



Managing interrelated tensions in headquarters–subsidiary relationships: The case of a multinational hybrid organization

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Abstract

While all multinational organizations face the challenge of managing tensions between local integration and global responsiveness, they are increasingly required to pursue additional, often paradoxical, objectives – such as social and commercial goals. However, we know little about how these tensions at the core of the MNC strategy interact. Based on an inductive qualitative study of four headquarters–subsidiary relationships in a Latin American Multinational Hybrid Organization, we develop a model showing the interplay of multiple tensions and management approaches to address them. This allows us to contribute to research on subsidiary roles, which we found to differ depending on how multiple tensions are addressed. Furthermore, we add to the literature on hybridity in multinational organizations by pointing out how regional differences between units of a single organization unfold. Finally, we provide some practical recommendations for the management of multinational hybrid organizations.

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INTRODUCTION

Since the foundation of international business (IB) as a field, the literature has debated how organizations can address the stretch between local responsiveness and global integration in their strategy to successfully compete in an international context (Bartlett & Ghoshal, 2002; Hedlund, 1986; Nohria & Ghoshal, 1994). This stretch typically results in several competing demands concerned with the coordination of multiple markets, such as adaptation–standardization or autonomy–control. The fundamental tension between such local and global orientations can be described as paradoxical in the sense that it relates to contradictory yet interdependent goals (Smith & Lewis, 2011; Schad, Lewis, Raisch, & Smith, 2016) that are notoriously difficult to manage.

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IB scholars have offered several organizational solutions to manage the local–global tensions within multinational corporations (MNCs) through different subsidiary roles and responsibilities (Birkinshaw & Morrison, 1995; Paterson & Brock, 2002; White & Poynter, 1984). While it is widely acknowledged that subsidiaries have to juggle local–global demands and engage in continuous negotiations with headquarters (HQ) (Balogun, Fahy, & Vaara, 2019; Geppert & Dörrenbächer, 2014; Schotter & Beamish, 2011), we know little about how other types of tensions – particularly those at the core of the MNC strategy – interact with and potentially support or hinder the management of local–global tensions, and how they affect the roles of subsidiaries.

This is problematic, as in today's complex international environment, many MNCs are exposed to a multiplicity of logics in their strategic priorities that go beyond the local adaptation–global integration one, such as public–private, academic–industrial, or social–commercial (Besharov & Smith, 2014), and result in additional tensions. In particular, MNCs are more and more taking a role vis-à-vis wider societal concerns seeking to combine different goals (Buckley, Doh, & Benischke, 2017; Prashantham & Birkinshaw, 2019).

Organizations that fully feature social and commercial goals at the core of their strategy are referred to as hybrid organizations (Battilana & Lee, 2014; Doherty, Haugh, & Lyon, 2014). Paradox scholars have recently provided ideas on how to manage the competing demands of social and commercial goals (Schad et al., 2016; Smith & Besharov, 2019; Smith, Gonin, & Besharov, 2013). However, this stream of research is usually confined to one national context and thus fails to provide insights on how social and commercial goals are managed in combination with local and global demands (e.g., Battilana & Dorado, 2010; Siegner, Pinkse, & Panwar, 2018; Zhao & Han, 2019).

While some tensions occur in different parts of an organization, and may thus be studied independently from one another, we suggest that those tensions that are at the core of an organization's strategy (such as local–global and social–commercial) might be interdependent and span the organization as a whole. Accordingly, the purpose of our study is to understand *how multiple tensions at the core of the strategy manifest in a multinational organization and how they are addressed in HQ–subsidiary relationships*.

In order to explore this novel and poorly documented phenomenon, we conducted an inductive qualitative study (Eisenhardt, Graebner, & Sonenshein, 2016; Miles & Huberman, 1994; Yin, 2009) in the extreme case of a multinational hybrid organization (MHO). SVC (a disguised name) was initially founded as a relatively loose group of decentralized philanthropic ventures to promote the sustainable development of micro- and small enterprises (MSMEs) in Latin America and eventually became a consulting provider for multinational companies with an interest in turning these MSMEs into reliable business- and sourcing-partners. It thus experienced two concurrent transformations: from a philanthropic to a hybrid organization, and from a decentralized to a multinational organization. This effectively turned SVC into an MHO with social–commercial and local–global goals at the core of its strategy. The interesting aspect about this case is that the subsidiaries differed substantially in the way they conceived and addressed the resulting tensions. This allowed us to compare and contrast four cases of HQ–subsidiary dyads that strived to establish a multinational and a hybrid logic.

We view these cases through a paradox lens (Lewis & Smith, 2014; Poole & Van de Ven, 1989; Schad et al., 2016) to gain a dynamic perspective on coping practices for “real-world experiences of tensions” (Smith & Tracey, 2016). We first identify the tensions that the subsidiaries face as a result of their local–global logic (coordination tensions) and their social–commercial logic (strategy tensions). Then, we compare and contrast the specific management practices to address these tensions in the HQ–subsidiary dyad and identify their “guardrails” (Smith & Besharov, 2019).

Our findings illustrate that some subsidiaries embrace tensions and react through differentiation or integrating practices (Smith & Tushman, 2005), while others deny the tensions and engage in practices of dismissal, challenging, or attacking (Oliver, 1991). We develop a causal model illustrating how the global organizational objectives and the subsidiary's local conditions provide “guardrails” (Smith & Besharov, 2019) for the interplay of local–global and social–commercial tensions and the respective management practices in HQ–subsidiary relationships. The practices to deal with social–commercial tensions may thereby either support or hinder the simultaneous pursuit of local and global demands. These insights suggest that an organization's ability to achieve local responsiveness and global integration is, in part, shaped by

how it addresses multiple interdependent logics. Our results allow us to draw several interesting conclusions for the literature on HQ–subsidiary relationships and also advance the understanding of hybridity in multinational organizations.

First, we extend the theorizing on subsidiary roles (Andersson, Forsgren, & Holm, 2007; Balogun, Jarzabkowski, & Vaara, 2011; Birkinshaw & Hood, 1998) by acknowledging that paradoxical tensions and the related management practices play an important role in configuring subsidiary roles. Some of the resulting subsidiary roles represent a sub-optimal equilibrium and are fundamentally misaligned with the priorities of the organization. This goes against the general idea that subsidiary roles are self-reinforcing and aligned with the corporate strategy, but may provide a more realistic pattern of the struggle to shape subsidiary roles in practice. Our findings also show that subsidiary roles are co-created in the interaction between HQ and subsidiaries rather than “assigned” by HQ or “assumed” independently by subsidiaries (Birkinshaw, 1996; Cavanagh, Freeman, Kalfadellis, & Cavusgil, 2017; Cavanagh, Freeman, Kalfadellis, & Herbert, 2017).

Second, our study also adds to the literature on hybridity in multinational organizations. Complementing recent research suggesting that hybrid objectives can be pursued in inter-organizational relationships between MNCs and SMEs (Prashantam and Birkinshaw, 2019), we show how hybridity may unfold differently within regional units of a single organization, depending on their specific national contexts. Our findings thus extend the literature on hybrid organizations and social enterprises that has mostly been bound to single-country settings (Dacin, Dacin, & Tracey, 2011; Tracey, Phillips, & Jarvis, 2011; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008).

THEORETICAL BACKGROUND

Local–Global Tensions and Headquarters–Subsidiary Relationships

Balancing between local and global demands has been essential to the study of strategy of the multinational and consequently the evolution of IB research (Doz & Prahalad, 1991; Koza, Tallman, & Ataay, 2011; Rugman & Verbeke, 1992). While not all the tensions between local integration and global responsiveness are paradoxical, most of them manifest in the interaction between HQ and

subsidiaries. For example, such tensions exist in the areas of autonomy and control (Beugelsdijk & Jindra, 2018; Friesl & Silberzahn, 2017), knowledge creation and sharing (Hensmans & Liu, 2018; Mudambi & Navarra, 2004), connectedness and isolation (Asakawa, 2001; Monteiro, Arvidsson, & Birkinshaw, 2008), initiative-taking and conformity (Decreton, Nell, & Stea, 2019; O’Brien, Sharkey Scott, Andersson, Ambos, & Fu, 2019), or internal and external embeddedness (Andersson & Forsgren, 1996; Schotter, Mudambi, Doz, & Gaur, 2017).

Several approaches to manage local–global tensions within the multinational organization were presented by IB scholars. For example, Prahalad and Doz (1987) outlined the “central capabilities” of managers at the business level to control and change subsidiaries and be flexible regarding unforeseen developments while pursuing the overall mission. Bartlett and Ghoshal (2002: 320) suggested to build “an integrated network – an organization that is distributed, specialized, and interdependent” to master this managerial challenge. More recently, Meyer, Mudambi, and Narula (2011) argued that HQ–subsidiary relationships face much higher complexity than classically put forward in the integration-responsiveness literature, as they exhibit varying degrees of internal and external embeddedness. Overall, research in this domain went through a gradual change in perspective from the firm level of analysis to a finer-grained network view focusing on the roles subsidiary units play in their interactions with HQ in the management of local–global tensions (Rugman, Verbeke, & Nguyen, 2011).

Recently, research on subsidiary roles has become a dominant perspective in HQ–subsidiary research (Kostova, Marano, & Tallman, 2016). Subsidiary roles have been established to attribute different responsibilities to organizational units and to clarify their potential for value creation. To conceptualize them, a multitude of variables accounting for the external market environment and the internal capabilities have been applied, such as geographic and product/value-added scope (White & Poynter, 1984), degree of integration and responsiveness (Jarillo & Martínez, 1990; Taggart, 1998), configuration of strategy and structure (Birkinshaw & Morrison, 1995), or knowledge and innovation (Andersson & Forsgren, 2000; Gupta & Govindarajan, 1991). Bartlett and Ghoshal (1986) claimed that subsidiaries can contribute significantly to the competitive advantage if HQ are flexible in the adaptation of “roles and responsibilities” according

to “differences in external environments and internal capabilities”. Since these early works, subsidiary roles have been refined and discussed more broadly, but a lively debate continues as new contexts emerge (Cavanagh & Freeman, 2012; Enright & Subramanian, 2007; Verbeke & Yuan, 2018).

Despite this intense discourse, it is not entirely clear whether subsidiary roles are “assigned” by HQ or “assumed” independently by subsidiaries (Birkinshaw, 1996; Cavanagh, Freeman, Kalfadellis, & Cavusgil, 2017; Cavanagh, Freeman, Kalfadellis, & Herbert, 2017), or how these are co-created. While we know that subsidiary roles are shaped and evolve over time (Balogun et al., 2011; Birkinshaw & Hood, 1998; Tippmann, Sharkey Scott, Reilly, & O’Brien, 2018), several studies have highlighted that our understanding of this issue is very fragmented. In their arguments, they referred to the struggles for power (Mudambi & Navarra, 2004; Dörrenbächer & Geppert, 2006; Geppert & Williams, 2006), dispute and arbitration (Schotter & Beamish, 2011; Balogun et al., 2011), reciprocity (Monteiro et al., 2008), or legitimacy (Balogun et al., 2011, 2019; Delmestri & Wezel, 2011). All these studies stress that subsidiaries engage in iterative negotiations, and sometimes conflict, with HQ in the configuration of their roles, but there is little consistent evidence on how tensions are addressed by different management practices to shape these roles. As Blazejewski & Becker-Ritterspach (2011: 143) noted in their study on HQ–subsidiary conflict: “Especially in the MNC context, it is easily conceivable that many conflicts (due to incompatible interests) remain latent because the potentially opposing actor does not even notice (due to geographic, cultural or hierarchical distance).”

