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Micro-political aspects of mandate development and learning in local subsidiaries of multinational corporations

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Micro-political Aspects of Mandate Development and Learning in Local Subsidiaries of Multinational Corporations

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Abstract

Beyond functional-structuralist approaches this paper sheds some light on micro political aspects of mandate development and learning processes in multinational corporations (MNC). As classical micro-political studies have shown, management behaviour and learning are not only constrained or enabled by certain structural and (national) cultural patterns, but have its own political agendas and are shaped by individual interests which leads to game playing, active or passive resistance and (re)negotiation of the 'rules of the game'. Based on the assumption that actors are neither the organs of given structures nor acting fully autonomous, the paper focuses on how subsidiary managers interpret and integrate individual, organisational as well as home and host country institutional factors into certain strategies of action. By discussing critical events in mini case studies on mandate development and learning in German subsidiaries in France we will highlight the interactive dynamics between key-actors micro-political strategies and particular institutional settings. Here we, firstly, discuss institutionalist approaches and investigate how different forms of home and host country embeddedness do influence the development of distinct managerial competences and decision making strategies at the subsidiary level. The paper refers then to the question how the overall strategy and multinational organisational design and policies relate to individual interests of key subsidiary actors. These can to higher or lower degrees be influenced by e.g. differences in nationalities, professional backgrounds as well as career stages, orientations and aspirations. By integrating these diverse relational layers, the paper will provide a more dynamic actor centred approach stressing both, the micro-political aspects and interactive construction of intra and inter-subsidiary power relations, a key variable to explain mandate development and learning processes in MNCs.

Zusammenfassung

Über funktional-strukturalistische Ansätze hinausgehend, beschäftigt sich dieser Beitrag mit den mikropolitischen Aspekten von Mandatsentwicklungsprozessen in multinationalen Unternehmen. Im Zentrum der Betrachtung stehen die Strategien und Handlungsrationalitäten von Tochtergesellschaftsmanagern im Ausland. Anhand von drei Fallbeispielen zeigt der Beitrag wie Manager deutscher Auslandsgesellschaften in Frankreich individuelle, organisationale und institutionelle Faktoren (Heimat- und Gastlandeffekte) interpretieren und zu einer Handlungsstrategie verbinden. Ausgangspunkt ist dabei zunächst eine Diskussion relevanter Ansätze des Internationalen Managements und der international vergleichenden Organisationsforschung. Diese Ansätze werden um einen mikropolitischen Ansatz erweitert, der auf die spezifische Bedeutung von Nationalzugehörigkeit, professionellem Background und individueller Karriereorientierung bei Tochtergesellschaftsmanagern im Ausland abstellt.

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1 Introduction

There is a long tradition of functional-structuralism in international business research. Classical studies such as of Vernon (1966) or Johanson & Vahlne (1977) postulated a strong asymmetry between the headquarters (HQ) and its subsidiaries, with mandate development and hence subsidiary learning mainly seen as HQ driven processes. Newer developments in the field promoted by authors such as Birkinshaw et al. (see e.g. Birkinshaw, 2000, Birkinshaw and Hood, 1998) and Jarillo and Martínez (1990) have shown that subsidiaries do have a more active role in the decision-making process of the MNC as a whole as well as with regard to mandate development and learning. However, what those scholars missing out is discussing the role of key actors and the micro-political dimensions of mandate development enabling and blocking organisational learning within the subsidiary. According to their view the interests and rationalities of key subsidiary managers can be taken for granted, encompassing e.g. a focus on maintaining and enhancing the competitive advantage of the overall MNC as well as enhancing the own mandate within the MNC by outcompeting and outlearning other subsidies, an aspect stressed e.g. by Hamel (1991) in the context of knowledge transfer and learning in strategic alliances.

In this paper, we are going beyond functional-structuralist approaches in discussing mandate development and learning of subsidiaries by stressing the role of key actors, their political strategies and interests. Mandates are temporary (in terms of both time and content) responsibilities allocated by head office management and/or "won" by individual subsidiaries (Birkinshaw 1996). As mandates are, as a general rule, bound up with control over resources and activities, their development is a strongly contested organizational terrain. Thus we discuss mandate development and organisational learning in line with Weick and Westley (1994) and Schatzki (2005) not as an individual or organisational property but as the outcome of relationships between actors, organizational settings (subsidiary, HQ), institutional and socio-economic environments. In our view processes of mandate development and organisational learning are interrelated, linking perceptions, interests and social practices of key actors of a local subsidiary with more or less institutionally embedded practices of other subunits (such as the HQ and other subsidiaries) and relevant external stakeholders (such as suppliers, customers, trade unions, etc.).

At first we will refer to institutionalist approaches which stress that the degree of home and host country embeddedness strongly defines decision-making strategies at host country level. However, similar to mainstream functionalist international business research, these studies suffer to discuss the role

of actors properly, with one school of though seeing managers mainly as ‘over-socialized actors’, either following of certain cognitive, normative and regulative pressures of certain ‘organisational fields’ (e.g. DiMaggio and Powell, 1983), or the logic of a particular national business system (e.g. Whitley, 1999).

Secondly, we outline an argument on how institutional settings interact with organisational effects and the individual interest of key subsidiary managers. It will be considered how overall strategies of the MNC, the material arrangements surrounding the subsidiaries as well as the educational/professional backgrounds and the individual career ambitions, influence micro-political strategy building, mandate development and organisational learning processes in subsidiaries.

This discussion leads, *thirdly*, to the development of a more dynamic bottom-up approach to micro-political strategies of subsidiary mandate development and learning. In line with Giddens (1984) and Schatzki (2005), our approach stresses the interactive nature of key actors micro-political strategies and learning capabilities. In this sense, the micro-politics of mandate development is not regarding power as a possession of a certain individual or organisational subunit within the MNC, but an ability and resource which is interactively constituted. In the centre of analysis are two levels:

– Interactions between the individual interests of local key actors (e.g. with regard to issues of career and professional development), the material arrangements at the subsidiary level, the organizational settings of the MNC itself and the wider impacts of the institutional and socio-economic environments.
– Interactions between local key actors to other relevant actors which do have a stake in local decision-making of the subsidiary, (i.e. the HQ, local trade unions, other subsidiaries providing scarce resources).

