Perception Gaps in Headquarters-Subsidiary Relations

Implications for Designing Multinational Corporations

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Abstract

Headquarters-subsidiary relationships and how they evolve are object of a lot of research. However, it remains open how headquarters-subsidiary relationships translate into everyday cooperation, the top-management perspective set aside. In order to widen our understanding of headquarters-subsidiary relations, we argue that it is necessary to focus on differing role understanding and a resulting mismatch of expectations. We extend the concept of perception gaps as origin of headquarters-subsidiary conflicts by linking it to the literature on team cognition. Furthermore, we identify a lower level of aggregation as a research opportunity and propose to study between-team interactions of headquarters and subsidiaries. Finally, we discuss implications for the premise that design shapes behaviour.

Keywords

This working paper arouse from the author's dissertation project and constitutes an early draft. Excerpts can be found in chapter 2 of the final dissertation.

⇨ *see Seus (2021) (German, open access; abbreviated and translated version on Research Gate).*

1. Introduction

The more than 50-year-old international business research stream on headquarters-subsidiary relations tries to provide answers to how multinational corporations (MNCs) coordinate best their dispersed activities. With his publication *The Management of Headquarters-Subsidiary Relationships in Multinational Corporations* in 1981*,* Lars Otterbeck was one of the earliest scholars to define the field (Paterson and Brock, 2002, p.139). Historically, it arose with the internationalization process of Western companies after World War II, which made it necessary to think about how to build effective structures and coordination mechanisms of the MNC. In the decades that followed, changes in global business environment like the lasting trend of globalization, the end of the Cold War, the emergence of the internet and the rise of emerging markets MNCs brought new challenges to how MNCs operate.

Several review articles describe the evolution of the international management research along these changes (Paterson and Brock, 2002; e.g. Kostova et al., 2016a; Martinez and Jarillo, 1989).[1] One major turn consists in the shift from focusing on formal structures and design in the 1960s and 1970s towards the analysis of more informal coordination mechanisms (Martinez and Jarillo, 1989). With this, the research interest moved from a headquarters-centred view towards the subsidiaries and their individual characteristics.

Headquarters-subsidiary research is by its nature concerned with questions about organisation design. However, whereas the early focus lay on formal and informal control and coordination mechanisms, it moved towards understanding the complex and often conflictual relationships between headquarters (HQ) and its subsidiaries (Kostova et al., 2016a, p.178; Ambos et al., 2016; Paterson and Brock, 2002). At the same time, the conceptualization of organisation design has changed: Organisation design is not only being reduced to structure, but "includes cognitive processes of sensemaking, creation and discovery, as well as social, economic, and political processes of developing and changing programs, policies, and routines" (van de Ven et al., 2013, p.394). Nonetheless, cognitive and social processes have been studied primarily from the perspective of international management and organisational theory literature, focusing especially on team and organisational performance (Weick, 1979; Casciaro et al., 2015; Reiche et al., 2015; Bosch-Sijtsema, 2016; Tenzer and Pudelko, 2012). Implications of both changes and tensions in the headquarter-subsidiary relationship on organisation design yet remain insufficiently discussed.

Therefore, our research is guided by the question what socio-cognitive processes are relevant for the design of evolving headquarters-subsidiary relationships. In this context, the concept of perception gaps (Birkinshaw et al., 2000; Schmid and Daniel, 2011) offers valuable insights. However, it remains open how headquarters-subsidiary relationships translate into everyday cooperation, the top-management perspective set aside. Thus, we propose to draw on team cognition literature in order to understand headquarters-subsidiary perception gaps at the team level.

Our contribution is conceptual in nature and threefold:

1) In order to widen our understanding of headquarters-subsidiary relations, we argue that it is necessary to focus on perception gaps and the resulting mismatch of expectations. We extend the concept of perception gaps as origins of conflicts by linking it to the literature on team cognition. By including aspects of task understanding, we transfer it from the strategic to the operational level.

2) Looking at the units of analysis that are objects of research, we find that research analyses headquarters and subsidiaries at an aggregated level. Therefore, we identify a lower level of aggregation as a research opportunity and propose to study between-team interactions of headquarters and subsidiaries.

3) With regard to the implications for organization design, we discuss the interdependent relation of design and behaviour and argue that social factors of contingency need to be taken into account when designing headquarters-subsidiary relationships.

