Control in the Multinational Enterprise: The Polycentric Case of Global Professional Service Firms

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Abstract

This paper contributes to research on control in multinational enterprises (MNEs) by considering the case of global professional service firms (GPSFs). Drawing on fieldwork in four firms, it argues that GPSFs are seeking greater control over their subsidiaries in order to provide integrated cross-national services to global clients and, in the process, are becoming subject to a center-subsidiary tension similar to that observed in more conventional MNEs. However, and importantly, the paper also argues that the center-subsidiary tension operates differently in GPSFs. This is because central control in this particular context is pursued by not only headquarters but also subsidiaries based in core economies where major global clients are headquartered. Such *polycentric control* leads to the center-subsidiary tension expressing itself along not just the vertical (headquarters-subsidiary) axis but also the *horizontal* (inter-subsidiary) one and, in particular, along *core-periphery* lines. The research and managerial implications of these findings are discussed.

Keywords: Headquarters-subsidiary relations, Control and coordination, Multinational enterprises, Professional service firms, Core-periphery relations

1. Introduction

In the last three decades, a considerable body of research has examined how multinational enterprises (MNEs) control their international operations. Much of this work has adopted the perspective of headquarters and been concerned with identifying and prescribing effective ways of controlling subsidiaries (e.g. Bartlett & Ghoshal, 1989; Nohria & Ghoshal, 1997). Since the early 2000s, however, a growing body of research has been undertaken from the viewpoint of subsidiaries, revealing how the interests, practices and contextual circumstances of these actors often undercut central control efforts (e.g. Birkinshaw et al., 2000; Ferner, 2000). This has gradually led to a view of the MNE as a socio-political space marked by a fundamental center-subsidiary tension over control processes and opened up a lively discussion about the causes, consequences and moderating factors of this tension (see e.g. contributions in Dörrenbächer & Geppert, 2011; Ferner et al., 2006).

In this paper, we reflect on a category of MNEs that have been largely left out of the discussion: *global professional service firms* (GPSFs) – of which the ‘Big Four’ accountancies, the ‘elite’ law firms and the major international management consultancies are prime examples. These organizations now occupy center stage in the world economy in terms of their influence, role and size, and this very fact ‘is reason enough for giving them serious attention’ (Suddaby et al., 2008, p. 992). More importantly, control in GPSFs tends to be highly decentralized (Jones, 2005; Nachum, 2003), raising the question of whether the center-subsidiary framework of analysis that lies at the heart of the socio-political view of the MNE is useful in this context.

We address this question through qualitative research conducted in the consulting arms of four of the world's largest GPSFs, from the perspective of their UK (London) subsidiaries. We focus, in particular, on control processes related to the delivery of transnational projects on behalf of global clients. We begin by elaborating on the theoretical context of the study, reviewing first the literature on center-subsidiary control relations in MNEs and, subsequently, research on the international organization of GPSFs. We then describe our research methods and, in a subsequent section, present our findings. We show how GPSFs are becoming subject to a center-subsidiary tension similar to that observed in conventional MNEs but also reveal that this tension manifests itself differently in this particular context. In the final section, we discuss the research and managerial implications of the findings, and highlight a few limitations together with some possible areas for future research.

2. Theoretical background

2.1. Control in MNEs

A key message to emerge from headquarters-oriented studies of MNE control (e.g. Bartlett & Ghoshal, 1989; Nohria & Ghoshal, 1997) is that MNEs have become less centrally managed. That is, in response to the increasing complexity of the international business environment, including pressures for more responsiveness and innovation, MNEs have had to shed their command-and-control structures and give subsidiaries more autonomy. In particular, MNEs are said to have become less reliant on conventional – i.e. ‘bureaucratic’ – means of controlling subsidiaries (e.g. formal hierarchy, standardized work procedures and formal performance management systems). Instead, they seek to maintain firm-wide control through ‘cultural’ means (e.g. training and socialization), i.e. by having subsidiary managers internalize, and therefore willingly comply with, central requirements.

However, this view of MNE control has been challenged by research conducted from the perspective of subsidiaries (e.g. Birkinshaw et al., 2000; Ferner, 2000; also contributions in Morgan et al., 2001). This has revealed that, in practice, central control is ‘greater than is often thought’ (Edwards et al., 1996, p. 20) and that, indeed, ‘the relative importance of headquarters is in fact growing’ (Barner-Rasmussen et al., 2010, p. 88; see also Yamin & Forsgren, 2006). This appears to be especially the case in service MNEs attempting to respond to global customers’ demand for integrated cross-national offerings (Miozzo & Yamin, 2012). It has also been highlighted that ‘cultural’ control efforts are merely an additional means by which the center seeks to regulate subsidiaries rather than an alternative to conventional ‘bureaucratic’ forms of management (Ferner, 2000).

