The dual role of the subsidiary CEO
- its effect on control issues

Master Thesis in Business Administration
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Jönköping June 2007
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Abstract

The position of the subsidiary CEO is characterized by its complexity in terms of the level of independence and control that s/he possesses. The subsidiary CEO is not only controlled by the parent company in certain aspects but in some cases also by the board of directors of the subsidiary. This raises questions about what the subsidiary CEO is left to decide by him/herself and if it is possible to in fact categorize him/her as a middle manager?

In order to gain more insight into these intriguing questions we formulated our purpose as follows: *The purpose of this thesis is to examine how the subsidiary CEO controls the subsidiary considering the dual role perspective*. In addition, four research questions were formulated to support us in the search for answers to the amount of control that the subsidiary CEO has. The research questions were intended to highlight the control aspect from different angles, and to discover what the parent company and board of directors controlled. In addition, we were also curious about whether it was possible for the subsidiary CEO to influence his/her superiors.

To enlighten us of the situation of the subsidiary CEO we made seven semi-structured interviews, whereof four with subsidiary CEOs. The three additional interviews were made with co-workers to the subsidiary CEOs. This was done to get a different perspective on the role of the subsidiary CEO. With the purpose and research questions as a base we asked questions on these topics and the answers were recorded and transcribed in order to give us a stable foundation to stand on before moving on to the analysis.

The findings confirmed our view that the CEOs in some cases, especially when it comes to larger financial decisions, are controlled by the parent company. Further, reports are sent regularly and the overall organizational vision has to be adopted by the subsidiary. On the other hand the subsidiary CEOs regards themselves as very independent when it comes to the management of the subsidiary. Indeed, we were able to see some general characteristics of the job of a subsidiary CEO, such as the freedom of formulating and implementing strategies for the subsidiary. In addition, they solely decide how to run the daily operations as well as deciding on questions concerning the personnel. Further, we conclude that the subsidiary CEOs can neither be categorized as merely a CEO or a middle manager, since our study shows that they are a combination of both. It is their level of independence which decides how to perceive their role and this varies from case to case. Finally, the level of control much depends on their relationship with the parent company as well as the subsidiary board of directors.
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1 Introduction

This chapter will introduce the topic of management and control, both from a CEO (Chief Executive Officer) as well as middle manager perspective. Furthermore, the problem discussion, about the dilemma of a middle manager, in this case one higher up in the hierarchy as the manager of a subsidiary company, will lead to a purpose and research questions.

This thesis will introduce the reader to an interesting view of the subsidiary CEO, that s/he holds a dual role. The dual role perspective views the subsidiary CEO as both a CEO as well as a middle manager. The introduction and problem discussion below will introduce the area of study further. We believe that this subject is interesting both to the academic world, but also to companies. By broadening the organization’s view and increasing their awareness they can see the subsidiary CEO from a different perspective. In addition, this statement also applies to the academic world since there is a lack of literature that deals with this perspective.

1.1 Background

The middle manager work in an environment that is very complex, with pressure from both above and below, that is, company management as well as those employees that the middle manager has responsibility for. Frohman (2000) argues that the instant demand from above makes the middle manager innovative, always finding new and different solutions and Dixon (1995) views the middle manager as an entrepreneur. The position in the middle is faced with problems but also with opportunities. The way a successful middle manager acts is by engaging other people and by being a good team coordinator. Their real power lies in how relationships and demands are handled (Frohman, 2000).

The middle manager is controlled by the company management that is led by the company CEO, the position of the CEO is ranked higher in the hierarchy and thus is filled with more authority. The higher up the manager is, the more resources and control s/he has. The CEO of a company is often concerned with the organizational structure and long-range plans, while delegating the responsibility for more detailed plans to trusted employees (Yukl, 2005). In addition, a CEO has to be able to make decisions every day concerning the areas described above (Mintzberg, 1973).

In this thesis we are going to touch upon both the middle manager and the CEO role, however we have a different approach. We have chosen to call this approach the dual role perspective, where we see the subsidiary CEO as having a position with dual roles. The position includes the roles described above, the middle manager and the CEO roles. In large companies there is a need to clarify the organizational structure, one way to do this is to have subsidiaries, since the CEO simply can not handle the vast amount of decisions that concerns all parts of the company. The subsidiary CEO is then left to make decisions that concern the particular company within the frame of the orders delegated by the parent company CEO. Together with the implementation of the strategies for the subsidiary also comes authority and control.

In addition, one interesting aspect is the relation between the parent and subsidiary company. Within this relation there are restrictions as well as freedom concerning the control of the decisions regarding the subsidiary. The amount of freedom that the subsidiary CEO
has varies from organization to organization and from situation to situation. According to Birkinshaw, Holm, Thilenius and Arvidsson (2000) there appears to be a paradox, that the parent company often wants control while the subsidiary wants to work more freely. We will elaborate a bit further on this paradox when we address the control issue throughout the thesis. Furthermore, one aspect that must not be forgotten is the subsidiary’s board of directors. They are required to hold the CEO accountable for the actions taken and in that way they exercise control over the CEO. There are also different roles that the board of directors can take on which explains their behavior towards the subsidiary (Leksell & Lindgren, 1982 cited in Kiel, Hendry & Nicholson, 2006).

1.2 Problem discussion

According to Statistics Sweden’s Business Register (SCB, 2007) “2,457 Swedish enterprise groups have subsidiary companies abroad.” This tells us that there are many subsidiary CEOs which hold the dual role that we have described, although this figure only applies to subsidiaries abroad. McKenna (1994) states that the role of middle managers has always been vividly discussed by researchers however, during our literature search not so many theories regarding subsidiary CEOs were found. Thus, it is a topic which can be further developed and its complexity, in the sense that it concerns two roles, is what makes the field interesting and worth studying.

From the introduction the reader should understand that the focus of this thesis is placed on the dual role of the subsidiary CEO. According to Westley (1990), there seems to be a clash between how theorists and top management look upon the role of the middle manager compared to how the middle manager defines the role. Kay (1974) claims that there is an in-built power struggle between top and middle managers, where top managers are reluctant to share authority and decision-making with middle managers (cited in Westley, 1990). The tight control of strategic issues by top management leads to bitterness and complaints from middle management about lack of communication and lack of insight into the strategy-making process (Westley, 1990). These issues could also hold for the relation between the subsidiary CEO and the parent company, where strategic decisions could be taken by the parent company one day, and is expected to be implemented in the subsidiary the following day. The issue of control within, and of a subsidiary, is something that we find interesting, since there are so many aspects to consider in relation to control. A subsidiary CEO has to consider the control from the parent company and the board of directors above as well as their own desired level of control of the subsidiary employees.

To elaborate on the concept of the middle manager and control Klagge (1998a) presents an interesting view: “Middle managers are squeezed between the competing cultures of two paradigms. The first culture calls for them to ‘have control’ while the second culture requests them to ‘relinquish control’” (Klagge, 1998a p. 548). This is exactly the dilemma that we argue faces the subsidiary CEO, who is required by the parent company to have control over the company as well as to let go of the control by delegating to the employees. In addition, there are also certain issues that the subsidiary CEO is not allowed to control, where the parent company takes the decisions. This adds to the complexity of the role as a subsidiary CEO, hence it also makes the role interesting.

Depending on what perspective you choose, the subsidiary CEO can be seen as a middle manager or a top manager. We consider the subsidiary CEO also to be a middle manager since s/he both take own decisions but at the same time is obliged to follow the directions of the parent company. As Drakenberg (1997) puts it, the middle manager is torn between
two groups, being a manager themselves and also pleasing their own manager, and this is the definition that will be used throughout the thesis. Therefore, we see the subsidiary CEO as a manager with a dual role, being both a middle manager and CEO.

Figure 1 - Illustration of the dual role perspective

The dual role perspective can be illustrated as shown in figure 1 above, where the parent company as well as the subsidiary board of directors exercise control over the subsidiary CEO, who in turn carries out the orders from above, while at the same time makes own decisions regarding the subsidiary. This is represented by the thick arrows. One instrument used to assure that the decisions taken are implemented in the intended way is by requesting reports from the level below you. The thin arrows represent reports which go from the employees at the subsidiary via the subsidiary CEO to the parent company and the subsidiary board of directors. With this illustration in mind we will now move on to the purpose and research questions stated below.

1.3 Purpose

The purpose of this thesis is to examine how the subsidiary CEO controls the subsidiary considering the dual role perspective.

1.4 Research questions

Even tough the first three of the following questions do not include the control concept, we believe that when you guide or influence a company you infact exercise control.

1. To what extent are the subsidiary CEOs decisions guided by the parent company’s management?
2. In what way does the board of directors of the subsidiary company influence decisions taken in the subsidiary?
3. To what extent do the subsidiary CEOs influence decisions taken by the whole organization?
4. In what areas does the subsidiary CEOs perceive that they have control?

These research questions will guide our study in order to fulfill the purpose and throughout the thesis they will be mentioned as guiding points. The next chapter will present theory concerning the dual role perspective, control and the subsidiary management.
2 Frame of reference

In order to fulfill the purpose of the thesis this chapter is going to include theory on the subsidiary management, control as well as our proposed dual role perspective. In order to examine how the subsidiary CEO controls the subsidiary considering the dual role perspective one has to include theory about a CEO as well as a middle manager.

The intention with this frame of reference is to give the thesis a good theoretical foundation to stand on. It is later this section that will lay the foundation for our analysis together with the empirical findings presented in chapter four.

In this chapter we are looking at certain areas of theory. First of all we present theory in order to explain the subsidiary management and its roles and relations with the parent company as well as the subsidiary board of directors. Furthermore, we continue with organizational control and how much control a CEO and a middle manager have in certain issues. Finally, the dual role perspective will be explained with theories consisting of CEO and middle manager skills.

2.1 Subsidiary management

This following section of theory will help us answer the first, second and third research question, with the content described above.

2.1.1 The relationship between the subsidiary and the parent company

One of the most challenging tasks for a corporation is to manage the relationship with its subsidiaries (Nohria & Ghoshal, 1994), where integration is very important to be able to exercise control (Mintzberg, 1979 cited in Baliga & Jaeger, 1984). The traditional management literature presents theories about the subsidiary – parent company relationship to be centralized where only formal autonomy is given to the subsidiary management. It is of importance for the headquarters to establish a headquarters-(foreign)subsidiary control relationship (HSR), see figure 2 below (Rodrigues, 1995). However, the hierarchical view of a parent company and its subsidiaries is soon outdated and the new view is to see the organization as “a web of diverse, differentiated inter- and intra-firm relationships” (O’Donnell, 2000, p. 526). The relationship needs to be nurtured with understanding from both parties. The headquarters’ managers need to take decisions regarding the subsidiary despite that the subsidiary may be in a different country with a different culture and organizational rules. Further, there need to be a common vision within the corporation (Rodrigues, 1995).
Some years ago many managers of the parent company used several control mechanisms to implement their decisions, for example compensation, reward and punishments. However, nowadays the managers of the subsidiaries are no longer that motivated by these methods, they are easy to see through and to overlook (Rodrigues, 1995). Recent studies have shown that subsidiaries have played an important role in the relationship with the parent company, as a contributor to the organizations advantages. This role is also developing where the subsidiary is becoming the driver of the organizations advantages (Birkinshaw, Hood & Jonsson, 1998).

Ghoshal and Nohria (1993) cited in Rodrigues (1995) describe three basic governance relations that effects the control between the foreign subsidiary and the parent company: “centralization, formalization and normative integration” (p. 25). When the relationship can be described as centralized there is formal authority and visible hierarchy regarding the decision making, and as mentioned above this relationship is what is used traditionally. When formalization occurs the decisions are taken through formal systems with clear rules. Finally normative integration relies on the common goals set by managers from both sides that also share values and beliefs (Ghoshal & Nohria, 1993 cited in Rodrigues, 1995). In the 1994 article by Nohria and Ghoshal they call what was just described, the three perspectives, as the differentiated fit, which means that the relation matches the context and environment of the subsidiary which is different depending on where it is situated.

There is also a second view on how to manage the relation between the parent company and its subsidiary which puts forward shared values. This means that the parent company together with the subsidiary develops common goals and values, which is also described in Rodrigues (1995) framework above. Structure is not regarded as important (Nohria & Ghoshal, 1994). Furthermore, when managing the relationship one can think of the principal-agent relation or theory (Jensen & Meckling, 1976 cited in Nohria & Ghoshal, 1994). The headquarters, or the parent company can not make all decisions as the principal as they do not have all the right knowledge that the subsidiary, the agent has (Nohria & Ghoshal, 1994). O’Donnell (2000) also mentions the agency theory as well as a second perspective on the relation between parent company and subsidiary which she explains is based on cooperative relations among firms in the organization.
To sum up, there are three general aspects when labeling the roles between the subsidiary and the parent company. The differentiated fit, shared values and the principal – agent theory. To further evaluate the relationship it is important to regard the roles in the relationship and this will be discussed in the following section.

2.1.2 The roles in the relationship

The subsidiary company can take on any of three roles in relation to the parent company, which all implies different levels of control. Either it can be what is described as head office assignment, subsidiary choice or local environment determinism. Head office assignment is where the head office managers define the subsidiary’s role (Birkinshaw & Hood, 1998 cited in Birkinshaw et al., 2000) and where the head office also defines strategies for the whole organization (Birkinshaw et al., 1998). The role called subsidiary choice lets the subsidiary choose their role themselves (Birkinshaw & Hood, 1998 cited in Birkinshaw et al., 2000) since they know their local market conditions better than the parent company (Birkinshaw et al., 1998) and local environment determinism assumes that the role of the subsidiary is effected by the country where the subsidiary is situated (Birkinshaw & Hood, 1998 cited in Birkinshaw et al., 2000).

The relationship that subsidiaries have with their parent company is never an easy one. It is often the case that perceptions and interests differ (Ghoshal & Nohria, 1989 cited in Birkinshaw et al., 2000). These perception gaps (see figure 3) should be predictable to some extent. Hence, in the relation between subsidiary and parent company, there can exist perception gaps of the roles as well as the way to work as mentioned before. The subsidiary role is more likely to emerge from a give-and-take of the two sides (Birkinshaw et al., 2000).

The perception gaps mentioned above can take on three different forms, depending on who the dominant actor is. The first one is where the subsidiary sees their own role as more strategic than how the headquarters perceive it. Secondly, there can be a small or non-existent gap where the two parties have the same perception of the subsidiary’s role. Finally, the third gap is where the headquarter overestimate the subsidiary’s role and see the subsidiary as more strategic than they do themselves (Birkinshaw et al., 2000).

![Figure 3 - Perception gaps (Birkinshaw et al., 2000)](image-url)
When misunderstandings happen it can instead become a source for new ways of cooperation (Birkinshaw et al., 2000). Although, sometimes there may also be misunderstandings between the board of directors of the parent company and the subsidiary company due to failure of understanding. This can be about the parent company not understanding strategies that subsidiary management has developed (Strikwerda, 2003). O’Donnell (2000) sees the same problem with the agency theory mentioned above, that the subsidiary management make decisions that are disliked by the parent company and that this can be a result of non existing common goals.

According to Strikwerda (2003) there are three different descriptions of relations between the subsidiary company and the parent company that can be identified. The first relation is called formative and implies that a mission statement is formed and followed. The second relation is performance, where strategies are developed together in order to accomplish the mission. Finally, there is conformance where you perform duties towards the shareholders before any others.

Furthermore, when regarding the relationship between the subsidiary and the parent company as well as to know about how much power to delegate, you need information of the different roles and tasks that the board of the parent company as well as the subsidiary holds (Strikwerda, 2003).

2.1.3 Subsidiary board of directors

The board of directors can exercise control by the decisions that they take. Among other things they can decide upon pricing and market positioning, product development and process development, investment in equipment etc. However, the scope of how much power a subsidiary board gets varies between companies (Strikwerda, 2003). The board of directors of a subsidiary often only fulfills the required role, especially with foreign subsidiaries. Once they have fulfilled the duties that the law requires, then they do not have any real influence on the subsidiary (Kiel et al., 2006).

In most companies that have subsidiaries it is a question of how much power the parent company should give to the subsidiary board of directors. However, there may also be a need to delegate some of the entrepreneurial power. There are three reasons to why delegation of power to the subsidiary board may be of importance. The first reason is that it gives the subsidiary flexibility to react to their own environment, if the subsidiary is in a different country this may be even more motivated. Secondly, because of ethical reasons, the management style and the organization should reflect society and show respect for the people and give the members of the board some power. Finally, delegation helps to provide an incentive for people to develop, and they do if they receive some power (Strikwerda, 2003).

Furthermore, it is good for a company to think about their future, therefore they should train new managers (Strikwerda, 2003). Gilles and Dickinson (1999) cited in Kiel et al. (2006) states that a subsidiary board of directors can add value to the subsidiary.

Leksell and Lindgren (1982) cited in Kiel et al. (2006) identified three main roles of subsidiaries within multinational companies. These were “External roles (external relations; advice), internal roles (control, and monitoring; coordination and integration; strategy formulation) and the legal role” (p. 569). Furthermore, their study showed that the subsidiary board role was influenced by the strategic importance of the subsidiary. Meaning that if the parent company saw the subsidiary as strategically important, they focus more on the subsidiary board of directors.
After reviewing theories about subsidiary management it is important to get an understanding of control in order to examine how the subsidiary CEO control different issues within the subsidiary, linked to research question 4. Control is needed to integrate the different parts of the organization (Baliga & Jaeger, 1984). With the dual role perspective in mind it was logical to divide the section on control connected to research question 4 into two, CEO control and middle manager control but first we will discuss some general theory on organizational control.