These interactions promote and/or restrict the development of certain individual interests, and shape the cognitive and cultural orientations of local key managers. Managerial interests and strategies can be either more locally or transnationally oriented. However, by applying a process perspective, we assume that the actors’ orientations and micro-political strategies are always open to multiple re-interpretations, manipulations and re-negotiations typically occurring in processes of mandate development (see e.g. Oliver, 1991).

Based on these premises the following questions will be raised and discussed on the hand of illustrative mini case studies: How do interests and orientations of key managers translate into micro-political strategies with regard to mandate development and learning? What are other relevant actors, inside and outside the organisation of the MNC, with regard to mandate development and learning?

Answering these questions our analysis focuses on two micro-political aspects of mandate development: 1. the interpretations of key actors, either actively influencing the development of mandate or (actively or passively) accepting and resisting its imposition and 2. how key actors legitimate, negotiate, defend, etc. their mandate development strategies to other relevant stakeholders within the subsidiary, the HQ or other powerful players within and outside the MNC. In short: this paper aims to develop a better understanding of the micro-political aspects of mandate development in MNCs, especially focusing on strategizing processes at the subsidiary level.

The paper is organized as follows. In the next section we will discuss the contributions and limits of current research, especially of so called "evolutionary" studies on the multinational and comparative institutionalist approaches. In section 3 we will focus our attention on research analysing managerial interests and career orientations within the MNC. These are of course influenced by the overall power structure and institutional constraints within the MNC itself, but not determined. This issue will be discussed in more detail in section 4 where we distinguish three dimensions when analysing mandate development. Next we give a brief overview about our research design and methodology. In section 6 we present three mini cases, showing how micro-political practices, learning and strategizing processes of local actors are intertwined, followed by a concluding discussion.

2 Contributions and Limits in Current Debates

Research in international business and management has been for a long time predominantly concerned about technological and economic constraints on rational information-processing and decision-making in MNCs. Scholars have focused on issues such as successful FDI (see e.g. Teece, 1992, Vernon, 1966) or efficient adoptions and transfers of technologies and organisational structures (see e.g. Buckley, 1996; Casson, 1997; Egelhoff, 1993). In contrasts to these studies, 'evolutionary' research analysed how managerial strategies and the organisational design of the MNC are shaped by more or less unstable and uncertain international business environment contingencies, driving MNCs towards a specific best practice called the transnational solution (e.g. Bartlett and Ghoshal, 1989). This increasingly dominant paradigm was firstly criticized for developing a rather narrow view about the management of the MNC: by mainly studying North-American multinationals, having unilateral and monotonic bias and concentrating predominantly on international expansion (Westney and Zaheer 2001). However, the idea that an increasingly universal rationality is guiding managerial decisions in MNCs has also been questioned from various other perspectives. Some scholars, such as e.g. Birkinshaw (2000) and Birkin-

shaw and Hood (1998), follow to some extent the evolutionary logic, but stress that MNCs cannot be understood as homogenous organisational units, centrally controlled by the HQ, especially when they operate in a highly uncertain and unstable global environment. Here managerial decision making autonomy and entrepreneurship of subsidiaries are see as crucial to gain competitive advantages and enhancements of mandates (ibid). Other researchers adopted Hofstede's approach (e.g. Cooper, 2003; Watson, Kumar and Michaelsen, 1993) and emphasise that unique assumptions and converging rationalities in MNCs are unrealistic because the subsidiary rationales remains strongly shaped by particular national norms and values of the host country culture. Similarly, to the latter, comparative institutionalism stresses the diversity of rationalities, organisational forms and structures. The key interest of this approach, however, is not so much in the socialisation of individual decision-makers in a certain national contexts, but in the question how managerial decisions are influenced by the institutions of the nation state where the MNC is originating from. It is stressed that reorganisation of subsidiaries after merger and acquisitions (e.g. Child, Faulkner and Pitkethly, 2001) the transfer of HRM practices (e.g. Edwards and Ferner, 2002; Gunnigle et al. 2002), coordination and control (Ferner, 2000; Harzing and Sorge, 2003) and subsidiary work systems (Geppert et al., 2003) are heavily shaped by key elements of the MNC's home country institutions, such as the financial, the educational and the industrial relations system. Thus, cross-national comparisons show that managerial decisions are related to certain home country institutional features, and that for example US MNCs tend to be driven by short-term financial interests, compared to German and Japanese MNCs where decisions are more long-term oriented (see e.g. Edwards and Ferner, 2002; Geppert et al., 2003; Sharpe, 2001).

Only recently comparative institutionalist studies began to broaden their analytical interests towards host country and third country influences, especially on the management of the subsidiaries (see e.g. Dörrenbächer, 2004). This can be seen, on the one hand, as a further development of comparative institutionalism by stressing that the degree of host country embeddedness varies between different host countries and, with it, how much strategic choice and local decision-making autonomy subsidiary managers have in a certain host country, e.g. by comparing highly institutionally embedded German with less institutionally embedded British subsidiaries in the same industrial sector (see e.g. Geppert et al., 2003) or considering influences of highly fragmented business systems, such as the Venezuelan, on MNCs operating in different industrial sectors (Marquez, 2005). On the other hand, these studies can be also read as a critique of early comparative institutionalist studies. It was found that in certain host country contexts local management decides only to implement certain elements of 'best practices' and ideas developed in the home country, as stressed e.g. by Dörrenbächer's (2004), analysing to which extent German MNC's fleeing or exporting the so called 'German production model' when operating in the context of post-socialist Hungary. Other authors see more

heterogeneity of home country influences through contingencies, such as subsidiary size, industrial sector and the MNC's internationalisation experience (e.g. Noorderhaven and Harzing, 2003).

