

EKONOMI OCH SAMHÄLLE  
ECONOMICS AND SOCIETY



HANKEN

# MICRO-POLITICAL PERSPECTIVES ON MULTINATIONAL CORPORATIONS

LEGITIMATION, STEREOTYPING AND  
RECONTEXTUALIZATION

ALEXEI KOVESHNIKOV



Ekonomi och samhälle  
Economics and Society

Skrifter utgivna vid Svenska handelshögskolan  
Publications of the Hanken School of Economics

Nr 278

Alexei Koveshnikov

# Micro-Political Perspectives On Multinational Corporations

Legitimation, Stereotyping and Recontextualization

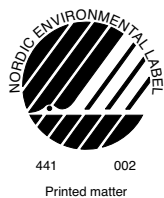
Helsinki 2014

Micro-political perspectives on multinational corporations: Legitimation,  
stereotyping and recontextualization

Key words: multinational corporation, micro-politics, power, agency, context,  
legitimation, stereotyping, recontextualization, Russia, Finland, sensemaking,  
identity, knowledge transfer, trust, discourse

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Hanken School of Economics  
ISBN 978-952-232-247-0 (printed)  
ISBN 978-952-232-248-7 (PDF)  
ISSN-L 0424-7256  
ISSN 0424-7256 (printed)  
ISSN 2242-699X (PDF)

Edita Prima Ltd, Helsinki 2014

*To my parents, Ludmila & Viatcheslav*

## FOREWORD & ACKNOWLEDGEMENTS

Life is what happens to you while you are busy making plans.

John Lennon

It's not about how good you are, it's about how good are people around you.

Pauli, a FLOster (free paraphrasing)

First of all, I would like to thank my pre-examiners, Snejjina Michailova and Mike Geppert, for providing their constructive, positive and very inspiring comments on this thesis. I am honored to have you as my pre-examiners. Your work has given me a lot of inspiration over the years that I have spent in academia and I have always very eagerly and with great interest followed all of your academic endeavors.

I would also like to thank my opponent, Juha Laurila, for kindly agreeing to act as my opponent. Thank you, Juha, for your professionalism, flexibility and understanding.

Now a small step back... To be frank, I should have written and completed this part, as well as the whole thesis, a year ago sitting by the ocean on a nice terrace under the hot Californian sun sipping cold cervezas and watching dolphins swim by... However, John Lennon, after all, was a smart chap and once again his ideas have proven to be correct: one more year passed before I could finally get to business. Nonetheless, back then (that is a year or so ago) I was thinking that life is more or less like an ocean (surprise, surprise) that over time washes ashore lots of interesting things, all of its hidden and secret treasures... The time that I have spent at Hanken can be compared to a quite descent ocean, at least the one with a pretty long shoreline, on which I was very fortunate to encounter, to meet, to know, and to learn from lots of interesting and beautiful people. Just a few flashbacks...

... its May 2005. Helsinki, something rare for Finland, called sun, is in the sky... I am graduating from Kauppis and thinking about starting an academic career. I am told that there is one man I have to go and see and I am told that once I see him I will have no doubts that I will want him to become my supervisor. His name is Eero Vaara. I come to Hanken for the first time and knock on Eero's door. It turns out that Eero has had some leg injury and he is quite slow to move... as it happens, he needs to leave his office... we walk together to the tram stop. Usually it takes 2 minutes, this time it took us 20... and we talk... it takes these 20 minutes for me to realize that the advice I got was completely correct – I am craving for Eero to become my supervisor and to take my academic fate into his strong and gifted hands... thank you, Eero, for everything, you have been very inspiring, helpful and a true role model for me all these years... sorry that I made you wait for my graduation for so long, the truth is that it was so good that I could not let it go...

... the year is something like 2002-03, Vaasa, University, a course on doing business in Asia, a few students and myself are sitting in a small classroom and staring at a small, long haired, blonde man whose shape is on the wall... from his office back in Helsinki he is lecturing us something about Asian crisis. I check the course syllabus and find out that his name is Ingmar Björkman. I still remember very vividly those few hours when I saw Inkku for the first time via some early version of Skype and fell under his spell. Back then I thought that one day it would be nice to work in the same place with this man... and it appears that sometimes our bravest thoughts do come true...I learned

a lot from you, Inkku, the most important thing being that it is actually quite cool to be an academic... now, I am looking forward to working under your rule once again, although now on “the other side”...

... my first year at Hanken and I am really not yet feeling completely at ease looking at all these big academics running along the corridors... suddenly, a strong but pleasant tap on my shoulder, I turn and find an Italian-looking man smiling at me – Mats Ehrnrooth... that was really just the beginning and much more was yet to come... I think our relationship can be compared to a marriage, it’s like when together you have already been in all possible situations and you know each other so well that you start to appreciate each other more and more... thank you for all the trips, joint work, discussions, it’s been a lot of fun, you helped me often and generously... and hopefully we will continue our adventures in the future and the street between us will not be too big of a hassle...

Now, I do believe that we have always had an amazing and very inspiring environment at FLO. And I definitely was very proud to be a FLOster all these years. I was fortunate to experience and be part of several generations of FLOsters and in this way I have met lots of really great people: Anna-Mari, Birgit, Catarina, Charlotta, Dmitri, Edyta, Eric, Frank, Heidi, Henri, Henrika, Hertta, Jeff, Jennie, Jonna, Jouni, Juho, Kari, Kristiina, Ling, Louna, Marcus, Martin L., Martin F., Mikko, Nina, Olga, Pauli, Paulina, Philip, Sanne, Sofia, Saku, Tamara, Tom, Tina, Veronica, Virpi, Vita, Wille.

I would also like to thank several people from “the other side”. I have been fortunate to know and work with such brilliant academics, like Janne Tienari and Rebecca Piekari. Over the years I found a lot of inspiration in Janne’s and Rebecca’s ideas. Together with Irina Mihailova they have jointly saved a year or so of my academic life by kindly offering me a place to do my civil service at Aalto. I can’t thank you enough for helping me out.

I also had some great time in my foreign adventures. Thank you Sally Riad for the New Zealand part, all the Scancorians for the great time in sunny California, as well as all the NORD-IBers for numerous and always enjoyable trips around Scandinavia. Hope we will still be on good terms even when all of us become big professors in the future.

Another reason why I did not graduate earlier is my addiction to sähly and my personal liking of our sähly gang... thank you guys for being there on Mondays and Fridays.

One of the most enjoyable parts of academic life is attending conferences... and I was very lucky to meet Heidi, Miikka and Igor, who became my conference buddies. Igor, come back to academia ASAP; Heidi, hope to see you soon somewhere on our small planet at some conference; and, Miikka, sometimes owls are what they seem - it’s just that sometimes there is not enough sake...

Markus, in this case I guess it is safe to say that you have actually been literary there... seeing you, talking to you, lunching with you or financially supporting Pub Pete with you almost every day definitely enriched all those long PHD years and made me feel like I have a soul-mate, he just happens to sit across the street... thank you for being in this together with me and for all the great times...

Juan, times they are changing but you and I are going as strong as ever... like a good wine its only getting better... thank you for being reliable, helpful, critical (in a healthy way), funny and almost always available for one...

This work would have been impossible without the generous financial support from Liikesivistysrahasto, Marcus Wallenbergin säätiö, Hanken Foundation, Paulon säätiö, and Otto A. Malm Foundation.

I might not have been the most efficient student, but I certainly did much better on the private front. Thank you, Hanne, for always being the reasonable one between us two and being able to cope with my not always serious enough attitudes and deeds... for being an amazing wife and a mother... and most importantly for giving me my two most beautiful little ones: Helmi and Hilma... as the song goes, the biggest secrets of this world reveal themselves through their smiles.... You are the joy of my life!

Of course, there would have been nothing if my parents, Ludmila and Viatcheslav, some 30 years ago did not decide that I was destined to exist... you were always the most proud ones of my achievements and you did a lot for these achievements to become possible in the first place... The world is not enough to thank you enough for everything. I dedicate this work to you!!!

P.S. I sincerely apologize if I have forgotten and did not mention here someone, who should have been mentioned. May this be the biggest injustice that will happen to you in your life. Cheers!

Love & Peace,  
Alexei Koveshnikov  
On a plane from London to Vancouver, June 23<sup>rd</sup>, 2014

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## 1 INTRODUCTION

We, people in organization-land, are fascinated with science, I think, because we seek to minimize the feeling that our world is governed not by laws of nature but by mad, impetuous barbarians driven by greed, need, and the desire for maximum power and booty.

Stanley Bing, "Quantum Business", *Fortune* 2004

### 1.1 Thesis background

This thesis examines multinational corporations (MNC) and, more precisely, the crucial role of people in these organizations. Traditionally, MNCs are defined as organizations that own or control production or services facilities in one or more countries other than their home country (Pitelis & Sugden 2000). As such, MNCs have been studied by several academic disciplines but have been the main focus of attention for international business (IB) scholars. Starting from the pioneering works of Hymer, (1960), Vernon (1966), Dunning (1979) and others, the entire field of IB has emerged to examine the various aspects of MNC operations. Yet, up to now, the majority of existing research on MNCs has been functionalist in its orientation and approach. This research has drawn its theoretical foundations mainly from economics and finance theories. Its key assumption is that the requirements of internationalization and operations across national borders determine MNC structures, processes, and management. The key purpose of IB research is to identify various performance effects and the effectiveness of different managerial approaches using predominantly quantitative analyses (e.g., Buckley & Casson, 1976; Bartlett & Ghoshal 1989; Dunning, 2003).

However, this development of IB has been recently questioned quite forcefully by some of the prominent scholars in the field (Brannen and Doz, 2010; Buckley 2002; Cantwell and Brannen, 2011; Cheng, Henisz, Roth & Swaminathan 2009; Michailova 2011). Referring to the closeness and narrowness of IB as a research field, Cantwell and Brannen (2011: 3) urged IB scholars to become more ambitious and interdisciplinary by addressing more "complex questions than those which are typically formulated when relying on the standard assumptions." The authors also argued for the broadening of the IB field both theoretically and methodologically. Supporting their argument, Cheng et al. (2009: 1072) suggested that "moving [IB] forward is not about reformulating novel dependent or independent variables, it is about addressing a phenomenon that can only be unpacked by combining theories, concepts, data and methods from multiple disciplines."

In line with these critical sentiments, some scholars have noted that whereas prior IB research has given a lot of attention to providing macro- and meso-level explanations of MNC behavior; the human factor, namely the role of managers, employees, owners, and other stakeholders in influencing MNC behavior, has been largely ignored (e.g. Piekkari & Welch 2010). Further, Dörrenbächer and Geppert (2011, 2013) lamented that while prior IB research has contended that the structural features of the MNC determine the behavior of managers in MNCs, little attention has been paid to the various aspects of the social agency and power of these managers. These authors present power and politics as 'the raw truth of any organization' (Dörrenbächer & Geppert 2013) and, especially, of the MNC, which they conceptualize as 'a transnational social space' where social and economic interactions between organizational actors take place, sense is made, interests are pursued, identity work is done, and power is exercised through consensus, conflicts and / or resistance (see also Morgan 2001a,

2001b; Pries 2001). There are two main reasons to support such a conceptualization. First, it reflects the fact that all social interactions and relationships in the MNC are institutionally and culturally embedded in either host or home cultural, institutional, economic, societal, or historical contexts. Second, agency, identities, and interests of organizational actors, i.e. 'the sociopolitical dimension,' need to be recognized as constituting the key driving forces behind the political behavior of these actors within the MNC.

Hence, Dörrenbächer and Geppert (2011, 2013) as well as others (e.g. Piekkari & Welch 2010: 467; see also Kostova, Roth & Dacin 2008; Barner-Rasmussen, Piekkari, Scott-Kennel & Welch 2010) suggest that there is a need for IB scholars to find ways to recognize the importance of power and politics for the MNC and "to incorporate the human dimension; that is, the "lived experience" of managing and working in the multinational." Otherwise, it is difficult "to adequately capture lived experienced, complex meaning systems, and political and ethical conditions in organizational milieus" (Jack, Calas, Nkomo & Peltonen 2008: 870). Moreover, incorporating 'the human dimension' into IB also responds to pleas for the interdisciplinary development of the field (e.g., Shenkar 2004; Cheng et al. 2009; Cantwell & Brannen 2011) simply because it cannot be accomplished by relying on the traditional theoretical foundations of IB research, that is on finance and economics theories. Rather it requires an injection of new ideas, perspectives, and theories from other fields and disciplines.

Against this background, this thesis applies ideas from the comparative institutionalist, social stereotyping, and translation literatures to examine micro-political aspects of what is going on in the MNC between organizational actors. Thus, in a sense it tries to give 'a face' to the MNC. In fact, we have lately seen increasing interest in actual 'faces,' i.e. the key actors, behind the MNC's functioning in relation to the cases of fraud and bankruptcy in Enron and Lehman Brothers and crisis in General Motors that, together with other factors, led to the severe financial crisis at the end of 2000s. It raised concerns that power abuses and tricky political games developing and proliferating within MNCs can have tremendous corporate as well as societal impacts and consequences. Yet, as of now, the few existing IB studies on power and politics within MNCs tend to focus on subsidiary entrepreneurship and mandate change (Birkinshaw, 1996; Ambos, Andersson & Birkinshaw, 2010) and explain subsidiary political behavior with external economic and technological factors. At the same time, the micro-level power and political relations between actors in MNCs, i.e. what I call in this thesis 'micro-politics,' and their implications are seldom examined. Moreover, neither is the role that the institutional, cultural and sociopolitical contexts play in these micro-political relations among actors within MNCs sufficiently understood. Therefore, there is a need for a more nuanced, contextualized, and actor-focused sociological understanding of power and political interactions among organizational actors within the MNC. It is important to study and comprehend these processes in order to better explain them and to some extent control them.

## **1.2 Research objective and questions**

Hence, the key objective of the thesis is to shed light on micro-political struggles and their implications in the MNC. Reflecting this objective, the main research question poses by this thesis is the following:

*How is the MNC affected by micro-political managerial struggles?*

Then, the main question is divided into several sub-questions. First, to better understand micro-political struggles in the MNC, it is crucial to know in what areas these struggles occur. What do managers in the MNC struggle for? What makes them engage in these struggles in the first place? Therefore, the first sub-question is the following one:

*1. What types of micro-political struggles (in what areas) are going on in the MNC?*

Second, it is important to understand how managers engage in micro-political struggles. What strategies do they utilize in these struggles? What is the essence of these strategies? Therefore, the second sub-question is as follows:

*2. What are the various strategies used by managers in their micro-political struggles within the MNC?*

Third, because micro-level activities, such as micro-political struggles, are always embedded in the local context in which they take place - and especially so within the MNC, which spans multiple cultural, institutional and socio-economic environments – the context matters and needs to be taken into account. Therefore, to examine the role of context in managerial micro-political struggles within the MNC, the third sub-question is posed as follows:

*3. How do socio-political, historical, cultural, and institutional contexts, in which the MNC is embedded, affect these struggles?*

Finally, it is impossible to understand well the nature and the importance of micro-political managerial struggles in the MNC without considering their implications and consequences. Therefore, the fourth sub-question is posed to address this issue:

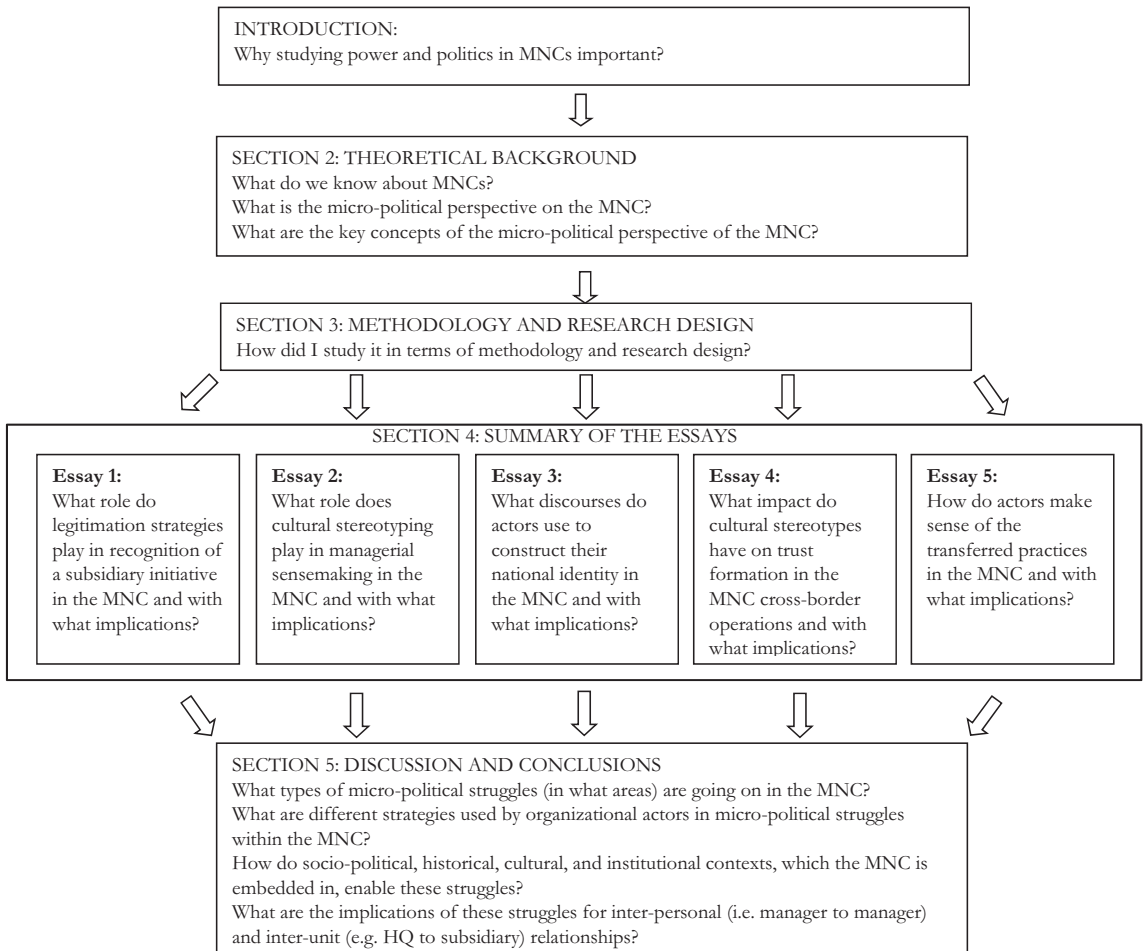
*4. What are the implications of these struggles for inter-personal (i.e. manager to manager) and inter-unit (e.g. HQ to subsidiary) relationships?*

To address these questions and its main objective, the thesis examines how relations between managers at headquarters and subsidiaries within the MNCs under study are built, how power and authority are distributed and contested and how specific activities and practices are justified, legitimated and / or resisted. The thesis focuses on top and line managers' sensemaking activities, legitimation attempts, and (national and organizational) identity building constructions around crucial organizational processes, such as recognition of subsidiary initiative (Essay 1), delegation of authority and responsibility (Essay 1, Essay 2 and Essay 3), knowledge transfer (Essay 5), strategic decision-making (Essay 2), and trust formation (Essay 2 and Essay 4) within the MNC.

