



Contents lists available at ScienceDirect

## Journal of International Management

journal homepage: [www.elsevier.com/locate/intman](http://www.elsevier.com/locate/intman)

# Identity work in longstanding subsidiaries during crisis: reinforcing, preserving and reconstructing subsidiary identity<sup>☆</sup>

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## ARTICLE INFO

## Keywords:

Identity work  
Subsidiary roles  
Longstanding subsidiaries  
Competence-exploring subsidiaries  
Competence-exploiting subsidiaries  
Subsidiary evolution  
Subsidiary legacy

## ABSTRACT

During a national crisis, longstanding subsidiaries' roles are placed under considerable pressure. At the same time, the connotation of longstanding subsidiaries implies that they have existed for a significant period of time, during which they would have developed legacies and identities related to these roles. However, there is limited understanding on how longstanding subsidiaries work with their legacies and identities to influence their roles in the MNE or in the local environment. This study examines how longstanding subsidiaries of Swedish MNEs in Brazil engage in identity work during an economic crisis. Drawing on a comparative case study of 16 competence-exploring and competence-exploiting subsidiaries, the findings reveal three distinct foci of identity work: reinforcing, preserving, and reconstructing. The study contributes to the emerging literature on subsidiary identity work by demonstrating how identity work relates to subsidiary roles over time. It also contributes to subsidiary evolution research by revealing how longstanding subsidiaries manage legacy in response to environmental turbulence.

## 1. Introduction

The study of longstanding subsidiaries has gained relevance recently, highlighting the interplay between the subsidiary's local activities and its position within the multinational enterprise (MNE) (Meyer et al., 2020; Röell et al., 2024). Particularly, research has explored how longstanding subsidiaries work with their identities to align with the MNE and their local environment in ways that complement the development of their assigned roles (Fortwengel, 2021; Pant and Ramachandran, 2017). However, prior work has not identified how longstanding subsidiaries maintain or shape their identities during turbulent economic and political periods that accentuate the challenges faced by subsidiaries. Failing to adapt their identities could result in reductions in headquarters (HQ) support or negative monitoring (Meyer et al., 2020), or even subsidiary closures or relocations (Reilly et al., 2023).

Part of the identity literature has focused on organisational identity work, that is, the “discursive, cognitive, and behavioural processes that help individuals and collectives create, sustain, share and/or change organisational identity” (Kreiner and Murphy, 2016 p.279). One specific context that has proved useful for studying identity work is when organisations face a crisis that influences

<sup>☆</sup> This article is part of a Special issue entitled: ‘Managing MNE Subsidiaries’ published in Journal of International Management.

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<https://doi.org/10.1016/j.intman.2025.101259>

Received 31 October 2023; Received in revised form 30 April 2025; Accepted 6 May 2025

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their established identities and threatens their legitimacy (Sörgärde, 2020; Tracey and Phillips, 2016). Recently, identity work has also been studied in the context of MNE subsidiaries. For example, research has studied how subsidiaries' identity work can help them reinforce or reconstruct their identities and thereby maintain their longstanding positions (Colman et al., 2022). Yet, how subsidiaries embrace or reject their identities associated with assigned roles is yet to be explored.

The concept of subsidiary legacy identification (Eury et al., 2018) and subsidiary legacy identity (Reilly et al., 2023) offers a pathway for studying how subsidiaries work with their identities during crises. This stream of research has acknowledged that subsidiaries align with the legacies they have developed in the past based on their assigned roles to achieve partial continuity of identity (Reilly et al., 2023). For example, subsidiaries can leverage their legacies to navigate internal and external institutional and network complexities (Pant and Ramachandran, 2017; Röell et al., 2024) or reestablish relationships and knowledge transfer processes (Reilly et al., 2023).

Drawing on the concept of legacy identification (Eury et al., 2018), prior research suggests that subsidiaries align with and leverage legacies such as their colonial past (Geppert et al., 2003; Röell et al., 2024) to develop legacy identities (Reilly et al., 2023). What we know less about is how identity work allows subsidiaries to draw on familiar subsidiary legacies from their past while addressing current realities. Legacy identity is especially valuable in turbulent economic and political environments that accentuate the challenges subsidiaries face and where they must assess and reassess their established identities while facing their present challenges (Pant and Ramachandran, 2017; Reilly et al., 2023). Thus, we ask the following research question: *How does subsidiary legacy influence the identity work of longstanding subsidiaries during an economic crisis?*

As our study explores how subsidiaries' identity work draws on subsidiary legacies related to their assigned roles when responding to crisis, we categorised subsidiaries in a sample of 16 longstanding subsidiaries of Swedish MNEs operating in Brazil into those consistent with competence-exploring and competence-exploiting roles (Cantwell and Mudambi, 2005). This enabled us to observe how subsidiary legacy was aligned with these different roles. We then probed this research question in the context of an economic crisis that began in 2014 in Brazil and affected these subsidiaries. The Brazilian economic crisis accentuated threats to the subsidiaries' roles and challenges placed on the subsidiaries' identities, and thus presented a setting conducive to exploring how subsidiary managers responded. Our examination of these subsidiaries started in 2012 and continued until 2017. This comparative case study approach enabled us to analyse changes in the subsidiaries' identities in real time, both before and during an economic crisis.

Our findings highlight that the Brazilian crisis prompted three types of identity work in the competence-exploring and competence-exploiting subsidiaries studied: reinforcing, preserving, and reconstructing. Competence-exploring subsidiaries both adopted a backward-looking orientation and embraced their subsidiary legacy so as to reinforce their identity. We saw two groups of competence-exploiting subsidiaries emerge in our study. One set of competence-exploiting subsidiaries adopted a present-orientation and accepted a deteriorating subsidiary legacy to preserve their identity. These subsidiaries were the most vulnerable in our study to atrophy in their roles, and identity work therefore aimed at survival. Another subset of competence-exploiting subsidiaries adopted a forward-looking orientation and rejected a deteriorating subsidiary legacy to reconstruct their identity. The aims of reconstructing identity work in these subsidiaries were to adapt to local turbulence and position themselves for future assignments. This divergence in identity work highlights the varying strategies that longstanding subsidiaries employed to cope with the local crisis and the interaction between subsidiary legacy and identity work during the evolution of longstanding subsidiaries.

Our findings contribute to the literature on subsidiary identity in MNEs (e.g., Fortwengel, 2021; Pant and Ramachandran, 2017). Specifically, we complement the emerging theory on subsidiary legacy identity (Reilly et al., 2023) in showing the benefits and constraints of (dis-)continuity in subsidiary identity and how subsidiaries explore opportunities to develop new understandings of "who they are" (Kreiner and Ashforth, 2004). Moreover, building on previous work by Colman et al. (2022), we find that identity work facilitates the reinforcement, preservation, and reconstruction of subsidiary identity legacy over time (Pant and Ramachandran, 2017; Rugman et al., 2011), influencing a subsidiary's ability to maintain and adapt its assigned roles (Reilly et al., 2023; Zhang et al., 2015).

While our main contribution is to the literature on subsidiary identity in MNEs, we also observe how subsidiary legacy has a continuing effect on the development of longstanding subsidiaries during a crisis. Accordingly, our second contribution is to the rich literature on subsidiary evolution (Birkinshaw and Hood, 1998). Specifically, our findings contribute to nascent research on longstanding subsidiaries (Röell et al., 2024) as we examine how subsidiaries embrace, accept, or reject their legacy in response to local environmental turbulence (Fainshmidt et al., 2017) and how this facilitates their ability to align their identities to their assigned roles.

The paper is structured as follows. The theoretical framework section (Section 2) reviews literature on subsidiary role developments, identity work, and legacy identification. The method section (Section 3) discusses our chosen empirical setting, research approach, and methodological considerations. The findings section (Section 4) presents how reinforcing, preserving, and reconstructing identity work unfolded in competence-exploring and competence-exploiting subsidiaries during the Brazilian crisis. The discussion section (Section 5) examines the linkages between identity work and related subsidiary legacy during a national crisis. Our conclusion section (Section 6) summarises the contribution of our study and discusses limitations and avenues for further research.

## 2. Theoretical framework

### 2.1. Longstanding subsidiaries and role evolution

The study of longstanding foreign subsidiaries has gained prominence in recent research, highlighting the complex interplay between the subsidiary's local activities and its position within the MNE (Meyer et al., 2020; Röell et al., 2024). However, as Arndt et al. (2023) point out, limited research has explicitly focused on mature MNE subsidiaries in host markets. This is slightly surprising since the concept of longstanding subsidiaries accords well with subsidiary age, an area in international business connected to broader topics

such as subsidiary development, subsidiary evolution, and subsidiary roles (Bartlett and Ghoshal, 1989; Birkinshaw and Hood, 1998; Rugman et al., 2011). This literature explores evolving roles, capabilities, autonomy, position in internal and external networks, and the performance of subsidiaries as they develop over time (Ambos et al., 2020; Andersson et al., 2002; Kostova et al., 2016).

Subsidiary roles refer to the specific functions, responsibilities, and contributions that are assigned to a subsidiary within the broader MNE network. These roles are assigned by the subsidiary's HQ (Bartlett and Ghoshal, 1989; Birkinshaw and Hood, 1998; Rugman et al., 2011) and are managed and developed by the subsidiary (Birkinshaw, 1997; Cantwell and Mudambi, 2005; White and Poynter, 1984). Thereby, a foundation for the interactions between the HQ and the subsidiary is established, defining the "license" granted to the subsidiary to explore and develop its position within its local environment (Bouquet and Birkinshaw, 2008; Geppert et al., 2003). While much research covers how subsidiaries' roles evolve, grow, and decline over time (Birkinshaw, 1996; Gillmore, 2022), indicative of subsidiaries' longstanding nature, much less is known about how subsidiaries develop legacies, i.e., how they are recognised internally as respected corporate citizens or locally as reliable actors based on their compliance with, and development of, their roles.

