Charters, Mandates and Roles of MNC Subsidiaries:
A Review and Directions for Further Research.

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Introduction and research obejectives

Over the last two decades there has been growing interest in perceiving multinational corporation (MNC) as a differentiated network (Hedlund, 1986; Bartlett and Ghoshal 1989; Ghoshal and Nohria, 1989; Gupta and Govindarajan, 1991; Prahalad 1999). Global environmental pressures of markets, new technologies and cultural differences and convergences across borders were seen as responsible for emergence of transnationally differentiated networks (Nohria and Ghoshal, 1997) and diversified multinational corporation (Doz and Prahalad, 1993).

Many studies, both empirical and conceptual, suggest that foreign subsidiaries are critical to the international competitiveness of the MNC as an important source of strategic resources (e.g. Birkinshaw, 1996; Gupta and Govindarajan, 1991; Roth and Morrison, 1992). Lawrence & Lorsch (1967 in Ghoshal & Nohria, 1989), reason that superior performance can be achieved from allowing subunits within the firm to differentiate according to the specific requirements of their environments.

Subsidiaries vary in the nature of their operations, playing different roles within the MNC. In the management literature various terms were used to describe them. As summarized by Chini

(2004), terms subsidiary strategy, role, mandate, charter, or rationalization-integration are often used interchangeably, or different terms are used to describe the same phenomena, and the usage of different terms is often grounded in the contributor's educational and research background: organizational behavior, strategic management, or other. It can be also observed in publishing strategies. Sometimes authors who write about the same phenomena use various terms. For instance, in the Journal of International Business Studies the term mandate is used, whereas Organization Studies and Academy of Management publications employed the terms charter, and Strategic Management Journal apparently prefers the term subsidiary role, each following the very first publication on a very similar, if not the same topic.

This paper attempts to provide an overview of the research, both empirical and conceptual, on the above mentioned phenomena. The primary objective is to draw links between phenomena and terms which are closely related or even identical in nature, but often have been analyzed in separation.

1. Subsidiary mandate, charter and role

1.1. World Product Mandate Research

This section reports on the research of world product mandate as well as subsidiary mandate. We seek to define these terms by closely examining studies conducted by world-known authors and researches. Furthermore, we concentrate on various concepts and models that explain the fundamentals of a mandate and postulate the mandate life cycle. We also take a closer look on the comparison of the global strategy and global subsidiary mandate. The final part of this section is dedicated to competence-creating mandates and their connection to R&D.

With respect to theory, world product mandate phenomenon has been viewed as part of a broad change in the roles of subsidiary units in the multinational corporations (Birkinshaw 1996). As Crookell (1984, 1986) points out, subsidiary will certainly take on more specialized roles as international trade barriers are reduced. Consequently, two broad specialization options exit: *rationalization-integration* and *world product mandate*. Rationalization-integration arises “when a subsidiary produces a component or product under assignment from the parent for the MNC as a whole” (Crookell 1986: 105). Accordingly, exports are reached automatically, but on the other hand parent company still keeps control of all related activities, particularly the development and design of the product. As a result, the subsidiary is primarily an implementor of headquarters-developed strategy. On the contrary to the rationalization-integration, the world product mandate gives the subsidiary “responsibility for product renewal and export marketing” (Crookell 1986: 106) as well as production. Hence, the subsidiary acts more like an equal partner of the MNC than a subordinate entity and it can also expect a higher level of operational autonomy, i.e. it manages the research and development, production, and marketing activities of a product or product line globally (Rugman and Bennett 1982; Poynter and Rugman 1983; Crookell 1984).

Even though this may be theoretically clear enough, the boundary between these two forms of specialization is vague in reality. This means that the subsidiary may, for example, be responsible for production and marketing worldwide but ask the central R&D labs for new product development. Thus, mandates can be limited both geographically and functionally (Etemad and Dulude 1986), and the cut-off point at which a world product mandate becomes rationalization-integration has been disputed (Rugman and Douglas 1986). In addition, it is not always the case that the world product mandate plays a superior role as mandates assigned to subsidiaries might, in many cases, be no longer wanted by the parent company due to the tail end position of their product life cycles (McGuinness and Conway 1986).

