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Conflicts of interest in Multinational Fashion Corporations

- The struggle for autonomy and control in a multinational firm -

Bachelor thesis in Business Administration

Management and Organisation

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"Clothes make the man. Naked people have little or no influence on society."
- Mark Twain

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Summary

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Title: Conflict of interest in multinational fashion corporations: The struggle for autonomy and control in a multinational firm.

Problem background: With an ongoing globalisation and increasing competition on the global market large multinational corporations have become a dominant player. To be part of a multinational corporation provides many upsides as well as downsides. Some of them are related to the issue of control and autonomy. We will in this thesis investigate the reasons behind them and how they manifest themselves in the fashion industry.

Research question: How does an MNC in the fashion industry with a portfolio of independent brands exercise control over its subsidiaries while at the same time not damage the subsidiaries brand image?

Limitations: Our research was conducted as a case study and will by that mainly be useful for this particular case and generalized conclusions for the industry cannot be made. We do however believe that this research can prove to be useful for persons interested in the fashion industry and illustrate the complexities of HQ-subsidiary problems.

Method: We have conducted qualitative interviews with two respondents, one from the parent company and one from its subsidiary. Empirical data collected during these interviews have then been analysed with our frame of reference.

Conclusions: We have found that in the fashion industry there is a need for very brand specific values that have to be considered in all strategic decisions. We have also found that there are two important sides of the company that needs to work together, both the creative and brand specific side and the strategic business side.

Suggestion for future research: Our suggestion is that a larger study of several organizations with similar structure as IC Companys are conducted to investigate if our conclusions can be generalized and applied to the industry as a whole.

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1. Introduction

In this chapter we will present the problem background and problem discussion of our study. We will introduce you to the problems that occur in the fashion industry when you try to combine the creativity and brand image of smaller companies with the business skills and finances of large MNCs.

1.1. Problem Background

The ongoing process of globalisation of markets all around the world has created an enormous pressure of competition in almost any industry. This development has created the phenomenon of multinational corporations (MNCs). Due to its size the MNC with its subsidiaries has an advantage against national competitors. The MNC can, among many things, use its large organisation to find the right competence and replace it in the position where it would come to best use. The MNC can help its subsidiaries with some administrative functions by centralising them and also use its size to put pressure on suppliers whenever difficulties would appear. (Hill, 2011)

The role played by the headquarters (HQ) of the MNC creates many upsides for its subsidiaries but of course the HQ is not doing so just for charity. They expect to receive some sort of return from their investment in the subsidiaries and because the HQ in turn often are listed on a stock exchange, the shareholders expect to receive dividends of their investment in that company. This might lead to a conflict of interest between the MNCs HQ and its subsidiaries when they are struggling for different goals. By doing so it is up to the managers of the entire MNC to make sure that the company group as a whole will be heading for some mutual goals instead of everybody going their own way. This is a task not easy to deal with for the managers and might cause some serious control issues within the organisation. The HQ might want to have an oversight of the entire organisation group and control every decision made to ensure that the interest of the MNC and its shareholders are being best preserved. On the other hand the HQ need to allow some autonomy to the subsidiary because that is where the local and unique knowledge and product competence are being held, especially in complex organisations (Nohria & Ghoshal, 1994). One emerging of such complex organisations began in Sweden during the 1950s when the clothing and textile industry was in full bloom. Back then many small and independent clothing stores could be seen close to everywhere and they all served the local market with clothes. But this all changed due to high competition from abroad and new demands from costumers who wanted lower prices and clothes based more and more on seasonal change. This did not fit well with the Swedish industry and soon it was all gone and a new industry was taking shape. This was an industry that outsourced all production and even most of its storage abroad to low wage countries. Earlier the craftsmanship had been the very trademark of the product in an industry that was highly labour intensive, now how ever the industry hade taken a new shape with the focus on economies of scale and that was more knowledge intensive. The values were now built up through design and organisational structure within the firm. This was the start up of the more complex fashion industry. (Gråbacke & Jörnmark, 2008)

With the rise of industrialisation and globalisation the rules of the game within the industry changed. The question is what kind of consequences this has on an industry that is so dependent on creativity and innovation as the fashion industry of today is. Larger corporations usually mean an increase in bureaucracy and hierarchical control to be able to manage all the different units of the company. The engine of the creative side of the fashion industry has always been new small entrepreneurs with a high innovative approach on what fashion should look like, in today's highly competitive society these entrepreneurs usually survive only a short period of time before they disappear or have to be absorbed by a large MNC. (Gråbacke & Jörnmark, 2008). When larger MNCs absorb these small firms they do not only bring their own knowledge and skills but also their business network. This is presented by Forsgren et al. (2005) in their book as the concept of embeddedness, which explains how closely different parts of a multinational corporation are dependent on their business network. When the fashion companies of today outsources more of their production to low wage countries (Gråbacke & Jörnmark, 2008) they become more dependent on healthy relations with their business partners thus their suppliers should become more embedded in their business network.

1.2. Problem discussion

When an MNC gets larger and expands to more nations it becomes advantageous to utilize shared values that benefit the organization as a whole (Watson O'Donnell, 2000). The relationship between the MNCs HQ and its subsidiaries is supposed to benefit all parties but it does also mean that they loose a certain amount of control over their own business. In the fashion industry this can become quite an inconvenience since the market is quite volatile and the need for a competent brand-management is high. For IC Companys this just might be the case. The question is if the fact that they are registered on the Copenhagen Stock Exchange means that the performance demands on the subsidiaries are constantly getting higher or not. This can possibly create some friction since it can be seen as an intrusion on the subsidiaries capability to manage their own brands. As presented by Bartlett & Ghoshal (1987) an international standardized strategy for marketing and promotion does not always present an advantage. Instead this has proven to be an inappropriate approach even for some standardized products because of the need for local adaption. In an MNC that handles multiple different brands in the fashion industry this might cause a problem since each brand has its own image. Altough Bartlett & Ghoshal (1987) talk about adaptations to national culture, each brand can be seen as on unique culture, one might draw parallels to differentiated brand management and therefore to Hatch & Schoultz (2008) who argue about the differences with corporate and product branding and when to use which one, it is all depending on who the actual owner is and how they execute their corporate branding strategy. If you are the owner of multiple different brands the question is if you want them all to be perceived as having the same image and values or if you want them to be diversified to target different markets. It seems there might be a value in combining the corporate branding and the product branding through the designer who designed the original product. (Hatch & Schultz, 2008) This can be seen in many famous fashion companies today such as Tommy Hillfiger, Dolce & Gabbana, J. Lindeberg and Fillipa K. In the case of IC Companys and its subsidiaries corporate branding are to be found mostly in the subsidiaries since IC Companys is the developer of the brands but not the actual producer.

Due to the extreme competition in today's market many smaller companies find it hard to survive on their own for very long (Gråbacke & Jörnmark, 2008) and they either go public on the stock exchange, like for example WESC and Odd Molly, to obtain more capital, or they get acquired by larger corporations or MNCs. When these MNCs acquire a multitude of different brands, it might be difficult to see the MNC as one strategic unit any longer, you have to consider the complexity of the brands business networks as well and the embeddedness of these.(Forsgren, Holm, & Johansson, 2005) Thus our research question becomes as follows.

1.3. Main problem

- How does an MNCs HQ in the fashion industry with a portfolio of independent brands manage its subsidiaries?

1.4. Purpose

The aim of this research is to make a descriptive study of the problems that occur between the Danish apparel and fashion company IC Companys and its subsidiaries when the firm tries to exercise control over them. The thesis will look at this dilemma from both the view of the owner, IC Companys, and from the point of the different subsidiaries. The basis of this dilemma comes from the problem that might occur if IC Companys are trying to create shared value which demands a certain amount of control in an industry that are so dependant on autonomy to create a unique brand as the fashion industry. The goal of the thesis is to contribute to a greater understanding of the complexities of the relationship that exists between HQ and subsidiaries within the fashion industry.

1.5 Definitions

- *ICC* – Short for IC Companys.

- *MNC* – Short for Multinational Corporation, which is a firm that owns business operations in more than one country. The owner or parent company within an MNC will be referred to as Headquarter (HQ). MNC are therefore the name for the entire corporation group.

- *Retail* – In this thesis *retail* refers to brand specific stores within the fashion industry and not stores in general which it can refer to in other contexts.

- *Sourcing* – Is an industrial specific name for the purchasing function of fabrics and materials, buttons, sippers and so on.

- *Wholesale* – Mixed brand stores that sell products from more than one brand.

2. Method

In the method-chapter the exact approach of the thesis and the research process are described. These are then followed by an exposition on how the primary as well as the secondary data was collected and how the interviews were conducted also how we look at the issue of credibility in the thesis. We then describe the history of our chosen case-company in short and finishing of the chapter by defining our limitations of the thesis.

