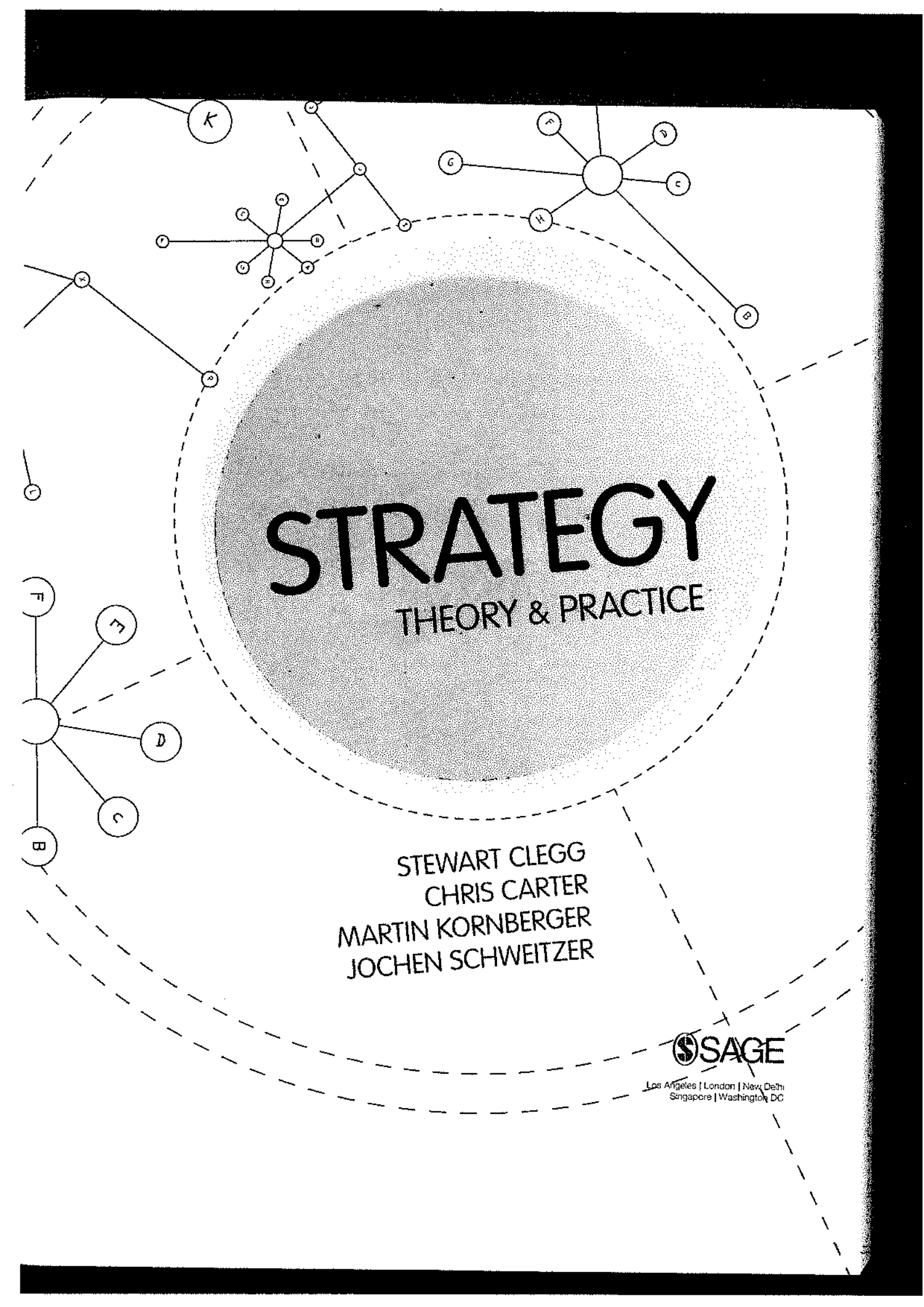


STRATEGY

THEORY & PRACTICE

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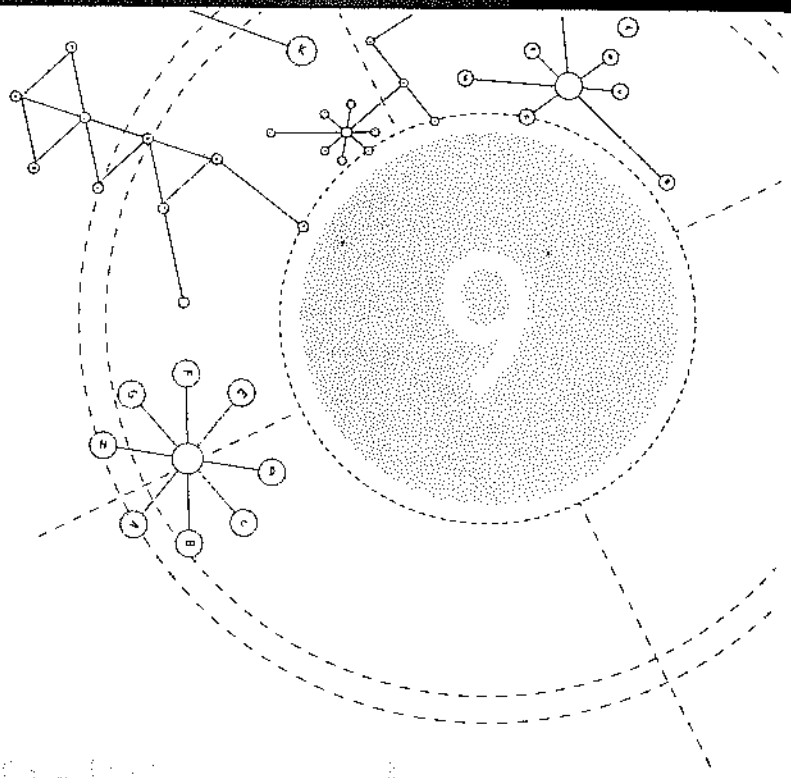
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9

Organizational Politics and Strategy

LEARNING OBJECTIVES

By the end of this chapter you will be able to:

- Appreciate the importance of organizational politics in the strategy process
- Grasp the importance of political skill for successful strategic management
- Realize the importance of social capital for strategic managers
- See the strategy process through the lens of the different dimensions of power
- Understand what the main contours of micro-politics are likely to be, especially in multinational corporations
- Analyse the centrality of mandates for strategic politics
- Appreciate the role that power, legitimacy, resources and centrality play in strategy

There is a poem, 'To A Mouse, on Turning Her Up in Her Nest, with the Plough', by the famous Scots poet Robert Burns, one line of which has passed into folklore, even though for people not familiar with the Scots vernacular it may not be very clear what he means (which is why the English translation is provided):

The best laid schemes o' mice an' men	The best laid schemes of mice and men
Gang aft agley,	Go often askew,
An' lea'e us nought but grief an' pain,	And leave us nothing but grief and pain,
For promis'd joy!	For promised joy!

INTRODUCTION

Like Robert Burns' mouse in the poem, we often devise schemes or strategies that go askew (the literal translation of the Scots *'Gang aft agley'*). Some recent 'best laid schemes' that have figured widely in the news include the very evident malfeasance of Enron and Harry Madoff. Both Enron and Madoff had well-laid schemes from which they had been getting rich and also had been getting away with for many years.

In this chapter we want to look at how schemes can go awry not just because of unforeseen externalities – the ploughman in Burns' poem – but also because of internalities: the rats in the ranks of organizations rather than the mice in the fields. *Rats in the Ranks* (Anderson and Connolly, 1996) is a documentary film about the election of the mayor of a council by councillors. In *cinéma vérité*, we see the deals done to make friends of enemies' enemies; the alliances that are constantly shifting, the enunciation of principles cloaked in self-interest and the interests of the citizens being treated as a side issue to the question of who gets which spoils. In short, we can see organizational politics at work in strategy.

Organizational politics: the use of organizational resources, such as knowledge, position or networks, to engage in actions that are strategically self-interested.

An organizational situation where the outcomes achieved are driven by organizational politics and self-interest may seem a long way from representations of the cool, calm and rational world of strategy – but it is not. Strategy is irremediably political. Options get taken up; others are rejected; futures are desired while some scenarios are rejected; arguments are put forward and data marshalled; moves are surreptitiously made and blocked, as a result of which some proposals will wither while others flourish. And behind every proposal stands those who are making them. And they make these proposals not from a position of benign neutrality and benevolence, but always from a position of interest.

Interests can be defined in terms of the relations between actors, discursive rationalities and the structural positions they occupy. The same person, when they are a young junior manager, will have different interests, expressed in terms of different rationalities, from their mature CEO self; production managers will differ in their interests and rationalities from marketing managers, and so on.

INTERESTS AND STRATEGY

That there are different interests at work in any organization is evident.

Business organizations are composed of different relations of production, between owners of capital and those hired to maximize returns on capital, management and the employees hired to deliver services and products that will sell to clients and customers in various markets. For many observers of business strategy

the key relation has been seen as that between the actual owners of capital and those charged with its day-to-day control and the application of effort to maximize that capital. Non-business organizations differ only in that the stewardship of their resources is in different hands: the relations of power between different actors and interests are no less significant – think of *Rats in the Ranks*.