The remainder of this article is structured as follows: We first describe the research stream on headquarters and subsidiaries with a special focus on role perceptions (section 2). Second, we investigate the study designs of empirical research on headquarters-subsidiary rela-

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[1] For the stream of literature focusing on the 'where' and not 'how' multinational companies operate, see for example the literature review on foreign location choice by Kim and Aguilera (2016).

tions in order to identify possible shortcomings (section 3). We conclude by discussing implications for the design of headquarters-subsidiary relations and by outlining a direction for future research (section 4).

2. Headquarters-subsidiary relations: Highlights of 50 years of research

In the following, we will present some of the main debates of headquarters-subsidiary research. Starting with Chandler's structure-follows-strategy paradigm, we describe the origins of the research stream that lie in the analysis of organisation design and control systems. We then move on to the subsidiary-centred perspective and describe the literature on subsidiary roles, subsidiary evolution and autonomy conflicts. Building on the identified tensions in the relations between headquarters and subsidiaries, we then introduce the debate on perception gaps.

The origins of headquarters-subsidiary relations: Organisation design & control systems

Early work in the 1960s and 1970s focuses on organisation design and control systems. In 1962, Chandler's analysis of the largest American companies lays the foundation for the structure-follows-strategy thesis. Chandler describes how the companies reacted to the challenges they encountered in the course of the expansion into international markets. In order to prevent inefficiency due to volume expansion, product diversification and geographical dispersion, they were obliged to adapt their organisational structures; the multidivisional form was born. Chandler deduces the thesis that important changes in the firm's strategy must inevitably be followed by major adjustments in the organisation's structure in order to be successful (Chandler, 2001).

Following the publication of Chandler's article in 1962, the so-called Harvard Multinational Enterprise Project aimes at empirically testing Chandler's thesis. Developing several large data banks of more than 400 MNCs based in the United States, the Western European countries and Japan, it intends "to illuminate the problems of the multinational enterprise in the fields of finance, marketing, organisation, and business-government relations" (Vernon, 1969, p.160). In their research, Lawrence E. Fouraker, John M. Stopford and Louis T. Wells concentrate on effects of foreign business upon the organisational structure of the multinational enterprise as well as on ownership patterns (Vernon, 1971; 1999). Stopford and Wells identify different stages of internationalization how MNCs manage semi-independent units. With growing foreign product diversity and a higher percentage of foreign sales in total sales, MNCs are found to adapt their organisational structure. Four stereotypes of organisation are identified: the international divisions, regional or area divisions, global product divisions, and the global matrix (Wells, 1971; Stopford and Wells, 1972).

Companies with multinational activities have to deal with two opposing forces: the need for differentiation and the need for integration. On the one hand, the company has to adapt to local market requirements. On the other, it needs to maintain central coordination of its global activities. Building on the work of Lawrence and Lorsch (1967), Prahalad and colleagues have labelled this "pressure for global integration" and "pressure for local responsiveness" (Prahalad, 1975; Doz and Prahalad, 1984; Prahalad and Doz, 1987, p.21). Pressures for global strategic coordination result from the global character of competition: Both customers and competitors are multinational and therefore, the pressure for cost reduction and effective management of raw materials and energy is high. At the same time, firms must account for differences in customer needs and distribution channels (Prahalad and Doz, 1987, 18-21). Therefore, managers need to balance these conflicting priorities by assessing which of both are the most relevant for their business.

Research in the 1980s focuses on centralization and formalization of decision-making (Gates and Egelhoff, 1986; Hedlund, 1986). It is based on the assumption that the choice of the degree of (de)centralization as well as the use of expatriate staffing would probably influence the overall performance of an MNC (Egelhoff and Wolf, 2017, p.77). In this context, scholars start more and more to acknowledge the idiosyncrasies of local contexts. Strategic importance of a local market and specific competences give each subsidiary a unique role in the corporate system (Bartlett and Ghoshal, 1986). Thus, research in the late 1980s and 1990s focuses on the development of typologies that classify subsidiaries according to various characteristics.

Subsidiary roles and autonomy conflicts

International business literature uses the term "subsidiary role" in order to describe the position of the subsidiary in the MNC network. It has to be distinguished from the subsidiary strategy. Whereas the former is an imposed function, the term subsidiary strategy describes the freedom of subsidiary managers to define the subsidiary's actions (Birkinshaw and Morrison, 1995).

Regarding its position in the MNC network, a subsidiary can be described by certain characteristics on the one hand (e.g. size, age, or reason of establishment), and by the activities it performs on the other. Subsidiaries carry out different activities in different parts of the value chain depending on their capabilities and on their mandate, e.g. produce cheap products for the home-country market or develop new products for a local market. The subsidiary charter defines the activities in which the subsidiary participates and is thus the most evident manifestation of the subsidiary's role. The geographical scope of its responsibility as well as the level of autonomy can vary significantly.