Research in this area reveals several challenges for subsidiaries in balancing local responsiveness with global integration that arise from their dual position, locally and in the MNE (Meyer and Estrin, 2014). As subsidiaries develop and become more embedded in their host environments, they often develop identities that align closely with local market conditions (Kostova et al., 2016). This localisation can create challenges in navigating the HQ's global strategy, potentially leading to conflicts over resource allocation and strategic priorities (Bartlett and Ghoshal, 1989).

The dynamic of this duality can create challenges for the subsidiary as it may need to adjust in response to changes in the local environment (Ambos et al., 2020) and its position in the MNE (Bouquet and Birkinshaw, 2008). Longstanding subsidiaries have been in the MNE portfolio and in the local market over a long period of time, and meanwhile their legacy inside the MNE and in their local environment will have developed concomitantly. However, as Arndt et al. (2023) point out, limited research exists on how mature subsidiaries navigate internal and external tensions as they evolve, which is an important consideration for our study, as mature subsidiaries will have developed legacies and will need to attend to changes and/or threats to these legacies.

Cantwell and Mudambi (2005) differentiated subsidiaries' roles into two overarching categories. They first conceptualised subsidiaries' competence-exploiting roles, whereby subsidiaries are resource receivers, mandated by their HQs to perform competence-exploiting activities, such as production and assembly activities, whereby they use host-market resources to contribute to MNEs' financial and production performance. The second category describes subsidiaries' competence-exploring roles, which reflect subsidiaries responsible for technologically advanced activities, recognised as knowledge creators and contributors within MNE networks and value chains (Blomkvist et al., 2010; Phene and Almeida, 2008; Rugman et al., 2011). The distinction between competence-exploiting and competence-exploring roles also implies that roles can change from one type to another over time.

However, as recognised by Rugman et al. (2011), little research has analysed the influence of environmental changes, such as economic and political crises, on subsidiaries over time. For example, what happens when subsidiaries' activities are placed under greater strain, immediate changes are driven by HQs' withdrawal of support (Gillmore, 2022; Varum and Rocha, 2011), or there is a decline in market demand or changes in other supply-side factors (Chung et al., 2010; Varum and Rocha, 2011).

Subsidiaries are often caught between a rock and a hard place when facing internal MNE pressures and local requirements (Kostova et al., 2016). This predicament is exacerbated during times of crisis (Chung et al., 2010), when the HQ may decide to rescind support or adjust the subsidiary's role in response to a local crisis. Building on Pant and Ramachandran (2017), we posit that frictions in the internal and external position, induced by a crisis, can have an impact on how the subsidiary identifies itself and how it maintains or changes what has been denoted as its legacy identity (Reilly et al., 2023).

Furthermore, longstanding subsidiaries are characterised by their internal-MNE identity and local-national identity, which in turn are influenced by their reputation with internal and external stakeholders. The emergence of subsidiary identity work (Balogun et al., 2011; Colman et al., 2022; Geppert et al., 2003) is crucial for understanding subsidiary development because it elucidates how subsidiaries understand their roles when shaping identities aligned or nonaligned with local conditions and broader goals of the parent company.

## 2.2. Identity work and legacy in longstanding subsidiaries

Organisational identity refers to self-referential, collective, and cognitively shared statements regarding questions such as "Who are we?" "What business are we in?" and "What do we want to be?" (Balogun et al., 2011; Oertel and Thommes, 2018). It takes time and effort for organisational members to interact and form distinctive, central, and enduring identities (Gioia et al., 2013). Organisational identity work involves the "discursive, cognitive, and behavioural processes that help individuals and collectives create, sustain, share and/or change organisational identity" (Kreiner and Murphy, 2016 p.279). One context that has proved particularly useful for studying organisational identity work is when the organisation faces a crisis that influences the identity formation and threatens the legitimacy and/or self-conception of an established organisational identity (Colman et al., 2022; Sörgärde, 2020; Tracey and Phillips, 2016). Arguably, a crisis provides an opportunity to further investigate organisational identity work as the "activities engaged in by organisational members to form, repair, maintain, strengthen, or otherwise influence understandings of the central, distinctive and enduring characteristics of their organization" (Fachin and Langley, 2024 p. 361).

Recent scholarship has come to focus on how organisational members, through organisational identity work, respond to challenges critical to their identity formation (Gioia et al., 2013) through processes whereby conditions are either welcomed and maintained, or, rather, contested and changed (e.g. Sörgärde, 2020; Tracey and Phillips, 2016) in times of crisis. The general dichotomy between embracing or rejecting extant conditions through organisational identity work has also been recognised in the context of MNE

subsidiaries' legitimacy in internal and external networks (Colman et al., 2022).

As such, it is possible that subsidiaries' identity work could enable managers to reinforce or alter organisational identities to maintain their longstanding positions externally and internally. At the same time, they could navigate and seek to influence market pressures (e.g., in an economic crisis) by aligning the often-conflicting expectations of parent companies and local environments (Colman et al., 2022; Fortwengel, 2021). Recently, research on organisational identity work in MNEs has shown that identity work complements the activities assigned to a subsidiary and contributes to shaping perceptions of a subsidiary's global or local standing (Balogun et al., 2019; Colman et al., 2022; Fortwengel, 2021; Reilly et al., 2023).

However, little is known about how subsidiaries maintain their identities in relation to their legacies and when and how they work with their identities to cope with emergent challenges and embrace new opportunities. Grasping these dynamics requires understanding the socially constructed, distributed, and self-reflexive processes involved in identity work, especially in longstanding subsidiaries where identity is closely aligned with how a subsidiary is recognised locally and in the MNE (Arndt et al., 2023).

As subsidiaries mature and adapt, legacies become aligned with their roles and form the basis of what Eury et al. (2018) conceptualise as legacy identification. Longstanding subsidiaries (Röell et al., 2024), therefore, are a suitable setting in which to study the formation and leveraging of organisational identity and relationships to perceived expectations and positions from both HQs and the local environments in which the subsidiaries operate. Recent literature on subsidiary identity has coined the term legacy identification (Reilly et al., 2023), which has been particularly concerned with how subsidiaries anchor their present identities on familiar past legacies to navigate present challenges.

In longstanding subsidiaries, organisational identity work implies constructing perceptions of the subsidiary to provide a source of recognition and legitimacy of the subsidiary's roles within the local context and the internal MNE network (Colman et al., 2022; Pant and Ramachandran, 2017). However, there is a dearth of knowledge regarding how subsidiaries engage in identity work in relation to subsidiary legacies. This prompted our research question: *How does subsidiary legacy influence the identity work of longstanding subsidiaries during an economic crisis?*

### 3. Methods

#### 3.1. Research setting and sampling criteria

Previous research on longstanding subsidiaries in emerging markets has historically focused on the Chinese, Indian, Russian, and Indonesian markets (Pant and Ramachandran, 2017; Röell et al., 2024). Thus far, there is limited research on longstanding subsidiaries in Latin America. Brazil is a particularly salient destination for foreign MNEs due to its market size, proximity to other Latin American countries, and unexploited natural resources. Brazil remains the main recipient of foreign direct investment (FDI) in South America (De Conti and Diegues, 2022). The recent Brazilian economic turmoil began in approximately 2014 (after the FIFA World Cup and during the Olympic Games in 2016) and directly affected national employment rates, company sales, and the investment decisions of domestic and foreign companies. According to the World Economic Forum, despite being the ninth largest world economy in 2017 and 2018, the Brazilian economy contracted by 3.5 % in 2016 and suffered its largest economic and political crisis since it had become a democratic country in 1985. During 2017 and 2018, the economic crisis continued to affect companies in Brazil, and according to the World Bank, gross domestic product (GDP) growth in those years was 1 % and 1.11 %, respectively. These GDP growth rates were lower than in 2013, when it was 3 %, and the 7.5 % of 2010.

While the economic and political crisis affected companies across all sectors of the Brazilian economy (Lopez-Vega and Lakemond, 2022), we were interested in studying its effect on longstanding subsidiaries' roles and identities. Specifically, we investigated identity changes of longstanding subsidiaries of Swedish MNEs in Brazil with multiple mandates (i.e., sales, production, product development, innovation). Studying subsidiaries with different roles allowed us to explore innovation activities and gain a rich understanding of the implications of an economic crisis on subsidiaries' identities and subsidiaries' roles. We selected Swedish MNE subsidiaries because they both distributed innovation activities across developed and emerging economies and included those established in Brazil over 100 years ago (e.g., Ericsson and ABB), along with others >50 years ago (e.g., Scania, Sandvik, and Alfa Laval) (see, e.g., Blomkvist et al., 2010; Lopez-Vega and Tell, 2021).

Following a theory-based purposive sampling approach, we applied two main sampling criteria. First, we explicitly focused on subsidiaries that were longstanding in the Brazilian market and that had maintained or extended their presence in a market where there was economic and political turbulence. Second, recognising that highly technological industries are deemed volatile, and to keep sectoral characteristics fairly constant in our sample, we focused on large Swedish MNEs with subsidiaries operating in manufacturing and engineering. This sector in Brazil is a prime destination for FDI as Brazil provides MNE subsidiaries with an attractive base for managing their Latin American operations.

#### 3.2. Data collection

In this study, we employed a case study approach involving multiple cases to examine how subsidiary managers interpret their subsidiaries' activities and identities at the interface of an economic crisis (Eisenhardt, 1989). We commenced interviewing subsidiary managers in Brazil before the crisis and continued interviewing them during the crisis, enabling us to build a unique database. The main approach adopted for data collection was semi-structured interviews. To provide contextual understanding and guide the development of interview questions, we had access to surveys and reports from the Swedish Chamber of Commerce in Brazil about the R&D activities of all Swedish subsidiaries operating in Brazil. When feasible, we interviewed multiple informants from each subsidiary

**Table 1**

Sample of interviews.