### **1.3 Thesis structure**

The thesis is structured into four main sections plus an introduction (see Figure 1 below). Following the introduction, the second section covers the theoretical background of the thesis. It starts off with an overview of prior MNC research and its evolution. Then it introduces the micro-political perspective on the MNC, summarizes the conceptual framework of the thesis, and introduces the key concepts that form the basis of the micro-political perspective on the MNC. The third section describes in detail the methodology, the data, the research process, the research setting, and the analysis conducted in the thesis. The fourth section provides brief summaries and

outlines the key findings of the individual essays in the thesis. Finally, the last section delves into the discussion points and general contributions of the thesis. It states the key conclusions, outlines research avenues, and critically discusses the major limitations of the thesis.



**Figure 1 Thesis structure**

## 2 THEORETICAL BACKGROUND

### 2.1 Overview of the MNC literature: from macro to micro explanations

The development of the MNC literature can be seen as a rather slow but steady movement from assigning the key role in explaining the MNC behavior to macro-level, structural explanations towards granting more and more legitimacy to micro-level, sociological explanations. It is directly related to how IB researchers have conceptualized the MNC over time. It all started with the researchers focusing primarily on the presumably key role of MNC headquarters (HQ) as the main decision-making entity surrounded by geographically dispersed subsidiaries (e.g., Hymer 1960; Vernon 1966; Stopford & Wells 1972). HQ was conceptualized as the central part of the MNC with the authority to command other units. The role of geographically dispersed subsidiaries was mainly reduced to adapting in the most effective way to centrally imposed corporate strategies and a host-external environment. Thus, in these studies power and authority were hierarchically and formally determined and distributed from the top down along hierarchical lines in the MNC. HQ was responsible for all the strategic decisions that the subsidiaries had to implement locally. As such, politics and intra-organizational conflicts were not recognized in this research as important or considered to determine crucial organizational outcomes.

The macro-level focus was preserved when the MNC literature was further advanced by Dunning's eclectic OLI (ownership, location, internalization) theory (e.g. Dunning 1979; Dunning 2000; Dunning & Rugman 1985). It conceptualizes the MNC as an entity acquiring and maintaining 'ownership,' 'locational' and 'internalization' advantages. The theory argues that the ownership advantages possessed by the MNC, for instance its home country capabilities such as managerial competences, technological capabilities, or industrial property right (i.e. technologies, brands, trademarks, etc.), can be efficiently utilized and internationalized by the MNC through hierarchical control and replication in geographically distant areas. However, from the perspective of this thesis it also assumes that the behavior of actors in the MNC is economically rational. As such, the theory treats power relations within the MNC as unimportant and trivializes the role of the social context, the social embeddedness of managerial actions, and the influence of diverse contextual rationalities (Morgan 2001a, 2001b).

A different conceptualization of the MNC emerged with the evolutionary perspective that questioned the assumption that the MNC is managed most effectively using a top down approach (Hedlund 1986; Bartlett & Ghoshal 1989; Nohria & Ghoshal 1997). In their influential book 'Managing across borders,' Bartlett and Ghoshal (1989) have critiqued the view that purports the superiority of HQ management. Instead, they have supplemented it with a more pluralist view of intra-organizational power relations conceptualizing the MNC as a transnationally 'differentiated network' (Nohria & Ghoshal 1997) or 'heterarchy' (Hedlund 1986). Here power structures were seen as more ambiguous, dispersed, and decentralized. These studies to some extent normatively presupposed that powerful HQ or subsidiary managers are able to coordinate and control new organizational forms through socialization, shared norms, and normative integration. In this way, the evolutionary perspective has signaled that more micro-level explanations, i.e. the abilities and skills of an individual manager, can also have at least some explanatory power. Yet, micro-level power and politics were still not seen as vital. It was argued that if managers could develop a good understanding of the 'transnational solution,' which would help them to better address cross-cultural,

cross-divisional and cross-functional conflicts, then the dysfunctional effects of politics and power would hardly ever become salient. Here, intra-organizational power and politics are reduced to being structural inefficiency. Moreover, as Dörrenbächer and Geppert (2006) rightly noted, this perspective fails to consider the questions of whose interests are served by measures of cultural integration or who are the winners and losers when new inter-functional and HQ-subsubsidiary communication structures are implemented.

As a step towards a more sociological understanding of managerial behavior in the MNC, the evolutionary perspective questioned the managerial rationality assumption present in OLI theory. Instead, it viewed managers as rationally bounded. Moreover, it also paved the way for a deeper consideration of intra-organizational politics in the MNC by stipulating the crucial importance of both HQs and subsidiaries in finding an optimal balance between global standardization and local responsiveness. Viewing responsiveness to a host environment as critical for success, it was argued that a subsidiary must have a certain degree of autonomy and decisional power from HQ to respond effectively to external pressures (White & Pynter 1984; Nohria & Ghoshal 1997). However, the perspective does not go all the way and does not provide any answers concerning the political processes within the MNC through which these balances of power (i.e. how much to centralize and how much to delegate to a subsidiary) are (re)negotiated (Belanger, Giles & Grenier 2003; Dörrenbächer & Geppert 2006).

Advances toward addressing this issue as well as the need to consider context as an important factor in influencing how power balance is negotiated appeared in the work of Birkinshaw and colleagues (Birkinshaw 1996; Birkinshaw & Hood 1998; Birkinshaw & Ridderstråle 1999; Birkinshaw 2000; Bouquet & Birkinshaw 2008a, 2008b) on subsidiary initiatives, mandates, and negotiations around critical resources' ownership between HQs and subsidiaries. This literature argues that subsidiaries are all unique because each of them operates in an idiosyncratic environment and possesses different resources and capabilities. The more critical resources (e.g. mandates and charters) for the entire MNC the subsidiary possesses and the more complex and important the host environment becomes, the more intra-organizational power the subsidiary in question is likely to acquire (e.g. Birkinshaw 1996; Bouquet & Birkinshaw 2008a, 2008b). Hence the power relations between HQ and a subsidiary have been taken up in these studies. This literature has suggested that a subsidiary may gain power from its existing capabilities and resources or due to the importance of its host context for the MNC (cf. Balogun, Jarzabkowski & Vaara 2011).

A more nuanced perspective on how national context can be a source of power for managers in the MNC was taken up by institutionalist scholars. Two different streams of research can be discerned in this literature. The first one was introduced in the US by Kostova and her colleagues (e.g., Kostova & Zaheer 1999; Kostova & Roth 2002). It is primarily concerned with the diffusion, adoption, and institutionalization of organizational practices across national borders, all of which are seen as essential for organizational survival. Importantly, this stream of literature postulates that as they operate simultaneously across several (home and host) institutional environments, MNCs need to comply with a range of diverging expectations emerging from the environments in which they operate when engaging in diffusion and adoption of practices across national borders. These diverging expectations inevitably cause conflicts and tensions in MNCs. However, whereas these scholars focus on the power and the influence that external institutional pressures exert on MNCs, at the same time, they rarely turn their attention to the political implications of these conflicts and

tensions within MNCs themselves. In other words, more macro-level explanations are preferred here to micro-level ones. In this way, the diverging interests and power considerations of the actors involved in diffusing, adopting and institutionalizing organizational practices remain largely unaddressed.

The second stream of the institutionalist literature, so called comparative institutionalism, was established in Europe (e.g. Ferner 2000; Sharpe 2001; Geppert, Williams & Matten 2003; Harzing & Sorge 2003; Almond & Ferner 2006; Tempel & Walgenbach 2007). It placed a much greater emphasis on examining how managerial decisions are influenced by historically-developed institutions and their features from the MNCs' home and host environments, such as corporate governance, industrial relations, and innovation systems. It was shown that both the MNC's home country institutions and the subsidiary's institutional environment influence organizational processes and outcomes such as transfer of HR and managerial practices (e.g. Ferner & Quintanilla 1998; Saka 2004; Almond & Ferner 2006; Blazejewski 2006; Boussebaa & Morgan 2008), development of control mechanisms (Ferner 2000; Harzing & Sorge 2003), work system changes (Woywode 2002; Geppert et al. 2003), and learning structures (Tregaskis et al. 2010) in the MNC. Importantly, these studies started to pay more attention to how context can empower managers to influence how intra-organizational relations evolve in the MNC. For example, Ferner and Quintanilla (1998) demonstrated how globalization pressures led to 'Anglo-Saxonization' of HR practices, but in a distinctive 'German manner', among managers in German subsidiaries. Further, focusing on the transfer of 'value-infused organizational practices' from a German parent MNC to a Japanese subsidiary, Blazejewski (2006) found several examples of practices that had to be adapted so as not to be culturally offensive for local managers.

This literature points towards the importance of home and host environments in shaping power relations at least to some extent and influence how authority and power are distributed in the MNC. It purports the idea that the power relations in the MNC cannot be understood without taking into consideration the societal and institutional features and characteristics of both home and host environments. Still, as Dörrenbächer and Geppert (2011) argue, these studies, though pointing out the importance of power in the relations between HQs and subsidiaries within the MNC, do not tell us much concerning the contested and dynamic nature of political processes and power struggles among different constituencies and actors of the MNC. Here, power and politics are conceptualized in a rather static way and insufficient attention is given to the ongoing power balance negotiations among organizational actors and their implications. Instead, power is considered to be embedded into specific properties of the national context of either the host or home environment and the balance of power tends to be presented as unchangeable and unchallengeable for organizational actors.

## **2.2 Towards micro-level explanations: the micro-political view on the MNC**

Hence, prior IB studies have largely avoided discussing politics and power as important factors influencing how MNCs develop and function. Although as I have shown, in some parts of the literature managerial power is viewed as embedded in an external context, which in cases of favorable constellations of economic and technological factors can empower managers to influence MNC processes and outcomes, overall power and politics are mainly treated as a structural malfunction that impedes MNCs from task fulfillment and good performance. However, recently a new stream of

literature has emerged that forcefully questions the apolitical nature of intra-organizational relations in the MNC. It states that because numerous interests of individual and collective actors coexist simultaneously in the MNC, micro-level power and politics are unavoidable and instead should be seen as ‘the raw truth’ of the MNC (Dörrenbächer & Geppert 2013). To support this claim, Kostova et al. (2008: 997) describe MNCs as organizations having “complex internal environments, with spatial, cultural, and organizational distance; language barriers; inter-unit power struggles; and possible inconsistencies and conflict among the interests, values, practices, and routines used in the various parts of the organization.” Obviously, the MNC provides fertile grounds for the proliferation of conflicts of interests and individual and collective contestations.

The key argument for the need to consider micro-level power and politics is grounded in its fundamental impacts on the MNC functioning and prosperity. As such, micro-level politics is defined as the engagement of organizational actor(s) in activities that are not required as part of one’s formal role, but that influence, or attempt to influence, the distribution of advantages or disadvantages within an organization (Robbins & Judge 2009; Dörrenbächer & Geppert 2013: 25). It is not difficult to understand that given this definition and considering that the MNC comprises a multitude of actors with diverging interests and ambitions, any change effort in the MNC is likely to affect the important interests of powerful actors, thus creating highly contested and conflict-ridden environment. That is precisely why micro-level politics and power matter and need to be examined. Importantly, the rise of interest in micro-politics within the MNC more or less coincided with the general increase of attention in management literature to the microfoundations of organizations (e.g. Felin & Foss 2005; Felin & Hesterly 2007; Abell, Felin & Foss 2008). These scholars postulate that interactions on the individual and interpersonal levels have considerable potential to explain organizational processes and outcomes that are rooted in social mechanisms.

Hence, a micro-political view on the MNC has been taken up in the literature (Morgan 2001a, 2001b; Kristensen & Zeitlin 2005; Dörrenbächer & Geppert 2006; Morgan & Kristensen 2006; Dörrenbächer & Geppert 2009; Dörrenbächer & Geppert 2011). The (micro)-political view on organizations in general (e.g. March & Simon 1958; Staw 1991; Clegg 1989) conceptualizes individual interests, power bases, and scopes of action as key constitutive elements of organizational processes and their outcomes (Geppert & Mayer 2006; Clark & Geppert 2011; Dörrenbächer & Geppert 2011). When applied to the context of the MNC, it treats micro-politics and conflicts as an unavoidable social reality and a natural mechanism of social interaction in the MNC that needs to be taken seriously and further explored. Hence, the MNC itself is characterized by manifold and ongoing micro-level “ruptures, breaks and inconsistencies in the social fabric” (Hatch 1997: 321), e.g. so called ‘fault lines’ (Lau & Murnighan 1998). The MNC is seen as a ‘transnational social space’ (Morgan 2001a, 2001b; Geppert & Williams 2006) or a ‘contested terrain’ (Edwards & Belanger 2009) where a multitude of distinct rationalities and / or organizational actors and subjectivities come to coexist and jockey for dominance. This struggle can be seen as political game-playing which is triggered by critical events, such as budget discussions, restructurings, top management appointments, etc. where organizational actors employ ‘episodic power’ (Clegg, Courpasson & Phillips 2006), i.e. situated actions, texts, discourses and other resources available to them, to promote their interests (Geppert & Dörrenbächer 2013). The MNC is treated as a political arena, where powerful actors on both sides of the divide “must make sense, manipulate, negotiate, and partially construct their institutional environments” (Kostova et al. 2008: 1001).

Therefore, in contrast to the prior MNC literature, which tends to downplay the role of managers and characterize them mainly in terms of their actions and / or organizational affiliations (e.g. Bartlett & Ghoshal 1989; Forsgren, Holm & Johanson 1995; Edwards, Rees & Coller 1999; and Husted & Michailova 2002), this literature emphasizes the social agency of managers. This literature brings the actors back into the focus and examines the conflicts that emerge when powerful actors with different goals, interests, and identities interact with each other locally and across national, divisional, and functional borders. In line with the comparative institutionalist literature, it assigns MNC home and host contexts an important role in influencing MNC processes and outcomes. However, it differs in its view on organizational actors, who are not seen as totally dependent on their external institutional and task environments but as possessing the agency necessary to act in line with their subjective interests in organizing and strategizing. These interests are self-centered, self-serving and aim at gaining power, and career advancements within the MNC. They are also often driven by personal or national identity construction processes (Ailon-Souday & Kunda 2003; Vaara et al. 2003; Delmestri 2006) or group dynamics (Lee & Lawrence 1985).

Further, managerial agency is closely linked to managerial identities and subjectivities. According to the micro-political view, individual identities and subjectivities matter for they can influence the decision-making processes in the MNC (Dörrenbächer & Geppert, 2011). Managerial subjectivities can become central in situations related to a wide range of issues, which for example include, but are not limited to, organizational actors' career aspirations and prospects (Dörrenbächer & Geppert 2009), their desire to acquire higher status (Clark & Geppert 2006), or their inclination to gain authority and decision-making power (see the essays in this thesis). Thus, this literature strives to arrive at explanations of MNC behavior and outcomes by focusing first of all on individual actors, i.e. managers, and their role in these processes and outcomes. It views MNC processes and outcomes as influenced and steered by managerial sensemaking and identity construction. Thus, it adopts a more bottom-up approach to examine power and politics in the MNC, i.e. highlighting the political nature of its internal functioning and structuring.

Dörrenbächer and Geppert (2006) suggest that micro-political struggles and conflicts in MNCs can be framed around managerial struggles over resources, interests and identities. The first framing deals with actors' struggle for scarce resources and strategic goal setting in the MNC with the ultimate aim to increase their organizational power and autonomy. Here, power is understood as the degree to which actors in various units of the MNC are able to access, protect, and control the MNC's scarce resources. The second framing assumes that gaining or losing power is not so much about accessing or controlling scarce resources, but is related to the struggle triggered by actors' interests and worldviews. Here, power is acquired by actors through a dynamic negotiation process during which one's respective interests are promoted and accepted by others as worthy of being shared by them as well.

Finally, and most importantly for this thesis, micro-politics and conflicts in the MNC can be seen through the prism of actors' identity work. Here, power is understood as 'relational.' According to this framing micro-politics goes beyond competing for scarce resources or negotiating interest conflicts. It concerns a more fundamental conception of 'who we are' for the organizational actors in question in relation to the 'other' - be it someone of different cultural background (e.g. Russians and Finns), different unit affiliation (e.g. HQ and subsidiary), different functional responsibility (e.g. finance and production), different linguistic group (e.g. English and Chinese speakers) or

hierarchical standing (e.g. top and line managers). ‘Identity’ framing is about challenging the established and institutionally and culturally embedded local practices and ‘ways of doing things.’ Cultural confrontations and nationalistic tensions that help to change the established rules of the game and the culturally accepted practices and identities of the actors involved are central for this framing.

### **2.3 Theoretical choices: an interdisciplinary approach**

In my thesis I adopt this theoretical classification of micro-political conflicts in the MNC and empirically examine whether the micro-political conflicts found in my case organizations can indeed be classified using this typology. Moreover, the micro-political view on the MNC still leaves a number of questions unanswered. Even if we know how the micro-political conflicts found in MNCs can be framed, it still tells us nothing about the strategies that managers use to engage in these conflicts, the role of contexts in facilitating these conflicts and in empowering managers to engage in them, and what implications micro-political conflicts have for the MNCs in question. All these questions remain poorly understood and need academic attention.

These questions are tackled at least to some extent in the essays of this thesis. Considering the relative novelty of this scholarship and the related lack of theoretical developments and advances, as well as taking into account the pleas for the IB field to become more inter-disciplinary, I have adopted a number of theoretical ideas from other than IB disciplines to address the research questions of this thesis. To unravel the essence of cultural stereotyping as a micro-political strategy playing an important role in managerial sensemaking in MNCs, I build on ideas from social psychology and social cognition on cognitive biases and prejudices (see Allport 1954; Macrae & Bodenhausen 2000). To examine how managers construct their subjectivities vis-à-vis the other in the MNCs, I adopt the poststructuralist take on identities and subjectivities that views national identities not as static but rather in constant flux (e.g. Hall 2000).

Using the social identity theory (e.g. Tajfel 1978; Turner 1999), I show how through their identity work managers in the MNC construct their social reality by dividing it into ‘us’ and ‘them,’ thus engaging in numerous processes of inclusion and exclusion. Such processes inevitably involve certain post-colonial elements, therefore I have used the ideas concerning the superiority and the universality of western management practices compared to non-western ones from post-colonial studies (e.g. Banerjee & Linstead 2001; Frenkel 2008). To examine how managerial agency is utilized to steer the process of transferring practices in the MNC towards different outcomes, I draw on comparative institutionalism and translation literatures (e.g. Thomas 2003; Brannen 2004; Clark & Geppert 2011). To shed light on managerial struggles around the recognition of a subsidiary voice, I build on legitimation and nationalism studies (e.g. Wodak et al. 1999; Vaara & Tienari 2008; Vaara & Monin 2010). On top of that, analyzing all these micro-political aspects as being (re)constructed linguistically and discursively through and in managerial sensemaking, I subscribe to a discursive view of the MNC (Shotter 1993; Cunliffe 2001; Geppert 2003; Vaara & Tienari 2008, 2011), which advocates the central role of language in (re)constructing the MNC’s organizational reality.

