# *DESPERATELY SEEKING THE RIGHT MODEL, SUBSIDIARY ROLE CHANGES IN A SERVICE ORGANIZATION*

Abstract

In many cases, subsidiaries are assigned or create roles as knowledge hubs and premise providers in MNCs due to their unique marketing position, their knowledge stock, or strategic position within the MNC. However, over time the roles of the subsidiaries may shift due to changes in the environment, modifications in the headquarters strategies, or changes in subsidiary initiatives. These transformations are often confronted with major obstacles as former central hubs may be reluctant to cede influence resulting in power games with time consuming bargaining among actors within the MNC. We suggest that the effect on knowledge creation and sharing from role changes may be looked at through two theoretical lenses, Organizational justice and network perspective, and that these perspectives may help us understand the implications of role changes on knowledge sharing in multinational companies. The study is a qualitative case-based study focusing on one Norwegian service company. A set of propositions are developed.

Keyword: role changes, perceived fairness, network structures, knowledge sharing, qualitative research, international service firm

## Introduction

In many cases, subsidiaries are assigned or create roles as knowledge hubs and premise providers in MNCs due to their unique marketing position, their knowledge stock, or strategic position within the MNC (Gupta & Govindarajan, 1991). However, over time the roles of the subsidiaries may shift due to changes in the environment, modifications in the headquarters strategies, or changes in subsidiary initiatives. These transformations are often confronted with major obstacles as former central hubs may be reluctant to cede influence resulting in power games with time consuming bargaining among actors within the MNC (Mudambi & Navarra, 2004). Hence, knowledge management, role dynamics, conflicts – and thereby micro politics (Dörrenbächer & Geppert, 2006) are topics that are important to understand better for firms to handle the increasing number of activities across national borders.

According to Dörrenbächer and Gammelgaard (2006), role or charter dynamics (shifts) among MNC subsidiaries are not well defined and investigated in prior research. Likewise, there is still a way to go in coping with the implications of these shifts, especially with regards to knowledge management issues (Foss & Pedersen, 2002; Björkman, Barner-Rasmussen, & Li, 2004). In this paper, we will focus on the special relationship between role changes and knowledge sharing within a multinational service company. We use the definition of Birkinshaw and Hood (1998,782) and define the subsidiary role as their charter which is seen as a shared understanding between the subsidiary and the headquarters regarding the subsidiary's scope of activities. We suggest that the effect on knowledge creation and sharing from role changes may be looked at through two theoretical lenses, Organizational justice (Greenberg 1990) and network perspective (Granovetter, 1985; Ghoshal & Bartlett, 1990), and that these perspectives may help us understand the implications of role changes on knowledge sharing in multinational companies.

We suggest that role changes may affect knowledge management through perceptions of fairness and already established network structures. This model is developed from ongoing research in an international service firm that currently is changing the scope of several of its subsidiaries. The company has gone through two major restructuring programs, one in 2003 and the second in 2007, and within these two programs, each subsidiary had different charters. In addition, some subsidiaries received extra charters, and other subsidiaries took independent initiatives to strengthen their role in the corporation. Out interest is to look into changes that are assigned and that are self obtained and look into the effects of these on sharing of knowledge in the corporation. Based on longitudinal research we are able to look into the changes taking place in this company, and elaborate about the possible effects of these changes.

## Conceptual Framework

There are of course an amalgamate of possible factors that may influence the outflow of knowledge from one subsidiary to others in the MNC. Former literature has for example acknowledged that the relative economic level of a MNC subsidiary's country of location may influence the same subsidiary's ability to share knowledge with other units in the MNC (Gupta & Govindarajan, 2000; Li, Barner-Rasmussen, & Björkman, 2007).[1] Other factors in this category could for example be conflicts and micro politics (Dörrenbächer & Geppert, 2006), entry mode (Gupta & Govindarajan, 2000), subsidiary size (Foss & Pedersen, 2002), common culture and language (Bartlett & Ghoshal, 1989), subsidiary leadership (Birkinshaw & Hood, 1998), and internal barriers such as lack of absorptive capacity, causal ambiguity, and a difficult affiliation between the source and the recipient. (Szulanski, 1996).

[1] To be exact, Gupta and Govindarajan (2000) focused only on the relative economic level of the location of the focal subsidiary in comparison with the parent company. Hence, they did not test any inter-subsidiary hypotheses.