2.1 Research Process

When we started our research we decided that we wanted to gain a better understanding of the relationship between a parent company and its subsidiaries within the fashion industry since we have a personal interest and involvement in this industry. We decided that the best approach would be to perform a descriptive case study of the relations within just one company group. Since we are investigating the relations between parent company and its subsidiaries and comparing them to our theoretical framework a descriptive study is the most suitable one since it describes the relations and characteristics of the companies within the organization. . Since the study is descriptive we needed in-depth data from reliable sources and the best way of gaining such data was to do a qualitative study. To get qualitative data it was necessary to conduct in-depth interviews to get access to the personal views of the respondents and the best way of achieving that was through semi-structured interviews. (Denscombe, 2007)

The research began in March and continued until the end of May 2011. It was conducted at Gothenburg School of Business Economics and Law with the exception of interviews, which were conducted in Copenhagen the and in Stockholm. We started of our research by collecting and studying previous research to build our frame of reference. We then moved on to create our interview template and conduct our interview to collect the data used. After data was collected we proceeded by transcribing interviews and writing up our empirical findings that we then analyzed with our frame of reference and reached our conclusions. (Denscombe, 2007) By doing so our research process leaned towards a deductive approach. The empirical data was also presented to the respondents so that they could identify and clear any eventual misunderstandings. (Yin, 2003)

Data was accessed through membership of the university library in which relevant databases were used as well as guidance from our mentors in finding relevant articles. Interview respondents were reached through the use of personal contacts within the industry. (Denscombe, 2007)

2.2 Selection of method of investigation

2.2.1. Case Study

Blumberg et al. (2008) define a case study as an empirical investigation of a phenomenon within its real-life context. Our unit of analysis is the relationship between a parent company and its subsidiaries in the fashion industry. We want to understand the nature of the relationship, how it works, what conflicts may arise and how the managers themselves looks at it. For this we think that a case study is the optimal way of understanding this since it takes into account multiple sources of evidence. And since we have a limited timeframe we are limited to just study a few different companies and not the industry as a whole. This lead to the conclusion that a case study was the optimal choice since we then can provide a descriptive study of the relations inside one organization without having to make generalized conclusions for the complete industry. (Blumberg, Cooper, & Schindler, 2008). Since we have personal connections within IC Companys it was convenient for us to gain access to relevant sources for the qualitative data sampling needed to perform a good case study.

In order to pursue a descriptive study we have chosen a qualitative approach and therefore we need more personal and in-depth information than what can be gathered in a quantitative study. This means we have chosen to gather our data through qualitative interviews which we think will give us more in-depth information that will help us understand the relationships and factors that are necessary to analyse our problem.

2.2.1.2. Case Company Description: The History of IC Companys

In the year of 2001 IC Companys was created through a merger of the two Danish apparel and fashion companies Inwear Group A/S and Carli Gry International A/S. Carli Gry was founded in 1940 and has since then launched three brands of their own and in 1998 they acquired the Swedish company Peak Performance. Inwear Group on other hand was founded in 1969 and has also launched three brands of its own. In 1996 both of these companies was introduced on the Copenhagen Stock Exchange before they finally merged in 2001. After the merger the company started a quite rapid expansive phase with the launch of new brands and also further acquisitions among others the Swedish fashion company Tiger of Sweden. (IC Companys, 2011). This resulted in the organization structure that can be seen in Figures in the end of the thesis.

As of today IC Companys now owns and handles eleven different brands, which we will refer to as subsidiaries, has 2.500 employees and has over 10.000 different distributors in over 40 countries and among them 500 retail and franchise stores of their own. With revenues now reaching 468 million euro they are one of the leading North European clothing companies. (IC Companys, 2011)

According to IC Companys' company presentation (IC Companys, 2011) they utilize a business model that allows all the eleven different brands to have full control over their own value chain and organizational setup. They strongly believe in centralizing some important administrative functions such as logistics, HR and IT. They are convinced that this will allow the subsidiaries to fully focus on their own core business and provide a solid foundation for the subsidiaries to lean on for support. (IC Companys, 2011)

As the competition on the international market gets tougher and tougher it is important for large MNCs, such as IC Companys, to have a well-developed internal communication between the MNC and the subsidiaries. (IC Companys, 2011)

2.3 Data acquisition

Since we have chosen to take a qualitative research approach our primary data collection will be through interviews. When you chose to make interviews in a qualitative study the three most common ways to conduct an interview are according to Blumberg et al. (2008) either through a structured, semi-structured or a unstructured interview. Since our research question is both exploratory and descriptive in nature we have chosen to conduct semi-structured interviews to able to allow the interview subjects to guide the interviews to different sub-topics than we first thought about. This to be able to identify how the interview subjects feel and think about issues that is relevant to our problem. (Blumberg, Cooper, & Schindler, 2008)

The secondary data used was collected from articles and Internet pages. We used data from the ICC homepage as well as presentation material from sources in Tiger of Sweden that was used to gain a starting knowledge about the two companies and their history. We also read some articles that described the fashion industry and its development so that we could gain insight of the industry as a whole.

2.3.1. Selection of respondents

Since our focus is the relationship between the HQ and subsidiaries we got access to make interviews with the Executive Vice President of IC Companys, which is the parent company, and the CEO of Tiger of Sweden. We were given this opportunity through personal contacts with people inside the two companies. Tiger of Sweden was an interesting company for our research since they are one of the largest subsidiaries and therefore have a larger and more complex organisation that increases its attractiveness. The reason for only choosing managers is because they are the key decision makers from a subsidiary and HQ perspective who are also deeply involved in the development of the relationships.

2.3.2. Interviews

When you are going to conduct semi-structured interviews it is of great importance that you have a well-constructed interview template. The reason for this is to make sure that no questions are forgotten during the interview and it makes it easier for the interviewer to keep track if the interview questions are answered in a non-chronological way. (Blumberg, Cooper, & Schindler, 2008)

For us it was important that our interview template was completely objective to ensure that it was free of preconceptions. We could not use the exact same template for both interviews because we wanted them to be focused on the perspective of the respondent since they were in two opposite positions. There for the questions where designed very similar but from a different point of view, regarding to the respondents.

Before we met with the respondents we had printed the templates to be able to make quick notes of reactions as well as important observations and to easily keep track of any deviations from the template. The interview was recorded and summarised directly afterwards as well as fully transcribed. Each interview lasted for about 50 minutes and both authors were present at each occasion. Our empirical data are taken from the transcriptions and our notes from the interviews.

2.4. Credibility

To be able to address any issues of the credibility of this thesis the following measures are presented.

2.4.1. Reliability

Reliability measures if the research instruments are neutral and if another researcher would be able come up with similar results. (Denscombe, 2007)

Our frame of references was constructed with scientific articles and books that all has been peer-reviewed. Much of our theory is based on the book written by (Forsgren, Holm, & Johansson, 2005). One interesting observation is that much of the articles and research made in this area is based on the different works made by Sumantra Ghoshal.

We have tried to be as objective as possible in our interview template and also during the interviews. However the template differs in some aspects due to which respondent it was designed for, this to able to get answers from both different angles. We are aware that the data collected reflects the personal views and opinions of the respondents and as such are not static over time. This means that the reliability of the collected data could decrease over time. (Merriam, 2009)

Our way of conducting this research we believe leads to a strong reliability because of the very clear steps we have taken for data sampling and for building our theoretical framework. However it is possible that in an attempt to replicate this study the results might differ because we believe that due to our personal connections within these two companies we were given very straight and honest answers that could have been a little bit discrete otherwise. We do believe that our choice of respondents generated a greater reliability since they are in the positions best suited to answer our questions. They are involved in the decision processes on a daily basis and have the overall responsibility for the companies. (Bryman & Bell, 2003)

2.4.2. Validity

Validity is a way of measuring how well the research matches the subject of the research. If the validity is low then the results preformed has low correlation with the aim of the study. (Denscombe, 2007)

The fact that no triangulation of the data was possible due to the lack of more interviews does affect the validity of the thesis negatively. However due to our personal relationship to the respondents and the fact that the respondents are the ones best qualified to answer our questions, and also since no sign of insecurity was observed during the interviews we consider the validity of the data to be acceptable. (Merriam, 2009)

To strengthen the validity of our thesis empirical findings from both interviews was presented to the respondents to give them opportunity to clear any possible misunderstandings or errors. (Yin, 2003) And also to be able to ask any follow up questions which we did not need.

We would like to point out that we have no intentions of drawing any general conclusions on the relationships between parent company and its subsidiaries at large. This is a case study of the relationship in this chosen MNC, it could however provide interesting observations of internal relations in a large fashion company and how it conducts business.

2.4.3. Criticism of the sources

Even if some of the articles used in our research are not entirely up to date, they still are relevant for our research as well as providing the basis for the newer research. The main theory used is very much up to date and relevant.

We have no reason to believe that the answers we received during our interviews were not independent. Only one of respondents requested the template in advance while the other one did not. However it is our belief that this request was based in a tight schedule and not to prefabricate answers.

2.5 Limitations

The limitations of this study are that we will focus on just IC Companys and the issue of HQ - subsidiary relations in the specific context and not the industry as a whole. Our conclusions will be based on the current situation of IC Companys, it might or it might not suite other companies. That is not in our study to investigate. We will also focus on the need for control from the owners and the need for autonomy from the subsidiaries as a whole and not in specific functions. Since we want to make a qualitative study interviews will be performed on a selection of higher executives in both the MNC and the subsidiary. But due to certain limitations such as time and money we will only interview executives from one subsidiary and one from IC Companys. In the beginning it was our aim to interview two subsidiary managers however due to shortage of time and scheduling conflict this was proved impossible and only one was conducted. This was unfortunate because we wanted to triangulate the data in order to answer the research question. However our intended goal with this thesis was to gain a better understanding for the conflicts that may occur between a parent company and its subsidiary in the fashion industry and we think we achieved that goal.

