What happened to the transnational? The emergence of the neo-global corporation

What happened to the transnational? The emergence of the neo-global corporation

Cite this article as: Jacqueline Mees-Buss, Catherine Welch and D. Eleanor Westney, What happened to the transnational? The emergence of the neo-global corporation, Journal of International Business Studies https://doi.org/10.1057/s41267-019-00253-5

Bartlett and Ghoshal's transnational 'solution' for managing the MNC remains popular among scholars and practitioners alike. However, our in-depth qualitative study of Unilever, an exemplary case of a transnational, found that in the period 2000-2012 the company evolved into a very different organizational form with a distinctly different set of characteristics. We call this the neo-global corporation. In explaining how and why this transformation occurred, we turn to organizational evolutionary theory, and use our case to generate a multi-cycle process model of MNC evolution. Given the dynamism of the MNC and its environments, we anticipate that also the neo-global will eventually transform, and call for more organization-level case studies of MNCs in future International Business research.

French

La "solution" transnationale de Bartlett et Ghoshal pour la gestion des EMN reste populaire parmi les chercheurs et les praticiens. Cependant, notre étude qualitative approfondie d'Unilever, cas exemplaire d'une transnationale, a montré qu'au cours de la période 2000-2012, l'entreprise a évolué vers une forme d'organisation très différente avec un ensemble de caractéristiques nettement différentes. C'est ce que nous appelons l'entreprise néo-globale. En expliquant comment et pourquoi cette transformation s'est produite, nous nous tournons vers la théorie de l'évolution organisationnelle et utilisons notre cas pour générer un modèle processuel à cycles multiples de l'évolution des EMN. Étant donné le dynamisme de l'EMN et de ses environnements, nous prévoyons que le profil néo-global finira par se transformer et nous lançons un appel pour avoir davantage d'études de cas sur les EMN au niveau de l'organisation dans les futures recherches en *International Business*.

Spanish

La “solución” transnacional de Bartlett y Ghoshal para gestionar la EMN permanece popular entre los académicos y profesionales por igual. Sin embargo, nuestro estudio cualitativo en profundidad de Unilver, un caso ejemplar de una transnacional, encontró que en el periodo 2000-2012 la compaía evolucionó en una forma organizacional muy diferente con un conjunto de caractaristicas claramente diferente. Llamamos a esto la corporación neo-global. Al explicar cómo y por qué esta transformación ocurre, recurrimos a la teoría de la evolución organizacional, y usamos nuestro caso para generar un modelo de proceso de múltiples ciclos de la evolución de la EMN. Dado el mecanismo de la EMN y sus entornos, anticipamos que también la neo-global eventualmente se transformará, y requeriremos más estudios de casos de multinacionales a nivel de la organización en la invetsigación futura de Negocios Internacionales.

Portuguese

A "solução" transnacional de Bartlett e Ghoshal para administrar a MNC continua popular entre acadêmicos e praticantes. No entanto, nosso estudo qualitativo aprofundado da Unilever, um caso exemplar de uma transnacional, descobriu que no período de 2000-2012, a empresa evoluiu para uma forma organizacional muito diferente, com um conjunto distintamente diferente de características. Chamamos isso de corporação neoglobal. Ao explicar como e por que essa transformação ocorreu, nos voltamos para a teoria organizacional evolutiva, e usamos nosso caso para gerar um modelo de processo multiciclo de evolução de MNC. Dado o dinamismo da MNC e de seus ambientes, prevemos que o neoglobal também eventualmente se transformará, e demandará mais estudos de casos em nível de organização de MNCs na futura pesquisa de Negócios Internacionais.

Chinese

Bartlett和Ghoshals管理跨国公司的跨国“解决方案”仍受学者和从业者的欢迎。然而，我们对联合利华进行的一个深入定性的跨国典型案例研究发现，在2000 - 2012年间，该公司演变成了一种非常不同的组织形式，具有一组截然不同的特征。我们称之为新全球公司。在解释这种转变的发生方式和原因时，我们转向组织演化理论，并用我们的案例来生成跨国公司演化的多周期过程模型。考虑到跨国公司及其环境的动态性，

我们预计新全球化也将最终转型，

并呼吁在未来的国际商务研究中对跨国公司进行更多在组织层面上的案例研究。

What Happened to the Transnational? The Emergence of the Neo-global Corporation

Running title: What Happened to the Transnational?

Authors:

Dr Jacqueline Mees-Buss (corresponding author)
Discipline of International Business, University of Sydney Business School, Abercrombie Building, Sydney 2006, jacqueline.mees-buss@sydney.edu.au

Associate Professor Catherine Welch
Discipline of International Business, University of Sydney Business School, Abercrombie Building, Sydney 2006, catherine.welch@sydney.edu.au

D Eleanor Westney, Professor Emerita of Organization Studies
MIT Sloan School Sloan School of Management, 100 Main Street, Cambridge, MA, USA 02142, ewestney@mit.edu

ACKNOWLEDGEMENTS:

First and foremost, we would like to thank Editor-in-Chief Alain Verbeke, Guest Editor Ivo Zander, and our three reviewers for their very insightful feedback during the review process. In addition, we would like to thank Peter Liesch, Denice Welch, Anne Hoekman, Tamara Oyarce Lopez and Jessica Mees-Young for their feedback, editing and administrative support, and the design of our models. Our paper also benefited greatly from the discussions with the participants of the 2016 Helsinki Workshop on the future of MNC research. Thank you, Ulf Andersson, Mehdi Boussebaa, Anna Brattström, Yves Doz, Mikael Eriksson, Ulf Holm, Perttu Kähäri, Paula Kilpinen, Rebecca Piekkari, and Udo Zander.

Submitted: 7 September 2018
Revised: 20 May 2019
Accepted: 29 May 2019

Accepted by Ivo Zander, Consulting Editor, 29 May 2019. This article has been with the authors for two revisions.

What Happened to the Transnational? The Emergence of the Neo-Global Corporation

Abstract:

Bartlett and Ghoshal's transnational 'solution' for managing the MNC remains popular among scholars and practitioners alike. However, our in-depth qualitative study of Unilever, an exemplary case of a transnational, found that in the period 2000-2012 the company evolved into a very different organizational form with a distinctly different set of characteristics. We call this the neo-global corporation. In explaining how and why this transformation occurred, we turn to organizational evolutionary theory, and use our case to generate a multi-cycle process model of MNC evolution. Given the dynamism of the MNC and its environments, we anticipate that also the neo-global will eventually transform, and call for more organization-level case studies of MNCs in future International Business research.

Keywords:

Case Theoretic Approaches

Evolutionary Theory

Organizational Change

Multinational Corporations (MNCs) and Enterprises (MNEs)

Neo-global Corporation

Process Model

'The complex organization of the 1990s was never a destination; it was a transition phase in Unilever's journey…' –

Antony Burgmans, Chairman Unilever 1999 – 2007 (Interview 2015)

Introduction: What happened to the Transnational?

One of the enduring and unifying themes of international business (IB) as a field has been 'the desire to understand the nature of the empirical phenomenon of the multinational enterprise and its activities' (Cantwell & Brannen, 2016: 1025). This desire has given rise to two streams of inquiry: one stream, historically rooted in economic theory, concerned with explaining the existence of the multinational and how and why its boundaries change over time; the other, historically rooted in sociological organizational theory, focused on how to organize and manage these geographically dispersed corporations in complex and dynamic environments. Critical to the development of this latter stream of research were groundbreaking studies conducted in the 1980s on the changing form of the MNC (notably by Bartlett and Ghoshal, Hedlund, Doz and Prahalad). This seminal work was based on organization-level case studies developed in close interactions with MNC executives, at a time of profound change in the international business environment.

This series of case studies had a major impact not only on scholarly research but also on practice, especially Bartlett and Ghoshal's 'transnational solution', which was quickly picked up by consultants and executives and is still disseminated in MBA classes today (Bartlett & Beamish, 2018; Zaheer, 2002). Core concepts from this transnational period – such as the integrated network of differentiated national subsidiaries and global headquarters, or the 'matrix mindset' – continue to permeate research on multinational management. However, the continuing relevance of the transnational solution and its core concepts is assumed, rather than having been established empirically, despite evidence of multiple restructurings that took place in MNCs and significant changes in the environment, notably the rise of global value chains and the world wide web. Accordingly, our study is motivated by this question: what has become of the transnational solution?

To address this question, we revive the tradition of the organization-level case study of the 1970s-1980s and return to one of the cases of Bartlett and Ghoshal's seminal work on the transnational, Unilever. Unilever featured in their work as one of the companies successfully evolving towards the transnational ideal, a characterization explicitly endorsed by Unilever's top management (Maljers, 1992). A pilot study in early 2011, however, revealed that Unilever had undergone several substantial restructurings since the beginning of the 21st century, and it appeared that the new organization was no longer aligned with – and in many ways was even a conscious repudiation of – the characteristics of the transnational. Unilever thus presented itself as a suitable case to investigate how and why this transformation had taken place.

Our case study begins in 2000 when Unilever's leadership, under enormous pressure to improve returns to shareholders, announced a programme of radical change in its operating principles. It ends in 2012. By then Unilever had undergone three major restructurings, countless smaller organizational changes, and two changes in leadership. By 2012, however, there was a renewed confidence in the way the organization operated and performed. What had emerged was a new organizational form that had eliminated the multi-function country subsidiary in favour of tightly controlled, highly specialized sub-units, each focused on maximizing efficiency in one subset of value chain activities. The organizational form that had emerged is yet to be fully captured in IB scholarship. We will refer to it as the neo-global[1] organization.

Explaining how and why this transformation took place in Unilever requires a process theory of organizational change which can account for the complexity of the MNC – a challenge acknowledged but not resolved by the previous generation of scholars who had been studying the emergence of the

[1] We chose the term 'neo-global' rather than 'global' to clearly distinguish this organizational 'solution' from the global organizations described by Bartlett and Ghoshal in the 1980s. We will explain this further later in the paper.

transnational. Most advanced in this regard was the work of Doz and Prahalad (1986, 1988, 1993; also Prahalad and Doz, 1987). Searching for better process explanations, they called for a stronger bridge between IB and organizational theory in order to develop an organizational theory of the MNC (Doz & Prahalad, 1991). However, in the years that followed, attention in IB shifted away from this challenge. Organization theory, on the other hand, continued to progress and produced a rich body of work on the evolution of organizations (e.g. Aldrich, 1999; Greve, 2002; March, 1994; Meyer, 1994; Warglien, 2002). We draw on this work to analyze the process of change that transformed Unilever. We demonstrate how an evolutionary approach advances our understanding of how a large, diversified and complex organization, such as Unilever, can transform over a series of change cycles to the extent of radically altering its core competencies and source of competitive advantage. It also explains why each organizational form or 'solution' is only temporary and will only last until a combination of internal and external pressures compel top management to review what they believe is the 'recipe for success' in the new environment.

Our paper proceeds as follows. We start with a review of the IB literature on the organization and management of the MNC, returning to the process approach of the 1980s and 1990s that was not pursued by subsequent researchers. We then introduce organizational evolutionary theory as the basis for understanding the evolution of the MNC. This is the starting point for the multi-cycle process model which we then develop to explain the transformation that took place in Unilever. In our discussion we elaborate the two main contributions of this study: the neo-global as a distinctive organizational form of the MNC that we contrast with the transnational, and our multi-cycle model of MNC transformation that advances the process approach to organizational change in MNCs.

IB literature on the organization and management of the MNC

For the last three decades, IB research and teaching on MNC organization and management have been strongly influenced by a body of work initiated in the late 1970s by three scholars who met as graduate students of Joe Bower, a key figure in the development of the strategy process school: C.K. Prahalad, Yves Doz, and Christopher Bartlett (Bartlett, 1981; Doz, 1980; Doz, Bartlett & Prahalad, 1981; Doz & Prahalad, 1981, 1984). Working individually and collaboratively, they developed the widely-used Global Integration/Local responsiveness framework and an approach to MNC organization that challenged the dominant stream of MNC research, which had followed Chandler's strategy-structure paradigm in its focus on formal structures and their relationship to geographic and product diversification (Daniels et al., 1984; Egelhoff, 1982; Stopford & Wells, 1972). Instead, they focused on processes rather than structures, and increasingly, joined by Gunnar Hedlund (Bartlett, Doz, & Hedlund, 1990; Hedlund, 1980, 1986) and Sumantra Ghoshal (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990; Ghoshal & Nohria, 1997), on the changing relationship between headquarters and subsidiaries.

All these researchers were committed to developing a deep knowledge of specific MNCs by working closely with the top management team (TMT)[2] to address important strategic challenges, building their analysis on in-depth case studies rather than on quantitative data. The strategic challenges facing MNC managers in the 1970s and 1980s differed significantly from those of the 1960s that had shaped previous MNC organizational research. Slowing growth from the 1973 oil crisis well into the 1980s, falling trade barriers (especially in Western Europe and North America), and unprecedented competition from Japanese companies led executives in established MNCs to focus on integrating their geographically dispersed operations more effectively across the 'Triad' (the three regions of North America, Western Europe, and Northeast Asia, which in the 1980s meant primarily Japan). These researchers therefore embarked on their work at a time of profound change in MNC environments and organization.

The Global Integration/Local Responsiveness framework provided a parsimonious tool for analyzing the complex external environment that was both useful for MNC managers and aligned with the

[2] We prefer to use the term Top Management Team (TMT) rather than 'Headquarters' (HQ) to refer to the highest level of decision-makers. 'HQ' is a construct belonging to the context of the MNC and TNC characterized by central headquarters and national subsidiaries. TMT is a more neutral term not pertaining to a particular organizational form.

dominant organization theory paradigm of the 1970s, contingency theory. Contingency theory, in its simplest terms, posited two core organizational dimensions, integration and differentiation, each determined by external environmental forces. Organizations should develop structures and processes to align their levels of these two dimensions with the requirements of the market and technological environment (Lawrence & Lorsch, 1967). The GI/LR framework took these two dimensions and defined them in terms of external pressures that were distinctive to MNCs: pressures for global integration and those for local responsiveness. This framework has proved remarkably robust, and it is still widely used (e.g. Benito, Lunnan, & Tomassen, 2014).

The key challenge for MNC managers in that era was therefore balancing global integration and local responsiveness in response to the pressures from the external environment. Developing a model of what kind of organization could best achieve the appropriate balance led to a variety of labels: Bartlett and Ghoshal's transnational, Hedlund's heterarchy, Doz and Prahalad's DMNC (Diversified MNC), and Ghoshal's differentiated network. Subsequent IB scholarship has focused on the commonalities across these models (e.g. Westney & Zaheer, 2009), and these are sufficiently well-known to require only a brief summary here. For all the models, the changing international environment was increasing the pressures to improve efficiency through a division of labour across country subsidiaries, which were the basic unit of the organizational design. MNC headquarters worked with horizontal networks of country and/or regional, product and functional managers to coordinate network roles and resource flows. Coordination was achieved through systems and processes that socialized managers to share a set of values and an overall vision of the company's direction and future. Coordination enabled the MNC to leverage what was simultaneously its key potential advantage and its greatest management challenge: its internal variety.

However, despite the commonalities across the models and the close ties among the scholars who produced them, there were important differences. Doz and Prahalad focused on the strategic tools and processes managers could use to identify and achieve the appropriate balance of global integration and local responsiveness. Bartlett and Ghoshal added the capability for developing and leveraging knowledge worldwide as a key feature of their transnational model. They also paid more attention to those Japanese companies, which, expanding internationally relatively recently, faced management challenges that differed from the established Western MNCs whose strong country subsidiaries were key sources of resistance to greater cross-border integration. Bartlett and Ghoshal (1989) portrayed the Japanese as exemplars of the *global* MNC, an organizational model they described as a 'centralized hub' in which networks were vertical rather than horizontal, channeled to and from the centre, which in practice was the home country. In the global company, subsidiaries were primarily local marketing and sales units, dependent on the home country for resources and capabilities, as well as for decisions about local responsiveness.

