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The dynamic response process to conflicting institutional demands in MNC subsidiaries – An inductive study in the Sub-Saharan African e-commerce sector

Running head: *Institutional duality in Sub-Saharan e-commerce*

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The dynamic response process to conflicting institutional demands in MNC subsidiaries – An inductive study in the Sub-Saharan African e-commerce sector

Plain language summary: *How do subsidiary managers react when their headquarters have requests that conflict with the local environment in which they operate? Using data on a subsidiary based in Sub-Saharan Africa and headquartered in Europe, we show that subsidiary managers need more time than usually expected to react to headquarters demands. Subsidiary managers sometimes postpone or test headquarters demands before deciding how to respond. In addition, subsidiary managers can implement headquarters demands in ways that do not fit expectations from the headquarters or local actors (e.g. customers, suppliers), thus resulting in additional delays. Headquarters managers must be aware that implementation can take longer than they anticipate, particularly for subsidiaries located in environments that differ substantially from the environment of the headquarters.*

Technical summary: *In this paper, we examine responses to the conflicting institutional demands faced by an e-commerce subsidiary located in Sub-Saharan Africa and headquartered in Europe. Following an inductive approach, we gathered data from a 6-month participant-observation study and interviews with local managers. Our findings show that the subsidiary responded to conflicting institutional demands in a dynamic way, taking one response after the other. In some cases, the subsidiary responded in a way that they thought would be satisfactory but subsequent pressures from their headquarters or their local environment pushed them to adopt a new response. In other cases, the subsidiary intentionally adopted responses knowing that they would (have to) adopt another response later in the process.*

INTRODUCTION

Subsidiaries of multinational corporations (MNCs) are embedded in both the internal context of the MNC and the external context in which they operate (Meyer, Mudambi and Narula, 2011; Narula, 2014). Each context has specific requirements and it can be challenging for subsidiaries to cope with situations where demands emanating from their headquarters are conflicting with demands from their local environments (Marano and Kostova, 2016; Saka-Helmhout, Deeg and Greenwood, 2016). This situation of conflicting institutional demands is a particular form of institutional complexity referred to as institutional duality (Hillman and Wan, 2005; Kostova and Roth, 2002).

Extant literature is very informative with regard to the potential responses to conflicting institutional demands (see Kostova and Roth, 2002; Oliver, 1991; Pache and Santos, 2010; 2013). Yet, little attention has been given to the idea that responses to conflicting institutional demands can develop over time. Frequently, it has been explicitly or implicitly assumed that organizations employ a single response to a conflicting demand (Greenwood *et al.*, 2011). Thereby, most of the literature has neglected the possibility that organizations might need time to address conflicting institutional demands and make adjustments to their responses (Greenwood *et al.*, 2011; Raaijmakers *et al.*, 2015; Tilcsik, 2010). Thus, there is a need to further examine the *response process* of MNC subsidiaries when they confront institutional duality, including how subsidiaries manipulate, negotiate and make sense of the institutional pressures they face (Faulconbridge and Muzio, 2016; Greenwood *et al.*, 2010; Tempel *et al.*, 2006; Zilber, 2011).

More and more foreign e-commerce firms are entering the African continent, being attracted by the growth potential offered by leap frogging (Manyika *et al.*, 2013). However, there are still several challenges to be overcome before firms can benefit from the e-commerce sector in Africa (UNCTAD, 2015; Forbes, 2014). For instance, the ratio of e-transactions paid by cash on delivery is still at about fifty percent in Africa, while this number drops to only eleven percent in Asia Pacific and five percent in Europe (WorldPay, 2011). In addition, the institutional logic of e-commerce firms makes it particularly challenging for their African subsidiaries to successfully overcome these local challenges. Indeed, managers in e-commerce firms have a global mindset and look for rapid scalability of their business models, while the African continent still requires extensive adaptation. This makes it likely that headquarters will address their subsidiaries with demands that are at odds with the local environment and to which subsidiary managers will not know how to respond. Not only can these conflicting demands lead to frictions in the subsidiaries, but recent examples show that foreign e-commerce firms are now closing some of their African subsidiaries, e.g. CDiscount's exist from Senegal and Cameroon (Jeune Afrique, 2016). As foreign investments in the African e-commerce sector represent a strong opportunity for the development of the continent, we need to understand how subsidiaries react when faced with headquarters demands that conflict with the local environment.

We followed an inductive approach and used data from participant-observation notes, interview transcripts, and email exchanges to address our research question. We focused on the response process to conflicting institutional demands from the emanation of the demands to the response that ultimately addressed it. By conducting a multiple case analysis of the twelve different response processes, we are able to shed light on this phenomenon. We studied an MNC subsidiary for which the institutional context differed substantially from the one of their headquarters. The subsidiary we investigated was located in Cote d'Ivoire and headquartered in Germany.

Our findings suggest that the response process to conflicting institutional demands can be dynamic, i.e. that more than one response might be needed to satisfy all actors. In some cases, the subsidiary managers adopted responses that they thought would be satisfactory for both internal (headquarters) and external (local environment) actors. However, the subsidiary was later pressured by these actors to reconsider their initial response and adopt another one. In these cases, the dynamism of the response process emerged from outside of the subsidiary. In other cases, the subsidiary managers intentionally adopted responses knowing that these would not satisfy all actors and that they would have to reconsider their initial response by adopting a new one. Two types of responses were used in these latter cases, namely *postponing* and *testing*. Both these responses were used to gather information and / or to negotiate with internal and external actors. The subsidiary managers used postponing to actively delaying the response to the headquarters demand. Postponing was used when the subsidiary managers were uncertain about the feasibility of the headquarters' demand, given the local institutional context. The subsidiary managers used testing in order to try responding to the demand when they were motivated to comply with it but unsure about how to do so, given the local institutional context.

Our study contributes to the management literature in three ways. First, we extend the literature on responses to institutional complexity (e.g. Oliver, 1991; Pache and Santos, 2010). Our findings build on a recent argument by Greenwood and colleagues (2011) according to which most of this research has neglected the possibility of cycles of organizational responses and variability over time. We directly address this gap by showing that organizational responses can follow a dynamic process (i.e. response 1 followed by response 2, etc.) that can emerge from outside pressures or be intended by the subsidiary (Mintzberg and Waters, 1985). We also extend the existing typology of responses by identifying two novel response categories previously unspecified by the literature (testing and postponing).

Second, we contribute to the literature applying institutional theory to the study of MNCs (e.g. Kostova and Roth, 2002; Kostova and Zaheer, 1999). We follow Kostova and colleagues (2008) by integrating ideas from both new and old institutionalism (see also Hirsch and Lounsbury, 1997) and showing that instead of static fields, we see dynamic ones that are the product of continuous interactions. We also provide empirical support for the proposition made by Durand and Jacqueminet (2015) that MNC subsidiaries might try to accommodate internal and external actors with other responses than compliance.

Third, we add to our understanding of the management of foreign e-commerce subsidiaries in Africa. We add to the recent discussion on knowledge of institutions as a firm-specific asset of MNCs (Narula, 2014) in showing that it might be particularly difficult for nascent MNCs to grasp local market specificities, thus leading to conflicting institutional demands and frictions in the subsidiaries. We also generalize our findings to subsidiaries located in emerging markets and address the suggestion by Kostova, Nell and Hoenen (2016) that subsidiaries in markets with less developed institutions follow a subsidiary-focused institutional logic.

