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Abstract: Screening the International Business (IB) literature on intra-firm competition as well as the more extensive literature on subsidiary mandate change, the paper uncovers that both literature streams so far pay rather little systematic attention to the political dimension of intra-firm competition. Drawing on Crozier and Friedberg's micro-political approach of organized action, an alternative framework is developed that helps to identify key actors, their behavioral rationales and the contextual conditions that inform such rationales in political games surrounding intra-firm competition.

Key words: Intra-Firm Competition, Intra-Firm Politics, Micro-Political Strategies, Integration of Pre-Existing Theoretical Approaches

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INTRODUCTION

Intra-firm competition is one of the most contentious issues in MNCs. The threat to transfer production, R&D or some other tasks and responsibilities to a competing subsidiary triggers intense strategic interactions within the MNC. In cases where such conflicts escalate, political and industrial action follows and often long public debates unfold. Often intra-firm competition is unleashed and stimulated by headquarters. However, intra-firm competition might also be the result of an individual subsidiary initiative to gain a new or to further develop a mandate it already holds. No matter whether intra-firm competition is unleashed by headquarters or by subsidiary initiatives, it introduces an element of instability into the MNC-wide division of labor that has far reaching implications especially for subsidiaries. From a subsidiary point of view, intra-firm competition implies both, chances for a long term upgrading as well as threats for a long-term downgrading of the subsidiary within the MNC network. The fact that subsidiaries can gain or lose ‘weight’ (Bouquet and Birkinshaw, 2008 forthcoming) in intra-firm competition, underlines the fact, that intra-firm competition has an intrinsic conflict potential. Moreover, it suggests that keeping pace in fierce intra-firm competition is of prime strategic importance for subsidiaries. This is not only to avoid job losses at the subsidiary – an issue that often dominates the public debate – but also to secure future influence and reputation of the subsidiary as well as of its key managers. Key subsidiary managers whose careers, clouts and even jobs might depend on their behavior and performance in such conflicts do play a very important role in intra-firm competition. They are negotiating with headquarters managers, forming political coalitions within and outside the MNC, cooperate with MNC-internal and external partners, improve given mandates and explore new business opportunities. Screening the literature on intra-firm competition as well as the more extensive literature on subsidiary mandate change, subsidiary autonomy and subsidiary power, however, it turns out that little is known about the political dimension of intra-firm competition.

This gap results from the fact that intra-firm competition so far has been basically addressed by researchers with a contingency theory background. Although they recognize that politics is important in

intra-firm competition they fail to adequately integrate the political dimension into their frameworks. It is this gap that this paper tries to address. Drawing on core organizational politics approaches – notably the approach of organized action by Crozier and Friedberg (1980) – the paper develops a political framework of intra-firm competition that aims to identify key actors, their strategic behavior and the conditions that constitute it. This, in turn, will help to map different kinds of games mirroring different dynamics of political interactions in intra-firm competition. The paper is organized as follows: In section 2 the paper provides an overview of the International Business (IB) literature on intra-firm competition including some works that use other labels such as ‘internal competition’, ‘corporate venturing’ or ‘internal market mechanisms’ in MNCs. Presenting an alternative to the mainly contingency theory based approach on intra-firm competition in IB, section 3 presents a political framework to intra-firm competition. In section 4 this framework is used to interpret empirical evidence on intra-firm competition. The paper closes with a summary and some remarks on the applicability of the framework and its limits.

LITERATURE REVIEW: CONTESTING DE-POLITICIZED VIEWS OF INTRA-FIRM COMPETITION

Intra-firm competition is an issue of growing importance in MNCs. This is partly due to the strong rise of M&A as a growth mode of MNCs (Wortmann, 2000), leading to excess capacities and considerable overlaps in products, markets and technologies within MNCs. Moreover, intra-firm competition is fuelled by the secular trend of organizing large MNCs along global product divisions (Humes, 1993) that put a strong emphasis on economies of scale and corporate wide standardization. Last but not least, there is an increasing awareness to understand MNC as internal market systems (Cerrato, 2006) in which competition is the prime mode of intra-firm governance. Despite the growing importance of intra-firm competition, little research has been done in the field so far. What is more, with a few exceptions (eg. Burgelman, 1983; Hill et al., 1992) most works have appeared rather recently. In the remainder of this section we will first have a look at these contributions. In particular, we will look at how intra-firm competition in MNCs is defined and conceptualized. And, adding the more extended literature on subsidiary mandate change,

subsidiary autonomy and subsidiary power, we will finally ask to what extent the role of actors, their basic behavioral patterns and contextual conditions of their behavior have been considered in IB research on intra-firm competition.

INTRA-FIRM COMPETITION: OBJECTS OF COMPETITION

Intra-firm competition is about the competition of subsidiaries for headquarters resources, systems positions and mandates (Luo, 2005; somewhat different categorizations are provided by Birkinshaw 2000 or Cerrato, 2006).

The first aspect refers to the competition for headquarters' resources, encompassing capital, technology, equipment, specialized human resources, training, knowledge, information etc. Since most of these resources are scarce, competition arises among subsidiaries to access such resources.