These models also differed in their impact on practitioners and on subsequent research. Bartlett and Ghoshal's transnational model had the most extensive influence on both practitioners and IB researchers (Rugman, 2002). It was embraced by many multinational managers, including the top management of Unilever (Maljers, 1992). Kristensen and Zeitlin (2005: 193), for example, noted in their study of APV, a UK-based MNC (for which fieldwork was conducted from the late 1980s to 1997), that 'comparing Bartlett and Ghoshal's concrete recommendations with what happened in APV, one might think that the top managers at Lygon Place had simply copied these authors' program step-by-step'. The concept of a network model resonated with many IB researchers, who turned to network theory to map the roles and horizontal networks of sub-units of the MNC (e.g., Andersson et al., 2007; Forsgren, 2003). The network model also paved the way for research into entrepreneurial activities by subsidiaries (Birkinshaw, 1997; Birkinshaw & Hood, 1998), power dynamics and political processes in MNCs (e.g., Blazejewski & Becker-Ritterspach, 2011; Dörrenbächer & Geppert, 2009; Mudambi & Navarra, 2004); and innovation networks (e.g., Doz, Santos, & Williamson, 2001; Gupta & Govindarajan, 1991, 1994; Phene & Almeida, 2008; Zander, 1999).

Where Bartlett and Ghoshal had focused on developing their model of the transnational as a 'solution' to the challenges facing MNC managers in the 1980s, Doz and Prahalad focused less on the end state than on the processes of strategic change. Their research also focused more on the role of corporate headquarters than on subsidiaries, which were so central to Bartlett and Ghoshal's 'differentiated network' approach. They built on and advanced the 'strategy as process' school (Burgelman et al., 2013) by offering a stages model of strategic direction, focusing on the dynamics through which managers arrive at a shared belief in the need for a significant change in strategy, and over time develop the administrative structures and systems for strategic change. Success, they pointed out, is far from guaranteed, in part because change processes take time, up to a decade or more, during which the business environment that triggered those changes, is subject to ongoing change itself (Doz & Prahalad, 1986). Strategic change also faces the internal challenges of organizational inertia, ineffective use of administrative tools and cognitive factors such as fears of status loss and adherence to 'recipes' successful in the past. Perhaps for this reason, they did not put forward a normative end-point (like 'the transnational solution', which was the subtitle of Bartlett and Ghoshal's 1989 book); for them, the strategy process is continuous.

Doz and Prahalad's work on the challenges of implementing strategic redirection laid the basis for a process approach towards how MNCs change (Doz & Prahalad, 1991). But few IB researchers followed their lead. Some notable exceptions include Thomas Malnight's (1996) study of Citibank's efforts in the early 1990s to move to a regional network model in Europe, Kristensen and Zeitlin's (2005) detailed study of changing patterns of subsidiary-headquarters interactions in an MNC built by acquisition, Jonsson and Foss (2011) on IKEA's international expansion, and Doz and Wilson (2018) on Nokia's rise and decline in mobile phones, but there are few other examples. One problem is that, as Doz and Prahalad (1993) pointed out, understanding change in the MNC requires theories that operate at and examine interactions across multiple levels of analysis, from micro/individual to macro/external environment. They asserted that contemporary theoretical perspectives tended to be primarily micro (e.g. organizational learning) or primarily macro (e.g. institutional theory) but weak at the meso level, i.e. that of the organization (Doz & Prahalad, 1993: 41), and that this offered an opportunity for IB scholars to make a major contribution to organization theory. Less has changed in the ensuing decades than one would hope: a recent overview of contemporary organization studies (Adler et al., 2014) lamented the neglect of the organizational (i.e. meso) level in recent decades. IB itself has done little to address the call from Doz and Prahalad (1993) to work on developing an organizational theory of the MNC. For researchers, in-depth meso-level studies are difficult: they require access to multiple levels of management in large organizations and significant investments of time in fieldwork without the prospect of developing the kind of testable hypotheses most likely to reach publication.

From the early 2000s on, IB researchers were noting some significant changes in the large established MNCs that had embraced the transnational model in the 1990s. As early as 2001, Julian Birkinshaw noted the disappearance of the fundamental building block of the transnational organization (the country subsidiary) in favour of 'a series of discrete value-adding activities (a sales operation, a manufacturing plant, an R&D centre) each of which reports through its own business unit or functional line' (Birkinshaw, 2001: 381). A key factor in this change was the emergence of a new structure for companies: the front-back organization, which divided internal value chains into a customer-facing 'front end' and a technology and production-focused 'back end' (Galbraith, 2000; Westney, 2003). As back-end production relied increasingly on outsourcing, IB researchers, led by Peter Buckley, noted that global value chains were being transformed by 'fine-slicing' into specialized activities performed by partners and contractors in advantaged locations (Buckley, 2009; Buckley & Ghauri, 2004). Most recently, Baaij and Slangen (2013) noted that one effect of enhanced communications technologies has been that a growing number of MNCs are developing a virtual rather than a geographic headquarters, with the top management team members located in countries around the world.

Zander and Mathews (2010) are among the few IB scholars to suggest that the differentiated network/transnational model was in fact the product of conditions prevailing in the 1980s when the model was developed, and to assert that the changes in the international business environment since then have been so substantial that other forms are displacing it. However, neither these authors nor other IB researchers have subsequently taken up this issue and examined empirically the changes over time in the established exemplars of the transnational model. This paper provides such a study. To do so, it draws on organizational evolutionary theory, for reasons discussed in the following section.

Organizational evolutionary theory and the MNC

Over the decades, there have been repeated calls to build stronger bridges between IB and organization theory (Dörrenbächer & Geppert, 2017; Doz & Prahalad, 1991; Evan, 1981; Ghoshal & Westney, 1993). One of the few paradigms that meets the demanding standard articulated by Doz and Prahalad (1993) – addressing multiple levels of analysis, extending from external environments to individual decision-makers, and the interactions across them – is the organizational evolutionary paradigm (Aldrich, 1999; Greve, 2002; Meyer, 1994; Warglien, 2002). An evolutionary approach is unfortunately often equated too narrowly with environmentally deterministic macro-level models of 'survival of the fittest' (such as population ecology) or used too broadly as a synonym for path-dependent change. The hallmark of the evolutionary approach is its conceptualization of change in complex systems as being produced by processes of *variation, selection,* and *retention.* As March (1994) pointed out, the organizational evolutionary perspective focuses on *processes* rather than outcomes, which are seen to be emergent from the processes, and are therefore indeterminate (Aldrich, 1999). An explicitly evolutionary approach has been used in strategy (e.g., Burgelman, 1991, 2002; Lovas & Ghoshal, 2001), and more recently in IB to analyze the internationalization process (Santangelo & Meyer, 2017), but has yet to be applied systematically to organizational change in MNCs.

The evolutionary approach is particularly relevant for MNCs, in part because variation, which has often been seen as problematic in organizational evolutionary studies, is inherent in MNCs: variation induced by local environments is both the key distinctive potential source of advantage for MNCs (Kogut & Zander, 1993) and a core challenge for MNC managers. Moreover, the structural complexity of MNCs means that selection and retention processes occur at multiple levels and locations in the organization, making it fertile ground for applying and developing the theory of intraorganizational evolutionary processes (e.g. Warglien, 2002) and the interactions between internal and external evolutionary processes (Burgelman, 1991). Much of the work on change in MNCs has taken an implicitly evolutionary approach, but because each model tends to adopt its own terminology, comparison and cumulation have been difficult. Using an explicitly evolutionary approach can advance both our understanding of the phenomenon and our development of better theories of change.

Viewing Doz and Prahalad's (1988) stages model of strategic redirection from an evolutionary perspective illustrates this point. Their model was built on a study of the efforts in 16 manufacturing MNCs to move from geographically segmented organizations to integrated networks of country units leveraging location advantages and increasing scale and scope economies. They focused on the TMT as the key actors in the change process. Their identification of three factors – cognitive perspective, strategic priority, and power allocation – as crucially important to the process of strategic redirection paralleled and even anticipated developments in organizational evolutionary theory. The 'cognitive perspective' includes the development of a new vision for the company: a 'recipe for success'. This is what organization theorists, following Weick (1969), more commonly call 'sensemaking', thereby emphasizing the subjective and restricted nature of such 'visioning'. As Doz and Prahalad observe, in sharing this vision with the organization, top management also engages in sensegiving, a process of creating meanings for a target audience (see also Weick et al., 2005). This iterative process of sensemaking and sensegiving may lead to what Weick (1969) terms a choice point: the decision to introduce or adopt organizational variations. This requires the TMT to notice signals and anomalies, interpret them as threats to survival, and come to a renewed understanding of which variations to encourage or discourage. If the threats are deemed serious, the TMT may need to change the organization's 'success recipe' – which in evolutionary terms means changing the selection criterion: the critical factor (or factors) considered to be the key to competitive advantage and even survival, and thus intended to guide all decision-making in the organization. Decision-making, in evolutionary terms, refers to which variations to select, retain or encourage.

Conceptualizing organizing as managing the decision-making in the organization puts the TMT of the multinational in the role of 'designers of the selection system': the system for decision-making throughout the organization (Westney, 2009). The selection criterion is one key element of the organization's selection system; the formal structure is the other. Whilst the selection criterion determines the basic premise for selection, the structure identifies *who* has the authority to select *what* (e.g. initiatives, processes, and people) and *where* (e.g. country, region or global) – i.e., it determines the distribution of decision-making or selection power. Other parts of the selection system include what Doz and Prahalad (1984) called the administrative tools available to the TMT: information processing, conflict resolution processes and managerial culture.

Retention involves building the selected interpretations into the organizational culture and the identities and habits of the organization's participants, turning them into a guide to future action (Weick et al., 2005). HR systems such as training, career development, performance assessment and rewards are strong mechanisms for the retention of the selection criterion. Retention mechanisms encourage the routinization of the selection criterion, which, once they become part of organizational habits, knowledge and mindsets, become difficult to change. Formal retention mechanisms are only one aspect of retention processes, however. The unplanned survival of older retention processes within the organization, especially through habits, mindsets, and routines, is one of the key explanatory factors behind the indeterminacy of outcomes that is a central feature of the organizational evolutionary approach. Doz and Prahalad (1988) observe that implementing change faces the obstacle of organizational inertia, which leads to unanticipated delays and even failure in carrying out change initiatives. In highlighting retention processes the organizational evolutionary perspective provides a way to unpack 'inertia', which is all too often reduced, in the words of former IBM CEO Lou Gerstner, to 'nobody likes change' (Gerstner, 2002: 77).

Doz and Prahalad's stages model was confined to the corporate level, but while the TMT designs the selection system, selections are made by decision-makers at lower levels of the organization. Evolutionary theory draws attention to the fact that managers and employees at each level and in each sub-unit have to make sense of the selection system and the selection criterion designed and imposed on them by the TMT. In doing so, managers are not only influenced by whatever mindsets, habits and routines they still carry on from the recent past, but also by their own interpretation of external forces as they experience them in whatever context they inhabit. We follow Weick to characterize the selection system as being 'enacted', to indicate it is an active process that does not always lead to the outcomes intended by the TMT. The outcomes may not just be unforeseen by the designers of the selection system; in addition, they may not align with the new strategic intent (Burgelman, 1991 termed them 'autonomous variations'). Evolutionary theorists have long pointed out that the internal variety produced by variation and retention processes outside the scope of the current selection criterion can be a source of resilience if external environments change (Aldrich, 1999; Burgelman, 2002). Yet they are also a source of friction within the organization (Weick, 1969).

Most models of organizational change (like that of Doz & Prahalad, 1988) cover one sequence of change, from initiation to outcome. However, the organizational evolutionary perspective, grounded originally in systems theory (Weick, 1969), views change as occurring in a series of such sequences of redesigning. Both internal frictions in the enactment of the new selection system and ongoing external pressures will eventually lead to renewed sensemaking, and a new choice point at which the core selection criterion and its selection system are reevaluated. An evolutionary approach accounts for environmental pressures and managerial intentionality but avoids the extremes of environmental determinism and strategic choice (Burgelman, 1991). It also reframes the debates over whether organizational change is punctuated or continuous by asserting that it is both (Warglien, 2002: 104). Discontinuous change initiatives introduced by the upper levels of the organization lead to more gradual, continuous processes of change in differentiated lower-level units, and these changes may trigger further change initiatives from the top. We have synthesized these insights into an evolutionary framework for organizational change (see Figure 1). The framework gave us a language to study and theorize organizational change in our empirical study, to which we now turn.

*** Figure 1 about here ***

Methodology

Case selection

In case study research, the objective is to find a site where the phenomenon is 'transparently observable' (Pettigrew, 1990). The organization selected for this study, Unilever, has provided inspiration to successive generations of IB scholars, and featured as an exemplary case of an emerging transnational corporation in Bartlett and Ghoshal's (1989) original study. The identity of a transnational was also adopted by Unilever's top management (Maljers, 1992). However, by 2011, when the first pilot interviews for this study were conducted at Unilever's head office in London, it was clear that the company had undergone transformational change and could no longer be characterized as a transnational[3]. The guiding question for our study became to understand how and why this change had taken place. As well as examining the actions of the TMT, we selected Dove, one of Unilever's largest brands, as a nested case-within-the-case to observe how the TMT's changes to the selection system were enacted by decision-makers at different levels and in different geographies in the MNC. Because of its global scale, studying the Dove brand enabled us to track changes to value chain activities across countries and regions, providing us with an understanding of how these activities were coordinated and controlled over time. Extending our study to the brand level allowed us to go beyond what Westney and Van Maanen (2011) have termed the 'view from the executive suite': that is, to avoid being confined to the perspective of the designers of the selection system by also including those engaged in decision-making (i.e. selecting) within the structures and processes of this system.[4]

Using a single-case process study to study change in the MNC

The purpose of a process study is to contribute to our understanding of the mechanisms shaping change; that is, to provide an explanation of a historical chain of events in context (Pettigrew, 1990; Van de Ven & Poole, 1995). We concur with Pettigrew's (1985, 1997) argument that to explain the ongoing change of

[3] For a more detailed account of the research journey, see the online appendix
[4] See Appendix 1 for a list of the participants including details of function, role, geography.

organizations such as the MNC, content, context and process cannot be separated. Answering our research question requires addressing all three dimensions of change: what Unilever has become, how it changed, and why the change occurred. In order to build these dimensions into our research design, we followed Sayer's (1992; 2000) methodology of the 'intensive case study'. He describes this as 'a process of discovery' (2000) to uncover the patterns and drivers of change in a single case so as to build a theoretical explanation. The quality of the contribution of an intensive case study does not depend on the number of cases studied, but on the insights that the single case studied in-depth can reveal about the phenomena under study. Our use of a single case is also consistent with others who have studied processes in the MNC (Balogun, Fahy & Vaara, 2017; Jonsson & Foss, 2011; Pant & Ramachandran, 2017; see also Burgelman, 2011).

A critical aspect of a process study concerns selecting the time period to be covered; a decision which needs to be made on theoretical grounds (Langley, 1999; Langley et al., 2013). In our case, the focal time period was 2000-2012. The period commenced with the TMT announcing a new strategy and structure meant to return the besieged company to growth. It brought Unilever's transnational era to an end. By 2012 the TMT was confident it had found the proper organizational 'solution' to compete in the era of global value chains that characterized the start of the 21st century. Tracing developments over more than a decade proved essential in the development of our final process model, which is based on waves of organizational change that we later theorized as three successive evolutionary cycles leading to a transformational change. Each of the evolutionary cycles can be considered a 'within-case replication' (Cuervo-Cazurra et al., 2016: 887), allowing for comparisons to enrich our theoretical understanding of how the transformation occurred. In order to validate our theoretical conclusions from this period (2000-2012), we placed the three cycles we studied in the longer history of Unilever's development.[5] Extending the time period in this way conforms to a process approach, which warns against an 'episodic' view of change (Pettigrew, 1985).

