Studying multinational corporations: Socio- and micro-political issues

Mike Geppert

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My presentation is based on current research

i. New CUP book (2011) with Christoph Dörrenbächer on *Politics and power in the multinational corporation: The role of institutions, interests and identities*

ii. IJMR paper (under 2nd revision) on *Politics and power within multinational corporations: Mainstream studies, emerging critical approaches and suggestions for future research*
Studying Politics and Power in the MNC: A Central Field for Future IB&M Research

- financial and economic crisis raised questions about role of politics and power of MNCs/within MNCs
- **but:** dominant rationalistic view of MNC in mainstream IB&M research led to reluctance to ask crucial questions
- underdeveloped views on social agency and institutional influences, and its role in MNCs - managers presented as ‘agents’ of owners, heroic or or “cultural dopes”
- more *critical perspectives* on ‘contemporary MNCs’ are an emerging field (e.g. Barner-Rasmussen 2010 et al.)
- more dynamic view on studying MNCs as ‘political systems’ or ‘contested terrains’ is needed
Crucial Questions Which Need to be Raised

• Seminal critique on developments in mainstream OT research by Hinings and Greenwood (2002) also applies to study of MNCs:
  
  a) **what** forms or constitutes ‘self-interests’ in MNCs,

  b) **for whom** are certain managerial strategies effective or efficient

  c) **who** is actually benefiting from the implementation of more standardized transnational structures, benchmarking systems or best practices

• **in short**: socio-political understanding of the MNC required which considers often quite different *institutional contexts and interests* and *identities* of key actors
I. The eclectic paradigm: apolitical economic view with unexamined political implications

a) based on TAC theory the OLI paradigm is developed as tool to inform researchers and practitioners about optimal internationalization decisions

b) threat of managerial opportunism is seen as a key problem and *NOT* the study of the ‘political nature of economic decisions’ (Cyert and March 1992)

c) contractual and hierarchical arrangements are seen as central for the efficient control of ‘assets’ and to reduce ‘uncertainty’
II. The evolutionary model of the MNC rationalistic and normative view on power and politics in the MNC

a) international strategies and structures need to fit specific (more or less global) environments

b) balancing local-global dilemma in the centre of interest

c) key question is how much power needs to be centralised at the HQ level and how much power needs to be shared with subsidiaries

d) normative mantra to improving the effectiveness of managing the MNC, only focused on eliminating the dysfunctional effects of power and politics in the MNC
III. Research on subsidiary entrepreneurship: explicit focus on power and politics in the MNC but still largely drawing rationalistic views

a) MNC *heterarchy* (Hedlund 1986): role of strategic choices and role of subsidiaries

b) power and politics discussed in terms resource-dependency theory

c) role of *critical power resources* and ‘*corporate immune system*’ (Birkinshaw and Ridderstråle 1999)

d) **but**: rationalistic view avoids to ‘stepping too far beyond the boundaries of the firm’ (Collinson and Morgan 2009)
Power and Politics in the MNC: Mainstream Neo-Institutionalism

Neo-institutionalism (NI): contextualised but tortuous views power and politics in the MNC

a) functionalist focus on external (regulative, normative and cognitive-cultural) isomorphic pressures on organisational behaviour in MNCs

b) stress on two conflicting ‘isomorphic pulls’ (Westney 1993) which lead to ‘tensions’,

c) role of power at least mentioned but only limited in terms of ‘dependency’ of subsidiary to HQ, influencing the degree of how transferred knowledge is ‘adopted’ (Kostova and Roth 2002)

but: the socio-political dimension of local adoption of managerial practices is neglected, i.e. the questions of who pulls, why and how (Geppert and Williams 2006)
Power and Politics in the MNC: Mainstream Comparative Institutionalism

Comparative institutionalist studies (CI): explicit but rather static view of power and politics in the MNC

a) degree of *societal embeddedness* differs significantly between capitalist societies

b) different *types of capitalism* are distinguished, either rather liberal or somehow coordinated (Whitley 1999, distinguishes six types)

c) power differences are reflected especially when asking *how authority is shared* (Whitley 2001; 2009)

**but**: oversocialized view of social agency (as in former approach) hinders to explore the socio-political dynamics
Towards a Socio-political View – I

NI scholars, studying the MNC, recently stressed:

• Need for a ‘blended institutional perspective’ to study MNCs, leaving space for the study of social agency and its political dimensions (Kostova et al. 2008)

• Social agency comes into play (ibid) because: a) isomorphic institutional pressures are ‘limited’ in the case of the MNC and b) actors strategies to achieve legitimacy make MNCs not more, but less similar

• Emergence of political dynamics because of ‘symbolic’ aspects of interaction: (image and identity) of powerful individual and collective actors become more and more important (ibid)

• Complexity and diversity of institutional environments and related ‘institutional contradictions’ create room for ‘praxis’ (e.g. Seo and Creed 2002)
Towards a Socio-political View – II

CI scholars, studying the MNC, recently stressed:
a) MNCs are not homogenous “institutional fields” but fragmented terrains constituted by different contextual rationalities (Kristensen and Zeitlin 2005)
b) importance of local resource mobilization (Sorge and Rothe, 2011)
c) mandate changes are socio-political dynamic processes (Dörrenbächer and Geppert, 2009)
d) political contestation can be studied as micro-political game playing (Morgan and Kristensen 2006)
e) role of political sensemaking in subsidiary integration processes in the post-socialist context (Clark and Geppert, 2011)
Conclusions I

I have shown that:

• mainstream IB literature tends to see MNCs as comprising economically rational actors applying strategies to align it and its subsidiaries with its multiple contexts
• this limited view distracts our attention from socio-political processes, based on intra-corporate power relations, contestation and micro-political game playing
• there is a need more explicit theoretical developments which build links between so far unconnected debates on change in IB and OT (emerging socio-political perspective)
Conclusions II

Examples based on new studies presented in upcoming book:

- role of **embedded agency and societal institutions** to study political approaches (e.g. Sorge & Rothe; Williams and Geppert)
- emphasis on role of **political skills of key actors** in bridging roles: role cognitive flexibility and brokering skills to translate meaning in different contexts (e.g. Fenton O’Creevy et al.)
- **interest conflicts and interest formation in HQ-sub relations**: (e.g. Schotter and Beamish; Dörrenbächer and Gammelgaard; Schmid and Daniel)
- **identity work and politics**: (e.g. Ybema and Buyn; Koveshnikov; Maclean and Hollinshead)
Finally

i. New EGOS SWG 11 on ‘Multinational Corporations: Social Agency and Institutional Change’ from 2012 onwards; **Coordinators**: Florian Becker-Ritterspach, University of Groningen, Mike Geppert, University of Surrey, Susanne Blazejewski, Alanus University; **Web link**: http://www.egosnet.org/jart/prj3/egosnet/main.jart?rel=en&content-id=1277261174219&reserve-mode=active

ii. Upcoming Special Issue of *Organization Studies* on ‘New organizational perspectives on the study of politics and power in the multinational company’; **Deadline** for final paper submission: 30th of November 2013); **Guest Editors**: Mike Geppert (Univ. of Surrey), Florian Becker-Ritterspach (German Univ. in Cairo) and Ram Mudambi (Temple Univ.)