next decade and its challenges.

Among the several key elements in a publication, we focused in the first inventory on (1) the publishing year, (2) the main topic or area of attention, and (3) possible theoretical background. Based on the topics, keywords and publication's emphasis, we were able to track and identify groups of studies. These main streams are introduced and discussed in Chapter 2.4.

| Authors | Year | Research topic | Unit of analysis | Interviewee/ respondent |
|----------------------------|------|--|-------------------|--------------------------|
| Youssef | 1975 | Control mechanisms | n/a | n/a |
| Edström & Galbraith | 1977 | Transfer of managers | n/a | n/a |
| Picard | 1978 | Function-specific control/ marketing | MNC | HQ executive |
| Ouchi | 1979 | Control mechanisms | n/a | n/a |
| Doz & Prahalad | 1981 | Control mechanisms | MNC | n/a |
| Prahalad & Doz | 1981 | Control mechanisms | n/a | n/a |
| Jaeger | 1982 | Organizational culture | HQ and subs | exec to personnel |
| Jaeger | 1983 | Organizational culture | HQ and subs | exec to personnel |
| Egelhoff | 1984 | Control mechanisms | MNC | HQ executives |
| Hedlund | 1984 | Control mechanisms | MNC | n/a |
| Cray | 1984 | Control mechanisms | subsidiary | subs MD and HQ exec |
| Baliga & Jaeger | 1984 | Control mechanisms | n/a | n/a |
| Doz & Prahalad | 1984 | Control mechanisms | n/a | n/a |
| Flamholtz et al. | 1985 | Control mechanisms | n/a | n/a |
| Lebas & Weigenstein | 1986 | Control mechanisms | n/a | n/a |
| Puck & Katz | 1986 | HRM practices/ Knowledge management | n/a | n/a |
| Kirpalani et al. | 1988 | Function-specific control/ advertising | HQ | HQ managers |
| Schneider | 1988 | Organizational culture | n/a | n/a |
| Martinez & Jarillo | 1989 | Control mechanisms | n/a | n/a |
| Ghoshal & Nohria | 1989 | Control mechanisms | MNC | HQ CEO |
| Bartlett & Ghoshal | 1989 | Organizational culture | n/a | n/a |
| Martinez & Jarillo | 1991 | Control mechanisms | subsidiary | subs executives |
| Gupta & Govindarajan | 1991 | Control mechanisms/ Knowledge management | n/a | n/a |
| Nohria & Ghoshal | 1994 | Control mechanisms | subsidiary | HQ level respondent |
| Calori et al. | 1994 | Country comparison | subsidiary | subs exec (acquired) |
| Sohn | 1994 | Organizational culture | FDI | HQ president or like |
| Holm et al. | 1995 | Subsidiary embeddedness | n/a | n/a |
| Marschan et al. | 1996 | Organizational culture/ Informal networks | n/a | n/a |
| Andersson & Forsgren | 1996 | Subsidiary embeddedness | subs and network | subs managers |
| Ocasio | 1997 | Attention-seeking behavior | n/a | n/a |
| Veliyath et al. | 1997 | Control mechanisms | n/a | n/a |
| Lubatkin et al. | 1998 | Country comparison | subsidiary | subs exec (acquired) |
| Nobel & Birkinshaw | 1998 | Function-specific control/ R&D/ innovation | subsidiary | HQ and subs R&D manager |
| Chang & Taylor | 1999 | Country comparison | MNC | subs presidents |
| Björkman & Lu | 1999 | HRM practices | subsidiary | HQ managers/ expats |
| Fenwick et al. | 1999 | Organizational culture/ Transfer of managers | n/a | n/a |
| Gupta et al. | 1999 | Self-regulatory behavior | subs and indiv | subs presidents |
| Pahud de Mortanger & Vosse | 1999 | Subsidiary embeddedness | MNC | executives |
| O'Donnell | 2000 | Control mechanisms | n/a | n/a |
| Yeung et al. | 2001 | Control structure/ regional HQ | RHQ | RHQ executives |
| Larsson & Lubatkin | 2001 | Organizational culture | HQ and subs (acq) | case studies |
| Harzing | 2001 | Transfer of managers | subsidiary | subs MD |
| Malhotra | 2002 | Knowledge management | n/a | n/a |
| Jones | 2002 | Knowledge management | n/a | n/a |
| Selmer & de Leon | 2002 | Organizational culture | manager | subs ethnic managers |
| Legewie | 2002 | Transfer of managers | MNC | n/a |
| Richards & Hu | 2003 | Control mechanisms | subsidiary | subs senior managers |
| Al-Husan & James | 2003 | Transfer of managers | subsidiary | HQ and subs exec and man |
| Gong | 2003 | Transfer of managers | subsidiary | subs CEO |
| Ekanayake | 2004 | Control mechanisms | n/a | n/a |
| Björkman et al. | 2004 | Knowledge management | subsidiary | n/a |
| Foss & Pedersen | 2004 | Knowledge management | n/a | n/a |
| Bijlsma-Frankema | 2004 | Managers | manager | HQ and subs managers |
| Paik & Sohn | 2004 | Transfer of managers | n/a | n/a |
| Paik & Sohn | 2004 | Control structure/ regional HQ | subsidiary | HQ managers |
| Gomez & Sanchez | 2005 | HRM practices | MNC | subs GMs |
| Andersson et al. | 2005 | Knowledge management/ Embeddedness | subsidiary | subs presidents |
| Mumby | 2005 | Resistance and control | n/a | n/a |
| Putnam et al. | 2005 | Resistance and control | n/a | n/a |
| Foss | 2006 | Knowledge management | MNC | n/a |
| Welch & Welch | 2006 | Organizational culture | n/a | n/a |
| Chung et al. | 2006 | Transfer of managers | subsidiary | n/a |
| Moore | 2006 | Transfer of managers | subsidiary | expatriate staff |
| Rao et al. | 2007 | Function-specific control/ Information systems | HQ and subs | HQ and subs IS managers |
| Ambos & Schlegelmilch | 2007 | Function-specific control/ R&D | HQ | HQ senior R&D managers |
| Lee et al. | 2008 | Country comparison | HQ | n/a |
| Dong et al. | 2008 | Function-specific control/ marketing | MNC | HQ senior executives |
| Wang et al. | 2008 | HRM control | subsidiary | n/a |
| Sumelius & Sarala | 2008 | Knowledge management | subsidiary | subs presidents |
| Bouquet & Birkinshaw | 2008 | Power and influence by subsidiary | n/a | n/a |
| Bouquet & Birkinshaw | 2008 | Attention-seeking behavior | subsidiary | subs CEO |
| Chang et al. | 2009 | Control mechanisms | subsidiary | subs HR and top managers |