No.	Subsidiary	Year established	Before the economic crisis	During the economic crisis	No. of inter-views	No. of respondents
Competence-exploring subsidiaries						
1	<b>Scania Latin America</b>	1957	<p>&gt;2012 No. of inter. 1 - Positions: VP Engineering and Production; R&amp;D Director; Special Projects Mngr, HR Exec. Mngr</p> <p>&gt;2013 No. of inter. 3 - Positions and no. of people: Resp. Admin. R&amp;D; Manager Strategical Projects; Development Engineer; Research Advisor</p> <p>&gt;2014 No. of inter. 1 - Positions and no. of people: Head of Project Coordination &amp; IT, Executive Manager, Head of Project Office</p> <p>&gt;2015 No. of int. 1 - Positions and no. of people: Executive Manager, Head of Project Office Manager Strategical Projects</p>	<p>2016 No. Of interviews. 5 - Positions: President, Scania Latin America; Manager Strategical Projects; VP Research &amp; Development LA (interview in Sweden); Chassis Development LRT; Head of Powertrain Development - Research&amp; development</p>	11	16
2	<b>Electrolux</b>	1926	<p>2012 No. of inter. 1 - Positions: VP P&amp;D Quality and Kitchen Product Line Latin America</p>	<p>2017 No. of inter. 1 - Position: Engineering Manager</p>	2	2
3	<b>Ericsson</b>	1924	<p>2012 No. of inter. 2 - Positions: Director, Research, Development and Innovation; Research Director; Head of Innovation, Partnerships, and Alliances</p>	<p>2017 No. of inter. 1 Positions: Director, Research, Development and Innovation</p>	3	4
Competence-exploiting subsidiaries						
4	<b>Dynapac</b>	1958	<p>2012 No. of inter. 2 - Positions: Engineering Manager; Product Engineer; Eng. coordinator</p>	<p>2016 No. of inter. 1 - Positions: Engineering Manager</p>	3	4
5	Atlas Copco	1955		<p>2016 No. of inter. 1 - Position: Eng. Manager</p>	1	1
6	<b>Husqvarna</b>	1978	–	<p>2016 No. of inter. 1 - Position: VP Sales &amp; Services Latin America</p>	1	1
7	<b>ABB</b>	1912	<p>2012 Institutional Relations SVP – email exchange</p>	<p>2017 No. of inter. 1 - Position: Country Managing Director</p>	1	1
8	<b>Trelleborg</b>	1999	–	<p>2017 No. of inter. 1 - Position: Managing Director</p>	1	2
9	<b>AkzoNobel</b>	1974	–	<p>2017 No. of inter. 1 - Position: General Manager Bleaching Chemicals South America</p>	1	1
10	<b>Alfa Laval</b>	1959	<p>2012 No. of inter. 1 - Position: President Latin America</p>	–	1	1
11	<b>Semcon</b>	2007	<p>2012 No. of inter. 1 - Position: Country Manager</p>	<p>2016 No. of inter. 1 - Position: Eng. Director</p>	2	1
12	<b>SKF</b>	1915	<p>2012 No. of inter. 1 - Positions: Latin America Service Platform Manager</p>	<p>2017 No. of inter. 2 - Positions: Ind. Market Business and Service Director; Automotive Commercial Director</p>	3	3
13	<b>Tetra Pak</b>	1978	<p>2013 No. of inter. 1 Positions: Director, Environment</p>	<p>2016 No. of inter. 1 - Positions: Technical Services Sales Director at Tetra Pak; Executive Sales Director; Global Sustainability; Marketing Director. 2017 No. of inter. 1 - Positions: Marketing Director Brazil &amp; Paraguay at Tetra Pak</p>	2	5
14	<b>Höganäs</b>	1999	–	<p>&gt;2016 No. of inter.: 2 - Positions: Marketing Director at Höganäs Brazil; Development &amp; Application Engineering Manager</p> <p>&gt;2017 No. of inter.:1 - Position: Innovation &amp; Technology Manager</p>	2	3
15	<b>Autoliv</b>	1977	–	<p>2017 No. of inter. 1 - Positions: President Autoliv South America; Operations Director</p>	1	2
16	<b>Stora Enso</b>	2005	–	<p>2017 No. of inter. 2 - Position: VP Global Div. Biomaterials; Lead Legal Counsel- Biomaterials Global Division and Latin America at Stora Enso</p>	2	2



in Brazil to prevent possible individual response bias.

This yielded 37 interviews across 16 longstanding subsidiaries of Swedish MNEs in Brazil (see Table 1). During the interviews, we asked about each subsidiary's portfolio of innovation activities, focusing mainly on how the subsidiary had functioned as a centre of production or R&D. We asked for examples of the scope of the subsidiaries' R&D projects in which HQs and local partners were vested. The data obtained from the semi-structured interviews with senior executives and managers from the subsidiaries in Brazil aligned with our goal of gaining deep insights into the subsidiaries' activities and responsibilities for innovation and the impact of the economic crisis. The interviews were recorded for accuracy and transparency, transcribed verbatim, and coded using NVivo. We also created descriptions of the different subsidiary roles based on information from observations, interviews, and archival material.

The interviews were conducted in two phases at the subsidiaries in Brazil. The first phase, between 2012 and 2014, was initiated as part of a four-year research project investigating innovation activities in subsidiaries in the Brazilian economy. Here, we conducted interviews with representatives from eight subsidiaries (Alfa Laval, Dynapac, Electrolux, Ericsson, Scania, Semcon, SKF, Tetra Pak). Each interview lasted between 60 and 90 min. This phase yielded data about the complex subsidiary configurations and MNE network in Brazil. As the research project progressed, it became evident that the Brazilian economy and society at large was hit heavily by a crisis in 2014. We therefore decided to seize the opportunity to gain an understanding of how subsidiaries reacted to the crisis. Therefore, in the second data-collection phase between 2015 and 2017, we held repeated interviews with seven subsidiaries from the first stage.

Only the Alfa Laval subsidiary was not available for the second round of interviews. When possible, we tried to interview the same subsidiaries and respondents to capture how the economic crisis had influenced the subsidiaries. Additionally, to gain more insights into the broader implications of the crisis for subsidiaries, we complemented the data collection by interviewing another seven subsidiaries (Akzo Nobel, Atlas Copco, Autoliv, Husqvarna, Höganas, Stora Enso, and Trelleborg) during the crisis in 2016–2017, also asking them to discuss the situation before the crisis in retrospect. In 2016, we interviewed the development director of SEB Bank subsidiary in São Paulo to understand its operations in Brazil since 1972 and obtain a more contextual understanding of the economic impact of the crisis on Swedish subsidiaries. However, as this subsidiary is not operating in manufacturing or engineering, we decided to exclude it from the sample.

The respondents included each subsidiary's country manager, whom we contacted and informed of the purpose of the study. In addition, other key managers, including general managers and lead R&D managers, were interviewed in each subsidiary. Two of the authors spent significant periods in the field, collecting data from the subsidiaries based in Brazil. Such observations are useful in qualitative research as they can reveal organisational realities and, in this case specifically, ongoing negotiations between subsidiary managers and internal and external actors (Stendahl et al., 2021).

Accordingly, we conducted on-site interviews to understand the context of subsidiary operations, to examine how the subsidiaries navigated the economic and political turmoil in Brazil, and to capture the context of the subsidiary managers as they responded to both economic and political turbulence in real time. In addition to audio-recording most of these meetings, we took extensive notes, which provided improved contextual understanding. The data obtained from our on-site visits and face-to-face interviews with senior executives from the subsidiaries corresponded to our goal of gaining deep insights into the subsidiaries' activities and responsibilities, and the impact of market turbulence, aligning with the assertion that senior managers are the most knowledgeable informants regarding organisational performance. We corroborated all the data provided by the subsidiary managers and reports from the Swedish Chamber of Commerce in Brazil to understand what they perceived to be the key facilitators and inhibitors of the subsidiaries' innovation activities before and during the economic crisis.

### 3.3. Data analysis

During the data analysis, we discussed emerging findings with respondents and other practitioners at two separate events organised at the Swedish Chamber of Commerce in São Paulo, Brazil. These helped us to refine and add new perspectives to our research. Following this, we took a line-by-line approach to analyse both the field notes and the interviews (Strauss and Corbin, 1998). Our analysis moved through stages, from raw data to theoretical insights. While our analysis was iterative to help improve the findings and generate insights, we present the analytical process in stages for the purpose of clarity.

In the first stage, we iterated our coding of the empirical data with conceptions of competence-exploring and competence-exploiting subsidiaries. Following this, we wrote a detailed and comparative account of how each of the subsidiaries was affected during the Brazilian economic crisis, which allowed us to categorise changes in manufacturing, sales, and innovation activities and how these subsidiaries identified themselves within their MNEs and in the local environments. These categories enabled us to obtain a first layer of findings (Eisenhardt, 1989) about the different roles of subsidiaries (see Section 4.1 or Appendix 1).

Subsequently, we used the case descriptions to understand how the two subsidiary roles adjusted to the economic crisis with respect to contextual conditions (e.g., sales drop, employee layoffs, government subsidies), critical events (e.g., expectations during the World Cup and Olympic Games), and activities (e.g., discontinuation of innovation activities). After analysing and discussing the data multiple times, we combined segments of descriptions that reflected similar wordings or activities into first-order categories. Specifically, we built categories based on the informants' own descriptions of the crisis's effects on the subsidiaries' identity changes and innovation activities in response to the crisis. We obtained eighteen unique and distinguishable first-order categories (Strauss and Corbin, 1998). We then used axial coding to structure the data into informed second-order themes. Each second-order theme was triangulated across interviews and archival data.