Thus, as this description indicates, the thesis at hand draws on a palette of different ideas from other than IB research disciplines with the ultimate aim of shedding light on a topic that has unfortunately received little attention in IB literature up to now – how micro-political managerial struggles influence the MNC. However, before I turn to

discussing how the research questions of this thesis were approached and analyzed, I would like to state that based on my literature review there are several concepts that I found to be central for the micro-political view on the MNC. Expectedly, power and politics are obvious suspects. Moreover, I think that the concept of sensemaking is crucial for the understanding of micro-political behaviour of individual managers in MNCs (for a similar point see Geppert 2003; Clark & Geppert. 2011). Last, but not least, is national identity. As it was mentioned before, managerial agency is closely interlinked with managerial subjectivities. And in a multinational environment like the MNC it is linked to national identities and identity constrictions among managers vis-à-vis the 'other.' Therefore, I regard the concept of national identity as central for the micro-political view on the MNC and discuss these concepts in more detail in the next section.

## **2.4 The micro-political view on the MNC: key concepts**

The following section briefly introduces key concepts which form the core of the micro-political view on the MNC: sensemaking, power, politics, and nationalism & national identity.

### **2.4.1 Sensemaking**

Sensemaking refers to the process through which people make sense or assign meaning to their experiences. The notion of sensemaking was brought into organization studies by Karl Weick in a set of scientific articles and books (e.g. Weick 1988, 1993, 1995; Weick, Sutcliffe & Obstfeld 2005). In Weick's terms, sensemaking "involves the ongoing retrospective development of plausible images that rationalize what people are doing. Viewed as a significant process of organizing, sensemaking unfolds as a sequence in which people concerned with identity in the social context of other actors engage ongoing circumstances from which they extract cues and make plausible sense retrospectively, while enacting more or less order into those ongoing circumstances. [Hence,] sensemaking [is] a process that is ongoing, instrumental, subtle, swift, social, and easily taken for granted" (Weick et al. 2005: 409). What is important is that sensemaking offers a way of organizing. It occurs in organizations when organizational circumstances are turned into words and salient categories are embodied in written or spoken texts (Gioia et al. 1994; Weick 1995). By engaging in sensemaking, organizational actors attempt to arrive at a certain form of "micro stability amidst continuing change... by social commitment, which means that social interactions become meaningful and that both interactions and the meaning will be repeated" (Weick 1993: 28).

A term very close in its meaning to sensemaking – sensegiving - was coined by Gioia and Chittipeddi (1991: 442) to describe the interpretive "process of attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality" through persuasive or evocative language used within the organization (e.g. Dunford & Jones 2000; Maitlis & Lawrence 2007). Prior research identified several strategies which organizational actors use to engage in sensegiving. For instance, the literature showed that in order to initiate change, leaders in organizations disclose intentions through hypothetical scenario presentations (Gioia & Chittipeddi 1991) or by providing new labels and new meanings underlying these labels to describe the company (Corley & Gioia 2004). Others have pinpointed the role of narratives and storytelling for sensegiving (Dunford & Jones 2000; Snell 2002). In general, these studies provide a good understanding that through "evocative language

and the construction of narrative, symbols, and other sensegiving devices leaders help shape the sensemaking processes of organization members toward some intended definition of reality” (Maitlis & Lawrence 2007: 58).

Another closely related term in this scholarship – that of sensehiding – was introduced by Vaara and Monin (2010) to denote the process of meaning construction where meanings become distorted or manipulated through holding back or ‘hiding’ particular aspects of organizational reality. Whereas not always obvious, sensehiding is important for rendering particular aspects of organizational reality legitimate, while marginalizing other aspects and making them unworthy of organizational actors’ attention. In a sense, sensegiving and sensehiding can be seen to constitute opposite sides of the same coin that can be used in legitimation bargains in MNCs.

Therefore, the notions of sensemaking, sensegiving and sensehiding are well suited to examine how managers in the transnational social space of the MNC make and give sense to their environment and / or conceal sense from other actors in this environment by mobilizing different contextual rationalities (e.g. Geppert 2003; Clark & Geppert 2011) in their narratives and storytelling activities. The conceptualization of the MNC as the ‘transnational social space’ implies a higher awareness of different contextual (local and national) rationalities. It suggests that the environment’s enabling and constraining features are not objective but socially constructed. Here, managers are actors who, while engaging in making sense of their environment, in fact become practical authors of this very same environment by (re)producing it (e.g. Cunliffe 2001). Recently, Mills, Thurlow and Mills (2010) attempted to incorporate power and context into Weick’s sensemaking framework by introducing the notion of ‘critical sensemaking,’ which underscores that plausibility and identity construction are central to understanding how some voices are heard over others, i.e. are legitimated as making ‘more sense.’ Therefore, in this thesis sensemaking / sensegiving / sensehiding are viewed as key concepts that are central for the micro-political view of the MNC.

#### **2.4.2 Power**

Power is ubiquitous in organizations. Management and organization scholars have devoted a lot of effort to studying power and its effects. At the same time, power has been described as a ‘malleable concept,’ which has been defined and used in literature in a variety of ways (e.g. Tienari & Vaara 2012). The most dominant view on power in organization studies conceptualizes power as a resource, something that powerful actors (usually managers) possess as their property and can use or apply in social interactions (with their subordinates) and situations (Clegg et al. 2006). Such power is derived from the hierarchical standing and social networks of actors in focus (Pfeffer 1992). When power is viewed as a resource, then resistance is seen to undermine it, often with undesirable consequences for the organization. It is to be overcome by means of strong leadership and management.

This mainstream view on power has been recently challenged by scholars in critical management studies (CMS) who argue that power and resistance are complex and cannot be reduced to hierarchically structured relations between the powerful (i.e. managers) and the powerless (i.e. employees). Instead of viewing power as a resource, these scholars suggested a more processual and relational understanding of power (e.g. Alvesson & Willmott 1996; Alvesson & Deetz 2000). Building on the work of Foucault (1977, 1984) power has been conceptualized as relations and actors as controlled and disciplined by social practices and discourses. These practices and discourses construct

the subjectivities and identities of actors and thereby (re)construct power relations between them. Meanwhile, actors themselves can influence how these relations are constructed through acts of resistance that question a particular version of social reality with its specific meanings that became accepted and normalized as ‘truth’ at a given time and place. Here, power is both productive and transformative as well as limiting (Foucault 1980).

Furthermore, Lukes (1974) and Clegg (1989) have advanced our understanding of power relations even further by suggesting a multidimensional view on power. More precisely, Lukes (1974) developed the view that power is not something possessed by powerful actors but something that is embedded in social structures, traditions, and conventions, and depends on actors’ ability to mobilize particular rules and resources. Clegg (1989) developed a ‘circuits of power’ framework, bringing together three layers of power: (a) episodic power relationships manifested in concrete situations where different social actors interact, (b) rules of practice that fix relations of meaning and membership that in turn define identities and subjectivities of actors interacting in specific episodes, and (c) structures of domination constituted by social practices and techniques and empowering or disempowering actors. Hence these three layers, which also constitute three levels of analysis, coexist in a circuit that binds them to each other.

Power has been examined in management and organization literature in many different realms that are beyond the scope of this thesis. It would suffice to quote here Levina and Orlikowski (2009: 672; see also Hardy and Clegg 1996), who recently critiqued the existing literature because it “does not offer a deep understanding of power dynamics within... communities and organizations... [and] how power relations are negotiated.” To start addressing this critical point it may be useful to focus on one important way in which power operates within organizations: when acquired by an actor, power provides this very actor with the possibility to (re)produce a certain type of a discursive space thus shaping up social and organizational reality. Hence, as pointed out by some scholars, discourse is inseparable from power (Foucault 1980; Hardy & Phillips 2004) and by focusing on discursive practices and their transformations one can understand power relations within organizations (e.g. Hardy & Clegg 1996; Vaara et al. 2005; Maguire & Hardy 2009). For instance, Hardy and Phillips (2004: 300) state that discourse “constitutes power relations by holding in place meanings associated with concepts, objects, and subject positions, which distribute power and privileges among actors.” Discourse, with its inherent internal tensions, inconsistencies and resistances, constitutes the discursive space for both the contestation and negotiation of power (Levina & Orlikowski 2009).

### **2.4.3 Politics**

Similar to power, the concept of politics is also rather vague and difficult to grasp and examine. Whereas truly revealing analyses of politics are almost non-existent in mainstream management and organization studies, there are several attempts to pinpoint the inherent political nature of organizational process in more critically-oriented literature. For instance, it was shown that decision-making in organizations is a contextual process imbued with uncertainty and ambiguity but also charged with political tensions (Miller, Hickson & Wilson 1996). More generally, it has been argued that organizational involves socio-political elements such as arguing, manipulating, sensegiving, sensehiding, issue selling, hypocrisy, and political rhetoric (e.g. Dutton 1993; Weick 1995; Ashmos, Duchon & McDaniel 1998; Dutton et al. 2001; Vaara 2003; Vaara & Tienari 2008). Moreover, it has been illustrated that identity-building

processes, which are ubiquitous in organizations, are driven by particular interests pursued by organizational actors through political action (Hardy & Clegg 1996).

Delving deeper into the specific area of research on international mergers and acquisitions, a number of studies in this area focusing on issues of politics and politicking in integration processes can be discerned. Here, political confrontations were shown to manifest themselves in national level confrontations (Olie 1994; Ailon-Souday & Kunda 2003; Vaara 2003), conflicts between decision makers (Vaara 2001), and struggles to promote one's own career (Hambrick & Cannella 1993). Furthermore, political interests were also found to influence discursive constructions as well as attributive tendencies of successes and failures in decision-makers' accounts of mergers and acquisitions (Vaara 2002). Thus, it is clear from this short description of how politics has been dealt with in extant literature that politics and power are two closely interrelated and often overlapping concepts. What is certain is that whenever political action is involved, the issue at stake undoubtedly has to do with (re)distribution of power in the organization.

#### **2.4.4 Nationalism and national identity**

Nationalism can take different forms from being a complete ideology to constituting a social movement. More, it has been conceptualized as a discourse constructed based on a shared understanding of history, which is accepted and reproduced by people, often mindlessly and non-reflexively through language, thought and symbolism in everyday life creating a sense of national solidarity in the citizenry (Billig 1995) and (re)producing, as put famously by Anderson (1983), nations as 'imagined communities.' Nationalism is closely related to the identity work through which national identities are constructed. Opposing existing views on national identification as a static fitting into a limited set of continuums used to categorize different cultures (e.g. Hofstede 1980, 1991), the post-structuralist perspective adopted in this thesis views national identity in the MNC as being in a constant flux, fluid and continuously changing through organizational actors' sensemaking activities concerning who they are in relation to specific organizational settings and situations (e.g. Ailon-Souday & Kunda 2003).

From this perspective, national identity then represents a rather powerful discursive resource at the disposal of organizational actors to be used in negotiating power positions and subjectivities in the MNC (cf. Phillips & Hardy 1997; Hardy & Phillips 1999; Hardy, Palmer & Phillips 2000; Hodge & Coronado 2006; Garcia & Hardy 2007). By employing national identity as a discursive resource, organizational actors then can redefine their subject positions and, more importantly, those of others in ways which are beneficial for them. For example, by categorizing (oftentimes along cultural and national boundaries) themselves as being more central, active, developed, scientific, or rational, and categorizing others as being the opposite, i.e. peripheral, passive, undeveloped, superstitious, and irrational, actors are able to (re)produce a specific web of power relations between themselves and the others that are self-serving in the MNC. Thus, national identification and nationalistic discourses are closely linked to power and power struggles in the MNC and, to a large extent, impact how power relations in the MNC are played out between organizational actors (e.g. Iedema & Wodak 1999).

Now, having introduced the key ideas and concepts that I have built on in the thesis essays to examine how managerial micro-politics influences the MNC, I turn next to outlining the key methodological aspects of the thesis.

### 3 METHODOLOGY AND RESEARCH DESIGN

A riddle wrapped in a mystery inside an enigma.

W. Churchill about Russia

You cannot understand Russia with your brain; you can only believe in it.

F. Tyutchev

The thesis is based on data from a large two year research project on competence management across borders, which has focused on examining the operations of several Finland-based MNCs in strategically important markets of Russia and China. Two MNCs have been operating in Russia and two in China. In the thesis the names of the companies are fictitious for purposes of anonymity. The project and the data collection were conducted over a two-year period between the beginning of 2006 and the end of 2007. The project team consisted of six researchers and two research assistants. The thesis mainly (with the exception of the case of FinPaper in China included in Essay #1) deals with the Russian part of the project and focuses on two Finland-based MNCs that had operations in Russia.

#### 3.1 Case study methodology

The thesis uses the case study methodology, “a research strategy which focuses on understanding the dynamics present within single settings” (Eisenhardt 1989: 534). It is qualitative in nature and draws on several data collection methods. Although the main body of evidence was obtained through personal semi-structured interviews, these were complemented by various company documents (e.g. charts, proceedings of internal management meetings, company brochures and PR material) as well as participant observations (e.g. personal discussions with managers, factory tours, participation in managerial meetings). The data collection methods were combined for triangulation purposes. The case study methodology was chosen for three main reasons.

First, following the key objective of the thesis, that is to shed light on how MNCs are affected by micro-political managerial struggles, a crucial role was assigned to the in-depth understanding of the context where the phenomenon took place. Because I specifically focused on managerial sensemaking around specific organizational situations and processes, I had to take into account that the discourses and narratives through which managers under study make sense of these situations and processes cannot be fully understood outside of its context (see Vaara 2002). Moreover, my intention to examine aspects of MNC functioning that are ‘often hidden below the surface’ made it necessary for me to take the role of research context seriously. Hence, the case study methodology was chosen as the most apt for the task as it provides a rich contextual sense of the phenomenon under investigation (Yin 2001; Welch et al. 2011).

Second, the relative novelty of the topic together with the very ontological and epistemological nature of micro-political struggles in the MNC (at least as I see them) does not offer very much leeway in terms of methodological choices. The social constructivist nature of the MNC organizational reality presupposes the idea there are no objectified relational structures between actors that can be quantified and correspondingly measured (e.g. Berger & Luckmann 1966). Instead, organizational

reality is fluid, in a constant flux, and continuously (re)constructed by organizational actors. Hence, it is not possible to objectively capture it, although one can obtain a snapshot of it in a particular moment of time, which could then reveal its key dynamics and characteristics and thus increase our understanding of them (see also Glaser & Strauss 1967).

Finally, the fact that I examined managerial micro-politics in Finnish MNCs operating in Russia made me very cautious from the start of the project concerning whether I could fully utilize theoretical ideas and concepts that had not been developed explicitly with the specifics of my research context in mind. As it was emphasized previously (see Thomas, Tienari, Davies & Meriläinen 2009; Lo & Michailova 2010), the majority of concepts and theoretical approaches in IB has been developed in the USA and may not be fully applicable to other contexts. Therefore, I have chosen the case study methodology with its inductive / abductive essence to ensure that the concepts and theoretical ideas that I arrive at in this project are contextually sensitive and effectively describe and capture the researched phenomenon (cf. Polsa 2013).

My take on the case study methodology is in line with the classifications of Welch et al. (2011). The authors state that cases studies can be used for interpretive sensemaking, that is, to understand a particular rather than generate law-like explanations. In this tradition, case studies allow researchers to gain an understanding of the activities of human subjects by accessing their intentions and experiences. Thus, it seeks to provide an understanding of actions through the actors' subjective experiences of them (ibid; Johnson & Duberley 2000). In this sense, the case study methodology is appropriate because it provides a rich contextual description which is essential for such an understanding (see Lincoln & Guba 1985). As such, the main aim is not to generate generalizable and causal explanations, but rather to provide a detailed and thorough description that would enable researchers to appreciate how the social context inculcates human action with meaning (see Stake 1995). This view also denies the notion of objectivity, and instead underscores the value and importance of developing competing interpretations.

### **3.2 Selection of companies**

Several selection criteria were used in choosing the case companies. First, I have decided to focus on examining managerial micro-politics specifically in Finnish MNCs operating in Russia because Finnish-Russian business and societal relations present a very rich and in a sense 'loaded' context where the micro-political issues are likely to be salient. The countries have shared a long and eventful history over the last 200 or so years (e.g., van Dyke 1997; Edwards 2007). Moreover, the volume of trade and business between Russia and Finland has grown more or less continuously since the 1990s (Kosonen 2013).

Second, the author of the thesis is of Russian origin and has lived in Finland for more than 10 years. This background provides a good basis for ensuring that his pre-understanding of the researched context enables him to stay context-sensitive while conducting research (see Easterby-Smith & Malina 1999; Polsa 2013). That pre-understanding, which draws on the personal experiences of the researcher, entailed acquisition of insights into the environment in question prior to conducting the research with the aim of gaining a better understanding of people from their own lived experiences (Gummesson 2000). This approach is considered crucial for ensuring the quality of the findings and crystallizes the researcher's understanding of the

relationships between the research questions, empirical context, and empirical evidence (Polsa 2013).

Third, in order to facilitate validation and verification, I have decided to focus on two companies instead of one. As a result, I was able to increase the generalizability and applicability of the findings to more than one organization. Four out of five essays included in the thesis draw on empirical material collected in two case organizations. The two cases were also different; one was a relatively novel green-field operation and the other was an acquisition made at the end of the 1990s. It should be noted that acquisitions and green-field operations are operating modes widely used by MNCs to conduct international business (Brouthers & Brouthers 2000). With this setup, I was able to examine not only the similarities but also the critical differences between the two, allowing for within-sample variation (e.g. Eisenhardt 1989).

Fourth, both case organizations were simply interesting for purposes of my research, that is, to examine the micro-political struggles around different organizational issues in the MNC. As suggested by Geppert and Dörrenbächer (2014), micro-political managerial struggles are triggered by critical events such as knowledge transfers, restructurings, and top management appointments where organizational actors employ actions, texts, discourses, and other resources available to them to promote and / or defend their interests. In this respect, it was appropriate that around the time when the project started, the HQs of both MNCs initiated a number of processes to develop their businesses in Russia such as transfer of practices and corporate values, competence development, restructurings, and organizational process alignment. I (together with our research team) was fortunate in gaining access to both organizations around this time and this gave me an excellent opportunity to follow these processes and the reactions of different actors to them in almost 'real time' mode.

Moreover, I have gained excellent access to both organizations and to information related to their operations in Russia. The broader project on competence management was partly initiated by the top management of both HQs because they were keen to learn more about doing business in Russia successfully and what and how they could improve in their local operations there.