Our research interest lies in understanding how and when role changes may impact knowledge management, and particularly what factors are associated with these relations. Based on our ongoing research we suggest that role changes may affect knowledge management through two different "loops", one based on organizational justice, the other based on network theory. The overall and general framework may be illustrated in the following figure (see Figure 1 below),

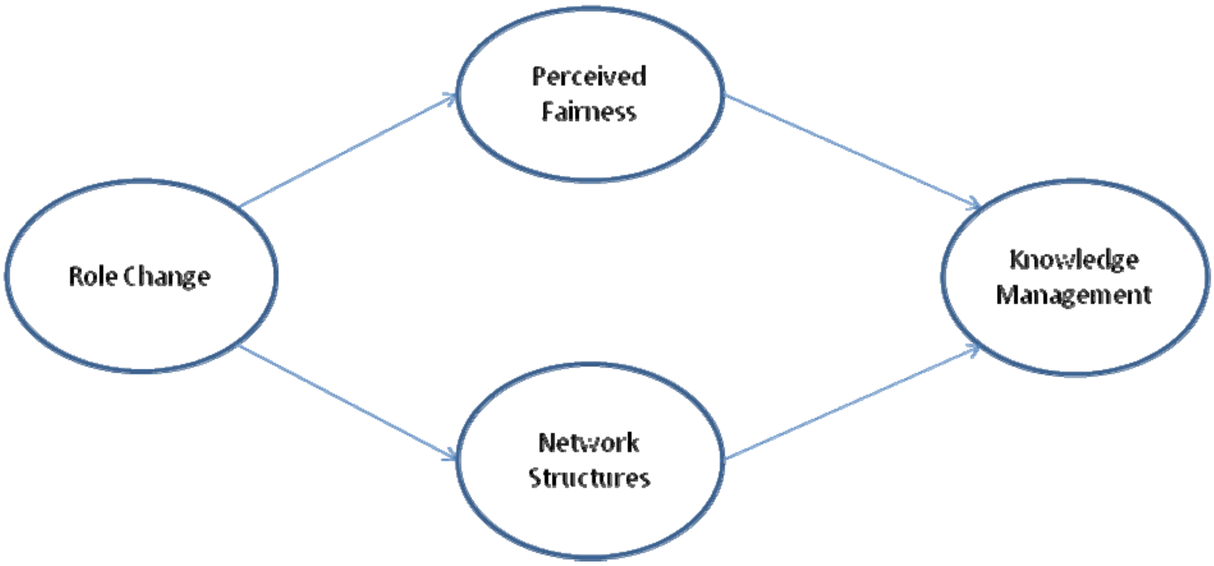


**Figure 1, General framework**

Since we take a qualitative approach in this research we do not yet develop testable hypotheses rather portray a set of assumptions that structure our research.

*Assigned charter shift* (or role development) per se, has been studied from different theoretical angels, and several former studies have taken the framework of White and Poynter as a base line. And according to White and Poynter (1984), a subsidiary in a MNC can pursue five different roles; (1) *marketing satellites* where the subsidiary marketing and sales a product (or a whole range of products in the host country, (2) *miniature replicas* where in addition to marketing production of services or a products also takes place, (3) *rationalized* *manufacturer* where only part of the value chain is executed, (4) *product specialized* that have a comprehensive responsibility for a product/service within the MNC, and at last, (5) the *strategic independent subsidiary* that develop new products/services and markets. *Assigned role shifts* are in this research defined as HQ initiated changes in subsidiary mandates in terms of activity scope (which activities are performed by each subsidiary), interaction scope (which other subsidiaries and actors are the subsidiary interacting with), and strategic relevance (is the subsidiary controlling resources or areas of more or less relevance in the MNC).

Our understanding of knowledge management – or to be more specific – *knowledge sharing* is very much based on a diversity of research that have identified the following aspects of the concept, Transmission channels, causal ambiguity, socialization mechanisms, motivational mechanisms, adoption of technology, adoption of documents and reports, and adoption of best practices (Szulanski, 1996; Gupta & Govindarajan, 2000; Kim, Park, & Prescot, 2003; Minbaeva, et al., 2003; Jensen & Szulanski, 2004; Persson, 2006; Zellmer-Bruhn & Gibson, 2006). As knowledge sharing is one of the strategic advantages of MNC's (Kogut & Zander, 1993; Almeida, Song, & Grant, 2002), and especially important for global service firms (Aung & Heeler, 2001), this variable is one of the *raison d'être* for international firms, and as such, this variable should be very interesting to look at.