This is not to imply that central control is always effective. On the contrary, it is often challenging because the interests and practices of the two parties are frequently misaligned. That is, headquarters pursues global control – often by simply imposing home-centric management systems and practices with little subsidiary involvement and scant attention to host-country contexts – but subsidiaries do not necessarily fulfill expectations and may indeed be directly opposed to 'top-down' management. Such resistance occurs not simply due to subsidiary managers being 'intrinsically motivated by […] the need for self-determination or autonomy' (Ambos et al., 2010, p. 1102) but also because host-country institutional pressures can lead them into seeing the requirements and control systems of headquarters as inappropriate for, or inefficient in, their local contexts (see e.g. Ferner et al., 2001). The result is that central control efforts sometimes fail or have to be negotiated through the deployment of power resources held by the two parties.

In sum, the MNE is increasingly being conceptualized as a 'contested terrain', i.e. a socio-political space in which headquarters and subsidiaries are continually engaged in conflict and negotiation over the control of the firm and its resources (see e.g. Andersson et al., 2007; Morgan & Kristensen, 2006; also contributions in Dörrenbächer & Geppert, 2011; Ferner at el., 2006). This socio-political perspective has greatly advanced our empirical and conceptual understanding of control in the contemporary MNE. What remains unclear, however, is whether this perspective, which has emerged based on studies of *manufacturing* MNEs, is useful for understanding control in GPSFs, organizations that are generally believed to be highly decentralized.

2.2. Control in GPSFs

It is well established that professional service firms, because of their 'professional' character, tend to be more decentralized than conventional businesses such as manufacturing companies (see e.g. Greenwood et al., 1990; Mintzberg, 1983). Unlike most manufactured goods, professional services are typically produced in close interaction with clients who often require customized solutions, thereby calling for a mode of control that gives professionals a high degree of autonomy in their day-to-day activities. Further, norms of professionalism generally dictate that decisions about the management and organization of the firm are made consensually rather than in a 'top-down' fashion. In short, as Mintzberg (1983, p. 197) long ago put it, 'not only do […] professionals control their own work, but they also seek collective control of the administrative decisions that affect them.'

Central control in professional service firms is thus relatively limited and the same appears to apply to those firms that are *transnational* in scope (see e.g. Aharoni, 1996; Jones, 2005; Nachum, 2003). Indeed, the transnational level arguably calls for an even greater degree of decentralization given that professionals here not only have to offer customized client solutions but also 'tailor offerings to suit local market preferences and culture' (Campbell &

Verbeke, 1994, p. 97). In this context, subsidiaries are said to retain firm control over decisions about day-to-day work matters (e.g. the allocation of employees to client projects and the choice of methods of work and service delivery) and also have a degree of control over managerial decisions affecting them via consensual-decision making processes. Whilst ‘bureaucratic’ control systems are by no means absent (e.g. global HRM policies and knowledge management systems), central control is said to generally occur more through ‘cultural’ means, including shared training (to standardize the skills of professionals) and socialization practices (to inculcate appropriate organizational values). In other words, day-to-day professional practice tends to be highly decentralized whilst a degree of central control occurs over professional standards, work methods and people management practices through firm-wide systems and policies.[i]

This raises the question of whether and how far the sociopolitical view of the MNE is useful for understanding GPSFs. Based on the characteristics discussed above, one would be inclined to conclude that it is not. However, a common theme running through the professional services literature is that demand for integrated cross-national solutions on the part of ‘global clients’ has led GPSFs across various sectors to become more centrally managed (see e.g. Faulconbridge & Muzio, 2008; Fenton & Pettigrew, 2003; also Kärreman & Alvesson, 2004). The organizational implications of this change are far from clear given the dearth of detailed research conducted from a subsidiary perspective, but it suggests that GPSFs are becoming less distinctive and therefore possibly subject to a center-subsidiary tension similar to that observed in conventional MNEs. Indeed, a number of studies point in that direction (Author, 2009; Barrett et al., 2005; Muzio & Faulconbridge, 2013).