To sum up, compared to many mainstream studies on the MNC concentrating on various environmental pressures towards global convergence of organisational strategies and structures, the most important contribution of comparative institutionalist research is to show the remaining importance of contextual rationalities, shaped by home and host country institutions (see also Geppert, Matten and Schmidt, 2004 and Tempel and Walgenbach, 2003). However, there are further developments in the field criticising conventional comparative studies for either concentrating on the home country or on the host country logic. It is therefore demanded that future research should rather look at the issue of 'hybridization' which means to analyse how home and host country influences come together (e.g. Becker-Ritterspach, 2004 and Marquez, 2005). What is more, e.g. Morgan (2001) has drafted a new research agenda and suggests that future research shall also consider actors and contexts beyond national institutional influences and analyse dynamic and conflicting issues in emerging 'transnational social spaces' within and outside MNCs. Even when new conceptual developments give some room for applying a more actor-centred approach, the focus of analysis remains largely in the established structuralist tradition. What is missing is a more bottom-up view on how actors actively influence transitional institution-building. That means strategic approaches and practices of key actors are both, shaping and being shaped by certain institutional settings (see e.g. Djelic and Quack, 2003; Geppert and Clark, 2003). This paper makes an attempt to go in this direction by concentrating on the role of key actors in legitimating, negotiating and defending mandate developments.

3 Organisational Effects, Subsidiary Managers and Careers in MNCs

Next to the impact of the task and institutional (home and host) environments, a number of studies have stressed hat the behaviour of MNCs is also influenced by organizational effects. So far however, there is no common understanding of what organisational effects are and how they relate to market and institutional factors. Following Mueller (1994) the organizational effect is represented by MNCs following global best practices no matter what country of origin they have. In the same direction, but more cautiously Harzing and Sorge (2003) maintain that following global best practices is only a realistic prospect with regard to some aspects of MNC behaviour and where these prospects exist they relate to organisation specific templates such as size or industry affiliation

of the MNC. Somewhat departing from interpreting organisational effects as following global best practices Dörrenbächer (2000) relates organisational effects to corporate idiosyncrasies, which are rooted in firm-specific development trajectories (Boyer, 1998) and which crystallise in structural parameters of the firm such as size, age, degree of diversification and internationalisation.

Despite these different interpretations as to what organizational effects are, common to these approaches is their understanding that organisational effects are either shaped by external dynamics such as market forces, institutional and structural parameters or by internal dynamics, such as firm-specific development trajectories. The interrelations of internal and external dynamics are not looked at, so far. To fill this gap we argue in this paper, that organizational effects, no matter whether they are taken as a synonym for global best practices or as divergent firm behaviour due to different corporate trajectories, do evolve by an specific interpretation, integration and institutionalisation of constraints and opportunities prevalent in the task and institutional environment. Following Chandler (1971: 20) who postulated that understanding business requires the study of regularized patterns of action between organisations and individuals our focus is on key actors in MNCs and their interpretation, integration and institutionalisation of external and internal factors on an organisational level.

Actors are neither the executive organs of given structures (Walgenbach and Tempel, 2002), nor fully autonomous. They are bound to rules, restrictions and resources. However such structural ties do not foreclose systematic and individual variations in strategies and behaviour. Systematic variations occur due to different functional or hierarchical backgrounds in organizations, different educational and professional backgrounds as well as in the case of MNC due to different subunit, national and cultural backgrounds, with all these factors influencing the translation, interpretation and integration of external conditions into actor behaviour. Individual variations in actor strategies occur due to the fact that the organizational behaviour of actors is always taking into account the individual interests of the actor (Küpper and Felsch, 2000). Very often these interests are selfish, relating to autonomy, power and career ambitions in organizations. However, individual interests might also be shaped by altruistic ideas and beliefs (Ortmann, 1998), personal identity construction (Weick, 1995) or group dynamics (Lee and Lawrence, 1985). In short: the interactions of key actors in organisations are to some extent institutionally and structurally constrained, but there is always room for interpretation and manoeuvre (Crozier and Friedberg, 1979).

These general considerations also apply for key actors in MNCs such as foreign subsidiary managers, this paper concentrates on. The specific role of foreign subsidiary managers in the socio-political fabric of an MNC however,

requires some specifications. Basically, foreign subsidiary managers have to fulfil three different roles: They are sensors and interpreters of local opportunities, builders of local resources and contributors to and active participants in the global strategy of an MNC (see e.g. Ferner, 2000; Birkinshaw, 2000). As such they might follow a local and a transnational orientation at the same time. However, the questions to which degree they lean to the one or the other side, or in other words, which of them becomes the dominant cognitive orientation, can only be understood by analysing the interplay of the key actors strategies with certain more or less locally embedded organisational (MNC) and environmental settings.

Relevant *individual factors* influencing the cognitive orientation of foreign subsidiary managers encompass nationality and career orientation. Following a well-established categorisation, foreign subsidiary managers are either parent country nationals (PCN or expatriates), host country nationals (HCNs or Inpatriates), or third country nationals (TCNs) (Harzing, 1999). These different types of staff are ascribed different orientations. Usually PCNs are seen as strongly following a transnational orientation due to their familiarity to the MNCs overall goals, policies and practices. Very often they are seen as most efficient in exercising HQ control over the subsidiary. However this transnational orientation is only with PCNs that do not go native e.g. by marring a local partner, converting to the locally dominant religion, or taking up permanent local residence, as Loveridge (2005, forthcoming) stresses. HCNs or inpatriates on the other hand are seen as basically having a local orientation, due to their socialisation in the host country and their familiarity with the social, political and economic environment of the host country (Harvey et al., 1999). However following Petersen et al. (1996; 2000) a strong local orientation is only with HCNs that do not have international career options. Whether such options exist, basically relates to the career schemes of the MNC and the skills of the HCN. Third country nationals or TCNs are often ascribed a generically more balanced orientation between the local and the transnational. However following Harzing (1999), their number is very small compared to PCNs and HNC. Finally there is a growing number of foreign subsidiary managers, that do not fit in any of the categories discussed above, due to their bi-national, bi-lingual and/or bi-cultural biography (Dörrenbächer and Riedel, 2000). However to what degree these “hybrids” do follow a local or a transnational orientation and how this relates to their biography is still an open question.