*Perceptions of procedural fairness* concern the extent to which the dynamics of a decision process are judged to be fair (Lind & Tyler, 1988). The importance of fairness perceptions for strategy implementation has been supported by the work of Kim and Mauborgne (1991). Their findings show that the subsidiary manager's fairness perception of the strategy generation process affected commitment, trust and social harmony. Research on perceptions of fairness in organizational contexts has been abundant and has clearly demonstrated the negative effects of feeling unfairly treated such as, lowered commitment, reduced job performance, higher turnover, less cooperative styles of managing conflict, and a decline in the likelihood of assisting co-workers (i.e. Greenberg 1990; 2001). On the other hand, when employees perceive organizational practices as fair they tend to be more supportive of decisions, decision makers and organizations that decision makers represent. We therefore argue that when the assigned role change is seen as procedurally fair by other units within the MNC performance will be higher. We also are interested in exploring into which role changes are seen as more procedurally fair by the subsidiaries, and what characterize these types of changes and processes.

*Network relations* are defined as the existing ties between the actors in a MNC, and to other actors within the MNC context. Research has shown that relations between subsidiaries within a MNC and between a subsidiary and local actors may affect learning (Andersson, Forsgren, & Holm, 2002; Andersson, et al., 2007). We therefore argue that the existing ties that a subsidiary has to other actors (internal or external) may facilitate or constrain knowledge sharing when the charter of a subsidiary shifts. The change in charter may of course also over time change the network structure as the subsidiary becomes more or less in control of resources interesting to internal or external actors, which again may influence knowledge sharing. We think, however, that the existing structure acts as a starting point, and will have great influence on the knowledge being transferred and shared after a charter change.

**Methodology**

Our case is Comco, a professional service firm with about 500 employees at 18 offices in 11 different countries in Europe, Asia and North America. Each of these 18 offices is defined as subsidiaries in our research. Comco provides global market access through services of testing, inspecting and certifying products, machinery, installations and systems worldwide. As this is a small service provider, its competitive advantage is based on speed and knowledge, and international collaboration, knowledge development and sharing are core elements. The link between these role changes and knowledge management is therefore of crucial importance to the strategic success of this firm. However, since role changes in MNCs is an area with scant research (Dørrenbacher & Geppert, 2006), we think that it is necessary to explore what factors these changes are connected with to understand their effects on the strategy of the MNC, rather than to go directly to a more structured research scheme. Therefore, this study uses bottom-up qualitative case-based research (Langley, 1999), where reflections overlap in inductive and deductive phases of the study (Miles & Huberman, 1994). For more or less the same reason, the research is also exploratory as well as longitudinal (Ghauri & Grønhaug, 2002). The latter is due to a number of reasons. First, to gain access to sensitive material, documents, meetings, change processes and informants, it takes time to build up mutual confidence and trust. Second, we are able to probe into the implications of these changes and also discover what processes and structures that influence whether these changes improve knowledge transfer or not. We have “followed” this company for about seven years (the years 2002-2009).

The study aims at being multi-local, performing data collection in different localities that are separated by great distances from each other, with many hours of air travel. However, as the services often travel between offices and experts, it makes sense to visit several places, not only for comparison, but as well for identifying the units being linked to each other in a more of less coherent network (Hannerz, 2003).

An appropriate method for exploratory research is in-depth interviews. Hence, through interviews, but also by observation and secondary material, we are studying the effects of these role changes on knowledge transfer and performance in the MNC. The study has also a multi-level approach, performing data collection at different levels within the firm. From top management, middle management, project managers, engineers, secretaries, juniors, seniors, we have strived to talk with as many levels as possible in order to view the possible effects of assigned charter shifts.

The interviews lasted from one to two hours, were recorded and transcribed. From 2002-2008 we have performed more than 80 interviews at different levels in the organization, and in addition, we have also performed a large scaled structured questionnaire which emphasized customer satisfaction, firm performance, and knowledge management in Comco. Hence, we have a rather in-depth understanding of both organizational processes and organizational performances during these last seven years.