Table 1. Reviewed articles (research topic, unit of analysis and interviewee/respondent)

A coding sheet for the second inventory was developed based on additional major elements of research design. They are (1) unit of analysis (in empirical studies), (2) respondent/ interviewee status (to have some understanding of the researchers' epistemological stances), (3) whether the study was empirical, conceptual or literature review and on the part of empirical studies, (4) data analysis methods (quantitative, qualitative or both). (See Table 2)

Of all the studies almost half (n=32, 45%) were quantitative and only 10 per cent qualitative. Surprising was also the high amount of conceptual papers, 34 per cent. Of the studies, 9 per cent were pure literature reviews, naturally concentrating timewise in the 2000's. We could also see that the 1980's was clearly an era of conceptual studies: building theories and testing ideas against others in academic journals, whereas the 1990's saw only quantitative empirical studies. Qualitative studies have emerged only around mid decade of 2000's. This trend can among others be attributed to the publication policies of several (international business) journals. With respect to the unit of analysis, clear evolution could also be identified. Interest has shifted from headquarters and MNC as a whole towards analyses of subsidiaries and even managers as individuals. The strategist emphasis is still very evident, as most respondents or interviewees were in almost all papers identified as "presidents", "executives", "top managers", "CEOs", "general managers", or "senior managers".

| Authors | Year | Quantitative | Qualitative | Both | Conceptual paper | Literature review |
|----------------------------|------|--------------|-------------|------|------------------|-------------------|
| Youssef | 1975 | | | | 1 | |
| Edström & Galbraith | 1977 | | | | 1 | |
| Picard | 1978 | 1 | | | | |
| Ouchi | 1979 | | | | 1 | |
| Doz & Prahalad | 1981 | | 1 | | | |
| Prahalad & Doz | 1981 | | | | 1 | |
| Jæger | 1982 | 1 | | | | |
| Jæger | 1983 | 1 | | | | |
| Egelhoff | 1984 | 1 | | | | |
| Hedlund | 1984 | | | 1 | | |
| Cray | 1984 | 1 | | | | |
| Baliga & Jæger | 1984 | | | | 1 | |
| Doz & Prahalad | 1984 | | | | 1 | |
| Flamholtz et al. | 1985 | | | | 1 | |
| Lebas & Weigenstein | 1986 | | | | 1 | |
| Puck & Katz | 1986 | | | | 1 | |
| Kirpalani et al. | 1988 | 1 | | | | |
| Schneider | 1988 | | | | 1 | |
| Martinez & Jarillo | 1989 | | | | | 1 |
| Ghoshal & Nohria | 1989 | 1 | | | | |
| Bartlett & Ghoshal | 1989 | | | | | 1 |
| Martinez & Jarillo | 1991 | 1 | | | | |
| Gupta & Govindarajan | 1991 | | | | 1 | |
| Nohria & Ghoshal | 1994 | 1 | | | | |
| Calori et al. | 1994 | 1 | | | | |
| Sohn | 1994 | 1 | | | | |
| Holm et al. | 1995 | | | | 1 | |
| Marschan et al. | 1996 | | | | 1 | |
| Andersson & Forsgren | 1996 | 1 | | | | |
| Ocasio | 1997 | | | | 1 | |
| Veliyath et al. | 1997 | | | | 1 | |
| Lubatkin et al. | 1998 | 1 | | | | |
| Nobel & Birkinshaw | 1998 | 1 | | | | |
| Chang & Taylor | 1999 | 1 | | | | |
| Björkman & Lu | 1999 | 1 | | | | |
| Fenwick et al. | 1999 | | | | 1 | |
| Gupta et al. | 1999 | 1 | | | | |
| Pahud de Mortanger & Vosse | 1999 | 1 | | | | |
| O'Donnell | 2000 | | | | 1 | |
| Yeung et al. | 2001 | | | 1 | | |
| Larsson & Lubatkin | 2001 | 1 | | | | |
| Harzing | 2001 | 1 | | | | |
| Malhotra | 2002 | | | | 1 | |
| Jones | 2002 | | | | | 1 |
| Selmer & de Leon | 2002 | 1 | | | | |
| Legewie | 2002 | | | | 1 | |
| Richards & Hu | 2003 | 1 | | | | |
| Al-Husan & James | 2003 | | 1 | | | |
| Gong | 2003 | 1 | | | | |
| Ekanayake | 2004 | | | | 1 | |
| Björkman et al. | 2004 | 1 | | | | |
| Foss & Pedersen | 2004 | | | | | 1 |
| Bijlsma-Frankema | 2004 | | 1 | | | |
| Paik & Sohn | 2004 | | | | 1 | |
| Paik & Sohn | 2004 | | 1 | | | |
| Gomez & Sanchez | 2005 | 1 | | | | |
| Andersson et al. | 2005 | 1 | | | | |
| Mumby | 2005 | | | | 1 | |
| Putnam et al. | 2005 | | | | | 1 |
| Foss | 2006 | | | | 1 | |
| Welch & Welch | 2006 | | | | 1 | |
| Chung et al. | 2006 | 1 | | | | |
| Moore | 2006 | | 1 | | | |
| Rao et al. | 2007 | 1 | | | | |
| Ambos & Schlegelmilch | 2007 | 1 | | | | |
| Lee et al. | 2008 | 1 | | | | |
| Dong et al. | 2008 | 1 | | | | |
| Wang et al. | 2008 | | 1 | | | |
| Sumelius & Sarala | 2008 | 1 | | | | |
| Bouquet & Birkinshaw | 2008 | | | | | 1 |
| Bouquet & Birkinshaw | 2008 | 1 | | | | |
| Chang et al. | 2009 | | 1 | | | |

Table 2. Reviewed articles: Inventory 2 (status of the paper, methods of data analysis)

2.3. Evolution of MNC control research

To start the exercise, studies were organized according to their theoretical foundation. Main theories applied in MNC control research were organization theories such as contingency theory, bureaucratic organization theory, agency theory, resource dependence theory, and organizational behaviour theory. To begin with, some of the earliest MNC control studies were based on bureaucracy and administration (Prahalad & Doz, 1981; Doz & Prahalad, 1981; Doz & Prahalad, 1984). Relatively soon after the introduction of formal control mechanisms in academic research, a stream also evolved around organizational culture (Ouchi, 1979; Jaeger, 1982; Jaeger, 1983; Calori et al., 1994; Marschan et al., 1996; Lubatkin et al., 1998; Paik & Sohn 2004a).