2.6 Disposition of the thesis

Our thesis starts with an introduction part that explains the background of our problem and why we chose to conduct this research as well as a methodology chapter that explains how the research was conducted.

This part is then followed by a part that presents our frame of reference that includes the different theories that we will be using for our analysis. Here we also present our empirical data that has been gathered from interviews and secondary sources.

We then conclude our thesis with an analysis and present our conclusions and suggestions for future research.

3. Frame of references

In our frame of references we will begin by presenting the concept of Embeddedness and how it influences multinational corporations. We then introduce the reader to different types of personal networks and also how such networks are occurring within the fashion industry. We then conclude the chapter by describing the process of value creation and portray it with the picture of "the smile of value creation".

3.1. Defining the Embedded Multinational

According to (Forsgren, Holm, & Johansson, 2005) the embedded multinational is a concept that differs from the MNC in that it focuses more on the subsidiaries external business networks. The MNC is traditionally viewed, as one heterogeneous strategic unit while the embedded multinational is more diverse. Like the MNC it has central governance through law of ownership and administrative systems between subsidiaries and HQ but this is not the complete story. Subsidiaries in turn have a commitment to their different business networks since these are their main business partners. The business networks are complex relations that vary in the depth of embeddedness and complexity, it can exist of arms-length relations as well as highly embedded internal transactions between subsidiaries. (Forsgren, Holm, & Johansson, 2005)

3.1.1. Embeddedness

Embeddedness is a concept that describes the view that economical transaction is embedded in our social and cultural structure. It emphasises that economic transactions are very much dependent on culture and previous tradition of trade between the actors. This means that subsidiaries over time will develop a greater embeddedness in their business networks as they keep doing business and thereby develop trust and a common history. It even go so far that they start to adapt their resources and business models to each other to be able to satisfy each others needs. The degree of embeddedness is then divided into two different levels, the low degree of embeddedness that consist of mainly arms-length trade and a not very developed relationship between the partners and the high degree of embeddedness were the relationship is much more developed and the firms are much more adapted to each others needs. (Forsgren, Holm, & Johansson, 2005)

For the MNCs HQ, the subsidiaries embeddedness in their external business networks presents both an advantage and an issue of control. Since the subsidiaries business relations are a major part of their strategic resources they provide a certain amount of influence in the MNC. Their network knowledge gives them some leverage towards HQ since the HQs top management usually are not capable of retaining the same information as the subsidiaries (Forsgren, Holm, & Johansson, 2005). When this asymmetry in network knowledge exists, HQ is forced to depend more on hierarchical authority instead. This does not necessarily need to be a problem since hierarchical authority are deeply rooted in our culture and units on lower hierarchical level are expected to obey formal orders. Forsgren et al (2005) argues that these two sources of influence coexists inside MNCs, the HQs main source of influence is their hierarchical position while subsidiaries main influence comes from their network knowledge. This implies a need for top management to develop at least some network knowledge to support their hierarchical influence not became too dependent on any one subsidiary. (Forsgren, Holm, & Johansson, 2005)

3.1.2. Control and influence

In the MNC there are always going to be problems and conflicts of interest relating to goals between the subsidiaries and HQ. Watson O'Donnell (2000), present different ways to handle this according to the agency theory model. The agency theory model deals with how the "principal" should act to make the "agent" maximize the principal's welfare, this is done by either monitoring to make sure the agent stay between the lines or incentives to which are meant to equate the goals of the HQ and subsidiaries. (Watson O'Donnell, 2000)

Monitoring in an MNC is defined by (Watson O'Donnell, 2000) as activities made by the HQ that gathers information about the behaviour and decisions made by the subsidiary management. Since direct monitoring of managers is impractical in MNCs the HQ is more dependent on expatriates for this direct kind of information gathering. This is usually being done by a manager from the MNCs HQ that has been placed in a position in the subsidiary that allows them to supervise the managers, for example it is quite common for HQ personnel to be in the subsidiary board of directors. Another way for HQ to monitor the subsidiaries is through the use of bureaucratic monitoring mechanisms, such as rules, policies and procedures. (Watson O'Donnell, 2000)

The use of incentives for MNCs can be an effective way to align the goals of HQ and subsidiaries. This is usually done by making a part of the subsidiary managers compensation based on performance. The problems with the use of incentives are that there is uncertainty in the outcome and also difficulties with measurability of the outcome. (Watson O'Donnell, 2000)

One suggested solution to the problem of control between HQ and subsidiaries in complex organisations described by Nohria & Ghoshal (1994) are the creation of shared values. Shared values refer to the creation of shared goals and values throughout the organization that serves to unify all the members of the organisation. By increasing the employees' solidarity it is reasoned that you might minimize them from serving their self-interest and instead struggle towards common goals. (Nohria & Ghoshal, 1994)

According to (Forsgren, Holm, & Johansson, 2005) a subsidiary's power and influence is based on its capability to access information about its relevant business network and how to use this together with strategic resources within the firm. When these strategic resources are embedded in the business relations that the subsidiaries possess the knowledge of these relations becomes very important. This supports the claim that (Watson O'Donnell, 2000) presents that a subsidiary with a specialized knowledge on a certain product or product line is much harder to monitor. Since the majority of the strategic knowledge resides with the subsidiary and not the HQ this creates an information asymmetry where a majority of the decision-making is done in the subsidiary and not in the HQ, even with a central strategy for the MNC the subsidiary still makes a majority of the decisions since they have an information advantage. Even though Watson O'Donnell (2000) focuses on the hierarchical ways for the HQ to control its subsidiaries he does state in his conclusions that;

"... the headquarter – subsidiary relationship has become characterized less by hierarchy and control by fiat, and more by mutual interdependency and learning."

(Watson O'Donnell, 2000)

3.2. Personal network

According to Marchan et al. (1996) one of the most important factors for succeeding with decentralization of an MNC is the personal networks that exist within the company, both on a more company based level and an individual based level. According to Marchan et al. (1996) the company becomes the arena where these two networks meets and interacts, however, the company itself is not capable of controlling or change the terms of existence of those networks. The communication within networks can be either formal or informal; mostly formal communication is seen in the company-based network and the informal more seen in individual based networks. These then creates the very foundation for the flow of information between the employees within the MNC, and to some extent, also its suppliers. This enables the creation of shared values that is argued by (Nohria & Ghoshal, 1994) to be one of the most important factors for controlling and directing the MNC towards common goals.

One problem found in earlier research in this field is that research mostly has been done on the highest managers in the concerned companies, while the middle and lower managers has been left out of the study (Marchan, Welch, & Welch, 1996). The authors continue by arguing that the importance of networks within the MNC remains even on the lower positions in the hierarchical system. It is also point out that the horizontal communications on all levels within the MNC are crucial for the flow of information and personnel development that in turn acts as one of the informal steering processes for the entire MNC. (Marchan, Welch, & Welch, 1996)

3.2.1. Company-based network

The company-based network consists mostly of formal communications working in both vertical and lateral ways in the company. Marchan et al. (1996) refers to company based networks as for example reporting systems and different procedures within the company that ensures the company's ability to gather information from its subsidiaries. Company based networks are mainly used for company purposes only and individual based networks for individual purpose but there are some situations where the interests of these two overlaps with each other. One such situation is the situation of hiring personnel in which case the individual based personal network, i.e. the individual network of contacts becomes of interest for the company at large as well as it is of utmost interest for the individual itself. This might cause an upside but just as well a downside for the job seeker depending on the situation and nature of the hiring company. (Marchan, Welch, & Welch, 1996)

3.2.2. Individual-based network

The individual-based network is more a network of informal communications, mostly in horizontal directions. This informal communications are of utmost importance for managers of the MNC when it comes down to create a common culture throughout the MCN with its subsidiaries (Marchan, Welch, & Welch, 1996). And for that purpose spreading shared values to all parts of the MNC by the help of these networks (Nohria & Ghoshal, 1994).

By using these networks to spread different norms and shared values to the MNCs different parts the managers are trying to informally steer the company towards common goals and trying to strengthen the trust and the existing relationships within the MNC (Marchan, Welch, & Welch, 1996). This is often tried to be achieved by continuously rotating managers to different positions between the MNCs different subsidiaries (Nohria & Ghoshal, 1994). When a manager is being transferred to a subsidiary out of country he or she becomes an expatriate. The use of expatriates has been included in most of the modern staffing policies today and is an important part of big MNCs quests for spreading common culture and shared values across its web of subsidiaries. (Hill, 2011)

Marchan et al. (1996) points out that this informal individually-based communication networks has shown to be very useful for the top managers in the subsidiaries, but not as much for the middle level managers.

3.3. Centralisation vs. Autonomy

Subsidiaries are usually given an increased autonomy since its knowledge about the local market often is more developed than the HQ. Thus autonomy is defined by Watson O'Donnell (2000) as the degree the subsidiary is allowed to make strategic decisions. Since MNCs are active on a multitude of different markets the subsidiaries knowledge and the business relations it has developed through arms-length transactions is an important strategic resource. To be able to take full advantage of this resource the subsidiaries are given an increased autonomy, this in turn makes direct monitoring harder and thus less effective. (Watson O'Donnell, 2000)

3.4 Fashion industry

3.4.1. Fashion industry network

According to Hauge (2007) direct co-operation between firms in the fashion industry is quite rare. In fact there is quite hard rivalry and competition between firms that creates the need for different brands to present a unique and creative image. However there are still very high levels of mutual dependency in the industry that creates what Hauge calls *networked rivalry*. This term symbolizes the closeness and competition that exists between rival brands in an industry that shares the same socio-economic institutional setup. The interdependencies between different actors in the industry can be illustrated by the fact that different brands that compete for the same costumers often use the same retailer. This has close similarity with the business networks described by (Forsgren, Holm, & Johansson, 2005).