A few studies seem to suggest otherwise, however. For instance, Spence et al.'s research (in press) on the 'Big Four' accounting firms identifies a strong center-subsidiary convergence around partner promotion processes and, in particular, around the need to generate certain levels of revenue as an essential criterion for promotion. The authors argue that this suggests that the firms have become 'in fundamental ways, globally homogenous' (p. 18) and explain this development by highlighting, among other factors, considerable investment by the firms in the 'standardization of knowledge sharing, training and service delivery' (p. 19) over the last twenty years (see also Greenwood et al., 2010; Segal-Horn & Dean, 2009). The authors also point to the dominance of Anglo-American norms and values, especially a logic in which the profit motive is paramount in organizing the firm.

How, then, should control in GPSFs be understood? Are these firms different from, and therefore less subject to the center-subsidiary tension observed in, conventional MNEs? Or are they becoming less distinctive due to client demand for integrated cross-national services and, hence, also subject to a fundamental center-subsidiary tension? Put differently, is the socio-political view of the MNE an appropriate means by which to approach and understand control in GPSFs or do these organizations require an entirely new framework of analysis? The next section describes the methodology employed to shed light on these questions.

3. Methods

This paper is based on data drawn from a larger study exploring the globalization of PSFs and its organizations implications (see Author, 2009, for one aspect of this research). The study was conducted into four comparable GPSFs, from the perspective of their UK (London) subsidiaries. Two of the firms were publically-listed corporations of American origin; one corporation of continental-European origin, albeit with a significant US participation due to the firm's merger with a major American firm in the 2000s; and one US-driven network of locally-owned independent partnerships.[ii] Each of the four firms employed thousands of professionals in hundreds of offices spread across the globe and each was multidisciplinary, offering a range of services including management consulting, IT consulting and outsourcing services. One of the firms also offered financial advisory services.

The part of the research on which this paper is based focused on how the firms delivered integrated cross-national services, an area of activity that remains largely unexplored even though, as noted above, it is seen to be the key reason behind the observed increase in central control in GSPFs. The bulk of the data was collected through seventy two face-to-face, digitally recorded interviews with professionals working in the management/IT consulting arms of the four firms. Sixty one interviews took place over a period of ten months in 2006. A further eleven interviews were conducted in the same firms in 2010-2011 as part of on-going research into GPSFs. In addition, information drawn from the firms' websites, annual reviews and other publicity material was obtained (these sources are not quoted in order to preserve the firms' anonymity). The interviews were semi-structured and lasted between 45 minutes and 1½ hours. They were conducted with professionals at multiple career levels – Consultant, Senior Consultant, Manager, Senior Manager, Associate Partner and Partner – in order to avoid privileging the senior managerial discourse of the 'integrated global firm' that runs through much of the MNE literature (e.g. Bartlett & Ghoshal, 1989) and writings on GPSFs more specifically (e.g. Rose & Hinings, 1999). All of the interviewees were or had been involved in the management and/or delivery of cross-national services and were thus able to inform us about the phenomenon under investigation.

The data was analyzed in three stages. In the first stage, we transcribed the interviews *verbatim* and read the transcripts to get a 'feel' for this empirical material. In the second stage, we entered the transcripts into the qualitative data management software package QSR NVivo® and indexed them by case, by interview number, and by career level. Combining 'induction' with 'deduction' (Langley, 1999), we then coded each transcript according to predefined themes established in our literature review (e.g. central control, local autonomy, center-subsidiary convergence and divergence) and open-ended categories emerging inductively from the empirical material (e.g. inconsistent service standards and conflicting economic interests – see below). We coded the transcripts for each firm separately and then conducted cross-case analyses (Eisenhardt, 1989) in order to examine similarities and differences between the four organizations. This allowed us to isolate themes that were common across the cases from those that were idiosyncratic to a single case. In line with our multi-level interviewing approach, we were also attentive to the different meanings that consultants at different career levels ascribed to their experiences. In particular, we were careful to differentiate between statements reinforcing the view of the GPSF as an 'integrated' structure and those highlighting increased central control and center-subsidiary misalignments. In the third and final stage, through multiple iterations between the 1st order themes, 2nd order themes and pre-existing theory, we generated a set of two overarching themes – polycentric control and horizontal misalignments – that, taken together, formed what we considered to be 'the "strongest" or most interesting interpretation' (Alvesson, 2003, p. 25) of our findings.

Applying criteria of 'trustworthiness' (Lincoln & Guba, 1985) to ensure that the account provided is as consistent as possible with the experiences of the research participants, we make extensive use of quotations drawn from the interview transcripts. For confidentiality reasons, all identifying information is disguised: the four firms are referred to as A-Consulting, B-Consulting, C-Consulting and D-Consulting and each research participant is identified as A1 to A18 (in the case of A-Consulting), B1 to B18 (B-Consulting), C1 to C18 (C-Consulting) and D1 to D18 (D-Consulting).