The phenomenon of changing roles of subsidiaries has encouraged academics to develop new conceptualizations that viewed the MNC as an interorganizational network (Forsgreen and Johan 1991; Ghoshal and Barlett 1990; Hedlund 1986; Hedlund and Rolander 1990). While the traditional hierarchical perspective goes back to the centre that controls all of the MNC' s activities and decides about all strategic affaires, the network perspective, on the other hand, is based on multiple centers of expertise around the world, greater strategic role for subsidiaries and flexible governance structures (Birkinshaw 1996). Taking a look back on both forms of subsidiary specialization, it can be perceived that these are actually manifestations of the network model, even though some prior studies, conducted by Birkinshaw and Morrison 1995 and Crookell 1990 (quoted in Birkinshaw 1996), have suggested that rationalization-integration is closer to the traditional hierarchical model. Nevertheless, rationalization-integration implies specialization at the level of a single value-adding activity, whereas world product mandate proposes specialization, and thus decision-making authority, over an extensive cluster of interconnected functions including business management (Birkinshaw 1996). As a consequence, the suggestion is that the nature of subsidiary specialization cannot be any longer believed to belong only to the two types indentified by Crookell (1986).

1.2. Subsidiary mandate

According to Birkinshaw (1996), "a subsidiary mandate is defined as the business, or element of a business, in which the subsidiary participates and for which it has responsibilities beyond its national market".

When it comes to subsidiary mandate gain, it is widely recognized that mandates are earned through the entrepreneurial efforts of subsidiary management (Crookell and Morrison

1995). Furthermore, a mandate is said to develop all the way through the extension of a responsibility into related product, market or functional areas. Finally, subsidiary mandates can also be lost. Even though there is no strong evidence of subsidiary mandate loss in the literature, some cases in real life have proved that subsidiary manufacturing operations were closed and responsibilities transferred to other countries (Young and Hood 1982, quoted in Birkinshaw 1996). Collecting them together, mandate gain, mandate development and mandate loss refer to a *mandate life cycle*. This concept is illustrated and the three terms are defined in Figure 1 by the change in subsidiary responsibility. As this framework suggests, the greater the extent of international responsibilities, the higher the development of mandates. On the contrary, it can be withdrawn that by eliminating the subsidiary's international responsibilities, its mandate can simply be vanished.

The life cycle framework is meant to be of a great relevance to the subsidiary mandate phenomenon. For a life cycle to be valid, a theoretical argument for an underlying process should be specified. As a matter of fact, there are two reasons why value-adding activities can migrate over time from one location to another. First, it can be said that the existence and spatial distribution of foreign production depends on location-specific advantages (Birkinshaw 1996), i.e. differences in comparative advantage across countries (Dunning 1980). In line with this, one would thus expect that the shifting of economic activity corresponds to the shifting of comparative advantage (Vernon 1966, quoted in Birkinshaw 1996). Second, it is widely acknowledged that some firms have failed due to their inability to adapt to environmental change. While the firm's capabilities represent its source of competitive advantage in the marketplace on the one hand, they can also mean a source of rigidity in the event of environmental change on the other. As a result, rigidity stifles adaption, which in turn can lead to failure (Leonard-Barton 1992).

Moreover, Birkinshaw's paper (1996) also underlines the importance of the subsidiary's capabilities and resources as the drivers of mandate growth. Hence, it is actually a capability, and not a product or a market that represents the heart of the mandate. Accordingly, the term mandate can be redefined as "a license to apply the subsidiary's distinctive capabilities to a specific market opportunity" (Birkinshaw 1996). This definition, indeed, highlights the transient nature of a mandate; if a subsidiary loses its capability, its license should be withdrawn. In other words, the focus should be stressed on capabilities that are the key to subsidiary's long-term growth, rather than on the level of autonomy held by the subsidiary (Birkinshaw 1996).