Through various means, the validity and reliability of the empirical, descriptive and analytical material has been tested. Not only have we presented papers to managers, but findings and analysis have been presented to a lot of employees with possibilities for feedback.

**Strategy at Comco**

Comco was traditionally a monopoly that did mandatory testing in Norway. With changing laws in the beginning of the 1990ies testing no longer became mandatory and Comco had to enter the private market with new products. They managed to qualify their labs, and gradually expanded their business internationally with a series of acquisitions during the 1990ties and early 2000. Currently, they have offices on all continents and offer market access through global certificates. Compared to major competitors they are still small, and offer a narrower product range.

Comco has recently been through two major strategic reorientations (see Figure 2 below), and these changes form the main drivers in our analysis.


| | | | |
|---|---|---|---|
| *Formal role* | Product specialist | Miniature replica | Strategic independent |
| *Type of networks* | Few | Formal, inward | Clustered, inward/outward |
| *Perceived fairness* | Medium | Low | High |
| *Knowledge sharing* | Some | Operational | Dedicated |
| *Performance* | Medium | Low | Medium |

**Figure 2, Strategic reorientation**

***Before 2003*** Comco organized their subsidiaries as product specialists. Each subsidiary had full responsibility for their own services within the MNC, but most developments were done in at main headquarters in Norway. The Norwegian unit was the largest, most competent and experienced unit, and therefore had a higher status than the rest of the subsidiaries. This unit had combined production as well as headquarters functions. Normally, other subsidiaries would consult Norway for any clarifications regarding how to interpret standards. The Norwegian unit was also in charge of training and many large customers preferred to deal with Norway even if there were offices locally. Analyzing the organization management wanted to boost efficiency and performance and suggested a new organizational model which was implemented in 2003.

**2003 Change**, In 2003 Comco initiated a matrix structure supported by a common IT platform. The value creation process usually starts with sales, then testing and finally certification. Due to strict legal procedures, the certification is usually done in Norway where the company has its main license rights. The 2003 strategy identified a matrix, with two global activity streams, sales and testing on one axis and the local offices on the other. The activity streams had P/L responsibility, whereas there was a weaker coordination link on the local axis. As P/L was removed from the local subsidiaries we argue that through this change each subsidiary went from having full responsibility to only having partial responsibility for selected activities, and changed into a miniature replica. Each local unit defined one sales and one testing manager and these reported to the global sales and testing managers in Norway. These streams of sales and testing managers had their independent global meetings where they met and discussed common issues and challenges and identified global initiatives on how to meet these challenges. We observed several of the global sales and testing meetings, and recorded how discussions in these meetings were often concerned with operational issues, for example how to develop a sales procedure or how to recruit good sales people in the global sales meetings, and capacity utilization, error rates and technical training in the test meetings. In addition, each manager would present his own unit and talk about the latest developments. Meetings usually took place at various locations, and as people travelled far to get there, usually the meetings lasted for at least three days. Normally each meeting would identify a set of important issues hat were delegated to teams. These teams would work together virtually and present their ideas in the next meeting. As the managers spent a lot of time together, they also had ample opportunities to meet socially and get to know each other on a personal level.

The 2003 strategy also included a common IT platform that was designed to integrate all the testing facilities. Ideally, the customer could log on to the company website, specify their needs and receive a quotation. The testing procedure would then be directed to a global testing facility based on cost and availability. This system never was fully implemented, and especially the high cost locations feared that they would loose a lot of business to the low cost facilities. The slogan in the new strategy was “one Comco”, meaning that it does not matter where business is created globally, because we all work for the same benefit. This created a lot of frustration as units that had a comfortable situation with stable customers, were afraid they would loose these to inferior, cheaper units. This made them reluctant to initiate new business as the P/L responsibility was not theirs and they would most likely not benefit from it because the new business could go elsewhere.

Within this strategy, the central HQ unit lost gradually more of its formal charter. 3 subsidiaries outside of Norway were awarded center of excellence status because leadership wanted to develop strong knowledge hubs outside of HQ. This was seen as strange and a bit unfair by the Norwegian unit who thought they had a much stronger cluster within the chosen technology and could not understand why the CoE was given externally,

*"We were 13 people with extensive experience, they said that Italy was Center of Excellence, which was crazy because basically only one man knew the technology well, and they hardly have customers on this"* – Norwegian manager

This incident lead to conflicts and five people left the company. Between the foreign and the Norwegian subsidiary there were strong "we-they" feelings, where foreign subsidiaries pointed to the slow reaction time and low working morale of the Norwegian unit, whereas the Norwegian unit were tired of frequent interruptions in their daily work having to respond to calls from foreign units. They would not get paid for giving this advice and felt that they were ungrateful and demanding.