[5] See also appendix 2

Data Sources:

Consistent with the aims of an intensive case study, the type of data collected was determined largely by its potential to contribute to a plausible explanation for the events. This included the selection of participants for interviews, who were chosen on the basis of knowledge of, and participation in, the chain of events we were studying. Sayer (1992: 243) refers to this as the 'causal group'. This group was progressively identified until enough participants had been included so that the chain of events could be traced from the perspective of multiple parts of the organization. Included in the interviews were two of Unilever's former Chief Executives and three Executive Vice Presidents who were all closely involved in the decision-making about the design of Unilever's selection system. At the brand level, we interviewed a broad range of managers to capture a sufficient diversity of functions, locations and roles to understand where, why and by whom decisions were made about the various activities in the value chain for the various countries and regions around the world. Because almost all respondents had regularly changed roles during the twelve-year period, they were also able to draw comparisons to other brands and divisions.

A total of 68 interviews were conducted by the first author in 2011–2012 (see Appendix 1), with 10 follow-up interviews with key participants between 2012–2017. Interviews were semi-structured, encouraging participants to share their individual experiences and interpretations of the events that had taken place in the focal period for this study. Participants were asked to reflect on how the organization and their role within it had changed over the last decade, why, and how that had affected them. Although recall is often brought up as an issue in retrospective interviews (e.g. Golden, 1992; Huber & Power, 1985), we found this mostly applied to the recollection of facts such as dates, names and the chronological order of events; facts which we were able to reconstruct with the use of secondary data sources. Because subjective interpretations, or sensemaking (Weick, 1969), played an important role in explaining the evolutionary path of the organization, we treated differences in interpretation not as 'distortions' but rather as insights (Golden, 1992). The data sources we used to supplement the interview data included 12 years of annual reviews, 12 years of press releases and public presentations by senior managers. To reconstruct Unilever's evolution pre-2000, we primarily drew on the detailed data provided in earlier studies by Wilson (1954, 1968), Bartlett and Ghoshal (1989) and Jones (2005), as well as the first author's personal experience working for Unilever between 1984 and 1999. The large number of interviews in combination with secondary data sources allowed for sufficient triangulation to make sure our reconstruction of the events is as accurate as possible. Further validation was provided by feedback from three key participants on early drafts of the case study.

Data Analysis:

The process model which constitutes the theoretical contribution of this paper was progressively developed through the theory-data iterations essential to theory building, so that this more abstract level still remained firmly grounded in the evidence. A variety of analytical strategies was used in five stages, each building on the findings of the previous stage. The first stage of analysis commenced with all the interviews and secondary data being transcribed and coded to reconstruct the changes made in the selection system over time. Organizational charts were no longer readily available – even internally – and other aspects of the selection system are even less transparent, so the selection system had to be carefully reconstructed from multiple data sources. These findings formed the basis for the second stage, which sorted the events in the focal period into three distinct time periods or 'temporal brackets' (Langley et al., 2013), based on these organizational changes.

In the next stages of analysis, we moved from the event sequences towards a focus on the individual narratives to analyze how and why the events occurred. In the third stage, we turned to organizational evolutionary theory as a useful theory of change, developing the evolutionary framework for organizational change from existing literature which we presented in the previous section. In the fourth stage we developed and refined our process model, the multi-cycle model of MNC transformation, based on our findings in the Unilever case. To do so, we went back and forth to our database; this time to reconstruct for each evolutionary cycle how and why the changes to the selection system took place. By a process model, we do not refer to a '"boxes and arrows" model that is broken down into separate propositions', but rather a model 'that lays out a set of mechanisms explaining events and outcomes' (Cornelissen, 2017: 3, 5). In the final stage, we verified our emerging explanation by returning to Unilever's past and checking that its historical evolution could also be explained using the model (see Appendix 2 for a summary of the results). In the following section we will first present the model we developed. This will then provide the structure for presenting our findings about Unilever's organizational change cycles from 2000 to 2012.

The Unilever Case

Transformational Change in the MNC: A Model of Disrupting and Reinforcing Cycles

When Bartlett and Ghoshal studied Unilever in the mid-1980s, the company was evolving towards the transnational model and making efforts to increase cross-border integration across its historically powerful country subsidiaries (see Appendix 2). By the late 1990s, however, Unilever found itself under enormous external pressure to challenge this model in a rapidly changing environment disrupted by technological change. In 2000, the Chairmen[6] introduced a program called 'Path to Growth' that broke with the transnational model of powerful subsidiaries setting the strategic innovation agenda. Instead they instituted a radical redirection of the company towards regional efficiency supported by a regional structure. Over the ensuing decade, two major TMT initiatives followed: a plan called 'One Unilever' in 2005 that replaced the regional with a global front-back structure, and a subsequent initiative in 2009 to 'launch a new business model' (Unilever, 2009: 6) that would double the size of the company while

[6] Since the merger between the Dutch Margarine Union and Lever Brothers UK in 1929, Unilever has remained a dual structure (Unilever NV and Unilever PLC) operating as a single legal entity. Until 2005 the role of top executive was shared by two managers, known as the Chairmen, one representing Unilever NV and one representing Unilever PLC.

improving its environmental footprint. Each initiative marked the beginning of a new evolutionary cycle of organizational change.

When we compared these three initiatives, however, we realized that the first differed significantly from the two that followed: the first was a decisive break with the selection criterion of the transnational model (balancing global integration, local responsiveness, and worldwide learning), whereas the following two initiatives were each aimed at reinforcing the selection criterion (maximizing global efficiency) of the previous initiatives. We call the first cycle a 'disrupting cycle' and each of the following two a 'reinforcing cycle'. To explain the differences between them briefly: a *disrupting cycle* occurs when the TMT concludes that the key selection criterion of the past – hitherto believed to be critical for success – is no longer viable due to changes in the environment of the MNC. This kind of choice point can be considered a 'break point', because the new selection criterion breaks with the past: at least part of the old recipe for success is explicitly renounced. Ensuring decision-makers throughout the organization follow the new selection criterion requires not just far-reaching changes to the selection system, but also the active selecting out of people, resources, capabilities and activities which previously had been regarded as critical. In a disrupting cycle, retention of the newly introduced selection criterion faces considerable pushback and a mismatch between newly assigned responsibilities and the resources and capabilities to enact them. At the end of the disruption cycle outcomes and feedback are likely to lead to the conclusion that the expected outcomes were not (or only partially) achieved and that more change is necessary for the organization to deliver on its new selection criterion.

As a result, in Unilever, the disrupting cycle was followed by two *reinforcing cycles* which further entrenched the selection criterion of the previous cycle for the organization to successfully adapt its selection behaviour to the new selection criterion. As in a disrupting cycle, a reinforcing cycle is initiated when sensemaking by the TMT leads to a new strategy, but one which aims to improve delivery on the same selection criterion: that is, the same selection criterion is reselected, reinterpreted and reinforced. We term this type of choice point a flex point. In a reinforcement cycle, further changes to the selection system are made to align decision-making more closely with the selection criterion. Retention may also be improved, through the application of management tools that embed the new selection criterion in the systems and culture of the organization. As the organization's selection system adapts to the new criterion, internal satisfaction and alignment improve; feedback becomes more positive.

We present the evidence for this process of successive disruptive and reinforcing cycles in the Unilever case. The cycles, and the changes of organizational form they produced, were not planned or foreseeable in advance but were the result of what former Unilever Chairman Burgmans in an interview for this study referred to as a process of experimentation: 'This whole transition ..., it's easier said than done, but the execution of course is trial and error.... So it has been a long path of searching for how you do that well'. In order to understand each cycle of change in full, our case analysis penetrates beyond the corporate level of the organization to consider their effect on decision-making at the brand level. At this level, the organizational changes produced tensions, misalignments and pressures which only began to subside in the third cycle of change. By then, improving performance metrics and positive market feedback led the TMT to believe that it had reached the organizational 'solution' to deliver on the selected criterion for survival in this era: to maximize global efficiency.

While our analysis in this section is confined to the period 2000-2012, we also examined Unilever's earlier transformation in the late 1960s-1980s from a multidomestic organization to a transnational organization, using historical data (Bartlett & Ghoshal, 1989; Jones, 2005, Wilson, 1968). Our analysis of these sources finds a similar pattern of a disruptive cycle followed by reinforcing cycles (see Appendix 2). The conceptual model based on Unilever's entire history is shown in Figure 2. We will return to examine the model in more detail in our discussion, but first, we outline the three evolutionary cycles which transformed Unilever from a transnational into a neo-global organization.

Figure 2 about here

Disrupting cycle 2000-2004: Towards a regional MNC

Sensemaking leading to a break point: At the start of the new millennium, outsourcing and global value chains were transforming entire industries, facilitated by a rapidly liberalizing world economy and a revolution in communication and transport technologies. Unilever's Chairmen Antony Burgmans and Niall FitzGerald described the competitive dynamics of this new phase of globalization as 'unprecedented', and 'necessitating radical changes in the operating principles of the organization to survive' (Interview Burgmans 2012; Unilever Annual Report 2000). Simultaneously, Unilever found itself under enormous pressure to improve its financial performance. During 1999 its stock price had been in steep decline and by January 2000, Unilever's market capitalization had shrunk by almost £20 billion. The financial markets increasingly focused on Total Shareholder Return (TSR) as the measure of value, and based on this metric Unilever was outperformed by its peers. The chairmen attributed Unilever's weakness to its architecture of strong and entrepreneurial subsidiaries, which had not only become too expensive and too complex, but also made the company ill-equipped to compete in the new business environment (Interview Burgmans, 2012). Breaking with its transnational past seemed unavoidable.

In the 'Path to Growth' program, the Chairmen outlined and communicated their interpretation of what was necessary for survival: a strategic redirection demanding a change in the key selection criterion for all decision-making. Decision-making throughout the organization had to be more single-mindedly focused on seeking global (or if not possible then at least regional) efficiency to lift Unilever's shareholder return to a competitive level. The new corporate goal was to 'sharpen our portfolio' by reducing Unilever's total number of brands from 1600 to 400; its number of factories from 350 to 200; and by selecting fewer and larger (regional) innovation projects to work on. With this program the Chairmen promised the company would soon return to double-digit growth (Chairmen's Statement, Annual Report 2000).

Redesigning the selection system: To redirect organizational decision-making to achieve these objectives, the Chairmen believed that they had to make a radical change in the organization's structure. The only way to reduce the number of brands, projects and factories was to break with Unilever's multidomestic past and to curtail the decision-making power and autonomy of local subsidiaries (interview Burgmans 2012), something Unilever had in the past protected and cherished as a core strength. In 2001 the matrix structure at the top was replaced with a simple structure of two global product divisions. Each division was geographically divided into five regions (see Figure 3). Both divisions, Foods and Home & Personal Care, opened a Regional Business Unit (Regional BU) in each region headed by a regional President (see Figure 3). These Regional BU Presidents now became the key decision-makers – 'the driving force behind Unilever' (Unilever Annual Report 2002: 9) – a role they took over from the local chairmen. The Regional BUs were made responsible for the back end of the value chain which meant that factories, R&D and brand-development teams that hitherto had been part of the larger and more powerful subsidiaries in the region became part of the Regional BU. They were to decide which brands, factories and innovation products to keep and which to let go in order to maximize efficiency in their region. The mandate of all local subsidiaries, not just the smaller ones, was reduced to local sales, customer relations and brand promotion. Local marketing teams still existed, but their role was reduced to local brand promotion and sales support, or what became known as Brand Building. Brand Development was done by the marketing team of the Regional BU. Local responsiveness thus became the task of a regional rather than a local team. This does not mean local responsiveness no longer mattered, but moving local responsibility to a regional level allowed for greater rationalization and thus efficiency.

*** Figure 3 about here ***

<u>Enacting the selection system - the Dove case:</u> In 2000, Dove was already one of Unilever's largest and most global brands, but with 80 local marketing teams across the globe working on the brand, the brand mix (products, product claims, packaging, advertising and promotion) was increasingly disparate. In the transnational era, Dove teams in the more powerful subsidiaries were responsible for the brand in their country and simultaneously played a coordinating role for the brand in the region. In keeping with this dual role, they had a dual reporting line, both to a regional marketing director and to their local chairman.

The new structure created a single Dove team in each of the five regions, charged with consolidating the brand strategy and the innovation project portfolio in their region, reporting solely to the marketing director in the Regional BU. In most regions these regional brand teams were still co-located with the local company they used to belong to, but now as 'a satellite of the regional office' (Interview 29). Because Dove was selected to become a truly global Masterbrand, a global brand coordinator was nominated to unify the brand across the five regions.

The global brand coordinator for Dove was able to unite the regional teams around an inspiring shared vision for the brand, but coordinating marketing campaigns and an innovation strategy proved to be more challenging. Each region followed its own agenda, making their own brand-related variations and selections. The European brand team developed and introduced a Dove body care range, the Asian team developed and introduced a range of Dove hair care products, and North America developed a line of face care products. But although the regional Dove managers now had the mandate and resources to develop regional brand innovations and strategies, they experienced challenges in getting their strategies implemented locally. They could not force the country managers to support their initiatives. Local brand teams still controlled sales and advertising budgets, giving them the power to 'veto' brand strategies and innovations they did not consider suitable for their country; 'you could not get the strategy executed by the countries and by the sales team at the end of the day' (Interview 36). In other words, the new structure was not able to remove completely the consultative decision-making of the transnational era. When the European team developed a bold campaign to communicate the new (global) brand strategy, most European countries initially decided not to implement it. Only when the campaign proved to be a huge success in the Netherlands and in the UK did they follow suit. Inspired by the European success, the global brand coordinator then tried to spread the campaign around the world, but with mixed outcomes. For Russia and most parts of Asia the campaign was simply too European. 'It took about a year for the global team to realize that it really was not working everywhere' (Interview 29); 'We still had to learn how to do things in a more global way' (Interview 21).

Local marketers, even in what had been powerful subsidiaries in the transnational, lost their mandate to innovate and develop brands. Understanding and responding to consumer needs in local markets was now the task of the regional team. The regional team would involve the local team to conduct consumer studies in their country, but not every study was done in every country. The choice of where to conduct consumer studies became a contentious issue. Regional BU Presidents were also hesitant to rob large countries of what became known as their 'local jewels' (a common Unilever term; e.g. Interviews 25, 47, 48, 62): strong and cherished local brands. This helped local brand teams in these countries to hold on to some of the resources, competencies and local networks for brand development and allowed them to occasionally develop their own product variations or brand campaigns, also for regional or global brands such as Dove.

Feedback and sensemaking: In Unilever's 2004 annual report, Unilever's Chairmen concluded that, despite the organizational changes that had taken place since 2001, Unilever's future was still at risk. The Chairmen did not attribute this to a failure of the Path-to-Growth strategy and their attempt to redirect the organization towards greater efficiency. On the contrary: they concluded that the new selection system had been effective in increasing efficiency but needed further refinement. On a global scale, employee numbers had fallen from 279,000 in 2001 to 212,000 in 2005 and Unilever had succeeded in a dramatic cutback in the number of factories, R&D centres, brands, even categories. But despite the scale of this rationalization, by the end of 2004 Unilever was still struggling to achieve top-line growth and a competitive TSR (Annual Report 2004). In September 2004, Unilever shocked investors with a profit warning leading to a significant drop in its share price (Tran, 2004).