In order to categorize subsidiaries, researchers have developed various typologies that describe ideal-typical subsidiary roles. These typologies normally use two or three dimensions in order to characterize the subsidiaries, for instance strategic importance and competences (Bartlett and Ghoshal, 1986) or knowledge inflows and outflows (Gupta and Govindarajan, 1991). Birkinshaw and Morrison (1995) summarize these classifications in a three-item typology - local implementers, specialized contributor and world mandate - and test how control mechanisms, lateral linkages between subsidiaries, specialized capabilities and overall performance vary across these three role types.[2]

However, a subsidiary's role can evolve in time. The subsidiary development stream analyses the evolution of subsidiaries. Changes in subsidiary charters form one object of research in this context (Birkinshaw and Hood, 1998; Dörrenbächer and Gammelgaard, 2011, p.233). Reasons for changes have been categorized in parent-company-driven, subsidiary-driven and host-country-driven (Birkin-

shaw and Hood, 1997). Further, different subsidiary evolution pathways as ideal-typical processes have been described (Birkinshaw and Hood, 1998). With this, a subsidiary's role is not seen any more as a deterministic attribute, but as a "negotiated construct" (Birkinshaw et al., 2000, pp.324–325). It is contingent on three factors: head-office assignment, subsidiary choice and local environment determinants (Birkinshaw and Hood, 1998, p.775). Therefore, research has focused on the negotiation process in which subsidiary roles are (re)defined, especially in the context of subsidiary evolution (Balogun et al., 2011; Birkinshaw et al., 2000; Birkinshaw and Hood, 1998). International business research discusses only to a limited extent the theoretical foundations of the subsidiary role concept. An attempt to embed the subsidiary's role in the sociological discussion of role theory has been made by Daniel (2010). In accordance with Katz and Kahn's (1966) definition of social organisations as systems of roles, subsidiary roles are conceptualized as "patterns of behaviour that are expected in relation to a specific position in the MNC" (Daniel, 2010, p.86). In the MNC network, subsidiaries receive expectations from other units that depend on the subsidiary's work, above and foremost from the headquarters. These expectations relate for example to sharing of knowledge with other units or the type of behaviour in the subsidiary's market environment and can be communicated either explicitly or implicitly. The subsidiary, for its part, interprets the received expectations and acts according to its own role understanding.

When the behaviour of one of the two parties does not match the expectancies of the other, conflict can occur. A widely discussed issue is the subsidiary's ambition to become more autonomous. Research on conflict in headquarters-subsidiary relations in the 1990s concentrates on understanding how conflict types and conflict management styles vary depending on the international strategy of the company and the use of different forms of coordination and integrating mechanisms for different types of subsidiaries (Roth and Nigh, 1992; e.g. Pahl and Roth, 1993a). With the subsidiary's role being considered as a "negotiated construct" emerging "from a give-and-take process"

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[2] For a more detailed discussion of the subsidiary role construct and an overview on role typologies see Daniel, pp.13–15 (2010), chapter 2.2.

(Birkinshaw et al., 2000, pp.324–325) between headquarters and subsidiary managers, research attention moves from the structure towards the actors and their perspectives on the relationship between headquarters and subsidiaries.

Headquarters' control and subsidiaries' autonomy have especially been discussed against the background of power relations (Dörrenbächer and Geppert, 2011; Primecz et al., 2011; Harzing and Noorderhaven, 2006; Koveshnikov et al., 2017; Geppert and Dörrenbächer, 2014; e.g.Dörrenbächer and Geppert, 2006). Taking a resource dependency perspective, Mudambi et al., 2014, for example, examine how subsidiaries gain power in the MNC. Differentiating between strategic and functional (e.g. technology-related knowledge) power, they find that functional excellence is not sufficient for a subsidiary to gain power. Rather, the specific competences of the subsidiary need to be acknowledged by the headquarters and must constitute a relevant expertise to the MNC network. So, the extent to which headquarters controls a subsidiary depends largely on its standing, or its *perceived* role (Asakawa and Aoki, 2016, p.194).