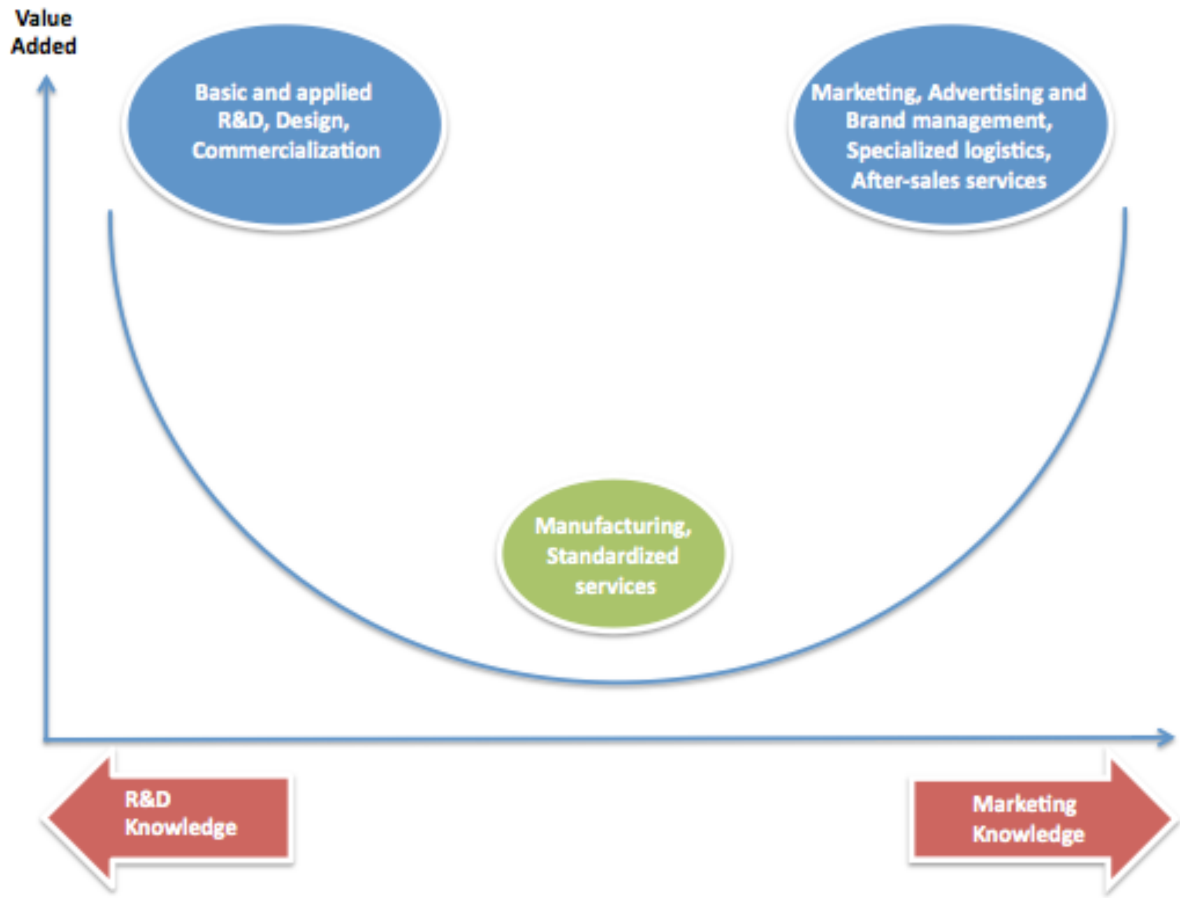
The fact that almost all production of the actual clothes is outsourced implies that the core strategic value creation consists of something else. Hauge (2007) states that branding and brand management are the innovative tools most used in the industry, this also means that creativity plays an important role as a strategic resource. Since the brand image is so important, firms need to adapt their marketing so as to strengthen the image of the brand and be careful not to damage it. The use of a corporate branding strategy presented by Hatch & Schoultz (2008) is used to enhance the company behind the brand and can thereby be a useful tool but only when all the products is collected under one brand. Brands that strive for a "high fashion" image is turning away from mass marketing to a much more targeted marketing through the use of product branding (Hatch & Schultz, 2008). This has created the need for a much more creative brand management to be able to stand out and be seen in the right places. (Hauge, 2007)

Fashion is for many consumers a way to identify with a certain sub-culture and a way to express attitude and tastes. The social status of groups are determined by the knowledge and skills valued in the local environment and the capability to innovate the symbolic resources that the group share (Hauge, 2007). For the fashion industry this means that the consumers are powerful network actors (Forsgren, Holm, & Johansson, 2005) that play a crucial role in developing new trends. The fact that trends are set by both the brands and sub-cultures among the consumers means that fashion brands need to have a close relationship with its consumers to be able to achieve successful sales. (Hauge, 2007)

3.4.2. Value Creation

The process of value creation can be illustrated in the value chain that consists of primary and support activities. Primary activities are R&D, production, marketing and sales and customer services while support activities are the company structure, information systems, logistics and human relations (Hill, 2011). In the fashion industry however production are usually outsourced which excludes production from the primary activities (Gråbacke & Jörnmark, 2008). This leaves the firm with a stronger focus on design and marketing to create the right brand image, it also means that a firm that wants a high fashion value needs to develop close relationships with its customers through customer service to be able to deliver the right product (Hauge, 2007). This follows the same line of thought as "The smile of Value Creation", see figure 1 on the next page, where certain activities are believed to create more value. (Mudambi, 2008).

Figure 1 – The smile of Value Creation



Source: (Mudambi, 2008)

4. Empirical findings

In this chapter we will present the empirical findings made from the two interviews that has been conducted as well as some secondary data that has been collected. The interviews are presented as two sub-chapters divided due to the two companies interviewed. The interview template that was used are to be find in the appendix, although deviations from the template has occurred since the interview were of a semi-structured nature.

4.1. The emergence of the fashion industry

During the 1950s the confection and textile industry employed an approximate number of some 110.000 people in Sweden. But due to growing competition from abroad the industry started to face enormous setbacks in the late 1960s. The competitors were based in low-wage countries, most often in the "tiger economies", and had an advantage on the Swedish producers because of the industries dependents of labor. In the early 1990s the government of Sweden stopped all financial support of the distressed industry which was the same as signing its death certificate. (Gråbacke & Jörnmark, 2008)

After the collapse of the Swedish confection and textile industry in the 1990s and the loss of thousands of job opportunities, the development of more knowledge-based industries started to bloom. (Sundberg, 2006) One result was the new fashion industry which differs from the earlier industry in the field of production which has been outsourced abroad to suppliers. Instead the fashion industry firms focus on value creation through in-house produced design, product development, fabric purchases, logistics and marketing. Through these new competitive values fashion companies are struggling to create strong brands and to compete with others. (Sundberg, 2006)

4.2. IC Companys

4.2.1. Interview

Anders Cleemann is one of two Executive Vice Presidents of IC Companys. He is responsible for four different brands with a combined annual turnover of around 1,2 billion DKK. The interview was conducted at IC Companys head office in Copenhagen.

4.2.2. Brand Management

Anders says that in the fashion industry branding is extremely important because the brand image is a large part of the finished product. The brand image of course differs for all the different subsidiaries, which means they also need to work with different strategies. Since ICC has eleven different brands that are in different states of developing you need to be able to work out a strategy to each brand separately. To do this he tries to have a close relationship with each brands management and participate in forming the long-term strategies for each of his four brands. This is a part of the ICCs strategy of being the leading developer of fashion brands and not just being an owner.

Apart from the strategy development Anders points out that he wants to have a more supportive role to which brand management can ping-pong ideas. He emphasises that it is important to empower the subsidiaries to make their own decisions since they know best what their company stands for; they are the ones that are living the brand. And what is usually lacking in a fashion company is the business expertise and that is what he wants to contribute to his subsidiaries. But on a day-to-day basis David for example, in his role as CEO of Tiger of Sweden, is running the business and it is his responsibility to combine both the creative and innovative side with the business aspects of the industry.

4.2.3. Shared values

As pointed out earlier the different subsidiaries each have their own image and thus they need their own culture. Anders tells us that they have an overall culture and general norms and values in the ICC group but points out that it is important that each subsidiary should have their own culture as well. He even goes as far as stating that it would be extremely dangerous and make no sense if they tried to unite the cultures of two different brands since it is two separate worlds.

To be able to meet its mission of being a leading developer of fashion brands; the company goals plays an important role. Anders tells us that ICC tries to work with separate goals for the different levels in the organization. They do have goals for the entire company group but he also works closely with the brand management to develop specific goals for the subsidiaries but also in forming sub-goals that will determine how they work on a continuing basis.