2.2 Organizational control

The field of organizational control includes “finance, management information systems as well as organizational theory” (Hatch, 1997, p. 327).

Furthermore, “Control [...] encompasses any process in which a person (or group of persons or organization of persons) determine or intentionally affects what another person, group, or organization will do” (Baliga & Jaeger, 1984, p. 26).

Ouchi (1979) argues that there are three sources of control that you can distinguish from one another: market, bureaucracy and clan, see table 2 below. Market control is when prices and profits are used to control a company’s performance, whereas bureaucracies depend on several rules, special procedures, documentation and surveillance to control the company. With bureaucratic control the company has a strict hierarchy with much authority. Finally, clan control relies on common values that guide the actions by its members. In clan organizations those who have common view’s to the top management are rewarded and promoted (Hatch, 1997).


Table 1 - Market, Bureaucracy, and Clan control (Ouchi, 1979, 1980 cited in Hatch, 1997)

<table>
<thead>
<tr>
<th>Source</th>
<th>Mechanisms</th>
<th>Assumptions</th>
<th>Forms</th>
<th>Examples</th>
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<td>Bureaucracy</td>
<td>Rules</td>
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<td>Surveillance</td>
<td>authority</td>
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<td>Hierarchy</td>
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<td>Clan</td>
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<td>Trust</td>
<td>control</td>
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2.2.1 The CEO’s control

“Management control typically includes an apparatus for specifying, monitoring, and evaluating individual and collective action” (Kärreman & Alvesson, 2004, p. 152).

According to Snell (1992) managers has to regard what is best for their firm when making decisions and controlling, it is their responsibility. Therefore, they need to fully understand their organization (Snell, 1992). Management, that is associated with exercising control, in most cases rely on the idea that the work in an organization can be divided between those who perform the work and those who plan and control (Kärreman & Alvesson, 2004). It
can be said that the control systems used by management molds or determines the behavior of the employees. One way to control is to focus on “human resource management practices such as staffing, training, performance appraisal, and rewards” (Snell, 1992, p. 294). Human resource management can be seen a control tool since management regulates the performance of the firm with these tools (Snell, 1992). Kärreman and Alvesson (2004) say that new forms of control theory do not substitute the existing theories, they just add on a new aspect.

There are of course different ways in which a manager can exercise control, we have chosen to focus on the control regarding strategy and its implementation as well as delegation. The reason for including these two areas is that when controlling an organization you have to have control over the strategies which determine which direction the organization is going. In addition to that, delegation is included since it has to be prioritized in order for the CEO to have complete control.

2.2.1.1 Delegation

In order for a manager to achieve great things with the organization and to exercise control appropriately s/he can not do everything him/herself (Nelson, 2005) and one way to encourage your personnel is to show that you trust them by delegating responsibility (Muir, 1995). The organization becomes far more efficient if tasks are delegated to the employees (Nelson, 2005), and another reason to delegate is that there is “information overload at the top” (Baliga & Jaeger, 1984, p. 29) meaning that a manager can not deal with all the information hence making delegation necessary. Nelson (2005) furthermore says that one of several good reasons why managers should delegate is to get the employees more involved, they too want to feel part of the decisions that are taken. It also makes the employee more efficient.

Along with the task, the CEO needs to give the employee authority and resources that make it possible to fulfill the task (Nelson, 2005; Muir, 1995). By delegating tasks to other people the CEO have time to do other things such as planning (Nelson, 2005) and managing as well as making sure that the employees have the right resources (Muir, 1995). It would take too much time for a manager to be involved in every decision taken (Wernerfelt, 2007).

Colombo and Delmastro (2004) explains that delegation of authority can imply both benefits and costs for a firm. The cost of any delegation would of course be the loss of control for the manager, although delegation is a parallel issue to control (Baliga & Jaeger, 1984). However, a benefit could be to increase the employee’s ability to take initiative (Colombo & Delmastro, 2004). When delegating the responsibility of making a decision you are most likely to choose a person that holds more information (Nelson, 2005). The manager needs to pay attention to the abilities of the employees in order to give them the right tasks. Giving an employee responsibility for a certain task can act as a motivational factor, and as a result the employee grows and gains more confidence. Muir (1995) explains that it is the manager who is responsible for the decisions taken, whether they are delegated or not.

Furthermore, the study made by Wernerfelt (2007) shows that managers are more likely to delegate if the decision to be taken is more difficult or if the decision regards more public than private information (Wernerfelt, 2007). Before the manager delegates the task it must be clearly defined and along with that the manager must also state the performance requirements. If the task is not defined clearly enough the delegation will not work. Also, it
will not work if the manager constantly checks up on his/her employees, then it would not be proper delegation. With delegation a certain level of trust is needed (Muir, 1995).

### 2.2.1.2 Strategy and implementation

When you look at the modern organizational theory the researchers often consider organizational control as a mechanism of strategy implementation. Therefore, we have chosen to include a part about strategy and implementation, since control is also about handling the strategies and their implementation (Hatch, 1997).

According to Hatch (1997) modernistic organizational theory often refers to strategy as something that top management does when they plan the outcomes of the organization as well as how they are going to control it. The term strategic fit is referred to as a successful strategy that brings together organizational capabilities with environmental demands. Generally it is management that first formulates strategy, and then designs the organizational structure that is needed to implement the strategy processes (Guth & Macmillan, 1986). The rational model describes the strategy process as one where tasks are divided. Typically top management formulate the strategy while the middle managers as well as employees lower down in the hierarchy implement the strategy, see figure 4 (Hatch, 1997).

![Figure 4 - The rational strategy process (Hatch, 1997)](image)

As part of the dual role perspective of the subsidiary CEO the following section will explain how the middle manager exercises control in an organization.

### 2.2.2 The middle manager’s control

Drawing the line within a flat organization on who the middle manager is can be difficult. However, there is a way to distinguish them from ordinary workers by looking at their duties that come from the managers, as well as distinguish them from top management by looking at their lack of autonomy (Holden & Roberts, 2004). In the changed, flatter, organization the middle manager is the one that is supposed to enable, train and coach. They have become the leaders in control (Jackson & Humble, 1994). As part of the flattening of the organization, and empowerment of the middle managers they have gained more control.
over financial aspects as well as more autonomy in their daily work. Further, the middle manager has gained more control over his/her team members and also departments. The role of the middle manager has thus changed towards more responsibility and more areas that they have control over (Holden & Roberts, 2004). Empowerment can be both beneficial and negative for an organization, it means increased power and control as well as authority, and it does take a lot of energy from the middle managers to implement it correctly (Klagge, 1998a). One of the issues that come to mind about control is how much control the middle manager has over formulating strategies and the strategy implementation which we will look upon next.

2.2.2.1 Strategy formulation and implementation

It is often concluded that middle managers are less aware of the company’s strategy compared to top managers. This may seem a bit strange since the role of the middle manager implies that they are in the position of implementing strategies that give results in the company (Westley, 1990). A middle manager should be able to divide a strategy into more understandable parts and also fit it into the daily operations, in that way the middle manager is part of the control process (Jackson & Humble, 1994).

Furthermore, middle managers want to be included in the strategy-making process for two reasons. First they want access to the powerful top managers and second they want to have insight in the process, in order for them to better understand why they implement the strategies decided upon. Besides the feeling of being included, middle managers are also likely to be energized from the participation in issues concerning strategy. Despite of these potentially positive outcomes, Westley (1990) says that middle managers often are excluded from the strategy-making process, which is handled by top management alone. This is according to the author de-energizing, inefficient and expensive. As a consequence, middle managers are forced to take decisions based on the incomplete, outdated or inaccurate information available. The exclusion of middle managers in the strategic process leads to widespread dissatisfaction among middle managers. In a worst case scenario dissatisfied middle managers can hinder change from taking place (Westley, 1990). Information differences between middle managers and the top management can lead to differences in the predictions of the strategic outcomes (Guth & MacMillan, 1986). However, if given the opportunity, they are also able to drive change in the organization by taking the initiative of formulating a strategy themselves (Dixon, 1995).

The importance with middle management involvement in the strategy process lies in that the strategy is easier transferred to the rest of the organization with a general awareness. If the middle managers are involved, they are taking a step in the right direction towards getting the rest of the organization involved and committed to the strategy (Raps, 2005), hence it is a way to control the organization. Furthermore, if the middle manager is not committed to the strategies formulated by top management they can be a large barrier to the actual strategy implementation (Guth & MacMillan, 1986).

It is also important for top managers to understand that middle management does not have the exact same idea of the strategy and how to implement it. In order to avoid a clash of thoughts they need to allow lower management to think for themselves, because the success of strategy implementation lies in the hands of the middle managers. How the middle managers view the strategy must be included already in the formulation of the strategy in order to ease the process, which the middle managers themselves are involved in (Raps, 2005). However, Guth and MacMillan (1986) argue that middle managers are more inter-
ested in fulfilling their own self interest rather than implementing strategy, if it does not happen that the two have the same goal.

### 2.3 The dual role perspective

Of course the CEO of a subsidiary company first and foremost is seen as a CEO but in this thesis we assume that s/he in fact, can be viewed as a middle manager, at a somewhat higher position, when looking at the organization from the parent company's point of view. For the sake of our purpose it is important to define the skills of the subsidiary CEO and we will do this with help of the skills of the CEO and middle manager presented below, since we believe that the subsidiary CEO has a dual role. Further, to be able to control a subsidiary as well as being able to cope with the parent company’s control, certain skills are needed.

#### 2.3.1 CEO skills

"The term skill refers to the ability to do something in an effective manner" (Yukl, 2005, p. 181).

Rausch (2005) mentions that Fayol (1950) divides the manager’s obligations into five areas; planning, organizing, commanding, coordinating and controlling. Furthermore, Whetten and Cameron (1995) cited in Rausch (2005) point out 10 skills that a manager most likely possesses. They are “verbal communication, managing time and stress, managing individual decisions, recognizing, defining, and solving problems. Further, motivating and influencing others, delegating, setting goals and articulating a vision, self-awareness and team building as well as managing conflict” (Rausch, 2005 p. 992).

Mullins (2002) has chosen to divide the skills of a manager into three categories, technical competence, social and human skills as well as conceptual ability. The manager’s position in the hierarchy decides on which of these three categories that emphasis is placed on. Technical competence is, according to Mullins (2002), more associated with application of specific knowledge and methods. It is required more at the supervisory level, on the day-to-day-operations, and closer to the actual production of goods and services. Social and human skills refer to the relationship with other people and to exercise judgment. Mullins (2002) explains that the essence of this is to be able to effectively cultivate on human capital. To achieve effective use of the human resources the leader needs to co-ordinate and direct the employees. Here, it is important that the leader possesses skills such as sensitivity to different situations as well as flexibility in adopting the most suitable leadership style for the specific situation at hand. Finally, the conceptual skills are needed to be able to get an overview of the organization in order to see the complexities of the company’s operations and to be able to make decisions. In addition it is also important to take the environmental influences into consideration. Mullins (2002) describes the personal contribution of the manager to be concerned with the organization’s overall objectives and its strategic planning. Yukl (2006) presents a ‘three-factor taxonomy’ of skills and this categorization includes technical skills, interpersonal skills and conceptual skills, which are the same as the skill categories presented by Mullins (2002).

According to Mullins (2002) the key ingredient that a successful manager has to master is how to handle people and how to behave accordingly. The performances by the employees are truly effected by the behavior of the CEO and the kind of leadership practiced. The style of management that is used is in most situations as important as the skills of the CEO. Further Yukl (2005) argues that the skills needed in a certain managerial position may not be the same as those required at a higher level of management.
The behavior, the role and the rules for the CEO has changed during the last decade due to several scandals in the corporate world. The changes have brought in new responsibilities that come with high accountability for the CEO. Leading a company implies that you have to cope with working in a place where the circumstances changes all the time (Carey & vonWeichs, 2005). Re-structuring of a company can be led by the top management, but it can also be initiated by an employee closer to the actual problem (Yukl, 2005).

We continue the discussion around the dual role perspective in the following part by talking about the work of the CEO.

### 2.3.2 The work of the CEO

Mintzberg (1973) argues that the managers has to balance both new and different tasks as well as everyday operations, where they too take a part, and are expected to make decisions on a daily basis. Yukl (2005) points out that most managerial work can be divided into four general areas, “developing and maintaining relationships, obtaining and providing information, making decisions, and influencing people” (p. 41).

Further, Mintzberg (1973) argues that the manager’s work and its characteristics are influenced by four sets of variables, seen in figure 5 above. The first variable is the company and its environment. Second is the actual job held by the manager, it may be marketing or the actual CEO position. Thirdly is the characteristics of the person that holds the managerial position and finally there are factors effecting the managers work that vary with the season for example. Although Mintzberg’s theories are old, and some of them might seem
obsolete, we argue that this theory explained above still is valid. A manager today still needs to consider the environment as well as factors effecting his/her job, however, these factors are different today. Recently the managerial work has come to include more international contacts and issues as well as having to understand different cultures and beliefs (Yukl, 2005).

The demand of the person who holds the CEO position has increased, and so has the responsibility. Although the CEOs have much power they can have restrictions to what they can decide themselves. The CEO must develop skills, such as those described above, in order to deal with pressure that comes along with the role (Carey & von Weichs, 2005). It is the job of the manager, and the responsibility to create and maintain good operations within an organization. A good atmosphere must be created in which people can work and get inspired. Further, the CEO has to take care of the strategies so that the organization is changing alongside the environment, which the manager needs to know a lot about in order to read the environment and the market. It is the manager’s responsibility to monitor the work, even if it mostly runs on routine (Mintzberg, 1973).

As mentioned above it is important to understand the skills of a middle manager since we consider the subsidiary CEO position as one with dual roles, where the middle manager is role included.

2.3.3 Middle manager skills

Since the beginning of the 1990s the demands on middle managers and their skills have changed. There are three factors that are contributing to this fact, first there is the new focus on quality management, secondly there is the dependence of teamwork and finally the fact that the organizational structure is becoming flatter (Klagge, 1998b). In his research Klagge (1998b) finds “a list of personal skill categories that include the following: personal communication, conflict resolution, leadership, consulting/facilitating, ethical/legal issues, developing/mentoring others, and computing” (Klagge, 1998b p. 483).

In Klagge’s (1998b) research he also defined a list of process skills that a middle manager should possess, which different kinds of tasks they should handle. “[…] process skill categories of: business process improvement, customer service, partnering, project management, mental models, systems thinking, change leadership, resource allocations, organizational visioning, and navigating the organization” (Klagge, 1998b p. 483).

Together these two categories, personal skills and process skills becomes an extensive list. Jackson and Humble (1994) also mention some important characteristics that a middle manager should possess, one of these is that they should be able to convert, the strategies that the top management decides, into the operational level where they are to be implemented.

As mentioned before organizations today are getting flatter and therefore middle managers also have to face new roles which mean that they have to develop new skills. One of the tasks given to middle managers has often been to organize the practicalities of the downsizing in the organization (Dixon, 1995). Furthermore, building on what Klagge (1998b) mention as process skills, Dixon (1995) writes that the middle manager holds information from several sources within the organization that can create new and innovative solutions that improve the processes.
McKenna (1994) also confirm what Klagge (1998b) wrote about leadership and developing others, he reached the conclusion in his research that the middle manager is concerned with the development of their subordinates and that they want to be good at leading and developing the people they manage (McKenna, 1994). Not only the skills mentioned above are important but also the type of person the middle manager is. How much experience one has, as well as the skills learned from life are also important (Jackson & Humble, 1994).

The following section of this chapter will provide the reader with a summary of the theoretical framework just presented.

### 2.4 Summary of the theoretical framework

#### 2.4.1 Subsidiary management

The first part of the theory showed how the relation between subsidiary and parent company should be managed. It is important to analyze the relationship to understand the different roles that the parties have. The governance relation itself can take several forms and the theory presented showed three general aspects on the roles between subsidiary and parent company.

The following section went more in to depth regarding the roles in the relationship. As a consequence of dividing the relationship into roles, perception-gaps can occur and this was shown in figure 3. Finally, the last section connected to subsidiary management was the relation between the subsidiary and its board of directors. The theory presented showed that the subsidiary board of directors can take on any of three roles. We consider the roles in the relationship as important as we believe this could have an effect on how many decisions that the parent company and the board of directors guides the subsidiary in. Furthermore, we believe that the role in the relationship described in the theory also has an effect on how much the CEO can effect the whole organization.

#### 2.4.2 Organizational control

After stating why organizational control is important the discussion went on to different kinds of control. Further, the control of the CEO was discussed and followed by a discussion about delegation. Successful strategy implementation is based on a sound control system to ensure that it works in the way intended.