THEORETICAL BACKGROUND

Organizational responses to conflicting institutional demands

MNC subsidiaries are embedded both internally in the MNC and externally in the local environment in which they operate (Meyer *et al.*, 2011; Narula, 2014). This implies that they have to manage their legitimacy *vis-à-vis* actors located in different institutional environments (Suchman, 1995). When demands emanating from their headquarters and their local partners are conflicting, managing legitimacy *vis-à-vis* both actors can be especially challenging (Brenner and Ambos, 2013). Indeed, complying with one of the demands implies neglecting the other one (Kostova and Zaheer, 1999). In particular, complying with a demand from the headquarters that conflicts with the local institutional context means that the subsidiary will face more difficulties in reaching and/or maintaining legitimacy with its local environment, and *vice versa*. Thus, when subsidiaries are faced with conflicting institutional demands, they often adopt other responses than simple (non-)compliance (Durand and Jacqueminet, 2015; Kostova and Roth, 2002; Nell *et al.*, 2015). Alternative organizational responses to conflicting institutional demands include compromise, manipulation, decoupling, selective coupling, and non-compliance (see the overview in Table 1). Each of these responses will be explained in more detail below.

INSERT TABLE 1 ABOUT HERE

When faced with conflicting institutional demands, organizations might *compromise*, i.e. trying to accommodate all actors by partially complying with all institutional demands (Kraatz and Block, 2008; Oliver, 1991). There are different tactics through which organizations can follow a compromise response (Oliver, 1991). For example, organizations can try to balance the sources of the conflicting demands by playing them against each other or try to employ a pacifying tactic and comply with only the minimum standards of what is expected. Another tactic is to bargain with the sources of conflicting demands for a compromise and thereby obtain concessions that reduce the actual scope of compliance. Microfinance organizations provide a good illustration of compromise between the banking logic, which demands to set high interest rates to maximize profit, and the development logic, which demands to set low interest rates to reduce the burden on poor clients (Battilana and Dorado, 2010). By setting interest rates below the banking logic's expectations and above the development logic's expectations, they partially comply with both demands (Pache and Santos, 2013).

Manipulation describes an active attempt to change the content of a conflicting institutional demand or to influence its sources (Oliver, 1991; Pache and Santos, 2010). Tactics in this category include co-optation, influence, and control. An MNC which is active in the oil industry can for example co-opt or absorb the source of a conflicting institutional demand by inviting an environmental non-profit organization to join its board of directors. This may eventually neutralize conflicting demands. Organizations can also try to lobby and thus influence different institutionalized values and beliefs (Oliver, 1991). Finally, controlling is a more radical tactic that aims to control the source of the conflicting demand. By changing the way in which organizations convey their achievements and misconduct to the public, for instance, they can directly control the source of the pressure.

Organizations can also respond by *decoupling* when they try to avoid conformity. Oliver (1991) presented three tactics by which organizations might follow a decoupling response. First, organizations can engage in window-dressing whereby they symbolically pretend to comply but actually do not. Even if the compliance is not real in this case, it is often enough for organizations to maintain legitimacy. For example, MNC subsidiaries can decouple by displaying a variety of activities when headquarters managers are on site although these practices are not part of the normal routines. Second, buffering denotes that organizations can try to reduce the extent of scrutiny by partially dissociating their activities from external contact (Pfeffer and Salancik, 1978). According to the third tactic presented by Oliver (1991), which is perhaps the most extreme one, organizations may escape the domain in which a pressure is exerted (Hirschman, 1970) or modify their own goals or activities to avoid the necessity to comply. When MNC subsidiaries are faced with changes in local regulations that conflict with MNC-wide practices, headquarters can for example decide to relocate their activities in locations where these practices will not be conflicting with local regulations. In addition, Kostova and Roth (2002) reported evidence of ceremonial adoption as a way of decoupling in which MNC subsidiaries implement corporate practices without becoming committed to them or seeing them as beneficial.

Pache and Santos (2013) more recently presented *selective coupling* as another response to conflicting institutional demands. In an inductive case study of four hybrid organizations, they showed that organizations can combine different intact elements from conflicting demands to simultaneously satisfy all sets of actors. For example, one of the four organizations under investigation combined intact elements of the commercial logic such as choosing a for-profit legal status with elements of the social welfare logic such as choosing not to distribute dividends to the shareholders.

Non-compliance is another response to conflicting institutional demands (Oliver, 1991; Pache and Santos, 2013). More specifically, it denotes the explicit rejection of at least one of the institutional demands. Organizations can simply dismiss or ignore certain demands when the potential for external enforcement of a demand is perceived to be low, when the organization is not dependent on the source of the demand, or when internal objectives dramatically diverge from the demand. Organizations might also pursue more active tactics and directly challenge demands in contesting rules and requirements or even attack the sources of institutional demands.

The literature has mainly focused on the typology of different organizational responses to conflicting institutional demands while only little attention has been paid to the implementation of these responses. Some recent studies, however, have looked into the response process in more detail and gave interesting insights (e.g. Crilly, Zollo and Hansen, 2012; Raaijmakers *et al.*, 2015).

The dynamics of organizational responses to conflicting institutional demands

Researchers have shown that organizations sometimes take time to address conflicting institutional demands and that the response process can be dynamic. (Non-)compliance, for instance, was found to be a time-consuming process. In particular, Raaijmakers and colleagues (2015) found that early compliance happened in situations of low institutional complexity. In situations of moderate or high complexity, decision makers took time to address the demand. Time was used for either one of two purposes. First, time was used as a buffering resource and decision makers waited to see whether / how the situation would resolve. Second, time was used as a resource for action, to influence the sources of institutional demands, or experiment compliance with the demand in order to solve technical issues. In addition, using a context in which most organizations are not complying with formal regulations (the Nigerian film industry), Uzo and Mair (2014) studied why organizations choose to comply with informal rules when formal ones exist. They found that non-compliance was not a static decision of organizations, but the outcome of a continuously (re-)negotiated process.

Moreover, individuals also need time to follow a decoupling response. Tilcsik (2010) for example shed light on the intra-organizational processes that precede decoupling and presented a stepwise *road to decoupling*. After institutional demands have emerged or intensified, organizations evaluate the desirability of adopting them. If they decide that complying is undesirable but formally necessary, the organizations will eventually decouple. Hence, the decoupling response arose from a process that had developed over time. Similarly, Crilly and colleagues (2012) found two *pathways to decoupling* when they studied institutional demands for the adoption of corporate social responsibility practices in MNCs. They identified evasive decoupling, which referred to decoupling as a deliberate choice from managers to conceal non-compliance with the demands. Furthermore, emergent decoupling referred to cases of low consensus among internal actors and external stakeholders (e.g. NGOs, customer associations) that led to situations of complexity that cultivated resistance to the demands. In other words, decoupling was not always an intended response from the managers. Sometimes, it was the result of a process that comprised of learning efforts and inconsistent and changing demands from both internal and external actors.

Moreover, some scholars have recently focused on the dynamic response process of recoupling (e.g. Bromley and Powell, 2012; Hallett, 2010). The recoupling process starts with a decoupling state in which the organization is symbolically complying with the demand, and evolves until the organization actually complies with the demand. Egels-Zanden (2014) showed evidence of the process of recoupling by looking at the evolution of Chinese toy suppliers' compliance with MNC guidelines. While the organizations under study were decoupling the guidelines from their actual practices in 2004, they had recoupled the guidelines and their practices and thus complied with almost all requirements by 2009. In addition to his finding of a road to decoupling, Tilcsik (2010) also investigated what happens after organizations took a decoupling response and identified another process that eventually led to actual compliance with the same demand.

Altogether, most of the literature has investigated and appreciated different organizational responses to conflicting institutional demands, while directly or indirectly assuming that these responses were single and sustainable ones. Some notable exceptions described empirical cases in which organizational responses followed a process that developed over time and was dynamic in that one response led to another. Yet, how the response process unfolds over time deserves more scrutiny.

METHODS

Research setting

Some aspects are important to consider when deciding on a research setting to study MNC subsidiary reactions to institutional duality. Indeed, situations of institutional duality are more likely to occur when the regulative, normative, cognitive, and industrial characteristics of the subsidiary's environment differ from those of the headquarters. In addition, the more these two environments differ, the less straightforward it will be for the subsidiary to respond to conflicting demands emanating from its headquarters.