Contingency theory (i.e. strategy-structure framework) was a dominant paradigm in the 1970's in the study of organizational design. This theory focuses on determining organizational design and the consequent control mechanisms used to control overseas units of MNCs (e.g. Cray, 1984; Baliga & Jaeger, 1984; Egelhoff, 1984; Ghoshal & Nohria, 1989; Gupta & Govindarajan, 1991; Nohria & Ghoshal 1994; Yeung et al., 2001; Lee et al., 2008). Contingency theory emphasizes the task context of organizational subunits and proposes a differentiated reaction to diverging contextual demands (Ambos & Schlegelmilch, 2007).

Agency theory, on the other hand, examines the principal-agent relationship, in which a principal delegates work to agents and agents perform tasks on behalf of the principal. What is interesting is that principals and agents have divergent interests and the central

issue between them is the design of an optimal control mechanism. (Eisenhardt, 1989) The headquarters-subsidary relationship in MNCs has this kind of principal-agent structure and consequently, a stream of literature has developed concentrating on MNCs selecting among the possible control strategies (e.g. Eisenhardt, 1985; Govindarajan & Fisher 1990; Chang & Taylor, 1999; Björkman et al., 2004; O'Donnell, 2000; Gong, 2003; Ekanayake, 2004). Relatively often, however, agency theory was complemented by another explaining theory or concept in MNC control studies, such as another organization theory (Eisenhardt, 1985), and quite lately, socialization (Björkman et al., 2004), intra-firm interdependency (O'Donnell, 2000) and resource-based view (Gong 2003). In fact, some of the studies have tested two theories, and found that agency theory lacks predictive ability and is limited in its ability to explain fully the phenomenon of foreign subsidiary control (e.g. O'Donnell, 2000). Therefore, researchers' quest for finding new theories and approaches continues.

Later, it was suggested that headquarters' control has become increasingly difficult as the MNC is composed of set of differentiated structures and processes situated in the different subunits of the organization. Also dependency has been pointed out as an important source of organizational power and control (Pfeffer & Salancik, 1978) and the resource dependence theory a useful analytical tool for studying the management of the MNC (Forsgren, 1989; Doz & Prahalad, 1993) and MNC control (Ghoshal & Nohria, 1989; Andersson & Forsgren, 1996; Ambos & Schlegelmilch, 2007; Rao et al., 2007). In this perspective, subsidiary operations are dependent on specific resources, of which for instance capital can be offered by headquarters, whereas in the network theory, a unit's

most important resource is the web of special relationships, in which the subsidiary is embedded (Andersson & Forsgren, 1996).

Based in Granovetter's (1985) idea of the embeddedness of individuals, network theory became popular in the 1990's explaining the linkage of critical resources to the subsidiary's specific relationships with customers, suppliers and other counterparts. Also control in MNCs has in some cases been studied with the perspective of network theory and subsidiary's embeddedness (e.g. Holm et al., 1995; Andersson & Forsgren, 1996; Andersson et al., 2005). Also relatively recently, in the late 1990's, we have witnessed a rise in analyses based on organizational behaviour, organizational psychology and sociology (Flamholz et al., 1985; Veliyath et al., 1997; Gupta et al., 1999; Fenwick et al., 1999; Björkman & Lu, 1999; Selmer & de Leon, 2002; Bijlsma-Frankema, 2004; Björkman et al., 2004; Foss & Pedersen, 2004; Gomez & Sanchez, 2005; Moore, 2006), bringing the analysis level in some studies closer to the individual.

Next, we begin our review by identifying and reviewing shortly five overarching research streams, namely (1) "control as a mechanism" stream, (2) organizational culture stream, (3) network embeddedness stream, finally introducing the dominant perspectives of the first decade of the 2000's, (4) knowledge management and, (5) HRM and management transfers. Then we will turn towards the more recent, novel research topics and approaches, and finally present our own suggestions.

2.4. Review of the main research streams

Organizational control has been a popular topic since the 1970's and it roots to the very origins of modern organizational and management science research. Acknowledged publications include Cyert & March (1963), Thompson (1967), Tannenbaum (1968), Perrow (1970), Williamson (1975) and Ouchi (1977 and 1979). Although research in organizational control is very extensive, most research is, however, nowadays partial and of a piecemeal character (Samuelson, 1999), meaning, the object of research is narrowly defined to deal with one or a few aspects of control. Fewer efforts have been undertaken to integrate the findings into comprehensive theories of organizational control.

(1) "Control as a mechanism" stream

Management is generally concerned with planning, organizing, directing and controlling organization and its actors. This mainstream worldview is grounded in the assumption that managers and leaders have the ability to rationally plan and carry the plans out. Goals are accomplished when leaders focus on rational analysis, forecasting and installation of negative feedback processes to sustain equilibrium adaptation. The assumption here is that the goal and the path are mostly known and they are formulated by management intention so that the organization progresses in a stable, regular, and predictable way (Streatfield, 2001). In this perspective, control is conceptualized as a management tool, mechanism. In earliest studies, dating to the 1980's, control mechanisms were mainly formal.