The Interrelatedness of Local–Global and Social–Commercial Tensions

While IB research is rich in discussing local–global tensions, it lacks deep insights into the management challenges of combining multiple interrelated tensions at the core of the strategy, such as the pursuit of social and commercial goals. Buckley et al. (2017: 1050), for example, note that “From its inception, IB research has demonstrated concerns about the role and responsibilities of MNCs regarding broader societal interest”, but observe a lack of engagement of IB research with grand challenges. Recently, more studies have advocated dual roles of MNCs – for business and social development. For

example, Kolk, Rivera-Santos, & Rufin (2018) look at MNCs’ role in poverty alleviation, and Garrone, Piscitello, & D’Amelio (2019) shed light on MNCs and the provision of collective goods. However, only a few studies provide insights into how these contributions to social development can be driven through managerial action. As notable exceptions, Prashantham and Birkinshaw (2019) recently elaborate on forms of MNC–SME collaborations that further the sustainable development goals, Narula (2019) highlights the consequences of enforcing higher labor standards in global value chains in developing countries, and Lundan (2018) emphasizes the importance of MNCs’ managerial aspects for advancing public policy. Despite these important insights, we still know very little about how MNCs adopt a social and a commercial orientation at the core of their strategy.

Turning to the emerging literature on hybrid organizations that addresses the paradoxical tensions between social and commercial goals, we find that this stream has a rather underdeveloped international dimension (Battilana & Dorado, 2010; Smith & Besharov, 2019; Tracey et al., 2011). Research on hybrid organizations has primarily focused on their inherent organizing challenges, independent from challenges that arise from managing across local and global hierarchical levels (Canales, 2014; Ebrahim, Battilana, & Mair, 2014; Ramus, Vaccaro, & Brusoni, 2017). Also, the emergent stream on social entrepreneurship has not put much emphasis on the implications of an internationally dispersed social enterprise (Dacin et al., 2011; Tracey et al., 2011; Zahra et al., 2008). As a result, traditional IB topics, such as the internationalization of organizations and related institutional environments (Angulo-Ruiz, Perge-lova, & Dana, 2019; Bolzani, Marabello, & Honig, 2019; Xing, Liu, & Lattemann, 2018), are still scarce in the hybrid organizations literature. Amongst the few studies that discuss organizing approaches of hybrids across national boundaries is the work of Huybrechts and Haugh (2018) on the European Network of Renewable Energy Cooperatives, and Kannothra, Manning, and Haigh’s (2018) study of Impact Sourcing Providers in global supply chains. While this research touches upon international aspects of organizing hybrids, it does not provide insights into the coordination challenges between local responsiveness and global integration that multinational hybrids might face.

We are approaching this fragmented field of research with a paradox lens to identify which

tensions arise in organizations that face local–global as well as social–commercial tensions. In both literatures – on international business (Birkinshaw, Crilly, Bouquet, & Lee, 2016; Prashantham & Eranova, 2018) and on hybrid organizations (Jay, 2013; Smith & Besharov, 2019) – scholars have recently adopted paradox perspectives to uncover how contradictory, yet interdependent, demands can be addressed. At the same time, paradox scholars have expanded their analyses to studying tensions that are nested at multiple levels of organizations (Andriopoulos & Lewis, 2009; Jarzabkowski, Lê, & Van de Ven, 2013; Sheep, Fairhurst, & Khazanchi, 2017). Thus, we consider the theoretical lens of paradox as a useful perspective to shed light on the manifestation of complex, multifaceted, and potentially interrelated tensions in the MHO.

METHODOLOGY

To address our research question, *how multiple tensions at the core of the strategy manifest in a multinational organization and how they are addressed in HQ–subsidiary relationships*, we opted for a multiple case study research design (Miles & Huberman, 1994; Yin, 2009). In choosing an inductive design, concerns about limited external validity were traded off against the opportunity to gain deep insights into an emergent and poorly documented phenomenon (Bamberger & Pratt, 2010; Eisenhardt et al., 2016; Welch, Piekkari, Plakoyianaki, & Paavilainen-Mäntymäki, 2011). The close collaboration with one MHO provided the research team with a thorough understanding of the priorities and processes of this organization (Yin, 2009). Following a maximum variation sampling approach, we drew on four HQ–subsidiary dyads where the subsidiaries responded differently to the new local–global and social–commercial logics. This allowed us to compare and contrast different cases for theory building (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

Research Context

SVC, a Latin American MHO with a presence in 15 countries, was perceived as an ideal setting to address our research question. First, SVC provides exemplary evidence for an organization with a strong social–commercial mission and at the same time a multinational organization with a local–global logic. Second, it is also a revelatory case that had undergone a transition process from a

decentralized group of philanthropic ventures with a strong social-impact-logic to a multinational hybrid organization with the dual mission to support the sustainable development of MSMEs in Latin America while also acting as a commercial consulting provider for large multinational clients. Using the words of the former CEO, this has put more pressure on the previously “fully-funded collection of countries held together by an overarching social mission” to deliver on a “global strategy and to scale project ideas from their host markets to fuel growth and profitability”. The shift towards a more centralized global strategy with cross-country collaboration and a hybrid goal that paired a strong social mission with commercial pressure resulted in two interdependent paradoxical tensions and allowed us to study the phenomenon of interest in real time.

The unit of analysis in this study is the HQ–subsidiary dyad that encompasses HQ management, subsidiary management, subsidiary employees, and stakeholders in the subsidiary context. In order to gain insights into the variety of arising tensions and management approaches to address these tensions, we selected four subsidiaries that differed in their contribution to the group’s hybrid objectives. According to the HQ management team, Alpha showed an above average contribution to both the social mission and the economic performance of SVC. Beta was showing below average contributions to both objectives, while Gamma and Delta were both considered average contributors within SVC.

Data Access and Sources

Our engagement with SVC’s top management started in 2014. Initially, one of the co-authors got to know the CEO in the context of a student project unrelated to this research. Being intrigued by the organizational model and challenges of SVC, we started formal interviews with the SVC HQ management and a retrospective analysis and documentation of the organization’s transition, followed by systematic on-site data collection in 2016. Three meta-topics had been identified as the most pressing issues for the organization and were the focus of our data collection: (1) the relationships between HQ and subsidiaries – their historical evolution, roles and responsibilities; (2) the strategic priorities and contribution of each unit as perceived by themselves and by other units; and (3) the formal and informal collaboration patterns between HQ and subsidiaries. One of the co-

authors spent several weeks at the organization to conduct formal interviews with key informants on different levels within SVC (HQ managers, country managers, functional managers, and consultants). Over the next 6 months, the research team conducted additional interviews via Skype and remotely participated in strategy meetings and discussions. This approach allowed us to capture emerging tensions as they arise in the day-to-day operations (Smith et al., 2013; Smith & Tracey, 2016). It also provided us with insights into different perceptions at different levels of the organizations and the practices subsidiary managers employed to deal with tensions.

In total, we conducted 70 formal interviews with HQ and subsidiary managers. The interviews were semi-structured to allow for deep inquiry (Rubin & Rubin, 2011). We were particularly looking for challenges, conflicts, problems, and tensions in the organization on the one hand, while, on the other hand, we counterbalanced that inquiry with questions for positive experiences. We asked open-ended questions to trigger engagement by the respondents. Combining real-time and retrospective data as well as soliciting multiple views on an issue allowed us to validate our insights and to minimize single-respondent bias (Eisenhardt & Graebner, 2007; Leonard-Barton, 1990). We collected data on each case until saturation was reached.

The interview data and observations were triangulated with secondary and archival data (Jick, 1979). One data source was documents that SVC shared with us. The range of subjects included: the financial data of 2015 and 2016 as well as detailed

insights into current projects, such as the company project database. Other data sources were publications by SVC and on SVC. Such accounts were logged into a research diary, as were conference calls and meetings with HQ members. All authors met independently with HQ members to validate and inform the understanding we had based on the triangulated data. Table 1 provides an overview of respondents and additional primary data sources.

Data Analysis and Emerging Patterns

We relied on an inductive qualitative approach for our data analysis and theory development (Eisenhardt, 1989; Glaser & Strauss, 1967; Miles & Huberman, 1994). In a first step, we strived to understand what tensions the subsidiaries in our sample were facing. We transcribed all interviews and created individual case histories. Then, we analyzed data using established coding techniques (Langley, 1999; Miles & Huberman, 1994; Saldaña, 2009) and followed Gioia, Corley, & Hamilton's (2013) approach of data analysis and Smith et al.'s (2013) process for the identification of tensions, focusing on what Smith & Tracey (2016) call real-world tensions. Initially, we coded each interview separately for tensions, coming up with 15 first-order tension codes. Based on these first-order tension codes, we identified common empirical themes and derived five second-order categories of tensions that are paradoxical in the sense that they showed "persistent contradiction between interdependent elements" (Schad et al., 2016: 10). These were then aggregated into two third-order dimensions. One dimension, which we call 'Strategy Tensions,' refers to the interplay between

Table 1 Summary of primary data collection

Primary data sources	Quantity	Interview partners
Semi-structured interviews		
HQ	35	CEO, Former CEO, Director of Strategy, Director of Finance, Director of HR, Regional Project Manager, HR Manager, Innovation Coordinator, Marketing Coordinator, Regional Project Coordinator
Alpha	6	Subsidiary Manager, Commercial Manager (×2), Operations Manager, Project Manager (×2)
Beta	9	Subsidiary Manager, Operations Manager, Commercial Manager, Project Manager (×2), Consultant (×3), Administration Coordinator
Gamma	5	Subsidiary Manager, Project Manager (×3), Consultant
Delta	15	Subsidiary Manager, Commercial Manager (×2), Operations Manager (×2), Project Manager (×3), Consultant (×2), Assistant to Operations Manager (×2), Administration Coordinator
Total number of interviews	70	
Observations		
Annual regional meeting, strategy meetings, regional conference calls, participation in office operations and interacting with clients in Beta, Delta and HQ		

commercial and social priorities; the other, ‘Coordination Tensions,’ refers to the stretch between local and global demands.