Next to nationality, the individual career aspirations of foreign subsidiary managers might influence its positioning between a local and a transnational orientation, with career aspirations having the potential to sustain, weaken or break a orientation defined by nationality. Classic career development models, postulate that the career aspirations of a individual manager depend on his/her career stage, with the early career years aiming at becoming established, the mid career years defined as a phase of career advancement and maintenance

and the late career years as adjustment to retirement (Hall and Nougain, 1968). Newer research has shown that these concepts, which strongly correlate career aspirations with age, are too rigid to cover the blurring of standard biographies. Thus Hall (2002) proposes a more open framework, relating the career aspirations of an individual to its perception of whether she or he is established or not. Whether or not a subsidiary manager of an MNC is satisfied with its present career stage or not depends on various individual factors such as age, family situation, health, self assessment of talents etc. These individual characteristics, however, have to be related to organisational features, such as MNC specific career schemes and staffing policies, appraisal and compensation policies as well as support systems (Peltonen, 1992; Stahl et al., 2002). Furthermore, situational features, associated with specific career steps have to be taken into account, most prominently issues of geographic mobility (Mayrhofer, 1996), anticipated work conditions (work atmosphere, burden of work etc.) and changes in tasks and responsibilities. Especially changes in tasks and responsibility are ascribed a great impact. Following Schein (1978/1990), career anchors inside the person (defined by self-perceived talents and abilities, by self-perceived motives and needs as well as by self-perceived attitudes and values) are functioning as driving and constraining forces on career decisions and choices (ibid.:164). Based on these premises, Moss Kanter (1989) distinguishes between a bureaucratic, a professional and an entrepreneurial career orientation, with the bureaucratic orientation being defined by the logic of advancement in a given organisation, the professional orientation based on the logic of increasing knowledge and reputation and the entrepreneurial orientation based on the logic of increasing autonomy and innovation. While all these career logics might apply to subsidiary managers in an MNC, in many local subsidiaries only professional and entrepreneurial career ambitions might be possible, with learning processes and mandate development being important play grounds. Career orientations which are beyond the local company level where subsidiary managers are taking over a more prestigious job either in the upper level of the hierarchy of HQ or in another subsidiary elsewhere in the MNC.

Individual factors influencing the cognitive orientation of foreign subsidiary managers, have to be seen in relation to *MNC-internal and MNC-external* factors. Some relevant MNC-internal factors influencing the cognitive orientation as well as the behaviour of foreign subsidiary managers have already been mentioned such as career schemes, staffing and compensation policies. Next to these factors that specifically relate to IHRM issues, there are also some more general MNC-internal (or organisational) settings, that might have an influence on subsidiary manager's orientation and behaviour with regard to learning and mandate development. Based on Penrose's (1959) pioneering work, many authors have maintained that the capabilities available to a subsidiary, encompassing e.g. managerial expertise (Rugman & Douglas 1986,) product portfolios (Hood et al 1994), specialised technologies (Egelhoff et al. 1998), and internal

R&D processes (Pearce 1999, Florida 1997, Taggert 1998), have an influence on the opportunities of subsidiaries and their managers to successfully develop their mandates and learn. While these factors describe the resources on which subsidiary manager's behaviour is based on (or limited by), HQ assignment is another import source for mandate development and learning (Egelhoff et al., 1998). Whether or not the HQ is willing to allocate knowledge, resources and strategic responsibilities to a subsidiary might depend on other subsidiaries success or failure (Delany, 1998). But also altered market conditions (Prahalad and Doz, 1987; Birkinshaw and Hood, 1998) or changes in the political and institutional environment (Geppert et al., 2004) might have an impact on the re-allocation of resources in the MNC. Especially changes in the institutional environment are considered to have a strong impact, with the increasing internationalisation of capital markets are corresponding with changes in corporate governance mechanisms, triggering massive corporate restructuring (e.g. Useem, 1996). Changes were understood to be especially strong at MNCs from coordinated market economies such as Germany (Lane, 2004; Vitols, 2004; Jürgens et al., 2000) or Finland (Tainio et al., 2001). Here management control is increasingly challenged by stock market control, favouring short term results over long term stability and financial goals over technical ones. However there are still notable discrepancies according to size, industry and the legal form of an MNC as to what extend this logic of financialization (or shareholder value) applies, as Dörrenbächer (2004) has shown for German MNCs. At the same time this new logic faces support and opposition inside the MNC, not only along the dichotomy of capital and labour, but also among key actors in the MNC along national, structural, functional and hierarchical divides.