The second aspect refers to the competition among subsidiaries to improve or defend their system position. Following Nohira and Goshal (1997) the modern MNC needs to be viewed as a differentiated network in which the role and power position of subsidiaries varies to large degrees. There are different typologies in use to map these differences. While White and Poynters (1984) taxonomy positions subsidiaries according to the tasks they perform, the typology of Birkinshaw and Morisson (1995) puts a stronger emphasis on the different levels of strategic autonomy subsidiaries might have. A multi-facet view is presented by Luo (2005) who argues that the system position of a subsidiary in an MNC is composed of its position within the value chain, its level of access to important information as well as its ability to influence headquarters' decision making.

A third aspect or view on intra-firm competition revolves around the concept of subsidiary mandates or charters. Mandates are temporary (in terms of both time and content) responsibilities allocated by headquarters and/or "won" by individual subsidiaries (Birkinshaw, 1996). Likewise, charters are defined as the organizational subunits' business or elements of business it is responsible within the corporations (Galunic and Eisenhardt, 1996). Intra-firm competition on mandates or charters touches upon the two previously mentioned items intra-firm competition might be about: Mandates or charters are, as a general

rule, bound up with control over resources and activities, and changes in mandates and charters often entail notable shifts in the systems position of subsidiaries. Hence mandate development is a strongly contested organizational terrain.

Determinants of Intra-firm Competition

Apart from initial descriptions on what intra-firm competition in MNCs is about and what shape it can take, most of the IB literature so far has put a strong emphasis on theorizing about what determines intra-firm competition. Usually multiple determinants from the environmental, the organizational and the sub-organizational level are discussed and turned into propositions. Thereby, different levels of analysis are chosen with some authors addressing intra-firm competition as a whole and others differentiating between individual items. Another difference extends to whether intra-firm competition is directly addressed (Luo, 2005; Phelps and Fuller, 2000) or indirectly by either studying charter overlap and charter stability (Birkinshaw and Lingblatt, 2005), or by focusing on the existence of internal market mechanisms (Cerrato, 2006).

Environmental variables are stressed, for instance, by Birkinshaw and Lingblatt (2005). They suggest that intra-firm competition is rather strong in mature or homogeneous industries, while it is considered to be weak in nascent or heterogeneous industries where variation and overlap is needed to stay competitive. Cerrato (2006) adds that uncertainty with regard to market changes (or 'environmental equivocally' in terms of Birkinshaw and Lingblatt) has a negative impact on intra-firm competition too. Finally, Luo (2005) suggests that in strongly prospering markets intra-firm competition is high since headquarters allow a lot of overlap among subsidiaries to harvest as much as possible there.

Organizational influences on intra-firm competition are assumed to exist on the overall MNC level, the subsidiary level as well as on the level of headquarters-subsidiary relations. With regard to the overall MNC level, Phelps and Fuller (2000) argue that intra-firm competition is especially high in multi-domestic MNCs, where large overlaps with regard to products, markets and technologies exist among subsidiaries. Birkinshaw and Lingblatt (2005) as well as Ceratto (2006) stress the impact of a

decentralized decision making in MNCs, arguing that the more decentralized decision making in MNCs, the more subsidiaries are free to contest the mandates or charters of fellow subsidiaries. According to Birkinshaw and Lingblatt (2005) this, however, will be mitigated in MNCs where a normative integration by some common norms, values and rules exists.

Besides overall MNC factors, several subsidiary level factors are assumed to impact intra-firm competition in MNCs. Focusing on the subsidiary level, Luo (2005) suggests, for instance, that subsidiaries with a high local responsiveness face intra-firm competition because they strongly rely on scarce headquarters resources to overcome their liability of foreignness. A second subsidiary level factor put forward by Luo (2005) stresses the fact that subsidiaries losing competitive advantage, fuel simultaneously intra-firm competition as they ask for or require additional headquarters resources.

Birkinshaw and Lingblatt (2005) assume that subsidiaries with fungible capabilities might spur intra-firm competition much more than subsidiaries whose capabilities more or less only allow to fulfill the given mandate. The nature of headquarters-subsidiary relations are, finally, emphasized by Ceratto (2005), who maintains that frequent and open headquarters-subsidiary relationships foster trust and thus allows for more intra-firm competition. Lastly, intra-firm competition is also considered to be influenced by factors that lie beyond the organizational level, such as the types of knowledge and resources intra-firm competition centers around. Following again Cerrato (2006) intra-firm competition is more likely to emerge when charters are based on non-location bound resources and it is assumed to be less likely if the knowledge at stake is tacit and context specific.

The discussion on what determines intra-firm competition in MNCs reveals that an overlap in products, markets and (functions) technologies among MNC subsidiaries seems to be an important prerequisite for intra-firm competition. However, the literature also reveals that an overlap not necessarily leads to intra-firm competition. For instance, MNC that follow a multi-domestic strategy or MNCs that have a strong normative integration might not wish to turn overlaps into intra-firm-competition.

Actors and Actor Rationales in Intra-firm Competition

Reviewing the IB literature on intra-firm competition, it would be wrong to suggest that actors and their behavior have been entirely neglected. Generally, headquarters and subsidiaries are being considered the key actors in intra-firm competition. Headquarters behavior and headquarters rationales in intra-firm competition is for instance addressed in an empirical study by Birkinshaw and Ridderstråle (1999). Here it is argued that (typical) headquarters behavior is ethnocentric, risk and change averse. According to their findings, headquarters install a corporate immune system that systematically suppresses large parts of subsidiary initiatives and hence blocks intra-firm competition.