### **3.3 Context-embedded research setting: Finnish-Russian business relations**

As already mentioned, because the thesis uses case study methodology, the research context is important. In line with Tsui's (2004) call for more high-quality research that takes the specificities of particular national or cultural contexts seriously (e.g. Michailova 2011) because they constitute definite research strength (cf. Jack et al., 2008), the Russian-Finnish context of this thesis is as important as the MNCs in focus. In my view, it is impossible without context to fully comprehend a phenomenon and, moreover, analyzing out of context more often than not leads to misunderstandings and incorrect interpretations. Just as a gender-neutral third-person pronoun makes it impossible in the Finnish language to know whether a person is male or female without the context, in my opinion it is impossible to comprehend organizational phenomena adequately without taking the context into consideration.

Context – and the major role played by it - has received surprisingly little attention in the mainstream IB and IM literature (e.g. Michailova 2011), which has treated it as an external, clearly definable, and measurable entity that to some extent impacts the phenomenon under study. This literature has recently been criticized extensively

(Boyacigiller & Adler 1991; Rousseau & Fried 2001; Tsui 2004; Bamberger 2008). A new definition of context has been suggested and also adopted for purposes of this thesis. It conceptualizes context as “a dynamic array of factors, features, processes or events which have an influence on a phenomenon that is examined... [and] both influences and is influenced by the phenomenon under investigation” (Michailova 2011: 130). In keeping with my social constructivist stance, I view context as enacting the phenomenon being investigated, which is at the same time being enacted by that phenomenon. Following Tsui’s (2004) classification of management models, I place my thesis in the category of ‘context embedded research,’ which emphasizes a link between societal level and organizational level variables and attempts to explicate how these two are interrelated and affect each other.

So what do we know about the context in focus here? In my view, the past five years are an interesting period in the socioeconomic history of Russia and the business operations of Western companies in Russia. Having emerged from both the economic and political chaos of the 1990s, Russia during the 2000s has been moving steadily towards becoming an increasingly authoritative state with a strong inclination to present its self-sufficient, powerful and modern ‘face’ to the West (“Hot, cool and yours” as the Sochi 2014 Olympic Games slogan went). At the same time, the West views events in Russia with suspicion, sensing the legacy of ‘the ghost of the Soviet Union’ in every move of the Russian political elite, which - in turn - constantly uses its rhetoric, weaponry, and natural resources to remind the West of its imperialist past. Altogether, it creates a fragile and precarious environment full of suspicion and fear in which people have to work and indeed try to work with each other.

From this point of view, the Finnish-Russian setting, in which this thesis is grounded, is a peculiar one. Historically, Finland was for a large part of its history closely interlinked with the Russian Empire first, then with the Soviet Union, and now with Russia. From 1809 till 1917 Finland was part of the Russian Empire, in 1939-40 the Soviet Union and Finland fought each other in the Winter War, and throughout the 1960s, 1970s, and 1980s Finland’s economy was closely dependent on the Soviet Union (see Hentilä 1998; Edwards 2007). Following the collapse of the Soviet Union in 1991, the situation has changed. Russia has entered one of the most challenging periods in its history. Economic instability, political chaos and poor leadership have brought the country several times to the brink of civil war. One can argue that Russia has become a Third World country living at the mercy of the Paris Club and desperately eager to acquire Western knowledge of how to build a market economy. Researchers in the West started to define the 1990s in the Russian economy as the period of ‘Russki Adventures’ (Beamish 1992) and ‘Wild West Capitalism’ (McCarthy & Puffer 2002).

Later, the political stability and economic development of the 2000s has changed the situation once again. The long hidden self-esteem and pride of ‘the Russian bear’ have surfaced strongly on the wave of financial inflows from oil and gas exports. Russian society also became more ‘westernized.’ People have started to travel, and many have learned foreign languages and gone to foreign universities or obtained working experience abroad or from foreign companies operating in Russia. A new generation of Russians has emerged that is determined to contribute to the development and prosperity of their country (see May, Puffer & McCarthy 2005; Astakhova, DuBois & Hogue 2010). Also, the attitude towards the West has changed. ‘The dialogue of equals’ has become the preferred form of interaction and discussion between Russians and their Western counterparts. A more critical attitude towards ideas coming from Western partners has begun to dominate (see Michailova & Jormanainen 2011).

All these changes and perturbations have not been adequately reflected in academic literature, which has been slow in keeping up with the societal and socio-economic changes occurring in Russia, especially in the 2000s (cf. Puffer & McCarthy 2011; Michailova, McCarthy & Puffer 2013). Most of the research on Russia was conducted and published in the 1990s when interest in the West in post-Soviet Russia surged. However, the 2000s and onwards have been different and, in my view, the current cultural, institutional and socio-economic situation in Russia and its impact on the operations of Western MNCs there remains largely under-researched. It is unfortunate, because as already mentioned above, the context of business relations between Russian and Western organizations and organizational actors represent a very complex and interesting phenomenon that comprises various psychological, political, ideological, and socioeconomic aspects.

Against this background, prior literature on the operations of Western companies / MNCs in Russia, as well as in other emerging markets, tends to oversimplify their complexity. For instance, knowledge transfer processes in the extant literature tend to be seen as exclusively one-directional with knowledge flowing from Western HQs to Russian subsidiaries; Russian managers tend to be depicted as lacking the capacity to absorb Western knowledge and thus are unable to run businesses in the Western way (Michailova & Jormanainen 2011); political struggles endemic to these cross-border interactions are downplayed and usually attributed to the unpreparedness of Russian managers to comprehend the Western way of thinking.

Therefore, the Russian-Finnish context is likely to be an appropriate setting to zoom in on the various micro-political, power- and history-laden aspects of interactions between organizational actors in the MNCs. The complexity and multi-dimensionality of Finnish-Russian business relations is apparent. There are clearly cultural differences (Russians with their historically-determined higher collectivistic and power distance orientations versus Finns with their more egalitarian orientations); geographic differences (large and heterogeneous Russia with its large consumer market of roughly 140 million people versus small and homogenous Finland with its roughly 5 million inhabitants); ideological / political differences (Russia with its imperialistic and colonial past and authoritarian present versus Finland with its past of belonging to Sweden and then Russia and its continuing efforts to break free of the past influence of the Soviet Union); and socio-economic differences (Finland with its highly competitive business environment and a standard of living several times higher than that of Russia, with its highly corrupt and non-competitive business environment and a much lower standard of living).

Doubtlessly, one needs to be cautious when generalizing about these results and acknowledge that this context, like any other, has specific idiosyncrasies. However, in my view, it effectively serves the purpose of this thesis to illuminate how important and generic organizational processes within the MNC are influenced both positively and negatively by discursive sensemaking, power struggles, identity construction, auto- and hetero-stereotypical thinking, conflicts of interest, and nationalistic views of organizational actors separated from each other by geographic, cultural, hierarchical, and linguistic boundaries and embedded in their specific local institutional, cultural, historical, and socio-economic contexts.

Moreover, at least to some extent, the generalizability of the findings in this thesis is enhanced through the use of the Finnish-Chinese corporate context as a comparative setting in Essay #1. The context was used in Essay #1 to verify whether the legitimization struggles and the generic cultural conceptions found in the Finnish-Russian corporate

context could also be identified in another distinct cultural, historical and institutional context of Finnish-Chinese MNCs. Next, I will briefly introduce the two case MNCs in this thesis.

### **3.4 Case organizations: FinFood and FinTyres**

The thesis focuses on two Finland-based MNCs operating in Russia. The first one, which is anonymously referred to as FinFood, has conducted several acquisitions in two large Russian cities, St-Petersburg and Moscow. The second one, referred to as FinTyres, has established a green-field operation in the area of St-Petersburg, Russia.

Organization FinFood. FinFood is a Finland-based, family-owned, food-producing MNC employing around 17,000 people in the Nordic and Baltic countries. It has more than 3,000 employees in Russia. To start operating in Russia, FinFood acquired a Russian company in St. Petersburg in 1997. The management of FinFood wanted to maintain tight control of these operations, which in practice led to a lack of autonomy in the Russian operations. This approach was rooted in the long and successful history of FinFood's operations throughout its roughly 100 years of existence, but it also reflected concerns about the risks in Russia. Although the implementation of post-acquisition integration was delegated to local management in the Russian organization, they had very limited ability to influence strategic directives and decisions made in Finland. Hence, the interest of local managers in obtaining more discretion and power in decision-making processes was not accounted for. However, FinFood experienced difficulties in conducting its second acquisition in Moscow where the Finnish HQs did not make use of the experiences gained in St. Petersburg. Later, this was perceived at the HQ as a mistake and the need to engage Russian managers was realized. Still, the process was not easy to implement as it was characterized by persistent disagreements between Finnish and Russian managers concerning the implementation of changes and the role of local managers in it.

Organization FinTyres. FinTyres is a Finland-based chemical product manufacturer. It employs 5,000 people and focuses on markets in Europe and Asia. Lately, the company has embarked on active international expansion. To enter Russia, it established a green-field operation in 2005 in the area close to St. Petersburg. From the outset, the HQ management at FinTyres decided to rely on local managers in running the company's local operations. Hence, the management team, including the general director, was recruited locally. The strategy proved to be very successful, and the Russian subsidiary became the fastest growing and most profitable unit in the entire organization. By 2007, FinTyres already had around 300 employees in Russia. The crucial role of the local management team in achieving such results was acknowledged and appreciated by HQ. However, not everything in relations between Russian and Finnish managers went smoothly; there were instances of mistrust and suspicion. The objective of the HQ to impose tight control over its Russian subsidiary was in clear opposition to the interest of local managers, who enjoyed more discretion and power in deciding upon operational issues locally. This conflict led to situations in which the valuable international experience of the Russian managers, gained from their previous employment within large non-Finnish MNCs, was overlooked and not exploited to its full potential by HQ. Decision-making around specific operational issues became challenging. Both sides recognized that the problems required serious attention and changes in attitudes and beliefs. However, such changes proved difficult to realize.

### 3.5 Data collection

The data for the thesis were collected from several sources. Data collection was implemented by the research team, which comprised altogether eight researchers (five Finnish academics with PhDs, one PhD student of Russian origin, and two Chinese research assistants). The inclusion of both a Russian and two Chinese researchers was justified on the basis of the methodological literature, which argues for the importance of including local researchers (in our case Russian and Chinese) in a research team to ensure higher sensitivity and awareness of local specifics and idiosyncrasies (Easterby-Smith & Malina 1999; Michailova 2011).

The main source of data for this thesis was personal interviews with managers in the MNCs. I have chosen to focus on top and line managers in this project because they are seen as key agents (re)constructing MNC reality through their sensemaking and discursive actions (see Shotter 1993; Watson 1995; Cunliffe 2001). Through these actions managers are able to control and manipulate the importation of meanings and ideas into the organizational reality of the MNC, which then impacts how the MNC in question functions and develops. Furthermore, putting forth their political framework for studying intra-firm competition in the MNC, Becker-Ritterspach and Dörrenbächer (2009) denoted top and line managers as the key actors in this process. These managers are seen as important in implementing, stimulating, and managing intra-firm competition, they are the main negotiators and players in the various political games that evolve around intra-firm competition, and they can also act as political brokers linking up the interests and resources of relevant actors. Therefore, being interested in the micro-political aspects of the MNC operation presupposes my focus in the thesis on the discursive sensemaking of top and line managers.

During the two-year period, the project team conducted altogether 145 semi-structured personal interviews with top, middle, line, and HR managers at the level of both HQ and subsidiaries in four MNCs (including two MNCs operating in Russia and two operating in China). Overall, three rounds of interviews were undertaken. Prior to this and following the recommendation in developing context-sensitive objectives and meaningful research questions (see Burawoy 1998; Polsa 2013), we conducted a number of pilot interviews in each of the MNCs to create a dialog between those studied and those who study (see Burawoy 1998). Thus, we had exploratory pilot interviews with our key contact persons in each company in the beginning of 2006. During these interviews, the operations of each company in either Russia or China and the related challenges were discussed. Based on these interviews, we developed a list of topics of interest for each of the MNCs and a list of potential interviewees at the level of both HQs and subsidiaries.

Three rounds of interviews followed. The first round was conducted in early 2006 between March and May 2006, and comprised 54 interviews at the HQs of all four companies. The second round included 65 interviews in both HQs and subsidiaries and took place between November 2006 and January 2007. The final, third, round comprised 26 interviews at both levels and was conducted in October 2007. The respondents in this third round were in part the same as in the second, but included several new interviewees as well. The decision to interview some people several times was dictated by our desire to examine how certain phenomena change and develop over time to answer our research inquiries.

Based on our pilot interviews, we have also jointly developed an interview guide. The final version of the guide was reiterated through a series of joint meetings during which

all members of the research team discussed it openly. Although in the beginning there were slightly different opinions among the team members concerning how to include all the topics of interest for the case MNCs in the final instrument, the ultimate version of the interview guide covered the following themes in the context of HQ-subsiary relationships: (a) competences and capabilities development and transfer; (b) transfer of HR practices and their adaptation; (c) cultural differences, stereotypes and power relations; (d) and the role of language and communication. In deciding on these specific topics we explicitly took into consideration the team members' knowledge of prior literature on MNC and HQ-subsiary relations and the remaining knowledge gaps. Also, we considered the pre-understanding of (local) team members concerning what issues were likely to be challenging for MNCs in the local markets of Russia and China and why they were challenging (cf. Polska 2013).

All questions during the interviews were open-ended to allow the respondent to tell his/her story freely without imposing any preconceived ideas on him/her (e.g. Czarniawska 2004). The interview guide was semi-structured, meaning that when an interesting topic emerged in a respondent's narrative, the interviewer was able to pose additional questions to obtain detailed information from the respondent. As mentioned above, the thesis deals mainly (with the exception of the case of FinPaper in China included into Essay 1) with the Russian side of the project described above and focuses on two MNCs that had operations in Russia. 64 out of 145 interviews were conducted in these two companies and constitute the empirical base for this thesis. We used Finnish, Swedish, Russian, English, and Chinese to conduct the interviews. In most of the cases, interviewees were able to choose the interview language with which they were most comfortable. The interviews lasted between 45 and 120 minutes. They were recorded and later transcribed verbatim.

I conducted 25 interviews personally and 21 interviews together with a colleague or sometimes two. All the interviews that I have conducted in Russian were translated into English to make them available to all the team members. I have personally transcribed verbatim 48 interviews and translated 24 interviews from Russian into English. These interviews provided me with rich analytical material containing the experiences, opinions, and attitudes of the managers, which was then used in the analyses for this thesis.

In addition to the interviews, our research team has also gathered an extensive amount of documentary material, including company documents and reports as well as media texts. These additional sources of data were used, first of all, for triangulation purposes (see Jick 1979; Denzin 1989). Triangulation is highly recommended as it is said to help in "captur[ing] all the relevant features of reality" (Denzin 1989: 13). Hence, I was able to verify how the ways in which my interviewees referred to and talked about specific events corresponded to the ways these very same events were portrayed in other sources. Secondly, these sources of material played an important role in providing or filling gaps in an overall understanding of the key events and their implications and allowed for placing our interviews in context. Finally, together with other team members, I had the opportunity to engage in numerous discussions with the managers whom we interviewed in the MNCs in workshops and other more informal meetings. We could also make and benefit from on-site observations. Apart from elucidating the overall patterns in sensemaking, these encounters and observations helped me to validate my initial findings in this thesis.

### 3.6 Data analysis

Because in each of the thesis essays the data were analyzed differently, in this section I will focus on outlining some of the general premises of my analytical approach. As such, my approach to data analysis in this thesis was neither inductive nor deductive in their pure sense, i.e. when analysis rejects, confirms, or revises theory or when theory is understood to emerge from data (e.g. Glaser & Strauss 1967; Eisenhardt 1989; Strauss & Corbin 1994). Instead, an 'abductive' approach was used (e.g. Dubois & Gadde 2002; Van Maanen, Sorensen & Mitchell 2007). Abduction presupposes continuous interplay between concepts and data in such a way that the theoretical ideas are continuously refined as the research proceeds with the empirical analysis from the beginning till the end of the research process. Its key feature is that it "assigns primacy to the empirical world, but in the service of theorizing" (ibid: 1149). Based on this, the empirical material used in this thesis was viewed as an artefact of interpretations and a resource for developing theoretical ideas through active mobilization and problematization of existing frameworks and for critical reflection aimed at challenging existing and developing new theoretical insights (e.g. Alvesson & Kärreman 2007).

Rather than seeing subjects during an interview as merely reporting authentic experiences, it is possible to see them as politically motivated producers of what are for them desirable and favorable social dispositions and realities; or as persons repeating institutionalized standard talk about a specific topic. Thus, the abductive approach chosen in the thesis recognizes the constructed nature of empirical material and what is accepted as 'scientific proofs' (e.g. Astley 1985; Chalmers 1999). Within interpretive and reflexive research (of which this thesis is part), scholars view data as constructions created through interaction between the researcher and the group under study (Rorty 1979; Van Maanen 1988). The key assumption is that "in the social sciences there is only interpretation.... [n]othing speaks for itself" (Denzin 1994: 500; cf. Alvesson & Kärreman 2007: 1267).

From the perspective of analysis, the idea of the thesis was to problematize and / or extend existing (or the lack of) theoretical ideas concerning micro-political managerial struggles in the MNC (i.e. taking into account the predominance of the functionalist understanding of power and politics in the MNC). In abstract terms, I had to proceed in three steps to do that, as stipulated by van Maanen et al. (2007): (1) test or problematize the application of an established interpretive rule (theory) to the phenomenon of interest; (2) present the observation of a surprising – in light of the established theory – empirical phenomenon; and (3) offer the imaginative articulation of a new interpretative rule (theory) to resolves the surprise.

Thus, for starters, in each of the essays in the thesis, each of which focused on specific distinct aspects of micro-political managerial relations in the MNC, I aimed at exploring and identifying the weaknesses and 'black spots' of prior literature and theorization in relation to the phenomenon of interest. As my review of prior literature indicates, examining micro-political managerial struggles and their implications for the MNC remains a relatively novel research topic for IB scholars. Hence, I assumed that no established theories existed when the project began. This was also one more reason for choosing the case study methodology and the qualitative abductive research approach. The ultimate goal was to open up and point toward possible alternative directions and perspectives for rethinking and extending the theory. It is strongly suggested that to accomplish that, the researcher should be stimulated by selective interest in what does not work or is missing in existing theory (Alvesson & Kärreman 2007).

Then, the analyses in the thesis strived to reveal those aspects of the phenomenon that Alvesson and Kärreman (2007) call ‘mysteries’ and that did not confirm or were absent from pre-conceived theorizations of the phenomenon under investigation or the way it has been theorized about in prior literature. Finally, based on empirical findings, I attempted in each of the essays to suggest some ways in which extant theorizations of the phenomenon of interest could be extended to better capture the nature of the phenomenon. To do that, I have often drawn on ideas from fields of research other than IB and international management. As I have already mentioned before, the benefits of enriching and adding novel insights to existing theories in IB by bringing in ideas from adjacent fields and disciplines of research have been strongly advocated by prominent IB scholars (see Leung et al., 2005; Cheng et al., 2009; Cantwell & Brannen 2011). As I have explained above more specifically, I have built on ideas from social psychology, comparative institutionalism, discourse and translation studies, and post-colonialism.