4 Analysing Micro-political Aspects and Learning in Local Subsidiaries of MNCs: A Bottom-up Approach

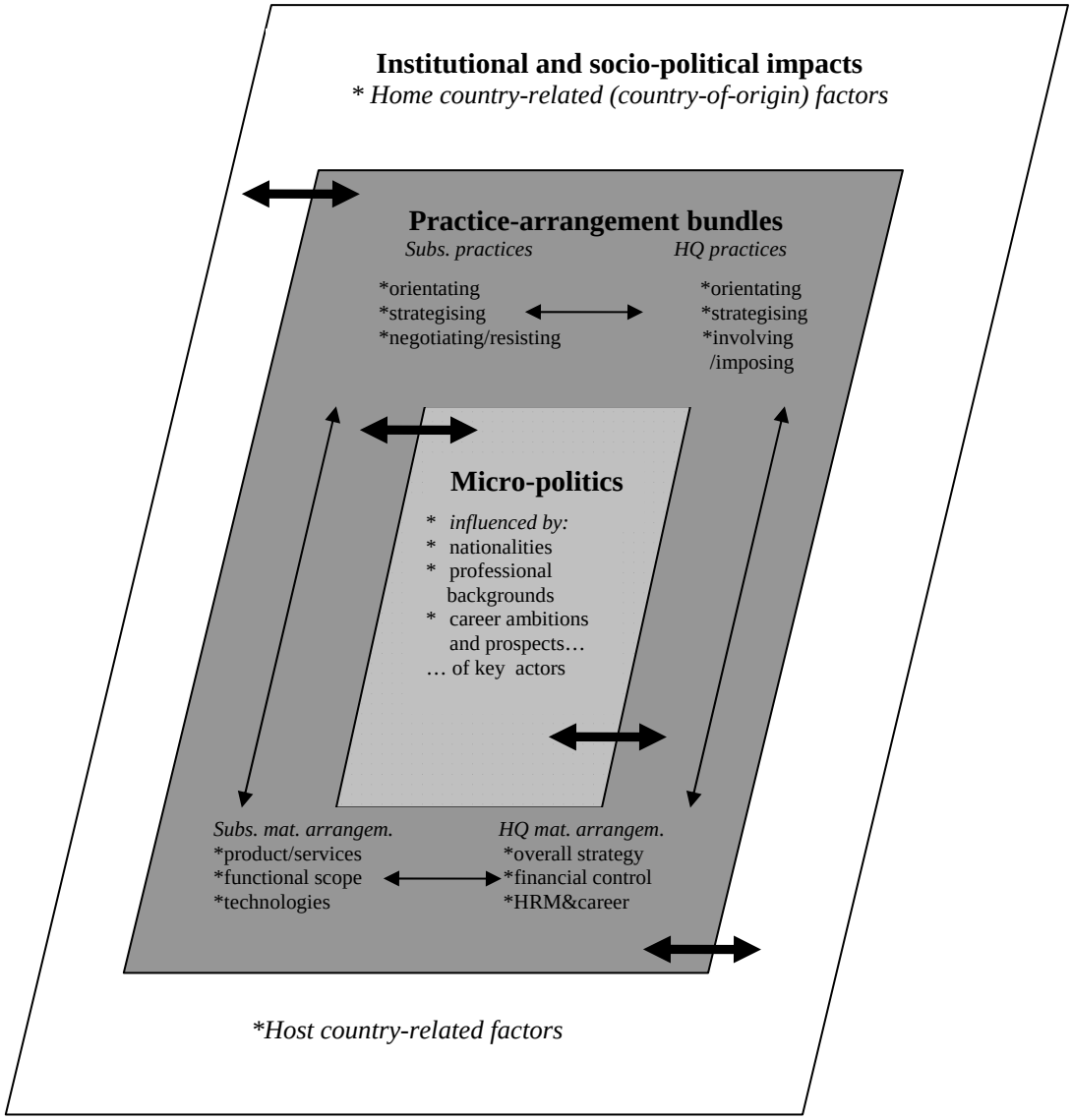
In the following section we will develop an alternative understanding about micro-political strategising of local key managers in mandate development and learning at the subsidiary level. We conceptualise mandate development as an interactive and micro-political process and distinguish three aspects:

First, we would like to refer to the *micro-political dimension* of mandate development and learning. Here we are interested in learning more about how nationality, professional backgrounds, career ambitions and prospects are influencing the behaviour of local key actors in mandate development processes. Of course, these factors, that occur at the level of the individual, are closely related to the two other levels of our approach, i.e. the level of practice-arrangement bundles and the level of the institutional and socio-political embeddedness of mandate development processes (see figure 1!). However this does not mean

that we regard key actors behaviour in mandate development processes as structurally determined. Instead we do think that established practices as well as organisational and institutional contexts frame key actors behaviour but at the same time leave (more or less) room for individual interests, emerging from the crossing over of the subsidiary managers nationality, his/her professional background and career ambitions. Managerial strategies of e.g. developing or integrating new mandates can be more locally or transnationally orientated, and even being “hybridized”. However, each approach might involves certain micro-political approaches, either blocking or enabling organizational learning across organisational and national borders.

Secondly, we understand mandate development as contextualised social practice. In reference to Schatzki (2005) we analyse local subsidiaries as ‘social sites’ characterised by *bundles of practices and material arrangements (*or in short *practice-arrangement bundles)*. Those are interactively related to other layers of the multinational organisation (e.g. the HQ or other subsidiaries) and the local environment. Thus it is only for analytical reasons that local, subsidiary related practices, such as internal R&D, communication and coalition building processes , have to be distinguished from practices that emanate from the HQ and apply MNC-wide, such as the implementation of a company wide accounting or benchmarking systems, both creating contested learning situations and more market-like relationships. Especially these practices, their specific use (e.g. the propensity of mandate relocation and outsourcing), that expresses the overall strategic orientation of the MNC (e.g. financial or innovation orientation) as well as their reception at the subsidiary level are of high relevance to mandate development processes. The same is true for staffing policies, career schemes and compensation rules, since they strongly influence the local managers individual interests and hence their strategies and practices of mandate development. Following Schatzki, every practice is performed in a specific nexus to material arrangements. Thus the interaction of organisational units and the individuals representing them (and their own interests), is not only influenced by certain practices and micro-political strategies but by material arrangements too. Here we assume that a bunch of subsidiary related factors as well as certain configurational aspects of the MNC are essential. Based on previous studies (cf. an overview in Dörrenbächer/Gammelgaard 2004), specific technologies, internal R&D processes, the composition of the product portfolio as well as the functional scope (e.g. production, R&D, marketing) of the subsidiary are basic material arrangements at the subsidiary level. At the wider organisational level the overall geographical and functional configuration of the MNC itself seems to be of strong importance, especially since it is defines the uniqueness and embeddedness of each individual subsidiary in the differentiated web of MNC units.

Figure 1: Three dimensions of mandate development



Thirdly we emphasise the overall impact of the *institutional and socio- political embededdness* on processes of mandate development and learning. Here it assumed that basic factor endowments, regional and national FDI policies and certain institutional arrangements such as the local educational, financial and industrial relations system do influence the interaction and political interests of key actors at the subsidiary level. In addition depending on the nationality of the MNC, different country-of-origin-effects might work via MNC-wide practice arrangements bundles. On the other hand, scholars such as Mueller (1994) stress that the adoption of 'best practices' involves the development of increasingly similar patterns of practices and material arrangements across national borders. Similarly, Gupta and Govindarajan (2002) argue that increasing interactions e.g. in global teams and projects lead to the emergence of 'global mindsets' in and between subsidiaries. In other words, we are interested in shedding

some light on the problem of how far the practice of mandate development is shaped by host country institutions and how far by institutional arrangements set up within the multinational group.

5 Research Design and Context

The here presented mini case studies are taken from an ongoing research project on entrepreneurship in German multinational corporations. This project tries to map and explain actor rationales in processes of mandate development and upgrading in French affiliates. The research design is exploratory and mainly based on qualitative interviews conducted in French subsidiaries, covering different industries, HQ policies and subsidiary management nationalities. The three mini-case studies here, are selected from the first bunch of interviews in French subsidiaries of German MNCs. Based on intensive preparatory work, semi-structured interviews, lasting between two and three hours, were conducted with key subsidiary managers. The interviews were taped, transcribed and triangulated with the analysis of various documents.