The IB literature on the role and behavior of subsidiaries in intra-firm competition is even scarcer than on headquarters. As mentioned before, subsidiaries can stimulate intra-firm competition by developing their existing mandates or taking initiatives for new mandates. However, as Cantwell and Mudambi (2005) as well as Bouquet and Birkinshaw (2008 forthcoming) emphasize turning initiatives into real mandates means for subsidiaries to “exercise a voice” in the organization, and to influence parent-driven investment strategies through lobbying. Mudambi and Navarra (2004) add, that low performing subsidiaries depend to a higher degree on lobbying than well performing subsidiaries. In a similar vein, Ling et al. (2005) argue that one of the pertinent tasks of a subsidiary is “issue selling”, that is, directing headquarters’ attention to particular issues and in order to overcome “perception gaps” (Chini et al., 2005). Issue selling and lobbying for new mandates, however, brings competing subsidiaries into play. Following Birkinshaw and Ridderstråle (1999) competing subsidiaries might raise objections and start lobbying themselves at the headquarters to block such initiatives in order to avoid or influence intra-firm competition.

Overall, IB contributions seem to suggest that intra-firm competition is a process that can be managed through deliberate headquarters intervention. Phelps and Fuller (2000) argue, for example, that intra-firm competition can be open or managed to varying degrees depending on the line of conflict as well as the type of actor who initiates the conflict (headquarters or subsidiaries).

The literature review shows that IB largely relates its objects and determinants of intra-firm competition to aggregate organization level actors and contingency factors. On the one hand, the literature misses to look

at actors outside the MNC that may be relevant to understand dynamics of Intra-firm competition. On the other hand, confining the analysis to organizational-level constructs and aggregate concepts also misses crucial differences between key actors below the organizational level (Becker-Ritterspach, 2006). By the same token, such a perspective misses that the behavioral context informing below organizational-level actor behavior, may go well beyond those contingency factors presently captured. What is more, the strong focus of this literature on contingency factors as well as its overarching aim to develop falsifiable proposition leads to a rather piecemeal conceptualization of politics in intra-firm competition. As contingency theory in general, the IB literature on intra-firm competition treats politics as something that is at best controllable through organizational rule making and at its worst a dysfunctional phenomena that needs to be kept in check through tight control by the headquarters (Dörrenbächer and Geppert, 2006). Giving this understanding of politics, it is not surprising that existing models of intra-firm competition look somewhat stylized, miss to capture political processes (for instance concession bargaining), operate with a restricted set of actors (in breadth and depth) and miss an adequate understanding of the contextual conditions that constitute and structures the actors' rationales and strategies in Intra-firm competition.

TOWARDS AN ANALYTICAL FRAMEWORK FOR A POLITICAL PERSPECTIVE ON INTRA-FIRM COMPETITION

Like all other forms of politics, organizational politics is an attempt to exert a formative influence on social structures and human relations. Thereby attention it shifted from the overall organizational level to the level of social actors (individuals or group) with the basic aim to uncover how actors informed by their organizational rules and backed by their resources try to secure options, realize interests or resist unwanted changes (Lawler and Bacharach, 1980). Such a view opens many interesting perspectives on organizations in general as well as on organizations that are tied into intra-firm competition. From a theoretical point of view an organizational politics perspective contests the unrealistic notion that organizations and their behavior is entirely shaped by their functional goals or their strategic environment. Friedberg (1992) sees three fundamental centrifugal forces that constitute this condition. Drawing on

Herbert Simon, Friedberg (1992) argues, that the actors' 'bounded rationality' stands in the way of coming to an all encompassing rationality in the organization. Instead, organizations develop local logics of behavior that reflect their local situation and knowledge. Secondly, organizations are faced with the 'bounded interdependence' of the organizational members. As members seek to protect and expand their margins of liberty, they partly undermine overarching organizational goals or rationalities. Thirdly, there is a 'bounded legitimacy' of organizational goals "because the division of labor inherent in all organized activity gives each member of the organization, according to his structural position and function, a special 'distorted' image view of its objectives" (Crozier and Friedberg, 1992: 46). A political perspective posits that even under the most constraining conditions actors retain degrees of freedom in their action. Or in the words of Crozier and Friedberg:

If one assumes that, in every organization, the individual actor retains an irreducible margin of liberty in his ordinary activity, then it is illusory to seek explanation of empirical observable behavior in an organization's rationality, objectives, functions, or structures.
(Crozier and Friedberg, 1980: 20)

However, while these insights have been around for some time, most of the early as well as the mainstream of contemporary studies on MNCs are still confined to look at how corporate strategy and the behavior of MNCs is shaped by contingencies (e.g. Bartett and Ghoshal, 1989). Even studies that look at how MNCs are simultaneously shaped by different contextual influences, e.g. home and host country institutional influences (Westney, 1993) or organizational and institutional influences (Rosenzweig and Singh, 1991) usually remain in a strong structuralist tradition. The strength of an organizational politics approach is that it strikes a balance between structural determinism and behavioral voluntarism of actors. For actors are seen as autonomous actors even under conditions of structural constraints. In the following paragraph we conceptualize a political framework for understanding intra-firm competition in MNCs. The model draws on core ideas of Crozier and Friedberg's (1980) approach of organized action, also termed a micro-political approach. The approaches strength lies in that it is a genuine political approach seeing

power as constitutive for organizations and in that it sensitizes us for the questions: who the relevant actors in intra-firm competition are; what their different behavioral rationales or strategies may be; and how these, in turn, are structured, but not determined, by the position of actors in the organization and/or in the wider societal environment.