The abductive nature of the analysis was also in line with how the structure of the research project was designed and developed over two years. As mentioned earlier, it comprised three rounds of interviews between which we were able to adjust or expand our research focus, questions, and procedures based on what we had learned and discovered from previous rounds. In this way, the initially unanticipated aspects of the phenomenon that were emerging from our data were then verified in consecutive interviews and the best fitting theoretical explanations were developed.

To conduct cross-case analyses (as in four of the essays more than one case organization were analyzed), I first conducted within-case analyses as recommended by e.g. Eisenhardt (1989) and Langley (1999). This involved developing detailed descriptions of each case study’s key features, its history and development. These descriptions are recommended to aid researchers to cope early in the analysis with large volumes of collected data, as well as “to become intimately familiar with each case as a stand-alone entity” (Eisenhardt 1989: 540). Having accomplished that, I was then able to identify the main patterns and key characteristics of each case organization. Then, keeping in mind specific research questions (see the research questions in each of the essays), I strived, when applicable, to find similar as well as different patterns between the cases. The juxtaposition, as recommended by Eisenhardt (1989), is useful for it can either ‘break simplistic frames’ or lead ‘to more sophisticated understanding.’ Lastly, the results obtained from these juxtapositions were referred to and compared with existing literature to develop new theoretical insights concerning the phenomenon under study.

As it happens, in the actual analyses different sections of the total data were used for each individual essay. Table 1 below provides an overview of what data (and related to what case organizations) were used in each essay.

**Table 1 The data used in the essays**

<i>Essay</i>	<i>Case organization(s)</i>	<i>Type of data</i>
1	FinFood (a Finland-based MNC in Russia) and FinPaper (a Finland-based MNC in China)	<ul style="list-style-type: none"> <li>• 77 semi-structured, personal interviews with top and line managers at the level of HQs and subsidiaries in both organizations</li> <li>• Secondary materials</li> <li>• Personal informal discussions and meetings with key contracts in the case organizations</li> </ul>
2	FinFood and FinTyres (a Finland-based MNC in Russia)	<ul style="list-style-type: none"> <li>• 64 semi-structured, personal interviews with top and line managers at the level of HQs and subsidiaries in both organizations</li> <li>• Secondary materials</li> <li>• Personal informal discussions and meetings with key contracts in the case organizations</li> </ul>
3	RusFood (a Russian subsidiary of FinFood) and RusTyres (a Russian subsidiary of FinTyres)	<ul style="list-style-type: none"> <li>• 32 semi-structured, personal interviews with top and line managers at the level of Russian subsidiaries in both organizations</li> <li>• Secondary materials</li> <li>• Personal informal discussions and meetings with key contracts in the case organizations</li> </ul>
4	FinTyres	<ul style="list-style-type: none"> <li>• 31 semi-structured, personal interviews with top and line managers at the level of the HQ and the subsidiary</li> <li>• Secondary materials</li> <li>• Personal informal discussions and meetings with key contracts in the case organization</li> </ul>
5	FinFood and FinTyres	<ul style="list-style-type: none"> <li>• 64 semi-structured, personal interviews with top and line managers at the level of HQs and subsidiaries in both organizations</li> <li>• Secondary materials</li> <li>• Personal informal discussions and meetings with key contracts in the case organizations</li> </ul>

### 3.7 Credibility

The credibility of the research process was ensured throughout the project by several means. First, the project was conducted by a group of researchers. Five of these researchers have PhD degrees and possess at least some experience in conducting large international research projects. Every step in implementing the project was discussed thoroughly among the project team members. Similarly, in formulating research questions and then interpreting the results, a general consensus among all team members was sought. According to several sources (e.g. Eisenhardt 1989; Michailova 2011; Polska 2013), the presence of multiple team members enhances the creative potential of the study and, more importantly for purposes of credibility, strengthens confidence in the findings and their interpretations.

Second, the nature of the overall project, i.e. its design and implementation in a step-wise manner, also allowed us to more or less avoid generating and focusing on superficial and context-insensitive research questions. Instead, the research questions of our research project were developed through joint consideration of our pre-understanding of the research context (based on prior literature and the personal experiences of several team members) and on the experiences lived by our research participants (see Gummesson 2000). Our project team members were in continuous contact with our key contact persons in each organization. This has allowed us to stay tuned to what was going on in each and every organization for the duration of the project and to develop trust with our key informants. Through plentiful informal conversations we were able obtain valuable information about our case companies that

allowed us to better understand the companies and the context in which they operated. This allowed us to focus on questions and issues that were emerging from our data and hence were meaningful for the research context in question (cf. Burawoy 1998).

Third, we verified that the initial analyses in this project were sensible and meaningful by reporting them to representatives of the case companies in a series of joint seminars where our initial ideas were presented and discussed. Feedback concerning our findings and interpretations from our partners was also obtained. In this way, we aimed at keeping up the dialog between the studied and those who study (see Easterby-Smith & Malina 1999). Finally, for the same purpose, after the project had ended, we reported all our major findings to all case companies in the form of project reports where the main lessons from the project were summarized and outlined. Positive feedback on these reports from the case companies confirmed that our interpretations were seen as credible, insightful, and relevant.

### **3.8 A self-reflexive note**

Finally, before the key findings of the thesis are presented, it is worth stressing once again that the author of this thesis is of Russian origin, but has lived in Finland for more than a decade. This background might turn out to be a 'double edged sword' when researching the specific setting of Finnish-Russian organizations. On the one hand, living in both countries provides the author with a good comprehension and pre-understanding of the cultural, historical, socio-political, and institutional contexts in both countries. This knowledge may be potentially useful when interpreting certain situations, behaviors or expressions of the interviewees thus avoiding superficial and inflated explanations and interpretations (for a discussion of these issues see Gummesson 2000; Polska 2013).

On the other hand, it may also become an obstacle. Being embedded in these two environments, the author has been subjected to different ideas, interpretations, and opinions that may potentially preclude him from seeing research objects objectively without the same stereotypical ideas that are examined in the thesis. As Michailova (2011: 136) warns us, the inclusion of researchers who are familiar with the researched culture(s) "does not in itself guarantee that the research conducted is context-sensitive." Realizing that there are multiple and qualitatively different sources of potential meaning in a context (Shapiro, Von Glinow & Xiao 2007), it is still necessary for researchers to stay alert and be self-reflective concerning their decisions to include and / or interpret certain contextual features and aspects in a specific way and concerning what tensions or doubts these inclusions and interpretations trigger in other research team members. Keeping this in mind, this self-reflexive note aims at reminding the reader to be aware of potential biases that may interfere with my data interpretations.

Indeed, we have tried to address these issues by making sure, as it was described previously and in line with the recommendation in the literature (see Michailova 2011; Polska 2013), that the overall project (only a part of which is reported in this thesis) was a joint effort of a number of scholars of quite diverse backgrounds. There were Finnish, Russian, and Chinese researchers involved in it. This means that all our ideas and interpretations were actively discussed within this diverse research team before any of them were finalized on the basis of a consensual agreement and then reported. The specific ideas and interpretations presented in the essays of this thesis were also critically discussed in this way in multiple meetings with the other researcher team

members. Moreover, I co-authored three of the essays in this thesis with two Finnish researchers. For instance, as one of the key themes in the thesis is cultural stereotyping (which is probably shared by the research team members as well), we discussed at length the meanings and our interpretations of the specific stereotypical ideas mentioned or hinted at by our interviewees. Hence I believe that we were able to establish at least to some extent that the results and interpretations of this thesis were not overly stereotypical, superficial and / or unrealistic.

## 4 SUMMARY OF THE ESSAYS

The following section introduces and describes the main theoretical and empirical foundations, arguments, and implications of the five essays of this thesis. Also, the specific contribution of each essay to the overall objective of the thesis is spelt out. Each of the five essays focuses on a specific and well-defined micro-political aspect pertinent to relationships between organizational actors within MNCs. Essay 1 identifies the types of discursive legitimation struggles found in relationships between actors within the MNC around subsidiary initiatives and the sociopolitical implications of these struggles. Essay 2 then studies the impacts of national and cultural stereotyping among managers on their sensemaking and its performative implications within the MNC.

Essay 3 looks at the process of national self-identification among managers in a subsidiary after they have been subjected to the process of globalization, delineating what discourses these managers use and what power and political implications this process triggers. Further, based on a single case study, Essay 4 examines the impact of cultural stereotyping on the process of trust formation in the MNC and how this impact is mediated by the perceived and constructed 'contextual confidence' of those involved. Finally, Essay 5 examines one of the most vital organizational processes within the MNC, the process of practice transfer, and identifies the various forms of recontextualization to which the transferred practices can be subjected upon transfer; thus developing a more context-sensitive and power-nuanced view of the process of transfer within the MNC. Table 2 below provides an overview of the essays in the thesis.

**Table 2 Overview of the essays in the thesis**

	<b>Authorship</b>	<b>Title of the paper</b>	<b>Research question(s)</b>
<b>Essay 1</b>	Koveshnikov, A., Ehrnrooth, M. & Vaara, E.	Ad astra per aspera: A discursive perspective on subsidiary initiative and headquarters resistance in the MNC	What discursive strategies of legitimation do organizational actors mobilize to promote or resist specific views on a subsidiary initiative's recognition in the MNC?
<b>Essay 2</b>	Koveshnikov, A., Vaara, E. & Ehrnrooth, M.	On the performative effects of cultural stereotyping in the MNC	What are the performative effects of stereotyping in managerial sensemaking in MNCs?
<b>Essay 3</b>	Koveshnikov, A.	National identity in times of organizational globalization: A case study of Russian managers in two Finnish-Russian organizations	What are the consequences and the impact of globalization on the self-perception and self-identification of local managers in their locality?  What kind of discourses does the national identity work entail?  What implications does the process of national identity construction have for power and politics in MNCs?
<b>Essay 4</b>	Koveshnikov, A.	We do not trust the big picture: Cultural stereotypes, 'contextual confidence' and trust formation in cross-border business activities	What is the impact of cultural stereotypes on the process of trust formation in an MNCs' cross-border operations?
<b>Essay 5</b>	Koveshnikov, A., Barner-Rasmussen, W. & Vaara, E.	Recontextualization of organizational practices in multinational corporations: An analysis of discursive sensemaking in two cases	How do individuals make discursive sense of the practices to be transferred?  What are the specific forms of recontextualization occurring in subsidiaries?  What kind of implications does this have for the repatriation of practices?

#### **4.1 Essay #1: Ad astra per aspera: A discursive perspective on subsidiary initiative and headquarters resistance in the MNC**

The main idea of the paper is to illustrate how subsidiary initiative is socially negotiated through discursive struggles between organizational actors within the MNC. By so doing, the paper aims at complementing existing literature that has so far tended to overlook the political and power aspects of this process in the MNC. It draws on two longitudinal and extensive case studies of two Finland-based MNCs operating in the emerging markets of Russia and China. The empirical basis of the paper comprises 77 personal semi-structured interviews with top and line managers in both HQs and subsidiaries.

The paper attempts to go beyond structural explanations of how the initiatives of MNC subsidiaries are recognized by HQs. Instead, it views the MNC as a political organization, a transnational social space, where the decisions made and the issues considered are influenced by complex socio-political negotiations between organizational actors. To illustrate this, the paper zooms in on the socio-political negotiations between actors within the MNC that influence whether a subsidiary initiative deserves the recognition and attention of HQs. Methodologically, the paper proposes a discursive approach which, in our view, is appropriate for revealing the multiple, multifaceted, and contested discourses around the struggle for recognition of subsidiary initiatives in MNCs.

The analysis focuses on the legitimation strategies that organizational actors employ to promote their views on subsidiary initiatives in the MNC. Legitimation was shown to be central for organizations (Suckmann 1995; Suddaby & Greenwood 2005), including MNCs (Kostova & Zaheer 1999; Vaara & Tienari 2008) because it plays an important role in influencing whether certain ideas or practices are accepted or rejected in organizations. Legitimation refers to “creating a sense of positive, beneficial, ethical, understandable, necessary, or otherwise acceptable action in a specific setting” (Vaara & Tienari 2008: 986; cf. van Dijk 1998; van Leeuwen & Wodak 1999). One important implication of legitimation struggles pertinent for organizations is that they shape the power relations between the social actors involved in them (van Dijk 1998). Legitimation is crucial specifically within the micro-political perspective on the MNC because it is closely interlinked with political struggles and the collisions among interests taking place in the MNC (Rojo & van Dijk 1997; Geppert, 2003). The process of legitimation is inherently political in nature because precisely through overt and covert legitimation strategies particular interests, domination, and power are (re)produced, while other interests and ‘voices’ are marginalized and ‘silenced.’ Ultimately, legitimation processes (re)create macro-level organizational reality with a specific network of power relations within organizations.

The essay identifies three main discourses around which the process of subsidiary initiative recognition was socially negotiated among organizational actors from HQs and subsidiaries in the MNCs. These were autonomy (used by the actors at the subsidiary to promote their initiative), control (used by the actors at the HQ to resist the initiative and preserve the status quo), and compromise (used by the actors from both sides to accommodate their mutual interests). Within each of these discourses the essay also identifies several legitimation strategies used by organizational actors at both HQs and subsidiaries to promote, resist, or (re)negotiate their views on how a particular subsidiary initiative should be perceived. Together with more conventional and explicit legitimation strategies, the analysis also underscores the role of cultural conceptions as an additional, more subtle, but no less important legitimation strategy

that plays an important role in this process, but which received little attention in previous literature.

Overall, the analysis has important implications for our understanding of HQ – subsidiary relations in MNCs. First, it shows that the socio-political struggle around recognition of subsidiary initiatives in the MNC reflects fundamental organizational issues related to ‘status quo’ and change, control and autonomy, and the underlying cultural conceptions and nationalistic confrontations. Second, paying attention to these pervasive struggles and conflicts helps us to understand the problems and failures frequently experienced in transferring knowledge to and from local subsidiaries. The analysis sheds light on how and why many actors resist – often in subtle ways – HQ-driven proposals and subsidiary-driven initiatives. Finally, our analysis also underscores the importance of taking the micro level seriously. By examining discourse and discursive struggles, we can clearly detect and identify subtle meanings and connotations that easily pass unnoticed in more conventional analyses.

#### **4.2 Essay #2: On the performative effects of cultural stereotyping in the MNC**

Complementing existing research on power and politics in MNCs and drawing on social psychological and linguistic research on stereotypes, the paper attempts to address the important question of how cultural and national stereotyping impacts managerial sensemaking in the MNC. In particular, we advance the notion of stereotyping as an important micro-political activity in managerial sensemaking in MNCs. As such stereotyping refers to the process of invoking cognitive schemas by social perceivers to process information about others (Hilton & von Hippel 1996). However, although the functional aspect of stereotyping, e.g. its role in simplifying environmental complexity, is well known, there is also a darker side of stereotyping. This is because it draws on stereotypes which, being transmitted through socialization, the media, language and discourse, “represent a set of qualities perceived to reflect the essence of a group” and thus “systematically affect how people perceive, process information about, and respond to group members” (Dovidio, Hewstone, Glick & Esses 2010: 8). Stereotypes imply a considerable amount of information about people to whom they are applied beyond their immediately apparent qualities and tend to generate expectations about the behavior of these people in various situations.

A specific type of stereotyping that prominently features in the MNC and which is of interest in this essay is cultural stereotyping. It has been observed that cultural stereotypes persevere in cross-cultural settings because people often cognitively ignore behaviors that refute stereotypical expectations and tend to attribute these behaviors to situational factors, whereas the same people choose to rely on stereotypes to explain behaviors that comply with stereotypical expectations (e.g. Pettigrew 1979; Hewstone 1990). Moreover, cultural stereotyping is deeply embedded in a culture’s history and normative ways of behavior, and was found to escalate between groups that compete between each other (e.g. Bobo & Hutchings 1996). Because in the MNC context there are continuous tensions and competition between culturally distinct and distant units (i.e. HQ and subsidiaries) for resources, control / autonomy, and recognition, the MNC offers favorable ground for the proliferation of cultural stereotyping.

The essay starts off by arguing that extant research tends to relate the cultural confrontations inherent in the MNC to cultural differences between actors at organizational and national levels. Against this background, the present paper pursues

a discursive sensemaking approach to elucidate the performative effects of cultural stereotyping in managerial sensemaking within MNCs. To do this, the paper uses two Finnish-Russian case organizations and builds on 64 personal semi-structured interviews with top, middle, and line managers at both HQ and subsidiary levels. It is suggested that although the setting of Finnish-Russian organizations is idiosyncratic due to its unique cultural and historical background, it nonetheless provides rich ground for examining the role of cultural stereotyping in managerial sensemaking within MNCs and may exemplify tendencies that arguably can also be found in other contexts.

The paper identifies three effects of cultural stereotyping on managerial sensemaking around different strategic as well as operational issues, such as integration between units, reporting, supplier selection, budgeting, and business process alignment. First, it shows how stereotyping has cognitive effects in the form of myopic vision that prevents managers from being mindful of alternative solutions to organizational issues. Second, the analysis illustrates that stereotypical ideas concerning 'the other' are conducive to mistrust that inevitably harms relationships and interaction within the organization. Third, it demonstrates how stereotyping produces superiority and inferiority subject positions among actors in MNCs and has long-term power implications.

In conclusion, the essay also explains how managers and organizational members may cope with and reflect upon such stereotyping for example with organized cultural learning efforts. It points out that cultural stereotyping is deeply ingrained in the human psyche and appears to provide an easy 'off-the-shelf' judgment when managers must make sense in uncertain and unfamiliar situations. An important reason for the 'stickiness' of stereotypes is that they are closely linked to micro-political struggles between organizational actors for power and realization of their interests.' Cultural stereotypes are important resources that actors use in struggling for their interests and negotiating their power positions. In this sense, stereotypes are, at least to some extent, invoked intentionally and for political reasons by managers in their sensemaking activities. That is why stereotypes are so difficult to abandon and eradicate completely even after their detrimental impacts are well recognized.

#### **4.3 Essay #3: National identity in times of organizational globalization: A case study of Russian managers in two Finnish-Russian organizations**

The paper examines the process of national identity construction in the MNC under the influence of globalization forces. The case of the MNC was chosen as the research setting because the MNC by definition spans multiple geographic and cultural boundaries and has in fact been conceptualized as a 'transnational social space.' At the same time, there is surprisingly little research concerning how people construct 'who they are' within the MNC context. To address this gap, the paper adopts a constructionist perspective on identity work that views identity as a discourse that is socially constructed through language and embedded in power relations. It examines how Russian managers in Finland-based MNCs in Russia construct their national identities. The analysis is based on 32 personal semi-structured interviews with top and line Russian managers in both companies in Russia.