The basic purpose of the mini case studies is to illustrate how strategies of subsidiary managers with regard to mandate development and learning are construed by selective and reflexive integration of individual interests, different social practices within the MNC as well as institutional and socio-economical patterns relevant to the MNC and the subsidiary. Furthermore the mini case studies shall provide an insight on how these mico-political strategies are legitimised and how support is organised by the interaction with other relevant actors in and outside the MNC.

All mini case studies were drawn from German MNCs: More specific from such German MNCs, that are currently undergoing strong changes, more or less “alienating” these firms from the traditions of the so-called “German model”, which is usually characterised by highly regulated labour relations, patient capital and a general orientation of the management towards technical aims (e.g. Katzenstein 1980, Albert 1991, Streeck 1997). The fact that the case studies are routed in institutionalising rather then in institutionalised arenas (see e.g. Djelic/Quack, 2003), means that there are high and multiple incentives for bottom up strategies of mandate development and learning. This is especially the case for managers from French subsidiaries. Despite the fact that France and Germany do differ with regard to their national business systems - according to an recent overview by Kleiner (2004), France displays a specifically strong centralisation of the economy, a strong educational stratification as well as a strong impact of networks - many scholars group German and France as

coordinated market economies (e.g. Albert, 1991; Whitley 2001). That is, economies that combine a long term economic orientation, with a strong social equality and a high impact of corporatist actors and the government. Thus choosing France as a host country limits the impact of regulatory and welfare gaps. The analysis of societal effects of the home country, Germany and the host country, France, mainly concentrates on how the educational and financial systems of both societal contexts influence managerial orientations and with it strategising and learning in the process of mandate development.

To sum up, the comparison of the mini cases presented here, allowing to especially analyse variations in the interpretations of key actors, their respective constructions and implementations of micro-political strategies as well as in their attempts to influence, re-negotiate, or re-interpret locally more or less institutionally embedded bundles of practices and material arrangements.

6 Case Studies

Case 1: This young, ambitious Franco-German manager with considerable international job experience, a hierarchical career orientation and a financial professional background used his insider knowledge of innovative changes at a local competitor as well as his subsidiary's mandate to promote structural reforms in the overall MNC. He thereby advanced the financialisation of the MNC and qualified himself for a career at the HQ.

To initiate organizational reforms at the overall MNC level and, by that, to qualify for a top management career within the HQ was one of the basic aims of the young and ambitious Chief Executive Officer (CEO) of the French regional company of a large German service firm. Born in Germany and raised in France, the 38-year-old manager who studied in Germany clearly follows a hierarchical career orientation. Following a trainee program at a large German Bank and a short assignment as financial adviser of an engineering firm, he has worked at the German service MNC for about 10 years. So far, all of his assignments at the German MNC have been abroad, with the first 7 years spent in Asia. When the German MNC decided to sell its Asian subsidiaries, he decided to stay with the MNC. He was appointed Chief Financial Officer of one of the MNC's French subsidiaries in 2002, and he became CEO of the French regional office in 2003.

The CEO does not consider this to be his last career step. His personal statements and the way he uses his subsidiary's mandate to interfere in strategising processes at the HQ level indicate his high career ambitions. In addition

to relationship management and corporate governance of the different subsidiaries operating in France, the relatively small French regional office is responsible for developing the MNC's corporate strategy for Western Europe, encompassing tasks such as M&A, lobbying, business intelligence. It is therefore dependent on the much larger strategic development department in Germany. However, the most important proposal of mandate development brought forward by the French CEO was not focused on further steps of international expansion, but on the restructuring of the business organisation in Germany, where more then 90% of the business activity takes place.

The French CEO's basic ideas for rather far-reaching structural reforms of the MNC's overall organization was inspired by a recent organizational developments of a major French competitor. Based on new technologies, the French competitor turned its product-oriented organization into a customer-specific organization, unleashing a strong potential for rationalization (e.g. two full-fledged divisions had been condensed into one). Guided by his HQ-oriented career orientation and his professional experience as financial adviser, the French CEO carefully "benchmarked" the organisational changes of the competitor. Based on a wide array of contacts to the competitor's top management and basic local stakeholders such as trade unions, client organizations or regulation authorities, the CEO and his staff were able to prepare a solid analysis of the organizational change at the French competitor and to draft a proposal and a detailed feasibility study for a similar change at the German MNC.

This proposal, especially its rationalization effects, were basically in line with the overall strategy of the management board, which was under strong pressures to increase shareholder value due to falling share prices. However, there was strong opposition to this change, especially in the two divisions affected. Thus, before the board of management was officially approached with the proposal, a large coalition of internal and external supporters was formed. This task was taken over by the strategic development department of the HQ, since both the political weight of the regional company in France as well as the personal reputation of its CEO, appeared to be too weak to successfully form a coalition. Coalition-building appeared to be rather undetermined, according to the French CEO, since "… even if you try hard to find, you never know exactly what impact, personal relationships and reputation a person has". In this case, a coalition of about 20 people was formed, including almost all managing directors below the board of directors, some consultants and influential investment bankers. The coalition turned out to be powerful enough to convince the board of directors to implement the proposal.

So far, there have been no direct career rewards for the French CEO, who kept on lobbying for "his" proposal also after the strategic development depart-

ment had formally taken over the task. However, his reputation at HQ and especially among the board of directors has definitely increased.

Case 2: A German expatriate manager close to retirement, with some international experience and a strong engineering background, successfully meets the challenging requirements of a new HQ-assigned mandate basically by drawing on subsidiary and MNC-related practice material bundles. However, his intentions to upgrading the mandate and, accordingly, to maintain/improve his reputation and personal achievements failed due to a strict shareholder value orientation of the HQ.

Technical and organizational challenges were this 57-year-old manager's basic rationale for becoming the CEO of a newly founded French subsidiary of a Bavarian automotive supplier. Despite his considerable experience in similar positions in different national and foreign subsidiaries of the German conglomerate to which the Bavarian automotive supplier belongs, it ultimately proved difficult to fulfil the requirements of this HQ-assigned mandate. Integrated into one of the most innovative car production networks worldwide, the French subsidiary was supposed to ramp up a blue print to use new material in mass car production. Immediately after production started, it became clear that basic process innovations were needed to meet the quality criteria set by the car's end producer. A painful trial-and-error process was required to cope with these problems. Thus mandate development in this case was at first to meet the challenging technological requirements in order to develop the assigned mandate.