Relevant Actors and Sources of Power

Giddens understands the power as the ability to “act otherwise” or “to make a difference’ to a pre-existing state of affairs or course of events” (Giddens, 1984: 14). Crozier and Friedberg (1980) define power as the ability of certain individuals or groups to act on other individuals or groups. For Crozier and Friedberg (1980) power is a relation and not an attribute of actors. This relation is based on the exchange of possibilities of action. Power relationships exist only so long as some exchange of behavioral options is possible. Or put differently, power relationships exist only so long as actors need each other for achieving their own interest. Thus, actors are powerful to the extent that they can exchange (or potentially deny) the exchange of possibilities of action that are relevant to others. Being able to provide or to potentially deny such possibilities create “zones of uncertainty” for others. Crozier and Friedberg (1980) argue that the fundamental dynamic of power relations is their tendency to develop into monopolies. This is the case because actors seek to develop monopolies – alone or in coalition – for problems solutions relevant to others (Friedberg, 1992: 43). In contrast to Giddens, Crozier and Friedberg (1980) theorize the important role of power and their source in organizations. They argue that no form of social organization exists without the existence of relationships of power between actors. According to Crozier and Friedberg (1980) there are four types of power, springing from different sources of uncertainty that are particularly relevant for organization. These are sources of power which derive: 1.) from special skills and from functional specialization; 2.) from relations between an organization and its environments; 3.) from the control of communication and information; and 4.) from the existence of general organizational rules. Now, drawing on this concept we define relevant actors in Intra-firm competition as all those who hold powers to act on

or make a difference to the process of Intra-firm competition. As we have seen such power can stem from different sources.

Determinants of Actors' Strategic Behavior

Crozier and Friedberg (1980) see actors as acting strategically in power relations. They call such behavior strategic in the sense that it is geared at protecting (defensive) and expanding (offensive) margins of liberty. However, strategic behavior doesn't mean that actors always have clear and consistent objectives over time or act in a goal rational way. Instead, means and ends are seen as fluid, as means can turn into ends, and available means can define ends. While behavior may not be rational or strategic with regard to objectives it is rational "with respect to opportunities and through them to their defining context, and on the other hand, with respect to the behavior of other actors – to the decisions which they make, and to the game which is thus established among them" (Crozier and Friedberg, 1980: 25).

From the actor's perspective, the crucial question is always, what is at stake in a given power relation and what resources can be employed in the relation. Such resources and stakes relevant to a specific power relation are not arbitrary, rather they are socially structured. In organizations the relevance of resources and the opportunity to employ them, that is, their mobilization, is structured by organizational rules, which may take on the form of formal or informal rules and regulations. Crozier and Friedberg (1980) stress that what ends actors follow and what resources they can mobilize – thus their behavioral rationale – largely depends on the governing rules and the actors structural situation. Specifically, it is the social, temporal and we would add the spatial (as particularly relevant for spatially distributed organizations as MNC) situation of actors that informs both goals and means of actor behavior (cf. Giddens, 1984). Depending on organizational rules and depending on their organizational situation or position, actors have different strategic options at their disposal and therefore engage in different behavioral strategies. In Crozier and Friedberg's terms:

[F]aced with the same power relationship, different actors do not share similar alternative or temporal horizons. In short, their capacity to proportion their commitment or adjust their

investment, thereby limiting the risks themselves which inevitably accompany relations of power, is not the same. By dint of their social situation, actors have different “strategic capacities”. (Crozier and Friedberg, 1980: 36)

Referred back to infra-firm competition the question arises therefore: What is at stake for different actors in the organization and secondly what resources can they mobilize given their structural situation in time, space and social respects within and outside the organization.

Organizational Games

With the game metaphor Crozier and Friedberg essentially try to pull together their approach of organized action. At its very core it underlines the duality of freedom and coercion that underlies organizational action. For the rules of the organizational games structure, but not determine, the behavioral rationales actors can adopt. Organizational games involve different players that play with and against one another; rules of the games that define what resources are relevant and what the stakes are for different players in different positions; these, in turn, structure the actors’ strategies and chances of winning or losing the game. While organizational rules do not determine the outcomes of games, they distribute unequally the actors’ stakes and resources for playing the game. This is not least the reason why the rules of the games may become object of the game themselves, why rules of the game may change and why winning strategies may also involve the breaking of rules (vgl. Zeitlin and Kristensen, 2005). Crozier and Friedberg (1980) also stress that depending on the actors’ abilities and the kind of games they participate in, they can follow different strategies. These may be offensive or defensive, high risk or low risk in nature. While the game concept is central to the work of Crozier and Friedberg (1980), they do not provide a discussion of different kinds of organizational games. However, drawing on their work, one can broadly distinguish organizational games based on: the kinds of actors involved (individual vs. collective; internal vs. external; short term vs. long term orientation); their stake (amount and kinds of resources to be gained or lost); source of power they can employ (multiplicity of relationships; amount and kind of resources mobilizable); kinds of strategy they follow (defensive vs. offensive; high vs. low risk).