‘Strategy Tensions’ include two second-order categories: organizational scope tensions (relating to the implementation of the hybrid business model, i.e., the stretch between commercial viability and social impact) and identification tensions (relating to the culture and mindset as either a for-profit company or a development organization). In contrast, ‘Coordination Tensions’ consist of: HQ role tensions (relating to the value added vs. the organizational cost of HQ); standardization tensions (relating to the stretch between local adaptation and regional standardization to implement the hybrid business model); and collaboration tensions (relating to the lateral collaboration between subsidiaries, focusing on pursuing local opportunities vs. regional synergies). Figure 1 shows the data structure and Tables 2 and 3 provide representative quotes.

In a next step, we examined how the managers in each HQ–subsidiary dyad dealt with these tensions. By iterating between empirically emerging themes and established concepts in the literature, we moved from first-order codes of these practices to second-order conceptual categories, which we finally clustered into two third-order dimensions (Gioia et al., 2013; Smith & Besharov, 2019). While some of our respondents’ statements reflect the

more proactive integration and differentiation approaches for tension management advocated by paradox research (Smith & Tushman, 2005), other respondents emphasized more defensive practices that can be linked to the categories of dismiss, challenge, and attack introduced by Oliver (1991). Accordingly, we distinguished between practices to ‘embrace’ tensions (through differentiation and/or integration) and practices to ‘defy’ tensions (through dismissing, challenging, or attacking tensions) (Figure 2).

Building upon the grounded concepts, we then began studying the interplay of tension manifestation and management approaches for each case individually. We found that the interplay of tensions and practices oscillates between the global organizational objectives (relating to the hybrid mission and objectives) and the local subsidiary conditions (the market context and subsidiary capabilities) (Table 4). These dimensions act as guardrails (Smith & Besharov, 2019) in that they limit the scope of practices and, at the same time, catalyze paradoxical tensions (Figure 3).

The emerging patterns from this within-case analysis were then compared across cases and enriched through empirical insights on the distinct roles of the subsidiaries in their relationships with HQ (Miles & Huberman, 1994). We first compared the case of Alpha (with a relatively high hybrid contribution) vis-à-vis the case of Beta (with a

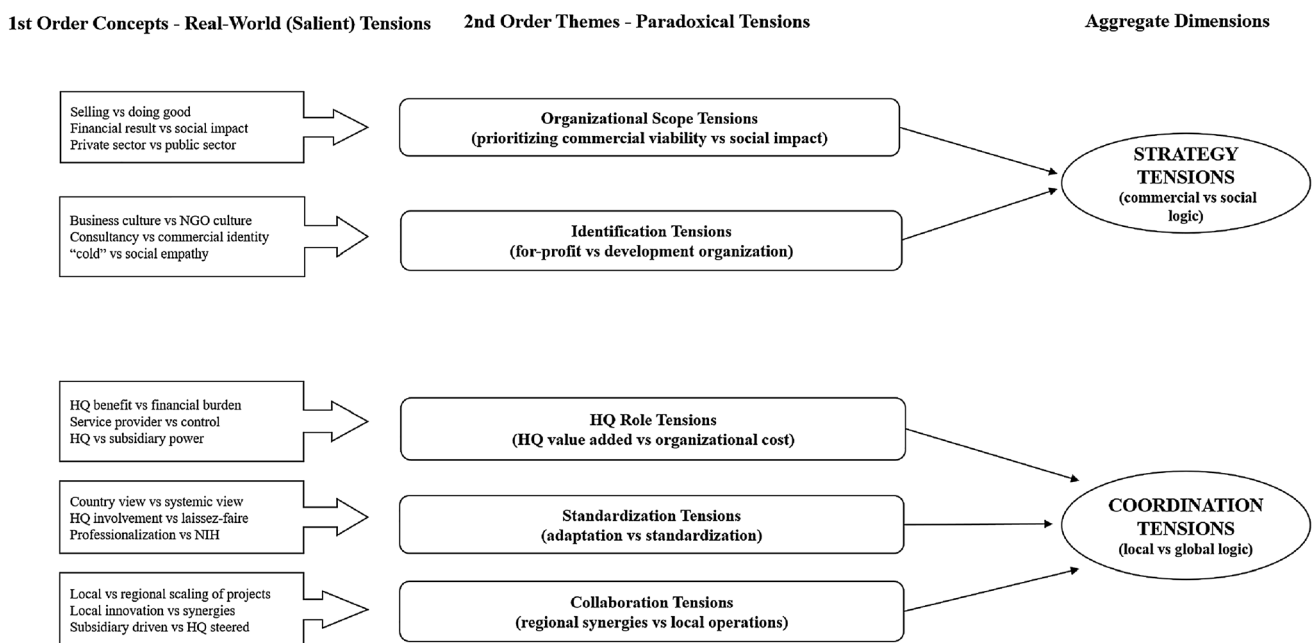


Figure 1 Inductive process of emerging tensions patterns.

Table 2 Overview of strategy tensions (social vs. commercial logic)

Strategy tensions	HQ	Subsidiaries
<p>Organizational scope tensions Relating to the implementation of the hybrid business model, i.e. the stretch between commercial viability and social impact</p>	<p>Our commitment was to generate income and be self-sustaining, and that led to a shift in strategy from a philanthropic training model to a model more focused on consulting. (Director of HR SVC Intl)</p> <p>Recently, we started talking about presenting ourselves as a consulting company that strengthens the business sector in Latin America by supporting large companies to develop their value chains. Still, we have three or four countries that say, "I do not want to present myself as a consultant, if I introduce myself as a consultant, I can no longer present a proposal to the government". (Marketing Coordinator SVC Intl)</p>	<p>Our reason for being is not consulting, our raison d'être is the business development of MSMEs. [...] What is important is not what we do, what is important is mission and purpose. I believe that we cannot be tied to just consulting, I think we have to go further. (Subsidiary Manager SVC Beta)</p> <p>The discourse in SVC is changing to a more commercial tone. This may be wrong because it is that SVC was created to generate or help create shared value, and that is the mission of SVC, but at this moment, there is a great pressure to sell, sell, sell, and sell. And when you have to achieve a goal of selling, selling, selling, you have to go talk to those who have money in organizations. And those that have the money are those of marketing and sales, not of social responsibility; those of social responsibility do not have money to pay large projects of SVC. (Commercial Manager SVC Beta)</p> <p>We do not work with a vision of entrepreneurship, of profit. [...] Our purpose is promoting and supporting sustainable development in MSMEs. That's why our strategy is to collaborate closely with international organizations. (Subsidiary Manager SVC Gamma)</p>
<p>Identification tensions Relating to the culture and mindset as either a for-profit company or as an NGO</p>	<p>In the short term, we need to install a culture of high achievers, because right now we come from an NGO culture. We are .org at heart, we should be .com in power and thinking – and it is not widespread throughout the organization. (Innovation Coordinator SVC Intl)</p> <p>Resistance is the most common, most normal thing in all human beings. Some of the people who were there when we were an organization are still there. They would have liked to continue with the previous model, since many of them were philanthropists. (Former CEO SVC Intl)</p>	<p>It is a company, it works as a company, from the point of view that we need to deliver economic results and results, or we need to focus on how many sales are generated, how much is the margin of each of the projects. Then, it works with the mentality of a company that in the end is true, may not be for profit only, but in the end it is a productive company. This means that it is not that we are sitting here only to applaud the beautiful things we do, but that we pursue concrete results that take us to equilibrium and be a profitable company that obviously can then invest this in further development of the communities or countries where we are. (Commercial Manager SVC Alpha)</p> <p>Well, SVC as such is an organization that is a bit lost. It is that we come from the figure of an organization, which was philanthropic. I qualify it as an organization that is dedicated to operating like a consulting firm with a social purpose, that we impact MSMEs, which is our mission. (Project Manager Alpha)</p> <p>I understand SVC as a private development organization. (Subsidiary Manager SVC Beta)</p> <p>It is an organization that is trying to find to do good business. (Project Manager SVC Beta)</p> <p>It is an organization with the goal of being self-sufficient. (Consultant SVC Delta)</p> <p>For me it is still an organization. (Project Manager SVC Delta)</p>

Table 3 Overview of coordination tensions (local vs. global logic)

Coordination tensions	HQ	Subsidiaries
<p>HQ role tensions Relating to the value added versus the organizational cost of HQ</p>	<p>I think it's not a balance of power. You would expect that we have a HQ, because the HQ says what we are going to do. Yet, at the end of the day, the countries often do what they want. Then, the power really is with the countries. (Director of Strategy SVC Intl)</p> <p>As soon as you touch the countries' wallets there is trouble. The HQ is perceived as sucking out the money without adding any value. Regarding our shared service center, they comment "it takes away our time and 5% of our income and it does not provide anything." (Innovation Coordinator SVC Intl)</p> <p>And there is a complaint because they believe that we should be giving them more services than we give them. There is a very thin line, which in the case of SVC has already passed. The line has to be very thin, that the services help the objective of the organization, but do not over empower the business units to later believe that the head office is only to do what they want. That is a bit the line. (CEO SVC Intl)</p>	<p>The relationship is more like having an audit than receiving a service. We are not receiving support, but they are looking for information, for compliance – but it is improving. (Commercial Manager SVC Alpha)</p> <p>The support or services of SVC Intl are not very agile. The truth is that they do not help us; for example, the cash to enable operations is granted too slowly and our consultants have to disburse the operations out of their own pockets. (Operations Manager SVC Alpha)</p> <p>The 5% that we pay per project to HQ should for instance be used to innovate the backoffice platform, which is managed from HQ. But it's not happening. (Project Manager SVC Beta)</p>
<p>Standardization tensions Relating to local adaptation versus standardization pressures to implement the hybrid business model</p>	<p>We have to understand that we are the same, that we are not divided by countries; that being country units is holding us back from being one SVC. (HR Manager SVC Intl)</p> <p>We have changed our corporate brand two years ago. Six months were given to each country, to renew everything that had to do with the corporate image. Until today, some countries continue to have their buildings with the label of SVC from ten years ago. It tells you what they think about our alignment efforts. (Marketing Manager SVC Intl)</p>	<p>Our projects follow a local particularity, it is not something that works in the other countries that way. Likewise, in the commercial area, I have my process and my approach, but it is not standardized on the regional level as well. (Subsidiary Manager SVC Alpha)</p> <p>I think that SVC Intl should have a knowledge center, a methodology center where one can contact with specialists who know these methodologies so they can be used in the different projects that we are doing. I know HQ is working on knowledge management, but there is no clear diffusion of knowledge. (Project Manager SVC Gamma)</p>
<p>Collaboration tensions Relating to the lateral collaboration between subsidiaries focusing on pursuing local opportunities versus regional synergies</p>	<p>The subsidiaries see their unit, their territory, their country. That vision of a single, multinational organization is not there. If I move resources from one country to another, they tell me "look, you are affecting me in my country, these resources are from this country". (Director of Finance SVC International)</p> <p>It is very difficult for most countries to work with one another. The interesting projects are not adapted to the reality of other markets. [...] Therefore, we have not managed to replicate those projects in other countries. (CEO SVC Intl)</p>	<p>There is no implementation structure, country by country. There is no identification of promoters and blockers. There is no leadership to push it. None of that helps to make change happen. (Commercial Manager SVC Delta)</p> <p>It is not true that we do not have the means for communication. I could contact the other subsidiaries any time to ask them what they are working on and they will surely tell me. But it would be better to have an official mechanism where one can find out about things, like the success stories that I tell my clients that resonate with them. (Commercial Manager SVC Beta)</p> <p>We were executing a project at the regional level that was implemented successfully in another country. The results had been deficient [...] and that generated a bad image with our main ally. [...] We felt the absence of HQ because we cannot manage teams of other countries. (Project Manager SVC Gamma)</p>