4.2.4. Control vs. Autonomy

Even if Anders pointed out that the subsidiary management is running the subsidiary he also states that in the end ICC are the owners and they have the right to make the final decision. However he also says that when you have power you should be very humble with that power and if you are being forced to use that power you have forfeited your possibility for mutual decision making and understanding. To be able motivate people in today's society you need to argue your point of view and compromise towards a mutual understanding. This is part of the ground philosophy of ICC, to strive for mutual understanding. It is all a game of give and take, no one will be one hundred percent satisfied with all decisions but everyone will have a say in it. Anders states that of course at some point it is all about money, but what you have to understand in this industry is that emotions are playing a very crucial roll. And as the owner you have to respect the feelings and values that have created and formed the subsidiary from its birth otherwise you would change and possibly destroy the unique features of the brand. However even if emotions are important, Anders believes that in the future you must be able to combine this with an increased professionalism.

When asked about the benefits of centralization Anders tells us that it is possible to gain some synergies and also to get the same level of competence in the areas you centralize for all the subsidiaries. The downside is that there is a risk of creating a certain lack of responsibility at subsidiary level. It then gets a lot easier for subsidiary managers to argue that they do not control the complete value chain, which might result in that they blame bad results on the ICC structure. This risk puts the pressure on ICC to be able to produce a better support function through centralization than any alternative the subsidiaries could find themselves.

In the industry Anders has noted that a growing trend is the rise of more vertically organized players. The benefits of these kinds of organizations are that they have full control through the complete value chain and when they find the strategic approach that works the best, they can easily copy that into several new markets. According to Anders this could mean that the contact between him and the management of his subsidiaries will increase in the future.

4.2.5. Value Creation

The creation of value for a product can be seen from different perspectives. Anders says that on a basic level you can see the design and the actual sale as the main value creating processes for the product. This is taken care of by the subsidiaries themselves and ICC provides a kind of platform with support functions such as IT-platforms for e-commerce that helps to make these processes more effective. ICC also provides offices in Europe and Asia, which is where the production is done. The personnel in these offices are mainly functioning as scouts since they have a large knowledge of the local producers, they then help the subsidiaries to find the right producer to meet their needs but the sourcing function is still being done at the subsidiaries head offices. However from a more strategic perspective Anders believes that the main value creation takes place in the business models of this kind of company. And with the business models he means the strategic approach that they use in every part of the different business processes. He states that it is not a lack of creativity and innovation that firms in the industry are facing today, it is the lack of knowledge in how to do business that is the part they need help with and that is the main contribution made by ICC to its subsidiaries to increase value.

4.2.6. Network

When it comes to business relations Anders believes that they can be quite useful in the sense of information gathering. Even if the subsidiary managers have the main contact with important customers they can always use Anders and his colleagues for support in difficult situations. Anders also feels that it is important to have some contact with customers since they are the main source of information on what the market wants and for future developments. In the case of suppliers the situation is quite similar, Tiger for example have some suppliers that only they use such as Loro Piana, while Peak Performance have contact with GoreTex. It is important for these subsidiaries to be on good terms with these special suppliers and that they have a healthy business relationship. Anders says that it is important that they assist each other in the buying process to achieve cost efficiency, so that all parts make money and are kept happy.

The wholesale and retail parts of the business have looked the same for at least 25 years according to Anders. He believes that this way of doing business will have to change in the near future since retailers are not making enough money to stay in business today. It is Anders belief that they will have to form closer bonds with their customers in the future and take an increased responsibility for the sales of their products.

4.3. Tiger of Sweden

4.3.1. Interview

David Thunmarker is the CEO of Tiger of Sweden. As CEO he has operative responsibility for the company and answers to his board of directors that includes Anders Cleemann.

4.3.2. Brand Management

According to David the brand image is crucial for Tiger of Sweden's survival. He states that there are two sides of a company in the fashion industry, the business side and the creative side. These two are like yin and yang, you need balance between the two to be successful on a long-term basis. These different parts create the brand image of which David is outmost responsible for. To emphasis how important the brand image is to him he states that as CEO you need to "eat, work, think, shit and sleep Tiger of Sweden". And with that he mean that to him Tiger of Sweden needs to be more than just a clothing company, it needs to be a way of living.

In his role as CEO he states that it can sometimes be quite lonely because he is the one that needs to see the complete picture. It is his responsibility to combine everyone's different agendas in to what is best for Tiger as a whole. In this role he feels that it is a great support for him to be able to "ping-pong" ideas with his chairman Anders Cleemann who can help him see the big picture and develop long-term strategies. He states that the contact between the CEOs of the different brands and their supervisors at ICC are probably quite different but he prefers to have a close contact with Anders. The fact that David works closely with Anders of course means that ICC has some influence over the brand management but according to David the day-to-day influence from ICC is quite modest. He is still the one that is responsible for Tiger of Sweden and thus makes the decisions. He states that when you are part of a large MNC you have to compromise but in the case of key issues for the brand he needs to be uncompromising otherwise it would be misconduct in his roll as CEO.

4.3.3. Shared values

According to David ICC has changed quite a bit over the last years. They have gone from being just an owner of fashion brands towards being a developer. This change is important when it comes to understanding the way things are done within ICC. David says that they do of course have large group meetings for the whole MNC to set overall goals, which is important since ICC is the platform to build their separate organisations on. When it comes to culture however David is very firm on the fact that it is important that all the brands have their own culture. He feels that it is important since a fashion brand is so dependent on its image and that the image needs to be developed through the works of the employees of each brand. All the employees need to be "living the brand" because in the end the product will symbolise the values within the company. He says that an employee that understands the values of Tiger quickly can identify a fabric that is suitable for a product from Tiger of Sweden and one that is not. He then states that he himself would not be able to recognise what fabric would be right for a product from, for instance, Peak Performance but with a quick glance or touch he can say which is suitable for Tiger of Sweden and which is not. To be able to do so one unique culture is crucial.

4.3.4. Control vs. Autonomy

On their website IC Companys states that all their brands are supported by a platform of support functions which are; logistic, IT, HR, finance, legal and administration. The benefits of this according to David is that the centralization makes these functions a lot more cost efficient since you do not need one for each brand. Since these support functions now handles eleven different brands with a combined turnover of 4 billion DKK it also gives them a lot more financial muscles. Which gives each subsidiary a more stable environment with less risk for financial difficulties. David states that he also thinks this makes it a lot easier to attract more competent personnel in a large organization that each subsidiary then can benefit of.

Being a part of a large organisation also means that there is a lot of experience available. He mentions that they have a corporate business development department that function as a form of consultancy department within ICC where all the subsidiaries can turn for qualified help with different projects and other jams. Also since most of the brands are targeting different customers they also have a bit experiences and views. This opens up opportunities for which David refers to as best practices. With this he means that if they are developing a new strategy you can benefit from other experiences within the organisation. For example he mentions that having a central HR department makes it possible, among other things, to compare salaries for different jobs, roles and competences that is not something you can ask your competitors.

Since the knowledge about the company brand and the company itself mostly can be found with its employees David believes that the centralization can be a way for ICC to gain better insight in to its subsidiaries. He says that the owner-subsidiary-relation is much like any relationship, where there will always be a need for compromise. Since ICC has eleven different brands there will be many different views that has to be accounted for when making decisions. David believes that to minimize friction you need to be open with your agenda and your needs. Since he has the view of Tiger of Sweden he can develop some tunnel vision and then it is good to have someone that reins him in to see the big picture. According to David compromises and friction are the main down sides of being part of a large MNC. He believes that there will always be a need for compromise between owners and subsidiary but compromising can also have some benefits. David says that in the end the competition and threats are not to be found within the organization but on the market. The sparring between owner and subsidiary has the benefit of always generating a second opinion and can be a way of sharpening your business strategies.

Tiger of Sweden are relatively independent in their roll since they control their entire value chain. David feels that it is important to control all the process of the value chain since all of them need to work perfectly to create the finished product. He says that the process is basically divided into three parts, when it comes to the actual value creation done around the product, which each contributes 33,3 % of the value of the finished product. These are design, sourcing and production. Even if the production itself is outsourced Tiger is still highly involved in it since they choose which factory and producer to use. Here ICCs structure can provide a benefit since they have offices closer to producers in Europe and Asia where ICC have employees designated for the different subsidiaries. This structure provides the efficiency that allows Tiger to focus more on their creative side.

As stated above the value creation is created equally through design, sourcing and production. Sourcing is according to David a term that is basically the same as a purchasing department. He says that since the fabric and other components needed are so different between each subsidiary this is controlled in house and is also an important function because the fabric and components used is an important way to differentiate oneself from the competition.

5. Analysis

In this chapter we continue by analysing our empirical findings from the previous chapter by using the theories presented in the frame of references. The chapter is presented through five subheadings, each which are recognised from earlier stages of the thesis. All sub-chapters contribute to an increased understanding of the conflict between control and autonomy in a multinational fashion company.

5.1. The Embedded Multinational

The question is if ICC can be defined as an embedded multinational? They most definitely have the central governance through hierarchical authority but as Anders stated they seem hesitant to use it and instead prefer a more lateral approach. He is very clear on that it is the subsidiary management who are in charge of their respective companies and that they have direct contact with both customers and suppliers which implies that subsidiaries indeed have business networks of their own and thus matches the description of a embedded multinational as presented by Forsgren et al. (2005), what is interesting then is to determine how embedded the subsidiaries are in their different business network. To do this we will look at both the supplier and the customer side of their business networks.