The separation between ownership and control has long been a staple topic for business students. At its core is a simple question: if the owners of a company do not have charge of its day-to-day business how can they be sure that their interests are being served? Berle and Means first formulated the question in 1932 in their book *The Modern Corporation and Private Property*. They framed the question in the wake of the Wall Street crash of 1929 when many fortunes based on ownership of shares in leading US companies disappeared as the market collapsed and depression ensued. In more recent times the question has been reframed as one of principal and agency. The shareholders are the principals in a business; they own the capital that they place at the disposal of the business in return for an entitlement to any profits or losses accruing to them. As the shareholders are many and varied and are generally not engaged in the running of the business, agents who, theoretically, act on behalf of the principals manage the business.

Now the problem can be phrased quite simply: what mechanisms can be designed that will induce managers to maximize stock, and thus shareholder, value? The answer to this question seems simple: link CEO and top management team pay more and more closely to the company's performance in the stock market. That way the interests of principals, the shareholders and the agents, the CEO and managers, would be closely aligned. CEOs and top management teams become remunerated in part – indeed in large part in many cases – through the mechanism of stock options or through performance-related pay which tracks share prices. The reasoning is that it is in the interests of stockholders for the stewards of their capital to be stockholders or at least to have a significant part of their earnings aligned with stock valuations.

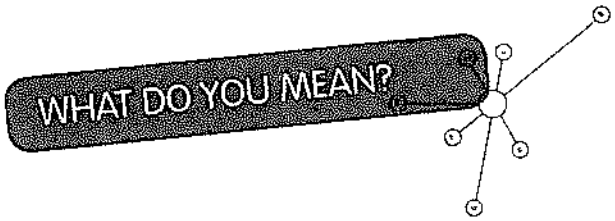
There are problems with this approach, however. Businesses may produce valuations on the stock exchange but this is not their prime activity. It is a side effect of the way they are capitalized. Their prime activity is to deliver goods and services such as automobiles or mortgages. A company might develop a very successful product, raising the stock value. Once that product is launched, and the stock adjusts upwards, the success of that product, while it may be profitable and stable over the long term, may not necessarily be sufficient to drive the stock up further. So other strategies are needed to maintain growth in the share price and keep on delivering returns to existing and new shareholders. As a result, executives are tempted (or pressured) to make decisions that will not necessarily be good for long-term stability or profitability, but will increase the next quarter's stock price.

STRATEGIC INTERESTS AND MICRO-POLITICS

Strategic interests are not just something that a person is interested in, such as football or ballet. These might be something that you would discuss with mates at work, but such shared or different interests would not compel them, necessarily, to ally with or oppose you over some issue. Interests link rationalities, actors and relations with strategies.

A strategic interest emerges when there is something at issue, which divides opinions, on which people will take sides. Dominant interpretations of strategic interests will tend to be represented as those that are legitimate for the firm or organization, even against resistance from other representations.

You may be interested in a promotion or a larger salary. When you act in self-interest – to gain a promotion – you may be astute enough to realize that the best way to do so is under the guise of a strategic interest. To the extent that you can tie up your self-interests with emergent strategic projects, then your interests can be presented as entirely legitimate, as something inherently organizationally rational even if, coincidentally, these are self-interested. Organizational strategies can easily be divisive because they always have the potential to make some people winners and others losers.



Aligning personal interests with strategic interests

Where differences surface as competing arguments about issues they must be couched not in personal terms but in terms of different expressions of interest. The expression of different interests is typically accomplished as embedded in distinct disciplinary knowledge, sub-unit organization and other real features of the organizations, but is accomplished through Machiavellian skills and capabilities. When personal interests can be represented as if they are strategic interests we have a successful Machiavellian strategy (Machiavelli, 1961). A contemporary book by Robert Greene and Joost Elffers (1998) has updated Machiavelli (and others) into *The 48 Rules of Power*. The rules are fairly self-explanatory so we have reproduced them here:

1 Never outshine the master
2 Never put too much trust in friends: learn how to use enemies
3 Conceal your intentions
4 Always say less than necessary
5 So much depends on reputation: guard it with your life
6 Court attention at all costs
7 Get others to do the work for you, but always take the credit
8 Make other people come to you, use bait if necessary
9 Win through your actions, never through argument
10 Infection: avoid the unhappy and unlucky
11 Learn to keep people dependent on you
12 Use selective honesty and generosity to disarm your victim
13 When asking for help, appeal to people's self-interest, never to their mercy or gratitude
14 Pose as a friend, work as a spy
15 Crush your enemy totally
16 Use absence to increase respect and honor
17 Keep others in suspended terror: cultivate an air of unpredictability
18 Do not build fortresses to protect yourself: isolation is dangerous
19 Know who you're dealing with: do not offend the wrong person
20 Do not commit to a anyone
21 Play a sucker to catch a sucker: seem dumber than your mark
22 Use the surrender tactic: transform weakness into power
23 Concentrate your forces
24 Play the perfect courtier
25 Recreate yourself
26 Keep your hands clean
27 Play on people's need to believe to create a cultlike following
28 Enter action with boldness
29 Plan all the way to the end
30 Make your accomplishments seem effortless
31 Control the options: get others to play with the cards you deal
32 Play to people's fantasies
33 Discover each man's thumbscrew
34 Be royal in your own fashion: act like a king to be treated like one
35 Master the art of timing

(Continued)

(Continued)

36 Disdain things you cannot have: ignoring them is the best revenge
37 Create compelling spectacles
38 Think as you like but behave like others
39 Stir up waters to catch fish
40 Despise the free lunch
41 Avoid stepping into a great man's shoes
42 Strike the shepherd and the sheep will scatter
43 Work on the hearts and minds of others
44 Disarm and infuriate with the mirror effect
45 Preach the need for change, but never reform too much at once
46 Never appear perfect
47 Do not go past the mark you aimed for: in victory, learn when to stop
48 Assume formlessness

The dysfunctionality of many of these rules, in strategic terms, can be seen in James Foley's (1991) film of David Mamet's play, *Glengarry Glen Ross*. The competitive and cutthroat behaviour of this office of real estate agents, based on the mantra of ABC (Always Be Closing), demonstrates how toxic such rules might be in practice.

The main problem with following the 48 rules is that if everyone did so, most organizations would soon become such a complex story of covert operations, with each individual not being what they seem, that there would be strategic fragmentation, chaos and discord! Overall, it is too individualistic an account of how power operates in strategic times. While different managers will have different strategic interests that they will deploy in the occasions that present themselves in opportunities to exercise power over others negatively, they will maximize their chances of success not only through the immediate knowledge that they possess or can command, and through duplicity, but also, more positively, through networks of social relations, which they can draw from familial, peer and other relations; in other words, from their social capital.

All organizations contain diverse knowledge and many different disciplines. All strategy proposals mobilize specific knowledge claims. Implicitly, strategy is a roadmap to success. Ideally, it should coordinate diverse knowledge based in disciplines such as accounting, marketing, production, etc. What happens in practice when strategy is being formulated is that those who are repositories of these different types of knowledge will compete to be more compelling in their claims than rivals with different capabilities. Internal 'tournaments' occur in organizations in which proposals are based on specific spheres of competency, functional responsibilities and disciplinary knowledge. Political skill in mobilizing support is essential if capabilities are to be translated into strategy.

Political skill is an essential prerequisite of the strategic managers' job. It entails using knowledge astutely and procedurally in a manner that best serves the strategic interest one is seeking to advance.

It is evident from the ever-decreasing tenure of many CEOs and members of top management teams (see Chapter 7) that political pressure for performance in the short term tends to stifle longer term strategic thinking in organizations (see Hambrick and Fukotomi, 1991). Under the pressure of competitive performance, differences and divisions can sometimes end up being viscerally personal: a failure to perform as expected means a loss of position, even if softened by attractive severance packages.

STRATEGY AS A POLITICAL GAME

Interests

Business involves a relation between interests and actions, connected by strategies formulating actions to realize these interests; thus, Pettigrew (2002) suggests that

the strategy process in organizations always entails decisions that will be political. Politics may be defined as the mobilization of support for a position, decision or action (Crick, 2004: 67). A change in strategy can mean a change in politics. Such decisions are 'likely to threaten the existing distribution of organizational resources as represented in salaries, in promotion opportunities, and in control of tasks, people, information, and new areas of business' (Pettigrew, 2002: 45). What do organizational politics arise from, according to Pettigrew?

1. Structural divisions in the organization between different component elements and identities, and the different values, affective, cognitive and discursive styles associated with these.
2. The complexity and degree of uncertainty attached to the dilemma that strategy seeks to address.
3. The salience of issues for different actors and identities in the organization.
4. The external pressure coming from stakeholders or other actors or organizations in the environment.
5. The history of past politics in the organizations in question.

