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**How to Manage Subsidiaries' Local Sales Activities
During the External Crises?**

A Case Study of Headquarters Control and Subsidiaries Autonomy in
Chinese MNC Under the Covid-19 Pandemic Context

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Abstract

The relationship between MNC headquarters and subsidiaries has always been the focus in the field of international business. For MNCs, how to manage and coordinate the relationship between headquarters and subsidiaries, especially under the dramatic changes in external environment, how the headquarters can effectively manage subsidiaries local activities is very important. This research aims to discuss the headquarters-subsidiary relationship and management from two perspectives: the headquarters control and subsidiaries autonomy, and how headquarters should balance them under the Covid-19 pandemic context.

A small Chinese MNC was selected for the case study, and its sales activity management is the focus of this research. The case study was conducted through semi-structured interviews with three respondents from the headquarters, and two sales offices located in China and Malaysia.

The findings indicate that under the dramatic changes in external environment, MNC headquarters prefer to adopt more centralized management and control over subsidiaries and reduce their decision-making autonomy. MNC headquarters will mainly adopt formal control mechanisms to coordinate and control the sales activities of subsidiaries. However, the informal control mechanisms are also worthy of attention and consideration. In balancing control and autonomy, headquarters should consider differences in the institutional environment, the subsidiaries external network embeddedness, and the subsidiaries dependence on headquarters resources.

Keywords: MNCs, External Uncertainties and Risks, Headquarters-Subsidiary Relationships, Headquarters Control, Subsidiary Autonomy, Management, Balance

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Table of Contents

Abstract.....	i
Acknowledgments.....	ii
1. Introduction.....	1
1.1 Background.....	1
1.2 Problem Discussion.....	2
1.3 Research Purpose and Question.....	4
1.4 Delimitations	5
2. Theoretical Review.....	6
2.1 The Relationship Between MNCs Headquarters and Subsidiaries.....	6
2.1.1 Typology of The MNCs.....	6
2.1.2 Institutional Duality.....	7
2.1.3 Procedural Justice.....	9
2.2 Headquarters Control and Coordination	10
2.2.1 The Importance of Headquarters Control and Coordination	10
2.2.2 Headquarters Control Mechanisms	11
2.2.3 The Hierarchical Structure and Headquarters Control	13
2.2.4 Issues with Headquarters Control.....	14
2.3 The Subsidiaries' Autonomy.....	15
2.3.1 The Importance of Subsidiary's Autonomy.....	15
2.3.2 External Network Embeddedness and Subsidiary's Autonomy	16
2.3.3 Issues of Subsidiary's Autonomy.....	18
2.4 The Subsidiary's Autonomy for Sales Activities	19
2.5 Theoretical Review Summary	20
3. Methodology	23
3.1 Research Approach	23
3.2 Case Selection.....	24
3.3 Data Collection	26
3.3.1 Primary Data Collection	27
3.3.2 Secondary Data Collection.....	30
3.4 Research Process.....	30

3.5 Data Analysis Method.....	32
3.6 Research Quality.....	34
3.7 Ethical Considerations	35
4. Empirical Findings	37
4.1 Empirical Background	37
4.2 Roles Performed by WL Electric Headquarters and Sales Offices	39
4.2.1 WL Electric Headquarters is the Decision-Maker, Controller and Coordinator	39
4.2.2 The Sales Offices are the Decision-Maker, Local Executors and Developers	40
4.2.3 Relationship Between WL Electric Headquarters and Sales Offices.....	42
4.3 The Management of Sales Offices at WL Electric Before Covid-19 Pandemic	43
4.3.1 Central Management of WL Electric Headquarters	44
4.3.2 WL Electric Headquarters Decentralized Management of Sales Offices...	48
4.4 Changes in WL Electric Management During Covid-19 Pandemic.....	52
4.4.1 WL Electric Headquarters Adopted More Central Management While Retaining Certain Levels of Decentralization.....	53
4.4.2 The WL Electrical Headquarters Balance of Control and Autonomy.....	56
4.5 Empirical Findings Summary.....	59
5. Analysis	61
5.1 Headquarters Adopted More Control During the Covid-19 Pandemic.....	61
5.2 Headquarters Adopted Formal Control Mechanisms While Informal Mechanisms Also Important	63
5.2.1 Headquarters Mainly Adopted Formal Control Mechanisms	63
5.2.2 Headquarters Should Consider Informal Control Mechanisms	65
5.3 The Balance Between Headquarters Control and Subsidiary Autonomy	68
5.3.1 The Impact of Institutional Environments Differences and Duality	68
5.3.2 The Impact of Network Embeddedness.....	71
5.3.3 The Impact of Subsidiaries' Dependency on Headquarters Resources.....	73
6. Conclusion	76
6.1 Main Findings and Conclusion.....	76
6.2 Theoretical Contributions.....	77
6.3 Practical Implications.....	79

6.4 Future Research	79
Reference	80
Appendix.....	89

1. Introduction

This chapter begins with the introduction of the background to the research topic of this thesis. This is followed by the problem discussion that identifies the gaps that exist in the current research. Subsequently the research purpose of this thesis is explained and research question is proposed. Lastly the delimitations of this thesis are presented.

1.1 Background

The study of the relationship between the headquarters and subsidiaries of multinational corporations (MNCs) or how headquarters manage geographically dispersed subsidiaries has been one of the central concerns in the field of international management (Kostova, Marano & Tallman, 2016). Nowadays, MNCs face increasing uncertainty as well as competition in international markets. Fierce international competition requires MNCs not only maintaining a high sensitivity to local markets but also coordinating the activities among subsidiaries on a global scale (Egelhoff, 2010a). In order to deal with the changing international environment, the strategies as well as the organizational structures of MNCs are constantly evolving. Most MNCs are gradually changing from multidomestic to transnational strategy, which can better balance the relationship between local response and coordination of global activities (Rašković, Brenčič & Jaklič, 2013). Meanwhile, the organizational structure of MNCs is gradually changing from a vertical, formal hierarchical structure to a horizontal, non-hierarchical network structure (Egelhoff & Wolf, 2017).

Research on the relationship between MNCs' headquarters and subsidiaries is divided into two main streams currently. Some researchers believe that hierarchical structure can be considered as the main mechanism by which MNCs coordinate internal activities. In a hierarchical structure, the MNC headquarters plays a leading role in the strategic decision making and execution of the MNC (Egelhoff & Wolf, 2017). The application of hierarchical structure strengthens the control of MNC headquarters over subsidiaries. However, since the most MNC headquarters lack the understanding of local culture and

politics, the local response of the subsidiaries will be weakened. Other researchers focus on horizontal, non-hierarchical network structures. In network structures, MNCs usually play a coordinating, integrating, and supervising role, facilitating horizontal communication and coordination among subsidiaries (Egelhoff & Wolf, 2017). The network structure increases organizational flexibility and allows subsidiaries to respond quickly to the needs of the local market. At the same time, the network structure also facilitates knowledge sharing within the MNCs. Subsidiaries can not only share valuable local knowledge to other subsidiaries, but also share this knowledge with the MNC headquarters to facilitate their further coordination activities. In the network structure subsidiaries will have a high level of autonomy. Excessive autonomy may lead MNCs losing control over their subsidiaries.

Changes in the international environment have prompted MNC headquarters to continuously reduce the degree of centralized management, allocating more autonomy to the global subsidiaries, the subsidiaries' capabilities are continuously enhanced (including unique capabilities developed from the host country environment), driving the evolution of the subsidiaries (Birkinshaw, 1997; Birkinshaw & Hood, 1998), and effectively improve their performance (Galli Geleilate, Andrews & Fainshmidt, 2020).

1.2 Problem Discussion

In many current MNCs, headquarters are playing more of a coordination, integration and supervision role, and global subsidiaries are gaining more and more autonomy, and their role and status are rising, even being able to affect the strategy decisions of headquarters (Ciabuschi, Dellestrand & Holm, 2012). The subsidiaries autonomy and independent local activities can have a positive effect on the local operations as well as on the overall performance of the company. Such autonomy can facilitate their excellent embedding in the specific host country's environment with access to many high-value resources (Andersson & Forsgren, 1996), can help headquarters and overall company to exploit local resources and external networks more effectively to ensure overall global performance (Kawai & Strange, 2013), and can also achieve more effective local

responsiveness and to better meet the interests of local stakeholders (Nohria & Ghoshal, 1994), as well as to react promptly to the changes in the external institutional environment (Peng, Wang & Jiang, 2008), and gain better legitimacy for its local operations.

Although network structures are increasingly becoming the dominant structure for MNC, some researchers suggest that hierarchical structures still play an important role because of difficulties in executing certain tasks or business functions efficiently and maximizing benefits for the company through network structures (Egelhoff, 2010b). Centralized management and control of MNC headquarters has been proven to deliver effective management outcomes and contribute to global business performance. The headquarters can pursue the global objectives of the MNC through effective control (Jausaud & Schaaper, 2006), and can better coordinate and direct the global value creation activities of the subsidiaries and rationalize the allocation of strategic resources to better achieve overall performance (Ciabuschi et al., 2012). However, it is also suggested that headquarters control needs to be kept at a reasonable margin and be balanced with autonomy. Only when the control exercised by the headquarters is perceived by the subsidiaries as justified and legitimate, rather than enforced, can their resistance and confrontation be reduced (Leach, 2005; Balogun, Jarzabkowski & Vaara, 2011), thus improving their effective management and safeguarding the overall interests of the MNC.

Dramatic changes and uncertainties in the external environment of MNCs have an impact on the headquarters' management of global subsidiaries. The model proposed by Ciabuschi et al. (2012) showed that the role performed by the headquarters changes accordingly to the changes and complexity of the internal and external environment. When a critical point is reached, the MNCs need to abandon its old structures, and instead design and implement new management solutions. Under different external context, the MNC headquarters needs to adjust its global strategy and operations accordingly, and the headquarters' control over the subsidiary must be in line with the characteristics of the external environment and the capabilities and resources possessed

by the subsidiaries in order to achieve effective management (Ghoshal & Nohria, 1993). Meanwhile, subsidiaries need to have the autonomy to strategically adjust their business or operations in response to changes in external factors in the host country environment to ensure performance and the legitimacy of their local operations. In previous studies, researchers have hypothesized that the MNCs' headquarters tend to implement centralized decision-making and give more attention to the subsidiaries when subsidiaries need to face large external environmental changes (Gates & Egelhoff, 1986). However, some recent studies show that when MNCs face negative shocks from drastic changes in the external environment, they start to adopt a more decentralized organizational form, with headquarters delegating more authorities to subsidiaries and management becoming more decentralized (e.g., Aghion, Bloom, Lucking, Sadun & Van Reenen, 2021).

There are still debates about whether the headquarters should perform more of a central directing and controlling role in the management of subsidiaries and what the implications are for the subsidiaries (Ciabuschi et al., 2012). Moreover, as mentioned above, there are different views and discussions on whether MNCs should implement more centralized or decentralized management in the face of dramatic changes in the external environment. Therefore, by focusing on different management approaches of MNC headquarters, i.e., central management and control, and decentralized management and autonomy at the same time in real-life environment and context, it is possible to further study and discuss what kind of management approaches MNC headquarters should adopt for global management under the drastic changes and uncertainties in the external environment.

1.3 Research Purpose and Question

The purpose of this study is to further study the relationship between subsidiaries and headquarters and how MNC headquarters effectively manage their dispersed global subsidiaries. As mentioned in the background, this topic has been the core issue in the field of international business. Especially when MNCs are faced with uncertainties

brought by drastic changes in the external environment, how the headquarters' management of subsidiaries will change has been and will be a topic of interest in current and future research. In order to discuss and study this topic effectively, the authors consider it necessary to approach it from two perspectives: the headquarters control and the subsidiaries autonomy. As mentioned above, proper coordination and control from headquarters supports the effective execution of global strategies and enhances the contribution of subsidiaries to MNC's overall performance. The autonomy of the subsidiaries, on the other hand, can help the headquarters to effectively exploit more unique local resources to bring more competitive advantage and higher performance to MNC. When headquarters makes a good balance between them, it can better leverage its management advantages and bring greater benefits to MNC. Therefore, we propose the following research question:

How MNC headquarters manages the sales activities of subsidiaries and balance control with autonomy under dramatic changes in external environment?

The authors hope that this research will provide deeper research contributions to the field of research on headquarters-subsidiary relationships, and provide valuable theoretical references for MNCs that have not been able to effectively respond to the impact of the uncertainties arising from drastic changes in the external environment on the management of their subsidiaries, and help them achieve effective adjustments in global management and headquarters-subsidiary relations.

1.4 Delimitations

This study discusses and analyzes the research questions from both MNC headquarters and subsidiary perspectives simultaneously, but gives more attention to the subsidiary perspective in order to discover their attitudes and reactions to the management. In addition, this research restricts the interest to electric power industry in the real economy, so the research findings may not applicable or transferable to other industries or contexts.

2. Theoretical Review

As presented in the introduction chapter, the research question is the following: How MNC headquarters manages the sales activities of subsidiaries and balance control with autonomy under dramatic changes in external environment? This chapter starts with discussing the impact of different forms of MNCs on the headquarters-subsidiary relationship. Thereafter, the difficulties and challenges of headquarters management arising from the institutional duality are discussed. The authors also mention the impact of procedural justice on the headquarters-subsidiary relationship and management. Following this, the authors outline the importance, advantages and disadvantages of headquarters control and subsidiaries decision-making autonomy respectively. Finally, the headquarters management of sales activities is mentioned. The institutional perspective has been proven to be important in the field of international business research. Therefore, the institutional perspective serves as the basis for the theoretical framework of this research.

2.1 The Relationship Between MNCs Headquarters and Subsidiaries

2.1.1 Typology of The MNCs

In the study of MNCs typology, Prahalad and Doz (1981) proposed a framework of global integration and national responsiveness. Bartlett & Ghoshal (1989) introduced the concept of worldwide learning based on this framework. They cited “worldwide learning, national responsiveness and global efficiency” as sources of comparative advantage for MNCs and classified MNCs into four types: international, multinational, global and transnational. Different types of MNCs usually have different strategic positioning and organizational structure. International type mainly focuses on worldwide learning by using the experience and knowledge of the headquarters. Multinational type mainly focuses on local responsiveness. Global type has a strategic focus on global efficiency by building economies of scale. While the transnational type tends to balance “worldwide learning, national responsiveness and global efficiency” at the same time compared to the above three types of MNCs (Rašković et al., 2013).

Harzing (2000) conducted a further positivist study on Bartlett & Ghoshal's (1989) typology. The findings support the application of the typology in a large-scale empirical setting. In addition, Harzing (2000) mentioned that the strategic orientation of the global type focusing on economies of scale makes MNC subsidiaries more dependent on headquarters. In contrast to the global type, the multinational type, which focuses more on local responsiveness, can be considered as a decentralized network in terms of organizational structure (Harzing, 2000). And the transnational type can be regarded as an interdependent network (Harzing, 2000). Egelhoff & Wolf (2017) mentioned that the choice of MNCs international strategy is a dynamic and complex process, which usually depends on the current international environment. With the continuous changes in the international environment, the international strategy and organizational structure of MNCs will also change. In recent years, the decreasing trade barriers and communication and transportation costs have made the world market more closely connected (Egelhoff & Wolf, 2017). In the context of global integration, MNCs should use low costs to achieve economies of scale while responding to local demand as quickly as possible. In addition, global integration has led to valuable knowledge no longer being distributed in just a few major countries, but becoming more globally dispersed (Egelhoff & Wolf, 2017). As a result, worldwide learning has also become increasingly important. These changes in the international environment require MNCs to balance global efficiency and local responsiveness while continuously improving their ability to acquire and share knowledge, thus gradually completing the transition from multinational to global and eventually transnational (Egelhoff & Wolf, 2017).

2.1.2 Institutional Duality

Meyer and Roman (1977) argued that the institutional environment plays an important role in organizational structure. On the one hand, the institutional environment influences the formation of organizational structure. On the other hand, organizational structure also reflects the rationalized institutional environment. According to institutional theory, organizations in the same institutional environment will adopt similar organizational practices, which is institutional "isomorphism" (DiMaggio &

Powell, 1983). However, due to the uniqueness and complexity of MNCs, they may face pressure from different institutional environments. Kostova and Roth (2002) provided a deeper understanding of the application of institutional theory to MNCs from the perspective of subsidiaries. They argue that MNC subsidiaries face not only internal isomorphic pressures from headquarters, but also external isomorphic pressures from the countries or regions where they are located. On the one hand, from the perspective of global integration, MNCs usually want to implement uniform organizational practices globally (Kostova & Roth, 2002). On the other hand, due to the different institutional environments such as culture and law in different countries (Rosenzweig & Singh, 1991), it can be expected that organizational practices will vary from country to country (Kostova & Roth, 2002). Therefore, it is particularly important for the subsidiaries to balance the institutional pressure from the internal institutions of MNCs and the external institutional pressure from the countries or regions where they are located. Kostova and Roth (2002) referred to this phenomenon as “institutional duality”.