5.2. Embeddedness

If we start by looking at the supplier side of the business network there are some tendencies that subsidiaries are more embedded with the suppliers than the parent company. Anders states that the relations to supplier are more or less up to the subsidiary since they are the ones doing business together. However he is always there as support for the managers if needed and sometimes he takes part in trips and meetings with suppliers. Some subsidiaries also have suppliers that they are the only one in the company group to work with. Tiger of Sweden are for example the only ones working with the Italian textile manufacturer Loro Piana to which David has the most contact according to Anders. This shows that subsidiaries have business networks of their own and are not completely dependent on ICC. The fact that subsidiaries have suppliers that they work exclusively with as well as being quite dependent on, for example Peak Performance with GoreTex, implies a quite high degree of embeddedness. Anders says that there is a mutual dependency with suppliers; if ICC wants lower prices they cannot just demand it. They have to work together and se if they can help the supplier in any way so they both can achieve lower prices in the end. This intention to work closer with suppliers, to adapt to each others needs and treat them more as business partners are a sign of a higher level of embeddedness according to Forsgren et al. (2005). There are however signs that ICC do not want to allow the subsidiaries full responsibility for their business relations towards suppliers. They do still own the different production offices that work closely with suppliers, so even if the subsidiaries have people dedicated to them in these offices they are still employed by ICC. This could be a way for ICC to limit subsidiaries influence in the company since information about the relevant business relations according to Forsgren et al. (2005) is a source of leverage towards the parent company. The reason for production offices then might not only be economical but can also function as what Watson O'Donnell (2000) refers to as monitoring. Since the use of these offices is standard procedure they can prove to be a good way for ICC to get information on day-to-day business and increase their involvement in new business relations and thus provide an increased control over the process. This seems to function as company-based networks (Marchan, Welch, & Welch, 1996) that can provide information all the way from suppliers to the parent company and thus work as an important information gathering function as well.

When looking at the customer side the picture seem somewhat different. The role of ICC seems to be more supportive here as well with the largest amount of customer relationship left to the subsidiaries. Anders says that he is only participating in customer meetings when asked by subsidiary managers but that in some special cases he prefers to have contact with important customers since it is a good way to understand the development of the market. This seems like a quite loose answer in our opinion but when comparing with David's answers it does seem like subsidiary management have the greatest part of customer contact. So we can establish that subsidiaries have quite a large influence in the customer side of their business network. If we then look at the level of embeddedness with their customers, we see a different picture than on the supplier side. When describing how the business in the industry works, Anders tells us that it has been the same for at least 25 years. You show the wholesalers the different collections and then take the orders. You do not take any responsibility that the clothes will actually sell after they have been delivered to the wholesaler. It seems as if the adaption towards the wholesalers needs are quite low compared to the adaption of the suppliers. This implies that the degree of embeddedness is quite low. What is interesting though is that they seem quite aware of this and have been so for some time. Anders states that in the future they will have to take a greater responsibility for how the clothes sell after they reach wholesalers and retailers. He believes that they all will have to develop a more partner like relation to become more competitive in the future. This implies that in the future we might see a higher level of embeddedness on the end-customer side as well and that the centralization of some functions will continue (Forsgren, Holm, & Johansson, 2005). According to Hauge (2007) different brands often use the same wholesaler and that creates what he calls a networked rivalry. In the case of wholesalers it is very hard for the different brands to communicate their brand values to the customers. This creates an information asymmetry in the network (Forsgren, Holm, & Johansson, 2005) where the wholesalers have all the direct contact with customers and the brands are kept from this information. This can be the cause of the trend to open your own retail stores, as both David and Anders implied, to get closer to the actual customers and be closer to the market and thereby get access to information directly. Opening your own retail stores and the increased focus on e-commerce could mean that ICC are trying to decrease their business network and create closer ties with the end customer and by doing so become more embedded with them (Forsgren, Holm, & Johansson, 2005) and thus get direct access to information from the end-customers.

Both Forsgren et al. (2005) and Watson O'Donnell (2000) argues that the access of information and the specialized knowledge contained within the subsidiaries are the main sources of influence for the subsidiaries. Forsgren et al. (2005) also argues that business relations are a major part of the strategic resources that provides a certain amount of influence in the MNC. When it comes to the strategic decision to open more retail stores and investing in e-commerce the theoretical framework implies that these decisions should be made by the subsidiaries themselves since they posses the knowledge and information needed. In ICC this appear not to be the case. For different reasons ICC has centralized some support functions such as logistics and IT and therefore control these resources. By doing so they gain information and knowledge and thus gain the ability to make these strategic decisions since logistics and IT among many are crucial functions for e-commerce and retail stores to work properly. According to Forsgren et al. (2005) HQs main source of influence is their hierarchical position, this gives ICC the power to make this kind of decisions. It would seem that through centralization ICC has turned the information asymmetry around and no longer needs to be dependent on subsidiaries for information and thus they do not have to rely on hierarchical power to make decisions. Anders also stated that doing so would be an eminent failure. In this way by centralizing they gain the knowledge and makes the subsidiaries dependent on ICC to be able to open their own retail stores and e-commerce. According to Watson O'Donnell (2000) autonomy is defined as to what degree subsidiaries are allowed to make this kind of strategic decisions themselves. This definition of autonomy does not provide a very good description of the level of autonomy in ICC. Since Anders tries to avoid using hierarchical authority and instead use communication and joint decision-making one would think that subsidiaries have a quite large degree of autonomy and influence but this does not fully describe the case. Subsidiaries can influence the strategic decisions but it seems as if they cannot or try to avoid doing so by themselves, which implies that they have quite low autonomy.

5.3. Networks

As pointed out by Marchan et al. (1996) personal networks on an individual- and company-based level are very important factors if you are to succeed with a decentralized decision making process. Through these networks you create the foundation for information flow between employees and managers as well as between the functions of the company group. (Marchan, Welch, & Welch, 1996) According to both David and Anders, the ambition of ICC is to decentralize operative decision making to subsidiary management to better be able to fully utilize the company specific knowledge of each subsidiary. However they do form all strategic decisions together, according to both parties this requires a great deal of honesty between them. Also due to some company-based networks the top management can get some information through regular meetings with subsidiary management as well as being part of meetings with customers and suppliers. This leads us to the question if top management and subsidiary management are only exchanging formal information through company-based networks or if they communicate through more informal individual-based networks as well. Anders an gives indication of this when he says that in his role as a developer and not owner they communicate not only through financial reports and demands but also in a much higher degree through discussions and compromise. Both David and Anders says that they want to work with a long term focus, to succeed in this they both need to strive in the same direction and that depends on how good they communicate with each other.

5.4. Control and Autonomy

To centralize some small but still important functions can be a good way for the parent company to gain some insight in the subsidiaries. By centralizing they can manage to control small parts of the subsidiary without directly interfering with their day-to-day business (Watson O'Donnell, 2000). One drawback for ICC regarding centralization is that the subsidiaries now have an excuse in that they do not have total control of the entire value chain, and they might hide behind that excuse whenever their financial result misses its target says Anders. According to Nohria & Ghoshal (1994) the creation of shared values is an important instrument to guide the MNC towards common goals. The centralised functions should be non-brand specific since they work with all brands and not one in particular and could therefore be a good source for spreading shared values throughout the organization and by doing so they follow Nohira & Ghoshals (1994) method of controlling the MNC. We could not find any support for this in our empirical data, however as David and Anders stated they do have a strong belief in honesty and joint decision-making that implies that there is some subtle shared values on how to communicate between different levels of ICC. Another possible way of spreading shared values throughout the organization is through the use of expatriate managers (Hill, 2011). Expatriate managers can according to Watson O'Donnell (2000) also function as a source of direct monitoring and information gathering by often being placed in the subsidiaries board of directors. In ICC we have found that the use of expatriates for spreading shared values are none existent since ICC claims to strive for value differentiation for each brand rather than shared values and therefore it would be hard for an expatriate to adapt to the new culture of the different subsidiaries. Anders does however function as a sort of expatriate in his role as chairman for his brands. He functions as the information and communication gatherer between ICC and the four subsidiaries he is responsible for (Watson O'Donnell, 2000). It would seem as if the shared value model to control an MNC presented by Nohria & Ghoshal (1994) does not provide a good description of the possible shared values we have found in our empirical data. The principal-agent theory presented by Watson O'Donnell (2000) with its use of monitoring and incentives would seem to provide a better description of our empirical findings. Anders states that he does not want to use his hierarchical authority but he still is active in the board of directors as a way to gain information and be part of the decision-making. By doing so he acts from a hierarchical position either way and it would seem as if he uses more hierarchical influence than he wants to appear to do.