The MNC under investigation in this study is headquartered in Berlin, Germany, and operates an online platform specializing in the home delivery of restaurant meals. The subsidiary we studied was located in Abidjan, Cote d'Ivoire and had been active for less than two years when we started our data collection. The environments of the subsidiary and of the headquarters differ in many aspects. For instance, judicial decisions are less timely and independent in Cote d'Ivoire than in Germany, and the informal economy is more prevalent in Cote d'Ivoire (Institutional Profiles Database, 2012). Moreover, diverging habits and values between both environments are expressed by strong differences in corruption perception, long-term orientation, and individualism (Hofstede, 2015; Transparency International, 2015). By referring to difference within the same industry, it is notable that the most important drivers of growth of the e-commerce sector (i.e. internet access, online payment, and delivery systems) are, despite recent improvements, still in an early development stage in some regions of the African continent (UNCTAD, 2015). More specifically, for example, almost fifty percent of e-transactions are paid by cash on delivery in Africa, while this number drops to only eleven percent in Asia Pacific and is as low as five percent in Europe (WorldPay, 2011). Similarly, the ratio of the population having mail delivered at home is approximately four times higher in Asia or Europe than in Africa (Universal Postal Union, 2014). Such challenges relating to infrastructure are particularly salient in Sub-Saharan Africa, where e.g. internet penetration is at about sixteen percent, as opposed to thirty-two percent in Asia or seventy-five percent in Europe (Manyika *et al.*, 2013), and where the ratio of paved roads remains six times smaller than in the European Union and three times smaller than in South Asia (World Bank, 2011).

A number of examples highlight that challenges of institutional duality arise due to the differences in institutional landscapes stated above. The headquarters of the German e-commerce platform Jumia, for example, would like to increase the share of online payments on the African continent. However, most of the payments to its Nigerian subsidiary are still made by cash-on-delivery and processing these payments is an expensive solution for the subsidiary (The New

Yorker, 2016). Other challenges occurred in Jumia's Ivorian subsidiary where the managers had difficulties finding reliable sub-contractors to ensure the delivery of their goods (The Economist, 2016). In addition, the Senegalese and Cameroonese subsidiaries of the French e-commerce firm Cdiscount have not been able to reach headquarters' growth targets, because of the challenges of counterfeit and customs charges. After only two years of activity, the headquarters decided to close down both subsidiaries (Jeune Afrique, 2016).

Despite the strong differences between the two environments, the headquarters of the MNC under investigation follow a global strategy in which standardized processes and solutions are transferred from the global headquarters and the subsidiaries have a clear implementation function. In addition, most members of the top management team in the headquarters are home- or third-country-nationals who push for a performance-driven culture in which implementation and growth must be rapid. As a result, the MNC has been rapidly expanding internationally and is present in 40 countries after only nine years of existence. Yet, the MNC in our case is still in an early development stage. Such nascent MNCs tend to lack experience about how and when to build standard platforms and to step back (see e.g. Narula, 2012). In sum, the subsidiary under investigation is likely to face conflicting institutional demands emanating from their headquarters and to which it might not know how to respond. Thus, this subsidiary presents a fruitful context to investigate the response process to conflicting demands in MNC subsidiaries.

Data collection

Literature on MNC subsidiary responses to conflicting institutional demands lacks a clear theory on the development of such responses over time. Therefore, thick description, exploratory research, and case analysis are suitable to address this issue (Birkinshaw, Brannen and Tung, 2011; Eisenhardt, 1989; Yin, 1994). In particular, as we want to explore a complex phenomenon that requires deep insights of the research context, ethnography proved to be a suitable method (Klingebiel and Stadler, 2015; Moore, 2011). Consequently, we conducted our study by using participant-observation data collected in an MNC subsidiary operating in the e-commerce sector in Sub-Saharan Africa. We used multiple case studies and our level of analysis was the subsidiary response process to conflicting demands (Eisenhardt and Graebner, 2007; Welch *et al.*, 2011). It was important that all the cases studied were within the same headquarters-subsidiary dyad to ensure that variation in responses were due to variation of situations and not of organizational contexts.

Data collection started in June 2014 and ended in March 2015. One of the authors acted as the field researcher and took notes on the general theme of headquarters-subsidiary relationships two to four times a week. This helped keep the inductive and data-driven nature of the study. Primary data was collected through the method of participant-observation, semi-structured interviews, correspondence via email, intra-organizational chat conversations, text messages, as well as internal documentation. Secondary data on both the internal MNC environment and on the subsidiary local environment was used in preparing for the fieldwork. Information about the local market was gathered before entering the field. Information about the company and the business model was collected using the website of the company, press articles, and online videos. This enabled a quicker assimilation of the field researcher to the Ivorian context and supported a better understanding of the information collected. Participation and observation phases can be seen in Table 2.

INSERT TABLE 2 ABOUT HERE

During six months, the field researcher was directly involved in the process of responding to and / or solving situations of conflicting institutional demands, giving her access to deep underlying elements that would not have been accessible through other research methods. The first two months were mainly explorative and helped the researcher get accustomed to the subsidiary environment, helped defining her role within the firm and gain an overview of the relationships in the local team. The headquarters were abnormally involved during weeks seven and eight of the study, resulting in movements in the relationship between the subsidiary and the headquarters. Nevertheless, the researcher was able to settle in the new country, to become acquainted to certain local customs, language differences, and daily practicalities. Moreover, within the subsidiary, she took on her management role in the team and built trust in order to reach complete participation and become a member of the group. These introductory first months were beneficial to reach both a better understanding of the setting and broader responsibilities in the activities of the firm. The researcher had the ability to look at different areas of the subsidiary. Notes were gathered within the different departments, namely sales, partner management, operations, and marketing. A number of written documents were also used as part of the observation work and the field participation.

Selection of interviewees

Interviews within the subsidiary were conducted with the other managers who also had frequent interactions with both the headquarters and the local environment. More specifically, the local general manager (third country national) and the marketing manager (host country national) were interviewed. Semi-structured interviews of approximately 40 minutes each were conducted shortly after the participant-observation phase. The interviews helped triangulate the information collected during the participant-observation phase (notes and emails). The semi-structured nature of the interviews permitted to retain the openness of the conversation while keeping the scope of the study on institutional duality occurrence and the responses to it (Yin, 1994). Using semi-structured interviews also facilitated laddering follow-up questions, which were raised in the search of revealing objectives and values of the interviewees.

Interviews were held in French, the local language of Cote d'Ivoire. After being transcribed, they were translated into English to enable consistency in terms, and facilitate the analysis and the emergence of patterns. Several measures were taken in order to minimize the loss of meaning in the translation process (Van Nes *et al.*, 2010). First, the interviews were translated by a French and English bilingual researcher who had experience in translation. This helped understand French expressions and translating them to the best colloquial form in English. Second, in all cases of doubts on the meaning of interview data of the translated version, the researcher went back to the source language to validate the codes and findings in English.

Confidentiality

During the extensive period of participant-observation, the researcher was exposed to sensitive data through close trusting relationships, revealing a multitude of elements of which employees might be conscious or unconscious of. We therefore made our data anonymous in order to protect the firm's information as well as the individuals who participated in our study. The anonymity concerns the identity of the MNC, of the subsidiary, and of all employees mentioned in the study.

Data analysis

To maintain the inductiveness of the data and the data-driven nature of the study, no coding categories were created before the data collection. Once the data was gathered, a line-by-line approach was used as the initial step of analysis for both the field notes and the interviews (Strauss and Corbin, 1990). This method is claimed to force analytical thinking while remaining closely bound to the data (Gibbs, 2008). During this process, code notes were retrieved in order to keep track of all categories, hypotheses, and generative questions that emerged from the analytical process (Strauss and Corbin, 1990).