For the aggregated dimensions, we combined related second-order themes into two principal categories that corresponded to subsidiaries' identity orientation and legacy identification. We structured the aggregated dimensions into evaluating the subsidiaries'

identity orientation (the top aggregated dimension), that is whether they were backward-looking, present-oriented, or forward-looking, and into whether the subsidiaries were embracing, accepting, or rejecting their legacy (the bottom aggregated dimension). Finally, we drew on Langley's (1999) strategies for utilising qualitative data, which, based on the above categories and codes, enabled us to identify three different foci of subsidiary identity work: reinforcing, preserving, and reconstructing. An overview of our data analysis can be seen in our Data Structure (Figs. 1, 2, and 3, embedded in their corresponding findings sections).

#### 4. Findings

This section is divided into two parts. Section 4.1 presents the identified subsidiary roles: competence-exploring and competence-exploiting. Section 4.2 outlines how subsidiaries took on three foci of identity work—denoted by reinforcing, preserving, and reconstructing—to cope with the effects of the economic crisis by enacting different identity orientations and through diverse responses to their subsidiary legacies. For further details, see the data structure figures (Figs. 1, 2, and 3) and the extended selection of interview quotes in the appendices (Appendices 1, 2, 3, and 4).

##### 4.1. Subsidiary roles: competence-exploring and competence-exploiting

The competence-exploring subsidiaries of Swedish MNEs (i.e., Electrolux, Ericsson, and Scania) performed activities such as technology development, knowledge transfer to HQs and other subsidiaries, development of innovation management practices, or cross-country collaborations. These were set up to both maximise the opportunities of the Brazilian market and act as springboard subsidiaries into the broader Latin American region. Scania is an example of a subsidiary established in 1957 that initiated R&D activities due to its distance from the HQ, opportunities in the local market, and globally integrated manufacturing responsibilities. Scania's Vice-President (VP) for engineering and production highlighted the Brazilian subsidiary's R&D heritage:

Our history is a little bit different. The factory here in Brazil was born in 1957. The first truck was assembled in 1958. I can imagine how difficult it was to have a branch; I do not know how many miles away from Sweden. And that is why, since then, they established an area of development to support the operation here in Brazil.

Another example is the Electrolux subsidiary, which began operations in 1926 and progressively transformed its innovation strategies, ultimately becoming one of Latin America's leading domestic appliance brands. This subsidiary developed into a global research centre, responsible for top-loading washing machines. It is also known for developing transferable research output (e.g., patents and market insights) for its HQ and contributing to global R&D activities at other subsidiaries (e.g., in India and in the USA), as highlighted by Electrolux's VP of R&D in Latin America:

Innovation started in Brazil 12 years ago [around 2000]. The process that we developed here in Brazil has now been adopted globally. The main concept is how we try to innovate the products in Brazil. I would say that 99 % of the products that you [have seen] in the showroom were developed by the innovation triangle in Brazil, and let's say that 50 % of what we have outside of Brazil [in Latin America] was developed by the Brazilian team.

At the same time, in Brazil, longstanding subsidiaries of Swedish MNEs, including those of ABB, Akzo Nobel, Alfa Laval, Atlas Copco, Autoliv, Dynapac, Husqvarna, Höganas, Semcon, SKF, Stora Enso, Tetra Pak, and Trelleborg, exhibited competence-exploiting roles. Their responsibilities involved obtaining customer insights for product adaptation, testing, validation, and results transfer for research prototypes, and, in some cases, contributing to HQs' product development activities. These activities were highlighted by Alfa Laval's President in Latin America (whose Brazilian subsidiary was founded in 1959):

We are a sales company. We are supposed to look at the portfolio and say ok this portfolio can be adapted to Brazil or not [...] Our function is to provide the equipment, adapt the equipment, and then, together with the customer or with some institution, we try to evaluate the result of the test, quality of the test, efficiency of the test.

An engineering manager at Dynapac presented an additional example, highlighting the subsidiary's involvement in producing and assembling equipment for the South American market and designing and developing specific technology components for local business segments. Noteworthy is how the subsidiary required authorisation from the HQ to change products for the Brazilian market, despite its large market presence and contributions to other subsidiaries within the MNE. The Dynapac subsidiary had been operational in Brazil since 1958:

If there are some products that are produced here and they are also produced in China or Sweden, when the market demands some changes, the changes need to be approved by the board, the Atlas Copco board. Then, we can take the design, make the change, and create a new version or new product to fit our market. To grow here, we are allowed to make designs that fit perfectly in our market. We have 37 % of the market share in Brazil for Dynapac products. But we also export to some other countries, to Europe, the United States, and Australia.

Accordingly, the legacies affecting the identities of these two groups of longstanding subsidiaries of Swedish MNEs with competence-exploring and competence-exploiting roles—with some individual variation—were markedly different as they faced the Brazilian crisis that appeared in 2014. In the following, we outline how three foci of identity work emerged as the subsidiaries reacted to the crisis while taking their respective legacies into account.

#### 4.2. Subsidiary identity work: orientations and legacies

This section describes three foci of identity work—reinforcing, preserving, and reconstructing—that competence-exploring and competence-exploiting subsidiaries carried out when responding to the Brazilian economic crisis. Each sub-section begins with a description of our observations of one of the three different subsidiary identity orientations, which we denote by backward-looking, present-oriented, and forward-looking, and which our empirical analysis associated with each of these three foci of identity work, respectively. This is followed by the showcasing of how each foci of identity work also relates to the subsidiaries' embracing, accepting, or rejecting of extant legacies. The associations between these constructs in the findings are exhibited in the figures referring to the data structure (Figs. 1, 2, and 3).

##### 4.2.1. Reinforcing

The competence-exploring subsidiaries (Electrolux, Ericsson, and Scania) all took on reinforcing subsidiary identity work as they encountered the Brazilian crisis. This meant that their orientation was mainly backward-looking and their approach was one of embracing their subsidiary legacy during the crisis. Subsidiary identity work involved aligning subsidiary assignments with the identification of growth opportunities or improvements in efficiency.

**Backward-looking orientation.** Although the economic crisis proved challenging for new financial investments or research projects, managers of the competence-exploring subsidiaries referred to sticking to their past strategies when considering their identity as a subsidiary facing economic turmoil. The engineering manager at Electrolux described how adopting a backward-looking orientation helped the subsidiary to reassess its subsidiary identity: “A crisis makes you rethink the business, focus, and find solutions. I do not see a crisis as a problem, I see it sometimes as a solution.” Another example was mentioned by the R&D director at Ericsson, who explained that the crisis had not affected their subsidiary's identity and that it had helped them cope with external changes:

On that I would say that the economic crisis did not change our beliefs. What it did do was to even accelerate our cost-cutting type of strategy behaviour initiatives, which has not been a major change to my operations. When you met us back in 2012, we were basically getting fits from a heart attack. I do not know if I told you, but we were very close to being phased out as an organisation [subsidiary].

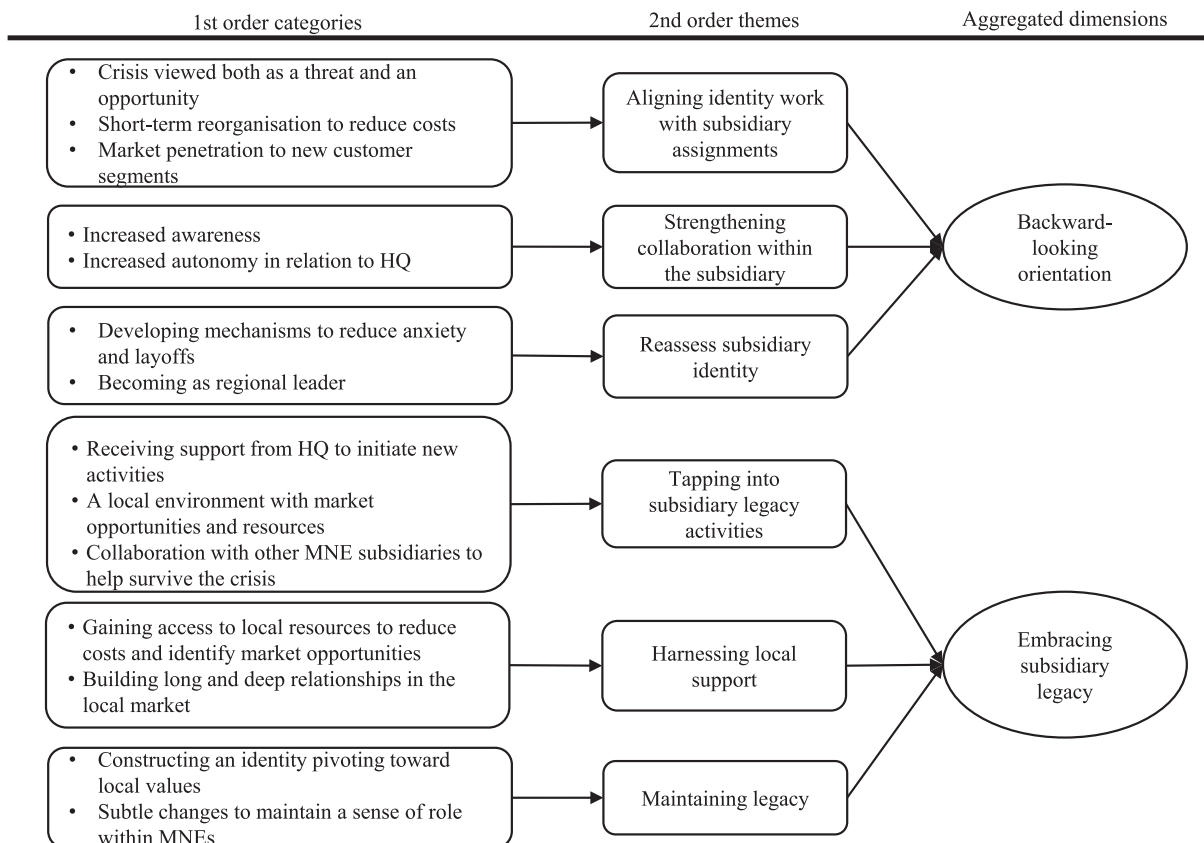


Fig. 1. Reinforcing.