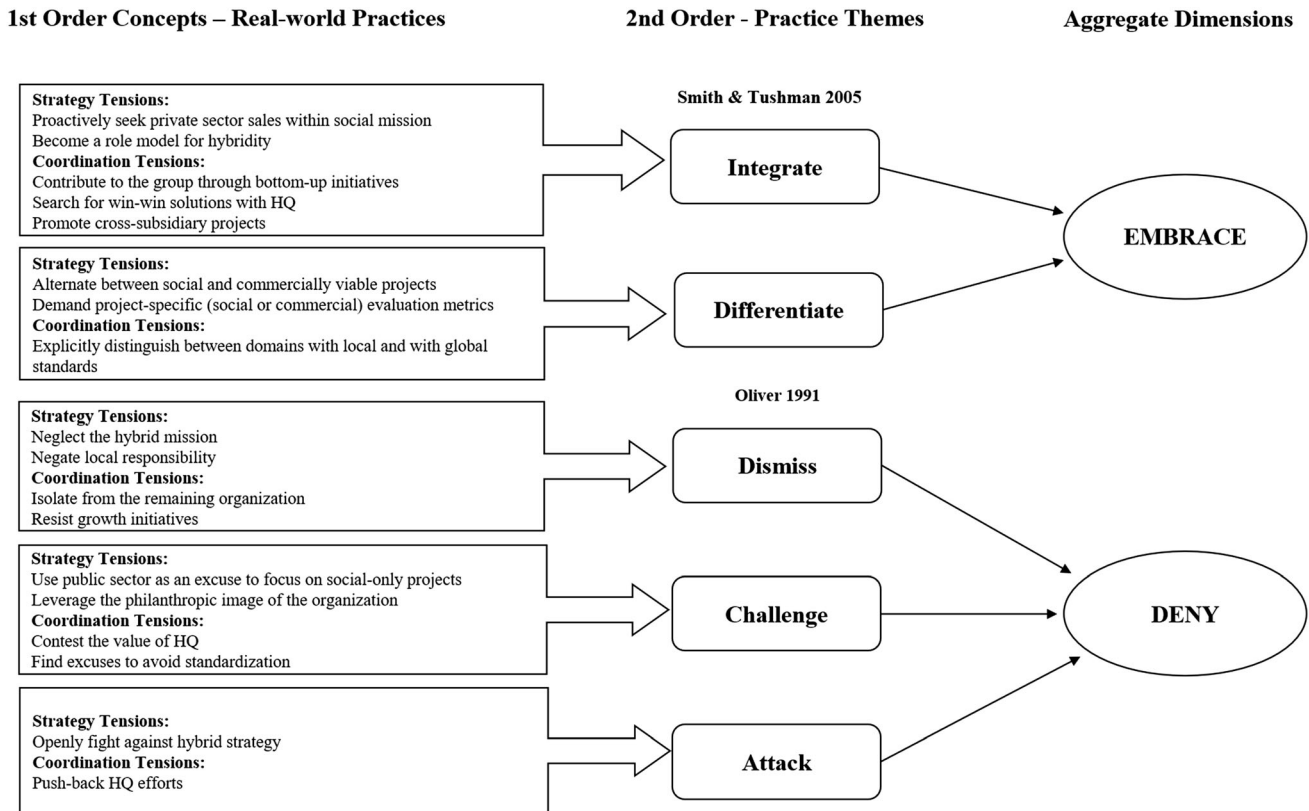


Figure 2 Inductive process of emerging practices patterns.

relatively low hybrid contribution). Second, we compared the two average contributors (Gamma and Delta) and, thirdly, we contrasted all cases against each other. Finally, we derived distinct roles and interaction patterns that could be related to the management practices on the subsidiary level and specific subsidiary roles.

FINDINGS

We first provide a brief overview of SVC and the context in which the paradoxical tensions emerged in the HQ–subsidiary relationships. Subsequently, we revert to our four in-depth case studies and describe the tensions specific to each HQ–subsidiary relationship and the practices they used to address them. Based on these accounts, we develop a model of the interplay of tensions and practices and delineate the corresponding subsidiary roles in the multinational hybrid organization.

Overview of SVC’s Evolution

Founded in 1984 by a Swiss billionaire and the archbishop of a Latin American country, the idea behind SVC was to bring sustainable development

to the poor region of Latin America by stimulating economic development through financing, education, and training of MSMEs. Initially funded as a purely philanthropic foundation, SVC’s operating model evolved considerably up to the time of our data collection in 2016, as illustrated in Table 5.

In 2010, SVC was informed that it would no longer receive foundation funding. A new manager was brought into the organization to transform the philanthropic operating model into a commercially self-sustaining consulting business, with the mission to create “shared value” for MSMEs and multinational corporations. As a foundation, SVC had previously operated as a relatively loose group of decentralized philanthropic ventures across Latin America. The new requirements called for an integrated (global) strategy. The HQ, SVC International (SVC Intl), which had originally only distributed the foundation money, suddenly found itself dependent on the financial contribution of the countries, but did not provide much guidance regarding how to generate income without jeopardizing the social purpose and thus faced the challenge of “managing” subsidiaries.

Table 4 Overview of guardrails (Smith & Besharov, 2019)

Guardrails	
<p>Global organizational objectives</p> <p>Relating to the hybrid mission and objectives</p>	<p>The new Director of Strategy is convinced that we could achieve financial self-sustainability if we could leverage the potential of the winning products we have in some subsidiaries at SVC. The problem is, however, that the KPIs drive us to look for our own distinct opportunities in our countries. (Subsidiary Manager SVC Alpha)</p> <p>I have actually never required the subsidiary managers to sign the agreed strategy but this September, for our biannual general meeting, I am thinking about doing it. Because sometimes, after the event, when I am in a meeting and I say “this is the strategy, this is what we are going to do,” there is still someone who says “I do not know what the strategy is”. With such a signature, they cannot say again “I did not understand correctly.” (CEO SVC Intl)</p> <p>There is a lot of indifference, a little bit of apathy and more. People were asked, “give me your operation’s KPIs”. And ‘pam pam pam’, they gave them to us and then we said, “ok, now I’m going to take these KPIs and based on them I will evaluate, “and people said,” no, wait, you did not tell me that you were going to evaluate me, if you are going to evaluate me then I want to go back to review my KPIs”, “then you say: are we establishing KPIs for fun?” (Director of Strategy SVC Intl)</p>
<p>Subsidiary conditions</p> <p>Relating the market context and subsidiary capabilities</p>	<p>We are a country with high expectations for commercial development because of the volume of sales that can be made here, because of the type of industries that exist, because of its proximity to the United States and Central America, so companies are very sensitive to the environment outside of this country, while I am naturally more focused on what is done in the interior of this country. (Commercial Manager SVC Delta)</p> <p>That condition of poverty, that situation of absence of the state, that historical marginality experienced by regions and communities has led us to companies like SVC [...], but we have also had to begin to take care that the assignment first involves resolving issues that are of a priority nature around the needs and capabilities of our local beneficiaries before thinking about SVC’s global strategy. (Consultant SVC Beta)</p> <p>In some markets, we have people who come from the world of sales, who achieve their goals very quickly and are generating ideas for new projects with a commercial focus. In other markets, we have very good people but they do not have that commercial eagerness and that sales know-how because they have always worked in development and NGOs. (Marketing Coordinator SVC Intl)</p>

HQ’s Strategic Direction

In view of the pressure to create commercial results in addition to social impact, SVC had gone through two simultaneous transformations from a

philanthropic to a hybrid institutional logic and from a decentralized (local) to a multinational (global) organization. As a project manager recalls: “Our origins were operating as a strict NGO, a

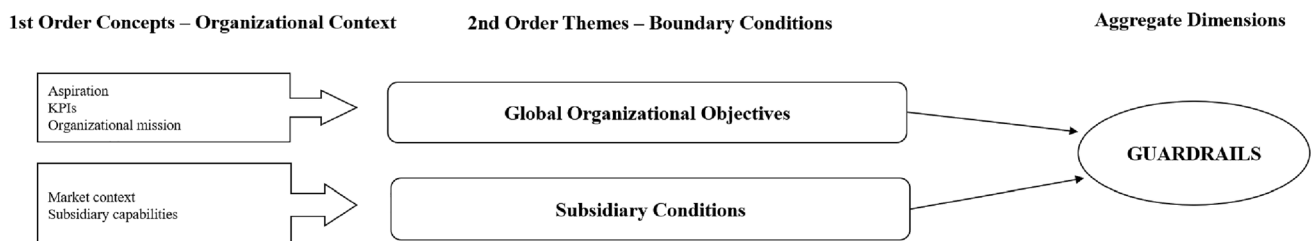


Figure 3 Inductive process of emerging guardrails patterns.

**Table 5** SVC's historic trajectory

Purpose	Operating and financing model
Micro-credit guarantor (1984–1995)	SVC's initial operations were based on providing micro-credits to MSMEs and guaranteeing their credit with banks across Latin America with the goal to stimulate their entrepreneurial activities. It worked completely philanthropic and relied on the donations that it received from its founder. Its goal was to provide "access to capital" for MSMEs and thereby aid their development.
Education and training provider (1996–2004)	As the redemption of the credits by the borrowers was too low, SVC's operating mode changed from providing and guaranteeing credits to education and training. A school system was established and MSME owners received basic entrepreneurial education that was modularized to enable "access to knowledge". SVC charged the MSMEs small, symbolic fees. It also started alliances with major companies at the country level to increase its potential impact.
Benevolent individual consulting to MSMEs (2005–2008)	SVC intended to get closer to the implementation and application of what it taught to MSME owners by consulting them directly in their specific contexts to increase its impact further. Consequently, SVC started to offer retail consulting to individual MSMEs that was highly subsidized by its donor organization and (N)GOs, because the MSMEs were not able to pay for the services.
Shared value consulting (2009–2016)	In the aftermath of the World Financial Crisis of 2008, SVC's donor declared that SVC will have to operate fully self-sustainingly by 2015. SVC redesigned its operations to primarily target major companies that would pay for consulting services for the MSMEs in their value chains.

philanthropic organization that dedicated itself to its mission. Now we are a consulting company with a social objective to impact the MSMEs." With this organizational restructuring, the HQ assumed a more active role to insist on social and commercial goals as well as on cross-country integration. Naturally, this resulted in tensions across different levels of SVC in HQ–subsidiary relationships, and the individual subsidiaries reacted very differently to the new setting.