The TMT attributed the disappointing results to insufficient reactivity and speed: 'we have not been fast enough in reacting to toughening market conditions and increased competitive challenges' (Annual Report, 2004). The Path-to-Growth changes were designed to simplify the organization and put an end to the inter-unit bargaining (between local subsidiaries, and between subsidiaries and HQ) that had survived from the transnational era. Nevertheless, this break with the past resulted in pushback from many country-subsidiaries, from whose perspective it was difficult to see advantages in handing over the responsibility for responding to local consumer needs to a regional team. In addition, as seen in the Dove case, regionalization had increased regional integration to some degree, but had hindered global integration. Many autonomous variations survived as large countries held on to at least some of their resources and competencies that allowed them to follow their own courses, not out of rebelliousness, but because they felt responsible for protecting the company's local market position. The local chairmen had not really been dethroned (Interviews 32, 34). The changes to the formal structure notwithstanding, behaviourally 'there was a lot of hangover from the old model (…), a lot of resistance from the local businesses, a lot of negotiation, a lot of pushback, a lot of discord' (Interview 20). At the end of 2004 FitzGerald retired and was replaced by Patrick Cescau. Burgmans stayed on for the handover, but then retired from the Executive Committee to become Chairman of the Board.

Reinforcing cycle 2005-2008: Towards a front-back MNC

<u>Flex point and reinterpretation of the selection criterion</u>: Pressured by a tough environment with little or no growth in consumer markets in North America and Europe, the TMT concluded that more radical changes were necessary to place Unilever among the top third of its peer group in terms of TSR. Efficiency was reaffirmed as the key selection criterion, but re-interpreted. Achieving greater efficiency and a higher TSR required speeding up decision-making through greater simplicity in structures and processes and less internal bargaining (e.g. Annual Reports 2005 & 2006): 'We came to the conclusion we had to eliminate all duplication of roles and activities across the organization. At some point you have to say: one problem, one solution' (Interview Burgmans 2012).

<u>Redesigning the selection system</u>: To further increase efficiency by eliminating duplication of roles and activities across the organization, Unilever's Chairmen concluded, they needed a 'more agile structure with clear single-point accountability' (Annual Report 2004). The two-divisional structure of the previous era had been useful to reduce the number of brands and factories but had also resulted in a lot of duplication and lack of global alignment (Interview Burgmans 2015; press release 10/5/2005). At the start

of 2005 the TMT officially announced a restructuring they called 'One Unilever' (Figure 4). Decision-making power for the back end of the value chain was moved from regional to global teams. Only one of the five regional R&D and Category teams for each category survived to become the global team. The support functions of the two divisions – such as finance, IT and HR – were also consolidated into unified global groups. Moving decision-making power for the back end of the value chain from a regional to a global level meant a shift to single-point accountability for brand strategy and innovation, and was designed to the end duplication as well as internal bargaining. However, it also put an end to one of Unilever's former sources of competitive advantage: local variation. Burgmans acknowledged this was a significant break with the past: 'Today is a hugely important day in the long and distinguished history of our company.…We are leaving behind one of the key features of Unilever's governance, but this is a natural development' (Press release 10/2/2005).

*** Figure 4 about here ***

For the first time in its history, the TMT assigned itself an executive rather than coordinating role, symbolized by Cescau becoming Unilever's first Chief Executive Officer. As the Unilever Executive, the members of the TMT were no longer brokers in a differentiated network, but became key decision-makers for their function in the global value chain. At the back end of the value chain two Global Category Presidents overseeing eight Global (Sub) Category Centres were responsible for all R&D, category and brand development. At the front end of the value chain, three Regional Presidents overseeing the Regional Business Units were now responsible for their regional supply chain as well as local customer engagement, sales and brand promotion through the local sub-units in their region (Annual Report 2005).

One of the key challenges for the regional Presidents was to maximize efficiency by minimizing duplication in a regionally integrated supply chain servicing multiple categories. With the help of consultants, they worked on a model to merge all the remaining factories in their Region into a single sub-organization. Europe was the first region to open an integrated Unilever Supply Chain Company (USCC) in Switzerland in 2006, managing all European buying, planning, manufacturing and distribution to enduser markets across all product categories. Smart supply chain management, enabled by new technologies such as robotics and artificial intelligence, made it more efficient to reintegrate previously outsourced supply-chain activities back inside the organization. Like its key competitors, Unilever was keen to become one of the world's top ten leaders in supply chain management, a list published yearly by Gartner.

In each region, the remnants of the two former regional BUs (one for Foods and one for Home & Personal Care) were merged into one office, again to minimize duplication. These regional offices became the liaison offices connecting the global category development units with the local go-to-market units. The local business units retained their narrow responsibility for local customer engagement and sales. With global units becoming the key decision-makers for the back end of the value chain, the local sub-units were now even further removed from providing input into brands and innovation. Supporting the global units with local market intelligence became the role of the regional offices. At a country level, local Unilever companies (in the past sometimes up to eight companies in one country) were merged into one national 'Go-to-Market' office. Their role was to maximize efficiency in consumer and customer relationships by -as a single unit – promoting and selling Unilever's total brand portfolio across eight categories and about 24 sub-categories in their country.

<u>Enacting the selection system - The Dove case:</u> Because Dove was one of Unilever's strongest brands and one that was successful across multiple product categories, the brand was given its own global centre for brand development but had to negotiate R&D resources with the regular Category Centres. The European team located in Germany had been very successful as a regional brand team, but North America could claim to be the largest market for Dove and was the place where the brand was first developed and introduced. Much to the frustration of the team in Germany, the TMT decided that the global team would be spread over offices in London and New York and only a few of the members of the European team were offered a role in the global team. 'We felt betrayed (…) We were a dream team; … now we were a regional implementation team' (Interview 34). A lot of talent was lost when Unilever's brand

development and R&D teams were centralized. Many of those who were not offered an interesting job in the new structure, or were not able to relocate for personal reasons, ended up working for local competitors (Interviews 21, 60).

The global team for Dove was given formal decision-making power for all major brand decisions and was in control of the global innovation agenda. Its task was to contribute to efficiency by aligning the Dove product and innovation portfolio around the world. This in turn would greatly simplify product development, procurement, production, stockkeeping etc. It also meant it was now the only team with the authority to introduce variations to the Dove brand. Ideally brand variations were to have global rather than local or regional appeal to support the drive towards global efficiency. The team was under a lot of pressure to meet this unprecedented challenge, for which there were no predecessors whose example they could follow (Interviews 19, 31). Developing successful innovations had always been a challenge; developing innovations with global appeal proved to be an even more daunting task. Local teams were slow, sometimes unwilling, to adopt the innovations proposed and when they did, the innovations did not always prove to be very successful. A member of the R&D team later admitted that at the time they did not really know how to develop global products: ‘there was a definite perception that the global team was really North-America centric, more than anything else’ (Interview 19).

This led to continued local initiatives. For example, when the global brand team was struggling to create a strong global advertising campaign, the local Canadian team decided to produce its own film, one of the first advertising films produced specifically for online distribution. The film was an immediate success with consumers around the world and won multiple global advertising awards including the prestigious Grand Prix award in Cannes. The global brand team was quick to adopt the film and for a short while even invited the Canadian Marketing Manager to attend its global team meetings. As this example demonstrates, although convergence of the brand was underway, ‘there was still a fair bit of regional and local autocracy’ (Interview 20), resulting in a steady flow of autonomous variations coming from different parts of the world. However, in 2007-2008 Dove’s global market share was stagnant, causing great concern at the top of the organization. By the end of 2008 the brand team was restructured. The TMT decided that Dove would no longer have its own brand development centre but would be managed by the three global Category Centres in which the brand was active.

Feedback and sensemaking: In 2005, when they first introduced 'One Unilever', the Chairmen acknowledged that successful implementation meant that 'we must also be smarter and more disciplined in execution' (Annual Report 2004: 6), but no clear changes were made to achieve the cultural change this would require. At the end of this era, despite all its streamlining of structures and processes, the organization had still not reached the degree of global integration, speed and efficiency that the market demanded, and competitors seemed to have achieved:

> 'whilst most regions started to work quite well as a region, that global bit wasn't functioning very well at all: some regions did this, some regions did that, and some of the information travelled very sporadically, which was why [the TMT] felt it was time for Unilever to go the final step of globalizing the business. Nivea, L'Oreal and Procter had already done that a few years before' (Interview 29).

The global front-back structure depended on smoothly passing the baton from the back to the front of the value chain, a process that required strict conformity. But autonomous regional and local variations, although increasingly seen as unwarranted and disruptive, continued to emerge. It seemed that Unilever's old entrepreneurial culture was now the remaining obstruction to achieving the highest levels of efficiency.

Reinforcing cycle 2009-2012: Towards a neo-global MNC

Flex point and reinterpretation of the selection criterion: Towards the end of 2008 CEO Cescau retired and Paul Polman was nominated as the new CEO. With a 26-year career with Unilever's rival Proctor & Gamble and a short stint with Nestlé, Polman was the first outsider to be appointed CEO. His nomination was a clear indication that the Unilever Board felt that the organization was ready for a change in leadership style. In his first year as CEO Polman launched a bold vision for the company: to double its size without enlarging its total environmental footprint (Annual Report 2009). Although the business press focused on his commitment to environmental sustainability, he also strongly reaffirmed global efficiency as the key selection criterion and the foundation for survival. The strategic objective was to drive out all unnecessary complexity to achieve a large scale, high-quality and high-speed global supply chain that could roll out innovations 'further and faster around the world' (Annual Report 2008: 8; 2009: 5). The goal was to eliminate all variations that lacked scale: 'To grow at the rate we want to, we focus investment on products that can work globally rather than on launches in just a few countries' (Annual Report 2009: 9). This did not signal an end to local responsiveness, but rather an end to responding to small-scale opportunities. Environmental sustainability was subject to the same selection criterion. To become a 'sustainable growth company' (Annual Reports 2009-2012), initiatives to select for social and environmental value creation were those providing a win-win: growth as well as positive social impact (Interviews 18, 21, 64). Polman felt that Unilever was on the right path to achieve these ambitious targets, but had to make radical changes to its culture (Annual Reports 2009 & 2010; Interview 20). Too much internal bargaining and too many teams operating outside their allocated responsibilities were hindering the organization from reaping the benefits of the highly interdependent global structure that was starting to emerge.

Redesigning the selection system: In order to move towards a selection system that maximized global scale and efficiency, the TMT further fine-sliced the internal activities in the global value chain to achieve single-point responsibility. The front-back structure was replaced by a structure consisting of four sub-organizations responsible for the key steps of the global value chain: a global R&D organization, a Category and Brand Development organization, a Supply Chain organization, and a 'Go-to-Market' organization (Figure 5). At the helm of the four sub-organizations was an Executive Director. Within each sub-organization, value chain activities were further fine-sliced. R&D, for example, was divided into three types of activities: 'discover, design and deploy'; the Supply Chain organization into 'buy, plan, make and deliver'. Managers were assigned to well-defined highly specialized activities. They were to maximize efficiency in their activity within the value chain through innovation, scale and standardization. They were given decision-making autonomy – including the autonomy to generate variations – but only within the narrow confines of their designated activity and of centralized systems and procedures, and with the ultimate goal of contributing to greater efficiency of the organization as a whole.

Unilever thus became an organization of specialists jointly forming a highly efficient multi-category global value chain. While control over value chain activities had now been centralized and selection was now in the hands of global teams, these teams were dispersed around the world and located wherever it was most efficient for them to operate. In other words, this was distributed centralization, rather than value chain decisions being concentrated in a single country or global product division as had been the case in the global companies of the 1980s (Bartlett & Ghoshal, 1989). Standardized company-wide systems facilitated the coupling of activities in the global value chain. Establishing a culture of discipline was the last step necessary to ensure a tight coupling between these distributed activities.

*** Figure 5 about here***

Fine-slicing the activities in the global value chain enabled the teams responsible for each activity to aim at maximizing scale and developing the leading-edge technology and know-how to execute the activity in the fastest and most efficient way, rooting out all unnecessary duplication and variation across Unilever. The R&D sub-organization was to focus on breakthrough technologies and formulations that would bring the greatest benefit to Unilever's portfolio as a whole whilst maximizing synergies from the use of similar raw materials and manufacturing equipment wherever possible. Category Management continued to streamline the brand mixes and innovation projects around the world. Global brand teams learned that rather than simply imposing global innovations everywhere, they had to decide if and where local or regional variations were warranted. To obtain support for the development and manufacturing of non-global product variations the brand team had to demonstrate that a large enough cluster of countries was interested in the variation (Interview 9). The Supply Chain Organization was responsible for Unilever's total portfolio and developed a centre of excellence for each activity in the supply chain from procurement to order fulfilment. Many activities were aligned across all of Unilever's eight categories and became the responsibility of only one global team. A global enterprise support centre ('Unilever

Enterprise Solutions') was opened in Bangalore in 2012 (Annual Report 2012: 23) to enable efficient IT-based linking between the activities in the global supply chain. Unless internal scale for the activity was insufficient for the development of leading-edge technology, activities were to be kept in-house and executed using state-of-the-art technology to achieve the highest possible levels of efficiency. Outsourcing was no longer seen as an attractive option; 'zero outsourcing' became the new target (Interview 8).

The mandate of the 'Go-to-Market' organization was 'to drive speed-to-market' and 'further simplification and efficiency' in the roll-out of brand strategies and innovations (press release 23/6/2011). The number of local offices was scaled back to no more than one go-to-market office per country responsible for Unilever's complete portfolio. Smaller countries were grouped together in larger country-clusters. Even the Netherlands, once the home of at least eight Unilever companies each with its own offices, R&D centres and factories, now became part of the Benelux cluster (Belgium, Netherlands, Luxembourg) with one Go-to-Market office for the three countries. IT, HR or finance managers in the local units no longer reported to the managing director of the local unit. They were 'business partners' hired out by global teams, implementing global processes and procedures, and reported either to their regional liaison manager or directly to their global director. The goal was consistency of company-wide systems, processes and procedures.

To turn Unilever into a 'disciplined organization' of specialists proved to be one of the most difficult challenges. In 2009, Polman introduced the so-called 'high-performance culture' characterized by 'individual responsibility and accountability', and supported by 'simplified target setting and sharpened individual performance management' (Annual Report 2009: 5). This meant a relentless focus on individual targets (Interviews 10, 32, 52) to bring about a cultural change. Not delivering on these targets meant a poor performance rating and eventually an exit (Interview 26). In his first two years in office, Polman replaced more than half of Unilever's top 100 managers (Interview 27). Some left voluntarily because they did not feel they were a fit with the new culture: 'Let me put it like this: I feel now I would probably buy more shares in Unilever, because I think it's probably going to be a better run organization, but I don't want to be an employee at Unilever any longer' (Interview 29). Where mindsets proved hard to change, people were changed instead.

<u>Enacting the selection system - the Dove case</u>: Designers in the R&D sub-organization commented that in this era they really learned how to act globally (Interviews 19, 20, 21). The team responsible for the global development of a new and improved Dove shower gel, for example, was able to move from seven very different formulations around the world to three formulations, each designed for a different cluster of countries. Centrally designing these three formulations made it possible to keep variation to a minimum and to maximize shared ingredients. This resulted in significant savings on a global scale. Global Category teams worked with global advertising companies to develop global campaigns; with global PR companies to develop global PR campaigns; and with global market research companies to carry out market studies around the world. Aided by technology and simultaneous translators, they could even virtually 'attend' consumer research sessions anywhere in the world if they wanted (Interviews 9, 25).