A backward-looking orientation also entailed strengthening collaborations within the subsidiary that helped them maintain and adapt their activities to local customer needs. This mitigated challenges arising from the national crisis as it allowed subsidiaries to continue to leverage local resources and relationships. For example, an Electrolux manager suggested:

Yes, it [collaboration with HQ and other subsidiaries] increased because they tried to understand and help [...] During the crisis, we improved collaboration even inside the company because we needed to survive. So, the crisis made us stop and rethink the way we worked. Now we can go to purchasing and ask for help if we do not know something.

Subsidiary managers were preoccupied with strengthening subsidiary identity, which resembled that of the HQ, and forging stronger links with local counterparts. These subsidiary managers defined themselves as members of their MNEs, with a collective sense of who they were within these MNEs. As these subsidiaries were prepared to embrace their identities as regional leaders and HQ support for local development strengthened innovation activities in the subsidiaries. This point was illustrated by Electrolux's VP of R&D for Latin America:

Planning is less predictable than before. So, there are ups and downs. The evidence is that today's economic crisis has not impacted us negatively from an investment point of view. It did impact us from a mindset point of view because we know that nothing is forever. But we have not reduced the number of people engaged in R&D activities because of the crisis. I would credit [this] as a result of the strategy that we have defined. I mean, we should not be dependent financially on anyone to develop our strategy.

Finally, despite the anxiety induced by layoffs, the subsidiary managers oriented their identity work towards articulating long-term planning opportunities—grounded in prior situations—to reduce the uncertainty among themselves. These actions helped them to reassess their subsidiaries' identities. Ericsson's R&D director elaborated:

Every now and then, some colleagues send emails, 'Oh, I'm leaving Ericsson', but not on a major scale. I would say that the headquarters' decisions have been more like 'where to have factories', 'whether or not to invest in IP', or 'partnership agreements'. The anxiety level has increased significantly because, in the past, we had plans for the next three years, which might have been broken because of one corporate decision to move. So, the anxiety level and the uncertainty are much higher [now]. What I tell my people is to be able to deal with that knowledge is the answer.

*Embracing subsidiary legacy.* This group of subsidiaries embraced subsidiary legacy subtly, rather than dramatically challenging it. Engaging with subsidiary legacy started around 2014 when the managers recognised that the Brazilian economic crisis was wide-ranging, resulting in reduced sales, a scarcity of country-level resources, and a lack of public funding for local R&D. However, the crisis did not influence the subsidiaries' assignments, as captured by an R&D manager at Scania:

In the years 2012 to 2013, the order intake was extremely high. It was almost hard to deliver the orders for us. So, we had to increase a lot, both in the number of employees but also in future financial investments and [an] increase in the number of competencies. We were really investing for the future. But now, it is not such an upmarket any more. It is okay. At that time, we said that we were investing in the future. So, we will have to accept and continue them [the investments] until the market is up again.

The subsidiaries' legacies helped them maintain their assignments, receive support from HQ to initiate new activities, and strengthen collaboration with other subsidiaries to develop and manage R&D activities. These actions, along with the subsidiaries' pre-existing innovation capabilities and market penetration, meant that they could adapt and develop technologies for new groups of customers. They could do this even as their manufacturing activities were being affected. Also, the economic crises represented an opportunity to strengthen collaboration across subsidiary departments so as to reduce dependence on HQs and to ensure that their long-term commitments would not be affected by local economic changes. All these ideas are mentioned in the following quote from the engineering director at Scania:

Now in the crisis, we started to discuss how to reduce the cost of transportation. We ended up with a new product. It's cheaper because it's just one semitrailer. This trailer would allow us to offer a slightly cheaper solution to customers [...] If you work in a company like Scania, it is extremely good because Scania does not think in the short term; Scania thinks in the longer term as is typical among Swedish people. We had a very well-defined roadmap with new investments.

These subsidiaries also reported being closely linked to Brazilian initiatives in areas connected to their operational and knowledge-generation activities. The subsidiaries' legacy helped them to harness local support, which they considered necessary for reducing costs and identifying new market opportunities. The president of Scania in Latin America illustrated this:

Our status is important to the firm [HQ], and our ability to access information from Brazil determines our importance [...] Our status results from our superior position in Brazil, which is important now during the crisis as other markets regionally are doing quite well.

Their legacy helped these subsidiaries harness prior connections with local companies and institutions. For example, subsidiaries' linkages to the local environment meant they were better prepared to engage with counterparts locally and understand the needs of local customer bases and how they were affected during the crisis. The director of Ericsson's innovation centre explained:

From my point of view, for ourselves, it was unique because it combined financial capabilities to deploy our strategy, without financial dependence on our headquarters: Number one. Number two, energy and general change management are strong enough to convince people we can still do these things.

Before the crisis, these subsidiaries portrayed a blended identity (resembling both the HQ's Swedish identity and the subsidiaries' Brazilian identity). This was illustrated by Scania's R&D manager, who described how the subsidiary's identity in Brazil resembled a combination of Swedish and Brazilian corporate culture: *"it is very funny because the culture here in Brazil is not a Brazilian culture any more, is not a Swedish culture, it is something in the middle ... but with some flexibility."* During the crisis, the depth of the relationships between subsidiary managers and their HQs reinforced the subsidiaries' legacies and helped the managers to maintain their strategies in Brazil, as the R&D director of Electrolux explained:

I think that the crisis affected [us] more like a challenge, to adapt to the new consumer power, which is less than before. We need to be more critical and launch a product that the consumer wants. Also, we ... focus on profitable projects and remove those which are not profitable. That means we need to focus on cost reduction, optimisation of the process, production, everything. So, we [have used] the crisis to improve our work.

#### 4.2.2. Preserving

Around 2013, managers in the competence-exploiting subsidiaries foresaw that Brazil would face a boost to its economy at the time of the global sport events that were taking place (i.e., the World Cup, the Olympic Games), which would generate economic growth. *"There was an expectation that the World Cup and Olympics [would] move the markets on, but it did not happen"* (Husqvarna, VP Sales & Services Latin America). However, these events did not have a significant positive effect on the economic situation; instead, an economic crisis rapidly emerged. Facing harsh conditions, several of these subsidiaries laid off skilled engineers, decreased their manufacturing, or limited their innovation activities. These subsidiaries were ABB, AkzoNobel, Alfa Laval, Dynapac, Atlas Copco, Husqvarna, and Trelleborg. To cope with the crisis, these competence-exploiting subsidiaries' identity work centred on preserving.

**Present-orientation.** These competence-exploiting subsidiaries faced pressing present concerns that they had to deal with if they were to survive. As mentioned by the country managing director for ABB, which was negatively affected by the Brazilian crisis, immediate cost-cutting and layoffs had to be conducted, as the crisis threatened the successful continuation of subsidiary activities: *"We have had to*

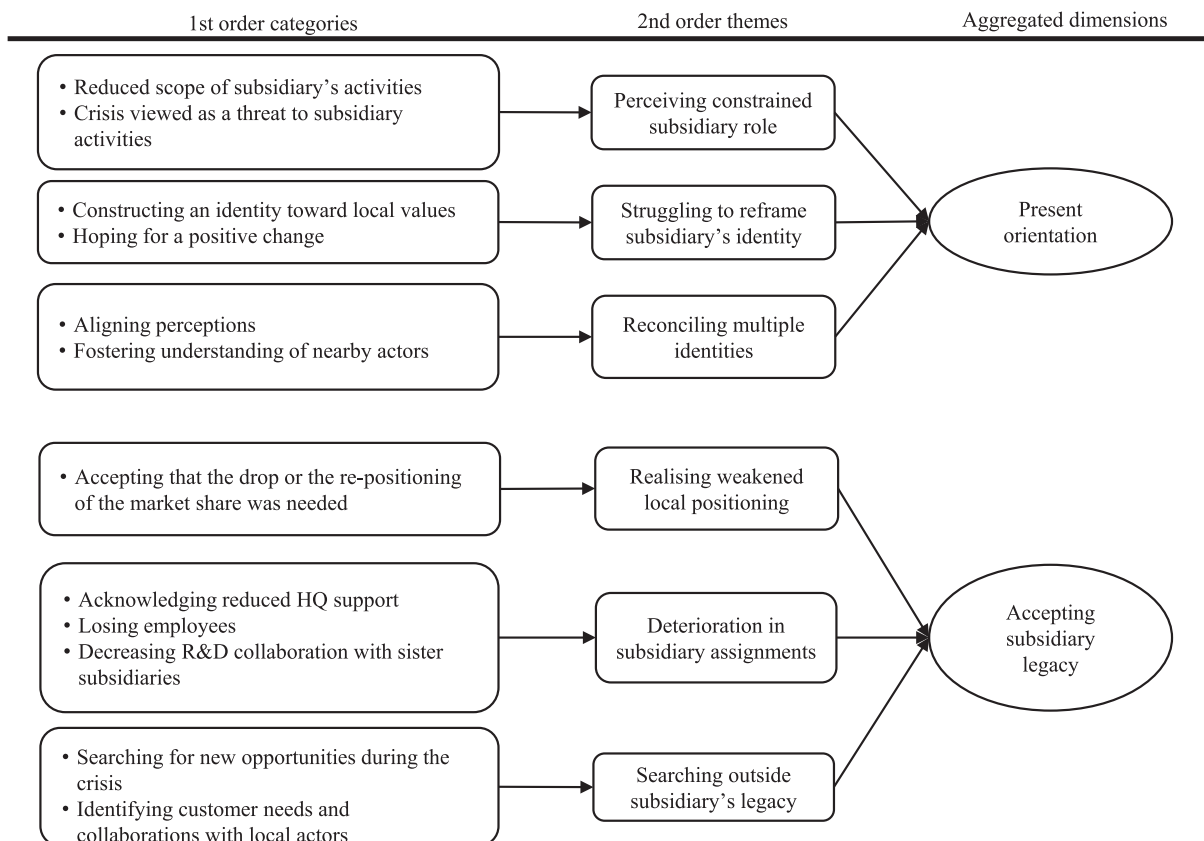


Fig. 2. Preserving.