1.3. Global strategy versus Global Subsidiary Mandate

It is crucial to recognize that a global subsidiary mandate is an alternate approach to implementing a global strategy (Roth and Morrison 1992). Roth and Morrison (1992) believe that a global subsidiary mandate implies a greater role in central control, worldwide responsibility and strategic control of a product or product line, including R&D, manufacturing, marketing and sales. It results in the fact that a global strategy desperately needs an increased coordination across geographic locations and that this coordination requires some form of central control. Thus, the control is segmented by product line and distributed among different subsidiaries, depending on the particular capabilities and competencies of each subsidiary (Roth and Morrison 1992).

As Morrison and Roth suggest in their paper from 1993, a global strategy is based on controlling and configuring key activities of the subsidiaries being active around the world, and so primarily benefiting of differences in comparative advantage. As an example serves a company that locates component manufacturing in a low cost labor country; R&D is said to be carried out in a country with a high technical skills; and final assembly in a third country closed to main markets. By obeying those rules and a tight cooperation of subsidiaries, maximum synergies as well as economies of scale can be achieved (Morrison and Roth 1993).

Despite of all the efficiency-related advantages arising from global strategies, MNCs still struggle with significant costs in centrally controlling and integrating subsidiaries. The process of implementation of a global strategy forces MNCs to require from subsidiaries to focus on a single dimension of a value-adding process, which further leads to issues with bureaucracy, transportation and communication expenses, losing valuable work force and diminishing the customer base (Morrison and Roth 1993).

Ultimately, many MNCs have been discouraged from pursuing global strategies owing to the costs and inborn organizational complexities of managing interdependencies from headquarters. Thus, the MNCs have searched for ground-breaking options that would exploit the core competences of subsidiaries and simultaneously recognize the benefits of global integration. And so, the roles of subsidiaries have been redefined away from the extremes of national responsiveness in favor of global subsidiary mandates (Morrison and Roth 1993).

According to Roth and Morrison (1992), a global strategy is obliged to obtain an increased resource flows within the organization. Even though the subsidiary takes a leading role in managing these flows, necessary for a particular component, product, or product line, to pursue a global strategy, it still remains part of an interdependent network. The integration of control is shifted whereas the interdependency stays. One has to be bear in mind that even if the subsidiary is responsible for strategic decisions concerning its mandated product, this does not imply entire subsidiary autonomy. It in fact remains interdependent with other subsidiaries and the parent corporation because it operates within the regulations and parameters of the overall corporate strategy (Crookell 1990, quoted in Kendall and Morrison 1992). On the other hand, the role of the parent company has to change as it must be prepared to deemphasize direct control of products managed by subsidiaries with mandates (Rugman and Benett 1982; Poynter and Rugman 1983; Crookell 1984). As a consequence, the parent corporation has to be able to manage dispersed strategic processes as well as provide the necessary resources and ensure that the subsidiary strategies do not violate the corporate goals (Barlett and Ghoshal 1986: 94).

1.4. Competence-creating subsidiary mandate and its connection to R&D

In the past, MNCs tended to locate R&D in their subsidiaries mainly because they aimed to adapt products developed in their home country to local resource availabilities and production conditions. Thus, the role of a subsidiary was primarily competence exploiting (Cantwell and Mudambi 2005), or in the terminology of Kuemmerle (1999) its local R&D was “home-base exploiting”. In recent years though, as subsidiaries became more active in and closer integrated into the international network within the MNC, their R&D has, consequently, gained a more innovative role, i.e. generation of new technology in line with the comparative advantage of the subsidiary located abroad (Cantwell 1989, quoted in Cantwell and Mudambi 2005, 1995; Papanastassiou and Pearce 1997; Cantwell and Janne 1999; Pearce 1999, Zander 1999).