Thereafter, middle managers and control was discussed, where several authors call for more integration of middle managers in the strategy decision making process. One obvious reason for this is that the middle managers are the ones that are supposed to implement the decisions taken by top management. The more middle managers know about the underlying reasons for the decisions taken, the better the implementation process will go, which in turn will effect the end result in a positive way. At the same time, information is power which might be one explanation for top managements’ unwillingness to include middle managers in the decision making process. Our intention with these theories are to find in what areas the subsidiary CEO has control, and as we have to consider the dual role perspective, control for both a CEO and a middle manager is relevant.
2.4.3 The dual role perspective

The final theory area that this thesis focused on was the dual role perspective. Connected to this perspective are firstly the CEO skills and the work of the CEO, secondly the middle manager’s skills.

The CEO skills part presented several authors’ view and of course there were some skills which were the same in those lists. Apart from being skilled, there are also other things to consider, for example how to handle people correctly. In the section called the work of the CEO, there was theory regarding factors that influence the CEOs work as well as factors that imply demands on the work.

Furthermore, skills of the middle manager were presented. These skills were divided into personal skills and process skills by one author. In addition to this, the skills by other authors are presented which describe the middle manager as a driver of change.

With these theories concerning skills we would like to get an understanding of how the subsidiary CEO controls the subsidiary. Because of the dual role perspective we have to regard both CEO skills as well as middle manager skills, to provide us with a set of skills held by the subsidiary CEO.

The following chapter will give a detailed description of how the study was undertaken, the method chosen.
3 Methodology

This chapter will present the reader with information of the approach taken to fulfill the purpose of this thesis. First the approach taken will be described, followed by the data gathering methods. Further, there will be information about the interviews, the questions used and the respondents. Finally, there will be a section about how we handled the data and its trustworthiness.

In order to get inspiration and some new ideas about the choice of topic for this thesis, we contacted Professor Tomas Müllern to learn more about his study on middle managers, as this topic seemed interesting to both of us. After some initial discussion with the professor we continued the discussion ourselves and reached a decision about the topic. We started off with the middle manager aspect and then made a final decision to more specifically look at the dual role of the subsidiary CEO. How we moved from these discussions to the final thesis will be described below.

3.1 Methodological approach

There are several methodological approaches to choose from when deciding to conduct research. Collis and Hussey (2003) divide them into two main groups or paradigms, namely the positivistic and the phenomenological approach.

One of the approaches included in the phenomenological approach is the hermeneutic view. “Hermeneutics is the art and science of interpretation” (Ezzy, 2002, p.24). In contrast to the positivists, the hermeneutics are not interested in explaining phenomenon, but rather to reach understanding by listening to people’s experiences and then interpreting the findings (Patel & Davidson, 1994). This fits very well with the purpose of this thesis which is to examine the subsidiary CEOs dual role. We have chosen to lean towards the hermeneutic perspective because of the nature of this study which involves interviews. The information that we receive from the interviews will be interpreted and hence we will tell other peoples stories to reach an understanding of the topic at hand.

The reason for taking a qualitative approach was because we wanted to get a more thorough insight in to the world of the subsidiary CEO. It also became the logical way to proceed in our study when reading what the different methodological authors say about it. According to Ezzy (2002), it is particularly suitable for examining and developing theories that concerns the role of interpretations and meanings. Holme and Solvang (1997) convinced us even more by saying that the purpose of the qualitative method is to reach an understanding of the problem investigated. Further, Holme and Solvang (1997) say that it is characterized by the closeness to the source. It is less concerned with generalizing and it is often done in a less formalized manner. An additional strength of the qualitative method is that it becomes possible to see the whole picture, which increases the understanding of social processes in society. In contrast to the quantitative method it is hard to generalize from the qualitative method, due the scarcity of resources that the investigator usually has to deal with (Holme & Solvang, 1997). We are aware of that we can not cover all aspects and perspectives of the topic at hand and just as Ezzy (2002) points out, the interpretations made are inescapably colored by the researcher’s own underlying assumptions and background.

Furthermore, it is important to choose a way to approach theory. According to Holme and Solvang (1997) there is a need to systematically describe different phenomena in society in
a theoretical way. The methodological literature offers two main alternatives, the deductive and inductive approach. The deductive method is the traditional way of conducting research and is based on hypothesis testing (Backman, 1998). The inductive method, consists of observations and analyses of phenomena that lead to hypothesis testing and perhaps to new theories (Befring, 1992). During this study we followed the latter method. The reason for choosing the inductive method is that it is more suitable in our situation, where we want to answer our purpose by finding out how the subsidiary CEO experience their situation with the dual role in mind.

3.2 Data gathering

In order to fulfill the purpose of this thesis we needed to collect primary data. Bell (1999) says that primary data is created during the process of the research, while secondary data consists of interpretations of already existing data. As mentioned before, the literature on the subsidiary CEO position was not extensive enough to provide us with satisfactory answers to our questions, hence we needed to collect primary data and how we gathered the data is described in the following sections.

3.2.1 Primary data

If the researcher is looking for depth, nuances and complexity then, an interview is an appropriate medium according to Mason (2002). We wanted to reach an understanding of the dilemmas facing the subsidiary CEO, therefore it was natural for us to conduct interviews to find out more about the specific position. Interviews can be done face-to-face, via telephone, screen-to-screen, with individuals or with groups (Mason, 2002). Due to the long distance to some of the interviewees, we decided to use not only face-to-face interviews but also telephone interviews. According to Befring (1992) telephone interviews can be just as fruitful as face-to-face interviews and refers to methodological studies performed on this topic.

Collis and Hussey (2003) mention several advantages with making interviews. Interviews make it possible to ask more complex questions than a questionnaire would. Further, it allows the researcher to ask follow-up questions, which can create a higher degree of confidence. The authors also bring up problems associated with interviews. For one thing, they can be very time and resource consuming. Another aspect is the question of confidentiality. In addition, Collis and Hussey (2003) say that it is important that the interviews are conducted, asked and interpreted by the respondents in the same way. We question the relevance of the last two of these statements. Concerning the confidentiality issue, we believe on the contrary that the quality of the interview even can be raised if interviewees are kept confidential, since it makes the interviewee more relaxed and thereby increases the chance of receiving more honest answers to questions that can be considered as sensitive by the respondents. We also question the reasoning about that the interviews are supposed to be understood and interpreted in the same manner. Interviews by nature are characterized by subjectivity and interpretations, hence making Collis and Hussey’s (2003) reasoning questionable. We agree with Ezzy (2002) who is of the opinion that there is no such thing as biased research since this would imply that there is unbiased or objective research as well. Instead he proposes that one should view all research as being influenced by “political interests and theoretical influences” (Ezzy, 2002, p. 57).
3.2.2 Secondary data

In addition to the interviews made, secondary data was gathered to build our theoretical framework. Collis and Hussey (2003) describe secondary data as something that already exists, such as books and documents. Befring (1992) adds to the description by saying that secondary data is gathered for other purposes but still can be used in ones research, although it is not of the same weight as primary data. We chose to focus mainly on articles within the topics of managerial control, subsidiary management, issues concerning middle managers and articles dealing with the position and role of the CEO. The reason for devoting most of our time to articles and not books was because articles found in magazines are usually the form in which new material first is presented, and therefore most up to date. However, we read several books on the topics as well and also used textbooks as a way of finding more relevant authors. We also used Statistics Sweden (SCB).

In order to find appropriate articles we used different databases that were accessible through Jönköping University’s library. We searched in Julia, the library’s own search catalogue. Further, we used databases which deal with the topic of management such as ABI/Inform, Blackwell Synergy, JSTOR Business, Emerald Fulltext and Google Scholar to collect interesting articles. Some of the search terms used was: Control AND Management, Subsidiary CEO, Subsidiary Management, Middle Manager AND Control, CEO AND Strategy. In addition, we also had access to articles collected by Professor Tomas Müllern for his study on middle managers.

3.3 Interview technique

When it comes to the interview method Collis and Hussey (2003) say that closed questions, where the questions are set in advance, is more suited for positivistic researchers, On the contrary, a phenomenological researcher would prefer unstructured questions, which do not have to be prepared in advance. These open ended-questions are often of a more explorative nature and may be used in order to dig deeper into a certain topic as it turns out to be interesting to the researcher. According to Collis and Hussey (2003), the strength of the latter approach is that the topic discussed will be viewed from many different angles. Mason (2002) describes a third variant which is called semi-structured interviewing. Here, the questions are written in advance but still allow the researcher the freedom of flexibility. It also opens up for discussions and follow-up questions and additional topics can be brought into the conversation. Common for the semi-structured style is that there is an interaction in dialogue between the researcher and the respondent. It is characterized by a fairly informal style with many features of a discussion, rather than only questions and answers. The topics are fixed, although the order of the questions can be revised and additional topics might be brought into the discussion (Mason, 2002). We decided to use a semi-structured style. The opportunity of asking follow up questions or asking the respondent to clarify answers was appealing to us and was something that we believed would strengthen the quality of the interviews. Also the possibility to bring up new topics was considered to be useful in order to make the picture of the interviewee’s situation more nuanced.

3.4 Design of the interviews

There are many aspects to think about before conducting an interview. Ezzy (2002) says that the aim of the interview should be to listen and interpret the story that the respondent tells you. It is important not to unveil how you as a researcher expect the interviewee to an-
swer (Ezzy, 2002). We tried to follow this piece of advice by formulating the questions in a way that encouraged the respondents to elaborate on their answers with as little interference from our side as possible, this was done by eliminating yes and no questions as well as asking open questions. By doing this we wanted to have as little impact as possible on the interviewee’s answers. Further, we deliberately avoided statements, since they can steer the interviewees reasoning in a direction that s/he believes that we as researchers want them to go. Patel and Davidson (1994) stress the importance of not putting the respondent in a defensive position, something that would effect the quality of the answers negatively. We tried to follow this principle to some extent, although it was unavoidable that some of the questions asked were more sensitive to the respondents than others.

Patel and Davidson (1994) give more pieces of advice by saying that it is important to motivate respondents, since they might not always see the benefits of being interviewed. To communicate the purpose of the interview and if possible, trying to relate that purpose to the respondent’s own goal is important. Further, to ensure that the respondent is aware of that the interview is important for the research is therefore very beneficial for the outcome of the interview (Patel & Davidson, 1994). When contacting the respondents we informed them of the purpose of the thesis, and since it is about the subsidiary CEO position it was not difficult to motivate the subsidiary CEOs to agree to be interviewed. When talking to the subsidiary CEOs, we asked for their permission to contact one of the other employees at the company to get another perspective on that role. All subsidiary CEOs but one granted this request and with the support of the subsidiary CEO, it was not difficult to find three employees who accepted to be interviewed. In one case our request of interviewing a co-worker was denied due to their heavy workload. When contacting the co-workers, we explained that their view on this position was very valuable in order to get a better description of the subsidiary CEO role. All the respondents were also told that their names and the companies that they work for would not be mentioned in the thesis, something that we believed made the persons more willing to be interviewed.

Patel and Davidson (1994) recommend that the interview should start off with neutral questions and also finish in that way, where the most relevant questions are asked in the middle. This is done in order to minimize tension and to get the most out of the interview opportunity. Collis and Hussey (2003) recommend that the interviews should be taped in order to better analyze the data. These two recommendations were also followed, where the structure of the questions was thought through in respect to this advice and a recording device was used for all interviews. By using a recording device we could focus our full attention on the respondent’s answers, which decreased the risk of interpretation errors. This is one reason for why we did not have to come back and ask the respondents to clarify their answers or ask additional questions, even though we were welcome by the interviewees to do so. The semi-structured style of the interview made it possible to ask additional questions during the interview.

In order to prepare the respondents for the interview, we sent out the topics of the interview and a few sample questions some days in advance. Since some of the topics were not relevant to both groups, the topics differed slightly depending on whether they were sent to a subsidiary CEO or if they were sent to a co-worker. In this way the interviewees had some time to reflect upon the issues and thereby raising the quality of their answers, compared to if they would have been totally unprepared for the time of the interview. Although we gave away the topics, we did not want to give away the questions themselves before the interview. The reason for this was that we still wanted to have the advantage of being able
to surprise the respondent by our questions. The questions used can be found in appendix 1 and 2.

3.5 The reasoning behind the questions

Bell (1999) says that it is important to critically examine one’s questions and think if another researcher would use the same tools and questions and if these would give the same answers. In accordance with the recommendations by Bell (1999), we were careful in selecting the topics and questions that we wanted to cover in the interview. With respect to the purpose and research questions at hand, we delimited the topics of the interview with the subsidiary CEOs to five key areas and some general questions. Most of the questions treated the topic of how much control each subsidiary CEO really has. Therefore, several question areas are closely linked to this topic, although the approach to it differs. The main question areas were about control, independence, influence and roles along with general questions.

The different question areas that is found in appendix 1 and 2 can be traced back to the four research questions asked. Research question one about the extent that the subsidiary CEOs decisions are guided by the parent company’s management is reflected in the questions areas about general questions, independence, control and influence. The next research question is about the influence of the subsidiary board of directors, which can be seen in the questions concerning independence. Moving on to research question three, regarding the extent that the subsidiary CEO influence decisions taken by the whole organization, which is answered with the help of questions found in the influence section. Finally, research question four, which treats the CEO’s perception of the level of control that s/he possesses, is mainly concentrated around the control issues brought up in the question section with the same name. For our purpose the general questions applied in addition to the questions about roles which were intended to demystify this further.

Although we had the questions written down, we did not stick to the order of the questions. Instead we adapted the order of the questions depending on where the answers and reflections made by the respondent took us. We always started off with general questions concerning the professional background of the interviewee as well as questions regarding the activities that the subsidiary CEO undertake as well as how their time is divided between different activities. These easy questions were intended to get the interviewee to start talking and warming them up and make them feel comfortable before the more difficult questions. We then moved on to ask questions concerning responsibility. Here, we wanted to find out if the subsidiary CEOs perceived that they had enough authority and resources to cope with their responsibility. In addition we wanted to find out where the subsidiary CEO’s loyalty was.

The bulk of the questions were concerned with control. We wanted to discover to what extent the subsidiary CEOs had control over their subsidiary company, what type of decisions that the CEO took and what type of decisions that was delegated to others. Further, it was also interesting to find out what type of decisions that the parent company controlled. The questions concerning the independence of the subsidiary CEO are also related to the span of control that the subsidiary manager has. The questions regarding the subsidiary manager’s influence over strategies is closely tied to the previous topics about what the subsidiary CEO has control of, but here the focus is on strategy. Finally the subsidiary CEO was asked to talk about his role as a subsidiary manager which was done in order to get his own opinion.
Another set of questions was prepared for the subsidiary CEOs’ co-workers. These questions were formulated from the co-workers perspective and were intended to provide their view on how they perceive the role of the subsidiary CEO. By interviewing one more employee at each company we wanted to get a better understanding and a more nuanced picture of the subsidiary CEO position in the particular company.

### 3.6 Choice of respondents

Our primary data consists of seven interviews conducted in Swedish, where four of the respondents are CEOs of subsidiaries, whereas the other three interviews are with persons working close to the CEOs. The only criteria that we used when deciding who to interview was that they should hold the position as a subsidiary CEO or have insight into the position of the subsidiary CEO. We wanted to interview one co-worker to each subsidiary CEO in order to get two different opinions for each company, however we only got permission to interview three. In two occasions we used our personal networks to find subsidiary CEOs willing to be interviewed. In one case this led to an additional interview with the third CEO. The fourth CEO was contacted by phone without any connection to us or the other CEOs. The contact with the CEOs consisted of both telephone and e-mail contact. We asked the CEOs for permission to interview one additional person at the company and in three out of four cases we asked them to recommend us someone that we could talk to who had enough insight into the role of the subsidiary CEO. In one case we could choose for ourselves and decided to go for a middle manager that worked with administrative issues as well as being a team leader. The level of experience that the respondents have from the position as a subsidiary CEO varied where three had been a CEO for a long time while one only for a couple of years. CEO 1 had been a CEO for seventeen years of which three as a CEO for this company. CEO 2 and 4 also had vast experience with ten years respectively in the same company as a CEO. CEO 3 on the other hand that has only been a CEO for a few years but still, has already been a CEO for two different companies. We decided to interview each respondent individually because we did not want the respondents to be influenced by each others’ answers. In addition, both authors of this thesis were present for all interviews, face-to-face as well as telephone interviews. This decreased the risk of interpretation errors, since we could check between us to see if we interpreted the answers in the same way or not.

<table>
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<th>Place</th>
<th>Duration</th>
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<td>Face-to-face interview</td>
<td>2007-04-12</td>
<td>Cw's office</td>
<td>30 min.</td>
<td>Cw 1</td>
</tr>
<tr>
<td>Co-worker 2 to subsidiary CEO 2</td>
<td>Telephone interview</td>
<td>2007-04-24</td>
<td></td>
<td>20 min.</td>
<td>Cw 2</td>
</tr>
<tr>
<td>Co-worker 4 to subsidiary CEO 4</td>
<td>Face-to-face interview</td>
<td>2007-05-03</td>
<td>Cw’s office</td>
<td>30 min.</td>
<td>Cw 4</td>
</tr>
</tbody>
</table>
In the table above a summary is shown concerning the respondents and the information about the interviews, the codes for each of the interviewees will be used from here and onwards. In three cases telephone interviews were made, the reason for this was that the respondents preferred this interview method due to their lack of time.

### 3.6.1 Description of the respondents line of business

The industries in which the subsidiary CEOs’ operate differs widely. The biggest of the parent companies is an industrial company which has sales figures reaching several billion SEK and has thousands of employees worldwide. It is divided into four groups, where CEO 1 is in charge of a Swedish sales office within one of these groups. The sales office has a turnover of more than SEK 180 million.