There was much talk about how Norwegian traditional customers were moving out of Norway, and the cost level was still high. Furthermore many subsidiaries were not satisfied with the response-time when they contacted Norway and what they termed "arrogance" in the dealings with Norway. The new strategy was a way to demonstrate to Norway that foreign units probably were better and cheaper.

Despite these problems, extensive global networks were built in this period. Test managers met for instance four times a year in meetings that were mainly operationally focused. Hence we observed deep debates into quite detailed problems, and managers reported that they were well aware of challenges in other subsidiary units, and if requested they were able to help or suggest where to go for help, and if customers had business other places, give information about this to the local subsidiary in this market. Consequently in this period networks between subsidiaries were strengthened, but the strategy was seen as relatively unfair because creating business for others were not rewarded, and the heavy focus on global meetings were seen as taking focus away from local business opportunities. Success criteria were often internal, such as capacity utilization and through-put times. One subsidiary always scored high on these measures, but other subsidiaries felt that this focus was unfair because this subsidiary did not follow the strategic directives to generate a broader scope of business that the other subsidiaries had done, but they kept their focus to a narrow niche where they were successful.

> *"They should have been more forceful, but they stayed small. Now they cannot help us enforce global initiatives"* – Local manager, another location

In this situation people were well informed about the strategic and operational developments other places in the corporation, but CoE system and key performance indicators were seen as unfair. This led to people being a bit reluctant to share knowledge, even if the potential was high. Another problem was the strict incentive divide between sales and testing which also led to suboptimalization as sales people only were interested in increasing sales, and less into what sales were better for the testing department.

***Strategy Change 2007.*** When the new CEO took over in 2007 he quickly saw that the strategy from 2003 had not been successful. Performance was low, especially in Norway, where performance was down 50% in some departments. He also felt the tension between Norway and other units and decided that it was time to upgrade the Norwegian unit and give them more self confidence as a key unit within the corporation. As the right to issue certificates lay with the Norwegian unit, it would, into the near future, be necessary to maintain strong knowledge around key standards, and it was important that key people stayed. The matrix structure was replaced by a regional structure where each location had one general manager with P/L responsibility reporting to a regional manager. Consequently each subsidiary changed their mandate from a miniature replica to a strategic independent subsidiary. Control shifted from strategic to financial, and the clear directive was for each subsidiary to develop their own strategies within the general strategic framework developed by HQ.

Norway was separated from corporate management even if the standards still would be tied to the Norway unit. To turn the sinking profitability a new manager for Norway and a global HR manager were hired, and both initiated change programs based on lean production systems and project management aimed at larger customers. This strategy was very successful, with a 12% growth in sales in 2008, and 14% growth in 2009. The overall corporate strategy identified some core areas and growth measures attached to these. Customer orientation came into the vocabulary much stronger, but it was interesting to note how differently the Norwegian and the foreign units interpreted this strategy and particularly the term customer orientation. Whereas the foreign subsidiaries saw this as a drive to increase sales, the Norwegian unit saw the drive towards a more radical form of customer orientation. Consequently, the subsequent change was in the subsidiaries incremental, whereas the Norwegian unit saw this as an opportunity to change more radically. They changed their entire concept of their business from sales of testing to project management where testing was an important ingredient. By including a much broader view on customer needs they were able to plan their customer offer better, faster and sometimes also cheaper because some tests could be avoided.

Instead of strict strategic control as was the case of the matrix strategy from 2003, this strategy contained a stronger focus on financial control. More financial indicators were developed and budgets and strategy plan had to go through more formalized procedures. Each subsidiary felt however that their charter had changed they had gained more autonomy and could to a higher extent be in charge of their own strategy. Although the Norwegian unit had gained more status, the move out of centers of excellence continued, and two more centers of excellence were moved out of the Norwegian unit. North America was strongly building up their position within more high-tech industries, although both the Norwegian and European units felt that they had strong competencies on these standards. The view that the Norwegian unit had become gradually less important continued as the foreign units felt that their competence was now sufficient to meet demanding customers within certain standards. China was also building up quickly in this period, and as the highest market growth was in China, the company thought it vital to be there. The Chinese unit was still weak and in need of support, and was currently not seen as a strong threat to own business.  Overall the 2007 strategy was well received. The subsidiaries saw the change as an opportunity to act according to their own ideas, and if they succeeded they would be financially rewarded. Consequently, the strategy was seen as fair.