Accordingly, the French CEO negotiated with the HQ on additional financial resources. However his requests for such financial investments were either ignored by the divisional HQ in Bavaria or rejected with phrases like: "Don't bother us, it's your job to fix the problems there". This ignorance of HQ power holders to support this difficult but at the same time very promising project of the subsidiary was mainly due to a dramatic shift in the overall orientation of the conglomerate and the automotive supply division. Once a technologically driven company, the conglomerate ran into deep trouble due to some unlucky speculations and irregularities. As a result a new CEO was appointed by the major shareholders. Since this new CEO was a turnover specialist, the MNC's former innovation orientation was replaced by an orientation towards shareholder value and short-term results. Controlling and accounting functions were strongly upgraded all over the conglomerate; as a result, the automotive supply division was no longer seen as the core business. This caused upheavals at the divisional HQ. Many managers left, and more emphasis was put on financial control.

The French CEO was dealing rather proactively with the constraints of missing HQ resources in order to improve productivity and quality standards. As a university trained materials scientist who initially worked for 13 years in the R&D department of a large German chemical company, the subsidiary manager started by addressing detailed technical problems. His professional experiences as researcher, based on e.g. life long learning attitudes, strong analysing and designing skills, were indeed very helpful to meet the new challenges of mandate development. However, managerial strategizing went beyond personal experiences and knowledge. Thus, by using local core competences and the rather small financial resources, he initiated a mandate enhancement by establishing a small local R&D unit. Even when the local labour market did not provide the qualifications needed, but his reputation, build up in the 30 years of his professional career, enabled him to attract new qualified personnel and motivate own staff to support his political strategies. The success of this mandate development initiative was supported by establishing stable and low-conflict atmosphere within the subsidiary, e.g. by paying financial incentives, fixing a stable core team of 250 employees and following a generally consensus-oriented management style when dealing with the works council and individual workers.

The first 2 to 3 years were mainly dedicated to trouble-shooting. Many of the initial technical and organizational problems were solved and performance improved. However, as the subsidiary manager put it: “In those years, I served my time in hell”. Nevertheless, the manager considered his achievements as ‘very fruitful’, despite initial problems. The efforts to meet the performance goals associated with the mandate formed the basis for the attempts to enhance the mandate later-on.

The main strategy to enhance the mandate of the subsidiary was to further explore the potential of the technological achievements gained so far and their use on a larger scale. Being almost at the end of his career, it seems to be more a question of reputation, personal satisfaction and maybe also economic care for the overall division of the MNC, than individual career ambitions, that made the subsidiary manager struggling for mandate development and learning processes at the HQ. However he failed to further explore and fully exploit the potentials of the French subsidiary. While he was successful in placing some of his specialists in other subsidiaries as well as in the central R&D lab of the automotive division, he did not get the HQ approval for a crucial investment proposal for a significant upgrading of the subsidiary’s capabilities. The HQ was interpreting such long-term commitments as being insufficient to realize short-term profits, or as the French CEO put it: “The HQ is not interested in measures that bring cash in 3 years, the will see cash in 1,5 year”. That is indicating an increasing influence of financial control mechanisms in this company, undermining more long-term oriented strategies based on established engineering skills and technological innovation.

Case 3: A locally oriented, middle-aged inpatriate of a subsidiary providing marketing and maintenance services for a German supplier of agricultural machinery enhances the mandate of his subsidiary step by step. He develops a rather entrepreneurial career orientation in order to develop local market opportunities, by facilitating internal practices and resources as well as his close personal relationships to HQ to promote his subsidiary. This strategy is supported by the still rather long-term, trust-based orientation of the family-owned German MNC.

After receiving a degree in mechanical engineering, this French manager started his career with a one-year internship at the HQ of the family owned German MNC. Having returned to France, he worked in a company that imported the products of the German MNC. Within a few years, his relationship with the HQ of the German MNC stabilized due to day-to-day business contacts. When serious managerial problems occurred at the French importer, the German MNC took over the French importer in 1987 and appointed its former intern as CEO of the newly acquired sales and maintenance subsidiary.

At first, the new CEO concentrated on building up state-of-the-art practices in his subsidiary to better fulfil the tasks assigned by HQ (basically, market screening, market communication, distribution, and product adaptation). The subsidiary was then relocated from a larger city center close to Paris to a more rural area, as proposed by the new CEO. The aim of this relocation was to create more space for a planned increase in business activity. However, the 1992 agricultural reform that caused tremendous cutbacks in demand for agricultural machinery stopped the subsidiary's growth. The company's turnover collapsed in the following years, which led to a massive reduction of staff moving down from about 70 to 35.

Backed on-site by one of the sons of the owner family (now one of the managing directors of the MNC), the French CEO started looking for new business opportunities in France. As a result he succeeded in out-competing the French service subsidiary of another German MNC that produces a complementary range of agricultural machinery. The French service subsidiary of the other German MNC was closed down and the task was taken on by the French CEO and his subsidiary. In this take-over process, the French CEO could demonstrate a well-functioning sales and maintenance organization. The HQ gave credibility and support to the negotiations with the other German supplier.

After taking on this new task, the French subsidiary almost doubled in size, gaining critical mass for new entrepreneurial activities. This time, the stagnation of the German market as well as the dominant position of the German MNC on its home market led to shift strategising processes towards increasing the company presence within the French market. Although the French CEO and HQ had reached a general consensus that the French market should increase in

importance within the MNC, the HQ appeared unwilling to support this local strategy. The French CEO lobbied for this move and started to change internal practices at his subsidiary to better exploit the French market. Thus, he decided to hire German speaking product managers for every important product to improve the adaptation of products and services as well the development of new products for the local market. These measures were rather successful, and they expanded the French subsidiary's competencies in product development. Moreover, they led to the introduction of a similar product manager structure at HQ.