Consequently, organizational politics are absolutely central to the strategy process, as Buchanan and Badham (2008) argue. Organizations are often lived and experienced as a series of 'turf wars' between the different branches, divisions, departments, occupations and cultures located within these: each strategically interested part seeks to protect its own turf and sometimes attack that of others; thus, organizations should be conceived as arenas in which many and varied war games will be in play, with the rules of the game constantly shifting and frequently unclear, and always overlapping. According to Pettigrew (2002: 47), organizational politics are fundamentally concerned with the management of meaning. Actors in these political relations seek to legitimate the ideas, values and demands that they espouse while simultaneously denying or decrying those they seek to oppose. Thus, power is ultimately deployed in games of organizational symbolism.

Power characterizes all social relations as each of us seeks to make others do what we would want them to do. In doing so we seek to subject these others to our will – we seek to make others objects of our will. Because we are all engaged in these power relations we are always potentially both subjects and objects of power.

What is at stake in political struggles in strategy are organizational power relations. The idea of power relations is an essential tool for understanding strategy because power is not something you have or possess. You cannot be pictured with or without it. Power is always relational. You may have the power to do certain things but that power means nothing if it is something that everyone can do. It only begins to be organizationally meaningful when the relations of organizational power enable you to do certain things that others may be restricted from doing. Organizational power involves a relation in which you can get another person not only to do something, but also to do it in a manner that accords with your expressed intentions as to how it should be done: in a word – organization.

Organizing conceived as a verb, and organizations, used as a noun, are complex means for stabilizing power relations between people in order to achieve some goal(s). Essentially, all organizations are tools of a particular kind – tools designed to get others to do things in the service of goals that, in the absence of that organization (noun and verb), they might not otherwise do. Organizations are always, first and foremost, tools of and for power. Organizations are, among many other things, devices for distributing and stabilizing power relations.

Power is wrapped up in myths, beliefs, language and legend – the stuff of organizational culture. Those managers in organizations who are not politically skilled will fail. The underlying purpose of politics involves mobilizing support for particular actions by reconciling different interests and values. Thus, skill must be used to influence decisions, agendas and participation in organizational politics.

Political competence means being the kind of manager who can get things done, despite resistance, because they are skilled at political games (Bacharach, 2005: 93). Only politically skilled managers can be successful strategists.

Power relations are typically thought of as being distributed spatially in organizations: up, down and across the organization. Power relations are the circuitry through which organizational decisions flow. At key nodal points power relations will be concentrated. Some of these key nodal points will occur when:

1. Subgroups in organizations form coalitions to try and frame issues in decision-making according to their preferences (Cyert and March, 1963).
2. Critical contingencies of the organization, which change when the environment changes (Hickson et al., 1971; Salancik and Pfeffer, 1977), are controlled by particular expertise in the organization, located in different departments, divisions or skills.
3. Organizational power relations are institutionalized into systematic relations of hierarchy and lateral interdependence. Doing this, creating a formal structure of authority, seeks to stabilize how the organizational decision-making structures and procedures are framed (Boeker, 1989; also see Boeker, 1992; 1997) by stabilizing the decision-making on key offices, roles, responsibilities and relations (Clegg, 1989).

By design, business organizations are hierarchical social systems in which relations of command and domination, obedience and subordination, are normatively framed in ways that seek to establish these relations as authoritative. However, neither authority nor decision-making are guarantees against the instability and dynamism that power relations can sometimes unleash.

Power relations that are relatively stable over long periods of time 'impair organizational change as a response to declining performance' while 'top management teams with greater tenure differences among executives are more likely to engage in strategic change overall, and particularly in the face of performance decline' (Mitsuhashi and Greve, 2004: 125). Where power is strongly held and formally codified in organizational relations, rigid strategies will tend to result, whereas power differences in top management teams will create more fluid strategies, according to Mitsuhashi and Greve's (2004: 125) research on Japanese robotics and shipbuilding firms.



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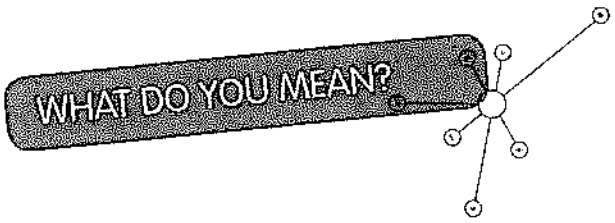
Hitoshi Mitsuhashi and Henrich R. Greve's (2004) Powerful and Free: Intraorganizational Power and the Dynamics of Corporate Strategy, *Strategic Organization*, 2(2): 107–32, from the book's website at www.sagepub.co.uk/cleggstrategy

Change

What is often at issue in organizational relations of power and politics are battles either to keep things the same or to change. Usually these are two sides of the same coin: those who want to keep things the same will usually do so because the current situation suits their interests; those who want change will believe it is in their interests to do so. Change is expected of new senior appointments for instance; at such times it is not politically healthy to be seen as too dedicated to a predecessor's schemes and strategies. They are very likely to be changed. Of course, such politics are usually tricked out and expressed in terms of organizational rather than sectional interests, in order to appear organizationally legitimate. Legitimacy is aided when contingencies change in the environment that will favour one set of interests over another because they are better able to deal with the issues that the new contingencies create.

Intra-organizational power often reflects inter-organizational dependencies and is adjusted, albeit in fits and starts, when environmental changes alter the pattern of

interdependence (Hickson et al., 1971; Pfeffer and Salancik, 1974; Boeker, 1989; Donaldson, 1999).



Changing contingencies; changing politics and power

Once the problems in developing a continental marketing strategy in the United States had been resolved by the 1920s, the following decade saw the emergence of contingencies for which a knowledge of finance was most appropriate. Having constructed national continent-wide companies, the key question was how to manage and control them in a disciplined fashion.

New situations required new solutions. CEO disciplines shifted overwhelmingly from marketing to finance as new combinations of power/knowledge and the new disciplinary mechanism of management (budgetary) control were forged and hardened at the apex of businesses (Fligstein, 1987).

The circulation of different power/knowledge elites has continued (Ocasio and Kim, 1999; Thornton and Ocasio, 1999). Shifts of power will usually represent shifts in vested interests, associated strategies and resource allocations. Certain power/knowledge combinations, such as financial accounting rather than marketing, become represented in the 'inner circles' (Useem, 1986) of power relations. Such a representation both symbolically positions certain forms of knowledge at the heart of power relations and systematically skews agendas and mobilizes bias in terms of the bounded rationalities of those combinations of power/knowledge.

Over time the effects of different representations of power/knowledge can be quite dramatic, especially at those moments when events challenge the existing biases in action with contingencies that existing representations have failed to interpret adequately. Think of the reliance on complex finance algorithms in Wall Street banking prior to the global financial crisis and their blindness to the risks of defaulting on sub-prime mortgages in the real world.

It is often the case that organizations and their strategy are represented as merely the achievement of technical rather than political exercises, a matter of getting the models right, feeding in the right data and seeing what should be done. Nothing could be further from the truth. Strategy is irremediably political, as we have established.

In Mintzberg's (1983; 2002) terms, business organizations are arenas in which the games that unfold are games of politics and strategy is the sum of all the interconnected games with more or less politically skilled players involved in them (Crozier and Friedberg, 1980). The metaphor of a game suggests sports. Sports, as we know, have codes or rules.

Rules in business are not quite like those in sport. A sports code is constituted by its rules. You know whether it is a game of soccer or rugby by the shape of the ball, by whether it can be handled or not, whether there is a goalkeeper, the design of the posts, and the rules followed and interpreted by the referee. These all shape the arena of action – the game that unfolds on the field of play.

In business power games the rules are neither neutral nor independently arbitrated by a referee with a clear understanding of the rulebook. In business all actors will have strategic interests but some will have more strategies at their disposal than others with which to further their interests. And, as far as the referee goes, the most powerful people will usually blow the whistle, interpret and create

the rules, as well as declare others offside. Some of the games that get played in business as Mintzberg has identified them include:

- *Sponsorship games,* when powerful elites in the organization seek to use strategy to sponsor those who are their clients, those who are loyal (or so they think) to them in the organization.
- *Alliance-building games* played among peers who implicitly seek reciprocal support.
- *Budgeting games,* where the objective is to secure resources to one's strategic interest and deny these to the strategic interest of others.
- *Expertise games,* where participants seek to position their expertise as the strategic key to the strategy dilemma – 'it's a marketing issue' says the marketing representative, while the production managers see the solution in production terms.

Where these games are being played we may say that micro-politics are at work (Dörrenbächer and Gepert, 2009: 200). These micro-political games are sometimes played face to face, in the open; sometimes they will be refereed, according to rules, while other times they will be played in ways that are quite covert, deliberately violating the rules.

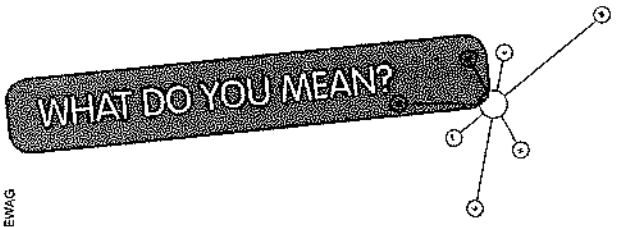
Micro-politics are the strategic attempts to exert a formative influence on social structure and relations in local settings.