The data was then categorized into four sections: headquarters demands, local pressures, response(s) and motivations behind the response(s). These categories enabled us to obtain a first layer of findings and helped avoid 'death by data asphyxiation' (Eisenhardt, 1989: 540). Field notes and interviews were categorized under these labels. Conflicts that did not enter the scope of our paper were disregarded. For instance, one conflict emerged because of the personal ambitions of employees of the subsidiaries, even though the headquarters directive seemed to fit the local institutional context. After cross-checking the pertinence of processes and filtering the conflicts that were not relevant, we retained 12 cases of conflicting institutional demands and their associated response processes. An additional step of analysis led to the emergence of different types of responses, as well as a list of elements that played a role in the response process.

FINDINGS

'I need to satisfy… or maybe not satisfy, but everyone comes with reasonable arguments, so it's not always easy.' – Interview Jim [subsidiary marketing manager]

Our findings offer insights into the response process that MNC subsidiaries follow when they face conflicting institutional demands. While we do find cases in which the response processes were single and sustainable, the response processes were dynamic in most of the cases. In some cases, we find that the dynamism of the response process was *emergent* and pushed by internal or external pressures. In other cases, the responses were adopted with the intention of being modified later on and the dynamism of the response processes was thereby here *intended*. Table 3 shows an overview of the different cases.

INSERT TABLE 3 ABOUT HERE

Sustainable response processes

Case 1. The headquarters requested that the subsidiary uses GPS trackers on their delivery staff. The arguments behind this demand were twofold. First, the headquarters argued that it would accelerate the journey to the partner restaurants to collect the meals and to the customers to deliver the meals. Second, the GPS trackers would allow the company to monitor the delivery staff and to optimize the routes. Both delivery and office staff expressed reluctance to use the GPS system and argued that it would not be helpful. In Cote d'Ivoire, it is still common to indicate locations by using nearby buildings (e.g. the blue house next to the big supermarket). Consequently, delivery and office staff are not accustomed to using maps and customers often indicate their locations without giving a regular address. The subsidiary managers concluded that it would not increase efficiency as argued by the headquarters and decided to dismiss the demand (non-compliance response). The headquarters did not mention this demand again during the participant-observation phase and the interviews conducted *ex-post* did not indicate that the subsidiary had to adapt their initial non-compliance response.

Case 2. The headquarters requested that the subsidiary sign contracts focusing in priority on the fast-food restaurants as they were the ones getting the most attention from the customers. The transport infrastructure was a big hurdle that needed to be overcome in order to comply with the headquarters demand. Indeed, the recurrent and intense traffic jams in Abidjan would have made it particularly time consuming for the subsidiary to travel from one fast-food restaurant to the other, as they were dispersed throughout the city. Instead, focusing on geographic areas was a much more efficient way of travelling to the different restaurants.

> *'Sarah [headquarters manager] asked me on Skype today if we had managed to get all the fast-food restaurants yet. I told her that we had signed some, but not all of them. She asked me again to only sign these partners, and to make them a priority. I talked to Mary [subsidiary general manager] about this, and since they are spread out around the city, we decided to continue as we are doing. We'll just try to give Sarah an increasing number of fast-food restaurants, so that she can be satisfied.'* – Participant-observation notes, week 17

The subsidiary told the headquarters that it was complying with the demand although it was not. As a result, the subsidiary managers followed a concealment tactic in disguising non-compliance with the demand (decoupling response).

Case 3. Willing to increase the service offering of the subsidiary, the headquarters asked the subsidiary to also include wine dealers in its portfolio. Half of the delivery staff expressed embarrassment related to the fact that their religion did not allow them to transport alcohol. Complying with the headquarters demand would have resulted in frictions with the workforce and motivational issues. As a result, the subsidiary decided not to include wine dealers in its portfolio. The subsidiary followed a dismissal tactic and simply ignored the headquarters demand (non-compliance response). The notes and emails from the participant-observation phase as well as the *ex-post* interviews did not indicate that the headquarters were subsequently contesting this non-compliance.

Emergent dynamism in the response processes

Case 4. As part of a global marketing campaign, the headquarters requested the subsidiary to distribute flyers in the shape of door-hangers in apartment buildings. While the subsidiary managers were initially motivated by the idea, the local institutional environment made it difficult to comply with the demand. As a result of years of conflicts and political instability, the security of goods and persons remain relatively low in Sub-Saharan Africa (Institutional Profiles Database, 2012). This can explain why private security guards are generally present in front of the buildings in well-off urban areas of the region. Fulfilling the headquarters demand proved problematic for the subsidiary because it was impossible to enter the residential buildings of their target group (i.e. the wealthier population) to distribute flyers, as illustrated by the following quote:

> *'Mary [subsidiary general manager] went to talk to security men of two buildings next to where she lives. Apparently, they won't allow us to do that. I am not surprised: in the*

building where I live, there are always two guards and a dog, and they don't let you in unless they recognize your face. Since every single building we would target is guarded, we'll need to think of something a bit different.' – Participant-observation notes, week 10

After internal discussions with managers from a sister subsidiary, it was decided that the flyers would be distributed inside hotels and not apartment buildings. Thus, the initial response of the subsidiary was to combine elements from the headquarters demands and from the local environment (selective coupling response). However, new problems arose as the subsidiary managers were trying to implement the selective coupling response. Indeed, the subsidiary could not find any intermediary that could produce the door-hangers. Difficulties in finding specialized intermediaries are characteristic for Sub-Saharan Africa (see George *et al.*, 2016) and the subsidiary did not manage to overcome this challenge. Eventually, the subsidiary managers followed a dismissal tactic and ignored the demand (non-compliance response). Our data did not indicate that the headquarters challenged this decision.

Case 5. As part of the global marketing campaign, the headquarters requested the subsidiary to send them high resolution logos of the partner restaurants to include them in the billboard posters which had been designed in the headquarters. The subsidiary faced several problems when asking the restaurants to give them their logos, as illustrated by the quotes below:

'One restaurant manager […] told me I needed to ask the designer she had contracted. It took some time to get her to give me the number. I called, but the person told me this has been done many years ago so they did not have the file anymore.' – Participant-observation notes, week 18

‘A restaurant owner told me he wasn’t sure whether he should give me his logo on file or not because he had been accused of copying the logo from a chain in America.’ – Participant-observation notes, week 18

The initial response of the subsidiary was to send only about half of the requested logos to the headquarters, thus following a pacifying tactic (compromise response). However, during subsequent negotiations with the headquarters, the subsidiary tried to influence the headquarters managers by asking them to use their designer team to create the missing electronic versions of the logos.

‘Apparently, the designer in Berlin is too busy so we need to see with the designer in Nigeria. This is getting annoying because I know that it will take forever to get this from the Nigerian team because they have many pending requests and they are doing this kind of stuff for the whole continent. This is very frustrating. It will probably delay our billboard launch.’ – Participant-observation notes, week 19

Eventually, the control tactic was successful and the subsidiary transferred the headquarters request to the Nigerian designer team, who had to create new high-resolution electronic versions of the logos for all the partner restaurants (manipulation response).

Case 6. The ordering system in place since the establishment of the subsidiary was such that to place an order the customers had to call the subsidiary, which would then call the restaurant to order the meals. After a few months of activity and in the search for optimization, the headquarters requested that all the subsidiaries push their clients to place their orders directly online rather than by phone. Thus, the headquarters requested that the subsidiary delete its phone number from all communication materials. The first response adopted by the subsidiary was a dismissal tactic, as the subsidiary managers estimated that most of their customers were not willing or able to use the online platform to place their orders (non-compliance response). In fact, despite important developments, recent studies estimate that the share of the population connected to the Internet in Sub-Saharan Africa is lagging compared to other regions (Manyika *et al.*, 2013).

> *'Mary [subsidiary general manager] didn't seem to agree with Larry's [headquarters manager] idea […]. She told me that a lot of our good clients only had our phone number, and that they refuse to use the site because either they don't have internet or they don't really want to start looking at it because they don't know how to use it. She thinks we should keep it there and not plan to move it out.'* – Participant-observation notes, week 7

Later on, the headquarters came back to the subsidiary asking why their demand had not been implemented and insisted that this should be done rapidly.