Local responsiveness, certainly in large and distinct markets such as China and India, was still considered important, but it was no longer deemed necessary to have a local brand development and R&D team to achieve this. In other words, new technologies allowed local responsiveness to be achieved remotely, without local category and brand development teams. Although in previous eras local teams would still be informed when the global team was carrying out local market studies, global brand development managers started to avoid involving local managers to avoid lengthy discussions about where and how such studies were to be carried out:

> 'Now such debates [between country managers and global category managers] do not really take place anymore. The role definitions are clearer and [the Global Brand SVP] has more authority. Countries accept this and will not question design decisions the way they did in the past.' (Interview 23)

The global team responsible for Dove developed 'repeatable models' for growing the brand in all of the more than 100 countries in which the brand was sold (Interviews 12, 38): 'depending on the characteristics of the country we develop two or three campaigns, one for countries in Stage 1 [i.e. where the brand was only recently launched and/or still had a small market-share], one for countries in Stage 2, and one for countries in Stage 3' (Interview 38). Local innovations that could be globally leveraged, such as the Canadian on-line Dove ad in the previous cycle, were no longer possible: local marketing (or 'brand building') managers lacked the skills and resources to develop their own variations. They would implement the brand activities and innovations the global team handed to them: 'We now have these structured "Think Big" packs where you get all the information you need in a huge PowerPoint file that is cascaded' (Interview 53, see also Interview 25). Local sales teams would enter their 8-weeks sales forecasts into a system, the 'integrated enterprise support system', based on which the Unilever Supply Chain Company would make its regional production and procurement plans. Often local teams would not even know in which factories their products would be made that month: 'It can happen that one week the Magnums we ordered come from the factory in Germany and next week they come from Italy. That is all optimized by the [enterprise] system' (Interview 27). Deliveries went straight from the factory to the customers. In the words of the CEO of Hindustan Lever, once one of Unilever's most powerful autonomous subsidiaries, the local company became an 'execution powerhouse' (Hindustan Lever Annual Report 2011-2012).

<u>Feedback and sensemaking</u>: While growth in North America and Europe slowed down as a result of the financial crisis in 2008, large emerging markets such as Brazil, India and China continued to grow. Traditionally Unilever had been stronger than its North American and European rivals in these countries; an advantage that now started to pay off (*Economist*, 2008). From 2009 onwards, Unilever's sales in the developing world (Asia, Africa and Central and Eastern Europe) outperformed sales in Europe and the Americas. Unilever's world ranking on TSR moved from 9th to 5th position. Internally, there was a growing sense that everyone was falling into line. Some managers felt the new disciplined culture and standardized processes came at a price: 'I think we might be little by little killing the fire of this company' (Interview 22); 'what we are losing is creativity and instinct' (Interview 32). But others were positive: 'I

love it. In a large organization like this with such big brands you need to divide the tasks. It is our role to make it relevant for the local market. It's like a relay race, we take the baton from them [the global category teams] and run with it' (Interview 26). Replacing the old entrepreneurial culture had taken the removal of all resources and capabilities from sub-units, the introduction of a new rewards system, and the replacement of a large number of managers with managers from outside the organization. The new culture suited the new selection system: a culture that valued discipline, specialization and coordination. The unauthorized, autonomous variations that had still been rampant during the early cycles were no longer possible after 2009. By 2012, Unilever had evolved into a 'global delivery highway' that produced and distributed new products in multiple categories to every country in the world with a speed-to-market and cost efficiency only a few other organizations with the same scale could potentially match.

Unilever took 10 years, and three rounds of re-aligning the selection system to the new selection criterion, to transform into this new type of organization. But as evolutionary theorists would caution, this does not mean that the organization was now better adapted to a changing environment. As the advantages of the neo-global solution became more tangible, disadvantages also emerged: lack of variety, loss of talent, and not only the loss of a more fine-tuned local responsiveness, but also a lack of embeddedness in local business and political circles. Internal variety, once Unilever's source of competitive advantage, was drastically reduced and Unilever started to become more dependent on acquisitions and third parties for innovation (Walt, 2017: 130). Recently, the rise of 'home grown companies' with 'home grown advantages' in emerging markets prompted Santos and Williamson (2015) to urge companies like Unilever to rethink the assumptions that underpin the neo-global 'success recipe'. But in 2012, the overall sense was one of being firmly in control and having found the proper 'solution' for the challenge of the time: to operate with the greatest global efficiency.

Discussion

This study started with the observation that in 2011, Unilever was no longer a transnational organization. The quest of this study then became twofold: to investigate what had become of Unilever, and how and why Unilever had been transformed. In this section, we first compare how the core characteristics of the neo-global differ from those of the transnational. We then turn to our explanation of how and why Unilever made the transition to the neo-global, and return to our multi-cycle model of MNC transformation (Figure 2) to discuss the cycles of disruption and reinforcement we observed. We then draw out the implications this has for future research on the evolution of large multi-divisional MNCs.

The Neo-Global Corporation

The type of organization that Unilever had become differs so significantly from any of the organizational forms described in the literature that it merits it its own label. We call it the neo-global to acknowledge that it shares with Bartlett and Ghoshal's 1980s global model the concentration of decision-making at the corporate centre of the MNC and its focus on efficiency. However, it differs substantially in its wide geographic distribution of centrally controlled capabilities, and dense horizontal interactions and interdependencies across its sub-units, bearing little resemblance to the 'hub-and-spoke' model of Bartlett and Ghoshal's global MNC. The *neo*-global aspires to be global in every aspect of its organization - structurally, culturally and strategically - and forms part of a new global institutional environment that emerged in the context of the first decade of the 21st century. Elements of the transformation of the transnational to a neo-global have been noted by other scholars but not assembled to identify the new organizational form we portray here.

*** Table 1 about here ***

Table 1 summarizes the significance of this transformation by juxtaposing the key characteristics of the transnational and those of the neo-global. The transnational balanced multiple criteria (global integration, local responsiveness, and worldwide learning) in order to respond flexibly to external pressures and to leverage its internal variety. The neo-global, in contrast, maximizes a single criterion, global efficiency, and makes decisions about local responsiveness and learning subject to this criterion. It leverages the most advantaged locations in the world in order to achieve global scale and efficiency advantages for each step of the value chain. Supported by centralized and standardized processes and procedures, the neo-global is characterized by its horizontal 'relay race' structure of specialized sub-organizations each in charge of a narrowly defined activity in a multi-category global value chain (figure 5). The organizational form of the neo-global was not feasible in the transnational era, and was even less so in the preceding decades. Since the early 2000s, technological advances (especially the rise of the Internet), trade liberalization and converging consumer tastes have made it possible to centralize control of most value chain activities even if they are geographically dispersed, without losing all local responsiveness. In the neo-global, decisions about local or regional responsiveness are made by centralized units in charge of finely sliced value chain activities, using detailed information collected from various locations around the world and analyzed centrally. As a result, the neo-global addresses the local/global dilemma through dispersed centralization and remote localization. It allows the organization only to invest in those local opportunities whose scale promises the greatest returns, either because they are shared by a cluster of countries or because the country's market is very large.

Rather than the coordinating and network brokerage roles they played in the transnational model, the TMT now plays an executive role, each member in charge of a sub-organization responsible for either a support function or a part of the value chain. Their role encompasses the designing and structuring of their sub-organization with the objective of maximizing efficiency and identifying, developing and implementing 'global best-practice' for each activity in their sub-organization. The centre of decision-making power thereby shifted from local subsidiary chairmen to global specialists. Alignment between the different units in the organization, once dependent on the circulation of people and sharing of knowledge through procedures such as job rotations and socialization, is now achieved largely through automated, standardized systems and procedures. While the managerial culture of the transnational was characterized by inter-unit negotiation, political manoeuvring, and consensus-building, the neo-global thrives on a culture of discipline and conformity to clearly defined responsibilities and targets for each of the specialized sub-units. The managers in these sub-units do have decision-making autonomy – often with global impact – but only within the narrow confines of the activity for which they are responsible and within the bounds of centralized systems and procedures that leave little room for variation. Managers are accountable to deliver a set of individual targets rather than a set of targets shared with a team, as in the transnational period.

Both the transnational and the neo-global are the outcome of a long-term single-minded focus on a particular selection criterion. The more the organization adapts to deliver successfully on this criterion, the more the vulnerabilities inherent in this 'solution' also come to the fore. The transnational had the advantage of internal variety that produced the potential for worldwide learning, and a capacity for balancing efficiency-driven global integration with local responsiveness to respond flexibly to widely varying external environments. However, it demanded a structure that was complex and costly and relied on time-consuming internal debate to find a compromise across integration, responsiveness, and learning. The neo-global ended these inefficiencies but developed its own vulnerabilities in the process. Efficiency – defined as one problem, one solution – created a lack of variation. A system of centrally coordinated innovation projects, for example, is more efficient than multiple teams around the world all trying to solve the same problem, but may well lose the benefits of internal variety and world-wide learning. By decreasing the number of 'experiments' conducted around the world, it can also reduce the chances of generating breakthrough solutions. Not surprisingly, the neo-global has become increasingly reliant on external sources of innovation, including acquisition of new products and brands (Walt, 2017). Other weaknesses include the loss of 'generalists' in what has become an organization of specialists, and a loss of local connectivity or 'embeddedness' (Santos & Williamson, 2015) as a result of a growing embeddedness in an network of other global organizations. The latter leaves the neo-global highly exposed if resentment over globalization were to build, a social change that may well push the neo-global towards a new break point.

The transnational balanced global integration, local responsiveness and worldwide learning in the technological and geopolitical context of the 1980s and early 1990s. The neo-global is a form for the diversified MNC to survive and thrive in the context of the first decade of the 21st century. It exploits the new possibilities for efficiency, scaling, and location choices that resulted from broader changes in technology and the international business environment. The shift towards a single-minded focus on global efficiency can also be linked to the broader macro-shift from managerial to financial capitalism, with its focus on a fairly narrow set of short-term financial performance indicators and an increasing number of global rankings and scorecards (Davis, 2009; Kristensen & Zeitlin, 2005; Zorn et al., 2005). Unilever was not alone in its pursuit of an organizational form focused on efficiency. Evolutionary theory suggests that competitors co-evolve towards a similar selection criterion or set of selection criteria, thereby co-creating the competitive conditions to which they then continue to adjust (Greve, 2002). A review of the annual reports of Unilever's key rival Procter & Gamble (P&G) shows that in the same period (2000-2012), P&G was also shifting to organizational solutions that aimed to increase efficiency and shareholder return. It too moved to a front- back organization in the early 2000s, later followed by a structure of horizontally aligned functional pillars supported by centralized services and IT (P&G annual reports; see also Bartlett & Beamish, 2018; Galbraith, 2010, 2012). Yet despite the similarities, the model we propose suggests why the transition that took place in P&G would not be identical to that of Unilever: they have different starting points due to their administrative heritage (see also Bartlett & Ghoshal, 1989), and face different challenges in changing the organization's selection criterion. Nevertheless, given the complex nature of both organizations, we would expect the process of transformation in both organizations to have gone through similar cycles of change, our explanation for which we now elaborate.

A multi-cycle model of MNC transformation

In many ways, the model we developed is consistent with observations which Doz and Prahalad (1987, 1988) made about the transition of multi-domestic organizations to integrated networks: changing an organization as complex as the MNC is a lengthy process that encounters resistance and requires cognitive and political changes as well as changes to structures and formal reporting lines. However, in our study we found that such a transformation process is less a progression of stages than a non-linear and ongoing succession of evolutionary cycles. In our case, Unilever's transformation from the transnational towards a neo-global corporation is the outcome of three successive evolutionary cycles: an initial 'disrupting cycle' that broke with the 'recipe for success' (i.e. the selection criterion) of the past, and two 'reinforcing cycles' through which the organization's TMT refined its 'solution' for operating in accordance to the new selection criterion (see Figure 2). Our process model of transformational changes in the MNC draws attention to the fact that the dynamics of a disrupting cycle differ from those of a reinforcing cycle. Successive cycles of reinforcing a disruptive new selection criterion that breaks with the past can eventually transform even large and complex organizations such as the MNC. It is our answer to the question of how an organization as complex as the contemporary MNC is transformed over time.

Break points & disrupting cycles: Break points are the points at which the TMT decides that the old selection criterion around which the organizational selection system is structured and refined over many years is no longer working. It is the pivotal point in the evolution of the organization that ends one selection system and initiates a new one. Our case suggests that break points are rare; we observe only two in the long history of Unilever (see Figure 2). At the time of a break point the dominant rules by which the organization has been competing are rejected, a decision that requires deep internal doubt about the ongoing viability of the organization's tried and tested 'success recipe' in a changing world. While a break point is a punctuated event, it is preceded by a process of sensemaking. It begins a cycle of disruption. The disrupting cycle necessarily entails de-selecting, or at least de-prioritizing, what had been regarded as a key source of competitive advantage in the past. In our case, Unilever left behind what had always been its key foundation for success: local responsiveness through local subsidiaries that had decision-making power to respond to local opportunities. When such a long-entrenched selection criterion is renounced, lower levels of the organization have difficulty in making sense of the change, and major organizational pushback often follows. An important role thereby for the TMT is to seek acceptance from its key managers for the new selection criterion through a discursive and political process of sensegiving (Weick et al., 2005). Changing the selection criterion in a large multi-divisional and multicultural MNC plunges the organization into a period of heightened uncertainty.

The pushback which occurred in Unilever's first change cycle was not just from local 'barons' wishing to protect their power base – political dynamics also observed by Bartlett and Ghoshal (1989) in the earlier shift to the transnational – or from managers asked to relocate to a new sub-unit. The new selection criterion and the re-distribution of power conflicted with the mindsets, routines and habits of the selection system of the past, and these took time to change. Local (later regional) teams held on to their habits and routines and to their deep-seated belief that continuing to respond autonomously to local or regional opportunities was in the best interest of the organization (see also Kristensen & Zeitlin, 2005). Not only old habits and mindsets, but also considerable levels of resources and competencies were retained in the various sub-units of the organization, enabling a continuation of decision-making that did not conform to the new selection criterion. In the transnational's selection system this entrepreneurial mindset and the variations it produced were encouraged and rewarded, but in the neo-global this behaviour was interpreted as undesirable and rebellious.

Moreover, as the TMT members participating in our study acknowledged, the structural reengineering of the organization to adapt to the new selection criterion was necessarily a process of 'trial and error' and of 'making mistakes and learning from your mistakes' (Interviews 64, 18). There was no blueprint to follow. In a disrupting cycle, levels of ambiguity are high; the new selection criterion may not be widely understood or valued; pushback, inertia and tensions are unavoidable; and the TMT's redesign of the organization may even introduce new shortcomings and inefficiencies.

Given these upheavals, we would expect the disrupting cycle to be particularly vulnerable to disappointing results and missed targets. Adding to these problems is the time lag before potential benefits of the organizational changes begin to be visible. In Unilever's case, internal misalignment between new structures and processes and established routines and mindsets, combined with external pressure due to disappointing financial results, motivated the TMT to press on with further changes. It is important to note that the process of making sense of the disappointing results did not engender doubt about the new selection criterion. The perception persisted that survival depended on achieving competitive levels of global efficiency and that Unilever's old operating model was too expensive and inefficient. Trends and forces in the institutional environment confirmed this; a single-minded focus on global efficiency was not unique to Unilever. The TMT decided the organization had to redouble its efforts to enforce the selection criterion. The Chairmen themselves, however, were replaced at the end of the disrupting cycle, a pattern we also saw in P&G in 2000.

<u>Flex points & reinforcing cycles</u> Flex points occur when the sensemaking triggered by the internal and external feedback of the previous cycle leads the TMT to conclude that the selection criterion-in-use, while remaining valid, needs to be re-emphasized, perhaps re-defined, or enforced much more strongly. This means that the behaviours and decisions entailed by a selection criterion are not fixed but discovered and redefined over time. In the Unilever case, maximizing efficiency remained the dominant criterion throughout the transformation, but its interpretation changed from deselecting unnecessary local variations, to deselecting regional duplications, to avoiding duplication in activities across all of Unilever's categories and geographies. In each reinforcement cycle the TMT adapted the selection system with the intention of designing the most effective organization to deliver on the new interpretation of the selection criterion. Learning from the internal and external feedback from previous cycles is part of the reinforcing process. As the organization became more adapted to the selection criterion, a wider range of retention mechanisms - such as reward systems, scorecards and standardized global processes and procedures - was introduced to embed the selection criterion until there was a strong sense that company-

wide systems, routines, habits and mindsets were realigned with the new selection criterion. With each reinforcing cycle, the TMT's confidence in the selection criterion and the selection system increased. Although that did not mean that there would be no further flex points and reinforcement cycles, the changes to the organization were becoming smaller, and internal tensions were significantly reduced due to the growing internal alignment with the selection criterion.

