

Unfolding Evolutionary Growth within a Subsidiary

The Case of a Sales Subsidiary in the Middle East

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Subsidiaries are important entities in multinational corporations and are typically established with predetermined business responsibilities. A subsidiary responds to actors in the internal network (e.g., HQs and other subsidiaries) as well as actors in the external network (e.g., customers) within the local environment. Over time, subsidiaries take on new business responsibilities as a result of their own agendas.

Activities conducted to fulfill business responsibilities are part of a subsidiary's internal processes. These internal processes are dependent on resources that are bundled into capabilities, which are thereafter leveraged toward actors. How these internal processes develop as a subsidiary evolutionarily grows through the creation and development of capabilities over time has received limited research attention. Therefore, the purpose of the study is to increase our understanding of how the internal processes of an evolutionarily growing subsidiary unfold. The evolutionary growth of a subsidiary requires continuous resource management to enable the creation and development of capabilities. Capabilities refer to a set of complex patterned activities that, through the act of carrying out these activities, allow for enhanced value to be developed. Thus, the study investigates how resources are managed and how capabilities are created and developed as a subsidiary evolutionarily grows.

In order to pursue a study that unfolds the internal processes of an evolutionarily growing subsidiary, a punctuated longitudinal case study was conducted at a sales subsidiary in the Middle East. Interviews were conducted at HQs, at the subsidiary, and with distributors and customers, which constituted various elements of the subsidiary's external and internal network.

The findings from this study reveal how an evolutionarily growing subsidiary develops managerial and operational capabilities that, when combined, establish a proactive approach to the subsidiary's business responsibilities. The proactive approach functions as a countermeasure to the influence of external and internal actors on the subsidiary's business responsibilities. Furthermore, the development of a proactive approach determines how activities undertaken in the subsidiary result in the means to address uncertainty rather than merely being aware of uncertainty.

The contributions to the subsidiary evolutionary literature include how and what capabilities are formed (managerial and operational). The creation and development of capabilities also contribute to how a subsidiary's influence in and interdependence on the internal and external networks increases. Finally, this study contributes to the subsidiary evolutionary literature and the resource management literature through the creation of a model that portrays how a subsidiary as a business unit evolutionarily grows by emphasizing its internal processes, which are constituted by the interdependent structuring, bundling, and leveraging of managerial and operational capabilities.

Key words: Evolutionary Growth, Capabilities, Multinational Corporation, Resource Management, Subsidiary, Subsidiary Charter, Subsidiary Evolution

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