Similarly, one of the key strategic requirements of an MNC is the integration of activities of the different international units. Consequently, a branch of research has focused on the

coordination demands of foreign subsidiaries of MNCs, as well as on the simultaneous need for global integration and local differentiation (e.g. Baliga & Jaeger, 1984; Cray, 1984; Doz & Prahalad, 1984; Martinez & Jarillo, 1989; Martinez & Jarillo, 1991). Common to many past studies is their interest in organizational design, contingency theory, determining suitable internal structure of MNC, and a consequent focus on the strategy-structure paradigm (e.g. Youssef, 1975; Cray, 1984; Eisenhardt, 1985; Ghoshal & Nohria, 1989; Gupta & Govindarajan, 1991; Snell, 1992; Nohria & Ghoshal, 1994; Yeung et al., 2001), a strand of organization theory started by e.g. Lawrence and Lorsch (1967). Later, strategy-structure systems, and related planning and control tools, have been criticized e.g. for inhibiting creativity and initiative (Bartlett & Ghoshal, 1995) as the challenge for executives is to engage the knowledge and skills of each person in the organization.

Whereas many of the earlier studies on organizational control concentrate mainly on top-down, vertical, influencing pattern, formal control mechanisms and systems (with some exceptions: Ouchi 1979; Jaeger 1982), more recent studies have taken a richer view to organizational control (Jaeger 1983; Flamholtz et al., 1985; Lebas & Weigenstein, 1986; Martinez & Jarillo, 1991; Calori et al., 1994; Nohria & Ghoshal, 1994; Veliyath et al., 1997; Lubatkin et al., 1998; Lovett et al., 2009). Informal control refers more to a two-way flow of influence, for instance, through personal communication, visits, and team building. In multicultural settings, even language and language competence can have an impact on control, via communication structures and in selecting control mechanisms (Marschan-Piekkari et al., 1999; Björkman & Piekkari, 2009).

A clear evolution in the study of MNC control mechanisms is reflected in the inventory of reviewed articles. It can be seen that up to early 1980's, researchers concentrated their attention on structural and formal control mechanisms and tools. An enlarged focus on also informal, subtle and cultural control means is evitable from the latter part of the 1980's. This development is expected, following a more general rise in interest of culture and related studies since the 1980's. However, researchers have not lost interest in formal mechanisms either, but rather have taken more multidimensional perspectives. A number of studies have concentrated on investigating an optimal balance of formal and informal control mechanisms (e.g. Hedlund, 1984; Richards & Hu, 2003; Chang et al., 2009).

(2) Organizational culture stream

Organizational culture refers to the values, norms and patterns of action which characterise social relationships within a formal organization. Along the rise of more general interest in culture, cultural control became a focus of interest in the 1980's (Bartlett & Ghoshal, 1989; Sohn, 1994; Larsson & Lubatkin, 2001; Selmer & de Leon, 2002; Al-Husan & James, 2003). Consequently, organizational culture is nowadays a widely accepted type of control. Some studies have investigated the role and effect of national culture on control types, specifically control systems used in foreign subsidiaries (e.g. Calori et al., 1994; Lubatkin et al., 1998) and many studies have compared control strategies in different cultural environments (e.g. Kirpalani et al., 1988; Chang & Taylor 1999; Chung et al., 2006; Lee et al., 2008).

Another popular topic is acculturation, achieving changes in e.g. the work values of host-country employees in foreign subsidiaries (Larsson & Lubatkin, 2001; Selmer & de Leon, 2002; Al-Husan & James, 2003) through which cultural control can be exercised and realized. Cultural reforms can be pursued, for instance, through MNC expatriates and training and development. It is widely acknowledged that controlling through culture is a time-demanding task and implementing a change in culture is more easily said than done. Acculturation has especially been a hot topic in MNC studies of mergers & acquisition dealing with post-acquisition integration issues and the development of (common) corporate culture. Although research on informal control mechanisms is gaining ground, well-founded doubts have been raised about the effectiveness of organizational culture as a control mechanism in MNCs and the ability of managers to control culture (Marschan et al., 1996; Welch & Welch 2006).

(3) Network embeddedness stream

The third research stream, dating to the mid 1990's, focuses on the study of networks and shifts the locus of power from the headquarters potentially towards the subsidiary. These more recent advances in the research include a view of MNC as a network of transactions and specific relationships (Gupta & Govindarajan, 1991; Andersson & Forsgren, 1996). In this perspective the subsidiary's embeddedness in the network proposes new considerations for the overall corporate strategy: effects their headquarters' integrative endeavour and the subsidiaries' perceived control (Andersson, 1997). The subsidiary's strategic role assigned by headquarters is not necessarily in correspondence with its role in the network. The network stream researchers see the subsidiary's environment as a

business network and the degree of embeddedness as an important trait of this network. Researchers have discussed the headquarters' problems of controlling subsidiaries' contextual relationships (Holm et al., 1995; Anderson et al., 2001), the importance of the headquarters' knowledge over the network context, and attempted to reveal what factors affect the local embeddedness (Andersson et al., 2005). Further, the researchers have made an effort to prove that subsidiary's own business network is an important and (politically) powerful resource in the relationship between headquarters and subsidiary. (Andersson & Forsgren, 1996) Network theory brought an important factor, subsidiary's own local context, into MNC discussion. Still, it must be noted that perceived control at the subsidiary level is dependent also on other factors besides embeddedness.

(4) Knowledge management stream

Based on resource-based view of the firm and network embeddedness theory, subsidiary most likely develops informal roles which are based on resources or competences located in the subsidiary. These roles are likely to affect the amount of control exercised over them. One such resource is knowledge. This stream includes studies specifically on knowledge as a resource or asset, instead of information technology or systems point of view. Knowledge can be related to local environment, procedures or products, for instance. It was not until the 2000's that a stream of research, dealing with knowledge management gained influence in the field of MNC control. Existent research shows that subsidiary knowledge has implications for foreign subsidiary control (e.g. Edwards et al., 2002). Subsidiaries with unique information tend to be less formalized and centralized in decision-making compared to subsidiaries with little or no unique knowledge. Recent

research efforts include knowledge development in MNC subsidiaries (Sumelius & Sarala, 2008), knowledge transfer between headquarters and subsidiaries (Björkman et al., 2004; Lee et al., 2008) and knowledge stocks in addition to knowledge flows (Foss, 2006).