> *'I talked to Mary [subsidiary general manager] about removing the phone number from the flyers. She had already been informed by Larry [headquarters manager]that we should do that pretty soon […] In the end we thought we could probably move the number [away] from different ads online, while leaving it on some of our flyers.'* – Participant-observation notes, week 15

Eventually, the second tactic following headquarters' demand was pacifying as the subsidiary partly deleted the phone numbers from some of the materials while continuing to take orders from clients who called the subsidiary (compromise response). To illustrate the reluctance of clients to place their orders online, most of the clients using the website chat asked where to find the phone number of the subsidiary.

Case 7. Facing contract enforcement problems, the subsidiary had difficulties retrieving the commissions that the restaurants were supposed to pay at the end of each month. In fact, some of the restaurants would not agree to pay, not even some with which the subsidiary had a written contract. Consequently, the headquarters requested that the subsidiary appoints a cash collector and terminate the partnership with the restaurants that were still not willing to pay their commissions.

> *'Several restaurants have been extremely problematic for us. They are very famous and attract a large number of clients. […] when we send the cash collector, he [the cash collector] says they don't want to pay and they threaten to leave the system. We don't want that, since they bring a lot of new clients, and we have been told by the headquarters that client acquisition was one of our priorities right now.'* – Participant-observation notes, week 8

The initial response of the subsidiary was to appoint a cash collector as requested by the headquarters, but did it not terminate the relationships with the restaurants which did not pay their commissions, as requested by the local partners (selective coupling response). Later on, the subsidiary influenced the headquarters and manipulated the demand, turning it into collecting the meals from the restaurants without paying them directly but rather every two weeks and after deducting the commission fees (manipulation response).

Case 8. The headquarters wanted to implement the use of Salesforce (a software used to track sales) in all the African subsidiaries of the MNC. One aspect of the implementation was that the subsidiary had to upload a signed contract for each of the partnerships they had. However, the subsidiary had not signed contracts with a lot of their partners. This can be explained by the fact that informal economy practices are widespread in the region, and that verbal agreements are predominant (African Development Bank, 2013).

> *'I was going through the papers today and only found about 60% of the paper versions of the contracts I needed. After a while, Mary [subsidiary general manager] told me that some restaurants did not have contracts because we had verbal agreement. That was a bit of a shock for me, but she explained that many restaurants didn't want to sign contracts, and that she tried to get them to sign, but each time she went, they refused.'* – Participant-observation week 6

Initially, the subsidiary decided not to upload any of the contracts and followed a challenging tactic (non-compliance response). As the headquarters were monitoring the implementation of this demand across the different subsidiaries, they saw that the Ivorian subsidiary was not complying with it. Later, the headquarters came back to enforce compliance and as the subsidiary was arguing that it had verbal agreements with 40% of the partners, one manager from the headquarters sent the following e-mail:

> *'Signed paper or nothing please guys!'* – Email from Larry [headquarters manager], week 8

The subsidiary managers started uploading the contracts that were available but eventually stopped pushing for signing with the reluctant partners. Pacifying with all actors and partially complying with all demands, the subsidiary eventually followed a compromise response.

‘I went to see one of the Chinese restaurants and the manager told me to come back around four times. He never signed, and we kept him on the website. Mary [subsidiary general manager] went to see some of the other problematic restaurants with the same results. After seeing our results, we didn’t go any further – we were wasting too much time.’ – Participant-observation notes, week 8

Intended dynamism in the response processes

Case 9. In order to improve operational efficiency, the headquarters wanted to implement a new ordering system that would automatically send the order to the restaurants once it had been registered by the subsidiary in the system. The headquarters wanted the subsidiary to ask the restaurants to use an ordering device, similar to a fax machine. There were several problematic aspects in the demand. First, the headquarters requested that the partner restaurants bear the costs of the machine. Second, the machines had to be ordered to the headquarters by bulk of nine. Third and most importantly, most restaurants were not willing to use a hardware that was new to them. As there were only three restaurants willing to use the new hardware, the subsidiary initially decided to postpone their reaction to the headquarters demand.

‘So we decided to wait until our service was better known and that more modern restaurants would join the network.’ – Participant-observation notes, week 4

A few months later, the subsidiary general manager considered that enough new modern and more tech-savvy restaurants had been added to the portfolio to get back to this headquarters demand. Although more restaurants were willing to use the machine, few wanted to cover the costs. As a response, the subsidiary combined different elements of the demands (selective coupling response), as illustrated by the following quotes:

'Lisa, who deals with operation at the headquarters, insisted that we make the restaurant pay for part of the system. Since we already had issues getting restaurants to pay their commissions, this was seen, both by me and Mary [subsidiary general manager], as the tricky part. We tried to do a quick study of the restaurants to see who would like the idea and those that would be willing to pay for it and the results weren't great.' – Participant-observation notes, week 14

'We adapted a bit the model so we could make it more acceptable for the local restaurants […] there is no monthly engagement, there is no monthly fee, or anything like that.' – Interview Mary [subsidiary general manager]

Case 10. The headquarters required that the subsidiary implement a new payment method in which they pay the restaurants every two weeks and after deducting the commission fees (see case 7). Initially and despite the fact that the subsidiary managers had participated in the negotiations that led to this demand, they were not confident about how they could sell this payment method in an effective way to their partner restaurants. Observance of contractual terms remains relatively low in the Sub-Saharan region (Institutional Profiles Database, 2012) and the subsidiary managers feared that their partners would not trust them enough to accept the new payment method. Their first response was to test it with a few partners to see how they would react and then potentially change the way they approached the restaurants with this new method.

> *'I think Mary [subsidiary general manager] wants to try it out. […] The local staff seems to say that it's a good idea if you convince the restaurants'*– Participant-observation notes, week 22

After the testing phase, the subsidiary managers realized that it was easier to implement than they had anticipated, and decided to fully comply with the headquarters demand with all their partners, as illustrated by the following quote.

> *'We went to see the first restaurants and then when we realized that it was easy to convince them, we decided to deploy the strategy on all restaurants.'* – Interview Mary [subsidiary general manager]

Case 11. As part of the global marketing campaign, the headquarters had prepared billboard designs and requested all their subsidiaries to organize the launch of these designs at the same time. However, the regulatory system in Cote d'Ivoire is such that the billboard designs have to be developed by local certified agencies and then approved by an official advertisement committee. It was difficult to find a local agency willing to cooperate (i.e. pretend that they developed the design suggested by the headquarters) and to get the approval by the committee before the deadline set up by the headquarters. The subsidiary postponed the demand because it needed additional information on local agencies and on the committee. It could not comply with the headquarters demand on time and the launch of the marketing campaign had to be delayed. Later on, one of the subsidiary managers was able to draw on a personal connection to accelerate the process and the subsidiary succeeded in finding a local agency and receiving the approval by the committee. Thus, the subsidiary eventually complied with the headquarters directive.

Case 12. Here, the headquarters wanted the subsidiary to source customized pizza delivery boxes to increase brand recognition and acquire new customers. In particular, they requested that the subsidiary finds information on the most popular materials and on potential suppliers and quotes. The difficulty of finding specialized intermediaries made it difficult for the subsidiary to comply with the headquarters demand.

> *'Where are we supposed to find a supplier that has a warehouse and a developed chain of distribution here in a week's time? I'm feeling a bit annoyed by these suggestions and I have no idea where to start from.'* – Participant-observation notes, week 14

> *'I contacted several printing firms that the team knew about and they've sent me some quotes. Everything is much more expensive than what the headquarters recommends in its template. I called Martin [headquarters marketing manager] to ask him about that and he says I need to find a printing shop that uses a technique called 'flexo' printing. He also told us that we should keep the quantity of boxes under a 100 because we need to run a pilot phase. […] I called the suppliers again to check whether they could do this type of printing and they all of them said they didn't have the machine to do this. I negotiated with one of the suppliers to lower the price but he proposed to augment the quantity from 100 to 500 boxes – which is way too many for Martin. The guidelines they sent us simply do not fit the reality.'* – Participant-observation notes, week 20

Eventually, the subsidiary negotiated with the supplier to lower the number to 200 boxes, and at a lower price than what the headquarters had recommended. In sum, after postponing for about four weeks, the subsidiary followed a bargaining tactic (compromise).