Generally speaking, distance is the cause of “institutional duality” in the subsidiaries of MNCs. Ghemawat (2001) classified the distance between two countries into four dimensions: cultural, administrative, geographical and economic. Cultural distance refers to the differences in religious beliefs, ethnicity, social norms and language between the two countries (Ghemawat, 2001). Administrative distance is related to the shared history between the two countries and the unilateral measures of the country (Ghemawat, 2001). Geographic distance is usually influenced by the level of information and transportation infrastructure (Ghemawat, 2001). Economic distance is showed by the wealth or income of consumers in both countries (Ghemawat, 2001). The distance between two countries will lead to differences in the institutional environment and ultimately to “institutional duality”. Therefore, MNCs need to consider the distance factor when expanding internationally, which will reduce the impact of “institutional duality”.

2.1.3 Procedural Justice

With the continuous changes in the international environment, the organizational form of MNCs gradually changes from the traditional hierarchical structure to a network structure. However, in the network structure, it is difficult for MNC headquarters to fully grasp the knowledge related to subsidiaries. It can only optimize the organizational structure through continuous exploration. Therefore, network MNCs usually face more frequent headquarter intervention. Excessive headquarter intervention may reduce the motivation of subsidiaries and thus harm value creation (Foss, Foss & Nell, 2012). Therefore, MNCs, especially network MNCs, may consider adopting procedural justice to prevent intervention hazards (Foss et al., 2012).

In the context of MNCs, procedural justice refers to a fair decision-making process (Kim & Mauborgne, 1991). Kim and Mauborgne (1993) argued that the top management of subsidiaries plays an important role in the implementation of MNCs' global strategies. Rather than forcing the top management of subsidiaries to implement the minimum requirements of global strategic decisions, MNCs prefer that they try their best to implement the decisions voluntarily while meeting the minimum requirements. Under the premise of procedural justice, the top management of a subsidiary will be motivated to implement a global strategic decision in the overall interest of the MNC even if the decision has an adverse impact on the particular subsidiary (Foss et al., 2012). Therefore, a fair decision-making process is usually more conducive to the implementation of MNCs' global strategies. Kim and Mauborgne (1993) provided a further clear definition of the procedural justice of global strategic decision making in practice. They argue that the development of global strategy needs to be based on the premise that the headquarters understand the local situation of the subsidiary (Kim and Mauborgne, 1993). In the process of global strategy formulation, there should be two-way communication between the headquarters and the subsidiaries and consistency in the decisions made by the headquarters for each subsidiary (Kim and Mauborgne, 1993). In addition, the subsidiaries have the right to challenge the decisions of the headquarters and will receive a reasonable explanation of it (Kim and Mauborgne, 1993).

Procedural justice, as an important mechanism for the coordination of the relationship between MNC headquarters and subsidiaries and the implementation of global strategy, not only improves the motivation of MNC subsidiaries, but also effectively prevents intervention hazards.

2.2 Headquarters Control and Coordination

Above the authors discussed the relationship between MNC headquarters and subsidiaries from three dimensions, the following will outline and discuss the theories and research findings related to the headquarters control and coordination and the subsidiaries autonomy, thus providing the theoretical basis.

2.2.1 The Importance of Headquarters Control and Coordination

The MNC headquarters performs an essential role and function in contemporary MNCs. According to Chandler (1991), the headquarters play an important role as central decision makers, monitors and development administrators within the organization, making the planning and final decisions on the strategy, resource allocation and business activities of the company and its subsidiaries. Andersson, Forsgren and Holm (2007) considered MNCs as an organization with a federative structure, i.e., a complex and significant relationship network between headquarters and subsidiaries, with interdependencies between units, thus the MNCs' headquarters are considered as a common "player" within the organization, and they are unable to make the right assessment and the most appropriate decisions about the subsidiaries, since they have less access to and knowledge about the different subsidiaries' local operations and external networks. Because of the high level of interdependence and reliance between subsidiaries and headquarters and between different subsidiaries within contemporary MNCs, as well as the increased influence of subsidiary decisions on other units or even the entire company, this requires the headquarters to implement a lot of effective coordination efforts, thus facilitating the sharing and exchange of information and resources within the organization, promoting their international cooperation (O'donnell,

2000). In addition, MNCs face complex, heterogeneous and uncertain external environments and global operation conditions, and because global subsidiaries face dual institutional pressures from host and home countries, as well as the requirement to maintain global operational efficiency and competitive advantage, headquarters need to establish and implement a clear and well-defined coordination and integration system for the effective strategic integration and management of the global operations, so that subsidiary operations are aligned with the overall strategy (Cray 1984; Doz & Prahalad, 1984). The effective coordination from headquarters is important, because it facilitates communication and the exchange of resources and information between internal units, enabling the effective pooling of global resources and capabilities (Cray 1984).

Centralized control exercised by the headquarters is important and necessary to achieve efficient coordination and integration of the activities within the MNCs and its global subsidiaries (Young & Tavares, 2004). According to agency theory, because of the inconsistent goals of the principal (headquarters) and the agent (subsidiary), as well as the asymmetry of information between them, it can cause the decisions and behavior of the subsidiary to deviate from the expectations of the headquarters, leading to conflict and deterioration of the relationship between them, often with serious consequences (Ambos, Asakawa & Ambos, 2011; Hoenen & Kostova, 2015). Therefore, headquarters needs to exercise centralized control over global subsidiaries in order to effectively coordinate respective interests, and to promote and ensure the efficiency of business activities and strategic alignment within the MNC (Ambos et al., 2011). For large, complex MNCs, effective control from headquarters is even more necessary and important, as they need to implement more efficient management and coordination of their global subsidiaries to fundamentally ensure that all subsidiaries contribute to the overall strategies and objectives, and create maximum synergies (Brenner & Ambos, 2013).

2.2.2 Headquarters Control Mechanisms

Martinez and Jarillo (1989) summarized and proposed two sets of mechanisms for

MNCs headquarters coordination, namely, “structured and formal mechanisms” and “informal and subtle mechanisms”. The headquarters can adopt formal control mechanisms, including centralization, formalized regulations and procedures, outcome control and process control, to direct control, management and influence subsidiaries. Or they can adopt informal control mechanisms, including socialization, expatriate managers, etc. (Stendahl, Schriber & Tippmann, 2020; Brenner & Ambos, 2013). Through the formal mechanism, headquarters is able to deliver clear and precise messages and rules to its global subsidiaries, and able to achieve a more explicit and direct monitoring, guidance and information sharing and transfer, and to have a higher chance of achieving internal standardization, ensuring that their business activities follow the provisions and requirements of the overall global strategy, keeping them on track toward the goals and expectations set by headquarters (Makhija & Ganesh, 1997). Through the informal mechanism, the headquarters can implicitly influence the behavior and culture of the subsidiaries by shaping the internal environment of the organization, avoiding direct intervention and influence on their final decisions, and can reduce the level of resistance to control by the subsidiaries and achieve effective management and coordination of their daily activities, thus achieving alignment of their goals and integration of their global operations (Pudelko & Tenzer, 2013; Brenner & Ambos, 2013).

Because of the distance and variability of the operating environment between headquarters and subsidiaries, and the presence of various complex external environmental factors, informal headquarters coordination mechanisms can be more effective, thus allowing headquarters to achieve more effective global management (Kostova, 1998). On the basis of the heterogeneity of the external environment faced by MNC headquarters and subsidiaries, Brenner and Ambos (2013) studied headquarters control from an institutional perspective, proposing that socialized control is the current method that should be adopted by MNC headquarters in controlling subsidiaries, and its existence as a prerequisite for the effective implementation of other control methods can legitimize and institutionalize headquarters control, which can be

widely trusted and accepted by subsidiaries. However, the headquarters needs to flexibly adjust the control mechanism according to various external factors or events to form a combination that can match accordingly, so as to achieve the effective management of global subsidiaries under different conditions and the fit of the overall company strategy (Brenner and Ambos, 2013).

2.2.3 The Hierarchical Structure and Headquarters Control

The hierarchical structure of MNCs is usually conducive to centralized control by headquarters. Egelhoff (2010) argued that despite a certain shift in the role played by headquarters within contemporary MNCs, hierarchy is still necessary in many MNCs, and the smooth execution of corporate global strategies and operations still relies on the centralized decision-making and control role played by headquarters. A rational hierarchical structure and centralized management of the headquarters is important for large and complex MNCs, and is also very meaningful for the implementation of global strategies. The characteristics and shortcomings of the network organization structure prevent companies from efficiently performing certain types of tasks, such as those that require the involvement of headquarters and the use of adequate resources and capabilities to integrate and process global information (Egelhoff, 2010). And through centralized decision-making and control, the headquarters can centralize important global information, better evaluate, integrate and fully coordinate global operations from the perspective of the MNC as a whole, and make the most appropriate integrated decisions to better achieve the company's global strategic objectives. In addition, this can also enable the organization to make strategic decisions from a higher level of perspectives and layers, to formulate and utilize the greater economic benefits of global integration and economies of scale, and to generate the greater competitive advantages for MNCs (Egelhoff, 2010). Such information obtained by the headquarters through effective control can also enhance their monitoring and understanding of the subsidiaries' daily operations, reduce management difficulties caused by information asymmetry, and prevent the possibility of opportunistic behavior by the subsidiaries, ensuring that they operate in compliance with the expectations and responsibilities

entrusted to them by the headquarters (Brenner & Ambos, 2013).

Gates and Egelhoff (1986) suggested that headquarters will implement more centralized decisions and give them more attention when subsidiaries face more highly variable and complex external environments as a way to make critical decisions that are more responsive to demands. Egelhoff (2010) also argued that as MNCs will need to operate in an increasingly complex global environment in the future, the hierarchical structure of the company and the effective coordination and control of the headquarters will continue to play an important role. Brenner and Ambos (2013) found that the control of MNC headquarters over subsidiaries does not decrease as the organizational structure becomes more networked and decentralized, but rather, it maintains and consolidates its decision-making power within the organization first through informal control mechanisms such as socialization, and achieves effective control in the long-term.

2.2.4 Issues with Headquarters Control

However, one issue that MNC headquarters cannot ignore is that excessive control over subsidiaries, especially process control in formal control mechanisms, will create a degree of impediment to the relationship and effective global management, bring higher supervision and management costs, and affect the global interests of the MNC (Yu, Wong & Chiao, 2006). Fallah and Heidari (2020) summarized four roles that the headquarters plays in current MNCs, namely “value creator”, “value destroyer”, “portfolio manager”, and “loss preventer”, according to which the headquarters intervenes in the daily operations of subsidiaries through a series of measures and activities. Variations in the MNC’s context and external environmental factors will affect the different effects and consequences of the headquarters’ interventions on the global subsidiaries, thus affecting their behavior and the value and benefits created by them (Fallah & Heidari, 2020). Because of the distance between the headquarters and the subsidiary, it is difficult and costly for the headquarters to acquire, understand, evaluate, coordinate and integrate tacit and explicit knowledge and information (Grant, 1996), resulting in a lack of in-depth knowledge of the local context and specific

information of the host country by the decision makers in the headquarters, which can easily lead to a mismatch between the centrally developed strategies and operational activities of the subsidiary and the local market and legitimacy requirements (Yu et al, 2006). Excessive control by the headquarters can also affect the embeddedness of the subsidiaries with local external networks, and their interaction and cooperation with local stakeholders and important business actors, thus creating obstacles to the proper functioning and development of the subsidiaries local business and consequently affecting the overall interests and global operations of the MNC (Andersson, Björkman & Forsgren, 2005). Moreover, according to Foss et al (2012), the headquarters intervention will potentially restrict the daily operations of subsidiaries or override their decisions, this will seriously affect the headquarters-subsidiary relationship, cause a decline in the subsidiary's business initiative, and constrain the MNC's development and utilization of new resources and business opportunities to the detriment of global interests. Therefore, it is important for the headquarters to maintain an appropriate level of control over the subsidiary.

2.3 The Subsidiaries' Autonomy

Above the authors discussed the importance of headquarters coordination and control, as well as its benefits and issues. However, it is undeniable that the subsidiaries autonomy has the impact on the effective global management and the relationship between the headquarters and the subsidiaries. Therefore, in the following will discuss the importance of the subsidiary's autonomy, as well as the benefits and issues of it.

2.3.1 The Importance of Subsidiary's Autonomy

As the level and scale of global development of MNCs continues to increase and the transnational process deepens, the strategic role played by global subsidiaries within the company evolves from being mere executors of global strategies and business activities to being creators and decision makers with quality resources and capabilities that can form and provide stronger competitive advantages and capabilities for the

entire company, and they become very important for the performance as well as global operations and development of MNCs and headquarters (Birkinshaw & Hood, 1998). Nohria and Ghoshal (1994) and Cavanagh, Freeman, Kalfadellis and Cavusgil (2017) suggested that the complexity of the environment and the criticality of local resources and knowledge in the host country requires that the subsidiaries have more autonomy to be able to play a greater role in decision-making on strategic objectives and operational activities to respond to local changes in the environment and businesses. In addition, as mentioned in the previous section, since MNCs headquarters do not have sufficient knowledge, resources, and information to reasonably make the strategic or operational decisions required for their global subsidiaries to operate in their respective host countries, they need to rely on the complex and significant external networks established by their subsidiaries to access key resources, significant knowledge and capabilities to make the final decisions on the strategic objectives and operational activities that best suit their local operational demands (Yu et al, 2006; Nohria & Ghoshal, 1994). Galli Geleilate et al. (2020) also mentioned that when MNCs have distant institutional distance between the headquarters and subsidiaries, and face the situation of complex and changing external environmental conditions in the host country, centralized decision-making at headquarters will not meet the need for efficiency and effectiveness because of the difficulty of embedding headquarters in the local network and the inability to obtain key local information in a timely and effective manner to respond and maintain a high degree of flexibility. As a result, the MNCs' headquarters decentralize and delegate decision-making authority, granting autonomy to global subsidiaries so that they can participate in setting business strategy goals and actions that best suit local operational requirements (Gammelgaard, McDonald, Stephan, Tüselmann & Dörrenbächer, 2012).

2.3.2 External Network Embeddedness and Subsidiary's Autonomy

With the increasing complexity of operations, the delegation of decision-making autonomy from MNCs headquarters to subsidiaries has become more common and an important measure to ensure company performance and profitability (Gates & Egelhoff,

1986). Subsidiaries have the ideal environment for innovative and entrepreneurial activities, so the headquarters needs to enable them to cultivate and build key resources and capabilities, and use them effectively to be able to carry out activities effectively (Barelett & Ghoshal, 2003). The autonomy received by subsidiaries can have positive effects and impacts on the subsidiaries themselves, as well as on the MNC as a whole. The subsidiaries' autonomy can motivate them to manage their daily operations more effectively, and can stimulate them to construct richer internal and external networks, accumulate more valuable resources, and conduct more effective local business activities (de Jong, van Dut, Jindra & Marek, 2015). Gammelgaard et al. (2012) showed that the decision-making autonomy granted to subsidiaries can effectively facilitate network relationships among external organizations, and they are relatively free to choose to make key connections and interact with other stakeholders, partners and even competitors, leveraging their knowledge and capabilities to make more effective use of the networks they have built, thereby tapping into and accumulating important resources and knowledge. This facilitating effect can effectively and indirectly influence the operational performance of subsidiaries. MNC headquarters also need subsidiaries that embedded in the local environment and network to identify, collect and screen important information promptly, and perform a series of analyses and forecasts of possible scenarios to be able to identify potential market opportunities in the host country, or uncertainties and threats that may arise from environment variations (Barelett & Ghoshal, 2003). Devinney, Midgley and Venaik (2005) mentioned that the higher autonomy of subsidiaries will effectively motivate their managers to adopt and implement more proactive strategic activities and behaviors in the host countries, thus they are able to explore the local environment in greater depth and interact with a wider range of stakeholders, developing and leveraging more business opportunities, key resources and strategic capabilities for their local and company global operations, thus bringing greater benefits to the MNC. In addition, the research of Aghion et al. (2021) showed that the large shocks caused by the drastic changes in the external environment of MNCs will result in a lack of consistency between the decisions and expectations of

the headquarters and the support and strategies that the subsidiaries actually expected, thus affecting the effectiveness of the headquarters in managing them. Therefore, the local information that subsidiaries can access and use is of great value, and headquarters will choose more decentralized decisions, and the subsidiaries' autonomy can help themselves and the whole company to defend and respond more effectively to the uncertainty and turbulence that will arise, to better support the effectiveness of the company's local operations, and to protect the interests of the company (Aghion et al., 2021).