Cantwell and Mudambi (2005) believe that R&D will be more likely to find in subsidiaries that acquire competence-creating mandates as opposed to those that do not. In turn, such a mandate is valued most in subsidiaries located in a regional center of technological excellence that built up a higher level of subsidiary-level capabilities for independent initiative. As a result, R&D undertaken in competence-creating subsidiaries will be differently motivated than the locally adaptive R&D.

In case of favorable combination of locational, subsidiary-level and MNC group-level conditions, subsidiaries will tend to acquire competence-creating mandate (stage 1), and their local R&D will be driven mainly by needs of technological creativity (stage 2). On the other hand, if the conditions are less favorable, subsidiaries maintain competence-exploiting mandates (stage 1), and their local R&D continues to be driven by needs of technological adaptation.

2. Corporate Charters: a related phenomenon

In this section, we focus on development of corporate charters which seem to be a closely related phenomenon to the subsidiary mandate. Indeed, we label the relationship between two charters and imply it into a model characterizing the diverse liaisons between organizational units.

Simultaneously to the research and evolution of subsidiary mandates, Galunic and Eisenhardt (1994, 1995) developed a model of subsidiary charters, describing the underlying phenomenon of variously interdependent divisions which are "chartered to look after one or more business areas, in effect defining the turf of the division and its purpose within the corporation, and collectively defining the corporate domain." To be precise, they define the subsidiary charter as "the businesses (i.e., product and market arenas) in which a division actively participates and for which it is responsible within the corporation" (1995: 2). To broaden this definition, businesses can be added, taken away or switched from one division to another and therefore, it can be said that division charters are not timeless creations. Indeed, charter changes are made on a frequent basis corresponding to the flow of a corporation's development. It includes the task, market and the customer the division is concerned with and it is well-known that these things can change (Galunic and Eisenhardt 1995).

The key motivator for charter changes is embodied in developing new technologies and markets. For example, RISC computing or cell phones opened new charter opportunities and simultaneously became charters of new divisions or were added to the charters of established ones. Corporations often use important adaptive devices, such as continual assessment, movement and recombination of charters to remain competitive in the rapidly changing environment (Galunic and Eisenhardt 1995).

In fact, charters are defined in terms of three elements – the product markets served, the capabilities held by the unit, and the intended charter. First, the product markets served can be described as the current portfolio of products and customers (Ansoff 1965; Rumelt 1974). Second, capabilities are the unit's capacity to organize resources to reach the desired final point (Amit and Schoemaker 1993; Eisenhardt and Martin 2000). Third, the intended charter is said to behave more ambiguous as it does not reflect, nor mention the actual product markets or capabilities of the unit. To highlight the key point about this definition, it has to be mentioned that these three elements do not have to be in line with each other. When it comes to an industry with fast developing technologies and markets, the three elements are keen on changing and falling out of alignment as it involves more intense negotiation and competition between the units. Conversely, in a stable business environment, the elements are expected to converge over time, in other words, the units understand the definition of the focal unit's charter (Birkinshaw and Lingblad 2005).

2.1. Relationship between two charters

Having defined the model of the organization unit, Birkinshaw and Lingblad (2005) propose two key variables that identify the relationship between the units; *charter overlap* and *charter boundary state.*

According to this model, charter overlap refers to the degree to which peer units are responsible for the same charter as the focal unit (Felsenthal 1980; Lerner 1987, quoted in

Birkinshaw and Lingblad 2005). Since charters are defined in terms of the three dimensions (product market, capabilities, and intended charter), it is obvious that they can also be measured on any of these elements. Birkinshaw and Lingblad (2005) concentrated particularly on units with external customers which meant focusing on defining charter overlap in product market terms. This is actually perceived very advantageous since there is an established way of measuring product market overlap, namely the percentage of one unit's product market space for which other units in the organization are competing (Mason and Milne 1994). To facilitate the theory, a real-life example should be provided; Ericsson's GSM network division deals with about 50% overlap with other divisions, meaning that around half of its customers have other Ericsson products. On contrary, Unilever's ice cream division has zero charter overlap as there are no other divisions selling ice cream products in Unilever (Birkinshaw and Lingblad 2005).