The setting of Finnish-Russian MNCs is particularly interesting for studying the national identity construction process because it has certain characteristics that can be easily extended into many other contexts that are of great interest to business scholars. Some of these characteristics are as follows: (a) Russia is one of the world's economies

in transition with a strong societal and organizational legacy from its communist past, traces of which can still be found in relations between organizational actors within organizations (Holt, Ralston & Terpstra 1994; Puffer, McCarthy & Naumov 1997; May, Puffer & McCarthy 2005); (b) nationalistic ideas have prospered in Russia since the 1990s as a base for identity construction, which has caused waves of xenophobia towards foreigners, especially in the business sphere (Kets de Vries 2001; Ayios 2004); and (c) relations between Russia and Western countries can be viewed through a postcolonial lens as Western countries and thus Western managers are perceived by many as a primary source of knowledge that can foster development in Russia. Together these factors create social complexity that influences how Russian managers construct their national identities and perceive themselves in relation to the 'other' in the context of Finnish-Russian MNCs.

Empirically, the essay identifies two types of struggle in which Russian managers engage while constructing their national identities. The first one reflects their desire to be acknowledged as legitimate members of the Western 'managerial community of practice.' The second struggle concerns their desire to differentiate themselves from the Western associations and preserve their Russian identity. Altogether, the analysis underscores the importance of national identity as a symbolic discursive resource that organizational actors draw upon in the symbolic production of difference in organizational settings. This resource is often used to marginalize the 'other' on the basis of distinctive collective characteristics (e.g. stereotypes), which are applied to all members of the 'other' group and can be used for promoting self-interests in the MNC context. In this way, national identity is an important element in the sensemaking processes of organizational actors and facilitates the (re)production of power relations between actors in the MNC.

#### **4.4 Essay #4: We do not trust the big picture: Cultural stereotypes, 'contextual confidence' and trust formation in cross-border business activities**

The paper examines the impact of cultural stereotypes on trust formation in cross-border business operations. It picks up some of the ideas on how cultural stereotypes lead to mistrust that were developed in Essay 2 and takes them further by delving more deeply into the dynamics of this process and its micro-political underpinnings. More specifically, it focuses on how trusters use cultural stereotypes to construct low 'contextual confidence' in the institutional context of trustees with the aim to pursue their interests and retain control and decision making power. The analysis shows how this process poses challenges to trust formation between organizational actors at individual level in the MNC.

The essay examines the case of a Finnish MNC operating in Russia. Due to its historical and cultural idiosyncrasies, Russia provides a distinctive context for research on trust, and especially on the notion of 'contextual confidence.' It has undergone significant economic and social changes since the market economy reforms were initiated in the 1990s. These changes have inevitably affected the way Russian companies operate and influenced their social organization. Contemporary Russian managers are said to rely on a mixture of values in their business relations; on the one hand they possess values pertinent to the market economy and on the other hand traditional Russian values.

Moreover, Russia's institutional environment up to now has not been, and is arguably still not, able to produce a reliable and stable system of supporting institutions. Thus,

the Russian institutional environment is characterized by underdeveloped formal institutions. The result is often an institutional void, which in business relations is usually filled by informal institutions. The following institutional voids have been identified in Russia: undeveloped legal and financial infrastructure, excessive administrative discretion, corruption in government offices, high interest rates, inflation, and lack of managerial expertise. Altogether, these voids predetermine the dependency of Russian managers upon a clan-type organizational form of capitalism with its related reliance on networks (i.e. 'blat' in Russian) (see Michailova and Worm, 2003; Ayios, 2004; Puffer and McCarthy, 2007; Ledeneva, 2009; McCarthy and Puffer, 2011).

This can be puzzling and frustrating for Westerners who are accustomed to expecting greater openness in business dealings rooted in their experiences in developed economies with strong institutions, laws, established business practices, and contracts that provide clear rules and enforcement for business transactions and thus offer a reliable foundation for high levels of 'contextual confidence.' Moreover, however salient and potent these institutional voids are, Western companies are in Russia to reap the benefits and profits offered by the Russian market. In this respect, managers in these companies can be expected to try to benefit from the presence of institutional voids and their characteristics in the Russian environment by invoking them as discursive resources in their micro-political negotiations with locals. In these conditions the formation of trust in Russian-Western business relations can be even more challenging.

The analysis underlines the crucial role that cultural stereotypes play in trust formation between organizational actors in the MNC. The key findings of the essay are as follows:

First, it illustrates that the views of organizational actors from different parts of the MNC on trust are conditioned and influenced by the cultural and institutional contexts which they inhabit. It shows that trust is a social construction and that it is constructed differently by organizational actors in different units of the MNC, whose ideas of trust are shaped up by their respective cultural and institutional backgrounds.

Second, the analysis shows how trust formation in cross-border organizations, such as MNCs, is not only closely interlinked with the organizational identification of actors with the company, but is also based on their national identification. Actors may perceive their colleagues within the MNC as either trustworthy or not trustworthy not only on the basis of their organizational affiliations, e.g. HQ or a competing subsidiary, but also on the basis of their national and country origins.

Third, it demonstrates how pre-existing cultural stereotypes can undermine trust from the inception of a relationship by engendering low levels of 'contextual confidence' among actors. Finally, the analysis shows that even though it is presumed that the development of strong organizational identity among organizational actors in MNCs alleviates trust problems in some cases it does not suffice to overcome the influence of cultural stereotypes on the process of trust formation between actors in MNCs. Cultural stereotypes can be invoked by organizational actors in micro-political confrontations to problematize a trustor's 'contextual confidence' in a trustee's institutional context and in this way justify imposed control and particular decisions. These micro-political implications of trust formation processes remained relatively unexplored in prior literature.

The analysis seemingly implies that the strategies of active trust development such as establishing personal rapport, recruiting local managers, and transferring standardized

HR and operational practices to cross-border operations that have been recommended as solutions for problems of trust formation in the literature may prove ineffective in the presence and salience of cultural stereotypes among actors in the MNC. Furthermore, the ways in which particular notions of trust are constructed by organizational actors in the MNC through their organizational and national identity narratives may also have power and micro-political underpinnings. By constructing specific notions of trust or trustworthiness, organizational actors may be guided by their personal micro-political interests such as access to valuable resources or acquisition of more decision-making power and control.

All in all, the paper offers one of the first qualitative analyses of the trust formation process in the context of MNCs operating across borders. Also, it is among the first to illustrate how the trust formation process in the MNC is influenced by the pre-existing cultural stereotypes that each side in a trust relationship has about the 'other.'

#### **4.5 Essay #5: Recontextualization of organizational practices in multinational corporations: An analysis of discursive sensemaking in two cases**

The essay deals with the important question of how knowledge in the form of practices is transformed (or recontextualized) when transferred within the MNC. Specifically, by critiquing the existing scholarship on the grounds that it has largely overlooked the role of language and discourse in processes of transfer, it proposes a recontextualization perspective to examine the transfer of practices within the MNC. It argues that because the process of transfer is primarily accomplished 'through the vehicle of language,' semiotic aspects of this process, or how meanings shift and change across contexts, are crucial and require attention. Recontextualization is also central for the process of transfer because the way organizational members understand and perceive a given practice affects their acceptance of it, and can therefore influence the success or failure of implementation. However, our understanding of recontextualization processes remains limited in terms of the discursive sensemaking of organizational actors and the different forms it can take. The purpose of this paper is hence to elucidate the variety of ways in which organizational actors make discursive sense of the transfer and repatriation of practices.

The essay comprises an in-depth analysis of two Finland-based MNCs that transferred practices from their HQs to their Russian subsidiaries, one of which is a green-field operation and the other an acquisition. Drawing on 64 personal in-depth interviews and an extensive set of secondary materials, the essay yields a number of contributions. First, it illustrates the role of discourses in the process of recontextualization. Our results underscore the important role of historical, institutional, cultural, socio-economic, and organizational contexts in this process. Embedded in and fed by the specifics of cultural, institutional, socio-economic, and organizational contexts, the process of recontextualization produces a discursive space within the MNC, where a number of 'pockets of resistance' exist. These can be utilized by organizational actors, not only dominant ones or those located at the apex of organizational hierarchy, but also by actors at lower levels, such as line managers, to instill changes in the meanings transferred between various units of the MNC.

Second, extending the previous point, our analysis shows that recontextualization is an interest-driven and power-laden process in which organizational actors use the discursive resources available to them to pursue their interests and goals. Previous

studies on transfer of practices largely tended to ignore the fact that organizations are inherently political arenas where struggles over the diverging interests of different actors take place and where the process of recontextualization has important consequences for how power is distributed between actors and units. Our analysis sheds more light on these power struggles by showing how values imposed by HQ and HR practices are often resisted to preserve subsidiary autonomy and minimize HQ control.

Third, it distinguishes between the different forms of recontextualization of meanings that take place in MNCs when practices are transferred from home to host contexts, thereby crossing cultural, geographic, or political conjunctures. We group them into three broader categories comprising seven sub-categories: acceptance (including internalization, appropriation and domestication), resistance (counter-argumentation and rejection) and distancing (irony and hypocrisy). By identifying these forms, we further develop Brannen's (2004) model of asset recontextualization, which to a large extent treats transfer processes as dichotomous 'take it or leave it' choices, whereas we demonstrate that a more nuanced approach to practice transfer treats it as a continuum with different degrees of internalization and / or rejection.

Lastly, our analysis indicates that the operational mode, i.e. a green-field operation versus an acquisition, has an impact on the nature of recontextualization and the extent of repatriation processes. Our analysis, though only exploratory, suggests that a green-field operation is more likely to lead to relatively better acceptance of the transferred knowledge and later to a more extensive, formal, and explicit repatriation of the recontextualized knowledge back to the sending unit. On the other hand, in an acquisition it is more likely that the transfer of new values or practices will encounter more resistance and distancing rooted in and supported by discourses related to inherited corporate cultures, values, or practices. It somewhat reiterates the point that acquisitions, haunted by political struggles and integration problems, tend in many cases to be much more complex transactions to implement successfully than greenfield operations.

## 5 DISCUSSION AND CONCLUSIONS

### 5.1 Discussion

The key question posed by this thesis was the following one: How is the MNC affected by micro-political struggles between organizational actors? It was addressed by examining several sub-questions, which are discussed in detail below.

- a. *What types of micro-political struggles (in what areas) are going on in the MNC?*

The thesis shows that micro-political struggles accompany a number of vital organizational processes, such as strategic as well as daily operational decision-making, knowledge transfer, trust-building, delegation of authority, control, establishment of a shared corporate culture, and organizational and national identification. Micro-politics is pertinent to all of these processes and can be broadly placed into three main realms outlined in the conceptual model of the thesis based on Dörrenbächer and Geppert's (2006) typology: resources, interests, and identities. Needless to say, all three realms are closely intertwined and overlap significantly; however, for the sake of conceptual development they are treated in the thesis as sufficiently distinct.

The first realm includes struggles that surround the distribution as well as the acknowledged (by all units of the MNC) possession of valuable resources within the MNC. For instance, as Essay 1 illustrates, organizational actors in subsidiaries are often ready to put a lot of effort into making HQs aware of their initiatives. In contrast, HQs tend to spend money, time, and energy in making sure that the status quo is preserved and the superiority of the HQ's competences and resources are honored by all MNC constituents. Essay 5 shows how a practice, after being transferred to a subsidiary, is recontextualized by local actors who claim ownership of the ideas inculcated into the transferred practice. Although not being a physical resource as such, ideas are nonetheless critical intellectual resources that organizations have. Overall, the possession of critical and finite resources in the MNC, especially if it is seen as legitimate by all the parties involved within the MNC, equals power (cf. Bouquet & Birkinshaw, 2008a, 2008b). Thus, the ability of managerial actors to secure access to and control over critical resources is closely linked with their motivation to increase their organizational power and control / autonomy. Thus it is conducive to micro-political managerial struggles in the MNC.

The second realm encompasses struggles that are related to personal as well as unit-level interests of organizational actors who engage in micro-political activities to pursue, often self-servingly and deliberately, their goals and objectives in the context of the MNC. As conceptually argued by Becker-Ritterspach and Dörrenbächer (2009), the behaviors of both HQ and subsidiary managers are often not in line with the best interests of their respective units. Instead, the personal interests of managers influence their behavior. Often these interests are 'complex amalgams' influenced by organizational positioning, nationality, and career ambitions of the managers. For instance, the analysis in Essay 2 shows that the cultural stereotyping that imbues managerial sensemaking around different processes in the MNC often serves to reshuffle the balance of power between the actors involved. Besides the cognitive constraints that such stereotyping produces, it also has power effects and implications. These are linked to issues of authority distribution between individuals and units of the MNC, means of control, competences recognition, and personal promotions.

Depending on how these issues are decided upon and play out, different individuals and units have their interests fulfilled to varying degrees.

In the final realm micro-political managerial struggles contribute to or promote particular constructions of subject positions or identities among the organizational actors involved (see also Dörrenbächer & Geppert, 2011). Essay 3, for example, finds that actors in the MNC are subjected to different forces that make them take a stand concerning 'who they are'. At the same time, the identity work that follows from this is interest-driven, so that the actors try to produce their subject positions in relation to 'others' as more 'modern,' 'developed,' 'hard working,' or 'knowledgeable.' It is informed by the motivation of organizational actors in different parts of the MNC to define the 'self' identity in a more beneficial manner vis-à-vis the marginalized 'other.' More often than not, this motivation is closely interlinked with a wide range of conflicts of interests in the organization such as struggles for scarce resources, career advancements, or strategy formulation and agenda-setting participation.

Because the construction of national, professional, and gendered identities (re)creates a certain web of power relations among organizational actors which is inevitably more beneficial for some and less beneficial for others, success in this task allows the actors in question to position themselves as dominant and more powerful over the 'others.' The possible micro-political and power effects of identity work include the constructions of superior–inferior, ethnocentric-polycentric, global-local, developed-undeveloped and other relationships between organizational actors. Interestingly, in the context of the MNC this micro-political process spans several boundaries simultaneously for e.g. actors' identity work can be directed towards an HQ (i.e. subsidiary versus HQ), superiors / subordinates (i.e. managers versus workers), cultures (i.e. being a Russian versus being a Finn), nation states (Russia versus Finland), or even geopolitics / colonial relations (i.e. East versus West).

To sum up, the thesis at hand demonstrates that rather than seeing power in the MNC as embedded in organizational structures and manageable via effective managerial approaches, it is more appropriate to view power as relational and dynamic, as the result of continuous and socially (re)constructed dynamic relationship among organizational actors who make use of the power resources available to them to promote or resist (a) ownership claims for certain critical and finite MNC resources, (b) the supremacy and the legitimacy of various individual and collective interests coexisting in the MNC, and (c) the superiority or inferiority of specific managerial subject positions.

*b. What are different strategies used by organizational actors in micro-political struggles within the MNC?*

The essays in the thesis touched upon and analyzed several strategies that organizational actors use in their micro-political struggles in the MNC. Little empirical evidence has been provided in prior research regarding the question of the kinds of micro-political strategies organizational actors in the MNC engage in. Although Gammelgaard (2009) points out that 'issue framing' is important to ensure that a subsidiary succeeds in attracting the attention of the HQ and Balogun et al. (2011) argue that three discourses are central for HQ-subsidary negotiations around a subsidiary's role in the MNC, we still know little about what micro-level strategies managers use in their sensemaking around important organizational processes and

practices. The thesis at hand adds to the literature by explicating two of these strategies: legitimation and stereotyping.

The first strategy - legitimation - draws on the idea that to render something legitimate means to acquire control and power over the course of events associated with what has been rendered legitimate (see Vaara & Tienari, 2008, 2011; Vaara & Monin, 2010). It equally applies to the right of HQ's management to impose practices and means of control onto managers in a subsidiary as well as the tendency of some managers not to trust other managers based on specific pre-conceptions. Legitimation is central for organizations and those who can legitimate their actions define 'the rules of the game' and 'the ways things are done around here.' Essay 1 has identified a number of legitimation strategies that actors use in intra-firm MNC relations, such as naturalization, problematization, and rationalization. All of these are potent strategies that influence how the relations between actors and units in the MNC are shaped and what is accepted as legitimate with concrete material consequences for corporate strategies, control-autonomy division, and empowerment and development of local managers.

The second strategy that is discussed in several essays of the thesis is cultural stereotyping (e.g. Wodak et al., 1999). Stereotyping seems to be unavoidable in the MNC context and is more often than not invoked deliberately to pursue specific goals and objectives. Although the question concerning the extent to which stereotyping is deliberate remains unanswered (besides it is beyond the scope and the objective of this thesis), suffice it to say that stereotyping seems to constitute a convenient micro-political strategy for sensemaking by organizational actors, considering the diversity and variety pertinent to the MNC context. For instance, Essay 2 has distinguished between three concrete performative effects of stereotyping in the MNC: cognitive, relational, and power. For stereotyping as a micro-political strategy, the power effect is the most crucial. This effect, which is essentially political and thus deliberate, facilitates the (re)production of different superiority / inferiority subject positions through sensemaking by organizational actors. Even more importantly, the finding in both Essay 2 and Essay 4 that cultural stereotyping seems to be difficult to eradicate and that it tends to persist even after actors realize its negative consequences, underscores in my view the inherently, at least to a certain extent, political nature of stereotyping. It also confirms the appropriateness of viewing stereotyping as one of the micro-political strategies employed by organizational actors in the MNC. Stereotyping is closely linked to struggles between organizational actors for power and fulfillment of their interests in the MNC, and cultural stereotypes are important resources that actors mobilize in these struggles.

*c. How do the socio-political, historical, cultural, and institutional contexts in which the MNC is embedded affect these struggles?*

The crucial role of (both home and host) context in influencing HQ-subsidiary relations has been pointed out by numerous authors (e.g., Ferner & Quintanilla, 1998; Clark & Geppert, 2011; Dörrenbächer & Geppert, 2011). In line with these studies, this thesis confirms that the context in which the MNC is embedded plays a profound role in enabling and at the same time constraining micro-political struggles. Yet, it goes beyond prior studies by showing how both home and host country environments provide organizational actors with a number of contextual rationalities and discourses which can then be used as strategic resources in the MNC context. Examples of such

discourses include cultural rhetoric, national stereotypes, neo-colonial attitudes, 'not invented here' arguments, historical allusions, and ethical justifications. These macro-level discourses, which dwell in wider institutional environments, are closely linked with micro-level discursive activities such as sense making and micro-political strategies such as legitimation and stereotyping, by organizational actors in the MNC. The former serves as a sort of depository of resources to be mobilized at the micro-level by managers in their micro-political struggles to generate new meanings that enable or impede the enactment of the particular organizational properties, processes, and realities of the MNC. In other words, these macro-level discourses rooted in wider cultural, institutional, and socio-economic environments allow sustaining, transforming, and transmitting networks of power between organizational actors.

For instance, Essay 5 in this thesis demonstrates how organizational actors mobilize the various discourses embedded and rooted in their home environment for political sensemaking around the process of transferring practices from HQ to the subsidiary. By so doing, the managers are able to steer recontextualization of these practices and the meanings attached to them in specific directions, thus influencing transfer outcomes. By invoking different discourses embedded in their home environment, organizational actors can steer the recontextualization process towards a number of different forms, including acceptance, resistance, and distancing. The latter two forms are employed by organizational actors to argue against or only ceremonially adopt those transferred practices (or knowledge, assets, guidelines, directives, and rules) which do not align with the interests and goals of the managers in question. Thus, as Essay 5 shows, the role of the home environment is crucial for the process of recontextualization in the MNC.