2.3.3 Issues of Subsidiary's Autonomy

Although the decentralization of decision-making may improve the overall efficiency of MNCs, it will also lead to some problems. Ciabuschi et al. (2012) mentioned that the decentralized decision-making by MNC headquarters due to the lack of knowledge and resources will lead to decentralized control of resources. This means that MNC subsidiaries hold a lot of local resources and knowledge. The decisions of the MNC headquarters sometimes depend on the knowledge of the subsidiaries and sometimes are influenced by the decisions of the subsidiaries. Based on resource dependence theory, the acquisition or creation of valuable knowledge by the subsidiary increases the dependence of the MNC headquarters on the subsidiary (Ambos, Andersson & Birkinshaw, 2010), which will undoubtedly lead to an increase in the bargaining power of the subsidiary. The increasing bargaining power of subsidiaries will further affect the resource allocation of headquarters (Mudambi & Navarra, 2004). Therefore, headquarters needs to consider how to balance the relationships among subsidiaries and how to leverage their interdependent network for activities such as knowledge sharing. For MNC headquarters that manage multiple subsidiaries, the decentralization of decision-making makes the scope of management responsibilities more complex (Ciabuschi et al., 2012).

Moreover, some studies on the role of MNC subsidiaries argue that MNC management should assign different charters and resources to different types of subsidiaries

(Rugman, Verbeke & Yuan, 2011). However, Dörrenbächer and Gammelgaard (2011) mentioned that a large number of empirical studies show that the roles assigned by MNC headquarters will soon be abandoned by the subsidiaries. The evolution of subsidiaries is a dynamic process. Subsidiaries that gain autonomy may increase their autonomy and influence by increasing their initiative. However, this behavior may lead to “monitoring” and “granting attention” from the headquarters (Ambos et al., 2010), which in turn leads the MNC headquarters to increase the level of intervention in the subsidiary. As mentioned in the first section of this chapter, excessive headquarters intervention, whether well-intentioned or not, may reduce the motivation of the subsidiary and thus harm value creation (Foss et al., 2012). Dörrenbächer and Gammelgaard (2011) also mentioned that excessive autonomy may lead to potential resistance and subversive strategies of subsidiaries. Therefore, it is important for MNC headquarters to define the limits of decentralization and to determine the optimal balance between centralization and decentralization (Foss et al., 2012).

2.4 The Subsidiary’s Autonomy for Sales Activities

Above the authors have discussed the literature related to subsidiary autonomy. In the following will be more specific to the sales activities mentioned in the research question, outlining and discussing the subsidiaries’ decision-making autonomy in sales activities.

In MNCs, different value chain activities usually have different subsidiary’s decision autonomy. Currently, most research on subsidiary’s decision autonomy has focused on upstream activities such as R&D and production, while few scholars have focused on downstream sales activities (Reichstein-Scholz, Giroud, Yamin & Andersson, 2021). It is believed that upstream activities in the value chain are usually easier to do the global integration as well as knowledge sharing, thus positively impacting the overall firm performance (Schmid, Grosche & Mayrhofer, 2016). The downstream sales function, on the other hand, is considered to be a purely transactional relationship, with customer relationships usually managed by the subsidiaries. However, the changing market

environment has led to the customer relationship management as an important component for companies to gain competitive advantage (Senn, Thoma & Yip, 2013). The emergence of global buyers has led an increasing number of MNCs to adopt a more centralized sales approach and achieve more complex customer coordination and management through enhanced headquarters involvement. This has led to a gradual shift of decision-making autonomy in sales activities from subsidiaries to headquarters (Reichstein-Scholz et al., 2021).

The study in the context of the German FMCG market by Reichstein-Scholz et al. (2021) showed that dual embeddedness will affect the subsidiary's decision autonomy in sales activities. The subsidiaries decision autonomy in sales activities is positively related to its external embeddedness and negatively related to its internal embeddedness, and the higher the decision autonomy, the stronger its performance. Higher decision autonomy increases the willingness of subsidiaries to work closely with local customers and allows them to respond quickly to local customers' needs, thus improving performance (Reichstein-Scholz et al., 2021). Although this study proves the importance of decision-making autonomy of subsidiaries in strategic sales activities, Reichstein-Scholz et al. (2021) also mentioned that MNC headquarters should be more involved in the subsidiaries' sales activities to provide an overall strategic framework to ensure the overall performance of the MNC.

2.5 Theoretical Review Summary

In summary, in order to discuss and answer the research question, a conceptual framework was developed based on the literature review. This study is based on the institutional perspective. As mentioned in the theoretical review, the institutional environment not only indirectly affects the formation and characteristics of the MNCs' organizational structure (Meyer & Roman, 1977), but also directly affects the relationship between headquarters and subsidiaries and the way of global management (Bartlett & Ghoshal, 1989; Rašković et al., 2013), also the global subsidiaries'

operations, as they need to face dual institutional pressures from home-country and headquarters as well as from the host country (Kostova & Roth, 2002). Therefore, when there are uncertainties and drastic changes in the external institutional environment, the MNC headquarters needs to react and adjust accordingly to the management of subsidiaries.

Previous research findings indicated that in the MNC headquarters management of subsidiaries both control and autonomy are necessary and crucial. However, both headquarters control and subsidiary autonomy have their respective benefits and potential issues, and there is no single management approach that fits all situations. Therefore, MNC headquarters needs to balance the degree of control and subsidiaries autonomy according to the different internal and external situations, so as to achieve the most effective global management and maximize their respective capabilities and values.

There are still much debates in the literature about whether MNC headquarters should take more control or allow more subsidiaries' decision-making autonomy under the shocks caused by external environment changes. Some researchers argued that headquarters should continue to exercise centralized control and decision-making over global subsidiaries (Gates & Egelhoff, 1986; Egelhoff, 2010). However, some new findings suggest that the subsidiaries' autonomy will become more effective and can bring more positive results to the company (Cavanagh et al., 2017; Aghion et al., 2021; Gammelgaard et al., 2012). But comprehensively, when MNCs face drastic changes in the external environment, MNCs headquarters should allow subsidiaries to exert greater autonomy to react and adjust to external changes in the local institutional environment promptly and make the most efficient exploit of local resources and network relationships to provide support for local operations. Nevertheless, the headquarters should also implement a certain degree of control to ensure that the overall strategic objectives and interests of the company are achieved.

Regarding how MNCs' headquarters can effectively manage the subsidiaries, existing

research suggests that headquarters should first consider informal mechanisms such as social control when implementing control over subsidiaries (e.g., Brenner & Ambos, 2013). As for how to balance the subsidiaries' autonomy, since subsidiaries are able to build important external relationship networks and interact with key stakeholders (Gammelgaard et al., 2012), headquarters needs to take into account the importance of external embeddedness to the company in order to maximize the use of subsidiaries' local behavior value.

Lastly, regarding the MNCs' sales activities management, existing research suggested that there is a trend towards headquarters adopting more centralized management, with a gradual transfer of subsidiary autonomy back to headquarters (Reichstein-Scholz et al., 2021). Nevertheless, for those subsidiaries with a high degree of external embeddedness, they usually can have more autonomy, which also enables them to carry out more effective local activities and achieve higher performance. Yet, a certain degree of headquarters central management is also necessary, especially at the strategic level (Reichstein-Scholz et al., 2021).

In summary, given the existing theories and research findings reviewed and discussed in this chapter, the authors consider that when MNCs are confronted with the impact and influence of drastic changes in the external institutional environment, subsidiaries will react negatively, confront or resist the central control and management exercised by the headquarters in the management of sales activities. As a result, the MNC headquarters will delegate more autonomy to subsidiaries. Meanwhile, a certain degree of central management is still necessary, and informal control mechanisms such as socialization will be primarily adopted to avoid direct and excessive intervention in subsidiaries local business activities. Furthermore, the MNC headquarters will take greater consideration of the subsidiaries' embeddedness in the local external network when managing them. By assessing the role of the embeddedness on the sales activities and performance of the company, the headquarters can evaluate the importance of the subsidiaries independent activities and thus achieve an effective balance between control and subsidiary autonomy.

3. Methodology

The purpose of this chapter is to introduce and explain the research methods adopted in this study, and to discuss and explain the reasons and considerations that led the authors to make these choices to answer the research question. This chapter is divided into the following sections: research approach, case selection, data collection, research process, data analysis method, research quality, and ethical considerations.

3.1 Research Approach

The research question of this study is: How MNC headquarters manages the sales activities of subsidiaries and balance control with autonomy under dramatic changes in external environment? Considered the purpose of this study and the research question that need to be answered, as well as the requirement for an in-depth description and analysis of the activities and management within MNC, this thesis identified to adopt the case study approach. Case studies allow researchers to focus on a situation or phenomenon with boundaries to conduct in-depth and detailed investigation and research on the focused topic (Bell, Bryman & Harley, 2019), and to better develop theoretical analysis and answer research questions. Yin (1994) stated that case study provides the researcher with the opportunity to investigate and study a present-day phenomenon in the context of social reality. This thesis studied a present-day phenomenon, i.e., the Covid-19 pandemic. Under the influence of the Covid-19 pandemic, the external institutional environment of MNCs has undergone the dramatic changes. These changes affected the MNC headquarters' management of subsidiaries and caused the corresponding adjustments. Since this current phenomenon is exceptional and without precedent, it is impossible to conduct historical analysis. Therefore, this study required the authors to conduct the investigation and research in the context of social reality, otherwise the research question will not be effectively answered.

Moreover, according to Eisenhardt (1989), the case study approach is suitable for providing new perspectives and theories for those emerging research areas, or

complementing existing theoretical gaps in the research field. As mentioned in Chapter 1, the current literature on headquarters-subsidiary relations and management lacks discussion and research on whether MNCs should adopt more centralized or decentralized management of subsidiaries local activities under the drastic changes in the external environment, and there are still some debates. Therefore, this thesis intended to investigate the phenomenon of interest in the context of current social realities through case study approach and to develop a theoretical framework based on empirical findings, thus forming a complement to the existing literature. Therefore, the case study is the most appropriate approach for this research.

Considering the features of this case study and the research question, the single case study approach was adopted. Bell et al. (2019) mentioned that the single case study approach is a more detailed and in-depth dissection of the selected case to understand and analyze a phenomenon at a deeper level. Ghauri (2004) also mentioned that single case study research is suitable when the phenomenon of focus is special, crucial and revelatory, the researcher can use the research findings to explain or question existing theories, and can investigate and study previously inaccessible and poorly understood phenomena, thus generating valuable new insights. The research topic and the question in this study required the investigation and analysis of deep internal management behaviors. Therefore, a specific, revelatory case needed to be selected for detailed and in-depth description, understanding, discussion and analysis to investigate the phenomenon from an intra-firm perspective, to answer the research question in relation to existing theory, and to provide valuable insights for the research area (Ghauri, 2004). Therefore, the single case study is the most appropriate approach for this research.

3.2 Case Selection

This case study focused on a contemporary phenomenon. The Covid-19 pandemic was chosen as the context and focus of attention among the many uncertain events that could lead headquarters to make management adjustments. This choice was made based on

several considerations. Covid-19 pandemic has had significant impact on MNCs and has brought about systemic shocks that have severely disrupted their global operations and management, and these effects are likely to persist in the long term (Barrero, Bloom & Davis, 2020). To better adapt to the features and changes in global operations in the current new normal and potential future, MNCs need to adapt their business models, business portfolios, and global management models accordingly to more proactively handle and manage future uncertainties (Grover & Karplus, 2021). With the dramatic change in the external environment caused by the Covid-19 pandemic, the MNC headquarters needed to respond to the uncertainties by adjusting or redesigning and implementing management practices in order to achieve effective management of subsidiaries. Moreover, as the impact and influence of the Covid-19 pandemic is still ongoing, the research on the headquarters' management of subsidiaries in this context is limited. And the discussion and study of this phenomenon can complement existing theories and provide a theoretical reference for more MNCs to help them better cope with the current and future uncertainties and crises. Therefore, the Covid-19 pandemic is the appropriate choice for this case study.

The case company selected for this study is a small-scale Chinese MNC engaged in the research, development, manufacturing, and sales of high-voltage, ultra-high-voltage transmission, substation equipment and smart grid systems, with headquarters in Jiangsu Province, China. The company's main manufacturing and R&D centers are located in mainland China, and it operates sales offices in mainland China as well as in Southeast Asia. This company was chosen as the subject of the case study for the following three considerations. First, the electric power industry, to which the company belongs, is an important part of the real economy. Given the research question, it is assumed that the real economy will suffer more from the Covid-19 pandemic than the fictitious economy. Second, the case company was chosen based on the convenience sampling by Merriam (1998), who argued that the time, money, and accessible contacts involved in the data collection process need to be taken into account when the researcher makes a selection of a case company. The authors contacted the case

company through personal networks, thus making it easier to communicate with the contact person and determined the research plan, and maximized the success of the research. Lastly, such a small MNC is more suited to the purpose of this case study, and is well suited to the discussion of the topic of focus and the requirement to answer the research question. Compared to other large MNCs, this company is smaller in size and overseas value chain. Large MNCs often have complex and complicated structures and internal management systems, with relatively complex linkages between different internal units. Sometimes with little direct contact between subsidiaries and headquarters, and the relationships and linkages between them are difficult to identify and interpret. This could pose challenges and limitations for the case study, as it did not allow for an in-depth understanding and interpretation of the internal management and made it difficult to develop valuable findings. In contrast, the structure and internal management patterns of smaller MNCs are relatively simple and straightforward, with clear and well-defined relationships and links between headquarters and subsidiaries, and managers often have sufficient understanding and interpretations of information relating to internal management. Thus, it fulfilled the purpose and demands of this case study and allowed for in-depth observation, discussion, understanding and analysis of the headquarters management of subsidiaries, could generate valuable insights and theoretical contributions. In summary, this small-scale MNC is the most appropriate choice for this case study.

3.3 Data Collection

The data collected for this research included both primary and secondary data. The primary data were collected through semi-structured interviews for discussing and answering the research question. The secondary data were used mainly for the interview preparation process and the introduction of case company's background and profile, also for the triangulation and the validation of the primary data.

3.3.1 Primary Data Collection

To answer the research question, data were collected primarily through semi-structured interviews with the case company's headquarters sales manager and with two sales office managers. According to Bell et al. (2019), semi-structured interviews allow the interviewer to control the overall interview pace and also allow the respondents to have adequate opportunity to explain the interview questions in more depth, thus optimizing the quality and flexibility of the interview. The interview questions were designed based on the research question and the existing theories in the research field. The authors designed two sets of interview questions with the same theme, but with slightly different details, for respondents in the case company's headquarters and sales offices. For example, the headquarters respondent was asked to answer how he managed the sales offices; and the sales offices respondents were asked to answer what management methods they perceived and what changes had occurred. The authors kept the consistency of the themes and directions when designed the two sets of questions so that respondents' answers could be validated from different perspectives to ensure objectivity of the data collected. The author prepared around 20 interview questions and divided them into three main categories. The first category was the opening and general questions, included the role performed by headquarters and sales offices, their relationships, etc. The aim was to get a basic overview of the case company management and to establish the basis for following questions. For the two subsequent categories, the authors designed questions on how headquarters managed sales offices prior to and during the Covid-19 pandemic, included how the headquarters exercised control and how much autonomy were delegated to sales offices. These two categories of questions could achieve the comparison of the headquarters' management of subsidiaries and the changes that existed before and during the pandemic to better answer the research question. Based on the research question and theoretical framework, the authors prepared an interview guide and emailed the interview question outline to the respondents one week prior to the interview, with the expectation that they could prepare for the interview in advance, thus ensuring the interview quality. All interview

questions are presented in Appendix 1.

The selection of respondents is mainly based on purposive and snowball sampling. Bell et al. (2019) stated that purposive sampling allows the researcher to develop a high correlation between the respondents and the research questions to achieve effective answers to the research questions and achieve the research objectives. Snowball sampling allows the researcher the opportunity to expand the pool of potential respondents relevant to the research question (Bell et al., 2019). The authors pre-defined the sampling requirements for the case company respondents with the aim to ensure that they could provide valuable and useful information and can effectively answer the research question. One of the researchers contacted a salesperson at the case company's headquarters through personal network, and through his introduction the authors were able to contact the headquarters sales general manager and reached two sales managers in the sales office. Eventually, the case company's headquarters sales manager, and the sales office managers in mainland China and Malaysia were selected as respondents for the semi-structured interviews. This decision was based on two main considerations. Firstly, since the shock of the Covid-19 pandemic and the impact on the external environment, both institutional and commercial, differed from country to country, thus selecting sales office managers located in different countries as respondents could provide a more comprehensive perspective on the answers to the research question. Secondly, based on the scale of the case company's global operations and the actual composition of the sales units, these three respondents were the individuals who should be interviewed for this research and confirmed to be able to provide valuable information and insights. The number of respondents could be contacted and made available as options for this study was limited by the size of the case company. These three sales managers have rich knowledge and management experience, they are very deeply involved in, understand and familiar with the internal management realities and situations. And they have strong and close interaction with each other, and have more mature insights and interpretations on the research topic. The semi-structured interviews with them could provide sufficient and valuable information for this case

study to develop valuable findings and effectively answered the research question. For the other general sales staff, they have relatively few opportunities and frequency of interaction with headquarters, and lack sufficient knowledge and in-depth interpretation of the research topics. Thus, the information they can provide is difficult to satisfy the requirements and it is meaningless to interview them. Overall, these three sales managers are the most suitable choices for this research.