4. Findings

The firms in which this study was conducted targeted and provided support to many *Fortune* Global 500 companies. The interviewees reported that these large multinational corporations were continuing their international investments, building more complex cross-border supply chains and continually seeking to better integrate their geographically dispersed operations. These various international activities created a huge demand for consulting services around the world and, in particular, gave rise to a multitude of transnational client engagements, i.e. cross-national projects involving multiple global-client subsidiaries.

To manage and deliver projects such as these, the firms deployed transnational teams, which typically comprised of a core group of consultants based in the client's home country and a number of satellite teams located overseas (cf. Barrett et al., 2005). Leading such teams were 'global client service partners' (hereafter, 'global partners') whose responsibility was to manage client relationships and ensure effective service delivery on a cross-national basis. In addition to stressing the strategic importance of global clients through, for instance, mission statements and annual reviews, the firms invested heavily in the development of ‘global’ work methods and service standards to ensure task coordination and quality consistency across countries. They diffused such methods/standards through training programs, knowledge management systems and, indirectly, inter-office staff transfers.

How did the UK (London) subsidiary actors in the firms under study experience this transnational team system as a control mechanism? Two overarching themes emerged from the analysis of their accounts: (1) *polycentric control* and (2) *horizontal misalignments*. We unpack these in turn.

4.1. Polycentric control

Several of the interviewees acknowledged that the transnational team system described above was an on-going process and one that was always subject to a degree of center-subsidiary misalignment. One key problem was that satellite teams were perceived to not always be working to ‘global’ standards, something which clients were becoming increasingly aware of and unwilling to accept. As a result, the firms were increasingly seeking to gain greater control over the work performed by their subsidiaries and, in so doing, becoming more centralized. For instance, an associate partner at A-Consulting explained that his firm was:

> … very rapidly moving from what was once a partnership to a corporate, centralized, command-and-control corporation. [City X] in [A-

> Consulting] is like the Borg.[iii] Over the last few years, it's become much more American centric and even though there are a large number of Brits in leadership positions, it's much more American-centric. (A6)

Such a shift towards more central control was being achieved in a variety of different ways and through not only 'cultural' means (e.g. increased communication and training) but also 'bureaucratic' ones. For instance, the firms introduced regional headquarters (e.g. UK & Ireland, Eastern Europe, Latin America), grouping geographically and culturally proximate offices under the leadership of a major subsidiary in the region. This was accompanied with new regional roles (e.g. EMEA leader) as well as a growing degree of control over the day-to-day activities of subsidiary consultants through frequent contacts and regular overseas visits during the delivery of cross-national services.

However, these developments were by no means proving entirely effective and they also generated a degree of subsidiary resistance. For instance, the interviewees explained that the so-called 'global' methods and standards often meant 'American' methods and standards and that such US centrism inevitably led to a degree of contestation at the local level. An Associate Partner at D-Consulting who had also previously worked for A-Consulting set out the problem as follows:

> American-run firms like [A-Consulting] and [D-Consulting] find it very difficult to cope with other cultures because they are so universalistic; they believe so much that there is a global set of rules which applies everywhere… They find it very difficult to cope with the French, with the Far East, even at times with people like the Danes and Dutch. So the Americans impose structures on the rest of the firm but the other countries will contest that. (D4)

Interestingly, however, the interviewees tended to discuss the observed center-subsidiary tension in a rather *general* sense, as a problem that affected other subsidiary actors, not themselves. This may have partly been due to the cultural and linguistic proximity between the US and the UK; indeed, such proximities were highlighted by a number of interviewees. What came out most strongly of the interviews, however, is a rather surprising and unexpected finding: the UK subsidiaries were themselves driving global control efforts within the four firms. They, for instance, contributed directly to the development of 'global' methods and standards (in collaboration with headquarters and other major Western offices) and also invested time and effort in delivering firm-wide training aimed at diffusing such methods/standards throughout the organization.