The second CEO is running one of three divisions in a company which has sales figures of around SEK 300 million. This industrial company has customers worldwide and has over 500 employees.

CEO 3 belongs to an international group which produces building material. It has a turnover of over SEK 3 billion. The Swedish sales office employs less than ten people, and has a turnover of around SEK 30 million.

The last company is in the wood and pulp industry. It has about 50 employees and a turnover of over SEK 500 million. It consists of three subsidiaries, where CEO 4 is the head of one of them.

### 3.6.2 Description of respondents relation to each other

The first interviewee couple, CEO 1 and Cw 1 works in the same office, just next to each other. Cw 1 is responsible for administration at the office as well as being team leader for the personnel working with orders. She estimates that she roughly spends a couple of hours a week together with the CEO but of course it varies, sometimes more and sometimes less.

Cw 2 is the financial director of CEO 2’s subsidiary. Hence they work very closely together and Cw 2 explains that at times they can spend almost half the week working together, discussing relevant issues for the subsidiary.

The relation in the final interviewee couple is that Cw 4 is the marketing manager of CEO 4’s subsidiary. Cw 4 estimates that he spends eight hours a week together with his CEO, they speak several times each day either on the phone or in person.

### 3.7 Coding and analyzing the data

When undertaking a qualitative approach the material collected is usually extensive. Collis and Hussey (2003) say that it needs to be carefully organized, otherwise there is a risk that valuable data will be forgotten in the analysis. To prevent the loss of valuable data, the authors have therefore come up with a general analytical procedure. They recommend that the researcher convert field notes into written records and reference them properly. Further, they recommend that the coding should start as soon as possible after the first interview when it is still fresh in mind. When this is done it is time to categorize the data into smaller pieces and make summaries. From the summaries it is possible to make generaliza-
tions, which can be compared to existing theories as well laying the foundation for new
tories. Ezzy (2002) agrees with Collis and Hussey (2003) and says that the analyzing
process should begin at the same as the first interview takes place. It is preferable to tran-
scribe the interviews as they are completed and not wait until all interviews are finished.
Transcribing right away will improve the quality in the sense that questions that come up
during the transcribing process can be posed during the latter interviews.

We followed the advice by Collis and Hussey (2003) and Ezzy (2002) by transferring the
recorded interviews to printed versions as soon as possible. One of the transcriptions is
presented in appendix 3 in order to strengthen the trustworthiness of the thesis. However
it is in Swedish since that was the language used during the interview. Listening to the in-
terviews was useful since it allowed us to reflect upon the questions and answers hence
making it possible to adjust details for the interviews to come.

Collis and Hussey (2003) identify three problems when it comes to how to deal with the
data collected. First the investigators have to decide how to reduce the data. This is done
by some sort of coding. Then the data needs to be structured which often is done by fol-
lowing the theoretical framework. The last problem has to do with presenting the data in
an appropriate way. This can be done by using tools such as diagrams or tables. Mason
(2002) suggests three ways of sorting qualitative data. It can be done either by cross-
sectional or categorical indexing, in a non-cross-sectional way or by using diagrams or
charts. Cross-sectional or categorical indexing means that the researcher uses a system for
indexing the data based on common measures and principles. This method can be as sim-
ple as putting numbers or headlines in the body text to make it more manageable. One of
the most common reasons for using this technique is because it helps the researcher to
structure themes, which do not come in that order in the data. The non-cross-sectional
data technique is often used in case studies, where the investigator looks at particular parts
or contexts of the data and document with this aspect in mind. It is preferable when the re-
searcher wants to achieve distinctiveness of different elements in the data which the cross-
sectional method fails to provide. Finally, the advantages with using carts and diagrams are
that the data can be presented in a more efficient way or be easier to understand for the
reader. Diagrams and charts can also be combined with any of the other methods to reach
the best result (Mason, 2002).

We decided to write the empirical part in a cross sectional or categorical indexing way
based on the different topics from the interviews and thereby including all of the respon-
dents’ opinions on one topic at a time. We considered this to be a better approach than
writing one interviewee’s opinion at a time, since the latter method would make it more dif-
ficult for the reader and us to compare and contrast the respondents’ answers. We also
used a table to summarize the empirical findings.

3.8 Writing the analysis and the conclusion

In order to structure the analysis in a good way we started off by brainstorming and dis-
cussing ideas on a whiteboard. We answered one research question at the time with theory
and the empirical findings as the base for our reasoning. In addition, we had a discussion
around the purpose of the thesis. Once again the transcripts turned out to be very useful,
since the word-by-word reasoning improved the accuracy of our interpretations, compared
to a situation where we only would have had the summaries from the interviews to analyze
from.
3.9 Validity and trustworthiness

Collis and Hussey (2003) describe validity as to what extent the research findings accurately mirror what is occurring in the special situation at hand. According to the authors the validity will be high if the researcher tries to capture the core of the problem by having access to rich information from different perspectives. In order to ensure that we would receive rich information we tried to interview two persons per company. As mentioned before, interviewing a co-worker, in addition to the subsidiary CEO, provided us with a better picture of the subsidiary CEO’s working conditions in the particular company. In one case our request of interviewing a co-worker was denied due to their heavy workload.

Collis and Hussey (2003) say that the researcher’s goal is to get a complete understanding of the phenomenon at hand. If this is achieved then, as a consequence, the validity will be high. We tried to strengthen the validity by asking questions from different perspectives about the subsidiary CEO’s span of control. The topics influence, roles and independence are all closely connected to the control aspect of the subsidiary CEO’s work.

Befring (1992) also speaks about how to strengthen the validity. The author says that it is strengthened by building the interview situation as far as possible on the conditions of the interviewee’s premises. This means that the interviewee is giving the opportunity to express him/her self in his/her own way. We tried to follow this advice by using a semi-structured interview technique, which allowed the respondent to interpret and answer the question in their own way. The questions that were asked were formulated in a way which would provide us with long answers rather than yes or no answers. We deliberately avoided interfering in the interviewee’s reasoning. In this way we assured that we were not inflicting our thoughts upon the interviewee’s answers.

The concepts of validity and trustworthiness are closely linked. According to Lincoln and Guba (1985) validity is the warrant of trustworthiness (cited in Scheurich, 1997). Tashakkori and Teddlie (2003) go as far as saying that they can be treated as synonyms. Further, the authors say that the validity or trustworthiness can be examined in each stage of the research process. Eneroth (1984) is of the same opinion and concludes that it is good to bear this in mind when carrying out the research, although you cannot take everything into consideration when performing qualitative research.

One issue that concerns the trustworthiness of the study is the fact that the subsidiary CEOs operate in different industries which effect the analysis of the study. We are of the same opinion as one of our subsidiary CEOs, that the style of the leadership is affected by the type of industry they are in. However, since we are not interested in making generalizations but merely focusing on the role of the subsidiary CEO, we consider that the trustworthiness is not harmed by this. We believe that the insight into different sectors is interesting since it also gives us the possibility of comparing and contrasting the different CEOs situations. Further, the trustworthiness is increased by interviewing co-workers to the subsidiary CEO’s and by including one of our interview transcripts as an appendix.

Befring (1992) emphasizes the importance of finding out how trustworthy different sources are. The investigator has to decide how close the source is to the situation at hand and whether the source has any reason to make the story more favorable to themselves (Befring, 1992). We gave the subsidiary CEOs and their co-workers confidentiality since we believe this increase the quality and trustworthiness of their answers. Despite this we can not guarantee that the respondents answered all questions as honestly as possible even though they gave an honest impression. In addition, in order to prevent us from making
misinterpretations the respondents were given the opportunity to read the thesis before the final version was printed.

After explaining how the study was undertaken, i.e. the method chosen, the following chapter will introduce the reader to the empirical findings of our study, the answers that we received during the interviews with the subsidiary CEOs and their co-workers.
4 Empirical findings

This chapter will present the findings from the interviews made with the subsidiary CEOs and their co-workers. The structure of the chapter is taken from the research questions as well as the questions used in the semi-structured interviews. After two of the longer sections a short summary will follow to ease the understanding.

The following information was gathered through the interviews made, according to the information given in chapter three. We have divided the findings into areas with subheadings in the corresponding order in which they relate to the research questions found in chapter one. After the empirical findings a table will be shown to give a summary as a remainder before the analysis.

The first section of this chapter corresponds to research questions one, two and three and will give answer to what extent the subsidiary CEO’s decisions are guided by the parent company’s management as well as in what way the board of directors of the subsidiary company influences the decisions taken in the subsidiary. In addition, how much the subsidiary CEO can influence the whole organization was investigated.

4.1 Subsidiary management relations

The subsidiary that CEO 1 is in charge of belongs to a group of companies that are called the ‘Europe division’, which in turn all reports to the head office. CEO 1 belongs to a group consisting of the managers of the five biggest sales offices on the European market. These five subsidiary CEOs meet every two months with the management and the financial director of the European head office to discuss the development for the respective subsidiaries and to formulate new strategies in a council.

The business organization, which subsidiary CEO 1 is part of, exercises control over the subsidiaries by accepting or rejecting their business plan and budget. In addition, the subsidiary reports each month to the divisions head office. There are also regular meetings every two months, so according to CEO 1, the parent company is well informed about the different subsidiaries’ situations. There is a widely known common goal which is set by the parent company, something that CEO 1 feels is natural and the way it should be. Although, the goals are set by the parent company, CEO 1 can discuss and decide how these goals will apply to Sweden. CEO 3 experiences the parent company control solely by them requesting reports concerning the financial situation of the subsidiary. They can ask questions such as why are you 10 % behind budget or why are your costs 10 % ahead of budget? The parent company also uses benchmarking between their different subsidiaries.

Similar to CEO 1, CEO 2 is also a member of a council consisting of the CEOs of the different subsidiaries and the parent company management. This council makes decisions for the group as a whole. Furthermore, CEO 2 says that in his organization they meet every second week to discuss how the organization is performing. The vision and the goal is brought up and changed if needed, but in the end it is the management of the parent company that decides upon the vision, and the goals at these meetings. Cw 2 explains that any changes in the organization is discussed at the management meeting, where the subsidiary CEO’s also attend to give their point of view. However, as mentioned before it is the top managers that decide in the end.
In CEO 3’s organization the goals and visions are very clearly stated. The visions are run in 5 year periods but developed and changed each year. The subsidiary CEO uses the organization-wide vision to develop his subsidiary’s vision. The relationship between subsidiary and parent company is described by CEO 3 as very good. The top managers do not interfere if things are running as planned, CEO 3 says that if you are selling according to budget no one questions anything.

In contrast to the other organizations, the organization that CEO 4 belongs to does not have a clearly stated vision. They work according to an entrepreneurial spirit instead, with a focus of making as much money as possible.

“[…] produce as much as cheap as possible and sell as expensive as possible, that is our goal.”

(Personal communication CEO 4, 2007-05-03)

In the case of CEO 4, he is the one that sets the goals for the subsidiary without much interference from the parent company. He says that he knows little about the parent company.

Misunderstandings between parent company and subsidiary are something that the CEOs have a hard time to come up with examples of. All of them mention an example, but then state that it probably should not be described as a misunderstanding.

CEO 1 talks about that the producing unit within his division can cause some problems because they sell the material internally to his company and they have different opinions regarding profit margins. Cw 2 talks about challenges for the CEO, for example to be profitable with production in Sweden, which for many companies is a struggle. CEO 3 mentions that small subsidiaries are sometimes obliged or expected to deliver as many reports as their larger sister companies. However, they do not have the resources and this is something that the parent company sometimes fails to see. Finally, the example that CEO 4 provides us with, after saying that there are no misunderstandings, is that there has been disagreements and he mentions the time when he wanted to introduce a profit sharing program to the employees.

The relationship also regards information flow, CEO 1 feels that the flow of information is good, almost too good, that they over-communicate. CEO 3 also regards the information flow as good, and something that constantly is improving. Most information is sent to him by e-mail. In contrast, CEO 2 feels that there sometimes is a lack of communication, that too much is taken for granted and that he is allowed to work too independently. This statement is something that CEO 4 describes as well, if they want information from their parent company they often have to ask for it. However, the information from their company to the parent company is good with monthly reports. According to Cw 4 there are no real problems with the CEO role in their organization, they are not in contact with the parent company very often.

4.1.1 Independence

CEO 1 feels that he is allowed to work independently from his parent company, which Cw 1 also mentions. However, CEO 1 also recognizes that his work has some restrictions, mostly since they are a public company and is therefore regulated by the Swedish law for public companies. Further restrictions that CEO 1 feels are regarding investments and Cw 1 explains that an investment regarding IT most certainly will need approval, because of the
large cost. CEO 1 also mentions that there are some policy’s regarding contracts which can be about the size of the deal that must be passed on to the legal department of the parent company.

CEO 2 also feels independent in his work, although, he believes that it much depends on how the parent company is structured. CEO 2 tells us that the first seven years their company was alone in their line of business, hence they needed to take no consideration to the other companies within the group, whereas for the last 5 years this was required. Some of the customers are even the same now, which calls for much more consideration and discussions within the group. CEO 2 thinks that it is very different if you have to negotiate within the group or not.

Further, CEO 2 says that the restrictions that he has, like CEO 1, concerns investments and larger contracts. Cw 2 explains the fact that the independence much depends on the owners of the company, if they allow the CEO of the subsidiary to make the decisions himself or not. Cw 2 is of the opinion that CEO 2 is independent from the parent company, as long as he follows the guidelines set, no one comes and puts their nose in the details.

When asking Cw 2 about how she perceives CEO 2’s responsibility versus his resources and authority, she says that it depended upon the owner at the time. In the first case the owner allowed the subsidiary CEO to run the company quite independently. CEO 2 often got approval when he wanted to do something. Cw 2 says they had a very good relationship. In the other cases it worked pretty well, but Cw 2 stresses that there is a need for the management of the parent company and the subsidiary CEO to get to know each other in order to be able to trust one another. Cw 2 also points out that when there are several subsidiaries involved, there will be conflicts and then it is important to know the parties in order to find the best solution to the problem. It all depends on the management and what possibilities they have.

CEO 3 considers his responsibility to be in parity with his authority and resources. Once the budget for the next year is approved by the parent company, he has the freedom to decide on how to use the money, as long as he reaches the stated sales target.

“If I reach the result, budget and revenues then I have the freedom to do what I want with the budget.”
(Personal communication CEO 3, 2007-04-25)

CEO 3 says that he has the authority to adapt the company’s costs to the present sales level. However, he also speculates that the parent company would interfere if he did not manage the company’s costs in a satisfactory way and that his independence would be more limited.

Furthermore, although CEO 3 feels independent and says that he can run his work 100 % independently, he also mentions the restrictions that consist of a guideline, which basically is based on common sense. The restrictions mostly concerns large deals and hiring personnel without having the budget for it.

“There is no real difference if you think of your own economy compared to the company’s economy. You just need to bring in more money than you spend.”
(Personal communication CEO 3, 2007-04-25)
Independence also concerns the board of directors of the subsidiary company and they have a somewhat different role depending on which one of the subsidiary CEOs you talk to. CEO 4 describes a very good relation with his board of directors which also are the owners. He feels very independent in his work. The restrictions that he mentions is what is written in his ‘CEO instructions’, that he can make decisions regarding daily operations by himself. But when it comes to larger investments he has to contact the board of directors to get their approval. Cw 4 supports this view and says that bigger investments must be approved by the board of directors of the subsidiary, which are the same members as in the parent company’s board.

CEO 1 explains that in his company the board is just a formality and only exists on paper. CEO 2 does not meet with the board of directors for his subsidiary very often, almost only when discussing the budget.

“The role of the board of directors is not at all to be part of the daily operative activities, but to have a more advisory role”
(Personal communication CEO 2, 2007-04-19)

Cw 2 is on the same line as CEO 2 when she says that if someone is restraining the CEO it is the top managers of the parent company, not the board of directors. CEO 3 states that his board of directors is not that involved at this moment, when everything is going well. He seldom has contact with the board of directors. CEO 4 seems to be the one that has most contact with his board of directors, they meet 4 times a year and then he also speaks to the owner twice a month over the telephone. Cw 4 says that it is when investments are evaluated and projects presented that they are in contact with the board of directors.

Another issue related to independence is whether the management of the parent company runs over the subsidiary in certain decisions. CEO 1 states that he has not felt run over so far in this company, however he does mention that decisions are taken ‘over his head’, suggesting that the parent company has made decisions that CEO 1 felt that he should have been involved in, but has not been offered the possibility. CEO 1 adds that in times when the company is not doing as good as it is at the moment there is a bigger risk that the parent company will interfere in the subsidiary’s activities, but that he has not been around long enough to experience this. Cw 1 says that they have been run over once during the sixteen years that she has been working for the company. There are many subsidiaries in the group, hence making it hard to satisfy all parties. Sometimes you as a subsidiary have to accept that the majority of the subsidiaries have another opinion and you have to follow the decision, even though you do not agree with the decision taken. CEO 2 explains in a similar way as CEO 1 and says that he has not been run over, however, it does happen that he is of a different opinion than his managers and that he does not feel listened to. CEO 2 explains what happens if voted down,

“then you have to make a decision if you can accept the decision taken and move on or if you want to step aside.”
(Personal communication CEO 2, 2007-04-19).