(5) HRM and management transfer stream

In addition to knowledge management stream, the current decade features another significant line of studies, namely human resource management stream, including the transfer of managers. Earliest studies emphasize for instance, the creation of an integrated HRM system and control system (Pucik & Katz, 1986), and explore the clash of the corporate culture of MNC and the national culture of the local subsidiary, with an attention to HR practices (Schneider, 1988), and roles of the HR functions. Later studies also engage in quite traditional research ideas, such as testing effects of different internal and external factors on MNCs' use of formal vs. informal mechanisms to control their human resources (Gomez & Sanchez, 2005), investigating the relationship between the MNC nationality and its management of managers, especially the transfer of parent company nationals and corporate acculturation (Chung et al., 2006), and investigating the cross-cultural determinants of strategic international human resource control over MNCs' subsidiaries (Wang et al., 2008).

Moreover, a line of research has spun in the turn of the century to address specifically management transfers and expatriates' role as informal coordination and control agents and as developing socialization strategies in subsidiaries (e.g. Fenwick et al., 1999; Al-

Husan & James, 2003; Gong 2003). The pioneering study of expatriate control, however, dates thirty years back (Edström & Galbraith, 1977).

Lately, novel ideas have entered also HRM – MNC control research field. Harzing (2001) adds to the literature exploring the power-relations dimensions of expatriation and especially highlights the complex strategies, which expatriates use in implementing social control function. Some studies have recently concentrated especially on Japanese expatriates and HRM practises of Japanese MNCs (Legewie, 2002; Gong, 2003; Paik & Sohn, 2004a). Topic is justified as it appears that in practice Japanese MNCs depend heavily on expatriates in their subsidiary control strategies. Scholars, consequently, attempt to challenge the meaningfulness of this strategy in all situations. Moore (2006) questions expatriates' primary use as social control agents for the headquarters. This study challenges earlier, more linear and functionalist views of the organization from scholars taking a more quantitative perspective and potentially ignoring the external environment and the personal strategies of managers.

Same tests run on subsidiaries as a whole in the 1980's and 1990's, seem to be done on the HRM function in the 2000's. Strategic contingency approaches were the most popular theoretical approaches employed in empirical HRM –performance research in the late 1990's and early 2000's. These approaches provide logical and insightful frameworks on strategy, HRM and context. However, these models are criticized for their tendency to overlook employee interests in their attempts to align strategy and HRM. In addition, they are claimed to be oversimplified and lacking adequate depth to capture the complexity

and dynamics necessary for understanding the relationship between HRM and environment. (Paauwe & Boselie, 2007) All in all, we can conclude that HRM and management transfer stream traditionally draws on the headquarters perspective.

3. Towards the future research agenda

3.1. Novel approaches to MNC control

Thus far we have seen how literature on control in MNCs has developed in five streams over the last few decades. At the turn of the Millennium, we were introduced some novel (and previously overlooked) ideas in the field of MNC control, including (1) control by compliance versus control by commitment (Malhotra, 2002; Bijlsma-Frankema, 2004), (2) feedback-seeking behaviour (Gupta et al., 1999), (3) low-power actors' ability to gain influence (Bouquet & Birkinshaw, 2008a), (4) the attention-based view of the firm (Bouquet & Birkinshaw, 2008b), and finally, (5) workplace resistance (e.g. Mumby, 2005).

Adopting a psychological perspective, Bijlsma-Frankema (2004) discusses the dilemmas of managerial control in post-acquisition processes. Bijlsma-Frankema (2004) suggests that whereas in the past managers could rely on the rationality of control in handling organizational problems, they are nowadays faced with a commitment-oriented, trust-based rationality. Therefore, management is frequently seen as a balancing-act between the need to control and the need to commit and cooperate (Bijlsma-Frankema 2004). Feedback-seeking behaviour (Gupta et al., 1999) refers to the performance-oriented

feedback-seeking, self-regulatory conduct of subsidiary presidents, representing an overlooked self-control mechanism. Drawing from institutional theory, resource-based view and social network theory, Bouquet and Birkinshaw (2008a) present a conceptual framework for managing power and gaining influence in MNC. Authors draw attention to the need for further research in “strategies used for breaking the rules as a means to depart from the status quo” (Bouquet & Birkinshaw, 2008a, p. 499) and the role of individual actors in shifting the power balance within complex networks. A related concept to self-control behaviour is “gaining attention”. It is a more positive equivalent to the concept of control studied in formal structures (Ocasio, 1997) and in activities of individuals (Bouquet & Birkinshaw, 2008b), as opposed to more “negative” form of parent intervention, control. Finally, critical organization studies have presented analyses of organizational power and workplace control processes (e.g. Burrell, 1988). More lately, these studies have been criticized for developing around an implicit duality of resistance and control (Mumby, 2005; Putnam et al. 2005). Resistance is a vastly researched phenomenon in organizational theory, however, this concept, as many other critical or non-managerial issues, has remained relatively untouched in international business.

What is common to all novel studies is the broadening definition of control from a set of mechanisms to something more abstract and complex, such as power, influence and persuasion. In addition, studies are increasingly embracing mixed motives between the headquarters and subsidiary. Study focus is a two-way street rather than a top-down rationality. Headquarters-subsidary relationships are portrayed gradually more as mixed-motive dyads, in which members have both interdependent and independent

interests (Ghoshal & Nohria, 1989). Also, researchers acknowledge the presence of dilemmas, trade-off situations and paradoxes.

To conclude, there seems to be a shift in the focus of the research from more simple to more complex: from one explaining theory to multiple theories, from formal to informal types of control, and from horizontal to vertical and one-dimensional to multidimensional perspectives. Further, the research has evolved from the headquarters-dominated towards subsidiary gaining power and influence. Whereas the concentration earlier was on MNC-wide factors, the focus later turned to subsidiary-specific issues (Björkman, 2007). Also, prior studies often concentrated on structural aspects of the MNC and the subsidiary, while later research has given attention to relational factors. This development follows natural evolution of globalization and local sophistication as well as advance in information and communication technologies. The outlook on subsidiary has evolved from a dominated player, to possessing resources and connections in networks, finally having interest in self-controlling behavior.

3.2. Suggestion for the new research agenda

On the pages above we have examined how the control research has evolved over the last decades. The intriguing question is what the future research on MNC control will focus on. Below we attempt to summarize these research gaps in a new research agenda for the coming decade.

