

# 1 *Introduction*

FLORIAN A. A. BECKER-RITTERSPACH, SUSANNE  
BLAZEJEWSKI, CHRISTOPH DÖRRENBÄCHER  
AND MIKE GEPPERT

Six o'clock in the morning: Clark Webster, a 42-year-old American manager in Germany, wakes up. Everything is still quiet in the house and, while awakening, Clark goes over what's up for the coming day.<sup>1</sup> As usual, the day will be busy with many meetings, a number of chats here and there and some decisions to be taken. Clark's company, the German arm of a US-based player in the food business, is a traditional producer of frozen vegetables employing some 900 people.

The first meeting is delicate. Clark has scheduled an early work session with his personal assistant to finalize a bid for a company internal tender to produce 500 tons of mixed vegetables for a private brand of a large European discount retailer. While winning the bid would definitely be beneficial for capacity utilization at the plant, the head of marketing will certainly complain, as she is always very concerned about brand identity in the German market. However, what is more worrying for Clark, who has career ambitions in headquarters, is the fact that the Italian subsidiary might win the bid. As he knows from a chat he recently had with a young Italian engineer at a corporate-wide total quality management (TQM) meeting, the factory in Italy has further automatized production, which could drive down their costs, if it works. But does it work? Clark thinks about calling the Italian engineer. But what could be an unsuspecting reason to call? How could he find out whether the automatized processes are operational or what he could offer the engineer as an exchange for information? Momentarily Clark thinks about calling the chief executive officer (CEO) of the Italian subsidiary to discuss what could be reasonable prices to offer in the bid, but he quickly abandons this idea as he hardly knows and even

<sup>1</sup> This fictional case is based on a series of thirty interviews with managers and labour representatives at foreign-owned companies in Germany, carried out by one of the authors in 2015. While for didactical reasons the case blends information from several interviews and companies, the description of what roles power, politics and conflict play in multinational corporations (MNCs) fully matches the overall picture provided by the interview partners.

less trusts the Italian subsidiary manager, who is said to have international career ambitions, too.

Without coming to a conclusion Clark's thoughts wander to his next meeting that day: a meeting called for by the head of the local works council. Clark's relationship with this man is ambiguous. While Clark finds him to be a better negotiating partner than other more conflict-oriented worker representatives, he can get very tough when issues get a bit close to the bone. Clark presumes that the head of the local works council wants to talk about the implementation of a corporate-wide efficiency programme called 'Fit', which was piloted in the UK subsidiary the previous month and involved a layoff of sixty people there. While it has already been decided to implement this programme in Germany as well, Clark is reasoning whether he should let the cat out of the bag today or play for time. Weighing the pros and cons in his mind, he comes to the conclusion that it is best to properly inform the works council today, as he is obliged to do so by German law this week anyway. He knows from experience that once the head of the local works council smells a rat he will not stop infuriating the workers and lobby in the headquarters, which would cast doubts over whether Clark is running a tight ship.

Clark hopes that the meeting can be ended without going over time, as there is another important item on the agenda. At two o'clock a weekly call is scheduled with Jacob Brown at US headquarters, who is responsible for Europe, Middle East and Africa (EMEA) business. These calls used to be enjoyable as Jacob is an old friend from university. In fact, it was Jacob who helped Clark to secure his current position, when Clark was in a career deadlock with his previous employer. However, things have changed, particularly since a private equity investor took control of the US firm and its subsidiaries. In earlier times, there was always a down-to-earth discussion on what could be done to develop the German subsidiary considering the peculiarities of the German market as well as its dense legal and regulatory environment. More recently, though, Jacob is just hammering out some 'in the cloud' target margins, asks for quick and deep job cuts and comes up with crude proposals such as one to use cheaper genetically modified corn. Obviously, he does not realise that this is not yet allowed in Germany and would be unlikely to be accepted by customers. But getting the figures right is the only thing Jacob seems to be interested in now. Clark is angry. But would he behave differently? Getting the figures right means a bonanza for Jacob, especially when the figures facilitate a lucrative exit

from the private equity firm. And a bonanza is definitely what Clark would also need in order to finance his life dream: a 62-foot catamaran he recently saw at Lake Constance. Cherishing a dream of crossing the Atlantic with this catamaran, Clark is suddenly roused from slumber by the cry of his 2-year-old son awakening. It's time to get up.