5.4.1. Brand Management

According to Hauge (2007) the need for brand management are increasingly important and is today one of the most crucial strategic resources for a brand. He argues that "high fashion" brands are turning away from mass marketing and more increasingly aim for their target market segments. This more targeted and innovative branding strategy goes against what Hatch & Schoultz (2008) refers to as corporate branding. For ICC a corporate branding strategy would mean that they want to stress the values more of ICC as a company than of its subsidiaries. While the alternative product branding presented by Hatch & Schoultz (2008) would have a better fit since it focuses more on the product of the subsidiaries. Both Anders and David stress that the values of the subsidiaries are very much incorporated in the product, which means that the image of the brand becomes a large part of the finished product. This is one of the reasons why the theory of shared values presented by Nohria & Ghoshal (1994) does not fit in the case of IC Companys. Subsidiaries need to have their own values and culture to be able to create their own different brand image, as David says during the interview; they need to "live the brand", meaning that you have be able to personally identify yourself with the brand. Since the image of each brand needs to be mirrored by the employees of each brand this causes some control problems for ICC since they cannot possibly be that involved in eleven different brands at the same time. This means that the brand management needs to be decentralized to each brand itself to make sure that the cultures and values are mirrored. The uses of monitoring from ICC to gain control over its subsidiaries presented by Watson O'Donnell (2000) would seem as a much better way to maintain this control. The degree of autonomy then seems to be higher for brand management than for strategic decision-making as presented earlier. Watson O'Donnell (2000) stress that monitoring gets more difficult and less effective with higher autonomy in the subsidiaries, ICC has shown a great participation in the process of strategic decision making of the subsidiaries with the exception of brand management that the subsidiaries are allowed to handle themselves, this follows Watson O' Donnell's (2000) theory of monitoring. By decreasing subsidiaries autonomy in some strategic decisions they can allow them more autonomy in brand management but still stay in control.

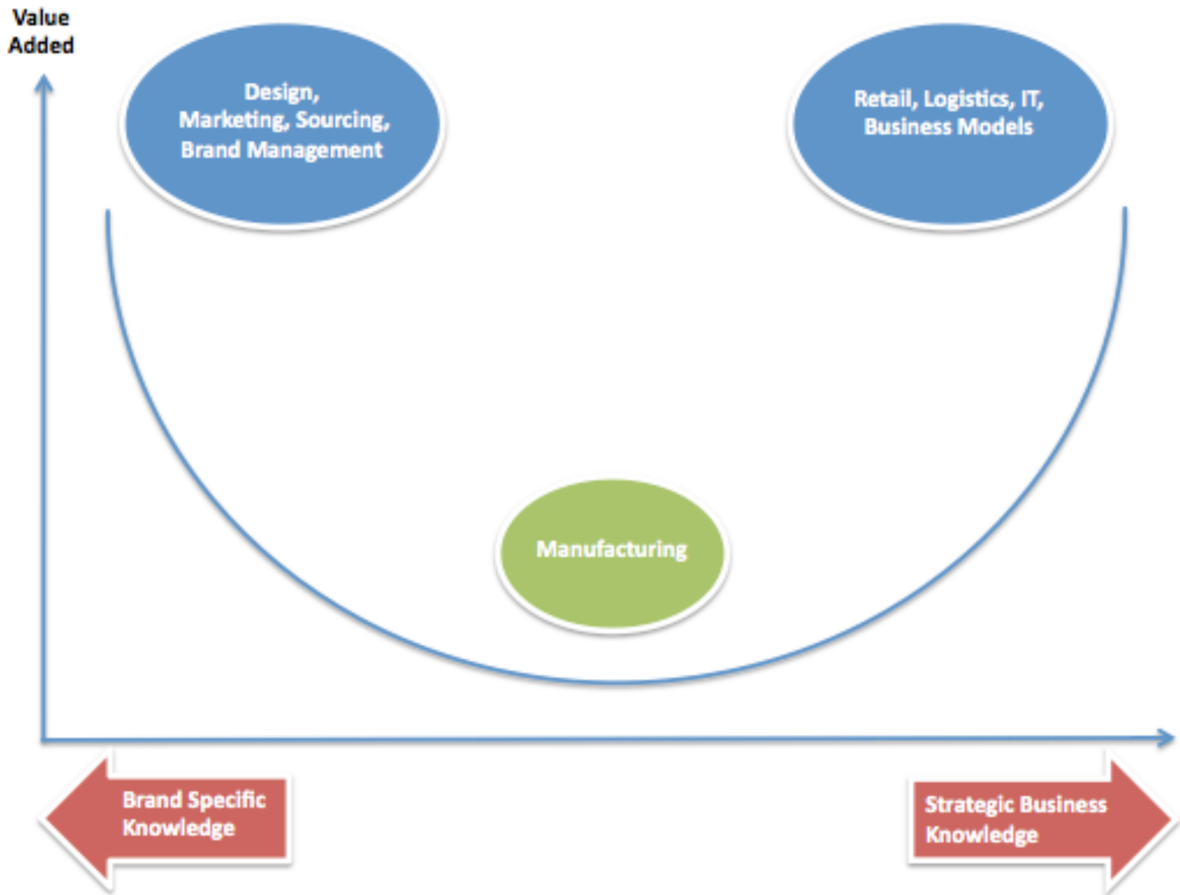
However from another perspective there is a possibility that both Anders and David have some tunnel vision when it comes to shared values. Since ICC and its subsidiaries share many processes and have a close contact with each other there is a possibility that some shared values are created anyway. Even if they do not want to unite the cultures of all the different brands it does not necessarily mean that they do not develop some shared values on a more personal level between co-workers that have a regular contact. This is something that we cannot find support for in the theory presented by Nohria & Ghoshal (1994) since they focus more on a company based culture and goals. This implies that ICC can have some informal means of control that they are not even aware of themselves.

The importance of autonomy in brand management is pointed out by David when he explains that every year Tiger of Sweden does six different collections and in every collection the values of the brand must be mirrored. Therefore it is of outmost importance that the brand management are taken serious because it has to be right every time. And as David says; "… we are never better than our latest collection … we might die with our next collection". In which he points out; the importance of every collection and that the brand might take severe damage after just one bad collection.

5.5. Value creation

According to Hauge (2007) branding and marketing becomes increasingly important in the fashion industry especially if you are a "high fashion" brand. However our empirical data shows this is only half the picture. Anders points out that from his point of view the strategic business models are just as important. This goes in line with what we can se in Figure 1 "The smile of Value Creation" presented by Mudambi (2008). The manufacturing of the actual clothes is outsourced to low wage countries and does not add much value to the product. The model presented by Mudambi (2008) shows a clear picture of how value is added throughout the value chain, however we found it somewhat unfit for our case study and have therefore remodelled it to better fit our case to show how value is added to a product in ICC according to our data.

Figure 2. The Smile of Value Creation in IC Companys



Source: Mölne & Tjernberg (2011)

The value creation takes part in two sides of the company, one creative and brand specific side as Hauge (2007) presents, and one strategic business side. As presented earlier in the analysis ICC has managed to control the strategic business side but have a need to decentralize the brand specific side. This leads to subsidiary managers being mainly responsible for the more brand specific side while ICC takes a larger responsibility for the more strategic business side, excluding brand management, because of their accumulated expertise. This is what ICC brings to the table and Anders believes that in the future the importance of this expertise will continue to increase. The process of centralizing different functions is a way to share this expertise to all subsidiaries and thus complement their creative sides. According to Hauge (2007) the issue of customer relations will be a major part of the value creation in the future.

Both Anders and David's answers to the question of how the fashion industry will look like in the future support this. This implies that in the future we will see that the rolls played by Anders and David will be even more specialised in their area of expertise. David will take an even more operative roll that will be reflected in the part of the value creation he contributes with and Anders on the other side will focus more on the strategic roll of the value creation. They will become the two cogwheels that will bring the company forward, one focusing more on the strategic side of the business and the other on the creative side. This implies the need for what Watson O'Donnell (2000) points out in his conclusions, that the level of specialised knowledge required in each part of the value chain is higher today and creates a greater need for mutual interdependencies between ICC and its subsidiaries.

6. Conclusions

In this chapter we will present the final conclusions made out from this research and provide an answer to the main problem defined in chapter one.

The fashion industry has in many ways looked the same for the last 25 years but now some changes are starting to appear. We have investigated how IC Companys manage its subsidiaries. One theory how this can be done is through the use of shared values. In the case of ICC we have found that it is difficult to achieve an organization that relies on shared values in this industry. It seems that to be able do differentiate themselves, subsidiaries are in need of a unique culture to be able to create their own brand. However this does not exclude the possibility that some sort of shared values are created on a more personal and informal level due to the close relationships that exists between the different levels of management as well as because of some process being centralized throughout the organization. The shared values we have observed cannot be explained by our frame of reference since that research are more focused on overall company culture and as we have observed that is not possible in the case of IC Companys since all subsidiaries are in need of a culture of their own. These informal shared values might work as an informal source of control that ICC does not even know they have.

We have found that in the fashion and apparel company ICC, there are two sides of the business that needs to work closely together for the company to be successful in the long run. One side are the more creative and brand specific one that needs autonomy since the creative aspects of the company needs to be based in the values incorporated in to each brand. This is handled by the subsidiaries themselves since they are the ones that are closest to the customers and it is they who need to live the brand. ICC on the other hand are more focused on the strategic business side and are trying to perfect the business models in use as well as trying to look for new ways to create more effective solutions for all its subsidiaries through centralization or other strategic business solutions. Since both these sides are so dependant on each other and since ICC has greater influence on the strategic side of the business except for brand management they increase their control and influence over the subsidiaries since the subsidiaries becomes dependent on ICC to provide these functions. At the same they leave the decisions that is most brand specific over to the subsidiaries themselves and thereby insure that the brand image does not get damaged. This leads to the conclusion that more specialised knowledge is needed for each process and that ICC develop more mutual interdependencies towards its subsidiaries to be able to manage each brand.