Case Alpha

Despite being one of the smaller subsidiaries, Alpha made the second highest absolute financial contribution to the organization in 2015 and 2016. The subsidiary manager had a background in sales and had led Alpha since 2013.

Social versus commercial logic

Driven by the subsidiary manager's expertise, Alpha sought to comply quickly with the addition of the strategic direction promoted by the HQ. As for all other subsidiaries, the main challenge was to create a hybrid business model in order to sell projects to the private sector. At first, it experienced serious problems as their projects promised more than the subsidiary could deliver:

"A cement company told us that the project with us was the most expensive project with the least impact in the history of the company."... "As a result, they did not agree to be used as a reference. Afterwards, we basically had to sell to companies that did not know us." (Subsidiary Manager SVC Alpha)

The subsidiary manager and his team learned quickly from the initial problems to approach companies and to frame commercial projects with social impact for corporate clients. Consequently, they shifted to a more commercial mindset and understood how to position themselves vis-à-vis clients. Alpha's employees described SVC as "a consulting company with a social purpose" that had evolved from the philanthropic organization.

"Obviously we were born as an NGO, a foundation, but we evolved to operate as a business, although we still have elements of being an NGO in our DNA. That is why we are a bit in a gray area, we operate as both." (Project Manager SVC Alpha)

Due to its commercial success, other subsidiaries – and sometimes even HQ – perceived Alpha as being even too commercially driven. "Obviously it is less impact and more business." (Innovation Coordinator SVC Intl). However, all noted that Alpha had improved the commercial viability of projects relative to other subsidiaries. Driven by its initial commercial success, expectations were soon

increased, and Alpha managers felt a mismatch between the strategic objectives and the capabilities that the subsidiary had at its disposal. Still, Alpha accepted the group objectives and tried to reach them as one of Alpha's commercial managers emphasized: "Although we are very few, we try to reach the goal and try to achieve results, we try to improve the result of SVC." Despite this stretch, the marketing manager of SVC Intl noted: "The Alpha team is able to sell more projects in comparison with other subsidiaries while having a smaller market. Moreover, it achieves its goals faster."

Local versus global logic

The particular approach Alpha took to implement the hybrid strategy also resulted in tensions about the value-added versus the organizational cost of HQ in its operations. The subsidiary accepted the leadership of SVC International, but continuously demanded a higher quality of HQ services. The Alpha subsidiary manager noted, "In my case the leadership is with the HQ. [laughs] For the other subsidiaries, it depends. [...] We are moving to more power centralization."

While Alpha implemented HQ directives without objection, it felt that efforts to standardize processes across SVC were often not sufficiently followed up in the organization:

"I think that now in 2016 we should not be talking about the standardization of processes as a challenge any more, ... if we would have followed with the same impetus with which it started, then today it would not be a topic." (Project Manager SVC Alpha)

While Alpha remained critical of HQ, it took a proactive role to foster further professionalization and a more business-oriented management style across SVC. For example, it started an IT system initiative to professionalize the services that were delivered to project clients and beneficiaries. This "Portal" went beyond the software solutions that were provided by HQ, such as the project management tool "backoffice" and generic "google at work," and offered an integrated and customized solution that featured real-time geolocation-based project tracking. This best practice experience was then shared with other subsidiaries:

"We want to share our initiatives [such as the Portal] immediately. So far, other subsidiaries adopted them if they saw a need, ... but I would like HQ to take a lead and share them with all." (Subsidiary Manager SVC Alpha)

In doing so, the manager pushed his subsidiary as a role model with its standardized processes and

specialization in industries such as banking, agriculture, and auto-shops.

Interplay of logics: HQ's "role model"

Alpha embraced both the social-commercial logic as envisaged by HQ's strategic direction as well as the local-global logic. After initial challenges with "strategy tensions," it had integrated the commercial logic to complement the existing social priority. The prosperous country context and the manager's commercial aptitude allowed the subsidiary to implement the hybrid business model relatively quickly and feature success cases vis-à-vis HQ and peers. Because of its commercial readiness and will to advance, Alpha encountered significant "coordination tensions" about the role of the HQ and implementation of standardization processes. However, the subsidiary managed to proactively develop bottom-up solutions to integrate the local and global demands.

It is important to note that practices "embracing" tensions do not always equal "integrating" and resolving tensions. We also saw several instances where practices sought to "differentiate" tensions, that is "recognizing and articulating distinctions, [whereas] integrating involves shifting levels of analysis to identify potential linkages" (Smith & Tushman 2005: 527). For example, Alpha put extreme weight on commercial evaluation metrics, to an extent that it even alienated some traditional HQ members who defended the need for social impact. Likewise, for the collaboration tensions, it demanded more professional and dynamic solutions by the HQ and promoted its own standards and ideas.

In sum, HQ managers were very enthusiastic about Alpha that acted as a picture-book example of SVC's hybrid strategy. Alpha had become a critical, but constructive, partner for the social-commercial business model and HQ was able to draw on many of Alpha's ideas and initiatives to refine their strategy.

"We see Alpha as a strategic leader and they also feel as one. They are one of the most self-sufficient regions, that works best together as a team with us. Its team members are excellent: They move independently, they look for opportunities, they innovate, they try to improve things..... Alpha is a role model for me in general." (HR Manager SVC Intl)

Case Beta

Despite its significant market size, Beta contributed only 15% to SVC's overall financial result. Its country context was characterized by poor infrastructure and a decade old conflict that had ended

during our data generation. The looming peace treaty had already resulted in positive recent economic development and future outlook. The Beta subsidiary manager had been working for SVC for almost 5 years. He had a background in development work and, in line with this experience, the subsidiary's project portfolio consisted primarily of government-funded development projects.

Social versus commercial logic

Beta was very critical of HQ's dedication to a hybrid strategy, which was conflicting with the subsidiary's strong social impact logic. Despite having been identified as a growth market by HQ, Beta had little intention to capitalize on the considerable size of its market as the Beta subsidiary manager pointed out: "My perception is, and I apologize for being so direct and cold, HQ is only interested in money, in what we sell, period."

In the years prior to our data collection, Beta had enjoyed stable revenues from a relocation project for an open pit coal mine that came to an end after 4 years, but the team was not well prepared to substitute this loss of revenue in the future. Despite the fact that the subsidiary showed some goodwill towards a commercial orientation and hired a commercial manager for sales to the private sector, it struggled to acquire new projects, even in an increasingly favorable economic environment:

"We make many project proposals to clients, but something is missing... This is in part because of this important project we had for three and a half years that had generated very good income. I believe that we fell asleep on our laurels."
(Administration Coordinator SVC Beta)

Disillusioned by the lack of commercial success, the subsidiary manager became ever more critical of the hybrid strategy. He not only rejected the commercial aspirations of HQ regarding income generation but also the idea of creating a balance of social and business elements at SVC. For him, the imperative of SVC had to be social value creation over any other consideration. That attitude was echoed by the remaining team members and fuelled the tensions about SVC's organizational identity:

"For me, SVC is an organization. It is more an organization than an enterprise." (Consultant SVC Beta); "I do not like to use the word consultancy, because it is cold. [...] For me, consultancy means putting together a document on how things should be done and then get out quickly. Conversely, the one that operates on the grounds, the one that is there with the beneficiary, the one that knows the beneficiary is much closer and warmer." (Operations Manager SVC Beta)

The Beta team complained that targets set by HQ did not correspond with the country realities of Beta's market, where, despite favorable prospects, poor infrastructure and the aftermath of the war against guerilla groups, limited the economic potential, but Beta's management also used the macro-environment as an excuse to deviate from HQ's hybrid objectives, which it criticized openly. There were hopes to create a more attractive environment for potential investors, but, so far, Beta had failed to live up to HQ's expectations.

Local versus global logic

From the perspective of the Beta team, HQ was perceived as not being interested in the business of Beta, as it had never visited the important project mentioned above. With its continued focus on the public sector and its resistance to implement guidelines from HQ, Beta also contested the HQ efforts to achieve synergies across countries. Managers of Beta repeatedly stressed that the implementation of the hybrid strategy was not a task of the subsidiary level but HQ's responsibility. They expected more leadership and contribution from HQ to the country operations and complained about the cost of HQ:

"We need to clarify which role SVC Intl should play, as 'the head that thinks for SVC.' It should lead more instead of only issuing guidelines ... the subsidiaries always give."
(Project Manager SVC Beta)

Despite hosting the only multinational project with an international brewery, and being exposed to its dynamics, there was no active engagement of Beta in creating additional cross-national projects and it did not engage in growing SVC on a regional level:

"Auto-shops from [Alpha] has not been done. We wanted to implement the concept, but we did not. I think this was mostly because it was not aligned with our country strategy, and not because it would have been too difficult to implement those initiatives." (Subsidiary Manager SVC Beta)

Consequently, HQ was very critical of Beta and its manager. He was seen as "lost" in his task, the subsidiary as stubborn in clinging to SVC's foundational roots denying the new realities.

Interplay of logics: A "Reluctant Adversary"

In a nutshell, Beta denied both the social-commercial logic as well as the local-global logic of SVC in a conservatory attitude. It did not actively "differentiate" or suggest alternative ways to operate, but largely ignored the need to adopt a commercial angle towards the private sector and chose its own

mode by unilaterally emphasizing public sector sales and social value creation. We see these practices as fundamentally distinct from what Smith and Tushman (2005: 526) define as “processes of differentiating and integrating – [that] enable balanced strategic decisions.” The practices observed in this case represent dismissal, challenge, or attack of the experienced tensions that result in a denial of the current realities and lack cooperative or solution-oriented approaches. In line with our coding scheme (see Figure 2), and the categories established by Oliver (1991), we call them “deny” and distinguish them from the “embracing” practices of “integration” and “differentiation.” A typical example for practices we coded as “deny” was the SVC marketing coordinator’s account of Beta’s reaction to the new strategy: “I don’t want to be a consulting company. I want to do business with the government. I want to close deals with foundations. And those partners will not be working with us, if they think we are a consultancy.”

HQ’s view of Beta became increasingly critical over time. The subsidiary was seen as a reluctant adversary that boycotted the strategic ambitions as well as the organizational integration and collaboration with other subsidiaries. As a result, Beta’s relationship with HQ deteriorated, and it was a question mark for HQ how it should be managed in the future.

Case Gamma

Gamma was led by the subsidiary manager with the longest tenure amongst all regional heads. She had been educated in business administration and was a founding member of several local inclusive business initiatives. The subsidiary was described as an “island” by its own members and by other SVC employees. This analogy referred to the geographic isolation as well as to the poor macro-economic context in comparison to most other country units of SVC. A project manager in Gamma pointed to the different market conditions: “The largest companies in our country would be classified as small or medium in [Delta], we do not have the capacity to develop projects of this nature.” Economically, it contributed about 5% of the group’s revenue.