DISCUSSION

In this study, we looked at the response processes that MNC subsidiaries go through when faced with conflicting demands emanating from their headquarters. Our research context was a Sub-Saharan African e-commerce firm headquartered in Europe. This context allowed us to investigate conflicting demands to which it might be particularly difficult to respond, due to significant differences in both contexts, not only in terms of institutions, but also in terms of industry characteristics. We collected participant-observation data through the dual role (research and manager) as one of the managers involved in the response process, and data from subsequent semi-structured interviews with the other managers also involved in responding to conflicting demands. We conducted a multiple-case analysis with the subsidiary response process as our level of analysis.

Our findings show that in the cases in which it was relatively clear that compliance with the headquarters demand would have harmed external legitimacy, the subsidiary took a locally appropriate response, such as non-compliance or a decoupling that was sustainable, at least during our data collection period. In other cases, the response process was dynamic and an initial response was followed by another one. When the subsidiary managers were unsure whether it was possible to comply with the headquarters demand, they actively postponed their response in order to search for additional information and/or to negotiate with internal or external actors.

When the subsidiary managers were motivated to comply with the demand, but unsure about how to do so, they tested the compliance with a limited number of local partners and then decided on a subsequent response. In each of these two response processes of postponing and testing, the dynamism of the process was intended by the subsidiary managers. In other words, they decided for postponing or testing with the intention of adopting a subsequent response. We also found cases in which the dynamism was (unintentionally) emerging from internal or external pressures after a first response was taken. In these cases, the subsidiary managers adopted a response that they thought would satisfy all actors. However, these actors later pressured the subsidiary managers to adopt a different response. This is consistent with the idea that strategy can either be realized as intended or as emergent, i.e. realized in the absence of intentions (Mintzberg and Waters, 1985).

Below, we detail our contributions to the literature on organizational responses to conflicting demands (e.g. Oliver, 1991; Pache and Santos, 2010; 2013), to the literature on institutional duality (e.g. Kostova and Roth, 2002; Kostova and Zaheer, 1999), and to our understanding of the management of e-commerce subsidiaries in Africa (e.g. Brenner and Ambos, 2013; Kostova, Nell and Hoenen, 2016; Narula, 2014).

Organizational responses to conflicting demands

Pache and Santos (2013) recently showed that organizations sometimes selectively couple intact elements from different demands. Along these lines, we show that this is a response category that is used also in the context of MNC subsidiaries that are faced with conflicting institutional demands.

Furthermore, we also build upon the recent contribution of Crilly, Zollo and Hansen (2012) who showed that decoupling as a response to institutional pressures can be either intentional or emergent. Our findings indicate that the dynamism in the response process was sometimes intended by the subsidiary managers, and sometimes emerging from internal or external actors. For example, case 8 highlights the internal pressures from headquarters to adopt a new response to the initial demand. If the headquarters had not insisted, the subsidiary would not have adopted another response and hence there would not have been any dynamism in this response process. Case 9 shows how the subsidiary managers responded by postponing and with the intention of adopting another response later on, which they did. Thus, we are able to depict the dynamism of the response process as well as its sources.

Most research on organizational responses to conflicting institutional demands assumes that responses are single and sustainable, and thus neglect the possibility that organizations adjust their responses over time (Greenwood et al., 2011). Recently, Tilcsik (2010) and Raaijmakers et al. (2015) started a discussion on the role of time and dynamism in the response process to conflicting demands. We extend this discussion in two ways.

First, our findings suggest that organizations can take time and postpone or test their reactions to a conflicting demand. Similar to Raaijmakers et al. (2015), we found that time was used as a resource for action (e.g. negotiation or information search) and also as a buffering resource. In case 12, the headquarters requested that the subsidiary source customized delivery boxes and the subsidiary postponed its reaction to the demand in order to look for additional information about the different suppliers and to negotiate with them. The subsidiary postponed for about four weeks before getting back to the headquarters managers. In case 9, the subsidiary managers were told by the headquarters to implement a new ordering system. As only a few of their local partners were willing to use a new technology, the subsidiary decided to wait until they managed to add more modern and tech-savvy partners to their portfolio. In other words, the subsidiary managers actively delayed their response to the demand (approximately ten weeks) in order to wait for the institutional complexity to resolve.

Second, while Tilcsik (2010) showed that a compliance response can follow a decoupling one, we found evidence for a much greater variety of possibilities of sequences in response processes (see Figure 1). For example, in case 6, a non-compliance response was followed by a compromise one; in case 4, a selective coupling was followed by non-compliance. These two cases illustrate that after an initial response is chosen, a new situation can arise in which internal (e.g. headquarters) or external (e.g. suppliers) actors may not be satisfied, thus leading to the need of another subsequent response. Building on Tilcsik's (2010) findings, we can even suggest that any response can trigger internal and / or external pressures that eventually lead to another response of any category of the current typology. Furthermore, this cycle is not limited to two responses, but as cases 7 and 10 suggest, this cycle can go up to four and potentially more until all actors are satisfied.

INSERT FIGURE 1 ABOUT HERE

The typology of organizational responses to conflicting institutional demands has not been developed extensively since Oliver's (1991) publication. In fact, to our knowledge, the single attempt to extend this classification is the study of Pache and Santos (2013) and their addition of the selective coupling response. With our study, we extend and modify this classification by adding two response categories and by highlighting their potentially (or necessarily) temporary nature. Our findings suggest that organizations postpone or test their response with the intention of adopting a subsequent response. These two response categories of postponing and testing are temporary responses by nature, because they will always be followed by another response. Indeed, if the organization decides to postpone and does not adopt a new response, the ultimate response will eventually become non-compliance. Also, in the case that an organization decides to test complying with the demand with a few partners and does not decide to change this response, the ultimate response will eventually become compromise. Similarly, we may question the sustainable character of the manipulation response. In our case 7, the subsidiary followed a selective coupling response that the headquarters disapproved and the outcome of additional negotiations was a manipulation response in which the subsidiary altered the initial demand. When responding to this altered demand, the subsidiary followed a testing response before eventually complying with the demand. This shows that since the manipulation response has the aim to change the demand (Oliver, 1991), the organization will have to think about how to respond to this altered demand, thus a new response should follow.

We propose to modify the current typology of organizational responses to conflicting demands in order to differentiate between potentially and necessarily temporary responses. The necessarily temporary responses are postponing, testing, and manipulation; the potentially temporary responses are compliance, compromise, decoupling, selective coupling, and non-compliance. This extended and modified classification might inform us better about the response process that organizations deploy when faced with conflicting institutional demands.

Institutional theory in the study of MNCs

We also contribute to the literature applying institutional theory to the study of MNCs (e.g. Kostova and Roth, 2002; Kostova and Zaheer, 1999; Nell *et al.*, 2015). First, we find empirical evidence for the proposition made by Durand and Jacqueminet (2015) that MNC subsidiaries might try to address conflicting demands with 'recourse to a range of responses beyond practice implementation, such as compromise, avoidance, defiance, or manipulation' (Durand and Jacqueminet, 2015: 931). Indeed, while most of the literature applying institutional theory to the study of MNC subsidiary reactions to conflicting demands has considered decoupling and (non-)compliance (see Egels-Zanden, 2014; Kostova and Roth, 2002), we show that when internal (external) pressures for conformity (non-conformity) with the headquarters demands are high, subsidiaries are likely to follow compromise or selective coupling to satisfy both internal and external actors.