Perception gaps in headquarters-subsidiary relations

Several studies discuss the impact of differing role perceptions between headquarters and subsidiaries on the company's performance (Daniel, 2010; Schmid and Daniel, 2011; Birkinshaw et al., 2000; Lunnan et al., 2016). Perception gaps, that is, when headquarters and subsidiary have different understandings of the role of the subsidiary, can cause tensions in the headquarters-subsidiary relationship. Headquarters' underestimating the subsidiary's strategic importance and competencies, or subsidiaries' overestimating their role, can lead to tighter control mechanisms by the headquarters which, in the end, negatively effects cooperation (Birkinshaw et al., 2000). Daniel (2010) and Schmid and Daniel (2011) therefore assess how gaps in headquarters and subsidiary managers' perceptions of the subsidiary's role influence the headquarters-subsidiary relationship. Taking a role theory approach, they argue that both on headquarters and subsidiary side, the managers develop specific expectations how the subsidiary should act and perform. When managers have different perspectives on the subsidiary's overall

role, the product scope, the importance of the subsidiary's market and its capabilities, they develop divergent expectations about each other's behaviour. The authors conclude that perception gaps are likely to lead to headquarters–subsidiary conflict and describe three types of conflict: distribution conflict, process conflict and goal conflict. By pointing to perception gaps as origins of conflicts, the study emphasizes the importance of understanding the negotiation process in which a subsidiary's role is defined (Blazejewski and Becker-Ritterspach, 2011, p.171). In order to avoid perception gaps, headquarters and subsidiary need to define the subsidiary's role jointly and to reach a consensual formulation of responsibilities. Furthermore, headquarters and subsidiary managers need a continuous exchange in order to discuss evolving perspectives and thus maintain a consensual and joint understanding of the subsidiary's role (Schmid and Daniel, 2011, pp.272–273).

3. Research designs in headquarters-subsidiary relations

Researchers have studied headquarters-subsidiary relations with diverse settings and research approaches. In the following, we examine the different units of analysis subjected to research. We find that both headquarters and subsidiaries are often conceptualized as monolithic entities. Subunits are not distinguished. Moreover, research designs mainly consist in quantitative surveys with participants at the management level. We therefore deduce that research aiming at understanding headquarters-subsidiary relations would benefit from lowering the level of aggregation to different functional units and from addressing the team level rather than only the top management.

Units of analysis

Headquarters-subsidiary research focusses on two main parties as units of analysis: the corporate headquarters on the one side, and the subsidiary on the other. With formal structures and design being in the centre of interest during the early decades of headquarters-subsidiary research, a headquarter-centred perspective dominated for a long time. However, a change of scholarly attention is notable. First, the focus shifted towards the subsidiary (Kostova et al., 2016a, p.177; Paterson and Brock, 2002, p.151) and then to the bilateral relation

between headquarters and subsidiary. Headquarters-centred research, or a "view from the top" (Lunnan et al., 2016, p.166), remains predominant, though (e.g. Kunisch et al., 2015; Collis et al., 2007; Ciabuschi et al., 2012; Kunisch et al., 2019).

The MNC as a unit of analysis -
A headquarter-centred perspective

The main concern of early research on multinational companies is how the headquarters as centre of the MNC is able to control the activities of its subsidiaries (Birkinshaw and Pedersen, 2009, p.369). Therefore, an important stream focusses on the headquarters' role. Menz et al. (2015) undertook a comprehensive review and integration of the diverse body of knowledge on corporate headquarters. Scholars have focused amongst others on the overall organisation design, the global strategy or location issues. The earlier research gives the headquarters a dominant and hierarchical role. Later on, it is described as having a more facilitative role (Egelhoff and Wolf, 2017, p.72). In this body of research, the firm-level perspective prevails.

Most frequently, research focusses on the corporate management and global functions, e.g. human resource management, and regards the headquarters as one organisational entity. Only a few studies focus on the individual as unit of analysis. When they do, they mostly focus on the attitude of top management members, like the global mind-set, intentionality or openness to ideas from outside of the headquarters (Levy et al., 2007; Chung, 2014).

The subsidiary as unit of analysis

With the change from a hierarchical to a heterarchical view of the firm, the subsidiary moves into the focus of attention (Paterson and Brock, 2002, p.151). The subsidiary role stream takes the subsidiary as a whole as unit of analysis and tries to assess the subsidiary's role in the overall MNC network. Studies in this domain focus for example on the description of the characteristics of the subsidiary, e.g. the competences or knowledge of the subsidiary (Bartlett and Ghoshal, 1986; Birkinshaw and Morrison, 1995) or its local embeddedness in the environment (Andersson et al., 2005; Yamin and Andersson, 2011; Andersson and Forsgren, 1996). Moreover, research has analysed how

certain practices are implemented and integrated at the subsidiary level (Ahlvik and Björkman, 2015, e.g. in the domain of HR, cf.). With more and more research on the evolution of subsidiary roles and their development, the subsidiary is viewed more and more as a node in the MNC network rather than being a subordinate entity (Birkinshaw and Pedersen, 2009, p.374). Thus, scholars have tried to understand how subsidiaries get headquarters' attention and what the antecedents and consequences of subsidiary initiatives are (Ambos et al., 2010, e.g.; Strutzenberger and Ambos, 2014; Ambos and Birkinshaw, 2010; Bouquet and Birkinshaw, 2008).