In contrast to this, Cw 2 said that it has happened that the parent company has chosen not to listen to the subsidiary even when the subsidiary found it necessary. Cw 2 tells us that after decisions has been made, the subsidiary has tried to explain to the parent company that these changes are not very good but these objections has turned out to be unsuccessful.
CEO 3 does not use the word run over, instead he chooses to talk about pressure from above. Top management can for example demand more in the beginning to put pressure on the CEO but in the end they lower the demands. The situation that CEO 4 brings up when discussing this issue is the profit sharing program to the employees, mentioned before as a misunderstanding between the parent company and the CEO. Cw 4 can not think of any time that the subsidiary has been run over by the parent company.

Before we move on to the issue concerning subsidiary management relations, the important factors from the findings above will be shown. Across all of the subsidiary CEOs they feel independent from both the parent company and the subsidiary board of directors and that their restrictions are normal. Further, they all explain that they believe that they have enough resources for their level of authority. Finally, there are different opinions within the companies as well as between the companies of whether they have been run over or not.

### 4.1.2 Pressure

CEO 1 tells us that he feels pressure from the head office in the sense that their expectations are high. They expect the subsidiary to deliver what has been agreed upon and preferably a bit more. CEO 1 also points out that you have to learn to live with the fact that as a CEO you do not have any job security. Cw 1 is of the opinion that her manager feel pressure both from the other subsidiaries but also from his own superior and then also from the employees.

＞＞＞In the beginning you slept worse [due to the pressure], but today
I have no problem to sleep well during the night."
(Personal communication CEO 1, 2007-04-12)

CEO 2 responds in a similar way by saying that the pressure mostly comes from the parent company and usually in the form of high expectations on producing results. He also feels pressure from the employees, especially when the workload becomes too heavy. In addition, there is always the pressure from the customers who want everything faster, better and cheaper. In contrast Cw 2 does not believe that there is any pressure from the employees. However, she also recognizes that CEO 2 mostly feels pressure from the organization.

CEO 4 feels pressure from different parties at different times and says that sometimes it comes from the owners whereas other times it is the employees or the labor union that put pressure on him. Cw 4 thinks that CEO 4 feels pressure from the owners and also from the union when it comes to salary negotiations.

＞＞＞Sometimes you can feel pressure from the owners, the labor union and/or the employees. It is difficult to make everyone go the same direction."
(Personal communication CEO 4, 2007-05-03)

As mentioned above CEO 3 feels pressure from his superiors but many times the pressure is exaggerated by himself. It often turns out that there was no reason to worry about it, since the superiors were not interested in information concerning specific details of the issue.

The following section regards the influence that the subsidiary CEO has on the whole organization and is thus connected to research question three.
4.1.3 Influence

When asking the question regarding the influence on the whole organization CEO 1 answers that decisions he makes can to a certain extent also apply to the whole organization, including the parent company and the other subsidiaries. According to CEO 1, there is an open dialogue between the CEO of the subsidiary and the managers at the European headquarter. Mostly this regards the key accounts that this company has, the country where the customer has its headquarters is the one’s taking care of that company globally, not just in their country. To some extent he can also affect the size of the subsidiary’s budget. With key accounts as an exception, Cw 1 says that CEO 1 can not make decisions that concern the whole organization, the decisions mostly regards the subsidiary organization such as local product and market strategies.

Cw 2 does not believe that CEO 2 can take decisions that effect the whole group. But for the subsidiary he can influence and effect strategies and how to work with personnel issues. Many decisions regarding the subsidiary are discussed informally before the official decisions are taken by management. Since CEO 2 is a part of a council for the whole organization, he is of the opinion that he can influence the decisions taken but in the end it is the parent company that decides.

CEO 3 does not consider himself to be able to make decisions that concern the whole organization. However, when it comes to the subsidiary, he is involved in most decisions in some way, for example questions related to customers and financial aspects.

According to Cw 2, it is sometimes difficult to make your voice heard. This opinion is shared by CEO 3 and CEO 4 who also states that they can not make decisions that effect the whole organization, only their subsidiaries. Cw 4 says that they can influence to a certain extent when they put in requests from the producing companies within their organization, which provide them with their raw material.

“If we present a bad result it can have an effect on the whole organization, but nothing more than that.”

(Personal communication CEO 4, 2007-05-03)

CEO 2 mentions the fact that as a CEO of a subsidiary you have a better chance to influence if you know the management of the parent company better. Cw 2 expresses the same opinion in her interview, but also states that the CEO of the subsidiary has influence over the strategy implementation. They have to break it down into parts in their organization in order to ease the implementation of the order from above.

4.1.4 Strategic changes and implementation

Cw 1 tells us that changes usually occur in either of two scenarios. Either the changes are planned very carefully, well in advance of the implementation date or the changes are supposed to be implemented over night with very little warning. Another observation from Cw 1 is that the implementation usually tends to be postponed. When the time frame is too narrow, CEO 1 usually sets a more realistic date for when the change is supposed to be implemented. When the change is finished the subsidiary CEO usually is the one reporting back to the parent company.

“My role is to implement the strategies that have been decided within the organization.”

(Personal communication CEO 1, 2007-04-12)
Empirical findings

CEO 2 says that changes are made when they have to be made. There are daily follow-ups of decisions, it is an ongoing process. CEO 2 is often involved in at least a part of the decision making process before making strategic changes, hence he gets the information early on. Otherwise it will come via the company’s e-mail.

According to Cw 2, changes occur when decisions are made by the management of the group of companies. In these meetings the subsidiary CEOs all take part. Cw 2 thinks that in these meetings the subsidiary CEOs are allowed to express themselves freely, even though their recommendations are not always followed. When these changes then are supposed to be implemented in the subsidiary, the managers need to talk to and inform their employees and trying to make sure that they all pull in the same direction. Cw 2 explains that once the decision is taken you have to adapt to it and implement it whether you like it or not. When it comes to the strategy implementation Cw 2 says that CEO 2 tries to work actively with it and follow it up carefully.

CEO 3 says that he is informed rather early on in the change processes concerning new products. In sharp contrast, CEO 4 claims that there are no strategic changes, hence no information about it. But if there would be any they would come up during the informal meetings.

Furthermore, CEO 1 explains that most of the decisions regarding strategic changes are taken at the management meetings where the subsidiary CEO’s meet every 8th week. The parent company management is well informed about the work in the subsidiary and their development and CEO 1 has influence over the strategy implementation. He can decide himself how the strategic change is implemented as long as he follows the guidelines. Cw 1 mentions that CEO 1 together with the rest of the subsidiary CEOs formulate the strategies used and implemented. According to CEO 4 there are no common procedures when making strategic changes in his organization, if they get information it happens at the informal meetings or during telephone conversations.

The findings in the following section about organizational control are answers to interview questions that all arose from research question four, in what areas the subsidiary CEO control the subsidiary. These findings will later be used in the analysis to show further how all the research questions are answered.

4.2 Organizational control

When asked about what a subsidiary CEO should have control of, CEO 1 replies that it is important to be updated on your market and have an idea of in what direction it is developing. Further, he emphasizes the importance of knowing your organization and to have control over the financial aspects concerning the subsidiary.

CEO 3 is on the same track when saying that it does not matter if you are a subsidiary CEO or CEO of a family firm or of a publicly listed company, the main thing is to have control over the money, the cash flow and to have money in the bank. CEO 4 answers that you as a CEO should have control over everything.

CEO 2 wants to have control of the financial aspects and the development of the company. He stresses that in a small company it is not enough to be in charge of the strategic decisions, you also have to perform other duties such as customer contacts. In addition, CEO 2 makes the decisions concerning the personnel and is in control over decisions that span across different departments of the company.
Along with control also comes responsibility, as it is logical to connect the two in the sense that what you feel responsible for you also want to control. Since without control you cannot make sure that everything turns out the way you would like it to.

CEO 1 says that he feels responsible for the company as a whole, including responsibility for the development of the sales figures. He is also responsible for several customers, so closing deals and signing contracts is one part of his job. Further, his responsibility towards the parent company is to deliver a good result and turnover. This is accomplished by the help of the competent and motivated employees and sufficient resources. Cw 1 is aware of the heavy responsibility that her superior has, since everything the employees does is reflected upon him.

When it comes to ranking who CEO 1 feels most responsible for he says that he feels most responsible for the employees at the subsidiary, but also of course for the other parties as well. CEO 2 finds it impossible to rank who he feels most responsible for. He mention that he feels a huge responsibility for his employees because he is responsible for their pay checks but also on a more personal level since he meets them every day.

CEO 2 claims to have full responsibility for the economic aspects and the development of the company. Further, he is in charge of the day-to-day activities in the subsidiary. Since it is a small company he has to handle many different work activities. Cw 2 describes the work tasks of CEO 2 to include the responsibility of running the company and in addition to head the IT department. Further, he is in cooperation with the board of directors as well as with the owners.

CEO 3 says that he feels most responsible for the company and does not relate this responsibility to any particular person. If the company is doing well then the personnel including him are doing well too. CEO 3 reports to his CEO, who is the head of all subsidiaries and is the one responsible for the results, which the CEO reports to the owners and board of directors.

CEO 4 says that, as a subsidiary CEO, he is responsible for all day to day activities in the company. Examples of where CEO 4 informs the parent company are if the company hires or fires someone or if there is something regarding customers or the market. In order to get everyone on board, CEO 4 has chosen to report the same information to everyone interested within the company. CEO 4 believes that this raises the interest among the employees. He says that he feels most responsible towards the owner followed by the employees. According to Cw 4, the job of CEO 4 is to have the overall responsibility of the subsidiary.

To summarize some of the points above we can see that most of the CEOs feel that they have complete control over their subsidiaries. Special areas mentioned are financial aspects and strategic decisions as well as how to approach the market. The CEOs mention different parts that they feel responsible for, although they find it difficult to pinpoint a special person or persons.

After this introductory part about control and responsibility the sections that follow will provide empirical data on the areas in which the subsidiary CEO feels responsible and has control.
4.2.1 Authority

CEO 1 tells us that his authority and freedom has increased a lot when the new owners took over a few years ago. The old owners had a very short time horizon, something that severely restricted CEO 1 from making long-term decisions. In contrast, Cw 2 has experienced that the previous owners had a long-term perspective but with the current owners, the decisions have become too much focused on the short-term.

Setting up goals is a part of CEO 1’s job, where some of the goals can span up till four years from now, as long as the goals are in line with the parent company. The strategies are only concentrated to the Swedish market, since it is here where the company has its customer base. The decisions that CEO 1 takes are both of short and long-term character, something that also Cw 1 mentions. This also holds for CEO 2. Sometimes CEO 1 feels forced to take very short-term decisions, while other decisions regarding the organizational structure for example is more of a long-term character.

“Decisions have been taken without knowing what is going on a couple of levels lower down.”
(Personal communication Cw 2, 2007-04-24).

Decisions that CEO 2 take alone concerns matters regarding personnel, if the company should make a deal or not, daily investments, changes within the organization such as changes of routines. However, most of the decisions are preceded by some sort of discussion. It is very rare that CEO 2 makes a decision without consulting someone first. CEO 2 is of the opinion that most decisions become better by speaking to someone before making the decision but in the end it is he who makes the decision.

CEO 3 makes decisions that mostly concerns the coming year. He says that, in contrast to a producing company, it is unusual that a sales office make long-term decisions. The decisions regarding production are taken where the production facilities are.

It is very rare that CEO 4 makes a decision without talking to someone first about it. The decisions are both of short and long-term character. When it comes to long-term decisions he usually consults with the board of directors since these kinds of decisions tend to be expensive, such as major investments. He further says that it is hard to look five years ahead due to the changes in the environment. On the contrary, Cw 4 explains that the decisions taken are often of a long-term character, since the owner has a long-term strategy. As long as there is a sound reason for why they want more money to make investments for, it is usually granted.

4.2.1.1 Daily operations

CEO 1 explains that the CEO of a company is the one who has the overall responsibility. He describes his daily work tasks as setting goals for the organization, both long-term and short-term. Cw 1 adds that a CEO needs to be a problem solver. CEO 1 spends most of his time in the office but tries to do customer visits a couple of times a week, hence contact with customers take a fair amount of his time. Along with the focus on the customers, CEO 1 feels that he focuses much on delivering good results.

“As a CEO, depending on your background, you get to do several varying tasks, [...] you have to be directly responsible for the entire subsidiary.”
(Personal communication CEO 1, 2007-04-12)
CEOs explain that almost half of his time is spent dealing with questions from co-workers, which also is mentioned by Cw 2. According to CEO 2, 30% is spent on contacts with customers and suppliers. The rest of his time is devoted to the top managers in the organization.

For CEO 3, who runs a quite newly started company in Sweden, the daily work tasks are concerned with launching their company and getting new customers interested. Alongside this, his task is to lead the personnel and handle the contact with larger customers. He says that 100% of his time is focused on sales, at least that is how it feels now. In addition, he has to deal with the economical and personnel issues.

CEO 4 describes his company as rather small, thus it does not have a lot of bureaucracy and therefore he can be involved in a lot of areas. Cw 4 says that it is the CEO who collects the results from all areas of the company, therefore he has a complete overview of the company's situation. CEO 4 sees the company as entrepreneurial since they are so small. The only returning appointment he has everyday is the morning meeting. In addition, he has some administrative work, a lot of contact with the staff, customers as well as the union.

4.2.1.2 Investments and other financial aspects

CEO 1 works closely with the small finance department. His involvement mostly concerns the follow-up procedures, checking key figures and reporting to their European head office. When it comes to investments, CEO 1 is allowed to make decisions himself up to the limit of SEK150,000. If the investment is exceeding this limit then he needs to get it approved by his CEO. This was also the only restriction that Cw 1 could think of when we asked about the restrictions of her subsidiary CEO.

CEO 2 experiences no limitations except for when it comes to bigger investments which effect the group. The same goes for bigger deals, where you have to consult the management of the parent company first. CEO 2 reasons that this comes quite natural and is nothing that causes problems. CEO 2 mentions that there is a frame in which he is allowed to maneuver. For example the parent company decides what bank to use and credits for the group, but this is normal according to CEO 2 who says that it is supposed to work in this way.

“I am not saying that you have to like economics, but you should at least be interested.”

(Personal communication CEO 2, 2007-04-19).

In the case of CEO 3, the Swedish subsidiary buy the financial services from their Danish sister company. CEO 3 does not see a difference between having the controller in Denmark compared to if the controller would be placed in Sweden, since he can get reports from them as often as he wishes. He receives financial reports every two weeks, in addition to the monthly reports and sales reports that come every day. These are the ones that are most important to keep an eye on according to CEO 3. Further, CEO 3 explains that since they are a sales office with no production they do not have any bigger investments.

CEO 4 says that he knows very well what is going on in the company both regarding financial and personnel issues. They have an informal meeting every months where they discuss matters concerning technical, economical and personnel issues. Like the rest of the subsidiary managers, CEO 4 also needs to check with superiors, in his case the board of directors, before making bigger investments, something that he finds quite natural.
4.2.1.3 Personnel

The personnel responsibility is a big part of the job for CEO 1, he considers himself to be involved in most aspects of it. He thinks of himself to be more of a coach, where he tries to delegate as much as possible in order to make the employees feel valuable. CEO 1 describes it in the following way,

“Set up the goals but allow the employees to take responsibility and then you act as a coach, like in a football team.”

(Personal communication CEO 1, 2007-04-12).

CEO 1 emphasizes that delegation does not mean that you let go of the control completely. Sometimes the CEO must go in and steer things up in order to ensure the quality of the outcome, but most of the time he settles with checking key figures and doing other kinds of follow up procedures.

The emphasis on delegation of responsibilities is something that Cw 1 approves of because it makes the staff feel more important and it shows that their CEO trusts them. Sometimes though Cw 1 can get the impression that the CEO does not care, since he does not ask questions about how the work is progressing. But overall Cw 1 thinks that delegation is something very good and that it is something that you as an employee mature with.

CEO 3 is on the same track and describes himself as someone who prefers to see the employees participate in the decision making and not providing them with all the answers.

“You can give them the guidelines and emphasize that this is important and then they can come up with their own angle of incidence.”

(Personal communication CEO 3, 2007-04-25)

The sales personnel have daily contact with CEO 3 and know what they can or can not do, and if they feel uncertain they contact their manager. CEO 3 concludes by emphasizing the importance of a positive team spirit and says that the more involved the employees are the better the outcome usually gets.

CEO 4 is also in favor of getting everyone on board to work towards the same goal. Even though he confesses that he has problems of staying away from the technical part, due to his background in that area, CEO 4 says that he does not have enough time to be involved everywhere. Therefore, he wants as many decisions as possible to be taken by the employees. For example, the sales and market manager is responsible for what customers the company chooses to work with, while the production manager is responsible for the production. Cw 4 says that his job can be seen as a form of delegation, where he reports the outcome to his CEO. Cw 4 adds that you have certain responsibilities from the beginning but that sometimes there can come up additional work. He mentions that he is the one in charge of the subsidiary when his CEO is away on business trips.