Second, our study provides insights into how to reconnect *old*- and *new*-institutionalism (see Hirsch and Lounsbury, 1997; Kostova *et al.*, 2008). We retain the new-institutionalism premise that organizational success depends on more than just 'technical efficiency and that these other factors are essentially socially constructed' (Kostova *et al.*, 2008: 1002). However, instead of static fields, we see dynamic ones that are the product of continuous interactions. In particular, we found that the initial response of MNC subsidiaries to a conflicting demand emanating from their headquarters influenced the field and led to subsequent negotiations that sometimes required adjustments to the initial response. For example, in case 7, the headquarters required that the subsidiary appoint a cash collector to request the partner restaurants to pay the bills from the subsidiary and to terminate the relationships with the ones who still did not want to pay. The subsidiary did appoint a cash collector but this proved inefficient in forcing the restaurants to pay and the MNC had to reassess the field in order to find out a new solution. Also, the manipulation response in case 7 led to a new situation of institutional duality that the subsidiary had to assess before responding to it. Through the constant negotiations that the subsidiary had with internal and external actors, we offer empirical evidence to a recent argument made by Nell and colleagues (2015), i.e. that the isomorphism-based either-or logic is less appropriate to the study of MNC subsidiaries than a logic of active negotiation and social construction to reach and maintain legitimacy.

Interestingly, we found that the headquarters sometimes *let go* when they understand that complying with their demands would make it difficult for the subsidiary to manage their external legitimacy. In cases 1, 3, and 4, while the subsidiary did not comply with the headquarters demands, their responses were not contested by the headquarters. This suggests that headquarters can learn from the legitimacy requirements of their subsidiaries' contexts. This enables us to highlight conditions under which non-compliance with the headquarters demand will not harm internal legitimacy. While the subsidiaries studied by Kostova and Roth (2002) had to comply with the headquarters demand, our subsidiary had more agency, which enabled us to see that subsidiaries can also manage their internal legitimacy when non-compliance is the only option that is locally valid. However, when headquarters do not understand the external pressures, it will be more difficult for subsidiaries to get away with non-compliance. To illustrate, in case 8, the headquarters did not (want to) understand why the subsidiary could not sign contracts with their local partners and that local agreements were made with most of them. Therefore, the headquarters contested the initial non-compliance response and the subsidiary eventually compromised.

Foreign e-commerce subsidiaries in Africa

Our findings enrich our understanding of how e-commerce multinationals manage their relationships with subsidiaries located on the African continent. More and more e-commerce firms entering the African continent are attracted by double-digit growth prospects (Manyika *et al.*, 2013; The New Yorker, 2016). These foreign firms in the e-commerce sector have a global mindset, in which success lies in the scalability of operations. However, organizations still face and need to overcome a number of challenges to succeed in the e-commerce sector (George *et al.*, 2016). Taking into consideration the African-specific challenges of internet penetration, online payments, and delivery systems are crucial for e-commerce firms.

We enrich our knowledge about the management of MNC subsidiaries in the e-commerce sector in Africa by showing that foreign headquarters managers sometimes have difficulties in grasping local particularities, and come up with demands that are hard to comply with for subsidiaries. In some of our cases, the headquarters showed a lack of understanding of the subsidiary's environment. For example in case 6, where the headquarters managers pushed for more online ordering, they were over-estimating internet access and willingness to pay online. This lack of local knowledge often leads to conflicting headquarters demands that can undermine local activities and subsidiary managers can, for example, become frustrated by headquarters demands that are at odds with the local context (see case 8). Narula (2014) suggests that one of the firm-specific assets that provide MNCs with an advantage over other firms relates to the knowledge of institutions. Building this firm-specific asset is a long process and nascent MNCs, such as the one we investigated, might be relatively weak when it comes to accurately understanding institutions and local market specificities.

Brenner and Ambos (2013) suggested that when headquarters introduce a control mechanism that is 'contested' by the subsidiary's environment, it will lack credibility. To be successful, headquarters must institutionalize this mechanism (Brenner and Ambos, 2013; Kostova and Roth, 2002). Our findings add to this discussion in that the headquarters demands that were highly conflicting with the local context (e.g. cases 1, 3, 6, or 8) had not been institutionalized yet and the initial response of the subsidiary was to not comply with it. The institutionalization of practices in MNCs takes time and it can be that headquarters of young MNCs will have more difficulties to push for top-down implementation in their subsidiaries.

Kostova, Nell and Hoenen (2016) started an interesting discussion and suggested that subsidiaries located in countries with less developed formal institutions are more likely to follow a subsidiary-focused institutional logic and behave in an unpredictable way. We extend this discussion by showing that subsidiaries respond by decoupling when non-compliance with the headquarters demand is easy to hide (see case 2), they actively try to manipulate the headquarters to alter the demand (see cases 5 and 7), or even simply dismiss their demands (see cases 4, 6, and 8). This subsidiary-centered behavior might be more frequent in subsidiaries that are located far away and in cultural or institutional distant countries as Kostova *et al.* (2016) suggest, thus making it even more challenging for e-commerce firm to manage their African subsidiaries.

For MNCs with headquarters that have little experience in handling foreign institutions (Narula, 2014), that have not institutionalized practices yet (Brenner and Ambos, 2013), and that manage subsidiaries located in distant countries with less developed formal institutions (Kostova *et al.*, 2016), situations of institutional duality are likely to occur. These situations will be particularly challenging to address for e-commerce subsidiaries as the overall institutional and industrial logic of their headquarters differs significantly from the one in which the subsidiaries is active. If headquarters do not learn fast about local characteristics and do not leave room for more adaptation, frictions and frustration (see case 8) are likely to occur in the subsidiaries. As the recent example of CDiscount in Cameroon and Senegal suggests, managing institutional duality is crucial for the survival of foreign e-commerce firms in Africa.

Practical implications

How MNC subsidiaries respond to headquarters demands is a relevant question for MNC top managers. It is not obvious that headquarters managers anticipate that their demands will conflict with the local requirements of the subsidiary's context. Being aware of this eventuality is a first step in managing relationships with subsidiaries in a more efficient way. In addition, headquarters managers must know that their subsidiaries might need time to react to their demands, because they need to look for additional information or negotiate. Particularly in uncertain environments, headquarters managers must not underestimate the time needed by the subsidiaries to react to headquarters demands. We recommend including a buffer in the implementation schedule to control for these effects. In addition, headquarters managers must not assume that their subsidiaries will always comply with the headquarters demands, especially for subsidiaries located far away and / or in different institutional contexts. This is particularly relevant for Western MNCs operating in emerging markets and developing countries. We advise headquarters managers to be prepared to negotiate with their subsidiaries not only before the subsidiary responds to the demand, but also afterwards and in case the subsidiary responded in a way that is not consistent with what the headquarters expected.

Limitations and future research

Our study opens up interesting avenues for future research. First, we have showed that the response process to conflicting institutional demands can be dynamic in that a second response follows the initial one taken by the subsidiary. Doing so, we are able to suggest different possible response processes that organizations can follow when faced with conflicting demands (see Figure 1). In case 8, the headquarters did not want to understand why the subsidiary did not comply with their demand and this led to a compromise response. In other cases, the headquarters understood that non-compliance was the only option and did not question it. Yet, it was outside of the scope of our study to look into when particular processes are likely to occur. In particular, future research could investigate the situations under which sequences such as decoupling-compliance, manipulation-non-compliance are most likely to happen. This would enrich our theoretical understanding of the dynamic response process.

Second, we extended the typology of organizational responses to conflicting institutional demands by adding two response categories (postponing and testing). This enhances our comprehension of the role of time and dynamism in the response process to conflicting demand. While we have focused on broader response categories, future research could look into the details of such responses and provide us with interesting insights about the different tactics that are used within the postponing and testing responses.

Third, our research context was a subsidiary located in Sub-Saharan Africa and headquartered in Europe. This context was particularly useful to research conflicting demands and the reactions to them, especially because of the industry. While we are still able to generalize to other contexts in which the headquarters and subsidiary contexts differ substantially on different aspects, future research could consider studying institutional duality in different conflicting contexts. For example, using subsidiaries located in developed markets and headquartered in emerging economies might push our theoretical understanding of reactions to situations of institutional duality in different directions (see Cuerzo-Cazzura, 2012 and Narula, 2012).