*reduce our costs. The crisis has affected ABB sales. But instead of 100 engineers, we may have 50 today."*

Such actions involved adopting a focus on the present in subsidiary activities, i.e., coping with acute effects of the crisis. Respondents testified that the Brazilian crisis had negatively affected sales and the incentives to develop new product adaptations had vanished, which resulted in a decrease in the subsidiaries' innovation activities. At the same time, they fought for survival while seeking to maintain their identities in the moment. In light of a constrained scope, Dynapac's engineering manager highlighted:

Yes, we have stopped everything. Because the situation today, there's no market. We could see that we would not have benefited from designing and contributing to development [...] spending money in a situation like that. It's not very smart [...] The problem is that the crisis we are having now will be very long.

Subsidiary managers in this category struggled to reframe their identities in the present moment, or into one oriented towards local values, as they simultaneously envisioned future market opportunities after the crisis, but also the limited scope of the activities expected of them or their product portfolio. Husqvarna's VP for sales and services in Latin America emphasised this:

The volume has decreased significantly in the last couple of years. Now, I expect a recovery next year. And, as I said, sometimes the portfolio we have does not fit exactly with the needs of the consumer within a recession of this level.

The HQs' monitoring influenced the identity orientations of these subsidiaries. For example, although subsidiary managers built local relationships and crafted an identity to reflect their being locally anchored, these actions did not align with their HQs' involvement and control in Brazil. In some cases, as the Swedish HQs viewed the subsidiaries primarily as extensions, the subsidiary managers perceived there to be an HQ-imposed identity. In other cases, subsidiary managers were required to reconcile both identities by portraying their units as having knowledge and understanding of local systems, culture, and history. This was illustrated by Husqvarna's VP for sales and services for Latin America:

We are used to the Swedish style of management; it is not an issue of being Swedish. But we know that they [HQ] do not have to live with the consequences of their actions, so we look to make our local partners know and understand us better.

Due to the weakened support from the HQs and the local environment, these subsidiary managers recognised obstacles that triggered a need for changes to cope with the crisis, but they also understood that their subsidiaries' legacy activities would not be changed. Instead, these managers felt they were required to maintain the existing HQ support structures and processes in order to navigate the economically challenging conditions. Also, as identity work in these competence-exploiting subsidiaries revolved around adopting a further constrained role within both the MNE and the local environment, the managers' efforts focused on preserving limited subsidiary activities. An example was provided by the Atlas Copco subsidiary's engineering manager, who hinted that responding to market opportunities was the HQ's typical strategy for maintaining innovation activities, but that their efforts had been put on hold until the crisis was over:

Yes, it's a matter of HQ's strategy again because they [HQ] decide [to invest or not] if the business level is low due to crises. They say, "Okay, wait till the end of it. As soon as the markets recover, we will invest again." [...] We transferred standardised knowledge in production to exploit known capabilities from the company, and we still work closely with our customers to fix their problems. This requires being close to them.

*Accepting subsidiary legacy.* The Brazilian economic crisis affected both the subsidiaries' legacies and their HQs' assignments. These subsidiary managers acknowledged that their local position was weakened, and they had to accept the drop or repositioning of their market share. An example was provided by Trelleborg's managing director, who emphasised the subsidiary's focus on maintaining its production activities despite its dropping market share in Brazil:

On average, 70 % [drop in production]... On the replacement market, we were able to manage, we had some losses, but not that big, trying to focus on different types of customers, gaining some market share. But on the OEMs [Original equipment manufacturer], we could not do much, you cannot push that much. We had to deal with it.

Also, although the subsidiaries maintained some of their manufacturing activities in a depleted form, these subsidiaries' innovation activities were primarily reduced by their HQs during the Brazilian economic crisis. The comment of a subsidiary manager at Akzo Nobel exemplified this:

So, if you see in our group, we have completely different impacts depending on where you are. When you talk about paintings for houses, for buildings, decorative paintings, the international crisis [2008 global crisis] didn't affect us, but when the local [Brazilian] crisis came, it affected us very dramatically.

Subsidiary managers also described their efforts to search outside their subsidiaries' legacies to initiate adjustments, customise products, and find solutions to the local economic situation. For example, Trelleborg's managing director said: "*We are looking at the market for new opportunities*". Although subsidiary managers found themselves tightly resource-constrained, they identified opportunities that they could not act on during the crisis. Some of these activities involved local organisations, as in the case of Dynapac's proximity to research centres in São Paulo. Also, ABB's managing director explained their efforts to search for market opportunities as well as accept their legacy during crisis:

This is why the customer look for us and not for another company. Although the market is smaller during the crisis, we have to keep this type of knowledge and service to the customers.

#### 4.2.3. Reconstructing

We observed that one subset of competence-exploiting subsidiaries displayed a significant unexpected positive increase in their initiation of innovation activities. When we analysed these subsidiaries, we discerned that they were attuned to adapting to the local conditions during the crisis, seeking out opportunities that had gone unnoticed or were dormant. These managers engaged in reconstructing identity work. For example, at Tetra Pak, new market opportunities emerged from making cost savings for customers or new process innovations. Tetra Pak's marketing director recounted:

I think that the crisis is affecting for sure the market in general; some of our customers are suffering from the crisis because consumers are consuming less in some specific categories. So, we have diversified our business, too.

Tetra Pak and other competence-exploiting subsidiaries (i.e., Autoliv, Höganäs, SKF, Stora Enso) pursued subsidiary identity work offensively. These subsidiaries showcased a forward-looking orientation and rejected their subsidiary legacy. In a sense, these subsidiaries were adaptive to local conditions.

**Forward-looking orientation.** Although these subsidiaries perceived negative changes in HQ support, their managers adopted a forward-looking orientation that was sometimes able to help the subsidiaries overcome problems related to the economic crisis. These managers framed the economic challenges as opportunities that could lead to the development of products or address the local market's future needs. For example, the marketing director at Höganäs highlighted:

We have a direct impact from the bad vehicle sales we are facing today in Brazil [...] I can tell you that 40 to 50 % of our demand is automotive. [However] We are developing products that are not to be applied this decade. They will be applicable during the next 20 years. Höganäs is investing in the future. This high investment is more linked to the trends [sustainability] of the future.

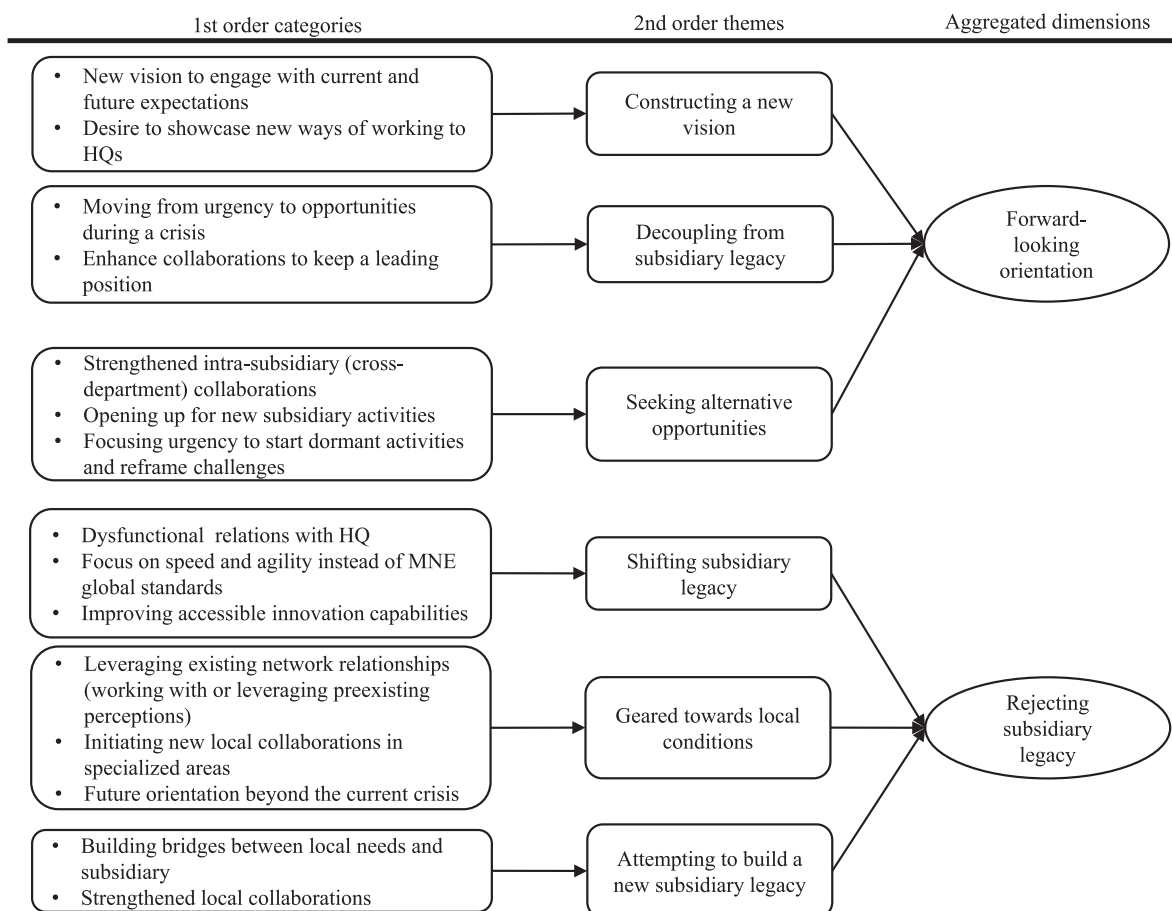


Fig. 3. Reconstructing.