Since all three respondents were native Chinese speakers, interviews were conducted in Chinese and translated into English. As required by the case company's Covid-19 pandemic preventive measures, all interviews were conducted in March-April 2022 by non-face-to-face interviews, in the form of WeChat and Tencent meetings. The online interviews were not limited by space or time, the interview schedule could be flexibly adjusted to fit the respondents' schedule, and they were free to choose to be interviewed in the most comfortable and safe environment. This could increase their willingness and motivation to participate in interviews and the opportunity to provide more valuable and important information. However, online interviews were sensitive to external factors such as internet fluctuations and noise, which occurred once during the interviews. The online interviews were unable to build closer connection with respondents, which could limit the in-depth discussion on some topics. And also, more difficult to observe respondents' body language and micro-expressions, which could pose some limitations on data collection. All interviews lasted approximately 40 minutes to 1 hour. Before each interview, the authors explained the needs for interview recording to the respondents, and obtained their permission to record and transcribe the whole interview process. The interviews usually started with general questions, then respondents were asked detailed interview questions in chronological order of before and during the Covid-19 pandemic, and their responses were recorded. The authors maintained the flexible and open attitude during the interviews and prepared to make further follow-up questions on key topics. After the interviews, the researcher organized the interview transcription and sent them to the respondents for verification in order to ensure the objectivity and accuracy of the collected information and data. All

respondents remained anonymous, and the information and data provided were treated confidentially to protect their privacy.

3.3.2 Secondary Data Collection

Secondary data also played an important role in this case study by providing an independent perspective for the researchers to triangulate the information from the primary data, thus ensuring the reliability of the data. It also provided sufficient background information for the authors' primary data collection, so that the authors could better design interview questions based on the case company's situation. The secondary data for this research were mainly collected from the case company's official websites, newsletters and company brochures. These could help to understand basic information about the company, its organizational structure, corporate culture, and values from different perspectives. The authors compared primary data with secondary data. For example, when respondents provided insights and interpretation on the relationship between the headquarters and the sales offices, as well as the headquarters' management and control methods, such information were verified against the company's management structure and internal management news presented on the official website and in brochure, in order to achieve triangulation and validated the primary data. However, given the size of the case company, there were limitations to the amount of secondary data collected. For instance, the authors were not able to access and utilize the company's annual reports.

3.4 Research Process

The process of this study consists of three main phases, which included the establishment of the theoretical framework phase, the empirical data collection, discussion and analysis phase, and the theoretical framework revision and adjustment phase. The deductive approach was adopted in the establishment of the theoretical framework phase. By reviewing and synthesizing existing theory and previous research findings in the area of focus, proposing hypotheses based on theories, promoting the

process of subsequent empirical research, and testing these hypotheses based on empirical findings (Bell et al., 2019). The authors reviewed and discussed theories and prior research findings related to institutional perspective, MNC headquarters-subsidary relationships and management, headquarters control, and subsidiary decision-making autonomy. And then combined these theories to form a theoretical framework based on institutional perspective, i.e., the ways that headquarters manages subsidiaries under changes in the external institutional environment, and proposed the authors' propositions. This theoretical framework served as a guide and foundation for the semi-structured interviews and data collection, and analysis of empirical findings for this research.

In the empirical data collection, discussion and analysis phase, after completing the interviews with the sales managers of the case company, the authors confronted the theoretical framework with the collected empirical data in order to discover the similarities and differences between the social reality and the theories to critically analyze and discuss them. The inductive approach was adopted in the theoretical framework revision and adjustment phase. Based on the absence of theoretical assumptions, empirical generalizations are continually compared and summarized based on empirical findings, thereby generating new theoretical perspectives and forming new contributions or complements to the theory in the research field (Bell et al., 2019). The authors discussed and analyzed empirical findings in combination with literatures, confronted them with the theories mentioned in the initial theoretical framework, and adjusted and refined it. When analyzed the empirical findings, the authors identified topics and theories that were not given sufficient attention and consideration in the initial theoretical framework. For example, respondents mentioned the importance of headquarters' expatriates in managing the sales offices' local activities, which had not been given sufficient attention in the theoretical framework. Therefore, the relevant theory and research findings are supplemented in the analysis chapter. Moreover, the analysis of the respondents' answers revealed that the sales offices' resource dependency on the headquarters affected the balance between control

and autonomy, which was not mentioned in the theoretical framework, thus the resource dependency theory and the impact on headquarters control were discussed. By analyzing and discussing empirical findings with theories, the initial theoretical framework was modified and adjusted to be able to answer the research question.

Therefore, the overall process of this research adopted the abductive approach, which was developed by combining deductive and inductive approach, and it overcame the limitations and shortcomings of both approaches, thus allowing the research to be more open (Bell et al., 2019). The researcher can iteratively confront between theory and real-life experience, which is more helpful for researchers to interpret and study social reality and to develop and discuss new views and theories (Bell et al., 2019). In summary, the process of this research could be described as a process of established a theoretical framework, confronted the empirical findings with theoretical framework, and developed and revised the initial theoretical framework to answer the research question and to complement the existing literature.

3.5 Data Analysis Method

After the interviews, the authors immediately transcribed the findings and detailed information based on the interview recordings and notes to create a complete interview transcript that provided a comprehensive and detailed description of the case company headquarters management of sales offices. The transcription allowed to verify and check the interview findings and ensured the accuracy of the collected data. It also served as the basis for the analysis of empirical findings and the development of new insights and theoretical discussions. Since all interviews were conducted in Chinese, the authors paid attention to the influence of language and cultural differences on the data as mentioned by Bell et al (2019) during the transcription and translation process, and made efforts to ensure the accuracy and objectivity of the transcripts. For example, some Chinese common saying appeared in the respondents' answers, which were difficult to translate accurately into English. Therefore, the metaphors were chosen to

describe and illustrate the respondents' views in a way that best suited their original expressions, such as the "cogwheel and chain" relationship, in order to convey the respondents' meaning most accurately. There were also some Chinese terms that were difficult to find suitable English equivalents, thus the meaning of the term was simply described in an understandable way to convey the respondents' ideas.

Since the abductive approach was adopted in this research, the empirical findings needed to be confronted with the theoretical framework during the research process, and the original theoretical framework needed to be modified and adjusted. Therefore, the authors coded the collected information to create correspondence between the empirical findings and the theoretical framework, so that the realities and theories can be analyzed and discussed. Bell et al (2019) mentioned that thematic analysis approach is widely used in qualitative research data analysis, it has high flexibility that allows the researcher to group and categorize respondents' answers with similar themes, categories and narratives to identify the most noteworthy perspectives and interpretations that correspond with the theoretical framework, and help the researcher to understand, analyze and interpret the data.

Consequently, this research adopted thematic analysis to analyze the empirical findings. The authors coded and thematically categorized the interview questions and respondents' answers. The data were first divided into two main themes in chronological order, the headquarters' management of the sales office before the Covid-19 pandemic, and the headquarters' management of the sales office during the pandemic. Within these two main themes, the authors have divided several sub-themes that can be corresponded to the theoretical framework. For example, respondents mentioned daily operational control and performance appraisal were adopted by headquarters to manage sales offices during the Covid-19 pandemic, they are representative tools of formal coordination and control mechanisms and thus are categorized under the sub-theme "formal mechanisms". Overseas sales office respondents mentioned their strong ties to local customers and sales channels and the need to implement more localization activities, which is an example of the relational network embeddedness focused in this

study and thus categorized under the sub-theme of “external network embeddedness”. These themes facilitated the confrontation, discussion and analysis of empirical findings with the theoretical framework.

When categorized the empirical data, the authors also focused on newly discovered themes and analyzed them in connection with the literature so as to revise and complement the initial theoretical framework. For example, domestic sales office respondents mentioned that they rely on headquarters key resources to support their local activities and hence complied with headquarters central management. This indicated that the resource dependency has corresponding impact on the headquarters management. This was not mentioned in the initial theoretical framework and is a new sub-theme of empirical data, categorized as “resource dependence”. During the analysis process, the authors focused more on the second main theme, with the first main theme served as supporting data, thus demonstrating the changes in the headquarters’ management.

3.6 Research Quality

According to Bell et al (2019), reliability and validity are important criteria to ensure the quality and results of research, both for quantitative and qualitative research. Therefore, we will discuss the quality of our research based on three criteria: internal validity, external validity, and reliability.

Internal validity means that the research results truly reflect the social reality, and the researcher’s understanding and perception of the social reality, and can be accepted by the social others, including the respondents (Bell et al, 2019). Therefore, this research established a triangulation of the data by interviewing the case company’s headquarters manager and two sales offices’ managers separately, thus enriching the data sources. Meanwhile, when analyzed the empirical data, the authors combined primary and secondary data as much as possible, thus ensuring the accuracy of the empirical findings and analysis. In addition, after transcribed the interview data, the authors sent the

transcripts to the respondents for validation to ensure information were consistent with their perspectives and interpretations. The authors also sent the analysis results to the respondents for final validation to ensure that a correct correspondence could be established among empirical findings, analysis and their perspectives, thus ensuring the internal validity of this research.

External validity refers to the fact that research findings can be generalized to general results, i.e., they can be used or replicated in other research contexts and social settings (Bell et al, 2019). Therefore, this research adopted the thick description as a way to enhance the rich and detailed description of the context of the case study and the case company situation, thus formulating and providing a rich source of primary data for other researchers to refer and judge (Geertz, 1973; Bell et al, 2019). Furthermore, given the inductive approach adopted for this research, the authors confronted the empirical findings with the theoretical framework during analyzed process, thus creating a link between the empirical findings and existing theories to enhance the external validity of this research.

Reliability refers to whether a study's findings still valid when replicated in other contexts or settings, i.e., whether the study's results can be replicated (Bell et al, 2019). To achieve reliability, the authors described and documented key steps in the research process, such as theory selection, case selection, interview transcription, and empirical data analysis, thus providing a clear and transparent description of the research for evaluation and replication. In addition, the authors also provided a description on the empirical data coding and thematic categorization to provide clear perception of the empirical findings, thus enhancing the reliability of this research.

3.7 Ethical Considerations

In terms of ethical issues in commercial research, Diener and Crandall (1978) proposed four basic principles, which are: avoidance of harm; informed consent; protection of privacy through confidentiality; and prevention of deception. Also, several professional

associations have developed relevant ethical codes that regulate the conduct of their researchers involved in commercial research (Bell et al., 2019). Therefore, this research followed the ethical approach and adopted the basic ethical principles of Diener and Crandall (1978) and the Good Research Practice of the Swedish Research Council (2017) as guidelines.

First, based on the fundamental principle of avoidance of harm, this study treated the case company and all respondents anonymously. This also fulfilled the Swedish Research Council (2017) requirements of respecting integrity and confidentiality. In addition, Bell et al. (2019) also mentioned that the anonymous treatment makes respondents more willing to provide truthful and effective information. This undoubtedly increased the validity of the research. Secondly, based on the basic principle of informed consent, the authors informed the respondents about the purpose and intention of the research and ensured that they volunteered to be interviewed. In addition, the authors obtained the respondents permission before recorded and transcribed each interview, and sent the collected data to the respondents for validation after transcription. Third, based on the basic principle of protecting privacy through confidentiality, the authors kept all important information such as recordings and documents related to the case under encryption and defined access rights, thus ensuring the confidentiality of the information. This also complied with the requirements of the Swedish Research Council (2017) on maintaining and complying with the code of ethics. Finally, the authors followed the basic principle of prevent deception to ensure the authenticity and reliability of the empirical data.

4. Empirical Findings

This chapter presents the empirical data of the case study. The chapter begins with the general background of the case company. This is followed by the presentation of empirical data on different themes, including the roles of the headquarters and sales offices, headquarters management of sales offices before and during the Covid-19 pandemic, and the management shifts that emerged. The empirical findings are developed based on interviews, the author quotes the respondents' answers directly, and also describes the company situation with the author's own words, thus providing a clear narrative and presentation of the case company realities.

4.1 Empirical Background

The company selected for this case study, WL Electric, is a small MNC headquartered in Jiangsu Province, China, with a focus on power technology development, equipment manufacturing and sales. The company's main business segments are high voltage and ultra-high voltage transmission, storage and smart grid related equipment R&D, production and sales, as well as power engineering and construction related services (WL Electric, 2020a). The company's main equipment manufacturing and technology R&D centers are located in mainland China, and it has also established good cooperative R&D relationships with domestic and international power engineering research institutes. WL Electric has an international trading division and a domestic sales office in Tianjin, China. And an overseas sales office in Malaysia, which is responsible for effectively developing and maintaining the Southeast Asian region and Malaysia local market, as well as executing local sales activities more efficiently (WL Electric, 2020b). In response to China's "The Belt and Road" initiative, the company has been exploring and developing global markets based on the Chinese domestic market. At present, the company's sales activities have been expanded to various markets in Southeast Asia, such as Malaysia and Indonesia, and the Middle East, such as Saudi Arabia, and intends to establish more overseas sales offices to continuously explore and expand the global market more deeply.

WL Electric mainly adopts the hierarchical management structure, and the daily operation of the sales offices is under the direct responsible and managed by the headquarters (WL Electric, 2020b). For the sales office located in China, centralized decisions on their sales strategies and activities are mainly made by the headquarters, and the sales office are only allowed limited autonomy to make decisions on local sales activities, such as maintaining local customer relationships and signing new sales contracts with customers. As for the overseas sales office in Malaysia, WL Electric also mainly adopts the hierarchical management, the headquarters makes unified decisions on their sales strategies, and coordinates and controls them consistent with general objectives. But headquarters is also gradually focusing on building an equal network relationship with them. They were delegated a higher degree of autonomy to make decisions on more local sales activities, such as exploring broader markets, independently developing and utilizing local resources and sales networks, and establishing and maintaining customer relationships under greater authority.

Covid-19 pandemic has brought serious impact to the global economy and business, and WL Electric's overall sales activities have been affected. Especially in the Southeast Asian market, local social restrictions affected business activities and the engineering and construction process, the efficiency of logistics decreased significantly, thus directly affecting the WL Electric's equipment sales and supply to local customers, as well as local customers' intention to purchase and cooperate. Moreover, pandemic has also led to instability in the local institutional and social environment, such as the emergence of anti-Chinese and xenophobic sentiments in Indonesia (Rakhmat, 2020) and the rise of nationalism in Malaysia (Abuza & Welsh, 2020), which affected the legitimacy of the WL Electric's local operations, while limiting and restricting the company's local customers' cooperation and sales process. However, in July 2021, WL Electric signed contract with a company in Indonesia for the supply of power transmission equipment. The success of this partnership demonstrates the vast opportunities that exist in the Southeast Asian markets and the importance that the company places on this regional markets (WL Electric, 2021). Therefore, in order to

respond and overcome the negative impact of the Covid-19 pandemic, and to continue to deepen and develop the Southeast Asian market, WL Electric has implemented an effective management of the sales office in order to execute the regional and local sales activities more efficiently.

4.2 Roles Performed by WL Electric Headquarters and Sales Offices

This section is divided into three parts, first the authors introduce and describe the different roles performed by the WL Electric headquarters and the two sales offices respectively, and then the authors present the characteristics of the relationship between them.

4.2.1 WL Electric Headquarters is the Decision-Maker, Controller and Coordinator

Interpreting and describing the headquarters' role from the headquarters' perspective, the general sales manager (hereinafter referred to as respondent A) mentioned: "As headquarters, we need to develop annual sales strategies, plans, operational tasks and goals, then comprehensively consider the sales activity plans submitted by the sales offices and their local operational demands, plan and optimize sales activity processes and specific implementation, and clearly deliver these decision-making results to them for execution [...] We provide them with all kinds of resources support, such as manpower, finance and material, and we also conduct unified and comprehensive manipulation and communication of all sales activities, integrating and rational allocating key resources, creating an environment for the execution of sales activities[...] We also need to monitor and evaluate their performance and local operations, review the activity applications they submit, and ensure that their daily activities are within controllable range, while identifying and solving serious problems in a timely manner to ensure the achievement of annual business goals". Respondent A described they are like the locomotive of a train, responsible for pulling and leading each carriage, i.e., the sales offices, forward to the right direction. He perceived themselves as a leader, a planner and decision-maker of overall activities, and also responsible for keeping all

in-house activities in accordance with annual objectives.