TRANSLATING THE FRAMEWORK TO THE CONTEXT OF INTRA-FIRM COMPETITION

Relevant Actors in Intra-firm Competition on the Macro-, Meso- and Micro-level

The review of the literature on intra-firm competition unveiled that IB contributions have tended to operate with a fairly restricted set of actor in terms of breath and depth. While headquarters and subsidiaries can be seen as crucial social actors such a view has its limitations. On the one hand, headquarters and subsidiaries are not the only actors as they are embedded in different environments, which, in turn, host a number of actors that may control uncertainty zones relevant to the MNC. On the other hand, headquarters and subsidiaries themselves cannot be treated as homogenous actors, as we shall see later.

The fact that major sources of power stem from an organizations relation with its environment already indicates that there may be a wider range of actors able to impact intra-firm competition than is commonly captured by only looking at headquarters and subsidiary actors. A main question to analyze processes of intra-firm-competition, therefore, involves identifying a full range of relevant actors. Drawing on Crozier and Friedberg (1980), it can be argued that all those actors are relevant that have the power – through the relevant resources they hold or the zone of uncertainty they control – to impact the process of intra-firm competition. Such actors must have, at least in theory, the ability and the opportunity to act on or make a difference to the process. To be able to present a comprehensive range of actors we draw on the work of Bélanger and Edwards (2006). They argue that political processes in MNCs can play out at different levels. These can be located at the macro-, the meso- and the micro-level. In other words, MNCs constitute and operate at the same time in different political arenas that are home to different sets of relevant actors within and outside the MNC. We shall look at these levels and their actors respectively. Political processes at the macro-level centre on the relationship between multinational corporations and their environments. Here an important group of actors are governments (local, regional, national and supranational governments). Governments attempt to control, influence and regulate the behavior of multinational corporations to maintain sovereignty (Servant Schreiber, 1967; Vernon, 1971), to stimulate

innovations (Cantwell, 1996), to achieve economic development (Lall, 1996) to enforce corporate social responsibility (Kolk et al., 1999) and to avoid or to mitigate unwanted social, political, economic and environmental effects. To this end, governments have designed a multitude of frameworks, regulations, laws and agreements since the end of World War II. While during the 1950ies and 1960ies many attempts were undertaken to regulate the activities of MNCs, the more recent decades have primarily seen attempts to regulate how governments should behave vis-a-vis MNCs in terms of competition law, labor regulations, property rights etc. Next to an increasing interference of MNCs into processes of rule setting and institution building (Dahan et al., 2006; Plehwe and Vescovi, 2003), this change is due to a notable shift in the philosophy of public authorities towards MNCs since the 1970ies. Enduring high unemployment rates in developed countries and high debts in developing countries turned earlier attempts that were concerned about control, confinement and regulation, into a policy pattern that clearly aims to attract foreign direct investment in order to create new jobs, to access new technologies or to enlarge the tax base. This, however, results in an intensified competition among national economies and locations that parallels with and sometimes interferes head on with intra-firm competition. The latter is the case if locational decisions are on the margin and governments try to influence the decision by offering tax relieves, preferential loans, subsidies, infrastructural aids etc.

Taking a less state centered view, yet other actors on the macro-level impacting intra-firm competition come into sight. While there is a long tradition of the media watching MNCs' behaviour (and vice versa attempts by MNCs to influence media by specific public relations policies), the 1990ies have seen a dramatic rise of civic society interest in MNC behavior. Thus, trade unions, churches and other NGOs increasingly raise concerns about negative implications of international production and investment. Their actions range from influencing public discourses by scandalizing misbehavior, over lobbying at regulation bodies, to implementing monitoring systems and organizing consumer boycotts. As for instance the case of Shell/Brent Spar has highlighted such actions can be very efficient and their organizers need to be taken serious by MNCs. Following Holtbrügge and Berg (2004) this has turned public affairs management into a policy area of increasing importance for MNCs. Intra-firm competition with its inherent threat of job

losses and regional economic decline holds particular risks for MNCs to urge societal concerns. As mentioned above, concerns are most likely to emerge when the number of jobs at stake is high and the trade unions affected are strong. Moreover, intra-firm competition is likely to involve the wider public (including governments) when intra-firm competition misses to hold basic standards of procedural justice (Kim and Maubogne, 1993) and is systematically used for concession bargaining leading to a lowering of wages and labor or environmental standards.