The extent to which micro-politics can be conducted as covert operations depends on the degree to which micro-political actors operate in zones about which elites have little or no knowledge. Where strategy formulation requires the elites to have access to resources and knowledge that they do not have in their grasp, that they do not know or understand, then those who do have detailed knowledge are in a potentially powerful position.

All organizations have micro-politics. Such politics strive to 'secure options, realize interests and to achieve success through efforts that are often but not exclusively motivated by interests or individual career plans of key actors' (Dörrenbächer and Gepert, 2009: 200). Organizations are many things, to many people: for shareholders a source of shareholder value; for rank and file employees a job; for managers an opportunity to build a career, earning substantial salary and options packages, as well as a springboard to move on up or out.

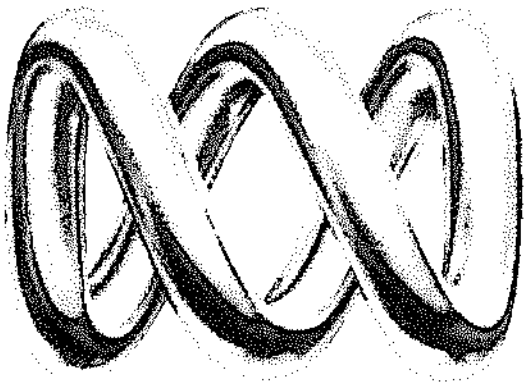
A strategy, once conceived, struggles to come into being through processes of micro-politics. The process of struggle is one of political change – getting others to do things that they would not otherwise do. It must engage the self-consciousness of those it seeks to change inasmuch as it must capture the imagination and energies of those whom it seeks to enrol to enact it. All strategies will see some ideas and their bearers assume more or less importance in local politics and these matters of esteem will effect relations between people as well as their self-conceptions. Struggles around and over strategy will always be creative, as new identities, self-understandings, social relations and products, goods and services are created. Strategic struggles will then occur through communicative action constructed in terms of plans, documents, models, commands and reports: there is always a 'discursive' element to strategy and usually many artefacts, such as vision and mission statements. Changes in strategy are a matter of setting categories loose: think of the BCG's 'cash cows' or 'dogs', or SWOT analysis with its 'strengths', 'weaknesses', 'opportunities' and 'threats'.

Representing changes in strategy as a response to a changing environment, or changes in technology, is a familiar power/knowledge strategy. Sometimes the two discourses of a changing technology and a changing business environment will get tangled up with each other. Such was the case in the strategy for transforming the public service broadcaster, the Australian Broadcasting Corporation (ABC), in the 1990s.



The strategic politics of digitalization at the Australian Broadcasting

Image 9.1 ABC logo



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Corporation

Digital technologies and increasing globalization were bundled up together in a number of strategic reforms of the ABC during the 1990s, aimed at creating a more entrepreneurial and flexible organization. It was a style of organization that was at some distance from the older, public sector rhetoric of the ABC with its largely unionized workforce. Not surprisingly, the two main unions resisted the changes but so did a social movement organization known as the Friends of the ABC.

In resisting the newly strategically reformed and refocused ABC these bodies *creatively appropriated the dominant categories* that had been used to promulgate strategic change at the ABC as the discourses of the global and digital new media environment. However, they used these new and now dominant categories to oppose elements of the change programme. Not only did they do this, but they also identified elements in the new media environment with which they could agree, which they *surfaced as a shared discourse*, and sought to demonstrate that other elements of strategy could undercut these shared values. Finally, they *revived some old core values* of the ABC that positioned it as a sphere in which one was safe from the blandishments of commercialism, commercials and a market-share mentality. Doing this led to some strategic reverses for the ABC board as well as a reinvigoration of the very public service ethos that the reforms seemed bent on destroying.

Untangling strategic change at the ABC over the 1990s and into the 2000s requires an analysis of how power/knowledge relations are constituted as both central strategic initiatives of power and the forces of resistance that confront them. The strategic outcomes represent a negotiated order that is highly contingent on the dynamics of power and resistance (Fleming and Spicer, 2007).

Question

1 Analyse the impact of digital technologies and increasing globalization on broadcasters in your national domain. (As well as Fleming and Spicer's (2007) work you may also find Castells' (2009) *Communication Power* useful.)

One thing is evident from the analysis that Fleming and Spicer make of the ABC: proponents of strategy must persuade others to its course; as such there is always a discursive element to any strategy and discourses are inherently politically unstable. All discourses consist of signifiers that constitute categories that the strategists will seek to advance and fix in the organizational or public consciousness as if they were normal, natural or the best way to do things. Consequently, the best way to resist a strategy is not to negate it entirely: it is to leverage some of its meaning and categories away from the positions that the strategists have assumed through posing counter-discourses, counter-uses. The politics of strategy most often entail the politics of meaning.

The politics of strategy do not take place on a metaphorical level playing field. The strategic centre is invariably more privileged than those who would resist it. Strategy has the potential to change the relations of meaning between an organization's

members; for these people it is both a community-building device as it unites, but it is also a white-anting strategy, something that gnaws away at the grounds of others' legitimacy and respect, dividing organizations. Strategy entails a *power to* get things done, but it can only ever achieve this power if it is able simultaneously to exercise *power over* the many others required to implement it. To each of the methods that a strategist might use to ensure compliance, there is always an answer. Strategy might seek to coerce others into compliance but the others can always refuse. There are many ways of refusing, ranging from outright non-compliance to puzzled bemusement at one's inability to quite grasp what it is that needs to be done differently.

THE DIMENSIONS OF POWER

It has been argued that power has three dimensions and that these dimensions can be seen at work in the strategy process (Lukes, 1974; 2006; Hardy, 1994). The first dimension is that of formal decision-making. This is where strategy is explicitly made and adopted. At this level strategy is discursively formulated in terms of improving effectiveness. You are getting others to do what they have not done previously because it will enable the organization to be more effective. Whatever is proposed has to be proposed in these terms.

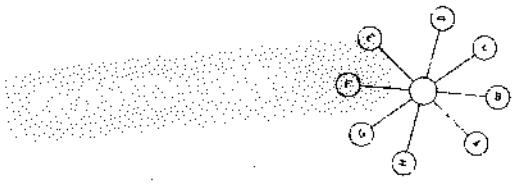
The first dimension of power where you get others to do what they would not otherwise do is just the tip of the strategy iceberg: underlying it is the second dimension that must address issues of non-decision-making. Non-decision-making occurs where issues are constrained to the legitimate and politically safe, where agendas are constructed with a tacit acknowledgement that certain issues will not be addressed. Often this is a major constraint on strategy-making. Everyone knows what are the CEO's 'sacred cows' and 'pet concerns'. No one will openly propose a strategic change that would question these. As a result, they remain non-issues and not matters for decision-making and hence do not enter onto the agenda. Because of this, if the strategy team want to change these non-issues they will have to move very subtly, politically. Strategically powerful people, such as CEOs, especially when new to posts, will create strategic change through changing processes, so they will also usually have a good understanding of non-decision-making. Marginal or excluded voices can be admitted to deliberations; issues left off agendas can be affirmed and placed there; new members eager for change can be placed on committees that in the past have been conservative or resistant. To facilitate these changes new perspectives will have to be introduced in ways that will legitimate them: the most usual way is to get the consultants in. If they are one of the big firms they will cost a lot of money and produce a convincing report that is able to utter the unutterable and introduce new perspectives.

The third dimension of power concerns those things that are so fundamentally accepted that they seem just to be the 'existing order of things' (Lukes, 1974: 24), the underlying values, preferences, cognitions and perceptions, what we have earlier encountered as the deep assumptions of strategy, that define one as a member of good standing in a particular community of practice or organization. Changing these is difficult *and* politically risky: it entails organization-wide shifts in values and working practices. There have to be interventions into accepted practices, debates about them, definite change proposals for which support must be secured. Agendas will often be covert and people will be manipulated.

While ideological and symbolic bases of power will usually function as a tacit resource for the strategically powerful, as we saw in the ABC case, they can also be

leveraged against dominant understandings because symbolic meanings can be seized on, hooked up with projects of resistance and come to take on quite distinct meanings to those initially taken for granted. The third dimension of power is associated with attempts to legitimize some claims and delegitimize the claims of others by managing meaning. If strategic elites are successful then they will use these meanings to anchor and secure their positions. However, meanings can always be cut adrift from their moorings and used to question and resist the status quo. The third dimension of power often entails the use of rational myths that legitimate existing power positions through a recourse to dominant discursive devices, such as science, rationality or tradition. These devices can just as easily be used to advance strategy as resist it.