Research focusing on the subsidiary mostly regards it as a whole. Some studies also take the individual as unit of analysis. This concerns for example research on HQ-employees that are sent as expatriates to the subsidiary or on the local subsidiary top management team (Kong et al., 2018; Paik and Sohn, 2004; Zhang and Harzing, 2016; Ambos et al., 2018; Collings et al., 2008).

Dyads as unit of analysis

Bringing the top-down and bottom-up approach together, more and more studies concentrate on the relationships between headquarters and subsidiaries. These relations are conceptualized as mixed-motive dyads consisting of two parties with independent, but interdependent interests (Ambos et al., 2018; Ambos et al., 2010, p.1101). In order to understand how headquarters-subsidiary relations influence the overall performance of the MNC, these dyads are taken as unit of analysis (Lunnan et al., 2016, p.166). A major focus lies on conflicts and agency issues (Hoenen and Kostova, 2015; Kostova et al., 2016b; Koveshnikov et al., 2017).

In the agency context, some studies consider the individual level by analysing the role of individual boundary spanners in the context of knowledge transfer and their constructive role in conflicts (Kong et al., 2018; Schotter and Beamish, 2011).

Despite the tendency to broaden the dyadic HQ-subsidiary perspective to a more open network perspective, the interplay between different dyads remains insufficiently explored (Asakawa and Aoki, 2016, pp.192–193; Hoenen and Kostova, 2015). Most studies investigate the relations between headquarters and one specific subsidiary. The relationships

between headquarters and different subsidiaries are rarely compared to one another. Moreover, subsidiary-subsidiary relations are scarcely object of research.

Overall, it appears that both headquarters and subsidiaries are often conceptualized as monolithic entities. Although recent studies acknowledge the importance of distinguishing subunits on both headquarters and subsidiary side (e.g. Ambos et al., 2018), most research considers headquarters-subsidiary relations on an aggregated level. The aggregation usually occurs at a higher management level. Research participants are very often headquarters and subsidiary managers (e.g. Ambos et al., 2018; Schmid and Daniel, 2011; Koveshnikov et al., 2017). This focus on the (top) management perspective is presumably due to research design reasons. Although scholars have argued to focus below the subsidiary level and to study specific functional groups (Birkinshaw and Morrison, 1995, p.750), the perspective of employees without management functions is rarely taken into account, though.

Research designs and settings

Headquarters-subsidiary research uses a variety of research approaches.[3] Given that a majority of research questions focusses on causal relationships, for example the impact of coordination mechanisms on performance, the dominant research design is quantitative, hypotheses-testing survey study. Also popular is the use of case studies with qualitative interviews, allowing a more in-depth analysis of the phenomenon under study. This has been used for instance in research on conflict (Dörrenbächer and Gammelgaard, 2016; 2011).

Concerning the setting, studies have been performed in MNCs of all kind of industries with subsidiaries in different countries. However, most often the firms are North American or European, sometimes Japanese. Emerging markets MNCs are studied more rarely (Nair et al., 2016; exceptions are for example Kong et al., 2018). Furthermore, as described above, research focusses primarily on the relations between headquarters and one subsidiary. Subsidiary-subsidiary relations have been neglected so far.

As Birkinshaw et al. (2011) note, quantitative methods have become predominant in international business research. However, this has led to understating the importance of informal processes and a tendency towards conceptual abstraction. There is a demand for more theory-driven empirical research in order to help MNCs to organise their dispersed activities in an ever-more-complex environment (van de Ven et al., 2013, p.394; Menz et al., 2015, p.672). Qualitative case study research designs are particularly suitable for theory building. Case studies allow a rich description and a deep understanding of headquarters-subsidiary relationships (Yin, 2009, p.2). Rich context description is useful for addressing the call for investigating the multidimensional nature of relationships between headquarters and various international units (Menz et al., 2015, p.668). In this regard, it is important not only to look at the relationships with the corporate headquarters, but also to focus on regional headquarters or between-subsidiary relations (Hoenen and Kostova, 2015, p.106). In addition, case studies allow recording the dynamics of changing relationships since they can include an historical narrative or a longitudinal investigation. Lastly, the comparison of multiple cases allows to study the effectiveness of design components depending on the type of headquarters-subsidiary relation and is therefore useful for developing data-driven theory, which is so far lacking in contemporary organisation design research (Eisenhardt, 1989). Thus, a multiple case study design with a theory-building approach appears to be conducive to analysing heterogeneous configurations while acknowledging the multidimensional nature of headquarters-subsidiary relationships.