Political processes at the meso-level basically touch upon headquarters-subsidary relationships in MNCs. Given the different hierarchical positions as well as partly diverging interests, the relationship between the headquarters and its subsidiaries always bear the risk to escalate into conflicts. According to Soelvell and Zander (1998), the headquarters' desire to maintain control is always in latent opposition to the subsidiary's drive for autonomy. Further fundamental sources of conflict between headquarters and subsidiaries relate to the distribution of profits and decisions regarding the direction of development of the MNC in general or of the subsidiary in particular (Forsgren and Johanson, 1992). Despite the fact that such seemingly fundamental clashes of interest exist in MNCs, extant research has pointed out that some companies are better at coping with such internal tensions than others (Ferner and Edwards, 1995). To what extent this hold true in situations of fierce intra-firm competition needs to be studied more in depth. What can be said so far is that intra-firm competition touches in a particular way upon all fundamental conflict items between headquarters and subsidiaries, suggesting a tight political behavior of headquarters and subsidiary actors. Following Stopford and Strange (1991) it is the political nature of headquarters-subsidaries relationships that produces the many investment and trade decisions that contradict standard FDI and trade theories. While a look at meso-level political processes in MNCs uncovers that MNCs can hardly be conceptualized as unified actors, a look at political processes at the micro-level makes clear that neither subsidiaries nor headquarters can be conceptualized as unified actors either. Hence subsidiary and headquarters actions need to be understood as the result of multi-actor political processes too. Blazejewski (2007) for instance demonstrates in great detail how the interests of shop stewards, works council members, middle and top managers of a larger GM subsidiary in Germany strongly varied in intra-firm

competition and how fiercely actors fought to influence subsidiary behavior in intra-firm competition.

Unfortunately, similar studies are not available for different types of actors in MNCs headquarters.

However, management sociology has revealed that managers' behavior systematically differs according to their hierarchical position (Petit, 1975, Steward, 1976), their professional backgrounds (Fligstein, 1990) and – rather important here – according to their position in the matrix organization as either responsible for a business or a regional area (Ruigrok et al., 2003).

MNCs are involved in political processes at different levels dealing with rather diverse internal and external actors. Political processes at these levels are not independent but multi-layered and interdependent. They mutually influence each other in a multi-level bargaining and negotiation system.

This is also the case in intra-firm competition. Developments at the macro-level, including e.g. the public discourse on intra-firm competition (Piotti, 2007) or government intervention have an impact on the headquarters-subsidiary relationships at the meso-level as well as on the negotiations between local subsidiary managers and their workforces. And the same holds true the other way round (see figure 1 below).

– Insert figure 1 about here –

Key Actors and Determinants of their Strategic Behavior in Intra-Firm Competition

Clearly not all relevant actors are key actors. Key actors can be seen as actors who hold a variety of critical resources that control zones of uncertainty relevant to a particular MNC. They will be typically actors who are engaged in great number of power boundary spanning relationships across different levels (micro, meso, and macro). While a whole range of actors at different levels might be involved in one way or another in intra-firm competition, executives from both the headquarters and the subsidiaries seem to be the main “political brokers” (March, 1962: 672) in intra-firm competition. It is these boundary spanning

actors' who can mobilize critical sources of power in the organization and impact the course of intra-firm competition to a large extent. This is not to deny that their strategizing might reflect or integrate to varying extents the interests of other actors (e.g. shareholders, investment analysts, governmental agents, political parties, media representatives, NGO members, labor unions). However, it is important to note that although executives have to be seen as key actors they do not follow necessarily homogeneous strategies or behavioral rationales. While much strategic behavior of actors may be related to the competitive situation at a general organizational level, it may be warranted to look at specific actor's path and position within and beyond the organization. Such a view suggests that actors' behavioral rationales or strategies in intra-firm competition are informed by the spatial and social positions they hold in the organization and wider society. (That is the different rules, the different resources and the different power relationships they can observe or refer to as a result of this position). And second, in a more temporal perspective, by their social and spatial path through different societal and organizational positions including future aspirations with regard to these. For this path and aspiration tell us much about what is at stake for actors, which societal or organizational rules they are likely to observe and what resources they can mobilize and what temporal horizon they apply in pursuing their strategies. Thus, following the premises of the micro-political approach it is the individual actors' behavioral rationale and its social, temporal and spatial context that deserves a closer attention to understand intra-firm competition.

Now, there is quite some empirical evidence that headquarters and subsidiary managers miss to follow the universal behavioral patterns ascribed to them by the mainstream international human resource management literature. It is proposed here that such behavioral rationales – especially in organizations under the stress of intra-firm competition – differ systematically for certain subgroups of headquarters and subsidiary managers, basically reflecting their sub-organizational or functional adherence, their nationality, career path and aspirations.

Rather little is known so far about different types of headquarters managers and their basic orientations and rationales in intra-firm competition. One important impact, however, might be their positioning in the matrix organization, having either a regional or a product responsibility. Other differences might be rooted

in the career paths of headquarters' managers, depending most notably whether, where and to what extent a headquarters manager had worked in foreign subsidiaries. In contrast to headquarters managers, quite some research has been done on different types of subsidiary managers their basic orientations and interests. Expatriates are seen as strongly following a headquarters orientation due to their familiarity to the MNCs overall goals, policies and practices. Very often they are seen as instrumental and most effective in exercising headquarters control over the subsidiary. For instance, if headquarters decide in intra-firm competition to close down a subsidiary it is expected that expatriates implement rather effectively such a policy. Inpatriates, on the other hand, are seen as having local (subsidiary) allegiances, due to their socialization in the host country and their familiarity with the social, political and economic environment of the host country (Harvey et al., 1999). Referring to the same example (headquarters decide to close down the subsidiary in intra-firm competition) it is expected that inpatriates would try to resist, modify or delay headquarters policy. Despite the fact that this taxonomy of different types of subsidiary managers with different orientations still dominates textbooks, empirical research has challenged the basic assumption of this typology, namely that nationality alone explains the real life variance in the orientation and behavioral rationales of foreign subsidiary managers. A study of Banai and Reisel (1993) showed that ex- and inpatriates do not differ with regard to their loyalty to the MNC, providing a strong case against the assumption that inpatriates give subsidiary concerns priority over headquarters' concerns. Black and Gregersen (1992) as well as Loveridge (2006) argue, in turn, that a headquarters allegiance can be mainly found with expatriates that do not go native e.g. by marrying a local partner, converting to the locally dominant religion, or taking up permanent local residence. In line with this argument, case study evidence reported by Dörrenbächer and Geppert (2007) shows that expatriates – given certain biographical characteristics – fiercely fight for their subsidiaries in intra-firm competition and even resist or circumvent related headquarters decisions. Petersen et al. (1996, 2000) proved that a strong orientation towards the local subsidiary is only with those inpatriates that do not have international career options. While these studies make apparent that additional factors beyond nationality do play an important role for the orientation and behavior of subsidiary managers in general as well as in intra-firm competition, only a