Key to understanding this phenomenon is that the UK subsidiaries themselves had transnational projects to manage. Here, it is necessary to appreciate how such projects were developed. The interviews revealed that these always came into being through symbiotic relationships between client MNE headquarters and partners based in the countries in which the former were located, i.e. ‘home-country’ partners. Thus, a British MNE with a transnational project would always approach and deal with British consultants and it is these professionals who would then negotiate contract terms and fees. Once agreed, the projects would also generally remain in the hands of home-country partners. In effect, these partners ‘owned’ the transnational projects (and client relationships) they developed and always strove to retain control over them since – as is generally the case in PSFs (Pinnington & Morris, 2003) – projects were the source of financial rewards, prestige and power within the firms. Thus, being based in an advanced economy and, in particular, London, one of the world’s major ‘global cities’ (Sassen, 1991) where a great proportion of the world’s *Fortune* Global 500 companies are headquartered, the UK subsidiaries found themselves in charge of numerous transnational projects. And in so being, they had a strong interest in enforcing ‘global’ standards/methods, the absence of which would not only make transnational project delivery difficult but also jeopardize relations and future business with highly important clients. One partner put is as follows:

> You have to build global standards. You have to be quite strict with global processes and global methodologies. I mean our clients are international so if somebody screws up a project in Spain, you’ll find it very hard to sell a project in the UK because the Spanish have screwed it out and the

> English will say 'we heard that the Spanish project wasn't very good'. So you have to make sure that your quality is consistent. (A2)

The UK subsidiaries not only contributed to building 'global' standards/methods, they also spent a great deal of time monitoring the day-to-day activities and practices of overseas consultants involved in the delivery of transnational projects to ensure such standards were adhered to. UK-based global partners (and their immediate subordinates) engaged in a great deal of communication with satellite teams and tended to spend their time, as several interviewees put it, 'in airplanes' travelling overseas to monitor the work of such teams. One global partner explained that:

> This is about 80% of what I do. I speak every day to, or exchange emails with, at least one or two of the teams. I also, at a regional level, go physically to the region quite frequently. I also spend a lot of time on conference calls with my local teams, the regional team, plus the managers of the businesses on the client side. So there is quite a lot of contact on a lot of different levels. (B2)

Thus, in many ways, the UK subsidiaries were part of the 'center' as opposed to simply being 'subsidiary' actors. They did not merely respond to central requirements; they actually themselves sought to regulate the rest of the firm. In this sense, the four firms were characterized by a *polycentric control* context rather than a monocentric one – their international operations were controlled from not one but several centers. Such a context inevitably created a degree of center-subsidiary convergence within the firms: it produced a shared interest in global control systems and also invited subsidiary participation in their development, thereby avoiding the pitfalls of 'top-down' control. This then explains why, from the perspective of UK subsidiary actors, center-subsidiary divergence was something that applied more to other subsidiaries than to themselves.

4.2. Horizontal misalignments

The finding that the UK subsidiaries of the four firms operated more as 'centers' than as subsidiaries led us to probe into how they delivered *their* projects in practice. The clear response was that they assembled transnational teams under the leadership of global partners, as discussed above. However, in practice, the process did not always fulfil its purpose. As one partner put it, 'the lead client service partner is the person who has overall responsibility globally for the service of an account and that person has the power to command the global organization. Now that doesn't always work' (C3). The interviews revealed two sets of problems, which we discuss in turn.

Inconsistent service standards. One major problem was the continued presence of inconsistent standards across subsidiaries. As one manager put it, 'being part of a global network is hard work because people in different countries can have different standards. So you got quality issues. That's the major problem I think' (C11). The interviewees explained that some overseas consultants did not have the 'right' consulting skills and that they did not work to the same quality standards. In particular, they tended to describe consultants outside North America and Western Europe as being sometimes 'not very good', as not always able to match their standards. The overall result is that overseas consultants, especially those based in emerging markets, were seen to be behaving in ways that undermined efforts to serve clients consistently across countries. One senior manager put it as follows:

> The problem is that they sometimes don't measure up to our high standards and this is a problem from the client's point of view because we can't offer them [the client] an excellent service here and then let them down elsewhere. (C9)

Thus, despite major centrally-driven efforts to address the problem, significant standard differentials continued to characterize the firms. Some interviewees reduced the issue to enduring cross-country differences in education systems. Others viewed the problem as resulting from insufficient investments in internal training and other activities aimed at diffusing 'global' standards (e.g. inter-subsidiary networking and staff transfers). Some put it in terms of professional autonomy. As an associate partner baldly stated, 'consultants want to do their own thing; however much you tell them they will go and do their own thing' (B6).