4. Studying perception gaps in headquarters-subsidiary team cooperation

Understanding and designing headquarters-subsidiary relationships remains a complex issue for theory and practice. Evolving subsidiary roles can build a point of friction for the headquarters-subsidiary relationship. In the following, we discuss implications of role evolution for headquarters-subsidiary relations. First, we focus on contingency theory and the factors organizational structure is dependent

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[3] For research on corporate headquarters, Menz et al. (2015) present a comprehensive overview of studies and the applied research designs in the appendix.

on. Building on the argumentation of Burton and Obel (2018; 2004) concerning the multidimensional character of contingency, we argue that the social dimension is crucial when designing headquarters-subsidiary relations. Design not only shapes behaviour, but is also shaped by the latter.

Finally, we build on the findings in section 2 and 3 to identify and describe an opportunity for further research: perception gaps on a team level of analysis and the resulting mismatch of expectations between headquarters and subsidiaries.

Acknowledging social contingency factors in the organisation design of MNCs

Research on headquarters-subsidiary relations generally assumes that there is no only way to organise a multinational corporation. Rather, managers have to take into account that every MNC has distinctive characteristics and that every site is embedded in a local context. Therefore, it is important to understand the basic assumptions of contingency theory on which headquarters-subsidiary research has been grounded.

The core argument of contingency theory is that a company's performance depends on the fit between organisational environment and internal structure. Thus, there is no perfect organisational design that fits all MNCs; rather, it has to be aligned with the company's internal and external situation (van de Ven et al., 2013, pp.395–396; Galbraith, 1973). In coordinating its international activities, the MNC aims at obtaining a fit between organisational environment and internal structure. The structure-follows-strategy paradigm of the early research on headquarters and subsidiaries represents a structural contingency approach. It assumes that a firm's strategy is strongly dependent on the environment in which it operates (Garnier, 1984). Further, the organisational structure needs to adapt to the changes of strategy in order to function effectively (Chandler, 2001).

The design of headquarter-subsidiary relations is one of the most important elements of structure. The biggest challenge for the international corporation is to find the right balance between integrative coordination mechanisms and flexibility allowing local responsiveness. Consequently, the question of how autonomous subsidiaries operate is intimately related to the firm's strategy and thus to the company's

environment (Garnier, 1984, p.58). As described above, autonomy can be a main point of friction in headquarters-subsidiary relations. Many studies on conflicts in headquarters-subsidiary research, e.g. Roth and Nigh (1992) and Pahl and Roth (1993b), take a contingency perspective. They trace the origins of conflicts back to the incompatibility of interests: While subsidiary managers focus on host country demands, headquarters give global strategy priority over local needs (Blazejewski and Becker-Ritterspach, 2011, p.152).

Recently, Burton and colleagues highlighted the multidimensional character of context contingency, which includes both structural and human aspects. In addition to the conventional elements of organisational design (e.g. strategy, organisation structure, task division), the social component of organising needs to be taken into account, as for example leadership or how coordination mechanisms are put into practice in every-day work (Burton et al., 2011; Burton and Obel, 2004; 2018). This broader contingency perspective emphasizes that organisation design is not only planned, but also emergent in nature (van de Ven et al., 2013, p.397). Indeed, headquarters-subsidiary research more and more tries to acknowledge the multidimensional character of contingency.

Social aspects of contingency are taken into account when looking for example on how the relation between organisational units shapes how people put the designed structures into practice. For instance, the historic relation between headquarters and subsidiary proved to have strong explanatory power in the understanding of different reactions to headquarters-initiated coordination mechanisms. In their study, Barmeyer and Davoine (2011, p.60) find that in addition to the organisational context, the historical relationship with headquarters and the identity of each site plays an important role for how a newly introduced code of conduct was accepted in two different subsidiaries. Thus, formal design mechanisms are influenced by the behaviour of subsidiary employees.