Social versus commercial logic

Unlike Beta, Gamma was willing to embrace the hybrid strategy to promote social as well as commercial impacts. However, it developed a business model that differed substantially from the one promoted by HQ. Due to the underdeveloped

private sector in the country, Gamma proactively engaged in creating networks of MSMEs in order to manage their long-term development. These networks were also used as a lever in negotiations for better project terms with development agencies.

“If we connect them, they can organize joint purchases, or trainings, and become much stronger than they are on their own. We have created the first network of neighborhood shops [...] it has more than 850 stores. We work with hardware stores, small pharmacies and beauty salons.” (Subsidiary Manager SVC Gamma)

Despite accepting the hybrid demands, Gamma was more interested in creating social impact than in revenue creation. Their projects differed considerably from other countries. They developed innovative methodologies and novel solutions, but with excessive resources and staff time, so that the financial contribution was limited. The Gamma subsidiary manager stressed: “The privilege to work on projects that are fully funded by the public sector allows us to execute projects that take at least 18–24 months, using sophisticated methodologies with deep interventions in the MSMEs, where we create really important changes.” While the innovation coordinator at HQ, pointed out that, “the public sector based projects in Gamma do not allow for much margin,” they still successfully addressed the fundamental pillars of SVC’s hybrid strategy. Gamma was also considered by HQ to execute “magnificent project quality”, while the quality of some projects in other subsidiaries was worrisome to the HQ. SVC’s Director of Strategy mentioned: “[Gamma] surprised me. ... She, [the manager], is doing very good things, excellent initiatives.”

Local versus global logic

Gamma “celebrated” its isolation within the organization, so that the great majority of their efforts were only directed towards their market. As an SVC project manager explained, “They work with [different funding mechanisms], they have to deviate from the standards HQ sets.” The Gamma subsidiary manager occasionally exchanged project information with other subsidiary managers in an informal way, but usually HQ was excluded from such interactions. She noted in one interview: “...we send a monthly report to SVC and nothing else, we do not have much more intervention for the projects - we surely don’t. Nor are we part of any regional group.” This mirrored the views of HQ as indicated by the Director of Finance: “[Gamma] has been a very independent country that is not

aligned with the rest.... Therefore, I have least interaction with them and I do have interaction with all countries.”

While Gamma’s financial contribution was rather weak, the innovative methodologies and ideas would have had the potential to be adapted for other SVC subsidiaries. Due to the lack of innovation coming from HQ, the Gamma team informally took on the role to provide new models for consulting solutions in the hybrid logic, for example, in the area of micro-franchising, but it shared them only very selectively. At the time of our field study, there was an innovative project design for *Tiendas de Barrios* (neighborhood stores) field-tested by Gamma for its counterpart Delta. The Gamma subsidiary manager explained: “[Delta] and the [International Bank for Development] are subcontracting us because they do not have the time and we have already developed a successful micro-franchising model before.” While there were important contributions to innovations in the social–commercial logic, Gamma always retreated to its isolated position in the organization.

“Sometimes we call [Gamma] ‘The Independent Republic of [Gamma]’ for fun, because it does whatever it wants.” (Innovation Coordinator SVC Intl); “[Gamma] is a black hole in the regard that we do not know what is going on there, it keeps itself isolated and advances at its own rhythm.” (Marketing Coordinator SVC Intl)

Interplay of logics: Our “sandbox”

Gamma embraced the social–commercial logic, mostly through differentiation in their own business model. The team continuously emphasized the creation of innovative solutions to be able to comply with the hybrid goals of HQ and showed willingness to perform in that area. However, it completely denied the local–global logic, partly by challenging the HQ’s role and explicitly excluding them, and partly by dismissing any efforts for standardization across the SVC subsidiaries. These practices match the tactics of strategic responses to institutional processes described by Oliver (1991: 156): “Dismissing, or ignoring institutional rules and values, is a strategic option that organizations are more likely to exercise when the potential for external enforcement of institutional rules is perceived to be low or when internal objectives diverge or conflict very dramatically with institutional values or requirements.”

While it was clear to HQ that Gamma provided important contributions to SVC by developing solutions tailored to its own local context, the

subsidiary resisted all efforts towards standardization and efficiency in the organization initiated by HQ. Its rejection of the local–global logic stood in the way of benefiting from the excellent project work it did. In addition, its geographic isolation, and deficient macroeconomic context contributed to the self-focus of Gamma and the denial of the unified (global) strategy for SVC. At some point, HQ managers reconsidered Gamma’s role and contribution for the organization. The CEO of SVC Intl realized: “We won’t convince them. [Gamma] is our sandbox. We try new approaches and see what works.”

Case Delta

Delta was by far the largest subsidiary in terms of size and income, as it contributed over 40% of SVC’s group revenue. The subsidiary generated about 80% of its income from projects with government agencies – contrary to HQ’s strategy to focus on the private sector. The subsidiary manager of Delta had joined SVC in 2008. He was a trained engineer and had worked on standardization, quality management, and supply chains of major companies.

Social versus commercial logic

Among Delta employees, the “old” purpose of SVC, as a philanthropic foundation, persisted, and they showed ignorance for the new hybrid identity. Most considered Delta to be an “organization” and not a business or hybrid entity. The team’s focus on government-funded projects nurtured this perception:

“We are not a proper consulting company, neither are we trainers, but we are like integrators. [...] SVC is an organization, we are not a business, although we generate income, we are totally focused on the goals of a development organization.” (Project Coordinator SVC Delta)

In contrast to Gamma, which also saw itself as a development organization rather than a business, Delta did not acknowledge the need for innovation and different business models to respond to the hybrid mission. They simply denied that SVC had changed and adopted a new strategy:

“The CEO says all the time that SVC is constantly changing; I have not noticed any changes other than the brand... it is of form, not of substance.” (Commercial Manager SVC Delta)

Delta resisted all changes in SVC’s strategic direction as the CEO reported: “When the manager of [Delta] goes to meetings at HQ, he returns and never communicates anything to the people here.”

The local Delta management took pride in deviating from the directive to focus on private sector projects, and insisted that Delta would benefit the organization more by relying on the government-based income stream:

"[Delta] is a resource generator that allows us to absorb the expenses of SVC Intl ... Therefore, a first contribution of [Delta] let's say to the ecosystem SVC are general financial resources." (Subsidiary Manager SVC Delta)

Local versus global logic

Despite its neglect of the hybrid strategy, Delta was proud to be part of SVC and of the important role it played therein because of its substantial financial contribution to the group. However, they also experienced HQ as relatively passive. As a result, the subsidiary felt pushed into taking responsibility for its own and SVC's global growth due to HQ absence.

"[Delta] is constantly growing but by itself. SVC International is missing in this growth process. We expect them to not only declare targets, but to come and support. We do expect a lot from SVC but there is nothing from their side." (Operations Manager SVC Delta)

Because of HQ's "absence", Delta started to leverage the advantages of being part of a global organization. It took a very active role to create synergies and collaboration across different subsidiaries. Specifically, it pushed HQ to think more about evaluation methodologies and regional collaboration, and used its financial power to promote its own ideas. The Delta subsidiary manager criticized: "An evaluation of business and synergy potential has not been done. We want to grow and become stronger by bringing our best projects elsewhere, so that we and the other subsidiaries benefit." Following its discovery of systemic advantages, Delta demanded more and better services by HQ and a more active role in facilitating multinational projects and incentivizing them.

Further, it promoted multinational project reach to its clients, and its commercial manager put efforts into setting up a truly global project with a major credit card company in Egypt, Nigeria, Turkey, and India: "I am exploring subcontracting of other offices to identify strengths and complementarities of other subsidiaries."

Interplay of logics: An "active challenger"

Well aware of its major role in the organization, Delta denied the social-commercial logic and, despite numerous meetings with HQ, the subsidiary

"... never implemented anything based on such meetings" (Project Manager SVC Delta). It disregarded the new hybrid identity and acted as if nothing had changed concerning the operating logic and business model of SVC. However, being located in a major market made the subsidiary almost self-sufficient and powerful enough to resist HQ's strategic direction.

In the domain of regional collaboration, however, Delta sought to actively play a role in the SVC group and embraced the local-global logic. Part of the practices addressing the coordination tensions included integration, such as the collaboration with Gamma or the promotion of cross-national projects, but others clearly showed differentiation. Despite these efforts, the important contributions in regional collaboration were stalled by Delta's unwillingness to engage with the strategic direction given by HQ. This behavior reached an extent that HQ felt that it needed to act.

"Since the Manager [of Delta] always claims that he would implement the new strategy to attend more to businesses, and as he never does so, our new Director of Strategy is keeping his actions under surveillance to decide upon consequences HQ might have to draw." (Former CEO SVC Intl)

THEORY DEVELOPMENT

The four cases illustrate how SVC's subsidiaries experienced and addressed the tensions of operating in a multinational hybrid organization in very different ways. Building on Smith et al.'s (2013) method for systematic analysis of social-business tensions, we found that the social-commercial paradox (Smith & Besharov, 2019) manifests in multi-faceted strategy tensions and the local-global paradox (Marquis & Battilana, 2009) in coordination tensions in HQ-subsidary relationships. Our cross-case analysis also shed light on how each subsidiary addressed these tensions through particular practices in their interactions with HQ (categorized as "embrace" or "deny"). The subsidiary practices of "embrace" comprise integration and differentiation practices that are well established in the paradox literature (Smith, 2014; Smith & Tushman, 2005). In addition, we find that subsidiaries may also react to tensions by means of dismissal, challenge, and attack ("deny"), analogous to the strategic responses to institutional pressures identified by Oliver (1991). Accordingly, we develop the following propositions:

Proposition 1a In HQ–subsidiary relationships, the social–commercial paradox manifests as “strategy tensions”, which are either embraced or denied by subsidiary practices.

Proposition 1b In HQ–subsidiary relationships, the local–global paradox manifests as “coordination tensions”, which are either embraced or denied by subsidiary practices.

Naturally, these practices occurred in a specific context, determined by the global organizational objectives and the local subsidiary conditions, which provided the guardrails in the SVC case (Smith & Besharov, 2019). Guardrails limit the scope of subsidiaries’ practices as they set the boundary conditions to what subsidiaries can do. We observed that the global organizational objectives (i.e., agreed results, KPIs, and organizational mission) catalyzed social–commercial strategy tensions. Subsidiaries’ efforts to address these tensions through practices were then bounded by the local subsidiary conditions (i.e., market context and subsidiary capabilities), which in turn opened up local–global tensions. The subsequent management practices then had to be aligned with the global organizational objectives, and so on. These observations are in line with Smith and Lewis’ (2011: 386) insights that organizations feature an “external boundary [that] also binds and juxtaposes opposing elements and amplifies their paradoxical nature, creating a dynamic relationship between dualities and ensuring their persistence over time.” While our data do not allow us to draw further conclusions on a longitudinal process, the tensions and practices occurred simultaneously and

iteratively, resulting in interdependent patterns. Our causal model shows how guardrails act as catalysts for the interplay of tensions and management practices (see Figure 4). Based on this, we propose that:

Proposition 2a The subsidiary conditions act as guardrails for subsidiary practices addressing “strategy tensions” and catalyze “coordination tensions”.