Fourth, we had several cases in which reactions to headquarters demands were delayed and potentially led to negative performance implications (see case 11 for the delayed global marketing campaign). However, the focus of our study did not allow us to consider performance-related implications. Future studies could focus on the impact of the frequency and / or extent of conflicting institutional demands on subsidiary and MNC performance.

CONCLUSION

This study expands our understanding of the response process followed by MNC subsidiaries that are faced with conflicting institutional demands. Our findings show that the response process can be dynamic and that the dynamics are emergent in some cases and intended in others. We based our study on the institutional complexity literature (e.g. Kostova and Roth, 2002; Oliver, 1991; Pache and Santos, 2010, 2013) and make several contributions that we believe are valuable to this stream of research.

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TABLES AND FIGURE

Table 1. Organizational responses to institutional duality

Response	*Definition and similar concepts*	*Degree of Compliance*
Compliance	Compliance with institutional demands. Also referred to as isomorphism (DiMaggio and Powell, 1983), or acquiescence (Oliver, 1991).	High
Compromise	Partial compliance with the institutional demands (Oliver, 1991)	Mixed
Manipulation	Attempt to influence the sources of the demands in order to alter them (Oliver, 1991).	
Decoupling	Attempt to preclude necessity of complying with institutional demands. Also referred to as ceremonial adoption (Kostova and Roth, 2002), or avoidance (Oliver, 1991).	
Selective Coupling	Combination of intact elements from different conflicting demands (Pache and Santos, 2013).	
Non-Compliance	Non-compliance with the demand(s). Also referred to as defiance (Oliver, 1991).	Low

Table 2. Participation-observation phases

Participation/Observation types	*Exploratory months*	*Following months*
Participation/Observation of institutional characteristics of local environment	- Acquaintance with local employees - Daily routines, such as transportation in rain season, negotiations in the street - Dialect learning and conversing - Learning working tools and local organization	- Formal and informal sales negotiations, ranging in the business setting - Participation in local cultural events, informal lunches with employees - Participation in conflict solving at the local level between local employees
Participation/Observation of institutional characteristics of MNC environment	- Attending Skype meetings with headquarter representatives - Training with headquarters representatives - Meeting with the local team	- Direction of Skype meetings with headquarters representatives - Discussions on best practice reports around the globe - Meeting with managers and employees of other African subsidiaries
Participation/Observation of institutional duality situations	- Observation of Operations and Offline Marketing - Observed the initial structure - Observation of human resource management practices	- Participation in sales activities, partner Management, operations, offline and online marketing - Observed the increase in team size - Participation in hiring process

Table 3. Overview of cases of conflicting institutional demands

Case	Headquarters demand	Conflicting local characteristics	Response 1	Response 2
1	Use GPS technology to help and track delivery staff	Delivery and office staff do not read maps	Non-compliance	-
2	Sign contracts with fast-food restaurants first	Transport infrastructure makes it very inefficient to focus on category instead of location	Decoupling	-
3	Include wine dealers in the partners portfolio	Half of the delivery staff expressed embarrassment as their religion does not permit alcohol delivery	Non-compliance	-
4	Distribute flyers in the shape of door-hangers	Entrance to apartment buildings restricted by security guards	Selective coupling	Non-compliance
5	Send logos from partner restaurants	Restaurants cannot provide digital high-quality versions of their logos	Compromise	Manipulation
6	Delete phone number from all communication materials to force online ordering	Customers are not willing or able to use the online platform to place their orders	Non-compliance	Compromise
7	Appoint a cash collector and terminate partnership with restaurants who still did not pay	Cash collector system is not credible to the partner restaurants	Selective coupling	Manipulation
8	Upload signed contracts with all partner restaurants	Verbal agreements are more common than written contracts	Non-compliance	Compromise
9	Rent machines to the restaurants to automize order placing	Low adaptability to new technology	Postponing	Selective coupling
10	Pay the partners with a two weeks delay and deduct commission fees	Difficulties in knowing how to sell this demand to the partners	Testing	Compliance
11	Organize launch of headquarters-designed billboard campaign	Local regulations require billboard designs to be developed by certified agencies and approved by governmental committee	Postponing	Compliance
12	Source customized pizza delivery boxes	Difficulties to find specialized intermediaries within the budget	Postponing	Compromise

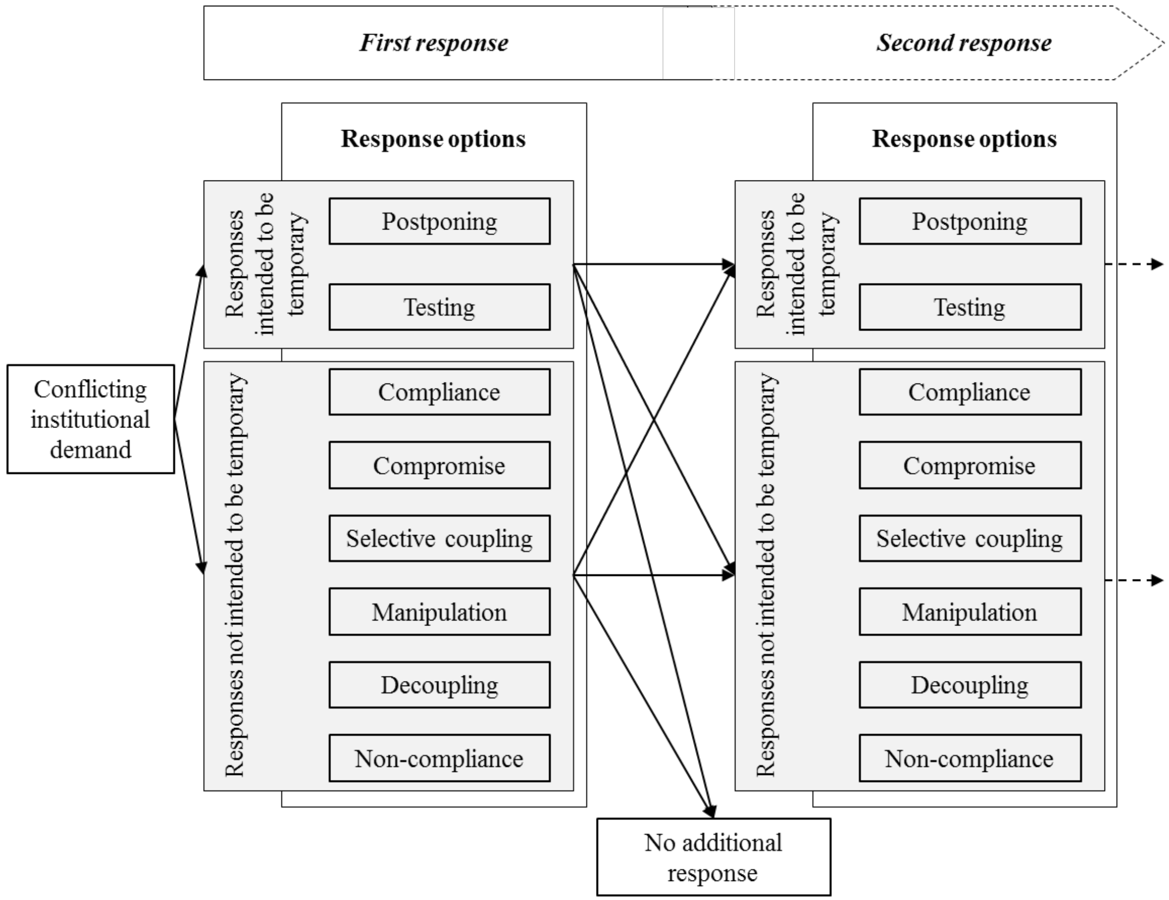

Figure 1. The dynamic response process to conflicting institutional demands