As the regional structure was adopted, several respondents claimed that they were loosing knowledge on operational challenges in subsidiaries outside their own regions. Twice a year general managers would meet, but this meeting was short, generally aimed at HQ to present new initiatives and comment on the financial status of the subsidiaries. Consequently, respondents complained that they were loosing control over what was going on outside their own unit and region.

> *"Before I used to be able to relate to one of my people wanting to go somewhere and I could assist in how to solve needs other places. Now we mostly talk about financials on global meetings, and I have no idea what operationally goes on other places"* – Local manager.

Most managers were happy about the strategy changes and welcomed the opportunities to have more local autonomy. They had felt that the last strategy did not work, and felt that some global meetings were not productive enough to warrant the travel cost of people from all over the company. Consequently, we may argue that in this period perceived fairness was high, which meant that the willingness to share knowledge was there, but the networks for doing so were gradually withering as there were fewer global meeting places coupled with a gradual downplay of Norway as the central knowledge community. Hence, some network connections were present, but these were relatively few, and several managers stated that over time these would be weaker because not relations were formal more than strategic and operative. Some local initiatives took place to gain knowledge as one subsidiary would invite specialists from another subsidiary to share knowledge. We identified at least three such clusters of knowledge sharing involving 3 subsidiaries each. It was also clear, however, that many people had no contact with other subsidiaries, and their learning was increasingly from the internet, from external customers or from competitors. Consequently we may argue that knowledge development in this period was more directed towards areas of strong strategic importance either for a single employee or for the unit. Whereas knowledge sharing in the 2003 period was more operational and general, knowledge sharing in this period was more focused on how to fill specific gaps of knowledge identified as people left or from customer demands.

**Discussion**

Based on our case, we are able to give some insight into the link between role shifts and knowledge sharing through two theoretical lenses; networks and perceived fairness.

The 2003 change was perceived as unfair as there was little consistence between input and output, and people did not trust the ideology of “One Comco”. Consequently they were reluctant and little motivated to share knowledge. The change allowed, however, for many meetingplaces, and in these the units were exposed to each others situations which provided deep knowledge about other units and their resources. These networks facilitated knowledge sharing. The 2007 strategy, however, had other effects. The assigned role changes were seen as fair, as initiative was given to the subsidiaries. This stimulated a search for relevant knowledge to develop new, competitive products. These searches were to some extent intra-organizational, but became increasingly inter-organizational as the subsidiaries lost the opportunities to discuss operational issues globally and therefore initiated local clusters with some subsidiaries they knew, and increasingly started focusing on local sources of knowledge.

**Assigned Role Change – Perceived Fairness**, The 2003 strategy assigned roles to the subsidiaries that had less local responsibilities than they used to have. In this sense responsibility was taken away from them and given to a coordinating HQ unit.

Norms of fairness can be classified under equality, equity and need (Pruitt & Carnevale, 1993). Equality means performing “an equal act” (Larson, 1998), where in the eyes of the subsidiaries the strategy is seen as implemented the same way in the different subsidiaries. According to the norm of equity, distribution if gains/outputs should be proportional to inputs (Blau, 1964). This means that it is acceptable to deviate from equality as long as the benefits given to a unit can be explained by their higher initial effort. Finally, the norm of need means that it could be perceived as fair to give more resources to one unit if that unit is seen as very dependent or weak, and it is considered necessary that this unit recovers or strengthens (Larson, 1998). In the 2003 strategy, subsidiary employees and managers of Comco perceived the strategy as unfair. Foreign units saw the Norwegian unit as having low morale, short hours and high expectations, whereas they themselves slaved long hours to increase their market shares. The Norwegian unit saw the foreign units as demanding and only interested high learning to ultimately take business away from Norway. Mature subsidiaries feared low cost locations, and even if the strategy promised "one Comco", naturally if their business decreased their jobs would be endangered. Consequently, there was little trust in the strategy in the sense that everyone felt that the others would gain on their behalf.