Whatever the ultimate cause, the resulting problem was found to be a major concern for the UK subsidiaries because it undermined their ability to maintain consistent standards across countries and thereby to fulfil their promise to offer the same level of service to clients wherever these might be located around the world. The interviewees were particularly worried about the lack of suitably qualified professionals in fast growing economies such as China. One associate partner explained that in this country they were 'finding it very hard to get the right people' (A5). He went on to explain how, in particular, he was planning to dispatch a UK member of staff to manage client service in China: 'We'll probably end up getting someone from the UK to go over to Beijing to go look after [Client X]' (A5).

Conflicting financial interests. The ability of the UK subsidiaries to deliver their transnational projects was further undermined by conflicting financial interests within the firms. The interviews revealed that the firms, in spite of their self-portrayal as integrated global organizations, were structured along competing local profit centers (cf. Author, 2009; Fenton & Pettigrew, 2003). In this context, consultants (both partners and those below them) were expected to contribute to the success of their respective profit centers; their financial rewards and career progress depended on fulfilling such expectations. One implication is that global partners tended to allocate as many home-country consultants as possible to their own projects in order to secure a maximum of revenue for their home office. In the words of one manager:

> There is always this pulling in your own guys to sell the job because you get credit from your home organization, credit around the utilization, keeping your guys busy, keeping your revenues up – all those sorts of issues. (D10)

Partners knew that if they were to maximize their profit they had to minimize their dependence on overseas offices. As a consequence, the amount of 'billable work' that could be assigned to overseas offices would often be limited. The fact that clients always sought to manage project fees downward was felt to further exacerbate the problem. In this context, overseas offices tended to resist releasing their consultants to work on foreign-owned transnational projects, preferring instead to use such resources on domestic projects and new business development opportunities.

The interviewees explained that this problem could, in some instances, be resolved thanks to a general commitment to norms of reciprocity within the firms (cf. Greenwood et al., 2010). That is, UK partners would sometime manage to obtain staff from overseas offices by promising to assist them in the future should they require UK consultants on their own transnational projects. But such norms were often broken in actual practice, as demonstrated by the following example:

> We would like to do more work in the US with [British Bank] but [British Bank] in the US is a small name. It is a 20th size investment bank; it is piddly small. So the priority of the US practice to go and work in [British Bank] in the US is tiny. They are not interested. It is like a second-rate outfit. So in the US resources would go to [US Bank], because they are the big boys and why would they send out big cheeses after the small stuff? But for us, it is a massively important account. So strategically positioning with them in the US would be very important; yet the appetite of our office there to work with them, because of where they are in the league table in that country, is not high: 'If you want it you can come over and do it; send some people over.' (B4)

In particular, norms of reciprocity were difficult to uphold in relation to subsidiaries located in nations in which few or no *Fortune* Global 500 corporations were located since these 'peripheral' units had few, if any, global clients to service abroad. Further, the interviewees explained that partners based in peripheral subsidiaries strongly resisted committing resources to transnational projects because they tended to receive relatively little financial compensation in return for their participation (cf. Rose & Hinings, 1999, p. 46). One partner gave the following example:

> I have got 80 offices around the world and a lot of the businesses are tiny and so it is a tiny piece and, yes, it is big in London but it's not in Taiwan; and what do they care about what we think? The issue about 'it's a small

> country, it's a small fee: I don't care if it's a big client' always comes in the way. (C1)

This finding resonates with Barrett et al.'s observation, in the context of an audit firm, that peripheral offices 'were at the "end of the line", picking up the crumbs of revenue and profit permitted by more central partners' (2005, p. 20). Further complicating this problem was the fact that peripheral offices often lacked suitably qualified professionals, as noted above, and therefore tended to prefer using their best consultants on domestic opportunities. Domestic opportunities were the source of more profit and potential repeat business, and also easier to work on given the absence of foreign-based central control and cultural and language differences.

These inter-subsidiary struggles constituted another source of concern for the UK subsidiaries because they undercut their ability to assemble teams capable of tailoring services to suit local market and institutional conditions – an increasingly important criterion by which client MNEs selected their consulting providers. Indeed, a few interviewees reported that clients were becoming increasingly suspicious of claims made by consulting firms in relation to their global-team capabilities, as demonstrated by the following quote from a manager who recounted his experience during a 'beauty contest':

> They very openly challenged us: 'how well can you actually put together a genuinely global team to support us because we suspect and believe that

you [D-Consulting] are not geared up to work globally... [C]onvince us that you can work globally'. (D11)

5. Discussion & Conclusions

Our analysis shows that GPSFs, in endeavoring to provide integrated cross-national services to global clients, are becoming subject to a center-subsidiary tension similar to that identified in more conventional MNEs. The key problem is the service standards expected from the center are not always met at the local level and the center-subsidiary cooperation needed to assemble effective global service teams is often undermined by conflicting financial interests. The firms are seeking to rectify the problem by increasing central control (culturally and bureaucratically) but the process is thwarted by the local interests, practices and wider contextual circumstances of subsidiaries. That said, our analysis also shows that the center-subsidiary tension manifests itself somewhat differently in GPSFs: it occurs not only between headquarters and subsidiaries, as typically understood in the socio-political view of the MNE, but also between subsidiaries themselves and, in particular, between what may be called or 'core' subsidiaries and 'peripheral' ones.