This introductory case-study illustrates that interest-based behaviour, political manoeuvring and power-laden conflicts are everyday occurrences in MNCs. Interest-based behaviour is visible throughout the intro case, with all actors presented having well-defined interests that shape their behaviours. These interests are typically self-ish since they represent the particular personal situation and the functional role of the beholder, with these interests sometimes going well together but at other times colliding. For instance, both the head of the local works council as well as Clark have an interest in winning the company internal tender to produce a large batch of mixed vegetables. For Clark, winning the tender would enable him to sustain his career ambitions as he would attract attention from headquarters and would be able to demonstrate his qualities. For the head of the local works council winning the bid would help to safeguard jobs thereby securing his position. However, Clark and the head of the works council are very much at odds when it comes to the implementation of the corporate-wide efficiency programme called 'Fit'. While for Clark this too would be another opportunity to show his good performance, it directly violates the local works council's interests in securing jobs. It is here that political manoeuvring starts. While Clark is under pressure from his own aspirations and the expectations of headquarters bluntly communicated by Jacob, he nevertheless is well advised to co-operate with the present head of the local works council, at least to some extent. Trying to rigorously implement the efficiency programme might lead the workforce to work to rule (the opposite of what is needed to win and serve the tender) and in the long term it might support the radical forces in the local works council. Careful manoeuvring seems to be required with Clark in the first instance following a strategy of legitimation vis-à-vis the works council by carefully complying to the provisions of the German labour law on the local works council's information and communications rights. However, given the strong diversity of interests it is foreseeable that a power-laden conflict will evolve. While

Jacob, at US headquarters, spurred by the financial logic of the private equity owner, will not stop calling for further cost reductions and job cuts, the works council will make full use of the opportunities the German institutional environment provides to safeguard labour rights in such instances. Moreover, the local works council might involve outside actors such as local governments and the German media, which can be critical of private equity investors. This, in turn, might have an adverse impact on headquarters' decisions about future investments in the German subsidiary.

While many cases similar to our fictional intro case have been reported in the business press over the years, interest-based behaviour, political manoeuvring and power-laden conflicts have for a long time been ignored in the international business (IB) literature. More recently, however, there has been increasing recognition that both behaviour in as well as of MNCs is very much underwritten if not constituted by power, politics and conflict as well as by the purposeful (inter)action of self-interested actors. Over the last years, this perspective not only became part of the repertoire of IB research (Dörrenbächer and Geppert 2011) and theory (e.g. Forsgren 2008; Collinson and Morgan 2009) but has also become an essential tool for students to understand MNCs. At the same time, this burgeoning perspective we call 'micropolitics' has provided us so far with few if any systematic and comprehensive overviews of the state of the field and its theoretical foundations. Specifically, what is missing is a systematic and comprehensive discussion of key contributions, their different theoretical lenses and the empirical domains or levels of analysis they address. It is this gap that the present book seeks to fill.

### **The rationale of the book**

From early on, politics, power and conflict perspectives had a place in the IB literature. This notwithstanding, their treatment was limited in a number of ways. On the one hand, politics, power and conflict were either only implicitly addressed (e.g. Bartlett and Ghoshal 1989) or they were treated as aberrations that were at worst dysfunctional and at best controllable through appropriate organizational design and processes. On the other hand, only a few theoretical lenses found application, primarily involving contingency, resource dependency and

agency perspectives (Doz *et al.* 1981; Roth and Nigh 1992; Pahl and Roth 1993).