The 2007 strategy, on the other hand, reinstated the subsidiaries as profit centers; hence they gained more autonomy through the increased possibilities of deciding their own strategy and also being responsible for it. The new strategy put a higher pressure on each subsidiary to be innovative and develop new opportunities they found locally. This market orientation meant that each was responsible for their own success, and that they to a much lesser extent would depend on other subsidiaries. This strategy was perceived as more fair because it was equal – if some subsidiaries succeed, well, then it will show on their bottom line and they will be credited for it. If they are in need to extra means (like the build up in China) this is something we as a group must do, so this is also fair (within certain limits).

We argue that when the role change implies "taking away" responsibilities from the subsidiaries the likelihood is higher that this will be perceived as unfair by the subsidiaries. This link of course depends on how this role change is communicated to the subsidiaries, but *ceteribus paribus* getting more responsibility locally will increase perceived fairness more than moving this responsibility away from the subsidiary into another MNC unit.

*Proposition 1: Role changes with increasing autonomy are positively associated with perceived fairness.*

**Perceived Fairness – Knowledge Sharing,** Several researchers have argued that the willingness to share knowledge depends on motivational factors of both the sender and receiver of knowledge (Gupta & Govindarajan, 2000, Gupta & Somers, 1992, Minbaeva et al., 2003). Nebus (2001) also points to how the search for new knowledge will increase the more the employee feels responsible for the task. In this sense the employee will seek more knowledge from other subsidiaries when he feels that he needs it or gets value from this knowledge. In Comco the lowered perceived fairness as a result of the 2003 strategy led to employees feeling less responsible, as strategy was laid at HQ and not at each individual subsidiary. Some employees felt that this structure was messy and unclear, like one employee in Korea,

*"I am not sure who my boss is. Is it the guy in Norway or are we responsible to the unit here?"* – Korean sales manager

This situation decreased motivation to share knowledge.

*Proposition 2: Perceived fairness is positively associated with knowledge sharing.*

**Assigned Role Change – Networks,** In line with previous theory we may see the MNC as a network of differentiated units (Ghoshal & Bartlett, 1990; Hedlund, 1986). As a result of assigned or acquired roles changes a unit's network structure will change (Mudambi & Navarra, 2004). In the 2003 strategic change in Comco we saw that each subsidiary got their mandates reduced and thereby their increased their dependence to the other subsidiaries, but most of all to headquarters. The 2007 strategy had the opposite effect as the subsidiaries gained more autonomy. When a subsidiary looses autonomy, it becomes more dependent on other units, and will need to meet these more often to coordinate common projects. As this role change pertained to all subsidiaries, they all became more dependent on each other and headquarters, a change that led to more meeting places and more interaction. The opposite effect was seen in 2007, however, as subsidiaries became more strategically autonomous, and became more focused on which relations to develop. Here we could see some strong internal clusters of networks between some units, but gradually fading networks between other internal units. The embeddedness with external actors such as building long term relations to strong customers and partners were increasingly becoming important for the subsidiaries in the period after 2007 (Andersson, et al., 2001). We argue based on our data that role changes that imply stronger subsidiary autonomy lead to more decentralized decisions (Noorderhaven & Harzing, 2009), and therefore the need for interaction between global units become less important. A role change towards more autonomy will therefore stimulate managers to search for effective solutions locally, which lead to more contact with local business, and will use internal networks when they are directly motivating this particular value creation (Nebus, 2001). A role change implying less autonomy, will on the other hand imply more centralized decisions with a need to stimulate interaction between the subsidiaries. In our case, this lead to a series of global meetings, where top management stimulated integration between subsidiaries by allowing for deep knowledge sharing. The networks that resulted were internally oriented, not focused in the sense that they developed to solve specific problems, but rather there developed strong lateral ties of a more general type between the subsidiaries. We term these a broad internal network.