The number of reinforcement cycles necessary to achieve this new balance may vary from case to case. Complex diversified MNCs may require multiple reinforcing cycles – whereas smaller and simpler organizations may fit the single-cycle stage models that have characterized organizational change models for many decades (Ancona, Kochan, Scully, Van Maanen, & Westney, 2005: VIII 11-14). Our model suggests that the organization will undergo as many reinforcement cycles as are necessary for it to realign its structure, mindsets, habits and routines with its new selection criterion. While the possibility that the organization would decide to revert back to its previous selection criterion rather than persist with the transformation process cannot be ruled out, we would expect this to be a rare and unsustainable occurrence, given the external environmental pressures which trigger a break point.

The multi-cycle model we propose suggests that recognizing which kind of change cycle is underway will be useful both for managers attempting to direct and assess a process of organizational change and for researchers attempting to understand it. Disrupting and reinforcing cycles put different kinds of pressures on the organization. For managers, the challenges they are facing and the tools most suitable to address them differ depending on the type of cycle their organization is experiencing. For researchers, the model offers a more nuanced view on different types of change within complex organizations, and helps them understand that the difficulties of the change processes they are observing may be related to the nature and timing of the cycle underway. Without awareness of this model, the early stages of transformative change risk being interpreted as failure – not only by participants but also by those observing it. Doz and Prahalad (1988), for example, reported that the most prevalent cause of failure in their case study of organizational change was 'the widening gap between the broad cognitive shift and the administrative infrastructure needed to support it' (1988: 80). As our model suggests, it could well have been that these organizations, rather than having failed, were still in their disrupting cycle or an early reinforcing cycle. In 2004 Unilever's transition from TNC towards a more global organization could not yet be considered successful. This would take another seven years in which the company engaged in two more cycles of change, two major restructurings, replaced many of its senior managers by managers from outside the organization, introduced radically new technologies and centralized processes and procedures. Paradoxically, evolutionary theorists caution that achieving successful alignment with the selection criterion may not mean success in an adaptive sense, given the fact that the environment will have continued to change in unanticipated directions, to which the organization may now lack the capability and flexibility to respond.

Advancing the IB research agenda

In order to explain how Unilever transformed since the transnational era of the 1990s, we revived and built upon the meso-level study that was a hallmark of the influential MNC research of the 1980s. The meso-level focus of such studies is all too rare in contemporary scholarship on the MNC. As our case demonstrates, studying the organizational design of the MNC as a whole – that is, bringing back the 'missing' meso level – provides deeper insight into the dynamic nature of the phenomenon of the MNC; its changing role in society, and the changing nature of its parts. Much IB research has tended to assume continuity across time and similarity across MNCs in organizational constructs such as subsidiary, regional and corporate HQ, and even centralization (despite the evidence that recent technological changes have divorced organizational centralization from locational concentration). Even where researchers have noted discontinuities, such as the fragmentation of country subsidiaries or the virtuality of some corporate headquarters, the absence of meso-level studies of the changing organization of MNCs has deprived such researchers of the larger organizational context in which to address the consequences of these changes. Bringing back meso-level theorizing into IB opens up a rich area for further work. Of these many possibilities, we would highlight three trajectories for future research which our study and our process model suggest.

The first would deepen understanding of the various phases of the transformation cycles we have outlined. For example, research could investigate the processes of internal negotiations and battles that precede a decision to break with the existing selection criterion and the processes of trial-and-error in designing the selection system for a new selection criterion. Researchers could also compare these processes for the disrupting and the reinforcing cycles (the break points and flex points). One focus of such research could be the role of the TMT as the designers of the organizational structure and their activities of sensemaking and sensegiving. Another focus could be how the disruptive and iterative cycles of change are experienced over time at lower levels of the organization, both at the sub-unit and the individual level, and whether these differ over time and between the disrupting and reinforcing cycles. Including some analysis of the meso-level context of more micro-focused studies, both the larger structure of the organization and whether it is at the beginning of a change cycle or well advanced into it, can also provide a stronger anchor for understanding such issues as HRM initiatives or variations in the dynamics of global teams (an increasingly important area of research for IB).

The second type of research would elaborate on the implications of the neo-global for the different parts of the organization and their operations. The profound structural changes we have traced in our study (such as the phasing out of country subsidiaries and the introduction of the horizontal relay-race structure) have changed the role and nature of sub-units, the role and nature of the functions within the organization, and the impact the organization has on society at large. Future research could focus on any or all of these aspects, linking the meso-level, which is the subject of our model, with the micro and macro levels. For example, how do sub-units of the internal value chain operate, what is their link to the local institutional environment and to external value chain partners, and how do careers develop in and across different sub-units? Much attention has been paid in IB to the external fine-slicing of manufacturing activities in many industries (Buckley, 2014); the Unilever case study suggests that fine-slicing of activities also took place internally, across all functions. The implications for these changes have yet to be explored. For example, what has become of the marketing and market research function in the context of the neo-global that allocates different specialized marketing activities to different sub-organizations that operate in very different ways? Finally, there is the macro-level question of what role, if any, the neo-global MNC, with its severing of the link between local presence and local responsiveness, has played in the rising backlash against globalization.

Finally, the phenomenon of the neo-global itself warrants further investigation in other organizational contexts. Our decision to study a single multinational was driven by our aim to understand and explain organizational change over time, but this research design did not enable us to address how widespread a phenomenon the neo-global is. The Unilever managers who participated in the study certainly believed that they were converging with their peers on a more standardized industry 'solution'. There are indications from practitioners, as well as some evidence from Unilever's rival P&G, that other large MNCs are also moving towards a configuration based on global value chain activities and a focus on 'the integration of production and value delivery worldwide' (Palmisano, 2006: 129) as their source of competitive advantage. While this suggests mimicking behaviour by Unilever and their peers, we are not claiming generalizability to the population of MNCs. In fact, one implication of our study is that as a research community, we should be more attuned to the heterogeneity of the phenomenon we term the 'MNC'. We expect that the neo-global, which competes on the basis of its global scale, would only be an option available to the largest MNCs. Case studies of smaller MNCs and those that embarked on internationalization in the 1990s and later (such as some emerging market firms and MNCs in new industries) could explore whether a selection system that prioritizes efficiency is characteristic of this era of international business or a feature of the very large diversified MNCs such as Unilever with a transnational heritage.

Conclusion

As we observed at the outset, the body of research and theory-building on MNC organization in the late 1970s and 1980s, of which Bartlett and Ghoshal's transnational was an important part, has provided some of the core concepts in the study of the strategy and management of MNCs; concepts that still dominate much of our understanding of MNCs today. However, the world observed by Bartlett, Ghoshal and their contemporaries has changed, and the source of multinational competitive advantage has shifted to speed and efficiency in global value chains. In Unilever's case, the result was the neo-global: an organizational response (and contributor) to this new era, in which centralization could be distributed efficiently across countries, rather than based in a single location, and local responsiveness could feasibly be delivered more remotely, rather than relying on nationally or even regionally based teams. This new organizational form could not have been foreseen in the era of the transnational. It evolved as the result of a perceived need to maximize global efficiency in a changing world.

The purpose of a case study, whether single or multiple, is not statistical generalizability. Its strength lies in offering analytical generalizability: that is, it provides an opportunity to understand the changing nature of phenomena, revise and refine our theoretical concepts and, in the case of a process study such as ours, to explain how and why events occur. The model we have offered – iterative cycles of disruption and reinforcement of the selection criterion – explains how and why an organization as large and complex as the MNC nevertheless can change over time. Developing a model of this kind has required a lengthy period of observation in order to obtain insight into the dynamics of these successive change cycles.

Future IB research can benefit from being more attentive to change, time and process. The multinational is evolving and will continue to do so, but theories of the MNC have been less dynamic than the empirical phenomenon they seek to explain. As a consequence, we risk losing relevance in research, teaching and practice. Concepts which derive from earlier forms of the multinational, such as the transnational, may not be adequate to capture changes in contemporary MNCs (see Zander &

Mathews, 2010). The neo-global is an organizational form that is just as temporally bounded as the transnational which preceded it. Consistent with evolutionary theory's assumptions of change rather than stability, we should not see the neo-global corporation either as a normative ideal or 'end state'. There is indeed mounting evidence that the liberalizing period which enabled the rise of the neo-global, and which has often been taken for granted in IB research, is currently under considerable strain (see for example Verbeke, Coeurderoy & Matt, 2018). Even as interviews were underway for this study, an anti-globalization movement held a demonstration a stone's throw away from Unilever's head office in London. Pressures for global integration and national responsiveness will shift again in the future.

One of the paradoxes identified by the organizational evolution perspective is that as organizations become more aligned to an internal selection system, they sacrifice internal variety – and yet internal variety is a potential strength of the large complex organization when it faces changes in its external environment. As Burgelman found, it is the capacity for autonomous variation that enables the organization to adjust quickly to unanticipated market and technological shifts (Burgelman, 1994; Burgelman & Grove, 2007). To the extent that top management, in successive reinforcing cycles, defines success for managers at all levels as aligning their decisions with its chosen selection criterion, the organization may well lose much of the internal variation that can provide resilience when the environment changes, as it will. Today's changing international business environment will challenge both the managers of the neo-global MNC and IB researchers in the coming years.

REFERENCES

Adler, P., Du Gay, P., Morgan, G., & Reed, M. 2014. Introduction: sociology, social theory, and organization studies: continuing entanglements. In P. Adler, P. Du Gay, G. Morgan, & M. Reed (Eds.), *The Oxford Handbook of Sociology, Social Theory, and Organization Studies: Contemporary Currents*: 1-8. Oxford: Oxford University Press.

Aldrich, H. 1999. *Organizations evolving*. London: Sage Publications.

Ancona, D., Kochan, T.B., Scully, M., Van Maanen, J., &Westney, D.E. (2005). *Managing for the future: Organizational behavior and processes* (3rd ed.). Mason, OH: Southwestern Press.

Andersson, U., Forsgren, M., & Holm, U. 2007. Balancing subsidiary influence in the federative MNC: A business network view. *Journal of International Business Studies*, 38: 802-818.

Baaij, M. G., & Slangen, A. H. (2013). The role of headquarters–subsidiary geographic distance in strategic decisions by spatially disaggregated headquarters. *Journal of International Business Studies*, 44(9): 941-952.

Balogun, J., Fahy, K., & Vaara, E. 2017. The interplay between HQ legitimation and subsidiary legitimacy judgments in HQ relocation: A social psychological approach. *Journal of International Business Studies*, 50: 223-249.

Bartlett, C.A. 1981. Multinational structural change: evolution versus reorganization. In L. Otterbeck (Ed.), *The Management of Headquarters-Subsidiary Relationships in Multinational Corporations*: 121-146. London: Gower.

Bartlett, C. A., & Beamish, P. W. 2018. *Transnational management: Text and cases in cross-border management* (8th edn). Cambridge: Cambridge University Press.

Bartlett, C.A., Doz, Y., & Hedlund, G. (Eds.). 1990. *Managing the global firm*. London: Routledge.

Bartlett, C. A., & Ghoshal, S. 1989. *Managing across borders: The transnational solution*. Boston: HBS Press.

Benito, G.R., Lunnan, R., & Tomassen, S. 2014. The virtue of in-between pragmatism–A balancing act between responsiveness and integration in a multinational company. In *Orchestration of the Global Network Organization*: 75-97. Emerald Group Publishing Limited.

Birkinshaw, J. 1997. Entrepreneurship in multinational corporations: The characteristics of subsidiary initiatives. *Strategic Management Journal* 18(3): 207-229.

Birkinshaw, J. 2001. Strategy and management in MNE subsidiaries. In A. M. Rugman & T. L. Brewer (Eds.), *The Oxford handbook of international business*: 380-401. Oxford: Oxford University Press.

Birkinshaw, J. & Hood, N. 1998. *Multinational Corporate Evolution and Subsidiary Development.* London: Macmillan.

Blazejewski, S., & Becker-Ritterspach, F. 2011. Conflict in headquarters-subsidiary relations: a critical literature review and new directions. In C. Dörrenbächer & M. Geppert (Eds), *Politics and power in the multinational corporation: The role of institutions, interests and identities*: 139-190. Cambridge: Cambridge University Press.

Buckley, P.J. 2009. The impact of the global factory on economic development. *Journal of World Business*, 44(2): 131-143.

Buckley, P.J. 2014. *The Multinational Enterprise and the Emergence of the Global Factory*. New York: Palgrave Macmillan.

Buckley, P.J., & Ghauri, P.N. 2004. Globalisation, economic geography and the strategy of multinational enterprises. *Journal of International Business Studies*, 35(2): 81-98.

Burgelman, R.A., 1991. Intraorganizational ecology of strategy making and organizational adaptation: Theory and field research. *Organization science*, *2*(3): 239-262.

Burgelman, R. A. (1994). Fading memories: A process theory of strategic business exit in dynamic environments. *Administrative Science Quarterly*, *39*(1): 24-56.

Burgelman, R. A. (2002). Strategy as vector and the inertia of coevolutionary lock-in. *Administrative science quarterly*, *47*(2): 325-357.

Burgelman, R. A. 2011. Bridging history and reductionism: A key role for longitudinal qualitative research. *Journal of International Business Studies*, 42(5): 591-601.

Burgelman, R.A., Floyd, S.W., Laamanen, T., Mantere, S., Vaara, E., & Whittington, R. 2013. Strategy processes and practices: Dialogues and intersections. *Strategic Management Review*, 39(3): 531-538.

Burgelman, R. A., & Grove, A. S. (2007). Let chaos reign, then rein in chaos—repeatedly: Managing strategic dynamics for corporate longevity. *Strategic management journal*, *28*(10): 965-979.

Campbell, D.T. 1965. Variation and selective retention in socio-cultural evolution. In H.R. Barringer, G.I. Blankstein & R.W. Mack (Eds), *Social change in developing areas: A reinterpretation of evolutionary theory*: 19-49. Cambridge, MA: Schenkman.

Cantwell, J., & Brannen, M.Y. 2016. The changing nature of the international business field, and the progress of JIBS. *Journal of International Business Studies*, 47(9): 1023-1031.

Cornelissen, J. P. 2017. Editor's comments: Developing propositions, a process model, or a typology? Addressing the challenges of writing theory without a boilerplate. *Academy of Management Review*, 42(1): 1-9.

Cuervo-Cazurra, A., Andersson, U., Brannen, M. Y., Nielsen, B. B., & Reuber, A. R. 2016. From the editors: Can I trust your findings? Ruling out alternative explanations in international business research. *Journal of International Business Studies*, 47(8): 881-897.

Daniels, J.D., Pitts, R.A., & Tretter, M.J. 1984. Strategy and structure of U.S. multinationals: An exploratory study. *Academy of Management Journal*, 27(2): 292-307.

Davis, G.F. 2009. *Managed by the markets: How finance re-shaped America.* Oxford University Press.

Dörrenbächer, C. & Geppert, M. 2009. A micro-political perspective on subsidiary initiative-taking: Evidence from German-owned subsidiaries in France. *European Management Journal*, 27(2): 100– 112.

Dörrenbächer, C., & Geppert, M. (Eds.). 2017. *Multinational corporations and organization theory: Post millennium perspectives*. Emerald Group Publishing.

Doz, Y. 1980. Multinational strategy and structure in government controlled businesses. *Columbia Journal of World Business*, 15(3): 14-25.

Doz, Y.L., Bartlett, C.A., & Prahalad, C.K. 1981. Global competitive pressures vs. host country demands: managing tensions in multinational corporations. *California Management Review*, 23(3): 63-74.

Doz, Y. and Prahalad, C.K. 1981. Headquarters influence and strategic control in MNCs. *Sloan Management Review*, 23 (1): 15-29.

Doz, Y., & Prahalad, C. K. 1984. Patterns of strategic control within multinational corporations. *Journal of International Business Studies*, 15(2): 55-72.