Institutionalized myths will often take on an artefactual form: the wisdom of the 'Sage of Omaha' (Warren Buffett), for instance, is delivered through his annual letters to Berkshire Hathaway's shareholders, which are eagerly awaited and widely read both by them and the world's business press. Buffett's investment philosophy is that if he cannot understand something, he will not invest in it (a myth that many collateralized debt obligations issuers might have done well to institutionalize). Such views are regularly communicated via the newsletter.



The first dimensional view of power focuses on key decisions and views power as something intended, deliberate and casual – getting someone to do what they would not otherwise do.

Can you think of any strategic changes that have clearly operated at this level – trying to get people to do what they otherwise would not do?

The second dimension of power focuses on decision arenas and agendas, looking especially at things that do not happen – the non-decisions and non-issues that traverse every organization that no one raises or questions.

Can you think of any strategic changes that have clearly operated at this level – where people were constrained by the non-decisions and non-issues that framed an agenda?

The third dimension of power deals with how those things that routinely happen are deeply embedded in rationalized myths, such as tradition, science or rationality.

Can you think of any strategic changes that have clearly operated at this level – where rationalized myths shaped what it was possible to say and excluded other things as impossible?

STRATEGY AS THE INSTITUTIONALIZATION OF MYTH

Strategy seeks to position dominant myths about the organization in the consciousness of its members, customers and stakeholders – 'We try harder', the strategy

slogan of Avis, is one such myth. What does it mean? How can it be assessed? When you arrive at the airport or railway station and want to hire a car, does Avis really 'try harder'?

Myths can function as a culture, embodying potential unobtrusive control mechanisms, where shared norms and values guide actions. In such circumstances culture may seek to achieve many of the things usually left to rules and structures. Such rules and structures, of course, are equally an embodiment of political relations, shaping the nature of reporting, interactions, duties, responsibilities, and so on. Often, the structures and rules that an organization adopts are chosen because they reflect symbolically powerful devices that are well understood in the institutional environment. They help grant legitimacy to an organization because of their respectability.

One of the sure signs of strategic success is when a company's strategy is represented as entirely rational and something for which there is no alternative. If stakeholders can be persuaded to believe this, then there is no need for further organizational politics around the strategy process.

Power can work strategically without consciously seeming to do so when we enter the sphere of values, traditions, cultures and structures of an institution such as a profession. Professions will routinely supply managers to organizations but simultaneously they will also introduce specific means of decision and control, such as accounting practices, into them. In turn, such practices will entail a specific calibration of reporting relations, data collection and analysis, which then become powerful and highly unobtrusive ordering devices in businesses and organizations. They are a form of what Foucault (1979) identifies as disciplinary power – where power is embedded in the taken-for-granted routines that are a normal part of the everyday round of work. Such disciplinary power shapes what members can and cannot do without it necessarily being a matter for their conscious deliberation.

Strategy, of course, is such a discipline as Foucault identifies, argue Knights and Morgan (1991). It bestows world-making powers on some managers by empowering them with certain skills and strategic responsibilities that legitimate the dimensions of power that they wield. At the same time, it places other managers far from the strategy discourse and less well positioned in the changing circuitry of power, positioning them where they can hardly affect its dimensions directly, and may be able to do so only indirectly, through resistance.

We often think of resistance to a strategy as something 'dysfunctional', something that is bad for the strategy. However, whatever resistance is organized can only serve to further the categories of the strategy-makers, insofar as it must engage with these terms, if only to resist them. Further, resistance can be used to engender a more vigorous application of the strategy. Resistance serves as a warrant for further strategic application. Failure makes strategy appear even more necessary. Should organization members resist the strategy in ways that suggest they are not *au fait* with it, such resistance merely serves to demonstrate the necessity of further strategic discipline in order to make them knowledgeable – and empowered rather than resistant – subjects.

Effectively empowered subjects know how to do and say what is required strategically; resistant subjects, if they are to be effective, must equally know how to do and say what is required strategically – and must then say and do it to advance their strategic interests rather than those enshrined in the official strategy (as did the Friends of the ABC in Fleming and Spicer's (2007) account). Effectively empowered people have political skill, and political skill is a definite prerequisite of managerial success. Once again, we can see the unity of power/knowledge.

It is important to realize that any successful strategy will be premised not just on knowledge – data, information and advice – but also on power. A successful

strategy requires synergistic power/knowledge because power is based on knowledge, uses knowledge, reproduces knowledge and occasionally transforms knowledge, as the dynamics of power and resistance reshape what can be locally taken for granted as strategy. Power and knowledge play out in a field of forces that is decentralized, relativistic, ubiquitous and unstable. The assumptions of the centre will never necessarily prevail; any strategic exercise of power from the centre is likely to generate its own resistance, and such resistance is capable of transforming both power and strategy. It is these processes that make strategy work: power is only effective to the extent that it is engaged in a struggle with some form of resistance. As Foucault (1980) suggests, power works in large part through its failures: without some resistance to power there would be no rationale for the constant attempt to impose it. Thus, resistance has an impact to the extent that it wields a degree of power, as Fleming and Spicer (2007: 6) suggest.

POLITICS AND COMPLEX ORGANIZATIONS

All large organizations are complex by definition. They have more extensive divisions of labour, a greater number of reports to authorities and are often structured as complex divisional structures.

Complexity is multiplied when the organization in question works across national boundaries – when it is a multinational corporation (MNC).

A multinational corporation (MNC) involves operations with subsidiary companies in multiple countries.

Think of international business operations where there is a significant spatial separation of core from peripheral business units. There will be geographical, political, socio-economic, cultural and religious boundaries separating the core from the peripheral actors and action. Not only will there be extensive politics around who controls and has access to what resources, but there will also probably be quite different understandings of the rules of the games to be negotiated between participants.

On occasions political games can become quite complex and multilayered. They can also become quite intense conflicts from which victors will emerge. Sometimes the combatants, albeit often uneasily, will enter into a treaty. Uneasy treaties can often lead to shaky alliances as political forces regroup, perhaps to fight another day. Often, however, the struggles will be so vicious that the losers will exit or be forced from the organization, such as when a top management team that resisted the takeover victors are 'let go'. People in organizations that cannot manage their power relations will end up spending more time fighting each other than seeking to find a common purpose against competitor organizations. Only very large organizations or those with no competition can survive sustained complex politics for long.

An alliance is a mechanism that links diverse, more or less central and peripheral actors, interests and strategies. Alliances entail a process of convergence of interests via a transaction between supralocal and local actors, in political science terms, and these adapt easily to discussions of strategy (Kalyvas, 2006: 383).

Organizational politics are rarely a question of winner takes all; more usually compromises have to be made and coalitions and alliances formed. Coalitions represent the hitching together of different individual or collective strategic interests, such as in a department or division, in a form of an alliance that is specific to particular issues and their extensions.

Alliances are, for everyone involved in them, a means rather than an end. The point of an alliance is to achieve something or other. Negotiations between political coalitions create the ordering of goals in organizations (March, 1962). These negotiations can criss-cross organizations: they may occur at the departmental level, around specific strategic projects or over specific strategic issues. Interests that might align on one occasion will not necessarily cohere on another. Sometimes the issues, although seemingly small, can derail much larger strategic projects: for

instance, where a sub-unit is defiantly against adopting some new technology that the company has bought in which the sub-unit had no hand in developing – sometimes referred to as the *not-invented-here syndrome* (Katz and Allen, 1982).

Strategies decided at the centre may order goals but they cannot always ensure their implementation in far-flung corners of the organizational empire. Sometimes the strategic centre of an organization can be at a great distance, in knowledge terms, from those places where implementation occurs; this often happens in organizations that have subsidiaries and a strong central direction. The blocking, modifying and avoiding of central directives is sometimes a way of maintaining the discretion to adapt, creatively, what might not otherwise work locally (Sharpe, 2001; Becker-Ritterspach, Lange and Lohr, 2002; also see Dörrenbächer and Gepert, 2009: 203).

To look at strategy as it is formulated at the centre is to look only at the centripetal controls: we need also to consider the centrifugal forces (Morgan, 2001). Recognizing that organizations, especially where they are large, complex and multinational, will be simultaneously subject to centripetal control and centrifugal forces, should ensure that we recognize the reality of strategic interests and micro-politics in the making of strategic practices. What is at issue is how certain practices become crucial in determining what is considered to be a strategic interest. Some actors will have micro-political skills that ensure certain positions are blocked and certain others advanced in terms of the strategic agenda (Johnson et al., 2003).

Central corporate political strategies that seek to affect the public policy environment in a favourable way (Baysinger, 1984) are a major part of the strategy arsenal. Vernon (1971) suggested that, strategically, MNCs with substantial investments would seek to influence host-country government policies to protect earnings and produce a favourable regulatory environment in legal areas such as immigration, trade and investment. This will especially be the case at a time of initial entry into a country (e.g. Vernon, 1971; Fagre and Wells, 1982; Kim, 1988; Dunning, 1993; Grosse, 1996).