Key to understanding this difference is the confluence of three factors: (1) the nature of the professional task, which decentralizes control over key value-generating assets such as client relationships; (2) the embeddedness of certain subsidiaries in core economies that are home to the world's most significant MNEs and that, as a result, facilitate the development of subsidiary-controlled transnational client projects; and (3) the demand for integrated cross-national services on the part of global clients, which compel such subsidiaries to actively engage in and, indeed, lead central control efforts. Taken together, these three factors give rise to a *polycentric control* context (i.e. one in which central control emanates from not only headquarters but also core subsidiaries) that, in turn, leads to the center-subsidiary tension taking on both vertical (headquarters-subsidiary) and *horizontal* (inter-subsidiary) dimensions and, in particular, expressing itself along *core-periphery* lines.

Our analysis has several research implications. First, it advances socio-political studies of the MNE by underscoring the importance of *sectoral* influences on center-subsidiary control dynamics. Whilst it has already been suggested that service MNEs might face different organizational challenges from their manufacturing counterparts (e.g. Aharoni, 1996; Campbell & Verbeke, 1994), few systematic studies have sought to explore how this may be so at the level of the center-subsidiary control relation. Miozzo & Yamin’s (2012) study is a rare exception in this regard. We agree with the authors that global clients are a major determinant of such a relation in the services sector; that these clients pressurize their service providers to be better coordinated and, as a consequence, to increase central control. However, our study shows that, in the *professional* services sector, global client relationships are controlled and managed by not only headquarters but also – depending on the nationality of the client – 'core' subsidiaries and that, as a result, central control emanates from the latter, not just the former. Our analysis thus calls for a view of the MNE as a polycentric control structure rather than a monocentric one and highlights the need to distinguish between 'core' (controlling) and 'peripheral' (controlled) subsidiaries in analyzing center-subsidiary control relations.

Our analysis also contributes to developing the emerging body of specialist research on the international organization of GPSFs. It does so in three ways. First, it shows that, as in the case of MNEs in general, GPSFs are finding it difficult to develop integrated organizational structures. Ferner et al. (1995) observed this very problem two decades ago in the context of one of the then 'Big Six' accountancies, arguing that the firm's corporate 'glue' was 'coming unstuck' just as its global clients were calling for greater integration. Our analysis shows that the problem is also present in consulting firms and that it has *not gone away* despite major global control efforts in the last two decades. This highlights the need to move beyond a view of the GPSF as an organizational design rationally articulated by the center, as suggested – implicitly at least – by much of the relevant literature (e.g. Greenwood et al., 2010; Segal-Horn & Dean, 2009; also Breunig et al., 2014) towards one as a socio-political space.

This is not to suggest that no center-subsidiary integration is occurring in GPSFs, that the firms are simply loosely coupled federations with no coordination capabilities. Rather (and this constitutes another implication of our analysis for GPSF-focused research), there are *varied levels of integration* within them. As Barrett et al.'s (2005) study of 'Big Four' accountancies highlighted a decade ago, there are 'core' and 'periphery' units in GPSFs – the former share an interest in serving 'global' clients across nations whilst the latter are more focused on 'local' clients. Our analysis reinforces this point with reference to consultancies and also shows how this reality produces a degree of center-subsidiary convergence around the need for shared control systems within the firm's 'core' while at the same time creating misalignments between this part of the organization and subsidiaries based in the rest of the world – the 'periphery'. Further, our analysis also shows that even within the 'core', integration is by no means a 'done deal', for whilst there are pressures on core subsidiaries to develop shared control systems, there are also countervailing pressures at work. Thus, our study calls for a more differentiated understanding of control in GPSFs, one that can appreciate the polycentric nature of such control and do justice to the complex center-subsidiary relations accompanying it.