Doz, Y. and Prahalad, C.K. 1986. Controlled variety: A challenge for human resource management in the MNC. *Human Resource Management*, 25(1): 55-72.

Doz, Y.L, & Prahalad, C.K. 1988. A process model of strategic redirection in large complex firms: the case of multinational corporations. In A. Pettigrew (Ed.), *The Management of Strategic Change*: 63-83. Oxford: Basil Blackwell.

Doz, Y.L., & Prahalad, C.K. 1991. Managing DMNCs: A search for a new paradigm. *Strategic Management Journal*, 12(S1): 145-164.

Doz, Y. L. and Prahalad, C.K. 1993. Managing DMNCs: A search for a new paradigm. In Ghoshal, S. and Westney, D.E. (Eds.) *Organization Theory and the Multinational Enterprise*: 24-50. Houndsmill, Basingstoke, Hampshire: Macmillan.

Doz, Y., Santos, J. & Williamson, P. 2001. *From global to metanational: How companies win in the Knowledge Economy*. Boston, MA: Harvard Business School Press.

Doz, Y. and Wilson, K. (2017). *Ringtone: Exploring the rise and fall of Nokia in mobile phones.* Oxford: Oxford University Press.

Economist (2008). The legacy that got left on the shelf: Unilever and emerging markets. *The Economist* 386 (8565): 76-7.

Egelhoff, W.G. 1982. Strategy and structure in multinational corporations: An information processing approach. *Administrative Science Quarterly,* 27(3): 435-458.

Evans, P.B. 1981. Recent research on multinational corporations. *Annual Review of Sociology,* 7(1): 199-223.

Evans, P., & Doz, Y. 1990. The dualistic organization. In P. Evans, Y. Doz & A. Laurent (Eds.), *Human resource management in international firms*: 219-242. London: Palgrave Macmillan.

Forsgren, M. (2003). The use of network theory in MNC research. In Mahnke, V., and Pedersen, eds. *Knowledge flows, governance and the multinational enterprise: frontiers in international management research.* London: Palgrave Macmillan.

Galbraith, J. R. (2000). *Designing the global corporation*. San Francisco, CA: Jossey-Bass.

Galbraith, J.R. 2010. The multi-dimensional and reconfigurable organization. *Organizational Dynamics*, *39*(2): 115 -125.

Galbraith, J.R. 2012. The Evolution of Enterprise Organization Designs. *Journal of Organization Design*, 1(2): 1-13.

Gerstner, Louis V. Jr. (2002). *Who Says Elephants Can't Dance? Inside IBM's Historic Turnaround*. New York: Harper Business.

Ghoshal, S., & Bartlett, C.A. 1990. The multinational corporation as an interorganizational network. *Academy of Management Review*, 15(4): 603-625.

Ghoshal, S., & Nohria, N. 1997. *The Differentiated Network: Organizing multinational corporations for value creation.* San Francisco: Jossey-Bass.

Ghoshal, S., & Westney, D.E. 1993. Introduction and Overview. In Ghoshal, S. and Westney, D.E. (Eds.) *Organization Theory and the Multinational Enterprise*: 1-23. Houndsmill, Basingstoke, Hampshire: Macmillan.

Golden, B. R. 1992. The past is the past—or is it? The use of retrospective accounts as indicators of past strategy. *Academy of Management Journal,* 35(4), 848-860.

Greve, H. 2002. Interorganizational evolution. In J.A.C. Baum (Ed.), *The Blackwell companion to organizations:* 557-578. Oxford: Blackwell Publishers.

Gupta, A. K., & Govindarajan, V. 1991. Knowledge flows and the structure of control within multinational corporations. *Academy of Management Review*, 16(4): 768-792.

Gupta, A. K., & Govindarajan, V. (1994). Organizing for knowledge flows within MNCs. *International Business Review*, *3*(4): 443-457.

Hedlund, G. 1980. The role of foreign subsidiaries in strategic decision-making in swedish multinational corporations. *Strategic Management Journal*, 1(1): 23-36.

Hedlund, G. 1986. The hypermodern MNC: A heterarchy? *Human Resource Management*, 25(1): 9-35.

Huber, G.P. & Power, D.J. 1985. Retrospective reports of strategic- level managers: Guidelines for increasing their accuracy. *Strategic Management Journal*. 6(2): 171-180.

Jones, G. 2005. *Renewing Unilever: Transformation and tradition*. Oxford: Oxford University Press.

Jonsson, A., & Foss, N. J. 2011. International expansion through flexible replication: Learning from the internationalization experience of IKEA. *Journal of International Business Studies*, 42(9): 1079-1102.

Kogut, B. & Zander, U. 1993. Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 24: 625-45.

Kristensen, P.H. & Zeitlin, J. 2005. *Local players in global games: The strategic constitution of a multinational corporation*. New York: Oxford University Press.

Langley, A. 2009. Studying processes in and around organizations. In D.A. Buchanan & A. Bryman (Eds), *The Sage handbook of organizational research methods*: 409–429. London: Sage.

Langley, A., Smallman, C. Tsoukas, H., & Van de Ven, A. 2013. Process studies of change in organization and management: Unveiling temporality, activity, and flow. *Academy of Management Journal*, 56(1): 1-13.

Lawrence, P. R., & Lorsch, J.W. 1967. *Organization and Environment*. Homewood, IL: Richard D. Irwin.

Lovas, B., & Ghoshal, S. 2000. Strategy as guided evolution. *Strategic Management Journal*, 21(9): 875-896.

Maljers, F. A. (1992). Inside Unilever: The evolving transnational company. *Harvard Business Review* 70 (5): 46-52.

March, J. G. 1994. The evolution of evolution. J.A.C. Baum and J. Singh (Eds.), *Evolutionary dynamics of organizations*: 39-49. New York: Oxford University Press.

Malnight, T. W. (1996). The transition from decentralized to network-based MNC structures: An evolutionary perspective. *Journal of International Business Studies*, 27(1): 43-65.

Meyer, M.W. 1994. Turning evolution inside the organization. J.A.C. Baum & J. Singh (Eds.), *Evolutionary dynamics of organizations*: 109-116. New York: Oxford University Press.

Mudambi, R., & Navarra, P. 2004. Is knowledge power? Knowledge flows, subsidiary power, and rent-seeking within MNCs. *Journal of International Business Studies*, 35(5): 385-406.

Palmisano, S.J. 2006. The globally integrated enterprise. *Foreign Affairs*. 85(3): 127-136.

Pant, A., & Ramachandran, J. 2017. Navigating identity duality in multinational subsidiaries: A paradox lens on identity claims at Hindustan Unilever 1959–2015. *Journal of International Business Studies*, 48(6): 664-692.

Pettigrew, A.M., 1985. *The Awakening Giant: Continuity and Change at ICI* . Oxford: Basil Blackwell.

Pettigrew, A. M. 1990. Longitudinal field research on change: Theory and practice. *Organization Science*, 1(3): 267 - 292.

Pettigrew, A. M. 1997. What is a processual analysis? *Scandinavian Journal of Management*, 13(4): 337 – 348.

Phene, A., & Almeida, P. 2008. Innovation in multinational subsidiaries: The role of knowledge assimilation and subsidiary capabilities. *Journal of International Business Studies*, 39(5): 901-919.

Prahalad, C.K., & Doz, Y. 1987. *The multinational mission: Balancing local demands and global vision*. New York: Free Press.

Rugman, A.M. 2002. The influence of 'Managing across borders' on the field of international management. In M. Hitt & J. Cheng (Eds.), *Advances in International Management*, 14: 37-56.

Santangelo, G. D., & Meyer, K. E. 2017. Internationalization as an evolutionary process. *Journal of International Business Studies*, 48(9): 1114-1130.

Santos, J. F.P & Williamson, P.J. 2015. The new mission for multinationals. *MIT Sloan Management Review*. 56 (4): 45 – 54.

Sayer, A. 1992. *Method in Social Science: A realist approach.* London: Routledge.

Sayer, A. 2000. *Realism and social science*. London: Sage.Stopford, J.M. & Wells, L.T. Jr. 1972. *Managing the multinational enterprise: Organization of the firm and ownership of the subsidiaries*. New York: Basic Books.

Tran, M. (2004). Unilever shares tumble after profit warning. *The Guardian* Sept. 20. Available at https://www.theguardian.com/business/2004/sep/20/unilever. Accessed December 12, 2014.

Van de Ven, A. H., & Poole, M. S. (1995). Explaining development and change in organizations. *Academy of management Review*, 20(3): 510-540.

Verbeke, A., Coeurderoy, R. & Matt. T., 2018. The future of international business research on corporate globalization that never was…. *Journal of International Business Studies*, 49: 1101–1112.

Walt, V. (2017). Unilever CEO Paul Polman's plan to save the world. *Fortune* 175 (3): pp. 122-130. Available online at http://fortune.com/2017/02/17/unilever-paul-polman-responsibility-growth/. Accesed on May 17, 2017.

Warglien, M. 2002. Intraorganizational evolution. In J A.C. Baum (Ed.), *The Blackwell Companion to Organizations* Oxford: Blackwell Publishers. 98-118.

Weick, K. E., Sutcliffe, K. M., & Obstfeld, D. 2005. Organizing and the process of sensemaking. *Organization Science*, 16(4), 409-421.

Weick, K. E. 1969. *The social psychology of organizing*. Reading, MA: Addison-Wesley.

Westney, D.E. 2003. Geography as a design variable. In J. Birkinshaw, S. Ghoshal, C. Markides, J. Stopford, & G. Yip (Eds.), *The Future of the Multinational Company*: 128-142. Chichester: John Wiley.

Westney, D. E. 2009. The multinational firm as an evolutionary system. In S. Collinson & G. Morgan (Eds.), *Images of the Multinational Firm:* 117-144. Chichester: Wiley.

Westney, D.E., & Zaheer, S. 2009. The multinational enterprise as an organization. In A. M. Rugman (Ed.), *The Oxford Handbook of International Business:* 341-366. New York: Oxford University Press.

Westney, D. E., & Van Maanen, J. 2011. The casual ethnography of the executive suite. *Journal of International Business Studies*, 42(5): 602-607.

Wilson, C. 1954. *The history of Unilever: a study in economic growth and social change*. London: Cassell

& Company.

Wilson, C. 1968. *The history of Unilever: a study in economic growth and social change*. New York: Praeger.

Zaheer, S. 2002. A big tent on an island – building bridges and community in international management research. In M. Hitt & J. Cheng (Eds.), *Advances in International Management*, 14: 69-81.

Zander, I. 1999. How do you mean global? An empirical investigation of innovation networks in the multinational corporation. *Research Policy*, 28(2-3): 195-213.

Zander, I., & Mathews, J.A. 2010. Beyond heterarchy: Emerging futures of the hypermodern MNC, in Ulf Andersson & Ulf Holm (Eds.), *Managing the contemporary multinational: The role of headquarters:* 33 – 58. Cheltenham: Edward Elgar Publishing.

Zorn, D., Dobbin, F., Dierkes, J., & Kwok, M. 2004. Managing investors: how financial markets reshaped the American firm. In K. K. Cetina, & A. Preda (Eds.), *The Sociology of Financial Markets*: 269-289. London: Oxford University Press.

Case company publications

UNILEVER Annual Reports 2000 – 2012. Available: Unilever Investor Centre - http://www.unilever.com/investorrelations/

UNILEVER Press Releases 2000 – 2012. Available: Unilever Media Centre - http://www.unilever.com/mediacentre/

Hindustan UNILEVER Ltd Annual Report 2011-12. Available: https://www.hul.co.in/Images/hul_annual_report_2011-12_tcm1255-436321_en.pdf

Table 1: The transnational and neo-global compared

	Transnational	Neo-global
1. Key selection criterion	Balancing global integration, local responsiveness and worldwide learning	Maximizing global efficiency
2. Approach to manage I/R tension	Differentiated network coordinated by 'matrixing the minds of managers'	Distributed centralization, remote localization
3. Source of multinational competitive advantage	Internal variety leading to innovation and 'worldwide learning'	Global scale and 'delivery highway'
4. Selection System		
• *Role of TMT*	Coordinators and network brokers	Executive decision-makers
• *Centre of decision-making power*	Chairmen of local subsidiaries	CEO and specialized global executives
• *Nature of sub-units*	Nationally or regionally focused units managing multiple value chain activities	Specialist units managing a single activity in the global value chain
• *Inter-unit alignment*	Training, socialization, job rotations	Centralized and standardized processes and procedures
• *Managerial culture*	Negotiation, consensus-building, team-based performance targets	Discipline and conformity to clearly defined responsibilities, individual performance targets
5. Key Vulnerabilities	Complexity related costs and inefficiencies (e.g. duplication and bargaining)	Loss of internal variety and worldwide learning; restricted local embeddedness
6. Context	Triad competition and rapid technological innovation	Global value chains, spread of the Internet, and financial capitalism