In the analysis above, we have also taken some insight into the drivers of the evolution of control, particularly within the research activity. However, we feel it is necessary to broaden this view and also seek to better understand the environment this research takes place in. Our simple assumption is that the evolution in control research is driven – at least to some extent – by the changes and evolution in the control the MNCs practise in real life. This again – we assume – is driven by the changes and the evolution in the world surrounding the MNCs, the world they operate in. Therefore we will comment on some of the major changes and trends in the MNC business environment and the influence those factors may have on the future development of organizational control.

Today, organizations operate in complex, uncertain, and often contradictory situations. Managers and employees are expected to do more with less, maximize both short-term gain and long-term investment, and be more efficient as well as more humane and ethical (Hatch & Cunliffe, 2006). Confronting such an array of contradictory forces demands the broadest set of concepts and theories possible. Also Academia should meet these demands - accept complexity and uncertainty and their contradictory demands and take advantage of multiple organizational perspectives. Also the concept of control is receiving new dimensions. In the future research, control will be seen as a wider concept than just as a set of mechanisms, and consequently the research will be more than merely measuring how those mechanisms are used. Control is less and less a straight-forward activity and has become a more complex phenomenon. Also the unit of analysis in the control research will have new dimensions. Instead of solely focusing on the subsidiaries, the research will also look into the individual level. Moreover, there are other

stakeholders, such as regional headquarters, which will be receiving more attention than in the past.

The conceptual complexity will also set new requirements for the research methodologies. In our review of control literature, 80 per cent of the empirical articles used only quantitative methodologies. However, all but one of the qualitative studies had been published in the last 10 years. One could expect this trend to continue. This complexity will call for using more sophisticated theories and drawing theoretical knowledge from other related and perhaps more advanced fields of research such as sociology and psychology. Using such theories will give us new lenses to look into this phenomenon and thus produce new knowledge and research with richer results.

Based on the analysis we have carried out, we have identified research gaps, which we will summarize below and which we believe will attract attention in the coming decade:

Gaps in past research - Future research topics

1. *It will be acknowledged that control requirements in MNCs have become more complex. The world around MNCs has become more complex and so have the MNCs. They have grown in size and structural complexity and have become more culturally diverse, both in terms of national and organizational cultures. As a result, sophisticated researchers will study more complex issues, with more complex theories.*

If we take a look back to see how the world looked like in the MNCs managers' eyes some 20 years ago, the changes to today are evident. One of the major trends over the past two decades has been the globalization of the world business. While twenty years ago MNCs were generally regional by nature, today we see even small companies to operate on a global scale, up to the emergence of the concept of born globals (Knight & Cavusgil, 1996; Gabrielsson et al., 2004; Gabrielsson 2005). In the same period the international trade flows have grown more than two fold (UNCTAD volume indices for world export and import doubled between 1995-2006³), making the whole world much more dependent on the global business.

On the other hand, the fast-paced globalization has also created vocal criticism when its consequences are seen too severe for communities and individuals, for example when factories are closed down in small European towns, dependent on those activities, and production transferred to China or to other lower cost countries. In this evolution some critics have started to see MNCs as an evil that should be constrained.

MNCs have been pivotal to the globalization of the business as enablers of the rapid change, and may have even been the drivers of the change in their search for growth. In the past twenty years, MNCs have grown tremendously both in size and number. The number of MNCs went from 35,000 in 1992 to 78,000 in 2006 (United Nations World Investment Report 2007) At the same time, the revenues of the

³ <http://stats.unctad.org/Handbook/TableView/tableView.aspx?ReportId=1911>

Fortune 500 companies more than quadrupled in the twenty years from 1989 to 2008⁴.

As the large size and market share are often considered crucial in order to survive in the globalized market, MNCs have searched for growth also through extensive activity in mergers and acquisitions (M&A). The value of acquisitions has grown more than tenfold between 1987 and 2006⁵. All these acquisitions have made MNC organizations not only bigger, but also more complex and culturally diverse, both in terms of national and organizational cultures. This in turn, has led to more complexity in control. Matrix organizations have become common place and functional – often virtual – organizations have taken a more significant role in the MNCs. On the other hand, the complexity has made MNC managers to look for new, more informal forms of control, such as socialization or using company culture as glue across the culturally diverse organizations. The increased M&A activity has also led to the introduction of an entirely new field of control, namely integration control.

All in all, while the evolution of the MNC business environment has set totally new requirements and demands on control, the same evolution has made it much easier to apply the control mechanisms.

⁴ http://money.cnn.com/magazines/fortune/fortune500/2008/full_list/ and http://money.cnn.com/magazines/fortune/fortune500_archive/full/1989/

⁵ <http://stats.unctad.org/FDI/TableView/tableView.aspx?ReportId=901>

2. *There will be an emphasis on control by commitment.* Several recent studies have discussed the concept of commitment in contrast to control by compliance (e.g. Malhotra, 2002; Bijlsma-Frankema, 2004). It has been noted that control by compliance is more suited to organizations or markets within a stable and predictable business environment, in which for instance worker performance was measurable with reasonable precision. Nowadays, such required monitoring and correction of behavior is likely to offend for instance a knowledge worker's sense of autonomy (Malhotra, 2002). Under conditions of ambiguity and uncertainty and radical and unpredictable change, control by commitment appears a viable strategy. Strategy-structure systems, and related planning and control tools, have been criticized e.g. for inhibiting creativity and initiative (Bartlett & Ghoshal, 1995) as the challenge for executives is to engage the knowledge and skills of each person in the organization.

3. *Subsidiary will be seen as a more equal player towards headquarters and able to perform self-control.* Subsidiary is no longer seen as a dog-like object of control but rather as a grown-up human being, able to actively contribute to the HQ relationship. Study of social controls e.g. self-control and feedback-seeking behavior (Gupta et al., 1999), attention-seeking behavior (Bouquet & Birkinshaw, 2008b), low-power actors' ability to gain influence (Bouquet & Birkinshaw, 2008a) and social knowledge (Sohn, 1994) are all illustrations of this new view of subsidiary.

Globalization is leaving more room for self-control as it sets new requirements for control in MNCs. When a growing share of the business takes place outside of the home base, often combined with higher risks, control also needs to be exercised in countries and business environments which may be unknown to MNCs and less developed. Control in general becomes more and more difficult to carry out when the number of country subsidiaries grows, thus creating space for self-control,.