Drawing on the concept of interdependence, Es-Sajjade and Wilkins, 2017 highlight the potential of tensions between formal organisational structures and emerging psychological perceptions. When teams that cooperate on a joint task depend on the input from one another, one speaks of task interdependence. For organisational designers, reducing such inter-

dependence to a minimum and installing appropriate coordinative mechanisms in order to handle the residual interdependence is of great importance (Okhuysen and Bechky, 2009, pp.469–472). However, alike the perception of roles in the headquarters-subsidiary relationship, the perception of interdependence also includes a social component. Team members are likely to behave based on how they experience interdependence, regardless of how organisational design attempts to structure interdependence. Thus, organisational mechanisms are susceptible of being inefficient when design is misaligned with perceived interdependence. This challenges the premise that design shapes behaviour. Rather, design is also affected by behaviour (Es-Sajjade and Wilkins, 2017, p.4).

Headquarters and subsidiaries are such cooperating and interdependent parties. When the parties have divergent understandings of each other's role, the expectations of behaviour can be inconsistent. In this case, the coordination mechanisms in place are likely to be considered inappropriate by at least one of the two parties, which in turn can lead to conflict (Daniel, 2010; Schmid and Daniel, 2011; Blazejewski and Becker-Ritterspach, 2011). Rigid organisational structures are likely to reinforce perception gaps between headquarters and subsidiaries since they do not account for the evolution of a subsidiary's role. In order to prevent misalignment of design and behaviour, organisation design needs to install mechanisms that allow the harmonization of role understandings and a clear formulation of mutual expectations.

Thus, it is important to acknowledge potential tensions between organisation design and emerging perceptions in the headquarters-subsidiary relationship. Organisation design is not the only determinant that shapes the headquarters-subsidiary relation; rather, it is itself affected by the latter. Therefore, a deeper understanding of the interplay between design and continuous role redefinition is needed. Theory needs to provide answers how a dynamic organisation design can react to changes in headquarters-subsidiary relations (Menz et al., 2015, p.666). With evolving headquarters-subsidiary relationships, it is necessary to view

designing as a continuous process with the flexibility to account for changes in the mutual role attribution between headquarters and subsidiaries.

Research on team role perceptions in headquarters-subsidiary everyday cooperation

So far, formal structures are designed according to the subsidiary's strategy at a certain point of time. The role of the subsidiary is the result of a continuous renegotiation, though (Birkinshaw et al., 2000, pp.324–325). Therefore, an important stream of research studies the evolution of the subsidiary's role (Birkinshaw and Hood, 1998, e.g.; Birkinshaw and Lingblad, 2005). However, research questions are mostly limited to the formal definition of a subsidiary's role and rarely focus on the headquarters-subsidiary relationship itself. Whereas the subsidiary's role in the network of the MNC is likely to change, for example due to competence development or market evolution, the often rigid formal structures are not able to stay abreast of these changes (Menz et al., 2015, p.668).

In this context, the mismatch of expectations between headquarters and subsidiaries still needs more research attention (Hoenen and Kostova, 2015, p.106). Perception gaps have been identified as root cause of headquarters-subsidiary conflict (Blazejewski and Becker-Ritterspach, 2011, p.170). Yet, the studies that analyse perception gaps between headquarters and subsidiaries focus mainly on factors as strategic importance of the subsidiary, its competencies, or resource allocation, but do not include details of task understanding (Birkinshaw et al., 2000; Daniel, 2010; Schmid and Daniel, 2011). Moreover, the studies are limited to the judgments of managers (at both the headquarters and the subsidiary level) and omit the perspective of team members.

Consequently, it remains unclear how autonomy conflicts at a management level translate to the team level. Are perception gaps also formed at a team level and if so, how do they manifest themselves at an operative level in everyday work?

For this, literature of team cognition can give insights. As an object of organisational behaviour research, team cognition[4] has been largely

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[4] The concept of team cognition bases upon the assumption that groups build a common system of meaning. This common frame, also referred to as "shared understanding" or "team mental model", enables the group to process information and

to develop a joint view on how group tasks have to be performed. Shared understanding includes task-related knowledge, but also knowledge about teammates and their

discussed as important driver for team performance (Cannon-Bowers and Salas, 2001; Messick et al., 1999; Weingart et al., 2010; Lim and Klein, 2006). The concept bases upon the assumption that groups build a common system of meaning. This common frame, also referred to as "shared understanding" or "shared mental model"[1], enables the group to process information and to develop a joint view on how group tasks have to be performed. Shared understanding includes task-related knowledge, but also knowledge about teammates and their competencies as well as broader beliefs (Cannon-Bowers and Salas, 2001, p.197).