Some decisions CEO 1 prefers to make himself, such as issues concerning hiring and firing employees, bonuses and certain deals with customers. However, many decisions are delegated to the level where the decision is appropriate to make, such as most customer deals. There is an unofficial group, consisting of the managers from the different departments, which meet to discuss current issues in the company. But most of the time CEO 1 prefers to keep everybody in the company informed, since this contributes to the commitment of the employees.
CEO 1 confesses that he has not always been good at not interfering with the work of the employees but that it is something that he has become better at during the years.

“I used to be more into the details of other peoples work, steering and controlling, but today I trust the employees a lot more.”

(Personal communication CEO 1, 2007-04-12)

CEO 2 does not do a lot of delegation according to Cw 2. The reason for this is that each and everyone’s work tasks are already divided, everyone knows what to do and therefore they do not need to be told. They are expected to do their job, it is a tacit understanding. The only area where there is some delegation that Cw 2 could think of, is when it comes to who will be responsible for different customers. Cw 2 says that she spends a lot of time with her CEO, since they discuss a lot of things. This is in line with the comment from CEO 2, where he says that he hardly ever take a decision without first consulting someone.

Following this section above about organizational control, the final section below will present empirical findings that are more related to our purpose, how the subsidiary CEO controls the subsidiary considering the dual role perspective.

4.3 Dual role perspective

As mentioned in the purpose this thesis builds upon our perception that the CEO of a subsidiary in fact has a dual role, being both CEO and middle manager. Hence, this was also an important topic of discussion in our interviews.

CEO 1 reasoned around these questions of whether he could see himself as a middle manager or not, and came to the conclusion that it all depends on whose perspective you look from. His organization is quite small, so as the CEO he can at times take on the sales manager’s role, and in that sense become a middle manager. In addition, he explains that if you take the perspective of his CEO, he will most likely be seen as a middle manager because then he is one of many subsidiary CEOs. However, if you look at the company’s ‘Europe division’ CEO 1 is one of the subsidiary CEO’s in the management group and will therefore not be regarded as a middle manager from this perspective.

Although CEO 2 gave a shorter answer to the same question he gave the same statement, that he very well can be viewed as a middle manager if you look at him from the top management perspective. However, this is not anything that he thinks about. As a subsidiary CEO in his organization he gets to be part of a management council together with the other subsidiary CEO’s.

CEO 3 answers the question in a similar way. He reasons that a subsidiary CEO would feel more like a middle manager when or if the company is not doing so well any longer. CEO 4 is first reluctant to answer yes to the questions but when thinking about it he reaches the conclusion that the owners of the organization may view him as a middle manager.

“If you look at me as a manager, then I would be a middle manager since I am CEO in Sweden, but then I also have my manager that I report to.”

(Personal communication CEO 3, 2007-04-25)
Building on the concept of the dual role it was important for us to ask questions regarding the skills of a CEO and a middle manager during our interviews, that empirical data is presented below.

### 4.3.1 CEO skills

When describing the skills that are most valuable to a CEO, CEO 1 mentions that you have to be a good coach as well as demanding in terms of results from your employees, which should be in line with the goals. CEO 3 also mentions this, and adds that you need to focus on your employees, to make everyone feel included, creating a good team spirit. Cw 1 has a different perspective and mentions that a good CEO should be a good leader, fair, help out with problems that the personnel can not handle themselves, be able to motivate the personnel as well as being clear about what he wants. Finally, a skill that is valued by Cw 1 is the ability of a CEO to delegate responsibility to his employees.

“[…] to delegate responsibility, because it makes the employees feel more important. That the CEO trusts his personnel.”

(Personal communication Cw 1, 2007-04-12)

CEO 2 adds to the list of skills and explains that a good CEO has to be able to understand his personnel and the company as well as to give the employees the right information. The skills that Cw 2 values the most in a CEO are that the CEO should be able to listen to people and to notice the employees. Furthermore, to be able to see through employees and know what they do and what they do not do because there are a lot of people who acts in different ways depending on if the manager is present or not. In addition, she stresses the importance of being knowledgeable within the field and to be able to make decisions but at the same time being able to let people express themselves, although in the end not being afraid to take decisions himself. In addition, not being afraid of conflicts and being able to solve them in a good way is important.

The skill that CEO 4 values the most is to be able to involve everyone, although it is difficult. Being informative is as important as showing that it is the CEO who is in charge. Cw 4 uses the same skills in his description as CEO 4 and adds that you have to give your employees freedom as well as responsibility.

### 4.3.2 Middle manager skills

The middle manager role is also important to this thesis and therefore we asked the interviewees to describe a middle manager. CEO 1 answered that a middle manager is someone who reports directly to him, the CEO, and that is responsible for a certain area within the subsidiary company. This description is very similar to how CEO 2 described a middle manager. Cw 1 was of the opinion that a middle manager is quite similar to a CEO, but that a difference perhaps would be that the CEO holds more authority.

“A middle manager within an organization is one who is not part of the management group but is responsible for a certain area in the company.”

(Personal communication CEO 2, 2007-04-19)

CEO 2 state that it is not the position within the company that is important, it is how you lead the employees. The higher up in the hierarchy you come, the more decisions concerning the whole company you have to take, hence you perhaps do not any longer see the con-
sequences for everyone below. Cw 2 argues that a middle manager needs to be efficient in both directions, to the managers above and to the employees below. But that it much depends on the person and the personality. Cw 2 further says that you have to be honest in both directions and says that it is more about the person than anything else. Regarding the middle manager description, CEO 4 believes that it is much like being a CEO, getting everyone involved.

“(the middle manager is) like a spider in a web, getting things done below and providing reports to the people above.”

(Personal communication Cw 4, 2007-05-03)

4.4 Summary of empirical findings

Below we present a table with a summary of our empirical findings. In this table we have made the following assumptions:

Case 1: CEO 1 + Cw 1
Case 2: CEO 2 + Cw 2
Case 3: CEO 3
Case 4: CEO 4 + Cw 4

Hence, table 3 will present a summary of the empirical findings, the cases, in relation to our research questions, and to remind the reader of the research questions they will be posted before the table.

1. To what extent are the subsidiary CEOs decisions guided by the parent company’s management?
2. In what way does the board of directors of the subsidiary company influence decisions taken in the subsidiary?
3. To what extent do the subsidiary CEO influence decisions taken by the whole organization?
4. In what areas does the subsidiary CEOs perceive that they have control?
<table>
<thead>
<tr>
<th>Research question 1</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
</tr>
</thead>
</table>
|                     | • Approval of business plan, investments and budget.  
|                     | • Reports monthly  
|                     | • Meetings every two months.  
|                     | • Decisions taken above CEO 1’s head.  
|                     | • Pressure to reach sales targets.  
|                     | • Vision and goals for the subsidiaries.  
|                     | • Approval of investments and larger deals.  
|                     | • Meeting twice a month.  
|                     | • Pressure to produce good results.  
|                     | • CEO 3’s vision based on the organization’s.  
|                     | • Guideline regarding large deals.  
|                     | • Financial reports.  
|                     | • Size of budget.  
|                     | • Benchmarking between subsidiaries.  
|                     | • Very little interference from parent company.  
|                     | • Monthly reports.  
| Research question 2 | Only a formality.  
|                     | • Approval of budget proposal.  
|                     | • Has an advisory role.  
|                     | • If everything goes well, board of directors does not interfere in any way.  
|                     | • Approval of large investments and long-term decisions.  
|                     | • CEO instructions.  
|                     | • Meeting four times a year.  
| Research question 3 | • Member of a European council which lay out strategies for the Europe division.  
|                     | • Member of a strategy council consisting of the subsidiary CEOs and parent company top managers.  
|                     | • Can influence what kind of products that will be produced.  
|                     | • Influence the size of the raw material from the producing unit.  
| Research question 4 | • Implementing strategic decisions.  
|                     | • Financial and personnel issues.  
|                     | • Strategies concerning the Swedish market, in line with the organization’s.  
|                     | • Implementating strategic decisions.  
|                     | • Financial and personnel issues.  
|                     | • Day-to-day activities.  
|                     | • Changes internally.  
|                     | • Personnel and customer deals.  
|                     | • Approved budget.  
|                     | • Decisions concentrated to the coming year.  
|                     | • Goals for subsidiary.  
|                     | • Personnel and customer deals.  
|                     | • Day-to-day activities.  |

The following chapter will use the theory in chapter 3 to analyze the empirical findings just presented in order to build an interesting analysis. Our focus here will be to answer our research questions as well as fulfilling the purpose.
5 Analysis

In this chapter we will reason around the control issues when considering the dual role perspective, using our empirical material as well as the theory presented to do this.

This analysis will be structured similar to the previous two chapters and will be focused on giving an answer to the four research questions found in chapter one as well as the purpose, that in the end will bring the research questions’ answers together. One thing that the reader should have in mind is that the analysis builds upon interviews with subsidiary CEOs and co-workers from different companies, of different size, within different industries. However, this fact is also what we believe makes the analysis of the dual role of the subsidiary CEO so interesting, we are not only looking at the position from two different angles, the CEO and the co-workers, but also from the perspective of four different companies from different industries.

5.1 Subsidiary management relations

The first section will give an answer to research question one. ‘To what extent are the subsidiary CEOs' decisions guided by the parent company’s management?’

The answer to this first research question is focused on what kind of relationship the subsidiary has with its parent company and how much the decisions taken in the subsidiary are guided by the parent company. They may give direct and clear orders or just present a guideline that should be followed, where the subsidiary has a choice of how to for example implement a strategy, in accordance with the guideline. The extent to which the parent company interferes in decisions seems to depend on the relation between them and their subsidiary. Our study shows that the relation and the extent to which the parent company guides decisions, does vary between CEOs and that it is also connected to the amount of freedom versus restriction given to the subsidiary CEOs. If a subsidiary CEO is given much freedom it means that the parent company does not interfere and guide decisions, this discussion will be developed a bit further on.

Nohria and Ghoshal (1994) as well as O'Donnell (2000) mention ways to manage the relation between the parent company and the subsidiary. Our theoretical framework illustrates that there are three aspects that can be used to label the relation, differentiated fit, shared values and the principal – agent theory, and these aspects somewhat coincide. Even though all aspects are relevant, the shared values framework, which is also partly the differentiated fit framework, was the one that we concentrated our interview questions around. It builds upon common goals and visions within the organization. From the interviews made our empirical findings show that all of the CEOs but one think of their organization as having a common vision. CEO 4 is the one that stands out, however, we do believe that they have a vision within their organization although this is not something that is used and mentioned very often, which would imply that the decisions taken by CEO 4 is not influenced by the opinion of the parent company. Moving on to the differentiated fit, the theory mention that you can call the relationship either centralized, formalized or normative integrated. Our empirical data shows that CEO 3’s organization can be interpreted as more hierarchical and therefore this relation could be called centralized, with more reports that the subsidiary has to produce and more information exchange between the parent company and the subsidiary. This strengthen the theory that a subsidiary CEO can be viewed as a middle
manager since if more reports are required the parent company take on a more controlling role, this discussion will be developed later on in the analysis.

It is important for a subsidiary to listen to their parent company even though they have much freedom and can work independently, since the subsidiary does belong to a group of companies the CEO can not decide what is best for his/her subsidiary solely without regarding other subsidiaries and the parent company of the group. Therefore, the parent company needs to be part of certain decisions. To evaluate the relation between the subsidiary and the parent company one can assume that different roles are taken on as explained by Birkinshaw et al. (1998). The most common role among our respondents seem to be the subsidiary choice, hence the subsidiaries can decide their role themselves since they know their market better than the parent company. Relating to the research question we argue that the roles in the relation have an apparent effect on the extent that the parent company guide decisions. If the subsidiary in fact knows the market better, there are not many decisions regarding how the business operates that the parent company can interfere in, if they do not have the knowledge themselves. A good example of this is CEO 4’s subsidiary, which operates in a different sector compared to their parent company, hence they know the market better. It is Cw 4 the market manager, together with CEO 4, who sets up new customer accounts and makes deals all over the world, without the interference from the parent company. Therefore, the relation much depends on the subsidiary, since they choose the role. If they are much engaged they can effect their own freedom with developing a good relationship with the parent company.

However, when looking at the roles, the different parties can easily misunderstand each other and there can also be perception gaps between these roles (Ghoshal & Nohria, 1989 cited in Birkinshaw et al., 2000). As mentioned in the empirical framework, our respondents did not come up with examples of misunderstandings easily, CEO 3 mentions that his subsidiary is sometimes required to present the same amount of reports that their sister companies, although this is not possible since he does not have the same resources. This can be viewed as a misunderstanding but also as a perception gap, the impression given was that the parent company sometimes believes that CEO 3’s subsidiary can handle more than they are given resources to do. The perception gap here can be explained as that the parent company overestimates the role of the subsidiary, and as a consequence CEO 3 feels the high expectations. CEO 3 indeed talks about pressure from the parent company in the sense that he believes that they want more information in specific issues than it turns out that they really are interested in.

In some cases there may be no interference from the parent company, and in some cases the parent company may guide too much, so much that they make decisions over the head of the subsidiary CEO. Among our respondents two of the CEOs mention that they have not felt run over by their managers at the parent company while one CEO has, and the fourth chooses to talk about pressure instead. An interesting point worth mentioning is that in the cases where the CEOs have not felt run over their, co-workers state that there have been times when they consider the subsidiary to be run over or decisions taken over their heads. This implies that there are different meanings to the term and that the CEOs opinions differ compared to the co-workers since they hold different positions within the companies. The CEO is used to an open dialog with the parent company, if they have a good relation. Therefore, decisions may not be regarded as upsetting since there has been a discussion. It is of course different for the co-worker who does not have that same open dialog with the parent company, hence may perceive that the parent company makes more decisions themselves than what is actually happening.
A final point before we move on to the next research question is that one can ask which decisions the parent company do guide the subsidiary in. When compiling our empirical framework we got the impression that the parent company offers a lot of freedom to the subsidiary CEOs and that their restrictions mostly concerns larger investments and budget issues. If the subsidiary sticks to their budget and deliver results accordingly no one interferes. Therefore, one could say that all of the organizations involved in this thesis have huge trust in their subsidiaries, as long as they live up to the goals and guidelines.

The following section will answer research question two. 'In what way does the board of directors of the subsidiary influence decisions taken in the subsidiary?'

For this second research question it is presupposed that the focus is on the subsidiary board of directors and how they influence the subsidiary. How much they influence, and on what, can be related to the role that the board of directors takes on. It may be one or several roles.

The theory presented by Leksell and Lindgren (1982) cited in Kiel et al. (2006) introduce three different roles which the board of directors can hold. External, internal and/or legal. CEO 2 explains the role of the subsidiary board of directors as only advisory, which would be an external role, and he only meets with the board to discuss his budget. CEO 1’s subsidiary does not have a board of directors, it only exist on paper which could be described as a legal role, as only fulfilling the required role by law. The only CEO who describes frequent contact with the board of directors is CEO 4, therefore the internal role could be used to describe this situation to a certain extent.

As can be understood from the discussion above, the board of directors can fulfill different roles depending on the structure of the organization, but it can also depend on how the subsidiary performs. As CEO 3 puts it, when everything is going well they do not interfere and as of now he seldom meets the board, however he speculates around a situation in which he looses money, and says that perhaps they would interfere more then. This reasoning can very well be true, although it is difficult to say since no one of the CEO’s say that they are in that situation. But if a subsidiary is not performing well, the parent company would for sure interfere and control more.

The answer to this research question is that the board is involved in issues that the subsidiary CEO should not deal with alone, such as large investments and the budget, which are restrictions mentioned earlier. But the interviews conducted implied that all of the subsidiary CEOs are independent from their board and do not contact them very often with exception of CEO 4. However, one interesting point is to question how much the board of directors knows about the subsidiary if they are not involved that often, do they know enough to act as an advisory body in guiding decisions? Even though they receive reports and talk occasionally with the subsidiary CEO their knowledge do appear to be limited. However this is of course difficult for us to judge since we have not consulted the board of directors of the subsidiary in this study. On the other hand just as CEO 2 points out, they have an advisory function and if the CEO does not need much advice then they can assume that everything is well and the company is on the right track. If everything runs smoothly the board of directors does not have any reason to request more information from the CEO.

This following section deals with research question three, where we want to find out ‘to what extent the subsidiary CEO influence decisions taken by the whole organization?’
From the empirical findings we can see that the answer to this question differs widely depending on who you ask. CEO 1 and 2 are the ones that state that they have most influence on their parent companies, since they are members of a council. Together with the parent companies, these councils formulate strategies that effect the whole organization, hence CEO 1 and 2 can give their points of view in certain questions. Cw 2 explains that CEO 2 is able to discuss with the parent company at these meetings and in this way he can influence the organization. However, in the end it is the parent company that decides on the course of action. But being part of the council at least gives the CEOs the chance of influencing. On the other hand, Cw 2 does not believe that decisions that CEO 2 makes can effect the whole organization. Cw 1 reasons in a similar way and can not think of any decision that CEO 1 make can effect the organization as a whole. On the contrary, CEO 1 believes that he indeed can effect the whole organization in one area and refers to the key accounts that his subsidiary are responsible for as a way in which he effects the company and its performance. Decisions that he takes regarding key accounts have an effect on the organization as a whole. One explanation for the deviating answers from the co-workers can be that they have limited insight into the subsidiary CEO-parent company relationship. It is of course the CEO who knows best if he can influence or not, however the opinion of the Cw is also interesting.