Proposition 2b The global organizational objectives act as guardrails for subsidiary practices addressing “coordination tensions” and catalyze “strategy tensions”.

An interesting observation across those patterns is that cases, which either embrace both types of tensions (Alpha) or defy both types of tensions (Beta), find themselves in self-reinforcing cycles that fuel the ability or inability to ultimately achieve the hybrid objectives in the multinational organization. Those who embrace one tension and defy the other (Gamma and Delta) develop a state where the un-addressed tensions get in the way of realizing the benefits from the addressed ones.

The idea of such cycles is well established in systems research, particularly in works on system dynamics (e.g., Forrester, 1958; Senge, 1990). These works argue that, where the world is dynamic, evolving, and interconnected, the results of our actions tend to define the situation we face in the future. As a result, systems evolve either through reinforcing loops (that amplify whatever is happening in the system) or by stabilizing loops (that counteract or neutralize change) (Sterman, 2001).



Figure 4 Model of interplay of tensions and practices in the multinational hybrid organization.

In our cases, we observe such reinforcing loops at Alpha. Embracing the hybrid strategy tensions brought them in a position where the HQ allowed Alpha to proactively drive the SVC-wide standardization and professionalization. This constructive collaboration with HQ helped Alpha to gain additional support and resources for further strengthening their pursuit of hybrid objectives. We refer to this case as a “Role Model” and develop the following proposition:

Proposition 3a Subsidiaries that embrace multiple interrelated tensions follow (virtuous) self-reinforcing cycles, reconfirming their role.

The Beta case also faced reinforcing cycles that, however, yielded negative outcomes. Beta’s strong resistance to the hybrid objectives and its failure to live up to HQ’s expectations resulted in conflicts that impeded most efforts of SVC-wide coordination. As Beta was not seeing any benefits in collaborating with HQ and contributing to the rest of the organization, its reluctance to pursue the hybrid strategy further increased. This vicious circle put the subsidiary into an isolated position in the organization as a “Reluctant Adversary,” which shows similarities to isolated subsidiaries that were described in prior IB literature (Monteiro et al., 2008), and leads us to suggest:

Proposition 3b Subsidiaries that defy multiple interrelated tensions follow (vicious) self-reinforcing cycles, reconfirming their role.

At the same time, we also observed stabilizing loops that counteracted change: Gamma, like Alpha, was also embracing the hybrid strategy, but counteracted all global coordination efforts by the HQ and prevented Gamma from gaining additional support, which would have been required to strengthen its hybrid performance. While there is continued effort in this regard, there seems little progress, in particular in terms of the subsidiary’s commercial contribution. We call this type a “Sandbox.” It is operating with high levels of autonomy, but is barely self-sustaining and its linkages to the rest of the organization are fragile. While this position allowed Gamma to gain HQ’s approval to temporarily assume an innovation mandate (Birkinshaw & Hood, 1998; Cantwell & Mudambi, 2005), it is questionable whether this model is sustainable within the organization.

Proposition 4a Subsidiaries that embrace “strategy tensions”, but defy “coordination

tensions”, follow stabilizing loops that counteract or neutralize the previous practice. Their roles represent a suboptimal equilibrium.

Finally, Delta followed Beta by largely neglecting the new hybrid strategy. However, it actively embraced the HQ’s global coordination efforts, benefiting from its interconnectedness within the organization and claiming its own stake amongst its peers. This, for example, helped the subsidiary to get involved in multinational projects, which also yielded positive commercial outcomes. However, while Delta was contributing to commercial objectives (in part because it could rely on the scale of having the largest home market), it did not excel at any of its hybrid objectives, and thus obtained the role of an “Active Challenger,” caught in a stabilizing loop.

Proposition 4b Subsidiaries that defy “strategy tensions”, but embrace “coordination tensions”, follow stabilizing loops that counteract or neutralize the previous practice. Their roles represent a suboptimal equilibrium.

As shown in these cases, subsidiary roles can be sub-optimal, as subsidiaries push back and “deny” some paradoxical tensions while “embracing” others. They may still add value to the organization as a whole, but are not ideal outcomes from an alignment perspective. Both subsidiaries exhibit a sub-optimal equilibrium that does not allow them to enter a reinforcing cycle, and catches them in a stabilizing loop of practices and amplified tensions – without an obvious path to resolution.

Our insights are well aligned with recent conceptual work on paradox. We propose a systems perspective, arguing that tensions can be fundamentally interwoven and co-evolve (Jarzabkowski et al., 2013; Schad & Bansal, 2018), for example, in the form of complex ‘tensional knots’ (Sheep et al., 2017). These studies propose that some tensions might be more important than others, and that managers should use their scarce resources to address the underlying processes rather than the paradoxes themselves. Schad, Lewis, and Smith (2019) call for more investigations of dynamics and suggest that new contexts can push our understanding of these. In HQ–subsidiary relationships, we observe that “strategy tensions” and “coordination tensions” are interwoven, but on the same level at the core of the strategy, as the denial to manage either one of them results in a stabilizing loop with a suboptimal equilibrium. These insights

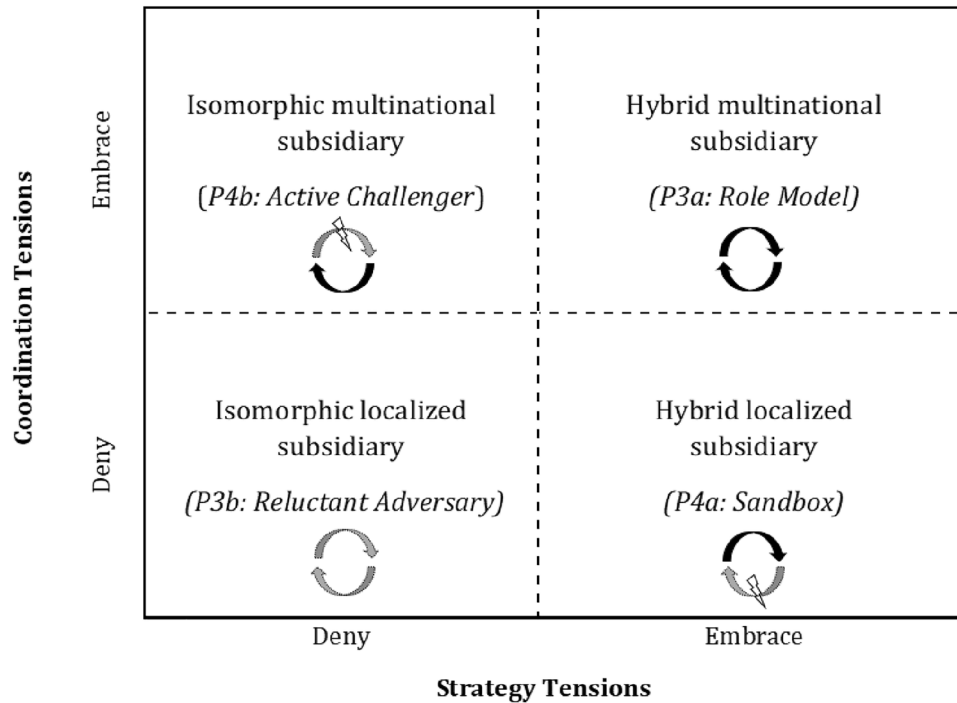


Figure 5 Organizing framework of subsidiary roles in the multinational hybrid organization.

echo recent work of Raisch, Hargrave, and Van De Ven (2018), who argue that organizations which are caught in an equilibrium are prone to stasis and demise, while those that move beyond equilibrium can achieve sustainability. Alpha is a good example of a “virtuous cycle” moving beyond equilibrium towards sustainability, but Beta shows that self-reinforcing cycles can also be dangerous and may lead to the creation of “vicious cycles.”

Summarizing, the oscillation between guardrails, tensions and management practices shapes the different roles that subsidiaries take on within the MHO. We see the “Role Model” as an aspirational example of how a hybrid multinational subsidiary works. It is important to recognize that this type is not tension-free, but tensions are being embraced and addressed in a constructive way. The counter-example is given by the “Reluctant Adversary” that denies both the strategy and the coordination tensions. Caught in a vicious circle, this type can be described as an isomorphic (non-hybrid) orientation which does not engage in the multinational network, but pursues a localized approach. In addition, we find two types of sub-optimal equilibrium caught in a stabilizing loop: a hybrid but localized approach (the Sandbox) and an isomorphic multinational approach (the Active

Challenger). Figure 5 provides an organizing framework of the findings presented above.

DISCUSSION

Our study set out to investigate how multiple tensions at the core of the strategy manifest in a multinational organization and how they are addressed in HQ–subsidiary relationships. As illustrated in our findings and theory development, subsidiaries show different approaches to managing tensions by embracing or denying them, and guardrails act as catalysts for the interplay of tensions and management practices. Our insights regarding the interrelatedness of tensions allow us to derive several implications for the literatures on subsidiary roles and on hybrid organizations.

Implications for the Literature on Subsidiary Roles

Our research extends the theorizing on subsidiary roles (Andersson et al., 2007; Bouquet & Birkinshaw, 2008; Mudambi & Navarra, 2004) by acknowledging that paradoxes, the tensions in which they manifest, and the related management practices play an important part in how these roles are characterized and how they are shaped. This has several implications for our understanding of HQ–subsidiary relationships.

Shedding light on the interrelatedness of tensions allowed us to broaden our understanding of the nature of subsidiary roles. While several studies stress that tensions provide a fruitful momentum for role development (Balogun et al., 2011, 2019; Schotter & Beamish, 2011), we go further by systematically studying the tensions arising from core strategic priorities in HQ–subsidiary relationships and building our framework of subsidiary roles on these tensions. This differs from prior subsidiary frameworks (Bartlett & Ghoshal, 2002; Birkinshaw & Morrison, 1995; Paterson & Brock, 2002) that see roles as a combination of external-market and internal-capability characteristics, but mostly consider them as stable and “tension-free”.