Interpreting the role performed by the headquarters from the sales offices' perspective, two respondents expressed slightly different views. The domestic sales office manager (hereinafter referred to as respondent B) indicated: "The headquarters is definitely a leader, a decision-maker, who sets the sales strategy we need to execute and the goals we need to achieve, manages and supervises most of our sales activities from a top position". However, the manager of the overseas sales office (hereinafter referred to as respondent C) believed that: "The headquarters is like the parents who both make decisions and management of our behaviors, and also allow us the freedom to operate within the permitted limits. Although they exert a lot of influence over our sales activities, they also give us the freedom to decide on the execution of local sales activities and allow us the flexibility to develop adaptive sales behaviors. They also coordinate our activities to ensure that our behavior is consistent with general requirements and interests". In general, the headquarters performs the role of decision-maker and controller, making centralized management and decisions on sales strategies, controlling and monitoring sales offices' performance and the execution level of the strategies and objectives. The headquarters also performs the role of internal coordinator and regulator, allowing sales offices to implement appropriate local independent sales activities, while coordinating and monitoring their behaviors to ensure that their activities follow the company's overall strategy and objectives.

4.2.2 The Sales Offices are the Decision-Maker, Local Executors and Developers

Interpreting and describing the role of the sales offices from the headquarters' perspective, respondent A mentioned: "The sales offices' main task is to execute our strategic decisions and achieve the annual business objectives in the markets they are responsible for [...] Of course, they have the right and obligation to participate in the decision-making process and to express their opinions and expectations regarding decisions that are highly relevant to their local activities and that will have a significant impact. We will make the most appropriate decisions that are in the best interest of both

sides and the overall interest after taking them into account [...] In addition, since they function as our local agents, they are entrusted with the mission of exploring and developing information and resources that are unfamiliar and difficult to access by us in order to achieve the most effective local execution of sales operations and to provide deeper insight for our decisions”. Respondent A perceived the sales offices mainly as the decisions local executor, participants of partial decisions, and local information and resource developers.

Understanding the role sales offices perform from their perspective, the two respondents again expressed slightly different views. Respondent B considered the sales offices function most primarily as local executors of headquarters decisions, while acting as a supporter to effectively support the achievement of local and overall business goals through the implementation of a certain degree of local independent sales activities. As he explained: “We are rarely involved in the decision-making of the company’s sales strategies and goals [...] We are required to obey and comply with the headquarters’ management and requirements, and to effectively execute the their unified decisions [...] We also have the mission of maintaining the company’s customer relations, in which we have been delegated with limited authorities by headquarters to implement communication and cooperation with customers, etc., in order to provide maximum support for the regular operation of the overall sales activities”.

Unlike respondent B, respondent C believes that they are one of the decision-makers in the company. He indicated that: “We are closely and heavily involved in the headquarters strategic goals and sales activity decisions”. In addition, he believes that they also perform the role of developers and maintainers of local resources, sales channels and customer networks. As an overseas sales office, they develop and accumulate a lot of local customers and sales channel resources and maintain good network relationships, which are not independently accessible and difficult to transfer by headquarters. Respondent C believes that they also perform the role of local executors and supporters of headquarters’ decisions. As frontline sales units, they are required to execute headquarters decisions in the local market, turn plans and ideas into

realistic benefits, and flexibly implement local adaptations according to local market and customer situations. He expressed: “We perform the role of the bearing in the running machine - both to carry on the top and to ensure smooth operation. Both internally to contribute to the overall sales success and externally to expand the company’s visibility and establish its brand and good social image [...] We are also responsible for the development and maintenance of local sales channels and customers, as well as developing individualized sales solutions for the company’s key customers”.

4.2.3 Relationship Between WL Electric Headquarters and Sales Offices

Describing the relationship between headquarters and sales offices from the perspective of headquarters, respondent A indicated that there is an interdependent and mutually influential relationship between them, which is determined by the different roles and mandates they perform. The headquarters makes decisions, provides guidance to the sales office’s local sales operations, and supports them with all necessary resources. And the sales offices need to study and understand the headquarters’ decisions in depth and execute them efficiently at the local level to achieve the sales objectives. Meanwhile, headquarters keeps track of the sales offices operations by approving local sales activity plans, monitoring operations, and performance appraisals, thus influencing their daily activities when necessary. And the sales offices have the opportunity to participate in the headquarters’ decision-making process, thereby influencing the headquarters’ strategies and goal-setting process and results. He described the relationship between them and the sales offices are similar to the film director and the actors, with the director directing and controlling the overall direction of the filming and the desired results, and the actors being responsible for the actual execution of the filming schedule and the performance of the scripts. The director can influence the actors’ performance, and the actors can influence the director’s plans and decisions. They work together and influence each other to achieve the best results.

The two sales offices respondents have similar perspectives on their relationship with headquarters. Also given the different roles performed by the headquarters and the sales

offices, respondent B perceived their relationship is the traditional hierarchy of senior leaders and junior employees. The headquarters provides largely unified decision-making and management of all sales strategies, while the sales offices are responsible for the effective execution of the headquarters' decisions locally. The respondent B's description is the same as that shown in the company's brochure. The WL Electric mainly adopts the linear structure for managing the sales offices' activities, with decisions on sales strategies and activities being made by the headquarters and delivered to the sales offices for execution, a relationship that has the hierarchical features (WL Electric. 2020b).

Respondent C agreed that there is a decision-maker and local executor relationship between the headquarters and the sales offices, as the headquarters has more sufficient resources and capabilities to make key decisions more efficiently. While sales offices have better understanding of local market situations and are more capable to execute local activities. However, respondent C also indicated that he perceived a more open and equal relationship between them and the headquarters, where are both able to influence and interrelate with each other, and both play a crucial role in the achievement of operational objectives. The headquarters coordinates and integrates their local sales activities on a unified decision and management basis. As he described: "The relationship between the headquarters and the sales office is like a smooth cogwheel and chain. The headquarters acts as the cogwheel that binds the sales offices together, while the sales offices act as the chain that is also critical to the operation of the entire system. Both parties work together and influence each other to ensure the orderly and smooth operation of the whole system".

4.3 The Management of Sales Offices at WL Electric Before Covid-19 Pandemic

In view of the different roles and tasks that sales offices perform within the company, as well as the different external environments they confront, the headquarters adopted essentially the same, but different management approach towards them. This section is

divided into two parts to demonstrate the respondents' interpretation and perceptions of WL Electric headquarters' central management and sales offices' autonomy.

4.3.1 Central Management of WL Electric Headquarters

From the headquarters perspective, respondent A believes that they did adopt a certain degree of unified central management over the sales activities of the sales offices. However, they did not mechanically exercise control and restrict over all activities, but rather the sales offices are allowed to operate freely at the local level within defined boundaries in order to achieve flexibility in local activities based on their actual operational demands. As he explained: "Considering the market situation and the role played by them [...] we take into account their actual local demands and give them the appropriate freedom to carry out the most effective local activities". In terms of the management methods they adopted, respondent A mentioned: "We have a detailed understanding and grasp of their local sales behavior and process by scrutinizing their activity proposals, including their applications for special events [...] For projects that are important and require a lot of resources and efforts, we will assign an 'experts' to join the sales office team temporarily as a consultant or project leader to provide the necessary support and guidance for their activities, also responsibly for solve tough issues [...] We can access and follow up their activity execution process through weekly meetings as well as monthly sales reports, and we also evaluate their sales goals achievement through periodic performance evaluation to further grasp their sales activities execution". He showed that they mainly adopted daily operation control, i.e., sales activities scrutiny and report review, and sales performance evaluation, i.e., performance appraisal to control and manage sales offices activities. Besides, the headquarters also choose to expatriate headquarters personnel to the sales offices, thus exercising effective support and supervise their local sales activities. Respondent A's description is consistent with the linear management structure of the company as illustrated in the company brochure (WL Electric. 2020b), since under this structure the headquarters usually exercises more central management, thus achieving direct and effective management of the subsidiary's activities.

When exercising central management over the sales offices, respondent A believes that they have achieved adequate and effective two-way communication with the sales offices managers. They have planned for all aspects from communication formats to the frequency of communication and the people involved, and made decisions based on the mutual interests of both sides. They also personalize and refine strategies and activities decisions based on feedback from the sales offices to make them more specific and operational. He perceived the positive attitude of the sales offices towards this type of management. Lastly, respondent A believes that their central management has brought the positive impacts. Headquarters is able to utilize the rich resources and make full use of the capabilities to make the most effective decisions from a higher level, and to provide holistic and comprehensive control and supervision of important sales activities, effectively coordinating and integrating the sales offices' local activities to ensure the effective advancing and achievement of the company's overall goals.

Understanding and describing the headquarters' management from the sales offices' perspective, the two respondents described the central management modes that were fundamentally similar, but with differences. For the domestic sales office, respondent B perceived a higher level of central management from headquarters, with strict management and monitoring of their sales activities. He indicated: "We are rarely involved in the decision-making process for sales strategies and activities. The headquarters usually unified formulate sales strategies and goals, and then deliver these decisions to us, with they providing the necessary resources, and we are responsible for executing the specific sales activities. Regarding the management methods adopted by the headquarters, respondent B indicated that: "According to the company's internal manual and regulations, we have to report the progress and status of our sales activities to the headquarters in the form of weekly meetings and monthly sales reports, so that they can understand and monitor our sales business performance and situation. In addition, they will periodically implement performance evaluation of our sales activities based on the formulated sales goals, so as to obtain an understanding of the achievements of our sales activities". He showed that headquarters manages the sales

office's activities through daily business regulations and performance appraisals to guide and influence their operations.

Respondent B commented that despite headquarters' exercise the high level of central management and regulation over their activities, they have the right to question and comment on the headquarters' decisions when the requirements for final sales activities are distributed to them. As he indicated: "After receiving the decision document from the headquarters, we can discuss with them about the feasibility and effectiveness of the decision and express our doubts and opinions". The headquarters is able to ensure effective two-way communication when exercising central management over the sales offices, avoiding simple and direct interference in their activities, and instead making them voluntarily accept the headquarters' management. Lastly, respondent B believes that the headquarters' control does not have much impact on their daily activities, since they are basically local executors of decisions, and their daily behavior complies and obeys the headquarters' requirements, and also relies on the resources provided by the headquarters to support local activities.

For the overseas sales office, respondent C also mentioned the coordination and control implemented by the headquarters, where decisions on sales strategies are still largely made. However, unlike respondent B, he mentioned more about their power to influence headquarters decisions and the greater freedom of business activities given by headquarters that allows them to carry out more self-initiated sales activities locally. He explained: "Headquarters usually reviews and approves our annual sales activity plans submitted at the beginning of the year, fully communicates with us, allows us to participate in the decision-making process and express our opinions, and finally fully authorizes our local sales activities based on the practical demands to achieve these plans and goals (mainly involving headquarters' support for the sales office in terms of people, money, materials, etc.)". In terms of the management methods adopted by headquarters, respondent C also mentioned daily business control and performance appraisals as the primary choice for headquarters to manage their activities, but he also mentioned that the headquarters may sometimes expatriate "professionals" to join their

sales operations to provide support and guidance. As he explained: “The headquarters will formulate our assessment plan according to the established sales goals, and also through weekly meetings, monthly sales progress reporting meetings and periodic performance appraisal results, so as to ensure the completion of our sales activities and the achievement of the company’s strategic goals and the maximization of overall benefits [...] In some cases, based on the major sales activities we submitted, the headquarters will set up a sales project team led by them, with a senior sales manager or relevant supervisor from headquarters as the project team leader, to provide strong support and comprehensive guidance to our local sales activities”. Respondent C emphasized that the headquarters managed their activities more by sales performance evaluation and less by directly interfere too much in their daily activities. In addition, respondent C also hoped that headquarters can indirectly, and more effectively, coordinate and manage their activities by shaping the internal environment and spirit to enhance the executability of strategies and to achieve collaboration and sales efficiency. As he indicated: “I prefer the headquarters to use efficiency and the spirit of practical work as the lubricant between the cogwheel and the chain to ensure that the entire sales chain continues to run steadily, smoothly, and fluently”.

Same as respondent B, respondent C also indicated that headquarters is able to ensure effective two-way communication with them regarding decision-making, which resulted in more rational and appropriate decisions and more consistent with the interests of both sides, more conducive to landing implementation, and making them voluntarily accept the headquarters’ central management. Lastly, respondent C believes that the headquarters’ management brought them more positive effects. It has facilitated communication and exchange within the company, creating a good internal atmosphere and giving them multifaceted support for their daily sales activities. It also enhances their understanding of the company’s sales strategy and goals, enabling them to execute the headquarters’ decisions and accomplish business goals more effectively at the local level.

4.3.2 WL Electric Headquarters Decentralized Management of Sales Offices

Despite the high level of central management exercised by the headquarters over the sales offices, as the respondents indicated, the sales offices have the freedom to make decisions on their local activities within the boundaries allows to fulfil the local market and the personalized demands of different customers. This subsection demonstrates the respondents' interpretation and perceptions on headquarters decentralized management of headquarters and sales offices.

From the headquarters' perspective, respondent A indicated that amount of freedom of action they give to sales offices depends on the specificity, necessity, and importance of their local activities. The headquarters defines clear boundaries for their local self-initiated sales activities, thus balancing the respective advantages of headquarters control and sales offices' autonomy. As he explained: "Considering the various complexities that sales offices have to deal with in their local operations, we usually set a clear limit for autonomous decision-making so that they have the flexibility to adjust their sales activities to the actual situation. Of course, beyond the limits, we need to make decisions on their activities [...] In comparison, we delegate more autonomy to our Malaysian sales office because they have to deal with more complex market and business conditions on the one hand, and they also have the difficult mission of developing resources and integrating into the local market, which has a very important contribution to our local operations and interests, so more autonomy is necessary [...]" For those sales activities where the sales offices can make autonomous decisions, we generally provide them with adequate support". The headquarters adopts decentralized management by considering and evaluating the importance of their local independent activities and the degree of their integration into the local sales business network. In general, sales offices can operate relatively independently in their local sales activities, but they need to be subject to reasonable regulation and constraints.

Respondent A believes that the sales offices' autonomy brought positive impacts and had an important contribution to the company's operations in the host country and to

the establishment and maintenance of external networks. He pointed out that “Autonomy has improved their execution, their initiative and motivation to work as the main player in market and customer development, as well as their confidence to implement the company’s overall sales and marketing strategies and to complete their own annual targets [...] Because of our limitations and difficulties in obtaining and capturing local information and situations, their autonomy can assist us in better planning and formulating sales strategies and objectives, providing more high-value insights, and more effectively optimize the landing execution solutions for sales activities, thus ensuring the achievement of performance goals and the delivery of satisfactory business results”. Lastly, respondent A believes that the sales offices are effectively exercising autonomy, that they are generally behaving within the headquarters’ requirements for all activities, and that they are effectively achieving the strategic objectives and important tasks assigned to them, consistent with the headquarters’ expectations.

From the perspective of the sales offices, as domestic sales office, respondent B indicated that since the domestic market they are responsible for already has a more established sales channel and network, plus they sometimes establish and maintain contact with important customers through the headquarters channels, and have a high demand for headquarters’ resources, thus they have stronger internal connections and interaction. Respondent B believes that they are given enough freedom to carry out their operations and to support local activities based on the actual needs of their sales activities. He said that the headquarters usually delegates authority to the sales office based on the sales strategies and goals set for the year, setting a boundary in which they can autonomously decide and execute local sales activities. Once beyond the boundary, they need to plan and write reports on the necessary sales activities, send request and report to the headquarters, and wait for headquarters’ approval before they have the right to carry out the corresponding sales activities, and obtain the necessary resources from the headquarters according to the actual demands. As respondent B explained: “The headquarters usually grants the sales offices a certain level of autonomy [...] but

if we go beyond that, for example, to implement key projects, new contract price adjustments, we need to submit the requests to the headquarters waiting for approval [...] This is because such large projects are beyond our authorities and also because we lack sufficient resources.”

Respondent B mentioned that the autonomy they exercised did not have a particularly large effect on the company in general. This comes from the fact that almost all of their sales activities and behaviors are controlled and regulated by the headquarters, and their autonomy to make decisions regarding local sales activities is explicitly limited, and they remain more as local executors of headquarters decisions, following the headquarters’ guidance and requirements. Lastly, respondent B believes that the autonomy they exercise is consistent with the headquarters’ expectations and they contributed to the overall company interest. They are able to effectively maintain the customers and sales network under their responsibility and sign new sales contracts with key customers within delegated authorities, effectively maintaining the company’s external relationship network and also ensuring that the company’s sales goals are achieved.