few studies so far try to identify these additional factors and integrate them into a model for empirical research. Suutari (2003) for instance stresses the impact of various career aspects while Larsen (2004) concentrates on the interplay of individual career aspiration and organizational features. Again the comprehensive concept of positioning – in a temporal, spatial and social perspective – may be highly indicative with respect to managerial behavior in intra-firm competition. Based on the above literature we propose to understand subsidiary managers' interests and political behavior in intra-firm competition as strongly influenced by their specific socio-organizational positioning involving their embeddedness in organizational as well as wider temporal and societal conditions. In such a view the behavioral or political rationales in intra-firm competition are constituted by the interplay of several organizational and biographical characteristics the latter including: 1) the status of being an in- or an expatriate 2) the past career path and future career aspirations as well as 3) corresponding allegiances of subsidiary managers.

Games of Intra-Firm Competition

So far the IB literature has made little systematic effort to distinguish different kinds of games of on intra-firm competition. As we have seen earlier such games could be distinguished on a number of dimensions including: the kinds of actors involved, what is at stake for them, what resources they can mobilize, and what strategy they follow. In this paragraph we will discuss in, a first step, different sources of power key subsidiary and headquarter actors can refer to in games of intra-firm competition. In a second step, we will look for first empirical evidence identifying different games of intra-firm competition.

Drawing on Crozier and Friedberg's (1980) sources of organizational power, we suggest that headquarters and subsidiary actors – related to their systemic position – tend to refer to different sources in games of intra-firm competition. Although in principle all units in MNCs can and do draw on all kinds of power sources, it can be expected that while headquarter actors are able to mobilize more sources of power emanating from the control of communication, information, the existence of general organizational rules, subsidiary actors are able to mobilize more sources of power emanating from their relations with their environments, their special skills and functional specialization.

Based on the existence of organizational rules that allocate to headquarters the ultimate decision making rights and, relatedly, the headquarters rights to define and redefine organizational rules, their privileged access to information and control of essential parts of communication, headquarters actors monopolize decision making rights that can initiate, regulate or referee games of intra-firm competition. However, as it transpires from our previous discussion of subsidiary lobbying, subsidiary actors are by no means only reactive or passive players in games of intra-firm competition. As Surlemont (1998) notes, subsidiaries can influence headquarters decisions by various means such as persuasion, initiation, advice or manipulation. From the perspective of subsidiary actors the bargaining power increases to the extent to which a subsidiary monopolizes rare, hard to imitate and substitute resources that are urgently needed by the headquarters or the MNC as a whole. In contrast to headquarters actors, subsidiary actors' strongest trumps in the game are related to their specific environment and their systemic positioning. On the one hand, the power of subsidiary actors crucially stems from the local relations between the subsidiary and its environment. It can be based on the access of scarce resources in the environment or particular (e.g. network) relations extending into the environment. The latter can also arise from a good fit between host country localization advantages and overall MNC strategy. In this case a subsidiary gains power through a successful consolidation of the isomorphic pulls subsidiaries face both from their local environment and from their MNC. On the other hand, the power of subsidiary actors stems from the systemic position of the subsidiary. Systemic power crucially rests on specific skills and functional specialization and emanates from a MNCs configuration or division of labor (and the inertia related to changing this division of labor). Such interdependencies exist, for example, due to single source policies. However, in the long run, there is the risk that such skill and functional specialization can be (more or less easily) replaced by substitution or imitation at another location or by another organizational unit. In contrast to powers that rest on the relations with the environment, this source is probably a less sustainable one.

As we will see next, there is some empirical evidence confirming the employment of resources discussed above on the part of headquarters and subsidiaries. First insights on what games are played with regard to intra-firm competition are provided by a recent paper of Morgan and Kristensen (2006). Taking the