Finally, our analysis highlights the importance of expanding our understanding of the sources of tension in the center-subsidiary control relation. Building on earlier work (Author, 2009), it shows that underpinning such a tension are not only different conceptions of professional practice and traditional issues of control vs. autonomy, as understood in previous GPSF-specific studies (e.g., Faulconbridge & Muzio, 2013) and the socio-political view of the MNE more generally, but also *divergent economic interests* in the context of a decentralized organizational system and an uneven world political-economy. We agree with Spence et al. (in press) that the profit motive is crucial to GPSFs, that the interests of different parts of the firm converge on the need to maximize revenue generation, but also show that this very reality, paradoxically, is as much a source of disintegration as it is a source of integration. This is because the firms are, ultimately, not unified financial structures – they operate as collections of semi-autonomous profit centers, each striving for local profit maximization through optimal resource utilization (cf. Fenton & Pettigrew, 2003). In this context, local units do indeed share an interest in 'making as much money as possible' (Spence et al., in press, p. 19) but they do not share the same pot of money and therefore clash over central control efforts when these threaten local financial performance. Including these dynamics into our understanding of control in GPSFs is thus crucial and, ultimately, as Morgan (2011, p. 433) puts it, 'takes us to the heart of the relationship between capitalism, MNCs and institutional contexts.'

5.1. Managerial Implications

This study also has a number of managerial implications. It shows that GPSFs are finding themselves overextended – they are struggling both to control the quality of their service around the world, especially in emerging markets, and to facilitate the level of inter-office cooperation needed to assemble transnational teams capable of delivering such service across nations. GPSF leaders and managers cannot afford to be complacent about such a reality – they risk not only endangering their 'elite' status but also being 'accused of behaving like twenty-first century imperialists, imposing the exploits of their homeland on malleable markets worldwide' (Doz et al., 2001, p. 3) and re-producing the core-periphery inequalities that Western colonialism has engendered. Nor can they simply assume that increased central control will deal with the problem; it may in fact worsen it and also undermine the very advantages of decentralization, i.e. local responsiveness, entrepreneurialism and innovation.

Against this background, GPSF leaders need to meet two imperatives. First, they should work towards developing *truly global standards*. They must face up to the fact that their 'global' standards are not genuinely global and appreciate that imposing these on a worldwide basis will inevitably produce, wittingly or unwittingly, a degree of resistance and hybridization at the local level. Increasing central control (through e.g. training and direct supervision) to address this can only be part of the solution; a more 'bottom-up' approach to the problem is likely produce better results. In this sense, the firms must return to their roots as consensually managed organizations, not become command-and-control structures. Second, more effort should be put into creating *unified reward and recognition systems*. The firms cannot, on the one hand, preach the virtues of transnational cooperation and, on the other, tolerate structures that produce inter-office competition and inequality. The problem is complex but a logical solution would be to sever the link between 'global' client relationships and 'core' offices, and manage work and rewards related to such relationships in a truly global manner, i.e. independently of the national borders across which the firms operate. This is likely to be very challenging – not least because doing so would threaten the wealth and power of 'core' offices – but it would help in aligning 'global firm' rhetoric with practice. It may also serve, perhaps indirectly, to address the service quality problem by increasing the motivation of employees around the world to work to the same standards.

5.2. Limitations and possible areas of further research

As with any study, ours is not without limitations and these may be addressed by way of future research. First, the UK subsidiary perspective taken in the study inevitably limits the investigation. Multi-site research would be very useful in this regard. In addition, the study's focus on a single professional services sector – management/IT consulting – inevitably limits the generalizability of its conclusions. PSF scholars (e.g. Malhotra & Morris, 2009; Suddaby et al., 2008) are increasingly stressing that even though PSFs share many similar characteristics they cannot be treated as a unified organizational category. Thus, the extent to which firms operating in other professional sectors (e.g. accounting, engineering and law) exhibit the dynamics observed in this study remains to be assessed.

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[i] The extent to which this particular control model is applied in practice is likely to vary depending on a number of factors, including mode of governance (e.g. partnership vs. corporation) and type of profession (e.g. auditing vs. consulting) (see Malhortra & Morris, 2009) but, on the whole, GPSFs are generally believed to be less centrally controlled and, in particular, less reliant on 'bureaucratic' management systems than conventional MNEs.

[ii] The first three firms had all been organized as networks of local firms before becoming publicly-listed corporations in the 2000s (through mergers with corporations, in the case of two firms, and an initial public offering, in the case of one firm).

[iii] The 'Borg' appears in *Star Trek: The Next Generation*, depicting a type of cyborg that ruthlessly seeks to incorporate all life forms into itself. Its slogan is 'Resistance is futile. You will be assimilated.'