Regarding the issue of different control instruments for ICC towards its subsidiaries, it is our belief that the importance of relations should not be underestimated. ICC gains larger amount of control through better relations to the subsidiary managers, that is to say they focus on the informal relationships since this functions as a good way to gain information as well as influencing the subsidiary management, all this because of the need for subsidiaries to have independence to be able to handle the brand in the best way. We do believe that centralization of some support functions work as a way for ICC to gain some formal control over day-to-day business and not to fully rely on informal channels to gain control. To maintain control in the future we believe that an increased relation towards customers is just as important for ICC as it is for its subsidiaries, this to not depend too much on subsidiary managers and their information gathering.

7. Reflections and suggestions for further research

During the process of our research our thesis has gone from a focus on organizational structures to focusing more on relationships and communication between a parent company and its subsidiaries in the fashion industry. In this chapter we would like to present some of the questions and areas of interest that have arisen during the process but have not been part of our research to answer.

First of all we would like to suggest the option of doing similar research as ours only on a larger scale. It would bee interesting to see if our conclusions would be suitable as a generalized concept in this type of firms.

Secondly we found that IC Companys was a lot more than just an owner, they presented themselves as a developer of fashion brands. Would the picture be different if the ownership was purely capitalistic with maybe a venture capital company as owner? It would in our opinion be interesting to see what they would do differently.

Thirdly in our thesis we mentioned the rise of the vertical players in this industry. They are originally limited to only one brand but as they grow larger they show some tendencies to sometimes acquiring smaller brands. This has recently been shown in H&M when they recently decided to acquire Weekday. We think that it would be worth the effort to research how they work to spread the brand image through such a huge organization as well as how they work with the same questions of control and autonomy as we have looked at in IC Companys.

In our thesis we have presented the concept of centralization as a means of gaining economies of scale as well as a mean to achieve higher influence in the organisation. What we would like to look closer at is how one would prioritize resources in specific areas such as logistics if a jam would occur.

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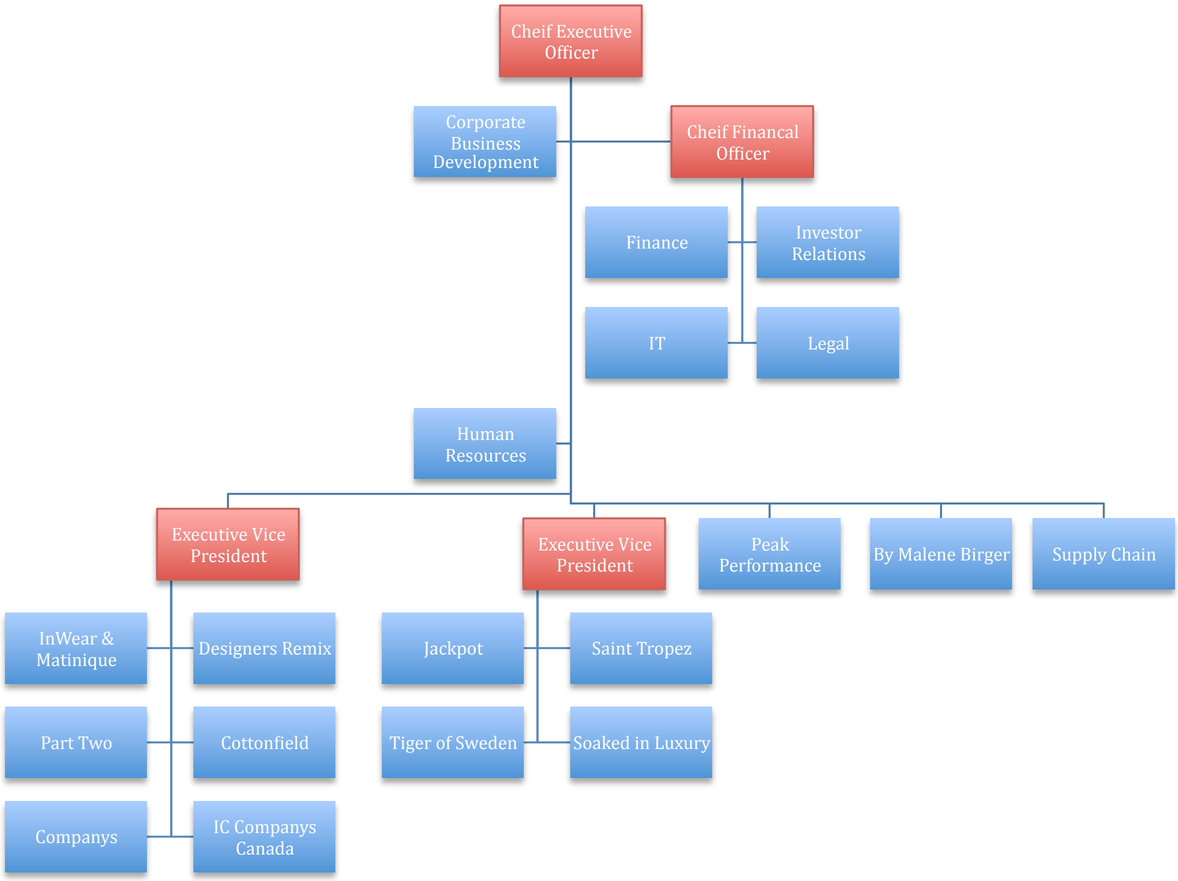
Figures

Organization Chart for the IC Companys



Source: (IC Companys, 2011)

Appendix

Interview template Anders Cleemann, IC Companys

1. Do you have common goals within ICC and your subsidiaries?
    a. How do ICC coordinate the different brands towards common goals?
    b. Do ICC try to create shared values throughout the organization?
    c. One way of spreading shared value is to move managers between different subsidiaries. Is this something you do now or think would work in your organisation? Why/why not?
2. One common source of conflict in large organizations is the conflict with control from the parent company towards its subsidiaries that in turn needs a certain amount of autonomy. In your point of view how is this expressed in the IC Companys?
3. How would you define the fashion industry?
4. Do you believe that the need for freedom of own decision-making for subsidiaries in the fashion industry is important?
5. Where does the main value creation take place within your organization?
6. Since ICC works with centralization of different support functions, what are the upsides that can be won by centralization?
    a. Is the quest for higher control over the subsidiaries one incentive for the use of centralisation?
    b. What are the possible downsides with centralisation?
        i. Have you experienced any such downsides within your organisation?
7. How much are you involved in the everyday process of the different subsidiaries?
    a. How important is the communication between you and your subsidiary managers? Is there a need for it to be better?
    b. In that case how can this be accomplished?
8. Do you have any contact with important customers of the subsidiaries or is this entirely up to subsidiary managers?
9. Is the contact with different suppliers left up to the subsidiaries managers alone or does ICC get involved in the purchasing process?
    a. Why or why not?
    b. Economies of scale?
    c. The centralized logistics?
10. ICC say that the very reason for centralizing is to allow the subsidiaries to fully be able to focus on what they do best, their core business. By doing so, is it ICCs intention to better allow the subsidiaries to take care of their own brand management or do ICC want to have a part in the brand development as well?
    a. Zara for example are known for their logistics and it is a part of their brand image. Is there such a thing as non-brand specific functions?
11. Regarding the above is the MNC-structure actually a good organisational structure for companies in the fashion industry or is there a risk that a brand might take damage from it?
12. Where do you think the development is going?

Interview template David Thunmarker, Tiger of Sweden

1. Känner du att det finns genomensamma mål för företagen inom koncernen?
    a. Hur styr ICC sina dotterbolag mot dessa gemensamma mål?
    b. Görs det försök till att skapa gemensamma värden eller en företagskultur inom koncernen?
    c. Ett sätt att skapa gemensamma värderingar mellan bolagen är att chefer byter positioner mellan de olika bolagen inom koncernen. Är detta något du har märkt av eller tror skulle fungera inom ICC-koncernen?
2. En vanlig konflikt källa inom stora organisationer är konflikten av kontroll mellan moderbolaget och dess dotterbolag som i sin tur eftersträvar en viss måtta av autonomi. Är det här något som du har märkt av inom koncernen?
3. Hur skulle du definiera modeindustrin?
4. Tror du att behovet av självständighet är viktigt för bolag inom modeindustrin?
5. Vart sker det största värdeskapandet inom ditt bolag?
6. ICC arbetar en del med centralisering av olika stödfunktioner, vad ger det här er för fördelar?
    a. Skulle högre centralisering kunna vara ett sätt för ICC att utöva kontroll över sina dotterbolag?
    b. Upplever du några nackdelar med centralisering av dessa funktioner?
7. Upplever du att du blir involverad i det koncernövergripande beslutfattandet?
    a. Är det viktigt att ICC tar hänsyn till dotterbolagens åsikter vid koncernövergripande beslut?
8. Upplever du att ICC vill vara involverad i era mer företagsspecifika beslut?
    a. Förklara.
9. Hur fungerar inköpsprocessen? Sköter ni det själva eller tar ni hjälp av ICC i någon mån?
10. Styr ni ert ”brand management” själva eller upplever ni att ICC vill ha inflytande över ert brand?
    a. Upplever du att ICCs centralisering av supportfunktioner påverkar erat varumärke (brand)?
11. Vilka är fördelarna och vilka är nackdelarna med att vara en del av en stor global koncern tillsammans med flera andra varumärken?
    a. Tycker du att fördelarna överväger nackdelarna?
12. Hur ser du på framtiden? Är det här den företagsform som kommer dominera inom modeindustrin i framtiden?