4. *Knowledge management will continue to hold ground.* Knowledge is in the control game on two fronts. First, knowledge is a valuable resource a subsidiary holds, and with the continuous rise of the knowledge based industries, this resource will continue to add to the subsidiaries' power base (Sumelius & Sarala, 2008). Second, managing knowledge across the more and more complex MNC organizations is a process challenge and a means of control (Edwards et al., 2002; Björkman et al., 2004).

One undisputed mega trend in the past two decades has been the rapid evolution of the information and communication technologies. Back in 1989 internet did exist but was used only by a small number of companies, while today it has become the core communication media within MNCs through e-mail and VOIP. In the same period the mobile telephony has taken giant leaps to go from 11 million subscriptions in 1990⁶ to 2,109 million subscriptions in 2005⁷, with device capabilities unimaginable twenty years ago. The information systems have also gone from slowly built

⁶ http://www.nationmaster.com/graph/med_mob_pho_sub-media-mobile-phone-subscribers&date=1990

⁷ http://www.nationmaster.com/graph/med_mob_pho_sub-media-mobile-phone-subscribers&date=2005

dedicated systems to globally implemented software solutions, particularly in the area of enterprise resource planning (ERP), business intelligence and reporting systems, which combined with the multifold speed in data transfer, have transformed the system landscape and use in MNCs.

These technological advancements have had tremendous effects on how MNC managers can practice control. Financial control has become rapid, standard and effortless, also supported by standardization of financial regulations, such as IFRS. ERPs offer unimaginable drill-down possibilities, allowing headquarter managers to have a view on detailed financials of any subsidiary, without leaving their desks, almost on-time. E-mail and file sharing capabilities also enable instant reaction to any business issues and fast dissemination of information across the global organization. On the other hand, mobile technology has allowed global managers to leave their desks for good. Receiving information and exercising control have become independent of place, allowing managers to spend more time in subsidiaries and thus strengthening the role of social control.

Future choices in approach and methodology

5. *Theory building will gain more momentum while theory testing will take the second place.*

The evolution of the older research themes has led to an abundance of research testing those theories in various contexts. Reaching a point where its value added is diminishing, there will be more room for research focusing on theory building. This

is also a logical consequence of so many new topics emerging and new methods enabling a study of more complex phenomena.

6. *Influences from other disciplines will be employed to manage the research prejudices.* A study among the managers of European industrial companies (Calori 1998) suggests that scholars in business economics should increasingly utilize sociology, psychology and philosophy in research, as well as in the education of future leaders. More recently, Cheng et al. (2009) call for advancing interdisciplinary research specifically in international business as the phenomena are often complex in nature, which is the main reason why researchers engage in interdisciplinary research. Novel types of analyses of control are relevant and timely for updating our understanding of the phenomenon and allow us to see it with different lenses. Some recent analyses of organizational control have for instance imported new concepts or theories to the MNC research field (see e.g. Bijlsma-Frankema, 2004; Moore, 2006; Bouquet & Birkinshaw, 2008a; Bouquet & Birkinshaw, 2008b). The existing organizational control research is dominated by strategist control analyses and voices from the upper echelons of the hierarchy. Therefore, supplementary views from the executing levels of hierarchy and of the target of control are needed. In discourse analytical terms, we could suggest that control in MNCs should break with their historical and discursive legacy and reconfigure their research practice (Westwood, 2004).

7. *New and more qualitative methods will gain ground to provide a deeper understanding of the control phenomena.* Control research has been dominated by quantitative studies, with emergence of more and more qualitative approaches. The increasing complexity of control and the new topics are calling for an application of larger variety of methods and intensified use of multiple methods (Marschan-Piekkari & Welch, 2004).

New methodological views enable us to see much-researched phenomena, such as organizational control, in new light. For instance, understanding the social constructed nature of events and actions may help organization members to shift their perspectives (Søderberg et al., 2000). Methodology can be seen as embedded in ontological and epistemological assumptions, as well as motivations and values of the researcher. As the field of MNC control research in international business is relatively homogeneous with respect to research methods, it is most likely that the research does not in fact bring much new knowledge or innovative ideas but keeps on testing established theories. This way we face a risk of sustaining “simplified, ideal-type decision-making models in complex ‘postmodern’ business landscape” (Vaara & Tienari, 2004). Vaara and Tienari (2004) suggest that scholars in international business should consider making use of methods that have proved useful in humanist and social studies more generally. We would also encourage the use of different research methods and epistemological perspective. This is needed in case we want to challenge the contemporary ways of knowing.

8. *We can anticipate social constructionism entering the research field of MNC control soon, as it has become prominent in some other organization studies, such as organizational change in M&A (see e.g. Søderberg et al., 2000; Vaara, 2002; Vaara & Tienari, 2002; Vaara, 2003; Vaara, Tienari & Sääntti, 2003; Risberg et al., 2003; Tienari et al., 2005). Overall, in organization studies, there has been a greater focus on language, metaphors and organizational storytelling since the 1990's (e.g. Boje, 1991; Boje, 2001; Czarniawska, 1997; Czarniawska, 1998; Czarniawska, 2004; Gabriel, 1991; Gabriel, 1995; Gabriel, 2000). This is logical, as human life is mostly about communication, written and spoken language in different forms. As an analysis method, discourse analysis would suite well to a messy concept such as control.*

Further, the MNC organizational context gives rise to many forms of identity construction. The multinational is a significant arena for producing particular relations of dominance (Tienari et al., 2005) as evitable also from the reviewed literature. Individuals can represent themselves in diverse and varying ways (see Weick, 1995). They may construct multiple versions of self, which may be inconsistent and even contradictory (Potter & Wetherell, 1987). This area of research is clearly neglected in international business and would bring novel information on decision makers and their discursive worlds. It is possible, even likely, that managers in different positions in the organization construct control differently. In case for instance middle managers would resort to conflicting repertoires of control, it would most likely be a signal of multiple and even contradicting roles that the managers need to handle. By analysing, comparing and integrating, for instance, the

discourses of controller and controlled parties on several hierarchical levels, we could build new understanding on control on a relatively untouched level.