Strikwerda (2003) talks about three different types of relations where the degree of influence varies between the parent and subsidiary company. Two of these relations can be seen in three of the subsidiaries. CEO 1 and 2 would be sorted into Strikwerda’s (2003) performance description, where strategies are made in cooperation between the parent and subsidiary company, represented here by the CEOs participation in the councils as mentioned above. CEO 3 says that he is not in contact very often with the parent company and does not think that his decisions can effect the whole organization. The same goes for CEO 4, who admits that he knows very little about the parent company and that he does not believe that he can influence it in any way. When applying Strikwerda’s (2003) concepts on CEO 3 he appears to be an example of the formative description, where the parent company sets the direction and the subsidiary follows. In subsidiary CEO 3’s company you get the impression that the parent company sets most of the guidelines and that this diminishes CEO 3’s chance to influence. Again, CEO 3 becomes an example of how a subsidiary CEO can be viewed as a middle manager. However, CEO 4 does not seem to fit nicely into either of Strikwerda’s (2003) three categories, since he has very little guidance from the parent company. This might have to do with the fact that his subsidiary is alone in their line of business and in combination with the high degree of independence that he experiences there is no point in developing the relationship with the parent company further than necessary. He also does not seem interested in wanting to influence the whole organization, his days are fully booked as it is. CEO 4 also mentions that he does not mind the sparse amount of information that he receives from the parent company, which is a sign of that he has no desire or interest to know more than he has to about the parent company’s operations.

Cw 2 makes a good point by saying that the parent company management and the subsidiary CEO need to get to know each other, in order to build trust into their relationship. CEO 2 estimates that he spends 20 % of his time in conversations with superiors and concludes that it becomes easier to influence once you get to know top management better. We share this opinion that it is important to meet as often as possible in order to build a trustful relationship, which is essential if the subsidiary CEOs want to influence the decisions made. CEO 1 and 2 meet their respective parent companies every second month, hence they have established a closer relationship with their superiors than CEO 3 and 4,
who have very little interaction with theirs. By meeting regularly the subsidiary CEO increases his/her chances of influencing the decisions taken by top management. The close ness of the relationship between the subsidiary CEO and parent company top management are also reflected in the answers to the question about who the subsidiary CEOs feel equal to in the organization. CEO 2 says that he feels equal to the organization’s management as well as the other subsidiary CEOs, whereas CEO 1 and 3 feel equal to the other subsidiary CEOs. CEO 4 answers that he does not feel equal to anyone, since they are alone in their field. There is little surprise that CEO 2 sees himself as equal to the parent company top management considering that he spends 20 % of his time in conversations with them, which means that they have gotten to know each other well. Therefore, in our opinion CEO 2 has a good chance of being listened to by top management. In contrast CEO 3 does not appear to have the same amount of influence on his parent company which has to do with the little interaction he has with his superiors.

If you look at Guth and Macmillan’s (1986) rational model of strategy formulation it gives a hint of whether to perceive the subsidiary CEO as a top or middle manager. As mentioned above, CEO 1 and 2 are members of a council where strategic decisions are made hence they have a chance to influence the overall course of action. However, they can not do this themselves and in the end it is like CEO 2 says, it is the parent company that decides. So determining whether the subsidiary CEO 1 and 2 should be seen strictly as top or middle managers is impossible, they are something in between. CEO 3 on the other hand does not have the same influence on strategies formed for the whole organization, however when it comes to the Swedish market he has the freedom to decide for himself of which course to pursue. Due to his very limited influence on strategy formulation, CEO 3 is more of a middle manager than CEO 1 and 2. This description also fits on CEO 4 who is in a similar situation as CEO 3 with little influence on the strategies formed at top management level for the whole organization and much freedom to decide how to formulate strategies for the subsidiary. However, as Jackson and Humble (1994) point out, it is the middle manager’s responsibility to translate and apply the strategy to the particular case of the subsidiary. So in the implementation process they are the architects and possess a lot of control.

5.2 Organizational control

We will now move on to research question four, ‘in what areas does the subsidiary CEOs perceive that they have control?’

There are many similarities between the subsidiary CEOs when it comes to control. Naturally, they are in charge of the daily operations and have the responsibility for the personnel issues. There are also similar restrictions for the subsidiaries especially concerning investments and budgets, which is something that again strengthens our assumption that the subsidiary CEOs can be seen as middle managers. The overall responsibility and control is also the way theory describes a CEO. However, one should also consider the restrictions where the subsidiary CEO has to handle taking orders and being controlled from the parent company above.

When comparing the four companies with Ouchi’s (1979) sources of control, it becomes clear that the parent companies uses several different sources of control. Clan control is apparent in most of the companies in the sense that the parent company is the one that states the visions which then acts as a guiding star for the subsidiaries and also that the employees are sent to courses to be further educated. Bureaucracy is found in the case of CEO 3, where his small subsidiary is supposed to produce as many reports as the bigger
subsidiaries. As mentioned above we see this organization as more bureaucratic, which would mean that CEO 3 has less control, even if that is not his perception. When discussing control of their subsidiary the subsidiary CEOs do not mention the control that the parent company has over them. However, this is an important factor according to us since you have to take your restrictions into account when thinking about how you perceive control. All of the subsidiaries are expected to report to the parent company on a regular basis which is one way for the parent company to exercise control as well as giving the CEOs less control. However, reporting to the parent company may not be something that decreases the subsidiary CEOs perception of control, since it is taken for granted. Something that may effect is the amount of reports expected. Guth and MacMillan (1986) talks about information differences and how these can effect the predictions of the strategic outcome.

CEO 2 complains about lack of communication between the parent and subsidiary company which sometimes results in that decisions are taken based on the wrong assumptions. This can also be seen as a difference between the top management of the parent company and the subsidiary CEO since the subsidiary CEO does not always have the same information as the parent company does. CEO 4 is a good example of this since he states that he knows very little about the plans of the parent company, although they still report the progress to the parent company. CEO 1 also consider information to be a problem but not in the same way as CEO 4 describe it, but rather that there is too much information exchange which takes up a lot of valuable time. The subsidiary CEOs are involved in the strategy formulation to some extent but what they can influence is the implementation. Hence, this would be proof to our perception about the CEO of the subsidiary and his/her dual role, as also a middle manager. Since Hatch (1997) says that it is the CEO who formulates the strategies and the middle managers who implements them. The subsidiary CEO shows a combination of both middle manager control issues as well as CEO control issues, a way for them to balance the dual roles along with the control of the subsidiary.

Snell (1992) emphasizes the importance of knowing your organization to be able to control it. CEO 4’s answer closely follows Snell’s (1992) recommendation when saying that a subsidiary CEO should have control over everything. CEO 4 realizes that he can not be involved in every decision taken, hence he chooses to delegate some of the decisions to others which is in accordance with Nelson (2005). CEO 1, 3 and 4 are in line with Muir’s (1995) reasoning that people grow with responsibility, something that Cw 1 also mentioned. We argue that in order to retain control the subsidiary CEOs have to delegate, to let go of control. It would not be possible for the CEO to be involved in every decision taken due to the vast amount of decisions that needs to be taken every day. If they would try to be involved in every decision they would not have time for other responsibilities that are expected of them. So in order to remain in control of the subsidiary they have to delegate responsibilities and decisions, hence give up some of the control (Colombo & Delmastro, 2004) to the lower level employees in order to retain the overall control. This is something that CEO 1 is aware of but he added that he used to be more into the details of the daily work before but that he has learnt to trust people’s ability to handle the tasks themselves. However, delegating still means being responsible for the end result. CEO 1 mentions that he appears to follow Muir’s (1995) recommendations better today than in the past. The level of trust is higher today than it used to be and he is careful in specifying what the task is about as well as what is expected from the employees. Cw 2 has a different opinion and argues that their company does not do a lot of delegation since everyone have their responsibilities and know what to do and what is expected from them, hence making additional delegation obsolete. But in a sense this is also delegation since CEO 2 is certain that everyone does their task. Therefore, he do not need to micro manage. Instead he gets a good overview, similar to the effect of active delegation.
The work tasks of the subsidiary CEO can also be a help in determining how to perceive them, and to determine how much control they have. The larger the subsidiary is the more delegation is needed and the more the CEO has to focus on administrative duties. CEO 1 and 2 has more of an administrative role and devotes less time to meet customers for example. In contrast, CEO 3 works closely with his five salesmen and has several customers himself. According to the reasoning before this would mean that CEO 1 and 2 has more control than CEO 3, since they delegate more and can then have complete control over more aspects because of the overview they create by delegation.

Investments are the best example of when it becomes apparent that the subsidiary CEOs are not completely in control of their subsidiaries. All of them have to get approval by the parent company and/or the subsidiary board of directors before making larger investments. In addition, the budget for the subsidiaries is also a way for the parent company to exercise control over the subsidiary, which is one of Ouchi’s (1979) three control mechanisms, in the market control. These financial restrictions limits the freedom of the subsidiary CEOs substantially since many opportunities in the market must be put aside due to the lack of funds available. CEO 3 mentions for example that he is not allowed to employ more people than he has taken into account in the budget for the coming year. Hence, the total control of the employee capacity is given up once the budget is fixed for the following year.

According to CEO 2 and 4 there appear to be much more freedom and control over the subsidiary when the subsidiary does not have to bother about sister companies that perform the same tasks as they do. If this is the case, more focus needs to be put on negotiating within the group with more compromises as a consequence. If the subsidiary is alone in its line of business they have more power than if they are just one among many similar subsidiaries, since they likely would be considered as more valuable to the parent company. The power of the subsidiary CEO also depends on the importance of the subsidiary, its size and if it is alone within its business area in the organization.

### 5.3 Dual role perspective

This final section of our analysis is going to reason around our purpose which is, ‘... to examine how the subsidiary CEO controls the subsidiary considering the dual role perspective’, and also tie the answer together with our findings presented above in the discussion concerning the four research questions.

When we asked the respondents how they would define their role and if they would consider seeing themselves as a middle manager we got the same answer from all of the CEOs. They all argued that they can be viewed as a middle manager, when looking at their position from their parent company’s perspective. Although, CEO 1 mentions that since he is part of a council with all the subsidiary CEOs within his organization, he would not be seen as a middle manager from this perspective. This highlights the ambiguity of the concept of the dual role that you have to take in to account which perspective you choose to look from. If one look from the Europe division’s perspective CEO 1 is not a middle manager but if one look through the parent company’s glasses he would still be regarded as a middle manager according to the assumption made in this thesis. Further, how the theory defines a middle manager is similar to or partly how CEO 2 also defines a middle manager that is, as someone who is not a member of the subsidiary top management but is responsible for a certain area within the company. All of our CEO respondents first and foremost consider themselves to be a CEO. However, CEO 3 mention that if the company would fail to live up to the demands from the parent company he would start to feel more as a
middle manager, implying that some of his authority would be taken away by the parent company.

Furthermore, the interviewees were asked which skills they value the most in a CEO as well as describing the skills and work tasks for a middle manager. The description of a middle manager we got from our respondents mirrored the definition that just as well could be used for a subsidiary CEO. That you have responsibility for employees below, but is also expected to report back to your managers. Some of our respondents, both CEOs and co-workers, mention that the difference between a middle manager and a CEO is the level of authority and responsibility. We argue that this is also what differs between a CEO and a subsidiary CEO, an ‘ordinary CEO’ does not have anyone above except from the board of directors, but the subsidiary CEO has the board of directors as well as the parent company management and their board of directors as superiors, which increase the dilemma of who should decide on what and when.

When it comes to the work performed by the subsidiary CEO, they all describe very heavy responsibility, as mentioned before. This of course effects their work along with the factors that Mintzberg (1973) and Yukl (2005) describe, where the environment and the level of the position effect the job. All of the CEOs are very dependent on their changing environment. An important issue then for the subsidiary CEO becomes how to handle his/her position, and controlling the subsidiary as good as possible with the guidelines set from the parent company. In order to control the subsidiary the CEO should have a certain set of skills. Rausch (2005) and Klagge (1998b) respectively point out skills that are important to a CEO and a middle manager. Some of these are the same and when reviewing our empirical data. One can see that some skills are mentioned by several people, being a good leader and a coach to the employees as well as being a problem solver for example. These examples are also found in theory concerning the personal- and process skills of middle managers by Klagge (1998b).

Based on Mullins’ (2002) terminology the CEOs appear to apply to these skills to a varying extent. CEO 1 focuses much on the social and human skills, whereas his technical skills are sparsely applied. Further, due to his involvement in the council and his autonomy when it comes to forming strategies for the Swedish market, he uses his conceptual skills to a high degree. CEO 2 also has to use his social and conceptual skills often. Further, his technical skills are also practiced to some extent since he works in a company with indoor production, hence he can benefit from his engineering background. In addition, he is responsible for the IT department, since he is trained in this area as well. CEO 3 is more oriented towards the technical skills than CEO 1 and 2. He has many customers himself and performs to some extent similar work tasks as the other employees. However, he does have to practice his social skills but since he only has five subordinates this does not take up as much of his time as for the rest of the CEOs. His conceptual skills appear to be limited to applying the strategies set by the parent company in a suitable way. CEO 4 exercises the social and technical skills the most, while the conceptual skills are paid less attention. The sparse use of his conceptual abilities can be explained by the rather static picture that CEO 4 described his industry as, where not many changes occur. Considering the little interference from the parent company he ought to have a lot of freedom in this respect as well. On the other hand this might also be one reason for the modest interference by the parent company, that there are not many changes going on in the industry, hence there is little point in interfering in CEO 4’s work. Based on the reasoning above CEO 1 and 2 are the ones that stand out as more of top managers than CEO 3 and 4, since the latter spend less time with
conceptualizing and more time with technical aspects, which according to Mullins (2002) is more in line with the work of a middle manager.

All the subsidiary CEOs can be associated with the middle manager level. In accordance to Drakenberg’s (1997) definition, which is the one used in this thesis, all of the subsidiary CEOs have managers above them which they have to please. This is something that is illustrated in figure 1, the obligations to the parent company above consist of sending reports as well as talking to their superiors regularly. As stated earlier, the restrictions of the subsidiary CEOs concerning the budget, investments and the vision all points in the middle manager direction. Further, they do break down the overall strategies into more manageable pieces which are passed on further down in the hierarchy. Another sign is that, in accordance with Westley (1990) they do sometimes have to make decisions based on less information than top management, something that CEO 2 and 4 mention. Hence, in this sense they indeed are middle managers. However, if one is to regard them as middle managers they have to be characterized as middle managers on a higher level with much more independence and authority compared to the ordinary middle manager.

Another point of view, that connects the subsidiary CEOs to the CEO role, is that it sometimes can be discussed whether the subsidiary CEO sees himself as a subordinate to the parent company at all. All of our interviewees describe their roles as very independent from the parent company’s and therefore they may not feel that they have a manager positioned above. Or perhaps it is the lack of contact with the parent company that leads us to believe this. An additional aspect of this issue is that the subsidiary CEOs seem to be more used to delegating than taking orders from above, which is connected to the considerable independence they are given. On the other hand there is contact between the subsidiary CEO and his manager regularly and reports have to be sent monthly in all cases. But this might be disregarded at times when the subsidiary CEOs work is more concentrated on topics concerning the subsidiary’s day-to-day activities, where the parent company does not interfere.

Finally, when summarizing the different variables, influence over decisions taken by top management, investments, budgets, delegation, work task, size of the company, number of similar subsidiaries and information, it appears to be impossible to nicely place the subsidiary CEOs only in either of the two categories, CEO or middle manager. Instead they are somewhere in between, where their influence and restrictions vary from case to case. Apart from the restrictions concerning investments, budgets and visions, which are stated by the parent company, the subsidiary CEOs appear to have a lot of freedom how to implement strategies and also to form their own strategies concerning their market. Further, the subsidiary CEOs are in complete control of personnel issues and other day-to-day activities. So to conclude, the subsidiary CEOs can run their subsidiaries independently, with much freedom and almost complete control, as long as they are successful. Although they have a varying but limited level of influence on the parent company despite having top managers above.

To conclude the reasoning around the purpose, we argue that the subsidiary CEO does handle control issues well in relation to how much freedom the parent company gives him. Hence, being a subsidiary CEO with dual roles is effected by the relation to the parent company, those who can view the subsidiary CEO as a middle manager. The influence by the parent company, and the subsidiary board of directors, can vary and does have an impact on how much the subsidiary CEO controls. Our empirical data shows that the subsidiary CEOs interviewed for this thesis are very independent, hence they have much freedom to exercise control over the subsidiary. Further, the dual role is not very apparent
Analysis

since the subsidiary CEOs in this study are given much freedom. When aloud to work independently, they do not take their superiors into account because they rarely interfere in the work of the subsidiary CEO.

We believe that we have fulfilled the purpose of this thesis to a satisfying extent, since we thus have examined subsidiary CEOs and how they control the subsidiary with the dual role perspective in mind. We examined this by interviewing subsidiary CEOs and their co-workers. The interviews gave us the results presented and we have used our research questions in order to fulfill the purpose in a pleasing manner. We now feel confident to move on to the conclusion where we will highlight the most important findings from the analysis.
6 Conclusion

In this section we will highlight findings from the analysis regarding the four research questions as well as the purpose. The answers from the research questions will contribute to the fulfillment of the purpose.