Charter boundary state signifies the clarity of the charter boundary definition, on a scale from high (solid) to low (fluid). In practical terms, charter boundary state can be understood as the degree of freedom the unit managers have to make decisions and move beyond their charter (Birkinshaw and Lingblad 2005).

Furthermore, putting the two variables – high (solid) and low (fluid) together suggests four different generic forms of relationship between organization units. When charter overlap is quite high and charter boundary state is fluid, the situation is similar to that of Galunic and Eisenhardt's (2001) *dynamic community*. If this condition occurs, then charters advance according to changes in technology and market opportunities and each unit is, consequently, given significant freedom to form its charter. As a result, charters are frequently overlapping, in particular in emerging market areas.

Coexistence arises when charter overlap is relatively high and charter boundary state is solid. In this case, it is important to establish a two-part argument to better understand why firm allows competing products or services to exist on an enduring basis and why overlapping products and services are sold by multiple units. First, it is clearly stated that the cannibalization costs associated with allowing competing products or services to coexist in the market can be easily offset by profits of achieving full coverage of the market as well as by sharing market knowledge, people, and last but not least by integrating many of the back-office activities (Markides 2001; Nayyar 1993; Sorenson 2000). As far as the second point is concerned, it can be clarified that separating out products into different organizational units brings important benefits, such as increased responsiveness and flexibility in the product market (Birkinshaw and Lingblad 2005).

The third type of the relationship is called a *loose federation*. It occurs when the charter overlap is relatively low and charter boundary state is fluid. Accordingly, the business units sufficiently differ from each other, so they would under no condition end up with overlapping charters, despite of the fact that the level of charter definition is not particularly clear (Birkinshaw and Lingblad 2005).

Finally, where the charter overlap is low and charter boundary state is solid, the nature of the relationship refers to a *tight federation*. In this scenario, the boundaries are evidently clarified and typically defined from the centre that emphasizes avoiding charter overlap. As an example serve the Volkswagen's national sales subsidiaries that have visibly defined boundaries around their area of operation, and are actively discouraged from selling products into neighboring countries (Birkinshaw and Lingblad 2005).

3. Subsidiary strategy and role types

As following, we reviewed the literature on subsidiary's roles and examined what kind of role types a subsidiary can perform within the MNC structure.

The research on the subsidiary strategy and its roles has been widely established what also proves the number of papers conducted by numerous academics. Starting with White and Poynter (1984) who aimed to clarify business strategies for Canadian subsidiaries and explicitly considered the ability of the subsidiary to be independent and undertake autonomous actions. A slightly different approach to subsidiary strategy and role was established by Barlett and Ghoshal (1986). Considering the status quo that each subsidiary plays a unique form within the MNC, they structured a model that builds on the importance of the local environment and the subsidiary's exclusive capabilities. Notwithstanding that more recent research conducted by Gupta and Govindarajan (1991) also grounds on Barlett and Ghoshal's notion of the MNC, their model categorizes subsidiaries on the basis of the knowledge flows to and from the rest of the corporation. Moreover, Jarillo and Martinez (1990) identified three different roles that subsidiaries of MNCs can play within the firm's overall strategy. In fact, these subsidiary roles mirrored Barlett's (1979) multinational types and Porter's (1986) multinational strategies. Last but not least, Roth and Morrison (1992) developed subsidiary strategies by concentrating on configuration and coordination demands of implementing a global strategy.

Birknishaw and Morrison (1995) proposed a three-item typology of subsidiary roles where they also tracked down the prior typologies onto it. They define the *local implementer* as a subsidiary that has limited geographic scope, usually a single country, and rigorously constrained product or value-added scope. White and Poynter (1984) apply this in their "miniature replica business" that produces and markets the parent's product lines or related product lines in the local country due to unique local preferences, import barriers and high transportation costs. Furthermore, Barlett and Ghoshal (1986) refer to this as "implementer" where the subsidiary has just enough competence to maintain its local operation and is closely integrated with the international operations of the MNC. In line with this, Gupta and

Govindarajan’s (1991) “implementor” role also implies little knowledge creation and suggests that the subsidiary relies heavily on knowledge inflows from the parent company. Jarillo and Martinez (1990) suggested the term “autonomous” that they reckon would be typical of subsidiaries of multinational firms competing in multidomestic industries.