Okay, Brazil is not doing well [at] this time. However, the investments are moving in this direction. Of course, if you have a global crisis, that's [an]other point, but crisis in one subsidiary is not a problem.

Subsidiary managers in this category depicted the need to be more innovative by restructuring subsidiary operations so that, instead of being led by their HQs, they could engage in identity work to encourage cross-departmental collaborations among employees. As mentioned by a subsidiary manager at Autoliv, this activity helped him to change the subsidiary identity and form a new vision so as to engage with current and future expectations:

It has been the worst crisis in Brazil's history. So, you can imagine how local currency deterioration impacts your business plan and financials when you have imported content [...] The crisis stimulated us to launch products in a more efficient way: less expensive with optimised headcount, with the right capital investment, with minimum waste. [...] It brought an important optimisation of capital equipment utilisation. We put a good plan together. For example, that is how we came up with the flexible line concept for some products. It required a tremendous amount of effort, strong commitment, and thinking outside the box, but in the end, our plan worked out, and we came out stronger from the crisis.

In some cases, the subsidiaries' management's interpretation of urgency and identity work actions in combination with the subsidiary employees allowed them to identify and present opportunities collectively. For example, at Tetra Pak, managers used the economic crisis as a reason to strengthen collaborations within the subsidiary (e.g., between the sales and manufacturing units) and collaborations with actors in the local environment (e.g., with customers) to identify new market opportunities and business models, improve performance, engage in new product development, and hire people in new technological areas. These changes at Tetra Pak were expressed as follows by the R&D director:

So maybe a sense of urgency during a crisis can bring an opportunity. You need to be creative; you need to make different things; you need to find a way to improve, to grow, and to survive in this not-good moment itself. [...] We are not investing less in technology or innovation because of this [economic situation]. In every partnership, we approach customers to keep the innovation cycle [going], so we are keeping some innovation process; we are developing new packages in the market now.

Also, the automotive commercial director at SKF highlighted the urgency of establishing subsidiary collaboration across units to better compete in the local market:

I'm sure that the sense of urgency is bringing us or forcing us to be closer to each other. Between units, manufacturing, sales, supply chain, purchasing. So, there is only one common strategy—to work together. You can teach each other different knowledge and different processes, and also gain more, much more speed, and then be better than the competitors.

These subsidiaries did not see the economic crisis as a threat; they interpreted it as an opportunity to change. For example, in the case of SKF, despite sales dropping 50 % between 2012 and 2015, the Brazilian economic crisis brought a sense of urgency regarding being creative and working together within the subsidiary and across the local value chain—for example, across production, sales, the supply chain, and purchasing. For example, SKF introduced new business models and technologies to remain competitive and attractive to local customers. The market, business, and service director highlighted this:

We have grown SKF Brazil by around 15 % to 18 % each year during the crisis. In the end, to be very honest, we hired more than fired, but in a different way. We hired more people because we invested in machines, so we need to produce, to have higher production. But we are much smaller in terms of the organisation today compared to five years ago. To be faster, to be closer to each other, to be cheaper, of course, and to change the culture and the behaviour of the people, the leadership.

*Rejecting subsidiary legacy.* These competence-exploiting subsidiaries exhibited deteriorating relations within their MNEs, and their activities remained limited to identifying customer requirements and sending requests to centres of excellence or product engineers worldwide. However, this group of subsidiaries also rejected their subsidiary legacy and prioritised collaboration with Brazilian companies rather than with their internal MNE networks. Cross-departmental subsidiary collaborations strengthened these subsidiaries' pursuit of technological opportunities and resulted in the initiation of new innovation projects. This was highlighted by SKF's business and service director in 2017:

The first moment we contacted the SKF group to develop this IoT sensor, the engineer [in Sweden] said, "It's not a focus for us right now because we have a lot of other projects to develop." And then we said, "We need to develop locally to move fast." Today, here in Brazil, we have an internal group to do this kind of innovation. I can do that here in Brazil. I don't need to wait for headquarters to do this innovation here. ... We try to work more and more as a team in order to learn different processes from each other and have, in the end, only one common idea of how to perform and to overcome the market crisis.

Also, embracing local conditions helped subsidiary managers to respond to emerging customer demands. Some subsidiaries used existing collaborations with local companies, research centres, and other institutions to develop new innovations. This point was highlighted by Autoliv's president for South America:

Yes, we have very good collaboration with suppliers. We have started to be more involved with local universities. We have very good relationships with the community and local authorities, and we meet regularly with them.

Some subsidiaries also engaged in activities that enabled a new subsidiary legacy to emerge, by initiating collaborations with local



customers, universities, and suppliers. These collaborative efforts contributed towards them overcoming limitations in R&D and fostering the development of new products for the Brazilian market. This approach was emphasised by the executive sales director at Tetra Pak:

We are close to the market, we are here, we know the customer, the products, and we know the needs. We sit together with them in order to match development that they have in the pipeline and our future needs. Even if they do not have anything that fills our need, then we have to send the message that “you [HQ] have to develop something for my need” (new types of packages, screws, caps, labels, etc). That is a collaboration process, it is not only getting something [that is] already done but also helping to improve the existing ones and the new ones.

In summary, the subsidiaries focusing reconstructing identity work demonstrated adaptability, characterised by their intention to reject the subsidiary legacy in order to capitalise on emerging local opportunities. This involved attempts to build new subsidiary legacies that would resonate with both local stakeholders and their HQs. By doing so, they strengthened local networks, effectively embedding themselves in the local environment. Local collaborations helped offset the challenges posed by diminished internal support from the HQ, as the subsidiaries could draw on their local resources and relationships to sustain and grow their operations. These subsidiaries maintained their relevance locally, opening possibilities for their HQs to formalise these new activities. During the economic crisis, an example was presented by the market, business, and service director at SKF:

I can say that, after 15 years of working with servicing, we developed our knowledge here in Brazil, and I can say that, with the new CEO, and the new SKF president here in Brazil, we have opened our minds in order to say: I know what I'm doing. Why cannot I develop something here in Brazil in order to be better? I can say that today we have more openness for this kind of innovation, this kind of development. I can say that we have a very strong leadership team and, due to that, we could develop something new here in Brazil and the idea is to be faster at responding to the customer.

## 5. Discussion

The potential for competence-exploring and competence-exploiting subsidiaries to evolve, in association with their assigned roles, and to contribute to the MNE's competitive advantage is well established (Birkinshaw, 1997; Birkinshaw and Hood, 1998; Blomkvist et al., 2010; Cantwell and Mudambi, 2005; Rugman et al., 2011). However, prior work has not identified how subsidiaries maintain their positions internally and externally, in becoming longstanding (Röell et al., 2024), particularly during crisis. Our approach to bridging this gap builds on nascent research on subsidiary legacy identity (Reilly et al., 2023) and specifically on subsidiary identity work in MNEs and their local environment (Colman et al., 2022; Pant and Ramachandran, 2017). This allows for two contributions—one to the literature on organisational identity work in MNEs, and another to the literature on subsidiary evolution.

### 5.1. Identity work in longstanding subsidiaries

Research on organisational identity work in MNEs has provided a fruitful understanding of how subsidiaries manage dual embeddedness (Colman et al., 2022), and how subsidiaries respond to needs and tensions arising from different contexts (Fortwengel, 2021; Pant and Ramachandran, 2017). This nascent research has also underscored how subsidiaries strive to develop identities that are either global or local (Clark and Geppert, 2011) and dependent or independent of the MNE (Balogun et al., 2011) and the subsidiaries' colonial legacy (Röell et al., 2024). While organisational identity work has thus recently gained some attention in the MNE literature, there is limited knowledge of the legacy which subsidiaries form over their life cycles. Specifically, there is a shortage of studies on how subsidiaries work with identity to develop a legacy identity (Eury et al., 2018; Reilly et al., 2023), where a subsidiary will embrace or reject aspects of this legacy (Gioia et al., 2013; Oertel and Thommes, 2018) to preserve or change subsidiary identity over time. We introduce the concept of subsidiary identity work (Colman et al., 2022) to bridge the gap and investigate how subsidiaries use identity work to address threats to their legacies during times of crisis. This, we argue, is an important contribution to understanding how longstanding subsidiaries continuously evolve and navigate challenges to their legacies since we have shown in our findings that identity work within these types of subsidiaries requires the subsidiaries to embrace, accept, or reject their legacies. This allows them to strengthen or alter their present identities (Eury et al., 2018).