Challenging this rather limited understanding of politics, power and conflict in and around MNCs, the last decade has seen a vast shift and widening of perspectives in both theoretical and empirical terms. For example, while contingency, resource dependency and agency perspectives are still part of the theoretical repertoire (Tasoluk *et al.* 2006; Mudambi and Pedersen 2007; Mudambi and Navarra 2004; Gupta and Cao 2005; Bouquet and Birkinshaw 2008), a new wide spectrum of perspectives has been added including: network perspectives (Forsgren *et al.* 2005; Andersson *et al.* 2007), neo- and comparative institutional perspectives (Kostova 1999; Whitley 1999; Kostova and Roth 2002), micropolitical perspectives (Kristensen and Zeitlin 2001, 2005; Dörrenbächer and Geppert 2006; Ferner *et al.* 2006; Blazejewski 2009), game theory (Rössing 2005; Kaufmann and Rössing 2005), social identity and role theory (Vora and Kostova 2007; Vora *et al.* 2007; Schmid and Daniel 2007), critical perspectives such as the post-colonial theory (Frenkel 2008; Mir and Sharpe 2009), labour process theory (Elger and Smith 1998; Elger and Smith 2006; Edwards and Bélanger 2009), the neo-Gramscian approach (Böhm *et al.* 2008) or discursive approaches (Geppert 2003; Vaara and Tienari 2008). Significantly, along with this development, there have been increasing efforts to introduce IB to genuine politics, power and conflict perspectives from social and organizational theory as well as organizational psychology (e.g. Dahl 1957; French and Raven 1960; Burns 1961; Etzioni 1964; Pondy 1967; Hickson *et al.* 1971; Deutsch 1973; Pfeffer and Salancik 1974; Crozier and Friedberg 1981; Mintzberg 1983; Thomas 1992; Astley and Zajac 1990; Rothman and Friedman 2001; Lukes 2005; Clegg *et al.* 2006).

At the empirical end, politics, power and conflict saw also an increasingly differentiated treatment over time. Rather than being conceived as well-orchestrated, controllable and harmoniously integrated entities, MNCs became increasingly conceptualized as ‘transnational social spaces’ (Morgan and Kristensen 2006), ‘contested terrains’ (Collinson and Morgan 2009; Edwards and Bélanger 2009) or even ‘battlefields’ (Kristensen and Zeitlin 2001), full of political struggle, conflict and discourses (Dörrenbächer and Geppert 2011) involving diverse interests and identities (Ybema and Byun 2011; Koveshnikov

2011), giving rise to different types of strategies (Becker-Ritterspach and Dörrenbächer 2011; Williams and Geppert 2011; Maclean and Hollinshead 2011), micropolitics (Morgan and Kristensen 2006) and game-playing (Morgan and Kristensen 2006; Dörrenbächer and Geppert 2009a).

Importantly, not only have the antecedents and consequences of politics, power and conflict in MNCs become the main interest of a substantial number of IB studies in a variety of empirical domains, they have also been looked at on a great variety of analytical levels with vastly different units of analysis and explanatory context. For instance, the consideration of conflict in MNCs ranges from intrapersonal (Vora and Kostova 2007) to interorganizational and international levels (Bélanger and Edwards 2006; Blazejewski and Becker-Ritterspach 2011). The focus of empirical domains stretches from developing a better understanding of intra-group conflicts (e.g. Jehn *et al.* 1999), resource mobilization strategies in intrafirm competition (Becker-Ritterspach and Dörrenbächer 2011), different power games in subsidiary mandate changes (Dörrenbächer and Geppert 2009b; Dörrenbächer and Gammelgaard 2010, 2011), subsidiary lobbying (Bouquet and Birkinshaw 2008) and initiatives (Bouquet and Birkinshaw 2008), local investment decisions (Sorge and Rothe 2011), to knowledge flows (Mudambi and Navarra 2004; Fenton-O’Creevy 2011) and mergers and acquisitions (Vaara and Tienari 2011). The methodologies and underlying epistemologies and methods of research on politics, power and conflict in MNCs have also been highly diverse, ranging from positivistic cross-sectional surveys to critical realist epistemologies in ethnographic case-studies.