The term *specialized contributor* refers to a subsidiary that excels at expertise in specific functions or activities, but there are tightly connected to the activities with other subsidiaries (Birkinshaw and Morrison 1995). Roth and Morrison (1992) used the term “integrated” which was characterized by global responsibility of the parent corporation or headquarters for issues involving activities crossing national boundaries and by limitation of the subsidiary role up to the local/regional operations. White and Poynter (1984) offered “rationalized manufacturer” and “product specialist”, where the latter’s product scope and value added scope is limited and the former develops, produces and markets a limited product line for global markets. Having a distinctive capability and operating in a small or strategically unimportant market played the key role for Barlett and Ghoshal’s (1986) “contributor”. Jarillo and Martinez (1990) called this “receptive” strategy that was typical of an environment where local responsiveness is high and global coordination and integration high. For Gupta and Govindarajan (1991) the specialized contributor approximates their “global innovator”, serving as the source of knowledge to other units.

As it was already pointed out above, a subsidiary that fits into *the world mandate* actively participates on developing and implementing strategy with headquarters (Roth and Morrison 1992). The subsidiary manages and takes responsibility on the global or regional level for its products or product lines as well as is welcome to pursue new business opportunities (White and Poynter 1984), Conversely, administrative and financial relations are still linked to the parent company that plays, in fact, the role of passive investor. From Jarillo and Martinez’s (1990) point of view, the subsidiary deals with “active” strategy if it is a part of transnational firms and has received strong mandates from headquarters. In this scenario, both the local responsiveness and the global integration are high. Gupta and Govindarajan (1991) assume that their “integrated player” role implies a great responsibility for creating knowledge that can be easily utilized by other subsidiaries, in other words the outflow of knowledge from the focal subsidiary to the rest of the corporation and the inflow of knowledge from the rest of the corporation to the focal subsidiary are high. The counterpart in Barlett and Ghoshal’s (1986) typology was the “strategic leader” that was highly competent national subsidiary with important resources and expertise simultaneously operated in a strategically important market.

Yet, there is a considerable limitation of this typology, namely Barlett and Ghoshal’s (1986) black hole. A black hole subsidiary is located in the strategically important market, but the objective is not to manage it but to manage the way out of it. Black hole refers to a candidate of strategic leader but lacks the capabilities to do so immediately (Lu, Chen and Lee 2007). Thus, it can offer high potential for country-specific benefit to the MNC, but on the other hand, features only low firm-specific capabilities (Rugman and Verbeke 1992).

3.1. Subsidiary role

Birkinshaw and Hood’s (1998) demonstrated a cyclical process through which the subsidiary’s role changes over time. Their basic understanding of subsidiary progress is that the main mechanisms, namely head-office assignment, subsidiary choice and environment determinism, dynamically interact to determine the subsidiary’s role at any given point of time. Put differently, the subsidiary’s role constantly impacts head-office managers as well as subsidiary managers when making decisions and also the position of the subsidiary in the local environment.

This categorization is primarily based on the academic literature, but it can undeniable be found in the real world, too. While head office managers seek to assign roles to their subsidiary companies and control them, subsidiary managers think of the opposite which is how to become more autonomous and strategically important. Consequently, this leads us to an observation that the perspectives of these two groups of managers undoubtedly differ (Birkinshaw, Holm, Thilenius and Arvidsson 2000). What is more, as mentioned above, academics have invented various names for subsidiary roles, such as strategic leader, implementer, local innovator etc. However, these names are rarely used in the real world and even if they are, they are out of their definitions according to clear objective criteria. Thus, it can be easily derived that there is a great potential for “perception gaps” concerning the meaning of subsidiary roles (Birkinshaw et al. 2000).