Our findings contribute to the understanding of organisational identity work as a distributed phenomenon within subsidiaries (Colman et al., 2022). We shed light on three foci of subsidiary identity work. Based on the legacy of their assigned roles, competence-exploring subsidiaries adopted two distinct approaches as they were reinforcing their identity through their backward-looking orientation and by embracing their legacy (Oertel and Thommes, 2018). This type of identity work centres on reinforcing those characteristics associated with legacy that are unaffected by the crisis and that have historically proved to be conducive to the strengthening of competence-exploring subsidiaries' positions in their MNEs and locally. We also observed that competence-exploiting subsidiaries were divided into two categories of identity work focus. On the one hand, those that pursued identity work aimed at preserving their identities through an orientation towards present concerns, and by accepting deteriorating legacies. The legacy deterioration in these competence-exploiting subsidiaries bestowed the subsidiaries with limited options in their preserving identity work, and these subsidiaries were the most vulnerable to negative effects of the crisis and evidenced a lack of what Pant and Ramachandran (2017) classified as a balance between the core aspects of a subsidiary's espoused identity.

On the other hand, another subset of competence-exploiting subsidiaries adhered to reconstructing identity work, which was forward-looking and entailed rejecting legacy. Here, we contribute to identity work in MNEs (Colman et al., 2022) as we show that

these subsidiaries were adaptive in their identity, which contrasts to previous studies (Colman et al., 2022; Pant and Ramachandran, 2017) where identity work is rather seen as balancing between internal and external factors. We show that reconstructing identity work in these subsidiaries revolved around the dynamic pivoting from legacy deterioration towards emerging local opportunities, and through an adaptation of identity in response to these changing market conditions, and the subsidiaries' internal and external positions. Our findings underscore the critical role of subsidiary identity work when dealing with local crises, and moreover where identity work—though slowly cultivated—may become a powerful force as subsidiaries navigate tensions arising from different contexts (Fortwengel, 2021; Pant and Ramachandran, 2017).

By empirically illustrating subsidiary identity work, we provide insights into how subsidiaries work with their assigned roles during identity formation (Eury et al., 2018) and how subsidiaries embrace, accept, or reject their legacies as part of their reinforcing, preserving, and reconstructing identity work (Oertel and Thommes, 2018). Scholars have previously noted that organisations sometimes strategically ascribe different identities to organisational units to signal the scope of the units' responsibilities inside and outside their organisations (Colman et al., 2022; Koveshnikov et al., 2016). We build on this insight by theorising identity work as continually reinforcing, preserving, or reconstructing a subsidiary's identity to maintain its situation or position itself for change. By exploring organisational identity work as involving mechanisms pertaining to identity orientation (backward-looking orientation, present-oriented, forward-looking orientation) and legacy identification (embracing, accepting, or rejecting legacy) over time, we suggest that the management of subsidiary identity is a central element in longstanding subsidiaries (Röell et al., 2024).

## 5.2. Subsidiary evolution

Our second contribution builds on the literature examining subsidiary evolution (e.g., Birkinshaw and Hood, 1998; Rugman et al., 2011). Prior studies primarily emphasise how the expansion of subsidiary capabilities drives evolutionary processes (e.g., Bartlett and Ghoshal, 1989; Cantwell and Mudambi, 2005; Gillmore, 2022; Reilly et al., 2023). Taking a broader perspective, we explore the roles assigned to subsidiaries, identifying a novel dimension of subsidiary evolution: the legacies that longstanding subsidiaries develop over time that are associated with these assigned roles that influence subsidiary identity (Balogun et al., 2011). Research has shown that the legacy associated with a subsidiary's role can shift (Rugman et al., 2011), often due to the growth or decline of subsidiary capabilities (Birkinshaw, 1996; Gillmore, 2022). However, we propose that the formation of a subsidiary's legacy requires significant time to develop, and when there are sudden threats to the legacy associated with the assigned role, as seen in a local crisis, a subsidiary will respond through its identity work to embrace legacy, and to accept or reject atrophying legacy, which allows for continued evolution in spite of these threats (Birkinshaw and Hood, 1998). Moreover, we saw across the subsidiaries in our study that subsidiary roles fluctuated but subsidiaries remained longstanding (Röell et al., 2024) by adjusting or repositioning their identities, internally and externally, through their identity work with their legacies.

Our findings highlight the critical challenges subsidiaries face during crises, as such events can challenge both assigned roles (Bartlett and Ghoshal, 1989; Birkinshaw, 1996) and the subsidiary's identity. While previous research on subsidiary evolution focuses on how subsidiary capabilities grow or atrophy (Birkinshaw and Hood, 1998; Rugman et al., 2011), our study calls attention to the fact that a subsidiary's legacy transcends both its assigned roles and its identity. In doing so, we shift the focus of subsidiary evolution to the interplay between the legacy of assigned roles and the identity work of subsidiaries as complementary to how subsidiaries evolve. We show that subsidiaries actively engage in continuous identity work (Colman et al., 2022), either in their MNE or in their local environment, by embracing, accepting, or rejecting the legacy associated with assigned roles. This process ensures that subsidiaries can respond to crises and preserve their longstanding position (Röell et al., 2024).

## 6. Conclusions, limitations, and implications for future research

Aiming to answer calls for conceptual developments on longstanding subsidiaries in host countries, we examined how longstanding subsidiaries' identity work relates to the legacy of roles assigned to subsidiaries, and how they react to a national economic crisis through identity work. Drawing on Pant and Ramachandran (2017) and Colman et al. (2022), our response to the research question "How does subsidiary legacy influence the identity work of longstanding subsidiaries during an economic crisis?" reveals that longstanding subsidiaries may engage in three different foci of identity work. Competence-exploring subsidiaries embraced the legacies they had developed from their assigned roles focusing on reinforcing subsidiary identity work, essentially looking back at what had been conducive for them to maintain their competence-exploring roles over time. Second, one group of competence-exploiting subsidiaries was orientated on present challenges, and accepted deteriorating legacy while focusing on preserving subsidiary identity work. Third, another group of competence-exploiting subsidiaries adopted a forward-looking orientation and rejected deteriorating legacy, focusing on reconstructing subsidiary identity work towards emerging opportunities and positioning themselves for further assignments.

The analysis presented connects the emerging literature on longstanding subsidiaries with the literature on subsidiary identity and subsidiary evolution. This paper contributes to the nascent literature on longstanding subsidiaries in host countries, in which scholars such as Röell et al. (2024) have focused on the challenges of institutional logics. While our study of longstanding subsidiaries in Brazil aligns with previous studies that focus on enacting change during crisis, this paper specifically explains how different types of subsidiaries (competence-exploring and competence-exploiting) navigate a local crisis to maintain their longstanding position (Fainshmidt et al., 2017). Also, by adopting Colman et al.'s (2022) approach to subsidiary identity work, we found that identity work may involve reinforcing, preserving, or reconstructing subsidiary identity work over time (Pant and Ramachandran, 2017) such that the subsidiary's influence over its assigned roles can either be maintained or changed over time (Bouquet and Birkinshaw, 2008).

While this study builds on a rich dataset of longstanding subsidiaries, it also contains some limitations that should be acknowledged and possibly remedied in future research. One limitation concerns data specificity, and implications for generalisability, of which the main ones relate to potential idiosyncratic characteristics of the Brazilian crisis, its effects on the manufacturing and engineering sectors, and the fact that all the studied subsidiaries belonged to Swedish MNEs. One of the strengths of the data used in this study is the range of subsidiaries covered, which allowed for comparative analyses. This feature sets it in contrast with several other studies of identity work (e.g., Colman et al., 2022; Pant and Ramachandran, 2017; Vaara and Tienari, 2011), which built on single-case studies with rich longitudinal data, which was not available to us. With respect to the effects of identity work during a crisis, the study is also limited insofar as it does not contain data on the HQ level of the MNEs, which could validate changes at the subsidiary level.

The acknowledged limitations also give rise to plenty of opportunities for future research that might further explore processes and effects of subsidiary identity work and role change. We would like to highlight three directions for future research. First, future studies could conduct broader analyses. Such studies could investigate other types of crises in other settings, longstanding effects on broader populations of subsidiaries, and comparisons between incremental and evolutionary processes. Second, future studies could conduct deeper analyses. Studies in this vein could dig further into the processes involved in the interactions between subsidiary identity formation and identity work in different contexts, for instance, by tracking event data over time. Third, future studies could conduct multi-level analyses. Data could be collected from HQs, and from subsidiaries' local networks and local employees. We believe that these and other studies would be highly complementary to ours and allow for an enriched understanding of key processes during longstanding subsidiaries' identity work in relation to their legacy.

### CRedit authorship contribution statement

**Henry Lopez-Vega:** Writing – review & editing, Writing – original draft, Project administration, Methodology, Investigation, Funding acquisition, Formal analysis, Data curation, Conceptualization. **Fredrik Tell:** Writing – review & editing, Writing – original draft, Validation, Project administration, Methodology, Investigation, Funding acquisition, Formal analysis, Conceptualization. **Edward Gillmore:** Writing – review & editing, Writing – original draft, Conceptualization, Formal analysis.

### Funding

This work was supported by a STINT-CAPES Joint Brazilian-Swedish Research Collaboration research grant (BR2013-5219) and a Browald Scholarship (I2009–0230) from Jan Wallander and Tore Browald's research foundations.

### Acknowledgements

We are very grateful for comments received by the special issue guest editors and two anonymous reviewers. The paper also benefited from feedback by Ulf Andersson, Henrik Dellestrand, Magdalena Markowska and Daniel Pedroletti. Above all, we are grateful to Jonas Lindström at the Swedish-Brazilian Chamber of Commerce and the subsidiary managers' commitment to supporting this study during challenging times in their professional careers..

### Appendix A. Supplementary data

Supplementary data to this article can be found online at <https://doi.org/10.1016/j.intman.2025.101259>.

### Data availability

Data will be made available on request.

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