The choice of political strategies depends on the bargaining power of MNC subsidiaries compared with that of the host country (Blumentritt, 2003). For much of the twentieth century the 'Banana Republics' of Central America, of which Guatemala was the most notorious, were countries run by corrupt governments for the United Fruit Company, often in cahoots with the CIA (see www.mayaparadise.com/united fruit_company.htm). On the whole, government–business relations today tend to be more subtle than this extreme case, consisting of lobbying, the funding of parties, the sponsorship of representatives, public relations campaigns, the sponsoring of legislative initiatives, and so on. Canada, for instance, has one of the highest percentages of foreign-owned business inside its borders, mostly US owned, but given the robustness of Canadian political institutions, the potential for their corruption is very low.

Boddewyn and Brewer (1994) argue that host governments represent both strategic risks and opportunities: governments may appropriate value from MNCs but they can also protect it (e.g. Boddewyn, 1975; 1988; 1993; Moran, 1985; Rugman and Verbeke, 1993; Eden and Molot, 2002).

Any MNC comprises a highly complex configuration of ongoing micro-political power conflicts at different levels. Social actors and groups inside and outside the firm interact with each other and create temporary balances of power. Sometimes external organizations can succeed in changing organizational mandates. Think of the role of activist civil society organizations shaping pharmaceutical company testing procedures on animals, or their impact on mining companies' interactions with indigenous communities (Morgan and Kristensen, 2006: 1473).

Mandates are tasks that are assigned to subsidiaries by headquarters or that are acquired independently by the subsidiary, which have a specific time and content limitation placed on them, and which frame the internal division of labour within an MNC.

MINI CASE STUDY

Mandate change: who wins when good intentions prevail? The soccer ball case

Image 9.2 'Soccer ball'



This is a seemingly 'feel-good' story about a major mandate change wrought in an industry by media, NGO and industry stakeholders. It concerns the basic tool of the world's most popular game: the soccer ball. The majority of the world's hand-stitched soccer balls are produced in Sialkot, Pakistan (Cummins, 2000: 4, 27). Until relatively recently, most of these balls were hand-stitched by child workers. On 6 April 1995, a CBS news documentary showed that the soccer ball suppliers employed child labour in dark and dank one-room workshops. The CBS report was picked up by other mass media around the world. In 1996, a campaign against the exploitation of child labour was launched. By 1997 manufacturers in the global soccer ball industry announced a project to eliminate child labour in collaboration with carefully selected civil society NGO partners. The industry successfully positioned itself, in the eyes of the Western media and consumers at least, as a constructive actor working to remove the bane of child labour while preserving the Sialkot soccer ball manufacturing cluster. However, the benefits for children were questionable and the majority of women had to drop out of the workforce. The unintended consequences of removing child labour from the manufacture of these balls and thus preserving the brand value of the global business names that marketed the balls were a loss of income, a disruption to family life and the withdrawal from work of women, effects that were never given significance by NGOs, the industry or the Western media. The child labour was reduced – but at what cost?

Question

1 Analyse the case using a micro-politics perspective: who do you think were the winners and who were the losers, and why do you think this?

For your information, the image of a soccer ball is taken from a site maintained by Oswego City School District Regents Exam Prep Center which is designed to teach children about maths: the soccer ball, we are told, is composed of a combination of pentagon and hexagon faces. This shape is called a buckyball after Richard Buckminster Fuller, who invented the geodesic dome. In reality, the soccer ball is not truly a polyhedron since the faces are not really flat. The faces tend to bulge slightly due to the amount of stuffing in the ball and the pliable nature of the leather. The site can be found at http://www.regentsprep.org/regents/math/geometry/GG2/RegularSolids.htm



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The full story in Farzad R. Khan, Kamal A. Munir and Hugh Wilmott (2007) A Dark Side of Institutional Entrepreneurship: Soccer Balls, Child Labour and Postcolonial Impoverishment, *Organization Studies*, 28: 1055–77, from the book's website at www.sagepub.co.uk/cleggstrategy

Mandates relate directly to the control of resources and the steering of potential actions; hence, mandates bestow different propensities for exercising power in internal relations within MNCs (Cyert and March, 1963; Pfeffer and Salancik, 1974; Birkinshaw and Ridderstråle, 1999). When mandates change there is immense potential for conflict within MNCs because the relative power relations of the different subsidiaries and the centre will change in consequence. Any change can be simultaneously a process of downgrading and upgrading: as one subsidiary shifts to more or less demanding tasks, all others will change relatively in their relations with each other and the centre (Dörrenbächer and Gamelgaard, 2006). Shifts in these relativities can translate directly into changes in status, careers and incomes, things that are often hard fought for.

MNCs often seek to legitimate mandate changes by making a competition of them: bids framed in terms of a change mandate are invited from subsidiaries within the MNC as well as from organizations outside (Birkinshaw and Lingblad, 2005). Competition to deliver on the decisions made legitimates the outcomes. To justify such MNC testing of options it can be claimed that open competition offers the best chance of adapting to market pressures, meeting emergent standards or enhancing shareholder value. All these legitimating claims work well – even when there may be other reasons at work, such as whittling a subsidiary down or obtaining greater control over it. Mandate changes offer subsidiaries an opportunity to enhance their strategic importance for the MNC. Subsidiaries are not just passive receivers of such mandate changes. Claims for mandate change can be made equally from subsidiaries as from the centre, perhaps in response to claims of changing market imperatives or customer relations, while the covert agenda may be to secure and improve their relative position.

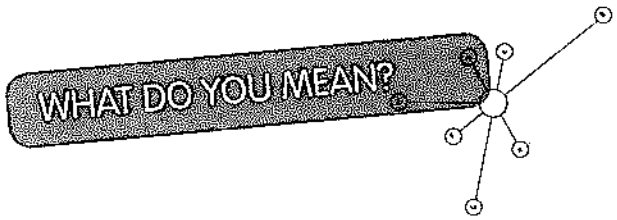
The strategic options open to an MNC are always framed within specific contextual factors:

- *Host-country contextual factors.* These are determined by the national institutions, economic structures, resources and foreign investment policies of the country that is host to the investments made.
- *Subsidiary contextual factors.* These are determined by the resources and capabilities at a subsidiary's disposal. The crucial element, according to the resource-based view of the firm (Barney, 1991), is the extent to which the subsidiary controls the inimitable resources that bring added value and are hard to substitute.
- *Headquarters' contextual factors.* In dealing with any specific subsidiary, what are the headquarters' options? If the subsidiary is inimitable, they may be few; dealing with substitutable subsidiaries or outsource companies swings the balance of power in mandated change towards the MNC.

The balance of power does not always lie with the centre, with the MNC headquarters. As Dörrenbächer and Gamelgaard (2006: 209) suggest, 'a career-oriented subsidiary manager', especially an expatriate, may well manage to decline mandate requests from headquarters where they calculate that there is a career advantage in doing so. The loyalties of expatriates will usually differ from those of host-country nationals or third-country nationals, with the assumption usually being made that expatriates are more loyal to headquarters (Harzing, 1999).

Host-country nationals' loyalties tend be regarded as allying more with the fortunes of the subsidiary. Consequently, it has been argued that third-country nationals will be more balanced in their outlook on the micro-politics of subsidiary/headquarters relations. These dynamics have a significant qualifying effect on more structural and deterministic explanations: actors' micro-strategies can accelerate or impede central projects and their reasons for pursuing the strategies they choose may not align at all with the assumptions made at headquarters.

In MNCs the majority of politics around the strategy process will relate to mandated change in headquarters/subsidiary relations (Crozier and Friedberg, 1980; Dörrenbächer and Gamelgaard, 2006: 206). Typically, at headquarters level, one would expect board members, the strategy team and selected functional managers to be involved; as adversaries to the changes being mandated, one would expect to find subsidiary managing directors and their appropriate functional managers.



Political dynamics in action

Dörrenbächer and Gamelgaard (2006: 210–12) provide a short story that nicely illuminates micro-political dynamics.

A German engineer managed a German automobile company's French subsidiary. He greatly expanded its technical expertise and sought to utilize the expanded knowledge resources better through additional financial investment. The request was blocked at headquarters because the company was increasingly focusing on short-term increases in shareholder value that such an additional investment would jeopardize. The engineer's approach was based on technical improvements to a flexible manufacturing system through R&D that both added and cost value. However, the company was moving away from its roots in German engineering excellence and closer to a shareholder value model: it had different rationalities and the clash produced considerable conflict. The engineer did not lose totally and was able to maintain the flexible production system.

The strategy of imposing conformance with a central financial performance-related strategy is often used by headquarters to discipline subsidiaries; depending on the degree of development in locally embedded resources and networks, such as technical expertise and R&D, subsidiaries may follow a successful subversive strategy and create a space for a more autonomous and local strategy (Morgan and Kristensen, 2006).

Other parties will surround subsidiary managers with strategic interests:

- Significant shareholders seeking a more efficient exploitation of their assets in the business through changing the international cost, service and regulatory environments.
- Trade unions, who will resist measures that run against the strategic interests of those members they represent.
- Government agencies seeking to secure investment opportunities.
- Non-government agencies with a remit to protect specific strategic interests, such as the environment or child labour.
- Suppliers, for whom the changes will represent hard-to-comply-with specifications.
- Customers who may be dissatisfied with the changes made to a favourite brand, product or service.