As the overseas sales office, respondent C mentioned that headquarters allows them to execute more independent activities, to make local activities decisions on their own. He indicated that because of the differential characteristics of the environment and situation of the Southeast Asian market they are responsible for, they face a market that requires to be developed and constructed in depth compared to the domestic market. Thus, they are required to dive deeper into the market, gradually develop local sales and relationship channels, and develop a richer customer network. He mentioned the importance and focus of the headquarters on the Malaysian and South East Asian markets where they are responsible, and the high expectations for them to expand the local market and sales channels more deeply. This description consistent with the company’s press release about the signed contract with the Indonesian company (WL Electric, 2021) and confirms the importance of the South East Asian market for the current development and growth of overseas business, as well as the necessity and

importance of sales office's local independent activities. These require them to develop locally adapted sales activities and more personalized sales programs to satisfy the local market and the key customers' demands. They are expected to and have been well integrated into the local environment and market, and continue to establish and maintain external networks in the local market. Respondent C perceived a higher degree of autonomy given to them by headquarters, based on their role and the characteristics of their local operations. He believes that he was delegated sufficient autonomy to support and fulfill his needs for localized sales activities, as well as for developing, building and maintaining local sales channels and external networks. As he explained: "We received sufficient decision-making autonomy from headquarters [...] combined with the local market and our sales objectives and missions, as well as the actual situation in terms of human, financial and material allocation, to develop local personalized key sales programs and activities based on a positive response to the overall headquarters sales planning [...] maximize our tentacles and offensive role in the local market to ensure the completion of the local sales objectives and customer expansion missions". In addition, respondent C also indicated that the autonomy they are given is not unchanged, but rather the headquarters will evaluate their local sales performance based on the results of the sales performance appraisal and make periodic adjustments to the delegation of authority based on this. He explained: "The headquarters will make accurate micro-adjustments to the autonomy delegation of our local sales activities every six months through the results of weekly meetings, monthly sales progress reporting meetings and regular performance appraisals, thus ensuring the realization of the company's overall strategic goals and maximization of overall benefits".

Respondent C believes that their autonomy has brought positive contribution to the entire company. By effectively developing and utilizing local resources to fulfill and drive the development of the company's local sales activities, they are more effective in executing the headquarters sales planning and achieving their strategic goals. In addition, he also believes that their autonomy has brought both positive and negative effects to their relationship with headquarters. On the positive side, by exercising

autonomy, the headquarters is able to gain a more intuitive and objective perception and evaluation of their operations and sales situation, which allows the headquarters to be more detailed and personalized to their specificity when unified formulating strategies and policies. Autonomy also makes their local activities more flexible and enables smoother communication with headquarters, reducing communication costs, providing timely feedback to headquarters on difficulties encountered in frontline operations, improving work efficiency, and allowing them to seize market opportunities in a more timely and effective manner. Moreover, respondent C added: “The fact that the headquarters allows us the freedom to carry out local activities makes us feel they trust us and recognize our efforts and achievements, which allows us to be more positive about the various tasks that will come next”. On the negative side, autonomous decision-making may lead to conflicts and misunderstandings with their headquarters manager, which resulted in negative impacts on their collaboration, and will threaten the achievement of annual sales goals. Lastly, same as respondent B, respondent C believes that their autonomous decision-making is consistent with the headquarters’ expectations. They are not only able to build and maintain the high level local external sales and relationship network, expanding the company’s visibility and image, but they are also able to efficiently and successfully execute and achieve the sales plans, tasks and goals set by headquarters to maximize local effectiveness.

4.4 Changes in WL Electric Management During Covid-19 Pandemic

The Covid-19 pandemic has caused a dramatic change in the external environment of the global market and also has impacted on WL Electric’s operations. To deal with the external uncertainties, WL Electric management has undergone changes. This section is divided into two parts to understand the transformation of headquarters’ management of the sales offices during the Covid-19 pandemic and the balance between headquarters control and sales offices autonomy from the perspective of headquarters and the sales offices.

4.4.1 WL Electric Headquarters Adopted More Central Management While Retaining Certain Levels of Decentralization

As mentioned by the respondents, Covid-19 pandemic caused a series of social restrictions measures, which created obstacles to the company's sales activities and product transportation, and also threatened the legitimacy of their local operations. This undoubtedly affected the supply chain of products, as well as the cooperative willingness of local customers. In response to the uncertainties, the company needed to transform the management strategy to response and mitigate the negative effects of the uncertainties. WL Electric has reacted quickly to the external environment changes. This sub-section describes the perceptions of headquarters and sales offices managers about the transformation of the management.

From the headquarters' perspective, respondent A indicated that they assessed the Covid-19 pandemic situation in each sales office's local area and made adjustments timely to the business of them, such as annual objective, budgets and sales guidance, based on their specific situation. The Covid-19 pandemic made the headquarters enhanced the degree of central management and reduced delegation of authority to the sales offices. However, there are some differences in the degree of central management adopted by headquarters due to the variations of business environment and Covid-19 policies adopted in the countries where different sales offices are located. He mentioned that from the perspective of effective management, centralization and autonomous decision-making should not be simply considered. The primary purpose of changes should be to make reasonable plans and decisions efficiently and solve specific business problems through adequate communication with the sales offices. Usually, the headquarters communicates and agrees with the sales offices on management transformation before implementing the strategy. Therefore, the sales offices usually react positively to headquarters' management. Regarding the importance of the sales offices for the company, respondent A believes that their importance has increased compared to the pre-Covid-19 pandemic. On the one hand, the emerging of Covid-19 pandemic prompted the sales offices to strengthen communication with headquarters.

On the other hand, sales offices need to respond more quickly to local situations and make more effort in maintaining customers. In addition, respondent A indicated that their current management methods for the sales offices are similar to that before Covid-19 pandemic. The headquarter keeps understanding of the sales office's dynamics through weekly, monthly and quarterly meetings and activity approvals. Meanwhile, the headquarter monitors and manages the execution of the sales office's strategy through monthly, quarterly, semi-annual and annual performance appraisals to ensure that their sales efforts are consistent with the company's interests. Moreover, despite the disruptions to the process for expatriate headquarters managers due to travel restrictions, the headquarters made the managers to participate in the sales offices' activities through online presence, provided the necessary support and understanding their local situation.

From the sales offices' perspective, the two respondents gave similar responses in terms of the management transformation made by headquarters during the Covid-19 pandemic. Respondent B indicated that during the Covid-19 pandemic, the headquarters still have a high degree of central management of their sales activities. Headquarters evaluated the current situation and reformulated sales guidance based on the results of evaluation. The sales office then needs to adjust existing sales activities accordingly. Faced with the management transformation from headquarters, the sales office reacted similarly to pre-Covid-19 pandemic period, still executing the headquarters' requirements to the maximum efforts. When it comes to something activities beyond its authority, the sales office still needs to send report to the headquarters and communicate with them, and trying to reach agreement with the headquarters. Respondent B believes that the sales office lack of capabilities to think in detail or analyze the impacts caused by the Covid-19 pandemic and formulate response strategies. Therefore, central management from headquarters both maximizes the company's interests and better supports the sales office's local sales activities. Regarding the importance of the sales offices in the company, respondent B believes that they have increased in importance compared to the pre-Covid-19 pandemic period.

As mentioned earlier, the occurrence of the Covid-19 pandemic had an impact on the supply chain of products, as well as the cooperative willingness of customers, which led to a shift in sales strategy at headquarters. At this point, the sales office as the frontline sales unit, it needs to communicate closely with customers and explain current sales policies of company, as well as maintain established customer as far as possible. As a result, the sales office played a more important role in maintaining customer relationships compared to the pre-Covid-19 pandemic period. In addition, respondent B indicated that the current headquarters' management methods for the sales offices are similar to that before Covid-19 pandemic. As he explained: "The headquarters will formulate and issue sales guidance documents, we need to comply with the requirements of these documents, conduct the sales activities within the boundary allowed by the headquarters, and accept the guidance of the headquarters."

Respondent C indicated that during the Covid-19 pandemic, the headquarters reduce the authority given to them, and established a policy research group related to the Covid-19 pandemic. After fully understanding the pandemic situation and trend, the headquarters gave sales office more personalized and precise authorization and designed the sales plan according to their specific situation. At the same time, the headquarters also coordinated as much as possible with the company's various resources to guide and promote the sales office's sales activities. As he mentioned: "During the pandemic, it is time to pool resources to promote sales activities and expand the market in a joint effort between the headquarters and the sales office". Faced with such transformation in management from headquarters, respondent C stated that they did not react too much. On the one hand, they fully trust the headquarters and believe that the decisions made by the headquarters are based on the general interests of the company. On the other hand, the transformation in management did not have much impact on their sales activities. Combining respondent B's and C's responses, it can be seen that during Covid-19 pandemic, although due to the differences in institutional environments, the headquarters made different adjustments to different sales offices in terms of management, the adjustments were all in the same direction, i.e., tended to

have a higher degree of central management and less delegation of authority to the sales offices.

In terms of the importance of sales office in the whole company, respondent C also believes that they have increased in importance compared to the pre-Covid-19 pandemic period. This is mainly because of the fact that the pandemic situation and prevention policies are different during the Covid-19 pandemic. As a bridge between local markets and the headquarters, sales office needs to maintain high market acumen and market responsiveness at this time so as to provide headquarters with accurate, timely and differentiated market information to ensure that headquarters can quickly and accurately adjust the sales strategies to help sales office performing better under the pandemic environment. In addition, respondent C pointed out that the current management methods of the headquarters are similar to that before Covid-19 pandemic. On the one hand, through regular weekly, monthly and quarterly meetings communication, the headquarters can grasp the first-hand information, but also enables the sales office to more clearly understand the strategic objectives and specific requirements of the headquarters. On the other hand, through the monthly, quarterly, semi-annual and annual performance appraisals, the headquarters will have a deeper understanding of the sales office's execution level and results of strategies and objectives. Thus, the sales office can better summarize the experience to ensure the implementation of the company's overall strategic objectives and maximize the overall interests of the company.

4.4.2 The WL Electrical Headquarters Balance of Control and Autonomy

As showed in the previous sub-section, the Covid-19 pandemic led to the changes of headquarters management of sales offices. The balance between control and autonomy, as the main aspect of the adjustment, deserves to be interpreted and described in depth. This section describes the balance between headquarters control and sales offices autonomy from the perspective of headquarters and sales offices respectively.

From the headquarters' perspective, respondent A believes that the headquarters should

both exercise a certain degree of central management and control, and delegate autonomy to the sales offices. As he explained: “The current headquarters’ management of sales offices is still based on the management of processes and institutions. The balance between control and autonomy is reflected in the fact that the institutions are unified as much as possible and the forms of business development allow greater autonomy. Exercising the autonomy is a necessary way to carry out business activities, and institutions unification is a measure of overall company management”. In addition, respondent A mentioned that the headquarters will reduce the autonomy of the sales offices when there is an ongoing failure to fulfill performance requirements, or when there are management risks in the operation, etc. However, respondent A also added that it is very important for the headquarters and the sales offices to trust each other. It will help them to maximize the general interests.

From the sales offices’ perspective, respondent B believes that they need both central management and control from headquarters as a guiding direction for their sales activities and also a certain autonomy from the headquarters. On the one hand, in the face of the uncertainties caused by Covid-19 pandemic, the sales office did not have sufficient capabilities to assess the situation of the pandemic and to adjust its sales activities according to the changing circumstances of the pandemic. Therefore, the sales office still needs the headquarters to evaluate the actual situation and make a centralized decision on the sales strategies, and issue documents to guide its sales activities. Only in this way can the sales office focus more on communication and maintenance with local customers. On the other hand, the sales office needs a certain degree of autonomy in the process of communicating with and maintaining customers. This has a positive impact on the sales office’s customer retention, allowing it to meet the goals set by headquarters and bringing greater benefits to the whole company. In addition, respondent B mentioned that when the headquarters believes that too much autonomy of the sales office will affect the interests of the company, or when the headquarters believes that the sales office does not have enough capabilities to manage and maintain important customers, the headquarters will reduce the delegation of autonomy to the

sales office and strengthen central management and control to ensure a good relationship with important customers by communicating with them directly.

Respondent C believes that headquarters should consider the following aspects when balancing central management and control and delegation of autonomy to the sales office. First, the decision should be conducive to the implementation and execution of the company's sales strategies. Second, the decision should be conducive to the sales office's rapid expansion of market share in the local market, to complete the annual sales tasks set by the headquarters, and to help the company establish a good brand and market image. Finally, the decision should consider the headquarters and sales office as a whole to jointly carry out customer and market expansion. Respondent C pointed out that there is no contradiction between the central management and the delegation of autonomy to the sales office. The central management is mainly at the strategic level. By central management, the headquarters provides directional guidance on sales strategy, thus ensuring that the sales office is on the right track. However, delegating the sales office autonomy makes it more targeted to expand the local market and customers. Only in this way can ensure the company's sustainable development. In addition, respondent C believes that the headquarters will reduce the delegation of autonomy to the sales office and strengthen central management when the following situations arise. First, when there is a significant change in the headquarters sales strategy, the degree of central management will be increased. Second, when there is a major strategic opportunity in the market, the headquarters will pool all the resources and make efficient centralized decision, and strive to make a qualitative leap and improve the overall brand image and market share of the company in a short period of time. Lastly, when the sales office continuously fails to achieve the performance requirements in the monthly, quarterly and semi-annual assessments, or when the brand image in the local market declines and the market share shrinks, the headquarters will reduce the delegation of autonomy to the sales office.

4.5 Empirical Findings Summary

The empirical findings presented the features of the relationship between headquarters and sales offices, illustrated how the headquarters manages the sales offices, and how the management has been transformed and adjusted during Covid-19 pandemic. Firstly, the headquarters and two sales offices perform different roles in the company. The headquarters is the decision maker, controller and coordinator of the company's overall strategy and activities, and had an interdependent and mutually influential relationship with sales offices. The domestic sales office is more of the executor and supporter of local sales activities, has strong hierarchical relationship and dependence on the headquarters, and is subject to a high level of supervision and regulation. Whereas overseas sales office is not only the local executors and supporters of strategic and sales activities, but the participants in the overall decision-making process, and developer and maintainer of local networks and resources. It has certain hierarchical relationships with headquarters on the level of main strategies and essential activities, but an increasingly equal relationship currently exists.

Secondly, the way of management of the sales offices at WL Electric before and during Covid-19 pandemic was identified. During the Covid-19 pandemic, WL Electric headquarters adopted essentially the same, but slightly different, management approach than prior to the pandemic. While retaining the degree of local free decision-making autonomy necessary to effectively maintain and fulfill local operational performance and demands, a higher degree of central management has been implemented to provide unified decisions on important strategies and operational goals, and central direction and management of key local activities, thus providing prompt response and effective reaction to changes and uncertainties in the external environment. Sales offices have reacted positively to the management changes, as they rely on the headquarters resources and capabilities, while the headquarters centralized resources and capabilities provide greater overall synergy to deal with uncertainties. Table 4.1 summarized the characteristics of WL Electric headquarters' management of the sales office before and during the Covid-19 pandemic, as well as the changes that existed.

← ³	Headquarters Management Before the Covid-19 Pandemic← ³	Headquarters Management During the Covid-19 Pandemic← ³
Domestic Sales Office← ⁴	<ul style="list-style-type: none"> ➤ Centralized management, directly guidance and influence;←⁴ ➤ Mainly adopted daily operational control, sales performance evaluation and operational regulations and rules;←⁴ ➤ Limited free decision-making authority based on local business plans and operational demands. Mainly complied with headquarters guidance and supervision.←⁴ 	<ul style="list-style-type: none"> ➤ More centralized management, still directly guidance and influence, with some increase;←⁴ ➤ Still mainly adopted daily operational control, sales performance evaluation and operational regulations and rules;←⁴ ➤ Still limited free decision-making authority, but the importance of local independent activities increased.←³
Overseas Sales Office← ⁴	<ul style="list-style-type: none"> ➤ Centralized management, but the trend towards decentralized management gradually increases;←⁴ ➤ Mainly adopted daily operational control, sales performance evaluation and operational regulations and rules. Expatriate experienced managers. Also expected to create common internal perception and spirit;←⁴ ➤ Higher level of local free decision-making authority, based on headquarters' unified strategic decisions and local operational demands. Achieved win-win situation between central management and local response.←³ 	<ul style="list-style-type: none"> ➤ More centralized management, but only at the strategic level and support the local activities;←⁴ ➤ Still mainly adopted daily operational control, sales performance evaluation and operational regulations and rules, also expatriate experienced managers. Less directly interfered local activities;←⁴ ➤ The partial decline in free decision-making authority, implemented more precise empowerment and collaboration. Still has relatively high levels of independent activities for maintained and achieved local outcomes.←³

Table 4.1. WL Electric headquarters management of sales offices before and during the Covid-19 pandemic

Lastly, respondents mentioned the importance and necessity of the balance between control and autonomy. They mentioned that this balance relationship is not contradictory. The headquarters needs more centralized management of core aspects such as institutions and strategies to ensure that the sales offices are working together toward the right direction. Whereas it needs to allow the sales offices to operate independently for local business activities, so that the sales offices can be more efficient and flexible in their operations and maintain local and overall goals under the turbulent environment. Respondents indicated that headquarters would choose to increase the level of central management and reduce independent activities when the sales offices fail to achieve established performance goals, fail to effectively manage external customer network relationships, and encounter major strategic opportunities or crises.