Politics perspectives have more recently moved into the mainstream of IB research and theory development. They contribute substantially to the understanding of behaviour in and of MNCs in their different contexts and environments. At the same time, this wealth of perspectives has so far not been systematically and comprehensively reviewed and presented. What is missing is a comprehensive overview that not only maps the seminal contributions on politics, power and conflict in MNCs, but also provides a systematic discussion of the key theories, methodologies and empirical applications in the field. Hence, in this book we wish to take stock of the new developments in the field particularly of the last decade.

## Overview of the book

Our book seeks to provide a systematic and comprehensive reference guide in particular to students, post-docs and early career scholars but also lecturers and senior scholars in the fields of international business, international management, international human resources management and organization theory who want to understand key issues and concepts of politics, power and conflict in MNCs. To this end our book is based on four thematic building blocks.

The goal of Part I, ‘Foundations of politics, power and conflict in MNCs’, is to introduce the reader to the topic and to the major theoretical foundations in the field. In Chapter 2, which follows this Introduction, we focus on ‘Theoretical foundations and conceptual definitions’ (Blazejewski and Becker-Ritterspach). The chapter delineates the development of theoretical perspectives on power and politics from their roots in organizational studies, sociology and organizational psychology. We shed light on core concepts in the field such as actors, interests and power and seek to demonstrate how different conceptualizations over time and across disciplinary traditions intersect in the current theoretical approaches to power and politics in organizations. Chapter 3, ‘The evolution of a politics perspective of the multinational enterprise – past developments and current applications’ (Becker-Ritterspach and Blazejewski) provides a comprehensive review of past and current literature on politics, power and conflict in MNCs. The review is ordered along historical developments of the field of international business and theoretical perspectives adopted. This includes a systematic discussion of key concepts and definitions, units and levels of analysis and explanatory context as well as an overview of empirical domains in the MNC that have been looked at from politics, power and conflict perspectives.

Part II, ‘Seminal contributions’, presents and discusses in depth twelve seminal contributions on politics, power and conflict in MNCs, with the aim to convey a thorough understanding of these papers in terms of their theoretical foundations and empirical explorations. The selection of the papers is based on at least two of the following three criteria: first, they have a major impact on the field; second, they have a solid foundation in genuine politics, power and conflict theory; and third, they contribute to major research schools. In line with these criteria, Chapter 4 discusses contributions of the

rationalistic-managerialist school (Becker-Ritterspach and Gammelgaard), Chapter 5 focuses on contributions from the institutionalist school (Geppert and Williams) and Chapter 6 deals with contributions of the critical management school (Dörrenbächer and Roberts).

Building on the two previous parts, Part III, ‘Analytical tools and applications’, provides a summary and synthesis of the literature in a comprehensive analytical framework. This is provided in Chapter 7 entitled ‘Understanding organizational behaviour in MNCs from a micropolitical perspective: a stratified analytical framework’ (Becker-Ritterspach and Blazejewski), which also contains a discussion of methodological challenges in researching power and politics in an international business environment. Chapter 8, ‘Doing research on power and politics in MNCs: a methodological perspective’ (Piekkari and Tietze), extends this methodological discussion by drawing attention to the political dimension of the research process itself.

Finally, Part IV, ‘Reflections and new directions for research’ is primarily concerned with identifying and discussing future research directions in the fields. It contains a number of shorter chapters on new directions and is written by various authors and teams of authors. This section includes Chapter 9, ‘Advancing research on political issues in and around MNCs: the role of discursive sensemaking’ (Geppert and Dörrenbächer); Chapter 10, ‘Zooming in on politicking and issue-selling tactics as new research directions for the study of micropolitics in MNCs’ (Dörrenbächer and Gammelgaard); Chapter 11, ‘Advancing research on micropolitics in MNCs: an élite perspective’ (Dörrenbächer and Geppert); and Chapter 12, ‘Micropolitics in emerging market multinational corporations (EMNCs) as a field of new research’ (Lange and Becker-Ritterspach).

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