Essay 3 of the thesis illustrates how by drawing on a number of discourses largely embedded in the local Russian environment, Russian managers are able to construct their subject positions vis-à-vis their Finnish colleagues. On the one hand, Russian managers position themselves as more advanced and global, precisely because they live and work in a large, rapidly developing, and dynamic country which is well connected in the global economy. At the same time, they also distance themselves from their Finnish colleagues by being essentially Russian. That, in their view, provides them with a number of characteristics and qualities valuable for the MNC that the Finns do not possess.

Finally, Essay 4, while discussing the challenges in building trustful relations between the Finnish HQ and the Russian subsidiary of the MNC, finds that cultural stereotypes between the two countries are one of the key obstacles constraining this process. In analyzing these stereotypes, the essay shows that these stereotypes are rooted in the cultural, historical, political, and socio-economic environments in which the two units are embedded. Traumatic experiences like wars, economic dependency, and the political domination of one country over the other as well as more recent political and socio-economic developments in the countries provide organizational actors with a multitude of discourses to be mobilized in their micro-political struggles.

Overall, the thesis shows that the context in which the MNC operates is indeed important and influential for the micro-political processes taking place in the MNC and their implications. However, in complementing prior studies that considered the main role of context to be the provision of an advantageous or disadvantageous resource position for a subsidiary (see Dörrenbächer & Gammelgaard, 2010) or in determining the amount of bargaining power that a subsidiary has (Gammelgaard, 2009), the essays

in the thesis take a more micro-level view and illustrate how the context and its features can be and are used by managers in micro-political struggles.

*d. What are the implications of these struggles for inter-personal (i.e. manager to manager) and inter-unit (e.g. HQ to subsidiary) relationships?*

Micro-political struggles have far-reaching implications for individual managers as well as their respective units. It is probably worth noting once again that such struggles are pertinent to any organization but especially to the MNC. MNCs, like any organizations, are social systems and thus politics and power struggles are ubiquitous in them (e.g. March & Simon, 1958; Clegg, 1989) and constitute their 'raw truth' (Dörrenbächer & Geppert, 2013). They are arenas for the realization of the goals and interests of several stakeholders, e.g. financial wealth for shareholders, career advancement for managers, and community development for policy-makers and governments. Hence conflicts of interests, power struggles, and resistance are unavoidable and on-going in the MNC. That is why in my view, we need to talk not about 'organizations' but about 'organizing,' i.e. about the fluid, on-going, and incessant processes that sustain or transform the social phenomenon that we call 'organization.'

Even more, one could speculate that we need to pay attention to both 'organizing' and 'disorganizing' at the same time. It is precisely because both take place simultaneously that organizations, like the MNC, exist and develop. It seems that the very process of 'organizing' is an antagonistic process grounded and rooted in contradictions, conflicts, struggles, ambiguities, misunderstandings, and confrontations. Having said that, one should also be careful how far micro-political struggles can go in the MNC context. The cases of Enron, Lehman Brothers and others tell us that besides sustaining and feeding the process of 'organizing,' self-centered and self-serving micro-political activities of organizational actors can have destructive consequences if ignored and left uncontrolled. Hence they need to be examined, understood, and managed.

Of course, even without causing financial crises, micro-political struggles influence the functioning of MNCs. Some of these influences are negative in nature. The essays included in the thesis touch upon several different implications. For instance, the implications for individual managers include the distribution of personal decision-making power (e.g. who gets to participate in making decisions and whose opinion is taken into account) and career advancements and promotions. On the other hand, the implications for inter-unit relationships entail the delegation of autonomy and the granting of mandates to units by HQs, as well as the participation of units in organization-wide strategy planning and implementation with the resulting distribution of resources. Hence, it seems that micro-political struggles are crucial; they have structural, relational, financial, and reputational implications for managers, their respective units, and for the MNC as a whole.

## **5.2 Conclusions**

Besides the individual contributions of each of the essays, the thesis as a whole makes more general contributions. First of all, it contributes to the MNC literature by applying the micro-political view on organizational processes in the MNC. It is a crucial and timely complement to the predominant functionalist perspective on the MNC that haunts the literature at the moment (e.g. Dörrenbächer & Geppert 2006; Jack et al., 2008; Dörrenbächer & Geppert 2011, 2013). Considering the present era of corporate

instability and its severe global financial consequences, it is worth asking how the MNC works: how politics, power relations and conflict of interests impact its functioning. In posing this question, the thesis tried to provide a somewhat different perspective on how organizational issues play out and are decided upon in the MNC from that advocated by the majority of IB and MNC scholars, who tend to insist that power struggles and politics are structural deficiencies that need and can be eliminated by proper management.

Building on the work of Dörrenbächer and Geppert (2006), the thesis illustrates how organizational processes and the political actions around them can be classified according to three realms of micro-political confrontations: struggles for resources and over identities and interests. It shows that together with the classic top-down view of the MNC with its inherent tensions between HQs and subsidiaries, we need to look more deeply into the organization and pay attention to what strategies organizational actors in different units employ to either promote their ideas and interests or resist those imposed on them, how certain issues are legitimated and normalized whereas other are problematized and rejected, how a subsidiary and its managers can convince an HQ that they possess a valuable resource or competence and thereby acquire more autonomy.

In this light, the thesis further develops our understanding of the MNC as a complex discursive organization encompassing a multitude of political tensions between organizational actors and rationalities embedded in and invoked by their respective local contexts (see also Becker-Ritterspach & Dörrenbächer, 2009). In its five essays the thesis attempts to provide the more micro-level and actor-centered perspective on the MNC called for in the literature (e.g. Kristensen & Zeitlin 2005; Clark & Geppert 2011; Dörrenbächer & Geppert 2011, 2013). It illustrates how fundamental but crucial processes in the MNC such as transfer of practices, delegation of responsibility, budgeting and reporting, and HR practices implementation are influenced by conflicts of interests between organizational actors who engage in political actions to pursue these very interests. In so doing, the thesis highlights the inherent political nature of the MNC.

Furthermore, it complements the traditional view of power distribution in the MNC according to which power is a resource which, in a deterministic way, is commanded by the HQ and either shared or not shared in a top-down fashion. The essays show that power in the MNC is in fact relational and its balance can be shifted by organizational actors through acts of resistance (see also Geppert & Dörrenbächer, 2013). Hence these acts of resistance become acts of power themselves and are essential constituents of power relations in the MNC. According to this thesis, the crux of the power disposition in the MNC is then not who (e.g. actors) or what (e.g. unit) deterministically has power a priori (and therefore can be considered powerful) but rather who can obtain a more dominant position by fixing the relations of meaning between actors (thus defining both the identities and subjectivities of those concerned) in the most self-favorable manner. These fixations are achieved through discursive activities, i.e. mobilizing different discourses and utilizing them as strategic resources to fix (or institutionalize, normalize, legitimate) a particular 'organizational reality' through the performativity of the discourses (e.g. Hardy, Palmer & Phillips 2000; Phillips, Lawrence & Hardy 2004).

Second, it highlights the importance of cultural stereotyping for the functioning of the MNC – a factor that is often ignored or labeled as insignificant (and controllable by proper managerial actions). It delineates several vital performative effects of stereotyping – as an omnipresent feature of human cognitive activity – in the

multicultural and heterogeneous context of the MNC. The analysis shows that although in many situations the degree of stereotyping can be managed once realized and reflected upon, in the context of the MNC, which is characterized by uncertainty and ambiguity, cultural stereotyping offers an easy solution of yardstick on which managers can rely and in their sensemaking activities. To the best of my knowledge, the role of stereotyping in MNC operations has thus far been ignored on the whole in IB / IM literature. This is unfortunate, for cultural stereotypes constitute an important contextual rationality that has a strong impact on managerial sensemaking in the MNC. Moreover, stereotyping is an influential and widespread legitimation strategy used by organizational actors in disputes around cross-cultural and cross-border organizational issues and processes (see Vaara et al., 2003).

Importantly, stereotypes and stereotyping, often leading to nationalistic manifestations and expressions of different sorts, are behind one of the most severe and acute problems of many MNCs operating globally in local contexts – the inability to develop and maintain trust between the HQ and local subsidiaries. The challenge for scholars is, of course, that stereotyping is rarely openly acknowledged by managers. Nonetheless, the discourse analysis used in this thesis and also the related critical discourse analysis offer methodological tools appropriate for unpacking and digging out the stereotypical ideas and justifications that influence managerial sensemaking. Moreover, detailed knowledge of the context in which the presupposed stereotypical ideas are embedded is of the utmost importance for researchers because it increases the likelihood of fair interpretation and decreases the danger of falling into the trap of stereotypical biases and prejudices (see e.g. Michailova 2011; Polska 2013).

Third, the thesis contributes to our knowledge concerning the operations of Western MNCs in Russia. Russia, being one of the important emerging markets together with China and India, has attracted a lot of attention from Western MNCs due to its huge market size and the availability of natural resources and skilled workforce. However, as recognized by several scholars, Russia remains relatively under-researched (Puffer & McCarthy 2011; Michailova et al. 2013). Whereas the 1990s saw burgeoning academic interest in increasing our understanding concerning of how to operate successfully in Russia (e.g. Beamish 1992; Bollinger 1994; Puffer 1994; Puffer et al. 1997; Elenkov 1997, 1998, 2002; Michailova 2000), during the 2000s research on Russia clearly started to lag behind the fast-paced developments and changes taking place there (Puffer & McCarthy 2011; Michailova et al. 2013).

Such interest has recently returned, in part due to the resurgence of academic interest in the phenomenon of emerging market multinationals (e.g. Ramamurti & Singh 2009). Nonetheless, in my view, our current understanding of MNC operations in Russia and the challenges pertinent to it is to a large extent one-sided. To explain the challenges experienced by Western MNCs in Russia, the extant literature tends to offer various cultural and economic explanations that doubtlessly ‘tell a story,’ but one which is in my view rather one-sided and incomplete. Western academic analyses explicitly, but more often implicitly, tend ‘to blame’ Russian managers for being unable or not possessing the ‘right’ knowledge to function effectively or in ‘western’ ways.

At the same time, there are scholars who suggest that maybe this one-sided perspective needs to be reconsidered. Instead of putting all the blame on ‘the Russian side,’ maybe both - Western and Russian - sides must change their respective approaches to operate more effectively in Russia (e.g. May et al. 2005; Michailova & Jormanainen 2011). In this light, this thesis offers an additional step towards a more balanced view of Western-Russian business relationships. By exposing the covert as well as the overt

stereotypical ideas of Finnish managers about Russia and the Russians, their inclination to impose tight means of control rooted in their ethnocentric attitudes and behaviors toward the Russian subsidiaries and Russian managers, and their sensemaking activities aimed at (re)constructing their identity and subjectivity positions as being superior in relation to those of their Russian colleagues, the essays in the thesis provide some justification for redirecting scholarly attention toward an examination of Western-Russian relationships in their entirety and for not focusing solely on what the Russian side of the relationship supposedly lacks. Of course this is not to say that power struggles, stereotyping and / or superiority / inferiority confrontations take place only in the Finnish HQs. They also take place in the Russian subsidiaries. These are processes which are ubiquitous in any MNC in all its parts and precisely because of that one sided arguments and explanations do not suffice “to adequately capture lived experiences, complex meaning systems, and political and ethical conditions” of the MNC in general and of Western MNCs in Russia in particular (Jack et al. 2008: 870).

Lastly, and more generally, the thesis offers an illustration of the possible pollination of ideas from different scholarly fields to conduct interdisciplinary research in the field of IB / IM, which has been called for in IB / IM literature by several prominent scholars (e.g. Dunning 1989; Jack et al. 2008; Cantwell & Brannen 2011; Michailova 2011). For instance, in their recent address as the new editors of the *Journal of International Business Studies*, John Cantwell and Mary Yoko Brannen (2011: 3) stated that IB researchers should be more ambitious and interdisciplinary in examining “[more] complex questions than those which are typically formulated when relying on the standard assumptions” pertinent to the majority of IB / IM literature. Others have argued for broadening the IB / IM research field both theoretically and methodologically (e.g. Shenkar 2004; Cheng et al. 2009). Still others (already mentioned in the introduction of this thesis) have called for further incorporation of the ‘human dimension’ of managing and working in the MNC to complement the dominant IB / IM theories and models, which are imbued with economic and rational assumptions (Piekkari & Welch 2010).

In my view, the interdisciplinary nature of the micro-political perspective with its focus on the political and power aspects of organizational actors’ behavior and decision-making used in this thesis to examine some of the critical organizational processes within the MNC is appropriate for addressing some of the critiques recently received by the IB / IM field. More importantly, it also points the way towards further development. This would require closer attention to (i) organizational actors in various units and at various levels in the MNC with their agencies and subjectivities, political interests, and power relations, (ii) marginalized groups and ‘voices’ within the MNC that have so far been left largely unaddressed in the mainstream IB literature (e.g. shop floor workers, female employees, employees working for Western MNCs in the Third World countries), and (iii) contexts in which the researched phenomenon (i.e. the MNC and its local units) is embedded with its cultural, historical, societal, and political idiosyncrasies.

### **5.3 Limitations and future research**

The thesis opens up a number of interesting avenues for future research. First, the essays in this thesis focused mostly on micro-political strategies of top and line managers and their implications for them. It is doubtless important to examine how politics and power play out among managers who are key decision makers in the MNC.

However, the legitimation and resistance strategies of other employees in the MNC are also potentially influential in affecting how the MNC develops and functions (see also Becker-Ritterspach & Dörrenbächer 2009). Hence future research could pay more attention to other groups of employees, e.g. shop floor workers and their micro-political behavior.

Moreover, the organizational boundaries of the MNC are often difficult to delineate clearly, for they include a number of different stakeholders who are not located exactly within the physical boundaries or the managerial cadre of the MNC, but are nonetheless influential. These are board members, suppliers, and government officials. Future research could try to incorporate these actors and their interests as a crucial element of the wider institutional environment into the micro-political view of the MNC. Furthermore, one additional aspect that this thesis did not pay sufficient attention to - but that needs to be incorporated into future research - is the gender aspect of micro-political struggles in the MNC. Because one of the realms within the MNC where micro-political struggles take place is around identity, gender together with culture can potentially be very central in facilitating identity work and construction of organizational actors' interests.

Another obvious limitation of the thesis is its focus on the specific setting of Finnish MNCs operating in Russia. Other contexts should be included and examined in order to increase understanding of the generalizability of the findings of this thesis. For instance, a context with a more salient colonial heritage could provide additional insight into post-colonial aspects of micro-political struggles in the MNC. Furthermore, another interesting context for examining micro-politics in the MNC could be the context of so-called emerging market MNCs. Finally, more longitudinal studies of micro-political developments in the MNC are needed for a better understanding of the dynamics of micro-political processes and how they can be managed over time.

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**APPENDIX 1 ESSAY #1****AD ASTRA PER ASPERA: A DISCURSIVE PERSPECTIVE ON SUBSIDIARY INITIATIVE AND HEADQUARTERS RESISTANCE IN THE MNC**

Written by Alexei Koveshnikov, Mats Ehrnrooth & Eero Vaara

*Unpublished essay*

**Abstract**

There is a paucity of knowledge concerning the socio-political aspects and power dynamics of the process of subsidiary initiative recognition in the MNC. Based on a longitudinal, real-time analysis of two Finland-based MNCs operating in important markets of Russia and China, we identify three legitimation strategies used by organizational actors to promote and resist subsidiary initiatives at subsidiaries and HQs respectively. Additionally, the analysis underscores the important role played in these processes by pre-existing cultural conceptions held by organizational actors.

**Keywords:** Subsidiary initiative, HQ control, legitimation strategies, cultural conceptions, discursive perspective

**Introduction**

The sociopolitical nature of multinational companies' (MNC) internal processes remains not well understood in international business literature (e.g. Kostova, Roth and Dacin, 2008; Ambos, Andersson & Birkinshaw, 2010; Balogun, Jarzabkowski & Vaara, 2011). At the same time, MNCs are arguably complex organizational forms where the choices that key decision-makers make concerning how to distribute responsibilities and resources among subsidiaries have profound implications in terms of these MNCs' overall development and effectiveness (Birkinshaw & Hood, 1998; Bouquet & Birkinshaw, 2008a, 2008b). One way, in which MNC subsidiaries can impact the distribution of resources within the MNC, is by attracting HQ attention to its initiatives, which are discreet, proactive undertakings that aim to advance new ways for the MNC to utilize or expand its resources (Birkinshaw, 1997). However, extant research shows that subsidiary initiatives may remain unnoticed by HQs resulting in underutilization of local resources and ultimately in decline of MNC's competitive advantage (e.g., Birkinshaw, 1997; Birkinshaw, Hood and Jonsson, 1998).

Extant research on factors influencing the allocation of HQ attention among MNC's subsidiaries (Cantwell & Mudambi, 2005; Ling, Floyd & Baldrige, 2005; Bouquet & Birkinshaw, 2008b; Gammelgaard, 2009; Ambos et al., 2010) argues that the HQ attention is distributed based (i) on structural positions that subsidiaries occupy within the corporate system (i.e. its "weight") and (ii) on their ability to attract corporate attention (i.e. its "voice"). The latter was suggested to be moderated by whether a

subsidiary possesses valuable competences and critical resources (Bouquet & Birkinshaw, 2008b; Dörrenbächer & Gammelgaard, 2010), successful past history (Ambos et al., 2010), and by a subsidiary's management composition (Gammelgaard, 2009).

At the same time, the lack of attention in prior literature to socio-political processes that influence how the HQ attention is allocated and the intrafirm competition in the MNC, more generally, develops has been noted by several authors (see Dörrenbächer & Gammelgaard, 2006; Becker-Ritterspach & Dörrenbächer, 2009; Gammelgaard, 2009; Balogun et al. 2011; Geppert & Dörrenbächer, 2014). For instance, Dörrenbächer and Gammelgaard (2006) were among the first to suggest that a subsidiary can change its role within the MNC network by modifying the role allocated to it by a HQ through micro-political negotiations. For the authors, micro-political confrontations form a sort of background against which subsidiaries can negotiate increases in their product, value-added and market scopes based on their capabilities and localized advantages. As a step forward, Gammelgaard (2009) has looked into how a subsidiary's issue selling strategy influences its bargaining power in intra-firm competition within the MNC. He claimed that the success of a subsidiary's issue selling strategy largely depends on 'issue packaging', that is "how an issue is linguistically framed, the way an issue is presented, and how an issue's boundaries are established" (quoted in Gammelgaard [2009: 217] from Dutton & Ashford [1993: 410]). Hence, the author underscored the essence of the issue selling strategy as being a linguistic one. He has also explicitly connected it to the issue of internal legitimacy.