Another example of how the French CEO advanced the mandate of his subsidiary by micro-political strategizing at the HQ level was his "market communication" project, improving the company's standing in the local French market. Initially, HQ was not enthusiastic about the idea of the French CEO to develop a product catalogue that includes information on all MNC products, for the French market. So far information on MNC products was given on separate product information sheets. However, the increased reputation of the French CEO, close personal relationships to one of the owner-managers, (the manager who once was expatriated for a year to the French subsidiary) together with organisational cultural patterns which are supporting the development of high-trust relationships, enabled him to succeed in his local catalogue project. Finally, the new catalogue turned out to be a great success, and HQ decided to adopt the idea and to integrate the separate product information sheets into a catalogue for the German market to achieve comparable sales gains.

Despite his increasing reputation and influence in strategising processes within the HQ, the French CEO was never interested in a career at HQ for several reasons. One reason for this was that the family-run MNC offered only a few top management positions to non-family members. Furthermore, the French CEO could easily satisfy his entrepreneurial orientation by the many challenging tasks he encountered in developing the French subsidiary's mandate. The French CEO recently got HQ's approval to move the subsidiary again to a more spacious location, which was seen as the foundation for future growth and subsidiary upgrading.

7 Final Discussion and Directions for Further Research

Our illustrative discussion of the mini case studies has shown that micro-political strategies of local key actors matter when analysing mandate development processes, both opening up new learning opportunities as well as blocking established and locally preferred learning strategies in local subsidiaries. Taking

a bottom-up approach we put particular emphasis on professional backgrounds, career ambitions and key actors interests. It is especially the long term orientating impact of these factors that according to our view shapes the strategizing of subsidiary managers with regard to mandate development and learning. Of course this strategizing is influenced by institutional structures of the MNC itself, and certain home and host country institutional features.

In our mini case studies we tackled, *firstly*, the problem of local vs. transnational orientations in the development of mandates in local subsidiaries. Here we found signs of hybridization, with key subsidiary managers at the same time following local and transnational orientations, an issue also stressed in the recent doctoral studies of e.g. Marquez (2005) and Becker-Rittersbach (2004). On the one hand, there seems to be remaining influences of the German home country, e.g. in case 3 we discussed that local strategizing about mandates was (idealtypically) a rather long-term, innovation and skill oriented process. This was of course supported by good contacts of the CEO to the managing director in Germany and his familiarity with the German business context through former work experiences in the country-of-origin, e.g. during his internship. On the other hand, compared e.g. to case 1 the career orientations of the leading manager in case 3 was much more locally anchored in the French host context, not just because of his inpariate familiarity with the French business, but also because mandate developing was very much locally orientated which of course helped to increase his power resources and position in the HQ as a 'local interpreter' (Ferner, 2000). However, the established high-trust culture with in the multinational together with his close personal relations to the owner family also supported mutual learning and knowledge transfer across national border, from France to Germany. The latter indicates that the discussion of micro-political strategies is not simply structured by certain home and host country influences, as assumed by common comparative institutionalists, such as Whitley (1999).

Therefore, we want to emphasis, *secondly*, that the organisational features of MNCs itself must be taken in consideration in order to understand micro-political processes of mandate development and learning. These processes might be of course linked to the idea of institutional isomorphism and global best practices, as stressed by Mueller (1994, see also Geppert et al. 2004 for an overview). Accordingly, we found in all three cases evidence that local managers developed micro-political strategies e.g. to build coalitions to the HQ and translating practices which appeared to be locally successful into globally best practises, promising to enhance performance of other subsidiaries elsewhere. In case 1 we have seen the local CEO successfully lobbying at the HQ for a far reaching organizational reform, he had observed when benchmarking the own organizational developments with those of a local competitor. In case 2, the local CEO transferred personnel to the central R&D lab of the division to safeguard learning processes at the HQ level. In case 3, the local manager successfully convinced the HQ to adopt his catalogue project idea. However, what

is more, we have also shown that best practices such as financial performance measures, e.g. in case 2, and development global restructuring plans, in case 1, are not adopted or developed neutrally. Local actors were not just following economic reasons as early international business researchers stressed, or the logic of the German or French national business systems or various isomorphic pressures, as assumed by insitutionalists.

What this study shows, *thirdly*, and that is a key argument our paper, is that key actors developing mandates and thus opening up new and closing established organizational learning paths, because they are often following their own (some might say selfish) interests, agendas and career ambitions. However, they can be still interpreted as institutionally informed, e.g. when we take the professional backgrounds of the key managers in consideration. Here, we shed some light on the dialectics of organizational learning, an issue stressed by Geppert (2000) when comparing different institutionally embedded organizations in the East-German context. Local strategizing in order to develop mandates caused both de—and re-institutionalisation of its established paths of organizational learning. Thus, e.g. the story of the key manager with a financial professional background, in case 1, to develop a global restructuring program demonstrates how personal career ambitions to improve his position within the MNC itself are combined with institutionalised normative patterns coming from his professional education as well as from his and long-term experience in financial management. The story of the French manager in the case 2 shows that his professional background in R&D and engineering led to certain processes of local strategizing and learning, which were only partly successful, because of an increasing share-holder value orientation in the German HQ, indicating changes in the financial system, a tendency also stressed in papers by e.g. Marquez (2005) and Geppert et al. (2003). Finally, the story of the local manager in case 3 shows, on the one hand, that the strong requirements for local responsiveness and institutional embeddedness of the subsidiary triggered highly context specific processes of knowledge creation and learning. However, on the other hand, his former experiences in Germany supported certain forms of micro-political strategizing within the HQ. Thus he influenced/manipulated learning process in the country-of-origin, by institutionalizing a practice which has been locally successful into a best practice, accordingly being interpreted within the HQ as universally transferable. In other words, the here developed approach allows to better understand the micro-political foundation of the re-institutionalization of locally successful ideas into best practices, an aspect which requires more detailed research.

In summary, and in more general terms, we would like to see more detailed and in-depth studies analyzing the political nature of mandate development. One way to do this would be to study “management as practice”, a stream of research recently brought forward by scholars such as Schatzki (2005) for organization theory and Whittington (2002) for strategic management. Such a

turn can be hardly found in traditional international management research. However, the discussion in our paper does suggest to putting more emphasis on the micro-processes of strategizing.

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