5. Analysis

This chapter confronts the empirical findings with the theoretical framework and propositions presented in Chapter 2. The empirical findings are analyzed and discussed based on the theoretical framework and the consistency and inconsistencies with the propositions, in order to identify the changes that occurred in the MNC headquarters management of subsidiaries under the dramatic external environment changes, i.e., the impact of the Covid-19 pandemic, and how headquarters balance control with autonomy.

5.1 Headquarters Adopted More Control During the Covid-19 Pandemic

The empirical findings showed that the way MNC headquarters manage the subsidiaries does change under the shocks caused by the drastic changes in the external environment due to covid-19 pandemic. In this study, both for domestic and overseas sales offices, the headquarter tended to adopt a more centralized coordination and control over them while reducing their autonomy. In the process of forming the theoretical framework, the authors separately elaborate on the findings of different researchers in this area. Gates and Egelhoff (1986) argued that MNC headquarters will exercise more centralized control over subsidiaries when the external environment changes dramatically. Aghion et al. (2021), however, pointed out that in order to enable subsidiaries to fully access and use valuable local information and to respond more effectively to the uncertainty caused by changes in the external environment, MNC headquarters should give subsidiaries more autonomy to make decisions. The authors proposed that the MNC headquarters should delegate more autonomy to the subsidiaries while maintain certain level of centralized control. However, the empirical findings are different from the theoretical framework. In the face of drastic changes in the external environment, the case company chose to strengthen centralized control and reduce the autonomy of the sales offices. The authors argue that there is a certain rationality and necessity for the headquarters to adopt this management way.

On the one hand, the case company, as a small MNC, has a relatively simple internal

organizational structure, mainly based on a linear and hierarchical structure. This organizational structure made it easier for the case company headquarter to take a holistic view of the impact of changes in the external environment on the company's operations, and the measures the company needed to take in response. In addition, this organizational structure makes it easier to communicate between the headquarter and the sales offices. For the case company headquarter, timely and effective communication is more conducive to understanding local market conditions and acquiring knowledge related to the subsidiaries. This allows the case company headquarter to develop more targeted sales strategies for the sales offices in a timely manner, in response to dramatic changes in the external environment, based on the specific conditions of the local market. On the other hand, for the sales offices, the limited size resulted in the limited resources, they are unable to take a holistic view and make strategic adjustments that maintain the company benefit in response to environmental changes. In addition, the limited size also leaves the sales offices with insufficient capacity and energy to consider comprehensively about how to respond to the impact of changes in the external environment. For sales offices, their primary task is to accomplish the performance targets set by headquarters. Therefore, thinking about how to respond to the impact of changes in the external environment not only consumes their energy for sales activities, but also does not fully ensure consistency with the strategic direction of the company.

The empirical findings also indicates that both domestic and overseas sales offices responded positively to the management adjustments made by the headquarters. This finding is different from the theories and research findings presented by scholars such as Yu et al. (2006) and Foss et al. (2012). In response to the uncertainty brought by Covid-19 pandemic, the case company headquarter strengthened its centralized control over sales offices and reduced their autonomy in decision making. However, this management change is not exactly as Yu et al. (2006) suggested that the relationship between headquarters and subsidiaries will be undermined and the overall interests of the MNC will be affected. On the contrary, the increase in centralized control has had

some positive effects on the internal management. The authors point out that these empirical findings are reasonable.

On the one hand, the simpler organizational structure of the case company allowed for more effective communication between the headquarter and the sales offices. Adequate and effective two-way communication also facilitates the implementation of the procedural justice. As Kim and Mauborgne (1993) defined the procedural justice, when developing global strategies, two-way communication between MNC headquarters and subsidiaries is necessary. Therefore, timely and effective communication plays an important role in the coordination of the relationship between the case company headquarter and the sales offices. This not only increases the mutual trust between them and convinces the subsidiary that the headquarter' decisions are for the company interest, but also prevents the hazards of intervention due to increased centralized control (Fallah & Heidari, 2020). On the other hand, from the resource perspective, both domestic and overseas sales offices have a certain resource dependence on the case company headquarter. Especially when the external environment changes drastically, as sales offices that are not strong enough in terms of size, resources, and capabilities, they need more guidance on strategic direction and resource assistance from the headquarter. Therefore, under the influence of Covid-19, sales offices reacted positively to the increased centralized control from headquarter.

5.2 Headquarters Adopted Formal Control Mechanisms While Informal Mechanisms Also Important

5.2.1 Headquarters Mainly Adopted Formal Control Mechanisms

The empirical findings indicated that both before and during the Covid-19 pandemic, the case company's headquarters primarily adopted formal mechanisms to coordinate and control the strategies and local sales activities of the two sales offices, i.e., centralized decision making on strategy, internal manuals and work regulations as formal regulations and procedures, local activity plans and sales reports as process

control, and performance appraisals as outcome control. This empirical finding differs from the views and previous research findings presented by scholars such as Brenner and Ambos (2013) and Stendahl et al (2020). The headquarters of the case company did not adopt the sequence that Brenner and Ambos (2013) mentioned that needed to be followed for the implementation of control over subsidiaries, i.e., first established the legitimacy of headquarters control through socialization mechanisms, followed by the introduction and implementation of other tools such as process and outcome control. It has instead more predominantly and directly adopted formal control mechanisms for the management. This study showed that the choice of such control mechanisms is justified and necessary.

From the size of the case company and the characteristics of its management pattern, for such small MNCs with the predominantly linear and hierarchical structure, the internal management structure is relatively simple and clear, the relationships and links between each unit are more direct, all subsidiaries are under the direct leadership and management of the headquarters, and their demands for autonomy are not high. Thus, it is possible for headquarters to exercise effective direct coordination and control over the subsidiaries, the formal control mechanisms can be adopted to enable a more concise and direct management of their strategies and activities. Formal control mechanisms can achieve a more immediate management effect at relatively low cost and complexity, i.e., effective coordination and control of subsidiaries, and achieve balance of investment and benefits. Some researchers pointed out the importance of formal control mechanisms and the direct results they can produce. For example, Mahlendorf, Rehring and Schäffer (2012) showed that performance management of subsidiaries, i.e., outcome control, and additional formal control mechanisms, such as internal procedures and regulations, are important for the effective management and influence of subsidiaries, especially those engaged in complex local activities.

Compared to formal control mechanisms, the establishment of socialization mechanisms require MNC headquarters to build well-developed networks, establish the company culture and spirit, and facilitate and promote training and learning of these

elements in subsidiaries (Brenner & Ambos, 2013). These requirements are difficult for small MNCs to achieve in the short term and require significant investments. Although the implementation of formal control mechanisms also requires a certain amount of resources and cost, it is relatively low and only when the cost of these mechanisms is excessively high, headquarters will consider to adopt other mechanisms (Gencturk & Aulakh, 1995), such as social control. Especially under the dramatic changes in the external environment, as empirical findings demonstrated, headquarters urgently needs to implement prompt and effective management of the subsidiaries. Formal mechanisms enabled headquarters to identify local changes and uncertainties immediately and to receive important information, formulate counter measures and make reactions, could effectively safeguard local interests and provide effective guidance to the subsidiaries' operations. As Gencturk and Aulakh (1995) indicated, the headquarters needs to consider a number of factors, including the size of the company, the company's reality and the external environment, in order to design and select the most appropriate type of control and avoid the costly consequences of inappropriate decision. Therefore, the formal control mechanisms can be considered as the most appropriate mechanisms to meet MNC management demands under the turbulent external environment.

5.2.2 Headquarters Should Consider Informal Control Mechanisms

The empirical findings indicated that, besides formal control mechanisms, the case company's headquarters also partially adopted informal control mechanisms, i.e., by expatriating headquarters managers to the sales offices to achieve effective supervision, management, and support of their local activities. This was not been given sufficient attention in the theoretical framework.

As an important and key tool for the effective management of global subsidiaries by MNC headquarters, expatriates can achieve effective coordination and control of subsidiary strategies and activities through directly intervene or influence subsidiaries behavior, or achieve socialization by transmitting company culture, values and

cultivating subsidiaries to indirectly make subsidiary activities consistent with headquarters' expectations and ensure consistency of overall strategies and objectives (Colakoglu, 2012; Pudelko & Tenzer, 2013). The presence of expatriates allows subsidiaries, especially those in the development and growth phase, to receive a higher level of attention and support from the headquarters, meanwhile the headquarters can enhance the visibility of the subsidiary's operations, thus enabling more effective identification and detection of important opportunities and information that can easily be missed and neglected (Plourde, Parker & Schaan, 2014). Kong, Ciabusch and Martín Martín (2018) showed that high-quality expatriates who build good relationships with subsidiary managers through socialization tools can increase the willingness of subsidiaries to transfer knowledge to headquarters, thus enhancing the ability and capacity of headquarters to access and understand more key information and resources and manage the local activities of subsidiaries more effectively.

The empirical findings indicated that the case company headquarters adopted expatriate managers only for the management of overseas sales office. This choice may be motivated by the complexity and importance of its local operations. According to the above, case company headquarters can more easily and efficiently access and monitor local operations and business through expatriate managers in overseas sales offices, and obtain direct understanding of key local information and resources. While expatriate managers are able to provide necessary support and assistance to the local sales office operations. This is more effective under the dramatic changes in the external environment. Although the expatriate process may be hampered, through the expatriate managers headquarters can more effectively obtain information on local changes and uncertainties, improving the visibility on local realities, thus contributing to the headquarters development of countermeasures to promptly respond to risks.

In addition, the case company headquarters expatriate manager exercises more direct coordination and control over the sales offices. This choice may be also affected by the management structure, the scale of its overseas operations, as well as the costs and benefits. As mentioned in the previous sub-section, the achievement of socialization

requires significant investments. The empirical findings showed that under the Covid-19 pandemic, for important tasks or projects that are critical to the local and overall interests, the headquarters' expatriate managers could provide prompt and effective direct guidance, support and coordination to sales offices that lack sufficient resources and capabilities, thus ensuring the smooth execution of important local activities. Overall, the MNC headquarters should adopt this informal mechanism to fulfill the need to guide, supervise and influence the local activities of the subsidiaries. This will contribute to the efficient global management of the headquarters and the achievement of the overall strategic objectives.

The empirical findings also indicated that respondent expected the headquarters to adopt socialization to achieve more effective management and to promote the level and efficiency of strategy implementation. This finding is consistent with the perspective of the important role of socialization tools mentioned in the theoretical framework. Social control mechanisms can establish and promote a common, meaningful set of values, culture or spirit within MNCs, enhance internal solidarity and gain the support of subsidiaries, thus reducing tensions between headquarters and subsidiaries arising from issues of legitimacy of power and control at headquarters and better aligning strategic objectives across internal units (Colakoglu, 2012; Stendahl et al, 2020). This mechanism can both provide a good basis for the effective implementation of other headquarters controls and can also facilitate the design, formulation and implementation of new and appropriate control methods to achieve better and management results (Brenner and Ambos, 2013; Stendahl et al, 2020).

The authors believe that in the near future, as the case company continues to expand in size and overseas operations, especially under the influences of Covid-19 pandemic, The headquarters needs and should establish and adopt mature social mechanisms for the management of sales offices. Under the dramatic changes and uncertainties in the external environment, the implementation of formal control mechanisms will become more difficult and complex, while costs will probably increase. For example, the need for headquarters to adjust or develop new manuals and internal rules and regulations,

or the need for subsidiaries to submit more reports, will distract headquarters from key decisions and dealing with uncertainties, while possibly increase the learning and operating costs of subsidiaries, potentially negatively impacts the execution of local operations. The socialization mechanism can strengthen the trust and identity of each unit to the headquarters by forming an internal culture and spirit, while avoids excessive direct interference in the local activities of subsidiaries, and simultaneously enables more prompt access to critical information to support effective decision-making and response. Therefore, the establishment of mature social control mechanisms will be necessary and should be preferred to achieve a more efficient, high quality and legalized indirect coordination and control of the sales offices, maintaining their motivation and initiative while achieving an effective supervision of their local activities.

Overall, there is no single control mechanism that can be adapted to all contexts and management realities. Therefore, as mentioned by Brenner and Ambos (2013), headquarters needs to adapt and select the control mechanisms that best suit the company's strategic objectives, forming the most appropriate combination to achieve the most efficient management of its global subsidiaries.

5.3 The Balance Between Headquarters Control and Subsidiary Autonomy

5.3.1 The Impact of Institutional Environments Differences and Duality

The empirical findings showed that for sales offices located in different locations, they are managed in essentially the same way, but with some differences by the case company headquarters. For domestic sales office, it was managed by the headquarters with a higher level of centralized coordination and control and a lower level of autonomy in decision-making. Compared to the domestic sales office, the overseas sales office was delegated more autonomy from the headquarters. This empirical finding is consistent with existing theories and research findings that differences in the institutional environment between MNCs headquarters and subsidiaries will have an impact on the management patterns. The authors will analyze the managerial

differences based on institutional perspective.

Ghemawat (2001) mentioned that the distance factor, as the main cause of institutional differences, is an issue that MNCs need to consider when expanding internationally. The managers of MNCs should take the distance factor into consideration when evaluating market opportunities and assess them in all aspects such as cultural, administrative, geographical as well as economic in order to minimize the impact of distance factor on the development of MNCs (Ghemawat, 2001). For the domestic sales office in this study, it is located in the same country with the headquarters, and the institutional environment between them is relatively similar. The distance, including culturally, administratively, as well as geographically and economically, is relatively small. Compared to the domestic sales office, the overseas sales office and the headquarters, although both located in Asian countries and geographically close to each other, still have some differences in the institutional environment. There are certain distances in culture, religious beliefs, national political systems and economic development. As a result, the headquarters manager has adopted the different management patterns for the different sales offices after a comprehensive assessment of the distance factor.

In addition, different countries usually have their unique institutional environments (Rosenzweig & Singh, 1991), and organizations in the same institutional environment usually adopt similar practices (DiMaggio & Powell, 1983). Thus, the organizational practices of organizations located in different countries will also differ. In this case, the headquarters and the domestic sales office are located in the same country, so they have a similar institutional environment. For the domestic sales office, there is no institutional duality, i.e., no need to balance isomorphic pressures between the company and the local or to take into account the legitimacy of the sales office's local operations. Therefore, the domestic sales office does not need too much decision-making autonomy, it only needs to implement the sales strategy set for it by the headquarter and form "isomorphic" with the headquarter. However, for the overseas sales office, the differences in the institutional environment between it and the headquarter lead to the

problem of institutional duality. The overseas sales office needs to balance both internal and external isomorphic pressures and maintain legitimacy within the MNCs as well as in the host country. Therefore, compared to the domestic sales office, the overseas sales office needs more decision-making autonomy to deal with the problems caused by institutional duality. This is why the case company's headquarter adopts different management patterns and delegates different level of autonomy to the domestic and the overseas sales office.

Lastly, institutions and knowledge are closely linked, and knowledge often reflects the institutional environment of a country (Lu, Tsang & Peng, 2008). Thus, the similar institutional environment makes it much easier for the case company headquarter to acquire knowledge about the market in which the domestic sales office is located. The headquarter could develop sales strategies for the domestic sales office based on the specificities of the local market and monitor and manage their implementation. Therefore, the case company headquarter did not give the domestic sales office too much autonomy in making decisions, but mainly adopted the centralized control to manage it. However, for the overseas sales office, the difference in institutional environment made it more difficult for the headquarter to acquire tacit knowledge related to the local market. The headquarter would need to invest a lot of resources and time to gain a comprehensive understanding of the local market and to develop appropriate strategies for it. This would result in higher operating costs and challenges and may weaken the sales performance. Therefore, it is necessary for the case company headquarter to delegate the overseas sales office more autonomy to make decisions. With the higher autonomy, they can respond quickly to local market opportunities and uncertainties, and develop local customers as much as possible to maximize the local and overall benefit of the company.

The above analysis shows that the institutional environment plays an important role in the management of MNCs. When the institutional environment of MNC headquarters and subsidiaries are similar, MNC headquarters will be more inclined to adopt the higher level of centralized coordination and control to manage subsidiaries. The

subsidiaries are delegated relatively low decision-making autonomy. However, when there are differences between the institutional environment of the MNC headquarters and the subsidiaries, the headquarters will reduce the level of centralized coordination and control and delegate more autonomy to the subsidiaries.

5.3.2 The Impact of Network Embeddedness

The empirical findings showed that there were differences in the degree of decision-making autonomy delegated to case company sales offices based on different locations. The domestic sales office is less integrated and dependent on the local network, its local activities are based on decisions and instructions from the headquarters and strictly follow the requirements and established goals, acting more as intermediaries in the company's interaction with external stakeholders, and therefore its autonomous activities are more limited and strictly controlled. It has a stronger demand for knowledge and resources owned and shared by headquarters and a closer relationship with the internal network. This showed that the domestic sales office is highly embedded in internal network, while it less embedded in the external network. Based on this reality, the headquarters delegates less decision-making autonomy to it.