The role of the subsidiary is, in fact, based on the negotiation position between the headquarters and subsidiary managers. Indeed, it should be seen as a “give-and-take process” between the two sides. Nevertheless, it is a well-known fact that this relationship does not always work upon the above nicely put definition. It is often the case that subsidiaries do send proposals to headquarters and the answer – yes or no – determines the relationship between them. Moreover, if the answer is no and the subsidiary undertakes the process anyway, it sends a powerful signal to the headquarters about what kind of role it believes should be playing.

Birkinshaw et al. (2000) treated this subject and envisaged three different forms that perception gaps can take. First scenario is called *subsidiary overestimation*, where subsidiary management perceives its role within the MNC more strategic than headquarters does. Second form refers to *small or non-existing perception gap*, in which the subsidiary and HQ management have the more or less similar perception of the subsidiary’s role. And the third scenario is called *HQ role overestimation*, where the subsidiary management considers its role as less strategic than the headquarters management does.

Regarding scenario 1, Birkinshaw's (1997) past researches showed that subsidiaries would constantly lose and waste valuable time by putting forward their proposals to the headquarters management that would get continually rejected anyway. Moreover, such incidents can create an inconvenient business environment as well as seriously harm relationship between the HQ and subsidiary, resulting in uncomfortable feeling of subsidiary employees and possible departure of subsidiary managers. The exact opposite represents scenario 3, where the relationship between HQ and subsidiary can be described as "missed opportunities". In this case, HQ underestimates the role of the subsidiary by considering it as unduly passive and not prepared to take responsibility for its full scope of activities. Finally, the scenario 2 is actually likely to be very effective. Here, the subsidiary's proposals are generally accepted and receive a favorable evaluation from HQ management.

Furthermore, Birknishaw et al. (2000) indentified factors that actually cause perception gaps between the HQ and its subsidiaries. Commencing with the first that deals with different experience subsidiary and HQ managers have. In fact, it affects the type and the intensity of information they get and finally may lead to a wrong interpretation of that information. The second factor can be derived from the imperfect flow of the information within the MNC. If information flowed efficiently, differences and gaps would relatively quickly dissipate through sharing of information, cross-border learning and knowledge transfer. Finally, the third factor is hidden in the fact that subsidiary's dependence on HQ is constantly decreasing. In this situation, there is a great chance for real perception gaps to arise as the subsidiary develops its own resources and pursue autonomous initiatives.

4. Directions for further research

We could scrutinize occurrences such as world product mandate, a related trend called corporate charter and last but not least the subsidiary’s role. With regard to the literature on subsidiary mandates, a subsidiary can be given either assignments from its parent that have to be fulfilled or a real responsibility for its products. However, this can differ in practice as it is often the case that these two forms overlap and build a new kind of subsidiary with “mixed” foci or areas of specialization. Furthermore, it is crucial to stress that a mandate can have its own life cycle, consisting of mandate gain, development and loss. To drive the mandate growth, subsidiary’s capabilities and resources dispose of a significant importance.

Additionally, corporate charter has been identified as a term related to subsidiary mandate. Charters can easily overlap which leads to a possible “multiple” responsibility of one charter by several subsidiaries. Moreover, charters also state the degree of freedom the unit managers possess in order to take decisions. Accordingly, we can observe four types of relationships between the organizational units determined by the charter overlap and charter boundary state.

Finally, several subsidiaries’ roles and their typologies have been defined as well as various perception gaps between the HQ and subsidiary examined. It seems to be of a highly essential issue to eliminate factors that cause these perception gaps in order to support subsidiaries in actively and successfully undertaking their roles.

This paper dealt with the worldwide phenomena concerning subsidiary and its position within the MNC context. It drew links between phenomena and terms which are closely related or even identical in nature, but often have been analyzed in separation.

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