How subsidiary managers might manage or ignore these local pressures may not be a matter for calculation at the supralocal level of the corporate centre, but it can pose real struggles and challenges for local actors. Often these struggles and challenges will not be recognized at the centre and the inability to manage them conveniently will be seen as a sign of local failure rather than of the complexity of local environments.

THE POLITICS OF STRATEGY AND STRUCTURE IN DIFFERENT CONTEXTS

Top team managers obviously have strategic choices but these choices will be constrained by the structures they inherit and are embedded within (Donaldson, 1987;

Robins, 1993; Amburgey and Dacin, 1994). Researchers who relate structure to strategy see the relationship occurring over the long term, as Whittington (2002: 123) notes. Managers may stick with dysfunctional structural arrangements for some time.

Structurally, in terms of multidivisional MNCs there is a consensus that accounting and finance managers will favour divisional structures because these consolidate financial control as the key mechanism. Likewise, engineering and production managers will tend to distrust and resist divisional structures because they abstract from the materiality of making things, while sales and marketing managers will tend to support such structures because they favour sales expansion and diversification. Family-owned businesses and bank-controlled firms will also tend to oppose divisional structures as lessening control (Whittington, 2002: 124, citing Cable and Dirrheimer, 1983; Palmer et al., 1993).

Once leading firms in an industry have adopted a divisional structure, other firms are more likely to follow suit in what is called a process of mimetic institutional isomorphism (Fligstein, 1987; Palmer et al., 1993; Kogut and Parkinson, 1998).

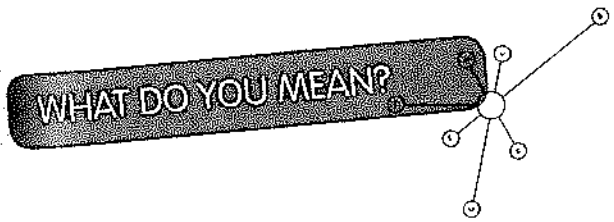
Institutional isomorphism is where organizations become more similar because they converge through managerial choice on models and practices that are widely regarded as legitimate. The sources of convergence have been represented as mimetic – or imitations – of culturally valued models; normative, where the structuring is a result of professional norms shaping practice; and coercive, where regulation requires certain forms and practices to be adopted – think of Equal Employment Opportunity (EEO) offices.

Legitimacy is an important variable in strategy terms but what is legitimate can vary from one societal context to another. For instance, many of the generalizations made about strategy flow from US examples.

Whitley (1994a) argues that it is the dominance of models of financial markets and professional management in Anglo-Saxon contexts that has favoured the development of divisional structures. Elsewhere, in bank-controlled capitalism in Germany, state-controlled capitalism in France (Whitley, 1994b; 1999), in the dominance of Japanese or Korean conglomerate capitalism or the Chinese family business form in much of Asia (Hamilton and Biggart, 1988; Clegg, 1990), structures militate against the adoption of this strategic model.

There are suggestions that, rather than being alternative models, the contra-examples represent time-lagged observations, at least with respect to Europe, as convergence on the US model is occurring, albeit at a rate of uneven development (Whittington, 2002: 125). The extent to which the global financial crisis of 2008–9 will have devalued US models is a germane point: certainly, President Sarkozy's enthusiasm for them has reduced greatly in favour of the French model he once pledged to make more American.

All models of the MNC (Hedlund, 1986; Ghoshal and Bartlett, 1990; Forsgren, Holm and Johanson, 1995) suggest that the practices of foreign subsidiaries are



Subsidiaries, power and legitimacy in strategy

The more legitimacy subsidiary powers can accrue to their actions, the greater the probability of their being engaged in corporate decisions (Mitchell, Agle and Wood, 1997). However, their very distance from strategic centres makes this difficult. MNC strategic managers are often far removed from subsidiaries, culturally, geographically and in terms of time zones.

What is a clear strategic plan at headquarters becomes much more confusing if the specificity of all the national regulations, policies, norms and infrastructure systems that the firm is engaged in have to be factored in. Where subsidiaries are only loosely committed to the firm or

(Continued)

(Continued)

where practices are believed to deviate from parent company objectives, they will fail to secure legitimacy.

Bouquet and Birkinshaw (2008: 481) observe the following examples of cases where alliances between local and supralocal actors will be difficult to accomplish:

1 Some countries have levels of corruption that clash with norms of acceptable behaviour in the larger MNC system (Alvaro, 2006; Doh et al., 2003; Rodriguez, Uhlenbruck and Eden, 2005; Uhlenbruck, et al., 2006). Recent reports of corruption in the Karzai administration of Afghanistan would be a case in point.

2 Other countries have an investment climate that is unattractive to foreign investors (Kessing, Konrad and Kotsogiannis, 2007); for instance, where there are unstable political conditions (Henisz, 2000), such as many of the countries in Africa (Harbeson, 1995) and other resource-poor countries that struggle to attract investments, let alone value-added activities, from multinationals.

3 Subsidiaries that operate at the periphery of the world economy (Harzing and Noorderhaven, 2006), where activities are misunderstood or perceived to be of little significance (Galunic and Eisenhardt, 1996; Brown, 2004; Prahalad, 2004); for instance, those that have few location-specific advantages (Dunning, 1981), or are located in relatively depressed industrial areas (Dawley, 2007).

4 Small or youthful operations can rarely demonstrate a proper track record (Birkinshaw, 1999), or are constrained by relatively small market sizes, limited purchasing capacities, inadequate infrastructures.

Subsidiaries that seek to improve their local standing in the MNC and host nation will need to be able to demonstrate that they can deliver corporate objectives and plans; provide strategic information and knowledge on local competitive developments; and generate innovations that can be spread through the global corporate empire. Subsidiaries that cannot exploit these sorts of resources will be unlikely to exercise much power in the web of MNC relations.



YOU CAN DOWNLOAD...

The full story by Cyril Bouquet and Julian Birkinshaw (2008) Managing Power in the Multinational Corporation: How Low-Power Actors Gain Influence, *Journal of Management*, 34(3): 477–508, from the book's website at www.sagepub.co.uk/cleggstrategy

constrained by different contextual rationalities to those of the supralocal MNC (Geppert, 2002; Geppert, Williams and Matten, 2003):

> Subsidiaries have to adapt to the institutional factors and national business systems characterizing the markets in which they operate (Rosenzweig and Nohria, 1994; Geppert and Matten, 2006; Geppert and Williams, 2006).
>
> Subsidiaries have to find ways to translate corporate ideals into a tangible set of local practices that can effectively bridge the expectations of the head office, if they are to exert any influence on MNC decisions.
>
> Without legitimacy, subsidiaries will have little influence on corporate decisions (Westney, 1993; Kostova and Zaheer, 1999; Tempel et al., 2006).
>
> Not only must subsidiary managers seeking to engage in the MNC's central circuits of power have legitimacy, but they must also, according to the VRIN model, have some control over resources that are scarce, not substitutable, in demand in the centre and competitively sought elsewhere.

It is not just subsidiary interests that have to be considered in terms of MNC relations with their subsidiaries:

> Governments in both host and home countries will want to accrue as much value as they can from MNCs in terms of tax, investments, employment and knowledge production and minimize as much as possible any disutility that the MNC activities might create, such as pollution, despoliation or social upheaval. As resources with which to bargain they can use whatever

location-specific resources they have available, such as talent pools, natural resources or infrastructure.

External stakeholders, such as civil society bodies and NGOs, will usually want to ensure that local resources are not unduly exploited, whether labour, the environment, or political and social capital. The resources that they can use include their ability to mobilize public opinion and communicate specific messages about specific firms, and their legitimacy in doing so.

Where subsidiary companies can develop unique bundles of resources and capabilities that are particularly in demand, according to the VRIN model (Birkinshaw and Hood, 1998a; 1998b) they can enter into significant positions in MNC circuits of power. To do so they must make themselves more central by becoming more interlinked in MNC networks, because it is centrality that makes resources valuable, not just having them.

SUMMARY AND REVIEW

To represent strategy as a practice that is entirely rational and without politics is one of the most political ways in which to represent it. It is also one of the most common – and the most fraudulent. The strategy process is always irremediably political, especially when it claims not to be!

Strategy spawns discourses in which interests are paramount, in which politics surround and envelop it: where politics shape what are taken to be the interests of the organization; in which self-interests can be aligned, or others' interests; be misaligned, to these strategic interests; and in which other organizations, such as governments or allied organizations, can be enrolled and translated into strategically interested and aligned partners.

In all organizations much of the politics of strategy will emerge around the practice of mandate changes, especially in MNCs. Strategy always concerns setting a direction and keeping to it against unforeseen resistance and events. Setting a direction and steering it in a complex organization of many different powers and knowledge is always going to be a political activity. This is why strategy, conducted well, is not for the faint-hearted: it produces tough, hard and sometimes robust politics, in which there are winners and losers.