The cases of the “Role Model” (hybrid multinational subsidiary) and the “Reluctant Adversary” (isomorphic localized subsidiary) largely correspond to extant theory on how HQ–subsidiary interactions develop self-reinforcing roles. For example, the literatures on “centers of excellence” (Andersson, Forsgren, & Holm, 2002; Holm & Pedersen, 2000) and “world product mandates” (Birkinshaw, 1996; Pearce, 1992) have outlined how subsidiaries gain and maintain mandates beyond their market because of reinforcing conditions. There is also evidence for vicious cycles of reinforcing mechanisms. Monteiro and colleagues (2008), for example, highlight that reciprocity mechanisms will further increase subsidiary isolation. Others have shown that subsidiaries progress through different roles (Asakawa, 2001; Delany, 2000), mostly assuming that long phases of stability are punctuated by short transitions (Gersick, 1991). Overall, the literature converges on the fact that subsidiary roles align in the MNC over time (or may become completely misaligned), and only exceptional circumstances, such as successful subsidiary initiatives, HQ interventions, or changes in the market environment, may change such a path (Ambos, Andersson, & Birkinshaw, 2010; Birkinshaw & Hood, 1998; Clark & Geppert, 2011).

Our insights differ from these previous approaches as they introduce the idea that many tensions remain unresolved and subsidiary roles may be caught in stabilizing loops, as shown in the cases of the “Sandbox” (hybrid localized subsidiary) and the “Active Challenger” (isomorphic multinational subsidiary). The concept of sub-optimal equilibria furthers our understanding of how HQ and subsidiaries interact in iterative efforts and do not reach alignment. These insights echo recent findings on discourses in subsidiary evolution by

Balogun et al. (2011), who challenge that alignment between HQ and subsidiary is considered “good” and misalignment “dysfunctional”, and point out that resistance from misalignment is important in its own right. However, as an alternative to Balogun and colleagues’ conclusion, that resistance “should lead to a compromise” (2011: 783), the two respective subsidiaries in our study (Gamma as the “Sandbox” and Delta as the “Active Challenger”) stayed fundamentally misaligned with SVC’s strategic priorities and way of operating.

Our research thus provides evidence that, in practice, these misaligned roles are relatively clear, continue to operate, and also contribute to the MNC in a certain way, despite the fact that they have not been recognized by prior research looking at the extreme cases of (virtuous or vicious) reinforcing cycles. Furthermore, the paradox perspective serves as a useful lens to better understand these cases and, in particular, the root causes associated with different roles. We may thus conclude that, in order to reach alignment and a reinforcing role, different types of tensions have to be managed simultaneously, ideally through “embracing practices”.

In addition, our study also shows how subsidiary roles and HQ priorities are co-created in the struggle to address tensions – instead of being “assigned” by HQ or “assumed” independently by subsidiaries (Birkinshaw, 1996; Cavanagh, Freeman, Kalfadellis, & Causgil, 2017; Cavanagh, Freeman, Kalfadellis, & Herbert, 2017). During the past years, several studies have called for a more nuanced view of subsidiary role formation (Balogun et al., 2011; Geppert & Williams, 2006; Schotter & Beamish, 2011), but how this process works is still poorly understood. Our theoretical framework uncovers how competing logics manifest in tensions between HQ and subsidiaries, and how they are addressed by subsidiary practices. These iterative mechanisms, which oscillate between the global organizational objectives and the subsidiary’s conditions as guardrails, result in the continuous shaping and configuration of subsidiary roles.

Implications for the Literature on Hybridity in Multinational Organizations

By grounding subsidiary roles in the tensions emerging in HQ–subsidiary relationships, we acknowledge that all relationships in the multinational context are tension-prone and that every organizing model has to develop practices for how to address and manage tensions. The MHO is

certainly an extreme case, with two interrelated tensions (local–global and social–commercial) at the core of its strategy, but it will be important for every organization to acknowledge that intra-organizational relationships are marked by fundamental tensions that will impact the roles subsidiaries play. MNC theory is built on the very idea that organizations and their managers are subject to many contradictions and trade-offs that can never be completely resolved (Bartlett & Ghoshal, 2002; Doz & Prahalad, 1993; Nohria & Ghoshal, 1997). Still, we have not seen much theory development addressing the root causes and types of tensions as well as the management practices to deal with them. Thus, our research adds to recent attempts to uncover paradoxical tensions in and their effect on the organization of the MNC (Birkinshaw et al., 2016; Prashantam & Birkinshaw, 2019).

First, we provide evidence on how a MHO's ability to achieve local responsiveness and global integration is, in part, shaped by how it addresses social and commercial logics. We assume that multinational hybrids will become an increasingly relevant phenomenon, as several other studies in IB have recently emphasized the MNCs' social role (Kolk, Kourula, & Pisani, 2017; Narula & Pineli, 2019; Wettstein, Giuliani, Santangelo, & Stahl, 2019). However, one could, for example, also imagine academic–commercial (Ambos, Mäkelä, Birkinshaw, & D'Este, 2008) or public–private tensions (Quélin, Kivleniece, & Lazzarini, 2017) to interact with subsidiaries' ability to achieve local responsiveness and global integration. As the challenges and demands for all organizations are becoming increasingly complex and tension-prone, our insights suggest that these tensions need to be considered jointly, as they are shaping all intra-organizational interactions, and we see it as an insightful area for future studies to investigate other combinations of tensions.

Second, we also contribute to the emerging research stream on how hybrid objectives can be pursued in MNCs. Prashantam and Birkinshaw (2019), for example, investigate how tensions in MNC–SME collaborations can be designed in an effort to address the sustainable development goals. Drawing on Hirschman's work (1970), they suggest that there are multiple pathways for managing tensions in such inter-organizational relationships. We see our study as complementary to this work, as it focuses on the intra-organizational tensions and management approaches to address them within the MNC. Interestingly, we found that the

willingness to proactively address (or in our words, embrace) tensions cannot be taken for granted. Some subsidiaries instead denied some or all tensions through practices of dismissing, challenging, and attacking. While we assume that the establishing of inter-organizational partnerships to address hybrid objectives automatically implies a willingness to embrace tensions, we encourage future research to study the root causes, which foster either embracing or denying practices in HQ–subsidiary relationships.

Third, our study also adds to the literature on hybrid organizations that has so far largely neglected the international dimension (Battilana & Dorado, 2010; Smith & Besharov, 2019; Tracey et al., 2011). Specifically, we show how hybridity may unfold differently within regional units of a single organization. As previous literature on hybrid organizations has been confined to the national level, our study of a multinational is among the first to discuss how multiple, specific national subsidiary contexts impact (multinational) hybrid organizations. While studies on hybrid organizations have recently discussed how hybridity can be sustained in view of different interests of internal subgroups (Battilana & Dorado, 2010), divergent expectations of external stakeholders (Pache & Santos, 2010, 2013), or long-term organizational developments (Smith & Besharov, 2019), our study provides further empirical evidence that hybridity is not adopted unanimously throughout the organization but bounded by the local context.

Practical Implications

Besides its theoretical insights, our research also provides some guidance for managers on how to deal with competing logics in a multinational setting. Our study may support HQ management in dealing with challenges of observability and manageability of their subsidiaries. In our interviews, we have observed that HQ executives were struggling to understand why some subsidiaries were effectively pursuing the hybrid strategy while others were not successful in this endeavor. This may, in part, be caused by the fact that paradoxical tensions are per se difficult to directly observe or even measure and control from a distance (Smith et al., 2013). We provide an overall organizing framework as well as empirically-grounded categories of practices and guardrails that allow the mapping and tracing of the root causes of and responses to different types of tensions. This could

support HQ managers in developing a better picture of subsidiaries' roles and actions, and help them to identify managerial levers to at least indirectly manage multiple interrelated tensions in HQ–subsidiary relationships.

Moreover, our insights may support subsidiary managers to defend their freedom and autonomy in order to effectively deal with competing objectives. In the case of SVC, the HQ expected the subsidiary managers to be in charge of ensuring the effective pursuit of the global hybrid strategy. Nevertheless, particularly in the cases of sub-optimal equilibria, we observed that top–down approaches to change the subsidiaries' role and behavior were deployed and have failed. The reason behind this may be that the organizational configurations to manage paradoxical tensions can only in part be addressed by top–down management (Zimmermann, Raisch, & Cardinal, 2018). If, as our study suggests, multiple tensions have to be managed simultaneously, the role of the front-line may be even more pronounced, and we encourage HQ and subsidiary managers to foster more integrative, bottom–up approaches for implementing dual strategies in multinational organizations.

Limitations

Our research is set in a unique context of a single organization in one specific region of the world. As with any study rooted in such a setting, it is important to recognize that our findings may be specific to the focal organization, including its geographic and cultural settings. The advantage of this research context is that it enabled us to compare and contrast the management of interrelated tensions in four cases that were operating under otherwise largely consistent boundary conditions, and thus allowed us to build theory from a pertinent phenomenon and approach it from an engaged scholarship perspective (Van de Ven, 2007). However, it is also a limitation of our research as it confines our findings' generalizability. For example, Zahra et al. (2008) point out that different attributes of social opportunities have implications for the globalization potential of a hybrid (social enterprise). While all subsidiaries in our focal organization addressed relatively consistent social opportunities, this might not be the case for all MHOs. If subsidiaries differ in terms of the opportunities or problems they address, these are likely to act as additional guardrails,

complementing the subsidiaries' local conditions. We thus see our research rather as a starting point to address the management of interrelated tensions across a broader range of organizations and regions.

A further particularity of our research setting is that an originally philanthropic organization transformed into a hybrid organization and not the other way around. From what we have seen in practice today, commercially oriented MNCs adopting social goals tend to not transform their entire strategic direction and are thus not exposed to interrelated tensions to the same extent at the core of the strategy. However, we believe that the increasing public pressure on organizations may, in the future, force MNCs to transform into MHOs, and we strongly encourage future research to examine whether such transformations result in similar or distinct patterns of tension emergence and management.

Finally, due to our qualitative research setting, we were unable to empirically address the performance effects related to the phenomena we studied. While we relied on qualitative managerial assessments of performance for our sampling (a subsidiary's contribution to the hybrid objectives), we may not conclude that the different roles can, per se, be related to higher or lower levels of performance. Measuring such performance effects is even more difficult, as metrics in IB as well as in the hybrid organizations field are described to be difficult to establish and capture (Ebrahim et al., 2014; Morck & Yeung, 2009). Nonetheless, we encourage future research to study the effects that the management of multiple interrelated tensions may have on performance outcomes and, in particular, capture a broad diversity of quantitative and qualitative metrics, including, for example, the legitimacy that subsidiaries may gain through their tension management approaches (Beer & Micheli, 2017). By doing so, research on MHOs could advance HQ–subsidiary relationship scholarship further (Balogun et al., 2019) and contribute to more holistic organizational performance management (Dossi & Patelli, 2010; Pinto, 2019).

CONCLUSION

MHOs face the challenge of managing multiple logics – social–commercial and local–global – that result in numerous interrelated tensions in HQ–subsidiary relationships. Our study sheds light on



the types of tensions manifesting in MHOs, the respective management practices and guardrails, and shows how this interplay shapes subsidiary roles. In addition to exploring a novel type of organization that has not received much attention in the literature, our findings highlight the importance of jointly addressing strategy and coordination tensions and point towards subsidiary roles that are based on a sub-optimal equilibrium.

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