Shared mental models are particularly relevant when it comes to the cooperation of different teams. When several groups work jointly on a task, this requires shared understanding. The development of shared mental models represents an iterative process in which various feedback loops are needed (Liao et al., 2012, p.220). Although shared mental models are expected to converge over time by the means of interaction, empirical evidence is ambiguous and indicates that frequent interaction alone might not be sufficient (Mohammed et al., 2010, pp.901–902; Levesque et al., 2001; Kneisel, 2018). In order to sensitize teams for the perspective of one another, scholars have proposed using trainings, e.g. in the form of reflection workshops or frame-of-reference training (Cronin and Weingart, 2007, p.770; Firth et al., 2015, p.827; Busch and Lorenz, 2010, p.299).

Dissimilar mental models are not necessarily conflicting, although it is unsolved to what degree and which kind of content has to be shared to allow teams to cooperate efficiently (Cannon-Bowers and Salas, 2001; Mohammed and Dumville, 2001, p.98). Anyhow, scholars agree that when teams do not share basic assumptions and do not have the same understanding of the task, inconsistent activities are likely to occur - coordination problems being a consequence. Such incompatible cognitive structures have been labelled "representational gaps" and affect all main mechanisms for group functioning (Cronin and Weingart, 2007):

"Representational gaps degrade information processing by leading to misunderstanding and potential misuse of information. Representational gaps make coordination difficult by creating contradictions in how teammates believe the problem should be solved, leading them to take actions that contradict each other. Finally, when team members interpret the same information differently and view how the problem should be solved differently, the team is likely to experience conflict." (Cronin and Weingart, 2007, p.762)

At the origin of representational gaps lie fundamental differences in the understanding of the task and the environment of the teamwork. Whereas the negative consequences of lacking shared understanding have been widely discussed, antecedents for the development of shared mental models remain insufficiently explored (Liao et al., 2012, p.206; Tenzer and Pudelko, 2012, p.2). One part of the body of literature addresses the impact of social identity on the creation of shared understanding. Although shared identity is recognized as an important factor for the development of shared mental models, a lot of research only concentrates on the influence of language in the creation of shared identity (Tenzer and Pudelko, 2012; Clarke and Cornelissen, 2011). However, it has been highlighted that more research is needed on diverse group identification mechanisms, on departmental identities in particular (Liao et al., 2012, pp.228–229).

Surprisingly, very little research examines headquarters-subsidiary relationship under the angle of shared understanding and when it does, it is via the connection of shared language (Reiche et al., 2015). So far, perception gaps between headquarters and subsidiaries have mostly been limited to the perception of the subsidiary's strategic role and competences. Nevertheless, the literature on team cognition indicates that departmental identities may influence a team's task understanding, which is a necessary foundation for effective team cooperation. The empirical evidence on the influence of headquarters-subsidiary relations on knowledge transfer and coordination leads to the assumption that the identity of a subsidiary might be a significant determinant for dispersed teams to develop a shared understanding or not.

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competencies as well as broader beliefs Cannon-Bowers and Salas (2001, p.197).

The term "team mental model" has been used in order to describe different aspects of team cooperation, as information sharing,

transactive memory systems, group learning, and cognitive consensus Mohammed and Dumville (2001, p.101). For a review on the team mental model construct, see Mohammed et al. (2010).

Thus, an essential question is how the subsidiary's identity shapes team cognition. More precisely, further investigations are necessary to understand how the subsidiary's identity (i.a. strategic role in the MNC network, perceived competences, historical background) affects the task and role understanding that teams develop (Liao et al., 2012, p.228). For this, research needs to focus on a lower level of aggregation and analyse how headquarters and subsidiary employees from lower hierarchical levels perceive the everyday cooperation.

A promising research setting could be R&D teams from both headquarters and subsidiary that work on a joint project. A joint project could be a product where components are partly developed in one location and in the other, or the transfer of product responsibility, e.g. from initial development in headquarters to serial development at the production site. Research participants could be team members on different hierarchical levels, e.g. group leaders and ordinary team members as design engineers.

Having identified the mechanisms that lead to perception gaps in headquarters-subsidiary team cooperation, the next step should be the analysis of harmonization mechanisms, such as tools to transfer best practices, which support the development of shared role and task understanding and, thus, the alignment of headquarters' and subsidiaries' perspectives.

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[1] Different terms to designate shared cognition co-exist, e.g. collective cognition, team knowledge, team mental models, shared knowledge, transactive memory (Cannon-Bowers and Salas, 2001), shared mental models (Cronin and Weingart, 2007; Tenzer and Pudelko, 2012) or meaning systems (Romani et al., 2011, p.10). In this article, we refer to this field of research as team cognition (Weingart et al., 2010) and use the notions of shared understanding and shared mental models (SMM) interchangeably.