EXERCISES

1 Having read this chapter you should be able to say in your own words what the following key terms mean:

- Organizational politics
- Strategic interest
- Political skill
- Social capital
- Power
- Multinational corporation (MNC)
- Mandate
- Power/knowledge
- Resistance
- Discourse.

2 What are some of the chief power games that occur around the strategy process?

3 Why are MNCs especially likely to be sites of struggle over strategy?

4 How would you seek to secure support for a mandated change?

5 Why are power/knowledge mutually implicated?

6 Looking at Michal Smith's account of 'Politics and Strategy', especially Chapter 3, the 'Art of the possible', on www.strategytube.net, how does Michael suggest that we can produce positive politics around the strategy-making process?

ADDITIONAL RESOURCES

1 Our companion website is the best first stop for you to find a great deal of extra resources, free PDF versions of leading articles published in Sage journals, exercise, video and pod casts, team case studies and general questions and links to teamwork resources. Go to www.sagepub.co.uk/cleggstrategy

2 A good book on political struggles in organizations is Peter Fleming and Andre Spicer's (2007) *Contesting the Corporation: Struggle, Power, and Resistance in Organizations*, Cambridge: Cambridge University Press.

3 Another useful resource is the second edition of David Buchanan and Richard Badham's (2008) *Power, Politics and Organizational Change: Winning the Turf Game*, London: Sage, which explores in far more detail than we are able in this chapter the intricacies and details of the many power games that occur in organizations.

4 Cynthia Hardy's (1994) *Managing Strategic Action*, London: Sage, has a good section on the role of power in approaches used to mobilize change in Part II of the book, especially her own Chapter 13, 'Power and politics in organizations'.

5 Paula Jarzabkowski's (2005) *Strategy as Practice*, London: Sage, presents a particular perspective on strategy research known as 'strategy-as-practice', which seeks to understand strategy through a close scrutiny of what is done in the various sites of the strategy process. Organizational politics are implicit throughout her account.

6 Probably the most interesting case study of power in and around organizations in recent years is Bent Flyvbjerg's (1998) *Rationality and Power: Democracy in Practice*, Chicago: University of Chicago Press, researched in the arena of urban planning in the town of Aalborg in Denmark. It presents a complex picture of the overlapping strategic and self-interests shaping the civil society of the good citizens of Aalborg. It is the best analysis of the practices of the strategy process that we know.

7 The documentary film *Rats in the Ranks* is a wonderful insight into the strategy of politics: see the

excellent notes on the movie available at www.filmaust.com.au/programs/teachers_notes/3895RatsintheRanks.pdf. The film itself can be ordered from http://shop.abc.net.au/browse/product.asp?productid=735644. It was directed by Robin Anderson and Bob Connolly and broadcast on ABC TV in 2001 as well as being distributed by them.

8 The film *12 Angry Men*, directed by Sidney Lumet (1957), with Henry Fonda, provides an excellent insight into how strategic argument can sway decision-making.

9 Oliver Stone's (1987) film *Wall Street* portrays a compelling character, Gordon Gecko, as the epitome of a financial strategist wholly wedded to the interests of making the deal and making money from it, someone with only one interest and no sense of contextual obligations.

WEB SECTION

Visit the *Strategy* companion website at www.sagepub.co.uk/cleggstrategy

1 The online resource www.strategytube.net that the authors produced in tandem with this book is a great resource: look in particular at the video of Case Study 8 where Michael Smith talks about politics and strategy. Look especially at the 'study questions' for this case. They are designed to complement and extend this chapter.

2 Logging on to the Strategy-as-Practice website provides you with an opportunity to subscribe to a lively community in which many interesting papers are posted. It is free – just go to www.s-as-p.org.

3 The following site contains the comparison between sport and business with which we opened the chapter: www.rotman.utoronto.ca/rogermartin/theAtlantic.pdf

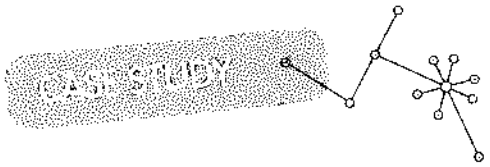
LOOKING FOR A HIGHER MARK?

Reading and digesting these articles that are available free on the companion website www.sagepub.co.uk/cleggstrategy can help you gain deeper understanding and, on the basis of that, a better grade:

1 Farzad R. Khan, Kamal A. Munir and Hugh Willmott (2007) A Dark Side of Institutional Entrepreneurship: Soccer Balls, Child Labour and Postcolonial Impoverishment, *Organization Studies*, 28: 1055–77. A fascinating account of how good intentions can lead to bad outcomes.

2 Cyril Bouquet and Julian Birkinshaw (2008) Managing Power in the Multinational Corporation: How Low-Power Actors Gain Influence, *Journal of Management*, 34: 477–508. The article provides a conceptual integration and synthesis of the literature on power and influence in MNCs. It concentrates on the situation facing, and the strategies pursued by, low-power actors within the MNC network. It is an exhaustive repository of current references.

3 Hitoshi Mitsuhashi and Henrich R. Greve (2004) Powerful and Free: Intraorganizational Power and the Dynamics of Corporate Strategy, *Strategic Organization*, 2(2): 107–32. The article is a very detailed statistical study of the horizontal and vertical dimensions of organizational power structures' influence on the dynamics of corporate strategy in the Japanese robotics and shipbuilding industries.



The 1998 Australian waterfront dispute: different strategic interests, different strategies, different weapons

Stewart Clegg

Australia, as an isolated island continent, is heavily dependent on its ports to be competitive in international trade. At the time that the waterfront dispute took place, approximately 70 per cent of Australia's imports and 78 per cent of exports traded through its ports. During 1997 research into productivity concluded that these ports were uncompetitive compared with best practice benchmarks overseas. Charges were higher, productivity lower and service less reliable, while marine service and port infrastructure charges were two to three times greater than at overseas ports.

The waterfront workers were organized into the Maritime Union of Australia, which ran a virtually closed shop on the docks: only union members were able to work. After a new Conservative federal government was elected in 1996, industrial relations were changed in such a way that this weakened the rights of unions to bargain collectively on behalf of the workforce. Individual rather than collective contracts – Australian Workplace Awards – were encouraged. These were vehemently opposed by the trade unions.

One of the largest stevedoring firms on the waterfront was Patricks. Its strategic interest was in increasing productivity. To do this, however, if had to change much of the customary practice that previous generations of employers and managers had allowed to become embedded on the docks as a result of union pressure. How to do it?

The strategy was simple. On 8 April 1998, the Patrick Stevedoring Company declared itself insolvent. The existing unionized workforce was issued with immediate redundancy notices and locked out. Private security guards were hired by Patricks to evict and ensure employees were not allowed access. The government's industrial relations minister made a statement supporting the company. The company in turn cited a lack of productivity and profit as the reason for its actions as well as a desire to 'clean up' the waterfront.

The security guards were not just keeping union labour locked out. Despite Patrick's 'insolvency' the docks remained fully operational, manned by workers who had contracts with a labour-hire company owned by the same people as the recently announced insolvent Patrick Company. These contracts were non-union and had markedly worse conditions attached to them compared with the union contracts. A section of the new workforce turned out to be ex-armed forces personnel who had been previously recruited and trained in Dubai in advance of the strategic change.

There were confrontational scenes relayed in the media: security guards with fierce dogs and faces masked by balaclavas and angry unionists picketing and demonstrating against the 'scab' labour. Meanwhile, the union took their case to the Federal Court, which found in favour of the union, determining that the company had deliberately restructured its corporate structure with the sole intent of dismissing its unionized workers. Supported by the government, Patricks appealed against this decision but was overruled, eventually by the High Court of Australia. The full bench of the High Court found in the union's favour: the company's corporate restructuring was a device to rid the company of its unionized workforce.

In June 1998 the union and Patricks negotiated a new agreement: it specified voluntary redundancies, the introduction of some casual labour and the contracting-out of some jobs; in addition, smaller work crews, longer regular hours, company control over rostering, and productivity bonuses for faster loading were introduced. The union retained the ability to represent maritime workers while the company achieved significant changes to work practices. The non-union workers were made redundant and while some of the ex-military men did quite well out of their stint on the waterfront, others claimed to have been cheated out of wages due to them.

References

Check out Google – when we did, we found about 74,900 hits for *Australian waterfront dispute 1998*

Also see:

André Spicer, John W. Selsky and Julian Teicher (2002) Paradox in Symbols and Subjects: The Politics of Constructing the Wharfie in S. R. Clegg et al. (eds), *Management and*

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Organizational Paradoxes, Amsterdam: Benjamins, pp. 87–118.

John W. Selsky, André Spicer, and Julian Teicher (2003) Totally Un-Australian! Discursive and Institutional Interplay in the Melbourne Port Dispute of 1997–98, *Journal of Management Studies*, 40: 1729–60.

Question

1 Using the references suggested as well as an extensive Web search, identify the different strategic interests of the different players involved in the strategic change and identify what micro-politics were at work. What were the major strategies involved? Who won?