Our conclusion concerning research question one is that the extent to which the parent company guides decisions depends on the relation between them and the subsidiary as well as how much freedom is given and the roles in the relation. What our interviews showed was that the subsidiary CEO has much freedom and therefore the parent company does not guide decisions to any larger extent. However, there are restrictions concerning budget and investments, as well as the overall vision for the organizations, where the parent company is involved. Further, all the subsidiary CEOs reason around how much independence they would have in rougher times and concludes that it would be more limited than it is today.

The conclusion that we draw for research question two is similar to the conclusion above. The influence of the board of directors much depends on the role that they are assigned, which in turn influences how much information they receive and how often they are in contact with the subsidiary CEO. Furthermore, the board of directors influence depends on the structure of the organization.

When considering the third research question, our conclusion is that in order for a subsidiary CEO to have a chance to influence the whole organization it is important to build trust. Good relations with frequent contact are needed with the parent company’s management in order to influence. Something that facilitates the regular contact is to be a member of a organization wide council, which has regular meetings.

The fourth and final research question regards organizational control and our conclusions are that all of our respondents appear to be in full control of their subsidiary in terms of daily operations, personnel decisions as well as formulating and implementing strategies that concerns their subsidiary. In order to maintain the overall control, many decisions are delegated to employees on lower levels. However, they also describe factors that restrain their control such as larger financial issues. In addition, the subsidiary CEOs control depends on the size of the subsidiary as well as if they are alone within their line of business within the organization or not. After concluding the four research questions, the conclusion regarding the purpose will follow below.

The purpose which includes the dual role perspective describes the subsidiary CEO as both a middle manager as well as a CEO and we conclude that this is confirmed to a varying extent by the subsidiary CEOs that we interviewed. They can be regarded as middle managers from the parent company perspective, although they first and foremost consider themselves to be subsidiary CEOs. Their role is characterized by restrictions concerning control of the subsidiary, they have to present reports regularly to the parent company. The level of control from the parent company and the subsidiary board of directors also have an impact on how much a subsidiary CEO can control. The subsidiary CEOs fit well into both the skills that describe a middle manager as well as a CEO, which also strengthen our theory about the dual role. Furthermore, we conclude that the subsidiary CEOs can neither be categorized as solely a CEO or a middle manager, since our study shows that they are a combination of both. It is their level of independence and also the degree to which they can influence the organization as a whole which decides how to perceive their role and this varies from case to case. It is also their level of independence which effects to what extent
they exercise control over their subsidiary. Our study shows that they have much independence, however the control does vary between the respondents. CEO 3 is the one that stands out with less control since he is required to produce a larger amount of reports. He also spends a lot of time performing similar work tasks as his subordinates and have less influence on decisions taken by top management, which is a consequence of the sparse interaction the parties between. As stated before, the dual role is not as apparent to the subsidiary CEOs, even if they can relate to our proposed perspective, shown in figure 1. The dual role perspective is not something that the subsidiary CEO considers very often, although they are aware of that they have superiors. However, on a daily basis this is not something that troubles the mind of the busy subsidiary CEO. The large amount of freedom and control regarding daily operations and personnel issues disguises the fact that when it comes to the financial aspects they are no more than middle managers.
7 Reflections

In this last chapter before the references and the appendices we will give our final remarks about criticism of the thesis as well as some suggestions for areas which could be further researched.

After conducting this study we reached the understanding that the dual role of the subsidiary can not only be found in the four companies that we included. Thus we argue that you can go to any business organization and look at a subsidiary CEO and see him/her as a middle manager, all depending on the perspective you choose to look from. Our study includes four companies from four different industries, hence it does not matter within which type of industry you search, you will be able to find a subsidiary CEO with the dual role.

When starting the interviews we were sure about our dual role perspective however, the respondents did not seem as sure. It took them some time to think about the theory that we proposed before they could agree that they infact could be seen as middle managers. Hence, a lesson learned is that it was easy for us outside the company to place CEOs in different boxes, like the theory suggests, but for someone from the inside this may be difficult to see.

7.1 Recommendations for further research

The subject of CEO and middle management control has been discussed thoroughly by researchers for many years now. During the process of writing this thesis though, we discovered that not much attention has been given to the subsidiary CEO. We are of the opinion that this particular area of research deserves much more attention, as organizations with subsidiaries are becoming more common. Therefore it would be interesting if scholars wrote more scientific articles on the subject and made further research.

One thing that we did not manage to do in this study was to include the perspective of a parent company CEO, although we tried but without success. Therefore, it would be interesting to develop our study further by including this perspective, perhaps in another thesis. More time would then have to be dedicated to collecting the empirical material with additional face-to-face interviews. The same goes for incorporating the views of a member of the board of directors. By including the perspective of the parent company CEO and a member of the board of directors the view of the subsidiary CEO would be complete, with opinions from both above and below.

7.2 Critique of study

Firstly this thesis was conducted with limited resources and within a rather short time frame which contributes to the small scale of this thesis, where only four subsidiary CEOs were interviewed. Further, the study was conducted using a qualitative method with semi-structured interviews. We are aware of the fact that interpretation errors can arise due to the method chosen, even though we tried to prevent this by giving the respondents time to read it through and to check if they were interpreted correctly. Further, there is always the risk of translation errors when interviews are made in Swedish and the thesis is written in English, like the case is here.
Reflections

One final thing that we mentioned as a proposal for further research above can also be interpreted as a weakness that we are aware of. If the top management perspective, the parent company CEO, would have been included this would have given more depth to our thesis and perhaps made it even more interesting.
References


References


Appendix 1 – Questions to the subsidiary CEOs

General questions

- Can you tell us about your professional career?
- Can you tell us about your work tasks?
- How does a normal week look like?
- How is your time divided between different work tasks?
- Describe what characteristics you find most important for a CEO?
- Would you please describe the work tasks for a middle manager?
- Do you believe that any characteristic of a middle manager also fits into your position?
- Do you think that the number of middle managers has decreased during the last 10-15 years in the organization/organizations that you have been working in?
- Is there a common goal or vision within the group of companies? How often is this mentioned?
- Does this goal consist of common values from both the parent and daughter company?

Responsibility

- How do you look upon your responsibility versus your resources and authority?
- Whom do you feel most responsibility for? (employees, the board of directors, senior managers?)
- What position does the person have that you report to?
- In what way can your decisions effects the whole group of companies?

Control

- Describe in what way you have control concerning personnel issues?
- Describe in what way you have control concerning economic aspects?
- Describe in what way you have control concerning day-to-day activities in the company?
- Describe in what way you have control concerning investments?
- What type of decisions do you take by yourself?
- What type of decisions do you take in collaboration with your co-workers or within the group of companies?
- What type of decisions do you delegate to your co-workers? Regarding control?
- The decisions that you take, are they characterized by a short- or long-term perspective?
- What kind of restrictions do you have as a subsidiary CEO?
- What kind of misunderstandings occur between the daughter and parent company?
- How do you experience the flow of information to your company from the parent company?
- How do you receive information regarding strategic changes?
- How do changes occur within the group of companies?
- What ought a subsidiary CEO have control over?
Appendix 1

Independence

• Within what areas does the subsidiary board of directors have control over your work?
• Do you feel that you can control your work by yourself? Do you feel independent?
• How often are you in contact with the board of directors?
• In what way do you feel the support from the board of directors?
• Does it happen that you feel “overrun” by the board of directors or senior managers?
• How does the parent company exercise control over your work?

Influence

• How do you influence the strategy formulation? For the daughter company? For the parent company?
• How do you influence the implementation of the strategies?
• What are the consequences of being left out in the decision process? Pros and Cons?
• From whom do you feel pressure? In what way?

Roles

• Do you consider yourself to be a middle manager from the parent company’s perspective?
• How do you define your role?
• Do you consider your position as a one with double roles?
• Who do you consider yourself to be equal with, within the group of companies?
• Which previous experiences have you drawn most advantage from in your current position?
• How does the size of the group of companies affect your role as a subsidiary CEO?
Appendix 2 – Questions to the co-workers of the subsidiary CEOs

General questions
- Can you tell us about your professional career?
- Title?
- Can you tell us about your work tasks?
- Can you tell us about the tasks of the subsidiary CEO?
- How much time per week do you spend together with your CEO?
- What characteristics do you find most important for a CEO to have?
- How would you describe the work tasks for a middle manager?
- Can you think of some characteristic of a middle manager that also would fit into the description of a subsidiary CEO?

Responsibility
- How do you look upon the responsibility of the subsidiary CEO versus the resources and authority that the CEO is given?

Control
- What type of work tasks does your CEO delegate?
- What kind of problems/challenges do you think is associated with the subsidiary CEO position?
- How do changes within the group of companies occur?
- How does the subsidiary management handle these changes?
- Do you consider that the decisions taken to be of short- or long-term character?

Independence / Authority
- How independent is the subsidiary CEO from the subsidiary board of directors?
- Do you feel the influence of the subsidiary board of directors on your work? How?
- Do you believe that the subsidiary CEO is allowed to work independently from the parent company?
- Do you believe that the daughter company has been “overrun” by the parent company in any situation?

Influence
- In what way can decisions taken by the subsidiary CEO affect the whole group of companies?
- How does the subsidiary CEO influence the forming of the strategies? For the daughter company? For the parent company?
- How does the subsidiary CEO influence the implementation of the strategies?
- From what direction (upward/downward) do you think that the subsidiary CEO feels pressure? In what way?
Appendix 3 – Transcript from interview with CEO 3

The following transcript is taken from the telephone interview made with CEO 3, 2007-04-25. The text is in Swedish since it was the language used during the interview and all the names of people, cities, countries and companies have been removed in order to ensure confidentiality.

Kan du berätta om din yrkesbakgrund?


Hur många anställda har ni idag på dotterbolaget?

Vi har 5 st anställda, men så häller vi på att rekrytera ytterligare en 6:e person här.

Kan du berätta om dina arbetsuppgifter?


Hur ser en normal vecka ut?

100% kan man säga är mot försäljning, sedan är ju inte jag försäljning själv men det är ju ett väldigt säljfokus, med tanke på att vi är i den cyklen. Så det är väldigt mycket fokus på försäljning. Antingen via själarna eller via mig själv.

Hur fördelas tid mellan olika arbetsuppgifter?
Om vi delar upp då försäljning, personalansvar och administration och ekonomi så är ju jag, om man då räknar in att jag är coach åt säljarna, så ligger 80-85% på försäljningssidan. Sedan 10% på personal ansvar och 10% på administration. Så kan man nog uttrycka sig. Så det är väldigt mycket fokus mot försäljning, antingen som jag sa via mig själv eller via säljarna, med hjälp av coachning. Och sen om man kallar det personal eller om man kallar det försäljning det är liksom...

Berätta vilka egenskaper du tycker är viktigast hos en chef?

Kan du beskriva arbetsuppgifterna för en mellanchef?
Vi har ju egentligen inga mellanchefer. Om du tittar på vårat AB så finns det inga mellanchefer. Men seriös beteckning som chef så är nog jag mellanchef, jag är ju VD är i Sverige men sen har ju jag en chef i [...] som jag rapporterar till.

Ser du dig själv som mellanchef?

Är det aktuellt att ha en mellanchef i de 10-15 senaste åren i den organisation där du har jobbat?
Ja det har det blivit, det känner jag ju.

Vad tror du att det beror på?

Finns det ett gemensamt mål eller en vision inom koncernen? Hur ofta nämns detta?

Appendix 3

Då är du med och ger dina värderingar till de här visionerna också?
Ja, det är jag som lägger visionerna för Sverige, och den delen till [...]. Vi har en 5 års plan och den planen är det en vision och man brukar väl säga så här lite att visionerna ska gärna vara lite högre uppsatta än målet på något satt då så att man fantisrar lite om någonting som nästan är otagbart. Man ska ändå ha den visionen att så här stora ska vi bli. Sedan när man bryter ner till den här, för dom olika åren. T.ex. budgeten för 2008 så är den lite lägre än visionen. Generellt sett så kan man säga så att det är helt ok att ha eftersträva en högre vision än vad man får sen. Det är i alla fall den visionen som vi har i [...].

Hur ser du på ditt ansvar kontra dina resurser och dina befogenheter?

Tror du att det här skulle förändras om det skulle gå sämre för företaget? För dotterbolaget?

Vilka känner du mest ansvar inför? (Anställda, styrelsen, högre chefer?)
Jag känner nog mest ansvar för det egna självbevåget. Jag tror inte att jag relaterar det till någon person egentligen. Det är nog företaget jag känner ansvar för på något sätt. Att det ska gå bra för företaget helt enkelt, för då går det ju bra för personalen och då mig själv och då går det bra med relationer till min chef som jag har i [...].

Vilken position har den du rapporterar du till?
Han är VD för alla dotterbolag och är resultatsansvarig inför ägare och styrelse.

Kan beslut du fattar berörer bela koncernen?
Nej, det skulle jag nog inte säga.

Beskriv på vilket sätt du har kontroll angående ekonomiska aspekter?

Beskriv på vilket sätt du har kontroll angående investeringar?


Vilken typ av beslut fattar du själv kontra vilka beslut du delegerar?


Vilka restriktioner har du som dotterbolagschef?


Vilken typ av missförstånd förekommer mellan dotter- och moderbolag?

Jag vet inte om det är så många missförstånd direkt. Det man kan tycka som ett relativt litet dotterbolag är det att, det är egentligen inga missförstånd, många gånger kan det tyckas när det finns ett stort moderbolag eller ett stort dotterbolag där det finns mycket resurser i form utav personal, ekonomipersonal så kan ju dom få fram mer prognoser och sånt som
inte vi kan ta fram. Om det är ett missförstånd eller inte, det vet jag inte. Men dom utgår många gånger från att vi ska kunna göra lika mycket som dom gör i form utav prognoser och som jag brukar uttrycka det ibland; snygga kurvor hit och snygga kurvor dit. Vi lever ju i en helt annan verklighet än vad dom gör då. Om det är ett missförstånd eller inte det vet jag inte men.

Händer det då någon gång att du känner dig överkörd av de högre cheferna?


Hur upplever du informationsflödet till ert företag från moderbolaget?


Hur och på vilket sätt får du information vid strategiska förändringar?

Oftast också via mail eller via möten. Det beror på vad en strategisk förändring är, är det produkter så kan man få det via mail om det gäller en ny produktgrupp som dom ska få in, eller så kan man få mail om hur de går i processen, att nu har vi kommit så här och så här långt. Och nu ska vi lansera och då fär ni det här och det här som hjälpt att lansera produkten och då åker man på utbildning i […]. Så man är ju med ganska tidigt ändå.

Vad bör en dotterbolagschef ha kontroll över?


Inom vilka områden har dotterbolagsstyrelsen kontroll över ditt arbete?

Dotterbolagsstyrelsen är ju egentligen min VD, VD’n i […] och sen ägaren. Det är klart att dom har ju koll på företaget men dom är ju inte involverade i företaget. Återigen så låter det ju väldigt krass(?) när man säger det, men dom skiter ju inte i det det gör dom inte men dom lägger sig inte i någonting som går bra. Vi ligger över budget med kostnader och inlätt så allt är bra och dom är nöjda och säger kör på.

Känner du att du kan styra ditt arbete själv? Känner du dig självständig?

Ja helt och hållet, till 100%.

Hur ofta har du kontakt med styrelsen?

I och med att det går bra så är det väldigt väldigt sällan, och mindre sällan blir det så att säga. Men återigen, nu går det ju bra och jag kan ju inte svara på hur det skulle se ut om det gick dåligt men på något sätt, går det dåligt så. Alltså jag kan ju inte påverka försäljningen eller konjunkturen men jag kan om jag tror att vi inte lever upp till den försäljningen som jag tror att vi ska kunna nå kan ju påverka kostnaderna. T.ex. om dom säger: nu ligger du 10% efter budget, och dina kostnader är 10% över budget, varför? Och det är klart, då måste man ju ha ett bra svar på det. Man kan ju bara gå till sig själv, att skulle jag äga ett företag som gick 10% under budget så skulle jag inte vilja att han som styrde mitt bolag skulle förbruka 10% över det som är planerat i kostnader då. Det handlar ju om att man måste ha

**Hur utövar moderbolagets ledning kontroll över ditt arbete?**


**Vem ser du dig som jämställd med inom koncernen?**

Det är ju dom andra dotterbolags VDarna.

**Har ni mycket kontakt?**

Nej, jag ska inte säga att det är mycket kontakt, men man känner sig alltid välkommen att kontakta dom.

**Vilka erfarenheter har du dragit mest nytta av i din nuvarande position?**


**Hur påverkar storleken på koncernen chefsrollen?**


**Hur tycker du att branschen påverkar chefsrollen?**

Branschen och chefsrollen går ju lite hand i hand givetvis. Allt mäts ju i kronor och ören tillslut, så går branschen bra så går chefen bra. Det låter ju väldigt konstigt men så är det tycker jag i alla fall. Folk kan ju slå sig på bröstet och säga att det går så himla bra, men sen går konjunkturen upp, […] var t.ex. 16% de sista 12 månaderna, då kan man ju slå sig för bröstet och säga att vi har ökat med 18% men i själva verket är man direkt ansluten till […] och […]. Så branschen och chefsrollen är ganska nära varandra. Är det fiasko i branschen blir det ofta fiasko för chefen. Men en duktig chef ser ju efter kostnaderna på ett bättre sätt än en mindre duktig chef.