*Proposition 3: Role changes with increasing autonomy are positively associated with focused internal and external networks, and negatively related to broad internal networks.*

**Networks – Knowledge sharing,** Subsidiaries in a network structure send and receive knowledge to and from each other through transmission channels with different characteristics (Gupta & Govindarajan, 1991). Broad, strong networks are built on personal, frequent and intense meetings that increase the exposure to the views and skills of other subsidiaries (Hansen, Mors, & Løvas, 2005). Several studies have found a positive link between rich networks with direct face-to-face interaction and the transfer of knowledge (Bresman, Birkinshaw, & Nobel, 1999, Ghoshal, Korine, & Szulanski, 1994, Noorderhaven and Harzing, 2009). From our data we found that the 2003 strategy with the broad networks and frequent face-to-face meetings people were exposed to other units, and had a relatively good overview of what went on in the corporation. In the global meetings, people would place comments on the performance or actions of another subsidiary. For instance they would comment on units that had succeeded and give advice to units that had problems for instance in their training or service production. In these meetings knowledge floated relatively strongly between subsidiaries. The 2007 strategies brought an end to these broad meetings, and where replaced by meetings where a limited number of people participated. There was also a larger forum meeting, but this meeting was more towards receiving presentations than actively sharing operational concerns. We therefore argue that the deep knowledge sharing increased in 2003, but lowered in 2007. There were some exceptions, however, as there existed some strong clusters of subsidiaries that shared knowledge on some standards and technologies, for instance telecom or medical services. These were subsidiaries that had strong customers within these segments, and that needed quick knowledge from another subsidiary in order to serve the client quickly. Norderhaven et al (Noorderhaven & Harzing, 2009) found no relation between autonomy and knowledge sharing. From our data we nuance this relation and argue that strong broad networks give access to broad knowledge sharing that is more exploratory in the sense that it may not necessary be usable for all units there and then, but it provides a general knowledge of the subsidiaries. A weak general network where subsidiaries are more autonomous may stimulate the search for more focused knowledge that is more exploitative and directly useful for the individual subsidiaries.

*Proposition 4: Strong, broad internal networks are positively associated with general knowledge sharing (explorative) between subsidiaries but negatively related to focused knowledge sharing (exploitative).*

*Proposition 5: Strong broad internal networks are negatively related to knowledge sharing with local external actors.*

Our framework suggest that role changes to less autonomy (2003) and to more autonomy (2007) produce different effects on knowledge sharing via two different loops. One loop changes motivation and this motivation is driven by perceived fairness. We argue that if the subsidiaries perceive the role change to be fair, they will seek and give more knowledge, but if it is less fair, they will restrict it. We argue that when something is given to the subsidiaries (more responsibilities and rewards) it is easier to obtain fairness than when these responsibilities and rewards are given away.

The other loop concerns the transmission channels for knowledge sharing. Based on our data we see that a role change creating more interdependencies between the units create the need for more interpersonal meeting places, hence more arenas to meet and exchange knowledge is created. This knowledge is, however more general, and these networks allow for explorative knowledge seeking. The role change towards more autonomy decreased dependencies between subsidiaries and therefore the need for long global meetings. Knowledge seeking was more focused towards immediate gains and therefore more exploitative. In addition, the knowledge seeking activities were more directed towards local, external partners and customers.

These two loops concern motivation (perceived fairness) and opportunity (networks) and we argue that both these loops are changes as a result of role changes.

The ideal situation would be to stimulate a role change in a manner that both increase networks and motivation. In our view these loops could have been altered if Comco had provided stronger efforts to change motivation (2003) and kept networks (2007). Hence, the initial effects from our propositions would have been the same, but the company could have provided implementation actions that prevented the negative effects. For example, in the 2003 strategy, many people expressed uncertainty, they did not feel that the strategy was communicated well and they were unsure about the possible success of the model. This could be mitigated by clearer information and communication. In Comco top management spent considerable effort travelling around and explaining the model, but it was difficult to convince subsidiaries that the “One Comco” thought was acceptable and would lift the company performance to another level. This shows that perhaps it is possible to exert more efforts into communication of this strategy, but it is difficult. Hence, we feel that proposition 1 and 2 has some merit.

Reduced strength of network ties can be met by teams, taskforces and committees (Ghoshal & Bartlett, 1988) and also extensive meetings, training programs and visits (Bresman, Birkinshaw, & Nobel, 1999). Comco tried to facilitate these activities and to some extent they succeeded in creating global teams that concentrated around the development of a new business area. We observed, however, that this was more difficult as the focus of each subsidiary was now more on how to increase financial results and in this they were more concerned with their local challenges than spending time on more general corporative issues. We are not saying that this challenge can be mitigated, but we think that it takes considerable effort from the corporation. Consequently, we think that propositions 3 and 4 deserve to be studied further.

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