perspective of the headquarters, they stress, that the outstanding position of headquarters in terms of power and access to distant units of the MNC allows headquarters managers to play the ‘language game of globalization’ in intra-firm competition. That is, using the globalization metaphor as well as the wider public and scientific debate on national competitiveness to justify and legitimize the systematic introduction of intra-firm competition as prime mode of governing geographically dispersed subsidiaries. Procedural tactics used by headquarters in such games extend to rather formal requests for proposals (Birkinshaw, 2001). Often however, headquarters make fairly vague announcements on intended plant closures, overall job cuts or target cost and then follow a wait and see approach (Wortmann et al., 1999). From the headquarters perspective the power to initiate and regulate such games of intra-firm competition rests on the control of communication, information their ability to define general organizational rules as well as privileged connection to shareholders as semi-external agents. Subsidiaries, in turn, also have a range of sources of power they can employ in the game. Drawing on powers that emanate from the subsidiaries relations with their environment they can play the game of ‘capitalizing foreignness’. It reflects the fact that a cultural, political and institutional distance to headquarters provides a leeway for autonomous subsidiary action. Being situated in a different environment provides tactical and strategic alternatives that would otherwise be unavailable in the national framework. Thus, subsidiary managers can weaken, modify or ward off disagreeable and unreasonable headquarters requests in intra-firm competition by referring to the institutional structures in their environment or to the political power of local actors (for examples, see Becker-Ritterspach et al., 2002; Tempel, 2001). However, it has to be noted that playing this game may involve a high risk strategy, as headquarters might interpret the institutional structures and power relations in host countries as a fundamental weakness of the location. The backlash could be a withdrawal from the location in question in the longer run. Another rather important range of games subsidiary manager’s play in intra-firm competition can be broadly labeled ‘coalition games’ that can involve different sets of actors inside and outside the MNC. In these games, subsidiary power emanates again from relations between the organization and their environments. Dörrenbächer (2007) for instance reports about a Hungarian software subsidiary that coordinated informally with other subsidiaries of the

same MNC when making tenders for contracts within the group. Other defensive coalitions in intra-firm competition might be forged with NGOs, regional and national governments (cf. box 1, or Kristensen and Zeitlin, 2005) or local business partners (Forsgren, 1990). Moreover, subsidiary managers and the local workforce might form a kind of a ‘homefront coalition’ game to defend the interest of the subsidiary as a whole (Turner, 2006). Finally subsidiary managers can also try to form a coalition with headquarters in intra-firm competition, by lobbying at headquarters, strictly avoiding conflicts with headquarters and by meticulously fulfilling all requests set out by the headquarters. Such a game strategy can be labeled in line with Bacherach and Layler (1981) as ‘conflict avoidance’ or ‘in line with Delany (1998) as ‘boy scout behaviour’.

DISCUSSION AND CONCLUSION

Seeing intra-firm competition from a political perspective admits first and foremost that MNCs are like any other organization political arenas that are constituted by systems of political actors. Such an organizational politics approach understands MNCs as arenas in which socio-economic action takes place, power is exercised and the dynamics of consensus, conflict and resistance are played out (Geppert and Clark, 2003). Such a view basically maintains that the outcome of intra-firm competition is not simply imposed by the headquarters but the result of formal or informal negotiation processes or games. Such games involve different sets of actors with different stakes, resources and strategies.

Mapping the politics of intra-firm competition requires a multilevel analysis that identifies different relevant actors in different political arenas within and outside the MNC. Political arenas include the society or economy as a whole (with governments, NGOs, and the media), the headquarters-subsidiary relationship (with headquarters and subsidiary managers as key actors) as well as the internal headquarters and subsidiary level (with different types of headquarters managers, different types of subsidiary managers, work councils, trade union representatives etc. as basic actors).

Actors from all these levels are involved in games that surround intra-firm competition. Nevertheless, the framework developed here proposes to understand executives from both the headquarters and the

subsidiaries to be the main “political brokers” in intra-firm competition. It is these actors’ behavior and strategies that shapes the course of intra-firm competition to a large extent, even if their behavior reflects and integrates to varying degrees the interests of other actors (such as shareholders, investment analysts, governmental agents, political parties, media representatives, NGO members, labour unions etc.). The framework further stipulates that headquarters and subsidiary managers might follow different behavioral rationales in games of intra-firm competition. Depending on their spatial, temporal and social position in the organization and wider society different actors have different stakes and resources to play games of intra-firm competition. Accordingly, they can and will follow different strategies to impact the game in their interest. The framework essentially suggests that the type of games played, the ends pursued and the outcomes reached not only depend on an organization-level analysis of the power balance between the headquarters and the subsidiary but a more specific consideration of key actors, including their path, positioning and coalitions they may represent.

Applying such a perspective helps to better explain seemingly nonsensical or anomalous developments in intra-firm competition or as Stopford and Strange (1991) have maintained the many investment and trade decisions that contradict standard FDI and trade theories. The framework might also help to overcome the rather stylized nature of contingency approaches to intra-firm competition as well as to infuse some blood into the anemic shape of some institutional approaches that deal with MNC behavior. A political approach to intra-firm competition helps us to better understand the many disruptions, inconsistencies and organizational oxymorons that pop up in the process of intra-firm competition. Works councils that used to be at odds with the local management suddenly forming a coalition to fight relocation or seemingly liberal governments starting to intervene into intra-firm competition by subsidizing a particular subsidiary located on its territory are but two examples of such paradoxes. However, unlike many contingency approaches these paradoxes are not taken as ‘statistical noise’ but seen as an expression of the complex contextual situatedness of intra-firm competition. Moreover, they are considered to be promising starting points to build a more heterodox theoretical understanding of the phenomenon by disciplined eclecticism as proposed by Poole and van de Venn (1989) and recently Sorge (2005).

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Figure 1: Different political areas at the micro-, meso- and macro-level