Figure 1: Evolutionary framework for organizational change

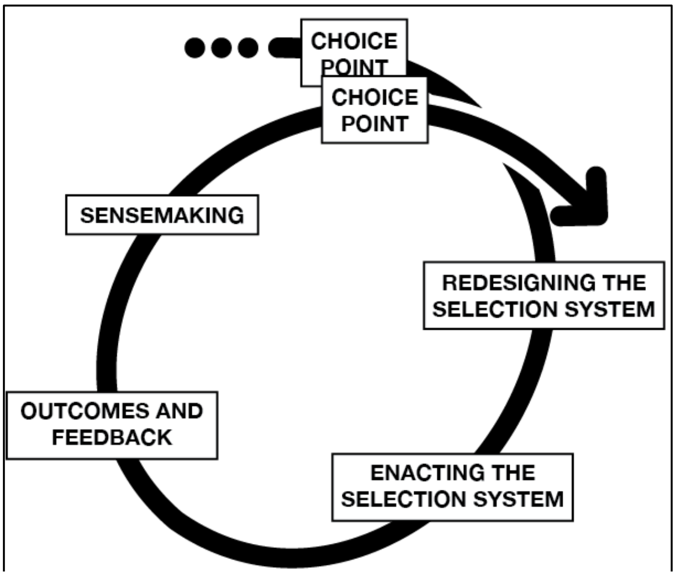


Figure 2: The multi-cycle model of MNC transformation

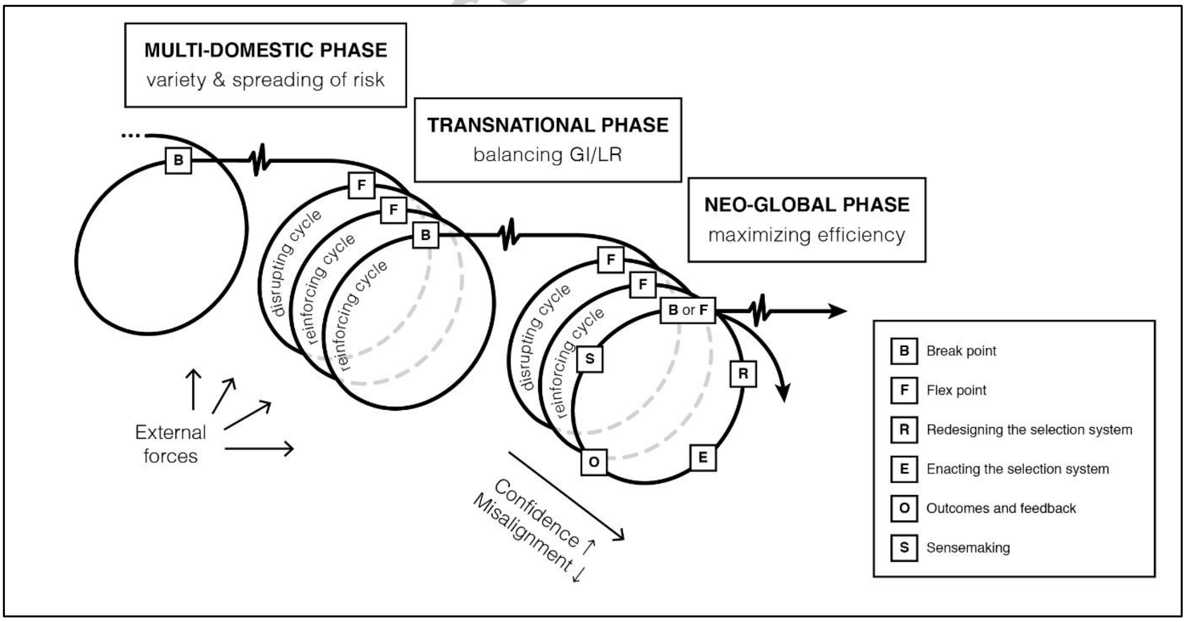


Figure 3: Unilever as a regional MNC

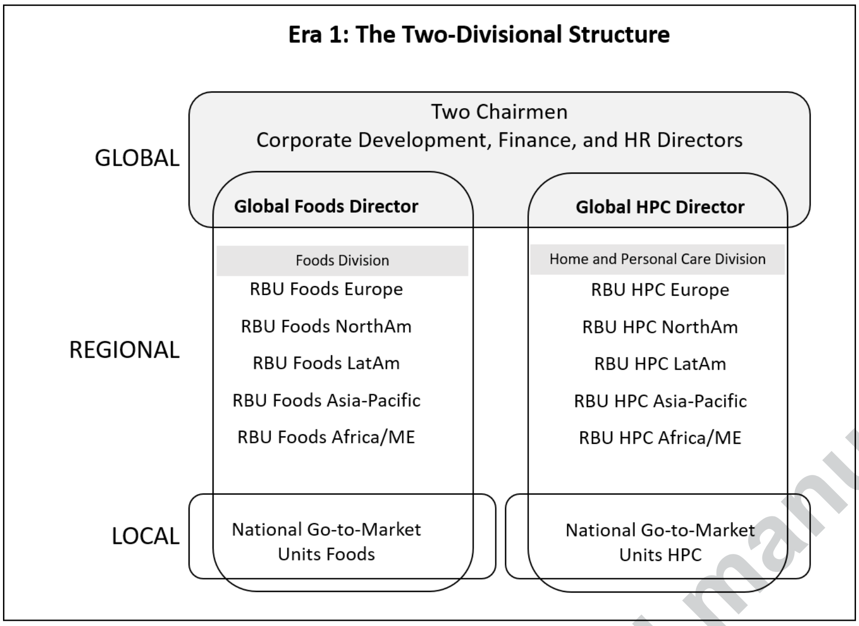


Figure 4: Unilever as a front-back MNC

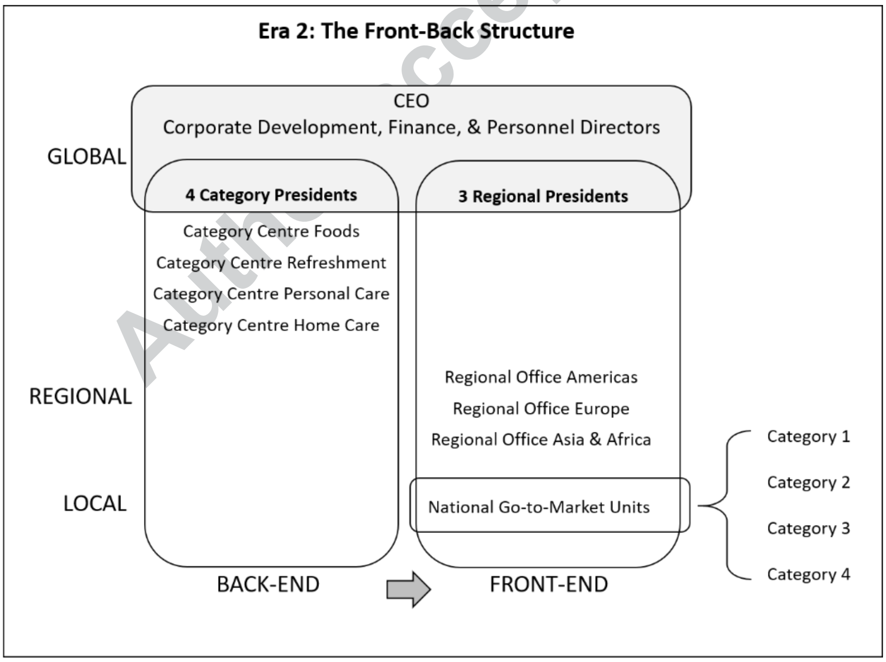
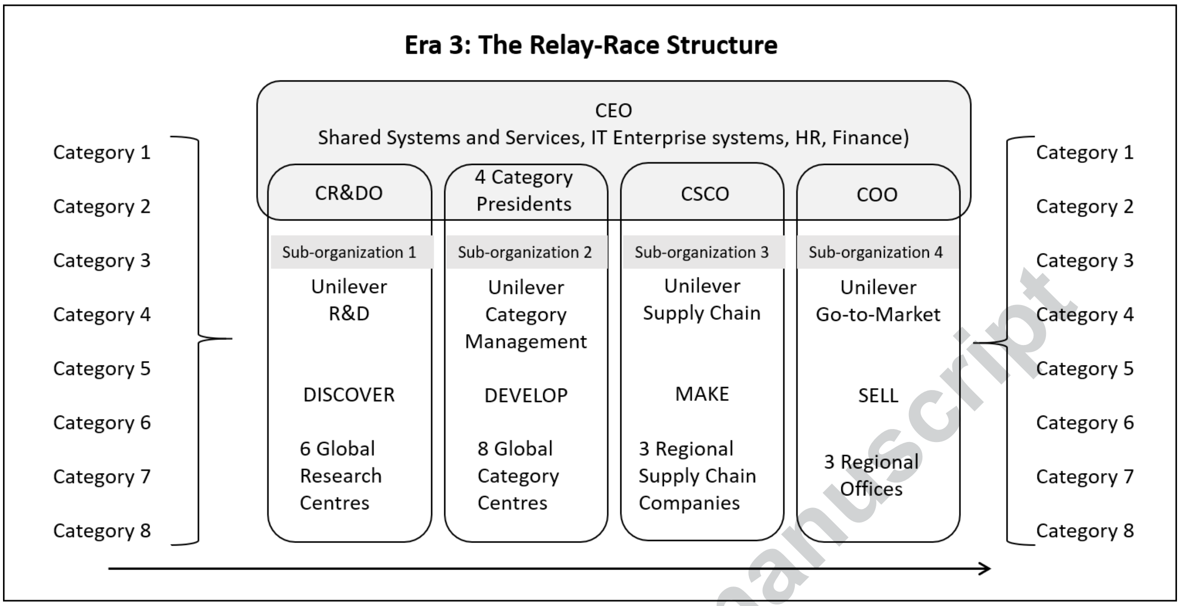


Figure 5: Unilever as a neo-global MNC



The global R&D sub-organization headed by a Chief R&D Officer, comprised a network of six laboratories (Research Centres) that were opened around the world; each responsible for R&D in a particular category or group of categories. Responsibilities within each laboratory were sub-divided according to research activities:

- The Discover and Design teams became the 'business partners' of the Category Brand teams, their 'internal customers'. Discover teams worked on breakthrough technologies, often for multiple categories; design team worked on specific product briefs from the Category teams.

- Deploy managers were co-located with regional Go-to-Market teams and Supply Chain teams as 'business partners' (Interview 8) but reported to their Global VP in Research. Their role was to facilitate adaptation of product formulations to factories and -where necessary- to differing consumer needs in the different regions. (Interviews 8, 19, 20, 21).

The Category Management sub-organization was split into four Category Centres (Foods, Refreshment, Personal Care and Home Care), each headed by a Global Category President (initially reporting to one Executive Officer, but later in this era all four became part of the Unilever Executive).In this era the Category Centres were no longer responsible for R&D, only for the development of Unilever's brands. The Category Centres were sub-divided into sub-category teams, that were further sub-divided into brand teams. Categories and their brand teams were spread around the world, often located closest to their largest market, but towards the end of this era they were all moved to London. Their 'internal customers' were the 'go-to-market' teams from around the world. Localization (or regionalization) of brands was now done centrally.

The 'Unilever Supply Chain Company' was headed by Unilever's first global Chief Supply Chain Officer, who was appointed in 2009 (Press release 26/1/2009). It consisted of

- three regional Unilever Supply Chain Companies located in Switzerland, Singapore and the US;
- a global Procurement organization and
- a global Logistics organization.

The Go-to-Market organization: Once all three regional Supply Chain Companies were operating, a unified go-to-market organization was formed. It was led by the Chief Operations Officer (COO), a position created in 2011, and had its headquarters in Singapore, a decision driven by the fact that the developing world was now responsible for more than half of Unilever's sales. The COO appointed three Regional Presidents (Americas, Europe and Asia, Middle East and Africa), each of whom was made responsible for the total sales of all local 'go-to-market' offices in their region. The role of lower ranked regional managers started to erode and would eventually be replaced by regional 'business liaison managers' from either the supply chain or the category organization.

APPENDIX 1: ***Participants***[7]

Interview Number	Most Recent Role(S)	Recent Workplace Locations
1	Region B, Consumer & Market Insight Manager	Country 8
2	Global Brand Development Manager	Country 7, 13
3	Local Brand Building Manager Dove	Country 2
4	Region B, D, SVP Operations, Product Category G	Country 11, 12
5	Global Brand Development Director Dove, Product Line A	Country 5, 8
6	Global Sustainability Manager	Country 14
7	Global Brand Development Director Dove Social Mission	Country 3, 14
8 (2x)	Region B, D, E, Director Procurement & Logistics	Country 11, 20
9	Global Brand Development Director Dove, Product Line B	Country 4, 7, 14
10 (2x)	Global Brand Development Director Dove, Product Line C	Country 4, 5
11	Global Sustainability and Innovation Projects Director Dove	Country 14, 15
12	Region B, External Consultant – Advertising Creative Director	Country 14
13 (2x)	Region B, External Consultant – Advertising Strategic Planner	Country 4, 14
14	External Consultant - Psychologist	Country 14
15	Global Brand Development Manager Dove, Product Line B	Country 7, 14
16	Global brand SVP Dove – Global Category EVP, Category F	Country 4, 14
17	Region B, CMO, Category H - Global CMO	Country 4, 5, 6, 14
18	Global President, Category H	Country 14
19	Global R&D Director, Product Line C	Country 4
20	Global R&D Director, Product Line B	Country 4
21	Global VP R&D, Product Lines A, B & C	Country 4, 8, 14
22	Global Brand Development, Product Line E	Country 4, 10
23	Global Consumer & Market Insight Director, Product Lines A, B, C	Country 4
24	Global Brand Director Dove Social Mission	Country 1, 14
25	Local Category Manager, Category H	Country 1, 2, 14
26	Local Marketing Director, Category H	Country 2
27	Local Chairman, subregion within Region B	Country 11, 13
28	Local Sustainability & Corporate Affairs manager	Country 1, 2, 14
29 (4x)	Region B, VP Marketing, Product Line A, B & C / Global SVP Dove, Category D	Country 8, 11, 14
30	Region F, External Consultant – Strategic Planner Advertising	Country 1, 4
31	Global SVP Dove	Country 4, 14
32	Region B, SVP Marketing, Category H	Country 6, 9, 10, 14
33	Region B, Brand Liaison Manager	Country 8, 14
34	Region B, Consumer and Market Insight Manager	Country 4, 8
35	Global Brand Director, Product Line C	Country 4, 11, 19

[7] Due to promises of confidentiality to interviewees, we have disguised the countries in which they had worked and the specific product groups or categories they managed.

36	Region B, Brand Director Dove	Country 4, 8
37	Region B, External Consultant – Strategy Planner Advertising	Country 14
38	Global VP Brand Development - Dove Masterbrand	Country 4, 14;
39	Local Category VP – Product Lines A, B & C	Country 4, 7
40	Local Category Director – Product Lines A, B & C	Country 3
41	Local External Consultant – Advertising Media Producer	Country 1, 3, 4
42	Region F, VP Brand Building Dove	Country 4
43	Region D, VP Brand Building Dove	Country 14, 18
44	Region B, VP Brand Development – Brand Building Dove	Country 4, 7, 8
45	Region D, Brand Director Category H	Country 15, 19
46	Region D, Category VP, Product Line A	Country 15, 19
47	External Consultant – CEO Global Branding Consultancy	Country 4, 11
48	Global VP Dove Masterbrand	Country 8, 14, 19
49	Global SVP Sustainability	Country 14
50	Global VP Health & Wellbeing	Country 14
51	Region D, External Consultant – Leadership Development	Country 14
52 (4x)	Global SVP Dove, Product Lines A, B and C	Country 4, 14
53	Region B, Brand Development Dove	Country 8
54	Global External Consultant – Social Branding and PR	Country 14
55	Region B, External Consultant – PR	Country 8
56	Region B, External Consultant – PR	Country 8
57	Region F, External Consultant - PR	Country 14
58	Global External Consultant – PR	Country 4
59	Local Masterbrand Manager Dove	Country 4
60	Global Brand Director Dove, Product Line A	Country 4, 7
61	Region B, Director Consumer & Market Insight	Country 8
62	Region F, Category VP, Product Lines A, B and C	Country 4, 8, 20
63	Region F, External Consultant – Client Services Director	Country 4, 14
64 (2x)	Global Unilever Chairman 1999 - 2005	Country 11, 13, 16
65	Region B and D, Brand Development Director Dove	Country 17
66	Local Liaison Manager HR	Country 1, 11, 20
67	Global External Consultant – General Manager Advertising Agency	Country 4, 14
68	Global VP Procurement	Country 8, 14

APPENDIX 2: ***Unilever's transformation from a multidomestic to a transnational organization***

In the early post-war period, when Unilever found itself in an environment still bounded by trade barriers and local government intervention, the selection criterion was to maximize diversification for the spreading of risk (Wilson, 1954). A former Unilever Chairman clarified in an interview that managing the increasingly complex organization did not demand greater control, but rather effective delegation (interview with George Cole, Wilson, 1968, Book 3). In this period, local chairmen were the organization's key decision-makers, responsible for all parts of the value chain. Unilever's TMT controlled by appointing the local chairmen and by supporting them with advice and key resources.

But by the end of the 1960s the world was changing, and Unilever's rapidly expanding and more centralized Japanese and North American competitors seemed better placed to benefit from converging consumer habits and the lowering of trade barriers (Bartlett & Ghoshal, 1989). A break point occurred as early as 1966 when the TMT concluded that the unrestrained autonomy of national subsidiaries had become a competitive disadvantage in this globalization era of Triad competition. Local entrepreneurship had to be balanced with greater regional and/or global integration, and a more concerted effort was needed to speed up the regional and/or global roll-out of technological innovations (Bartlett & Ghoshal, 1989; Jones, 2005). Extant literature (Bartlett & Ghoshal, 1989; Jones, 2005; Wilson, 1954, 1968) chronicles three major cycles of restructurings – in our language a disrupting cycle followed by two reinforcing cycles – that changed Unilever from a multidomestic into a transnational organization. The disrupting cycle comprised the introduction of global category coordinators, a change Wilson (1968) describes as 'the most impactful in Unilever's history' as it marked the end of half a century of local autonomy. The next cycle reinforced this break with the past by introducing a distinction between core and non-core businesses and giving more power to the coordinators who were to select the non-core businesses that were to be sold. In the third wave selected subsidiaries were given the responsibility for regional innovation in one of Unilever's core categories (Jones, 2005). Bartlett and Ghoshal chronicled the painful process of changing Unilever's cultural and administrative heritage throughout these changes. Local chairmen remained the most powerful decision makers throughout this process, but their autonomy and mandate changed significantly, and the level of local autonomy varied somewhat across subsidiaries.