However, the overseas sales office is more integrated and dependent on the local external network, taking on the heavy responsibility of developing broader markets and sales channels and developing and maintaining external stakeholder relationships. This requires it to build strong ties with local external networks, to undertake more and more autonomous local activities, to explore and gather important resources and information, and to respond to issues and uncertainties that arise promptly to ensure the stability of the company's local operational interests. The headquarters is difficult to give direct instructions on local activities. Therefore, it can be seen that the overseas sales office has a high level of connectivity with the external network and has a larger scope and higher degree of dependency, and they are more embedded in the external network. As a result, the headquarters delegates a higher level of decision-making autonomy to it, thus providing it with sufficient guarantees for local activities.

This empirical finding is consistent with the theoretical framework that the network embeddedness of subsidiaries does affect the MNC headquarters' balance between control and the autonomy. Subsidiaries are often embedded in business relationship networks, and the more they are integrated into and dependent on such relationships, the more useful resources and information they will be able to access, and will be influenced by these relationships, both internally and externally, and this will affect the different levels of control adopted by the headquarters (Andersson & Forsgren, 1996). For subsidiaries with a high degree of internal network embeddedness, their level of autonomy is relatively low and the MNC headquarters will exercise more coordination and control over them and exert more influence on their behavior. While for subsidiaries with a high degree of external network embeddedness, their autonomy is relatively high and the MNC headquarters will allow them to carry out more autonomous activities so that they can access and exploit more local information and resources to effectively support local activities (Chiao & Ying, 2012). The research by Birkinshaw and Hood (2000) also indicated that the stronger the relationships and linkages between subsidiaries and local external stakeholders, the more embedded they are in the local industry and business clusters of the host country, and generally the more decision-making autonomy they may have, as they have access to and capture much of the key local knowledge and resources that are more difficult to access or reach by headquarters, and the subsidiaries are required to perform the important local role.

Therefore, in the context of the dramatic changes and impact of the external environment caused by the Covid-19 pandemic, headquarters should give more consideration to the degree of subsidiaries' external network embeddedness and the resulting benefits when balancing control and autonomy. Higher external embeddedness means that subsidiaries have greater access to and gather important local information and resources, and are able to identify risks and potential opportunities in local markets more effectively and promptly (Barelett & Ghoshal, 2003). Therefore, they can provide sufficient basis for headquarters to adjust strategies and develop responses promptly to ensure the proper functioning of the company's business and

activities. These require subsidiaries to have and exercise a high level of autonomy, which supports them in structuring and developing local networks and effectively motivates the subsidiaries' local activities (Gammelgaard et al., 2012; Devinney et al., 2005), and carrying out effective autonomous local decisions. For those subsidiaries with low external embeddedness, headquarters should exercise a higher degree of coordination and control to ensure that they behave consistent with the company's overall goals and operational requirements, and also to ensure that their local activities operate properly under changes and uncertainties in the external environment. They can receive and implement headquarters' decisions in a timely and effective manner, maintaining the effectiveness of the company's external network and local operations with the guidance and supervision of headquarters.

5.3.3 The Impact of Subsidiaries' Dependency on Headquarters Resources

In addition to the impact of external network embeddedness on balancing control and autonomy, the empirical findings also showed that when case company sales offices were confronted complex and dramatically changing external environment, they relied on the headquarters' capabilities and resources, sought guidance or decisions from them on the adjustment of strategies and activities to effectively analyze and develop response strategies to local uncertainties and threats that arise, to ensure the proper functioning of local activities and the achievement of performance goals. It is evident that the subsidiary's dependency on the headquarters resources is also a factor to be considered when balancing control and autonomy. This was not mentioned in the initial theoretical framework.

The degree of subsidiaries' dependency on the headquarters' resources is considered as an indicator of the headquarters' exercise of control. When the headquarters hold key resources that the subsidiary requires, the headquarters can exercise more beneficial control over them because they depend on these specific resources and capabilities to provide adequate and effective support for their local business activities and operations to achieve performance goals. Conversely, if external stakeholders hold important

resources and have a significant relationship with the subsidiaries, then they can influence the behavior of the subsidiaries and lead to a reduced level of headquarters control (Andersson & Forsgren, 1996). As headquarters hold resources that are strategically important and essential for the proper functioning of business activities, they are able to gain a higher level of power within the company's internal network and are able to exercise a higher level of control over subsidiaries, as these resources are uniqueness and subsidiaries cannot access them from other channels (Ambos & Schlegelmilch, 2007). When the subsidiaries face a high level of uncertainties in their local operations, the resources held by the headquarters will provide greater support to the subsidiary and perform a more valuable role (Luo, 2003).

The empirical findings indicated that the domestic sales office has a high demand on the headquarters and other units for resources and external network relationships, it has a high degree of resource dependency. Especially during the Covid-19 pandemic, the sales office lacks sufficient resources and capabilities to react promptly to changes and risks arising from the external environment, and to develop and implement appropriate response strategies. It is highly dependent on the extensive resources and strong capabilities of headquarters to provide the necessary guidance and management for the adjustment of their local strategies and activities. As a result, the headquarters has greater power and is able to exercise more control over their local activities. Therefore, headquarter implemented high level of central management and control.

However, for overseas sales office, as it has established and maintained closer relationships with local external networks, these external stakeholders have an important role in the execution of its local operations and sales activities, and can have a certain degree of influence on its daily business operations. While the overseas sales office also has a certain level of demand and dependency on the headquarters' resources and capabilities, it needs to make effective use of local resources and maintain interaction with local external stakeholders in order to maintain the foundation and provide support for their local activities. Therefore, under these circumstances, the internal power held by the headquarters is limited and the level of control over the sales

office decreases, instead giving sales office more local decision-making autonomy. Even during Covid-19 pandemic, while overseas sales office requires the necessary resources and capabilities from headquarters as local operational support, it also need to maintain close contact with local stakeholders so as to ensure the legitimacy of local operations and maintain important relationships with them. These interactions can have an impact on its local operations. Therefore, although the headquarters exercised more control over the overseas sales office during the Covid-19 pandemic, but mostly at strategic level, the headquarters still delegated sufficient local decision-making autonomy.

Although the subsidiaries demand for and dependency on headquarters resources will result in a higher degree of control, as Luo (2003) mentioned, as headquarters cannot provide the local specific resources that are important for local operations and exploration, while some of the resources that headquarters can provide may also be difficult to meet the requirements of cost efficiency and local adaptation, subsidiaries will not become fully dependent on headquarters resources. This explains why the empirical findings showed that even under dramatic environmental changes and high uncertainties, the headquarters still delegates a certain degree, within the permitted boundaries, of decision-making autonomy to sales offices. They need to exercise these autonomies to identify and accumulate key locally sourced information and resources that are not available from headquarters, which are essential for the smooth functioning of their local activities, and can help headquarters to make more rational strategic decisions, especially during the Covid-19 pandemic context. Overall, the dependency of subsidiaries on headquarters resources should also be an important consideration for headquarters when balancing control with subsidiary autonomy under the turbulent external environment.

6. Conclusion

This chapter begins with the summary of the empirical findings and analysis of this case study and answered the research question. This is followed by the conclusion and presentation of the theoretical and practical contributions of this research. Finally, based on the limitations of this research, further research that could be conducted is suggested and proposed.

6.1 Main Findings and Conclusion

The purpose of this thesis is to discuss and study the relationship between the MNC headquarters and subsidiaries, and how the headquarters effectively manages the subsidiaries under the dramatic changes and uncertainties of the external environment. This thesis took the institutional perspective as the basis and focused on the existing theories and research findings on headquarters coordination and control and subsidiary autonomy, formed a theoretical framework, and proposed propositions. Based on these, this thesis developed the theoretical contribution through a case study of a Chinese MNC headquarters management of domestic and overseas sales offices. The research question is the following:

How MNC headquarters manages the sales activities of subsidiaries and balance control with autonomy under dramatic changes in external environment?

This research indicated that MNCs will choose to implement a higher level of central management model, with headquarters exercising a higher degree of coordination and control, and partly reducing subsidiaries' autonomy under the dramatic changes and uncertainties of the external environment. For those subsidiaries in the same institutional environment with headquarters, headquarters can implement a high level of coordination and control to supervise and manage their local activities. For those subsidiaries that are in different institutional environments from headquarters, headquarters also exercise a high level of coordination and control, but more at the strategic level, giving the subsidiaries sufficient autonomy to carry out local activities,

in order to maintain and achieve more local benefits and outcomes.

The research findings also indicated that formal control mechanisms are the primary option for MNC headquarters to manage subsidiaries under dramatic changes and uncertainties in the external environment. When making management choices and decisions, headquarters needs to consider the actual management and operational situation and demands, the balance of management costs and benefits, and the effects that different mechanisms can achieve. However, it is worth noting that informal control mechanisms should also be emphasized and adopted. This study showed that both headquarters expatriate managers and social control contribute to more effective management and more efficient response to external uncertainties and crises. The MNC headquarters should consider various factors and actual strategic and operational requirements to determine the most appropriate combination of control mechanisms.

Lastly, this study indicated that MNC headquarters should consider the impacts of three aspects when balancing control and subsidiary autonomy. The first is the difference and duality of the institutional environment between headquarters and subsidiaries. The second is the subsidiary's internal and external network embeddedness. The third is the subsidiaries' dependency on the headquarters resources. While MNC headquarters need to exercise a higher level of central management and control under the changes and uncertainties of the external environment, it needs to allow subsidiaries to carry out autonomous local activities to develop and access high-value local resources and information, thus enabling the company to respond more effectively to external risks and challenges.

6.2 Theoretical Contributions

This research complements and contributes to the theoretical literature on the MNC headquarters-subsidiary relationship and management by discussing how headquarters manage the local activities of subsidiaries in the context of global external environmental uncertainties, i.e., the Covid-19 pandemic. The findings of this research

are similar to some previous studies (e.g., Gates & Egelhoff, 1986; Egelhoff, 2010b), i.e., under the dramatic changes and uncertainties in the external environment, MNCs' headquarters implemented more centralized management, made more centralized decisions, and paid more attention to them. Nevertheless, by focusing on both control and autonomy, this research revealed that headquarters central management is not a panacea, that headquarters' simultaneous adoption of decentralized management is also effective for managing subsidiaries, and that a reasonable and effective combination of both can achieve better management outcomes. This insight can mitigate the debates over centralized versus decentralized management and provide new perspectives.

This research is also able to provide some new contributions to the management of sales activities. This study confirmed the existing findings (e.g., Reichstein-Scholz et al., 2021) by examining MNCs' management of subsidiaries' sales activities under dramatic changes in the external environment, i.e., MNC headquarters should adopt more centralized management and be more involved in the subsidiaries' sales activities, and respond and react to uncertainties and risks promptly to achieve higher management and operational performance. This study further clarified and revealed that especially under the external environmental uncertainties, MNC headquarters should implement more centralized management on sales activities and partly reduce the subsidiaries autonomy.

Given that small MNC was the methodological choice for this research, the findings are differed from previous studies focused on large or medium-sized MNCs, indicated that the organization and global business size of the company have impacts on the way the headquarters manages its subsidiaries.

Finally, because this research was conducted in a specific case selection and context, it is difficult to generalize the findings and whether the findings will hold in other contexts. But this study discusses, analyzes and answers the research questions strictly based on existing theories and provides rich and detailed descriptions. The more research in other contexts is necessary in the future.

6.3 Practical Implications

At the practical level, this research illustrated that MNC headquarters should choose the most appropriate management methods and mechanisms according to their own strategic and operational needs, actual internal management and global operations situations, and establish the most appropriate management combination. Under the impact of external uncertainties, more centralized management may be a more effective way to achieve efficient responses to threats and global management. But a certain degree of autonomy is also necessary to maintain the proper functioning and interests of local activities. Moreover, formal control mechanisms have proven to be the most effective and direct tools of management over subsidiaries under the uncertainties and crisis. However, MNC headquarters should establish and implement mature social control mechanism to effectively meet the future management requirements. Finally, headquarters should consider various factors to reasonably balance relationship between control and autonomy to achieve the most effective local and global management.

6.4 Future Research

Considering the limitations of this research, some suggestions for further future research are proposed. First, as a single case study, this thesis conducted an in-depth investigation and analysis of the specific case company context. Thus, more research should be conducted in the future on MNCs with different backgrounds and global management and business features under the same external uncertainties, i.e., Covid-19, to discuss and analyze how they manage the subsidiaries in order to provide more research results and theoretical contribute for the research field. Second, future research can focus more on the MNC management of sales activities, which has been shown have different management approaches. It has the opportunity to complement this area of research and provide more insights.

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Appendix

Appendix 1

Questions for headquarters respondent:

1. How long have you been in this position?
2. Can you briefly describe the duties and responsibilities of your daily work?
3. What do you consider to be the most important and most difficult aspects of managing the sales strategies and activities of the sales offices?
4. What role do you think the headquarters performs internally in terms of sales function?
5. How would you describe and comment on the current relationship between headquarters and sales offices?
6. What methods were adopted by headquarters to manage the sales strategies and activities of sales offices prior to the Covid-19 pandemic?
7. What impact and contribution do you think the headquarters' central management of the sales strategies and activities of sales offices has made to them and to the overall company?
8. Does headquarters communicate adequately and effectively with the sales offices when central managing their sales strategies and activities?
9. Does headquarters fully understand the sales offices' attitudes to the central management? Are they willing to accept and implement the headquarters' decisions, or are they reluctant or resistant? What do you think are the reasons for this situation?
10. How much decision-making autonomy has headquarters delegated to the sales offices in terms of sales functions? How have they reacted to this?
11. Do sales offices' managers have the right to participate in decisions on overall sales strategies and activities? If so, to what extent do you think their opinions have influenced the headquarters' decisions?

12. In terms of the sales function, what impact and contribution do you think the decision-making autonomy delegated to and exercised by the sales offices has on themselves and the overall company? What role do they perform internally?
13. Does the sales offices' decision-making autonomy affected their relationship with headquarters? If so, what was the impact?
14. Do you believe the sales offices have effectively exercised their autonomy in order to achieve the initial objectives of headquarters? Are their actions consistent with the headquarters' expectations?
15. What methods were adopted by headquarters to ensure that the sales offices' activities and behaviors complied with requirements and overall strategic objectives, and safeguarded the overall company's interests?
16. How does headquarters manage the sales offices' activities under the dramatic changes in the external environment during the Covid-19 pandemic? Is headquarters exercising a higher degree of central management, or are sales offices allowed to make more autonomous decisions?
17. How did the sales offices react to the management changes?
18. How did the importance and contribution of sales offices change during the Covid-19 pandemic?
19. Under what circumstances will headquarters reduce the sales office's autonomy in sales activities and centralize the management?
20. How should headquarters currently balance the control and autonomy of the sales offices?
21. Is there anything else you would like to add?

Questions for sales offices respondents:

1. How long have you been in this position?
2. Can you briefly describe the duties and responsibilities of your daily work?
3. What do you consider to be the most important and difficult aspects of your daily sales activities and interactions with headquarters?
4. What role do you think the sales offices performs internally in terms of sales function?
5. What level of involvement and contribution do you make to the headquarters' overall strategic objectives and business activities decisions?
6. How would you describe and comment on the current relationship between headquarters and sales offices?
7. What methods were adopted by headquarters to manage the sales strategies and activities of sales offices prior to the Covid-19 pandemic?
8. Do you believe the headquarters central management has brought some impact to you? If so, what impact and influence has it created?
9. Do you think that there is adequate and effective communication with the sales offices when headquarters implements central management? From your perspective, do you think the headquarters decision-making is open and transparent? Do you have the right to challenge the decisions and receive a reasonable explanation?
10. How much decision-making autonomy do you receive from headquarters in terms of the sales function? Do you think you have received enough autonomy to support your local activities? How have you reacted to this?
11. What impact and contribution do you think the decision-making autonomy you receive and exercise from headquarters has on yourself and the overall company? What role do you believe your activities play in the overall company's sales and activities?
12. Do you think your decision-making autonomy had some impact on your relationship

with headquarters? If so, what was the impact?

13. Do you think the autonomy you have exercised is consistent with the headquarters' expectations and has achieved the initial strategic objectives?

14. What methods were adopted by headquarters to ensure that the sales offices' activities and behaviors complied with requirements and overall strategic objectives, and safeguarded the overall company's interests?

15. How does headquarters manage the sales offices' activities under the dramatic changes in the external environment during the Covid-19 pandemic? Are you allowed to make more autonomous decisions about your activities? Or is there a higher degree of central management from headquarters?

16. What is your attitude towards the headquarters management changes?

17. Do you think there is some change in the importance and contribution you play during the Covid-19 pandemic? If so, what changes have occurred?

18. Under what circumstances will headquarters reduce the autonomy you exercise in making decisions about your local activities and centralize the management?

19. How should headquarters currently balance the control and autonomy of the sales offices?

20. Is there anything else you would like to add?