Future units of analysis

9. *Individual will become a unit of analysis at its own right.* While there is a shift from management and strategic perspective to organizational perspective on control, there is a parallel shift in the unit of analysis from subsidiary to individual (e.g. Gupta et al., 1999; Bijlsma-Frankema 2004). The behavior of the individual gains in importance and focus is not limited to managers but to any individual member of organization, to their mind sets and cognitive orientations.

Many of the developments in the MNC business environment affect individuals. For example, traveling across the world has become easier with an increasing number of international flight routes, and while the security considerations may have had an opposite effect, the introduction of Schengen area has allowed borderless travel in Europe. The improvement of language skills also makes corporate lives easier, with increasing numbers of people speaking English as a foreign language. International careers have also become much more common place and easier particularly in Europe through the European Union integration policies.

All these changes make informal control easier to exercise. Transfer of managers has turned into building organizations through international recruitment. Interaction in MNCs can also take place at multiple levels and not only between the top

management. Also international training and management meetings offer more opportunities for informal control.

10. *New or overlooked stakeholders will come to play.* Historically, control research tends to assume a simplistic HQ-subsidary relationship, alternatively take the entire MNC into scope. The complexity of the MNC organizations and the related stakeholders, such as regional headquarters, are often overlooked. The globalization and particularly the fast growth in Asia have led to the triadization of the world (Gittelman, 1997). Asia has emerged as a third, equal region alongside Europe and America. The triadization is one factor in the regionalization of the MNC organizations and introduction of multiple layers of control, also driven by the growing size of the MNCs (Ghemawat & Hout, 2008). The emergence and evolution of regional headquarters raises many questions: How do regional headquarters deal with being wedged in between the headquarters and the subsidiary? What role do they play and why? What is regional HQ's role in control process?

4. Conclusions

The article was motivated by the dispersed nature of MNC control research field and the wish to explore the past evolution of its studies. An extensive literature review and analysis of over seventy articles on organizational control in MNCs dating from 1970's up today was presented, together with the introduction of five overarching research streams, (1) "control as a mechanism" stream, (2) organizational culture stream, (3) network embeddedness stream, (4) knowledge management and, (5) HRM and management

transfers. We could see a trend in research going from more simple to more complex: from one explaining theory to multiple theories, from formal to informal types of control, and from one-dimensional to multidimensional perspectives. The research has evolved from the headquarters-dominated view towards subsidiary gaining power and influence.

Whereas the concentration earlier was on MNC-wide factors, the focus has later turned to subsidiary-specific issues (Björkman, 2007). Also, prior studies often concentrated on structural aspects of the MNC and the subsidiary, while later research has given attention to relational factors. This development follows natural evolution of globalization and local sophistication as well as advance in information and communication technologies. The outlook on subsidiary has evolved from a dominated player, to possessing resources and connections in networks, finally having interest in self-controlling behavior.

To conclude, based on our analyses of recent literature and developments in environment, we have identified a number of research gaps, presented as a potential new research agenda for the coming years. In the following figure, we aim to present a snapshot of the past MNC control research and provide also a summary of the topics and methodological choices we suggest for future inspection.

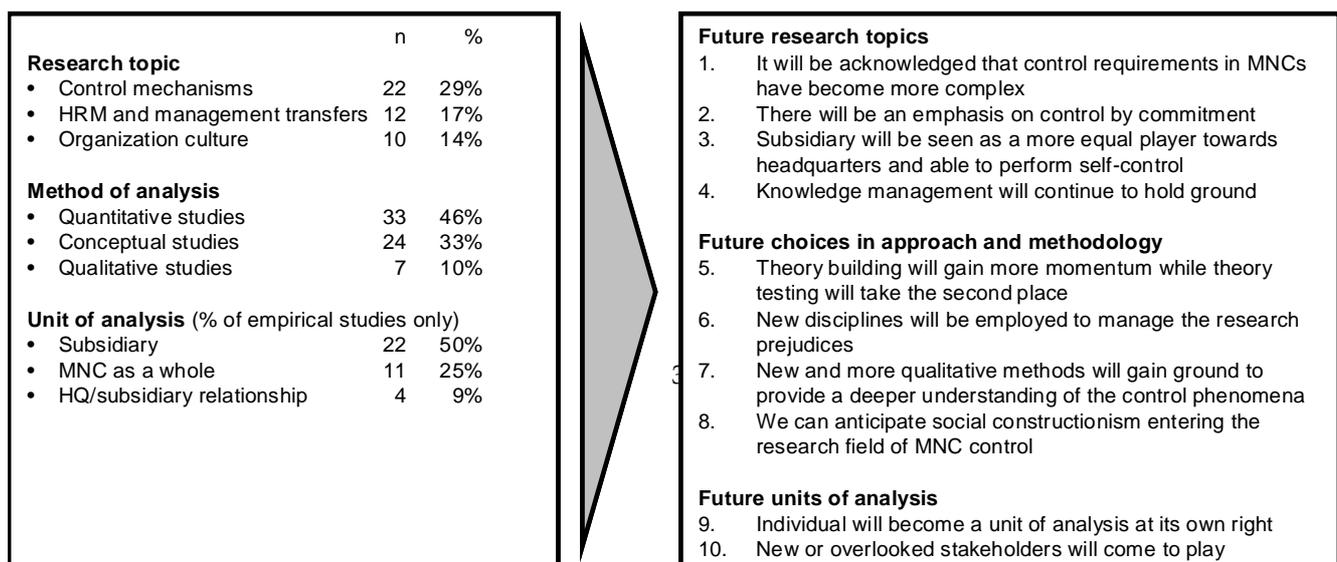


Figure 2. Topic and methods analysed for the past and for the future

With an increase in globalization leading to higher complexity of organizations, there is a necessity to expand prior knowledge on this basic organizational topic so that it would not be overlooked among other, more trendy research themes. Therefore, our intention is to raise the profile of MNC control as a contemporary research topic. In the paper we attempt to reflect and analyse current development in global business environment and their impact on the study of control. The paper, which concentrates on research topic and methodology in its analysis of the past literature, sketches also a new fresh research agenda for MNC control research by opening up the research field for new impulse from business environment and other disciplines. Moreover, this paper contributes to the international business literature by providing a comprehensive outlook on MNC control research and discusses several strands of literature in the past. This review and sketching of an agenda are first steps in pursuing the introduced issues in later studies.

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