Albeit these important contributions, the literature remains relatively silent concerning the political and power dynamics of this process, i.e. through what political activities and legitimation strategies MNC subsidiaries can and actually do gain HQ attention and get their initiatives recognized vis-à-vis HQs. The importance of political processes has been recently emphasized by Becker-Ritterspach and Dörrenbächer (2009), who drawing on classical organizational politics approaches, proposed a political framework to study the intra-firm competition. Criticizing prior research for "fail[ing] to capture conflict dynamics that emanate from strategic interactions... [and] explaining... the many disruptions ... that surface in the process of intrafirm competition" (p. 204), they put forth a theoretical framework on the intra-firm competition in the MNC, which zooms in onto the relevant key actors, their complex and multiple interests and rationales, and the political games that these actors play using power resources available to them. Yet, their contribution remained purely conceptual. Recently, Balogun et al. (2011) among the first ones have looked empirically into the political dynamics of subsidiary role evolution and the negotiations around it within the MNC. The authors have generally showed that the MNC evolution occurs through the interplay of three general discourses of selling, resistance and reconciliation. However, the study did not explicate through what strategies these three discourses are invoked and put into use by organizational actors in the MNC.

Therefore, considering the current state of the literature with its presumed paucity of knowledge concerning how (going beyond structural explanations) a subsidiary initiative is made sense of, negotiated and socially constructed in and through social and political processes within the MNC leads us to formulate our research question as follows: What discursive legitimation strategies do organizational actors mobilize to promote or resist specific subsidiary initiatives in the MNC?

To address this question, we view the MNC as a political organization shaped up by complex social and political negotiations between different organizational actors (e.g. Forsgren, Holm & Johanson, 2005; Ambos et al., 2010; Balogun et al., 2011) competing and negotiating with each other over a multiplicity of possible future directions and decisions relevant for the entire MNC by engaging in discursive legitimation struggles (Morgan, Kristensen & Whitley, 2001; Morgan & Kristensen, 2006). In fact, recognizing this socio-political nature of MNCs, we concur with the recently proposed suggestion (see Kostova et al., 2008: 1002) that new directions for the MNC theory development lie in conceiving MNCs as social environments, “the products of a continuous process of sensemaking, enactment, and negotiated political interactions... where power and influence come into play since different outcomes would benefit the interests of different actors.”

To better understand the process of a subsidiary getting its initiative recognized, we adopt a discursive perspective (Hardy, Palmer & Phillips, 2000; Phillips, Lawrence & Hardy, 2004; Clark & Geppert, 2011; Vaara & Tienari, 2011). It postulates that discourses provide the ‘frames’ with which people in organizations make sense of issues and give sense to them (Fiss & Hirsch, 2005; Phillips et al., 2004). Organizational ‘realities’ are not simply created internally in managers’ minds or externally and objectively by the organization and its structure, but are constructed dialogically between managers and ‘others’ in everyday conversations and discursive struggles involving continuous interactions between micro-level sensemaking processes of managers and broader socio-cultural discourses (Vaara & Tienari, 2008; Clark & Geppert, 2011; Vaara & Tienari, 2011). Based on this, the notion of ‘subsidiary initiative’ can be seen as socially constructed, framed by and negotiated among MNC actors and interwoven with their existing cultural conceptions, cognitive frameworks as well as wider institutional discourses.

This paper is based on a longitudinal real-time study of two Finland-based MNCs developing their operations in emerging markets of Russia and China. We draw from interviews, documentary material as well as real-time observations. In our analysis, we distinguish between legitimation strategies and cultural conceptions used by organizational actors in the discursive struggle for the subsidiary initiative recognition in the MNC. The former focuses on how a subsidiary initiative is framed through the subsidiary’s attempts to promote it and, by doing so, challenge existing balance of intra-organizational power. It also includes the HQ’s counter-attempts at preserving the status quo. Our analysis at this level shows that the views on whether or not to recognize local subsidiaries’ initiatives often reflect the general tension between the HQs’ strive for control and the local subsidiaries’ efforts to gain, retain and strengthen autonomy. The latter focuses on the use of pre-existing cultural conceptions in organizational actors’ attempts to promote their views on the subsidiary initiative recognition. The analysis at this level reveals that the struggle around subsidiary initiative recognition is linked with organizational actors’ cultural conceptions of themselves and others, resulting in ethnocentrism and prejudice.

We argue that this analysis has important implications for our understanding of HQ – subsidiary relations in MNCs. First, by distinguishing between the more explicit legitimation strategies and the more subtle underlying cultural conceptions employed by actors in both HQs and subsidiaries, we can better understand the socio-political aspects of subsidiary initiative recognition process that have been left with little attention in previous research (cf. Ambos et al., 2010; Balogun et al., 2011). More specifically, our analysis shows that the socio-political struggle around subsidiary

initiative recognition in the MNC reflects fundamental organizational issues related to status quo and change, control and autonomy, as well as underlying cultural confrontations. Second, we believe that paying attention to these pervasive struggles and conflicts and, hence, advancing further the socio-political view on the MNC (e.g. Forsgren et al., 2005; Ambos et al., 2010; Balogun et al., 2011; Dörrenbacher & Geppert, 2011), is important because it helps us to understand the frequently experienced underutilization of local subsidiaries' resources and knowledge by MNCs. Our analysis sheds light on how and why many actors resist, often in subtle ways, subsidiary driven initiatives. Finally, but not less importantly, our analysis also underscores the importance of taking the micro level seriously. By examining discourse, we can clearly detect and identify subtle meanings and connotations that easily pass unnoticed in more conventional analyses.

### **A discursive perspective on subsidiary initiative in the MNC**

#### ***A political perspective on the MNC and subsidiary initiative***

Historically, research on the MNC has focused on examining the influence and the changing role of HQ within the MNC structure, which was seen as being either top down and hierarchical (e.g. Stopford & Wells, 1972; Vernon, 1966) or having the form of a distributed network of units (e.g. Bartlett & Ghoshal, 1989; Nohria & Ghoshal, 1997). Recently, some scholars studying subsidiary entrepreneurship and mandate changes (Birkinshaw, 1996; Bouquet & Birkinshaw, 2008a, 2008b) underlined that subsidiaries develop their own strategies aimed at influencing decision making processes concerning resource allocation and authority delegation in the MNC. Hence, reinforcing the earlier political approach to the MNC (Doz & Prahalad, 1991; Ferner, 2000; Geppert et al., 2003; Ferner et al., 2004; Kristensen & Zeitlin, 2005), this research focused on managerial strategies and political interests, which are seen as rational and concentrated on improving the power position of managers and their subsidiaries in the overall structure of the MNC.

This research has found that one critical resource which a subsidiary has access to and which is crucial for the entire MNC's conformity to the host institutional environment (Geppert et al., 2003; Tempel et al., 2006), is the subsidiary's knowledge of the host cultural and institutional environment (Ferner, 2000; Geppert et al., 2003; Kristensen & Zeitlin, 2005). Local subsidiaries may act as interpreters of local knowledge for the HQ. Deriving their knowledge from the local environment, local subsidiaries then can engage in micro-political processes of negotiating the balance of power between the subsidiary and the HQ over legitimacy and access to other critical resources (Ferner et al., 2004; Dörrenbacher & Gammelgaard, 2006). Bouquet and Birkinshaw (2008b) found that one of the factors that affect the level of attention and recognition given by HQ's executives is whether a subsidiary possesses valuable competences.

Acknowledging the prior research, in this paper we argue further that whether a subsidiary possesses valuable competences or not and whether its initiatives are subsequently recognized or not is, to a large extent, determined by managers' perceptions of the causes of organizational performance (Powell, 2002; Powell et al., 2006). At the same time, it was shown that managerial perceptions and interpretations are often self-serving, deriving from the need to make sense of external events, to take

credit for firm performance, or to justify previous or intended courses of action (Gioia & Thomas, 1996; Rao, 1994). By means of rhetorical practices dominant coalitions in organizations often seek to persuade other stakeholders to accept perceptions of organizational reality favorable for them (Elsbach & Kramer, 1996; Fiol, 2002; Thomas, Clark & Gioia, 1993).

Recently, Balogun et al. (2011) offered one of the first insights into the political and discursive process of subsidiary role evolution in the MNC. Focusing on a case where the HQ initiated charter change in one of its subsidiaries, the authors showed that the HQ-subsubsidiary relationship and the accepted subsidiary role get enacted and (re)constructed through discursive negotiations between organizational actors involving three general discourses of selling, resistance and reconciliation. The study has clearly illustrated the advantage and relevance of adopting discursive methods to examine the MNC's internal development and processes. Thus, in this study we adopt a discursive perspective to uncover inherent politicized aspects pertinent to processes through which a subsidiary initiative is framed by actors in the MNC.

### ***A discursive perspective***

Discourses create social reality through the production of concepts, objects, and subject positions, which shape the way in which we understand the world and react to it (Phillips & Hardy, 1997). Organizations and their properties can thus be seen as socially constructed by networks of conversations, which draw on and contribute to prevailing discursive practices and wider societal discourses (Ford, 1999; Ford & Ford, 1995). However, organizations are 'not discursively monolithic, but pluralistic and polyphonic, with many conversations occurring simultaneously and sequentially' (Ford 1999: 485). Moreover, organizations are seen 'not simply as social collectives where shared meaning is produced, but rather as sites of struggle where different groups compete to shape social reality in ways that serve their own interests' (Mumby & Clair 1997: 182). In this paper we argue that this is the case also with the framing of subsidiary initiative in the MNC.

Prior studies have shown that organizations are discursive spaces (Kornberger & Brown, 2007; Hardy & Maguire, 2010) in which "competing interest groups seek to impose their definitions of what the main [problems] are and how they should be addressed" (cf. Jacobs, Kemeny & Manzi, 2003: 442; cited in Hardy & Maguire, 2010). It was also shown that organizational actors use wide range of discursive resources to promote specific views and ideas within organizations (Hardy & Phillips, 1999; Hardy et al., 2000; Maguire & Hardy, 2009; Phillips & Hardy, 1997). Discourses thus help or hinder the enactment of particular organizational realities and properties, such as, for instance, understandings of HQ attention and subsidiary initiative (e.g. Maguire & Hardy, 2009; Vaara & Tienari, 2008; Vaara & Tienari, 2011). By mobilizing discourses, social actors can construct, legitimate and resist specific views on HQ attention and subsidiary initiatives in the MNC. The important point is that discourses are not neutral in their operations or their effects, but exist within and transmit networks of power (Maguire & Hardy, 2009; Vaara & Tienari, 2008). Such effects then (re)produce and transform systems of meaning resulting in the institutionalization or deinstitutionalization of certain views on subsidiary initiatives in the MNC – and not others.

In our analysis, we put forth the concept of ‘discursive struggle’ (e.g., Mumby, 2005) as a theoretical lens that helps to draw attention to the multiple and multifaceted discourses and legitimation strategies mobilized by competing actors around subsidiary initiatives in the MNC. These discursive struggles not only deal with competing views on subsidiary initiatives, but also involve more fundamental questions related to the subjectivity of organizational actors in various parts of the MNC. They revolve around opportunities to engage in organizational decision-making, autonomy of organizational actors (i.e. at individual level) and organizational units within the MNC (i.e. organizational level), as well as identities of different subjects as respected and important organizational members. The mobilization of a specific discourse or strategy can also serve as a means of control. On the other hand, the invoked discourses can be also resisted precisely because they undermine the subjectivity of particular organizational actors. The resistance can take form of open criticism, ignoring hegemonic discourses, or be manifested in alternative discursive articulations. In these ways, these discursive struggles have important power implications for organizations.

It has to be mentioned that, unlike relativist approaches to discourse analysis, our perspective underscores that not everything is discourse (Fairclough, 2003). On the contrary, discourses - concepts, categories, objects, and myths - exist in a dialectical relationship with the material realm - objects, conditions, processes, practices, and technologies (Fairclough, 2005; Vaara and Tienari, 2008). This is a fruitful view as it enables one to examine the crucial role of discourse in promotion and resistance of constructions of subsidiary’s initiative in connection with their material aspects.

## **Research design and methodology**

### ***Research design and data collection***

We conducted a longitudinal study of two Finland-based MNCs developing their operations in emerging markets of Russia and China. These cases were selected because they provided an excellent opportunity for our research team to examine discussions and actions around subsidiaries’ strategic recognition in a close to real-time mode as both companies were actively engaging in developing their local businesses in Russia or China. We were fortunate to be given full access to both companies to gather extensive data and to discuss and share our experiences and interpretations with key decision-makers involved in the management of local subsidiaries. Choosing both Russia and China also allowed us to compare our findings across these two very different cultural contexts. Moreover, both subsidiaries were strategically important for the MNCs for they represented the largest and the fastest growing markets in both companies’ market portfolios. The two possessed rather strong power and bargaining position vis-à-vis their central offices. Following Balogun et al. (2011), such setting provides fruitful environment to observe micro-political negotiations and discursive struggles over legitimacy in the MNC.

The analysis drew on material which was collected between January 2006 and October 2007 – at the time when both companies were engaged in intensive discussions concerning the overall development of their businesses in markets in question.

First, the authors conducted 77 personal interviews with organizational members selected from both the HQs and the subsidiaries to present both sides of the story. The list of interviews is provided in Table 1.

**Table 1: Interviews**

Company	In HQ	In subsidiary	Top managers	Line managers
FinFood	12	21	24	9
FinPaper	14	30	25	19
			Total	77

The initial list of interviewees was proposed by a contact person in each company, and then the relevance of each potential interviewee for our research purposes was verified individually. To be selected for an interview, a person had to be: (a) involved at some stage, previously or currently, directly or indirectly, and on either side, in establishing or developing the focal foreign subsidiary operations, and (b) knowledgeable of the ongoing business issues between the HQ and the subsidiary. Altogether, three rounds of interviews were conducted. To the extent possible, we followed a ‘story-telling’ approach, that is, interviewees were encouraged to tell their own experiences with minimum interference on the part of interviewers (Czarniawska, 2004). However, we also used specific open-ended questions.

The interviews were conducted in English, Chinese, Russian, Finnish or Swedish, and lasted between 45 and 120 minutes, resulting in an extensive database of word-by-word interview transcripts. The interview data was translated into the reporting language (English) where necessary. Strict company and individual anonymity was maintained. The fact that our research team consisted of Finnish, Russian and Chinese researchers has allowed us to gain trust and minimize ethnocentric biases when interacting with companies’ representatives. Altogether, the data collection yielded an extensive database amounting to almost 1,000 pages of interview transcripts that were used in the analysis.

Second, the interviews were supplemented with other data sources, including observations, field notes, company-internal documentation (e.g. internal documentation on existing investment project management, HR strategy presentation and documentation, presentations/slides of both organizations’ strategies with reference to operations in the country in question). These supplementary data provided important background information and was used for triangulation purposes.

Third, all the authors were engaged in multiple informal conversations with various persons from both organizations, which could not be recorded, but summaries of which were written up and subsequently taken into account when analyzing the data. Four one-day long workshops have been organized by our research team for representatives from the case companies, during which our initial results were presented and

discussed. It provided the authors with an opportunity to test the quality of the analysis and to steer subsequent steps in the research project.

### ***Data analysis***

To analyze the data, we followed an ‘abductive’ approach (Van Maanen, Sorensen & Mitchell, 2007), meaning that our theoretical ideas were constantly refined as we were progressing through the data collection and data analysis. The analysis was done in two main stages. The first stage focused on the manifest content of the data (Berg, 2004; Suddaby & Greenwood, 2005). We synthesized the interview transcripts into individual case accounts. In these accounts, we focused on general narratives in managerial discourses around subsidiaries’ initiatives promotion and recognition. We mapped these narratives based on specific textual elements that they contained, e.g. repeated concepts or signifiers, such as ‘control’, ‘autonomy’, ‘culture’, ‘competence’, etc. In doing this, our participant observations during the interviews and numerous secondary data sources helped us substantially to place specific narratives in wider organizational, social and / or cultural contexts. This led us to identify three content-wise and time-wise distinct episodes of the discursive struggles around the framing of subsidiary initiatives in the case organizations: (1) promoting change and new initiatives by the focal subsidiaries, (2) resisting the proposed initiatives and defending the status quo by the HQs, and (3) settling down with compromises. We have coded each excerpt identified in the data as representing one of the three episodes of the discursive struggle.

The identified narratives / discourses were used to generate interpretive frames concerning the discursive struggle around subsidiaries’ initiatives. These interpretive frames were validated, refuted, or changed through continuous reading and rereading of the data in search of examples, counterexamples, supporting and refuting evidence. We also validated our interpretations as we were progressing with the analysis by feeding our preliminary findings back to our interviewees in the form of company reports. We listed the main findings and asked the interviewees to provide us with feedback on our interpretations. It allowed for fine-tuning and validating our conclusions.

The second stage of analysis focused on the latent content of the data (Berg, 2004; Suddaby & Greenwood, 2005). Here, we were concerned with capturing different aspects of the identified discursive struggles. To do that we engaged with a stream of literature on legitimation (Suddaby & Greenwood, 2005; Vaara et al., 2006; Vaara & Tienari, 2008; Vaara & Monin, 2010), which defines legitimation as a discursive process aimed at “creating a sense of positive, beneficial, ethical, understandable, necessary, or otherwise acceptable action in a specific setting” (Vaara & Tienari, 2008: 986). In our coding we focused on identifying characteristic legitimation strategies that organizational actors in our organizations used in the struggle around the subsidiaries’ initiatives promotion and recognition. In particular, we used the theoretical model of Vaara & Monin (2010) as the basis for our coding distinguishing the following legitimation strategies of initiative promotion and resistance in the data: rationalization, problematization and naturalization. We mapped our data into these strategies. It has to be acknowledged that some excerpts were challenging to code

because they included elements of several legitimation strategies. These cases were discussed among the authors and decided upon collectively.

As we progressed with our analysis and coding, we noticed that oftentimes when discussing a specific organizational situation or problem organizational actors used not only arguments that could be mapped into the legitimation strategies that we chose for coding (for instance, rationalization) but also invoked specific cultural conceptions of themselves and others to promote their views and/or to reject views of others. To deal with this evidence, we turned to studies of cultural stereotyping and national identity (Wodak, De Cillia, Reisigl & Liebhart, 1999; Ailon-Souday & Kunda, 2003). This literature purports the idea that cultural stereotypes and conceptions provide an important set of discursive resources that can be mobilized in various, including organizational, contexts. For instance, it can be used as a means to create or manipulate images of oneself and others as well as particular organizational issues, like framings of subsidiary's initiatives. In this way the importance of these pre-existing cultural conceptions became apparent in the course of our analysis.

### **Two cases of subsidiary initiatives' framing**

The two cases are divided into three phases. Phase #1 covers initial attempts of both subsidiaries to promote their initiatives to get it recognized by the HQ. Then, Phase #2 describes resistance that the new initiatives met at the HQs and delves into HQs' attempts to defend the chosen strategic approaches. Finally, Phase #3 shows how in both cases a sort of precarious compromise was achieved between the HQs and the subsidiaries.

The empirical section is structured so that next we present the case companies and the 'first-order analysis', i.e. how the histories of the companies developed in time. Then, in the section called the 'second order analysis', we go deeper into analyzing strategies that actors in both MNCs mobilized in their struggle over subsidiaries' initiatives' framing. We group these strategies into three main discourses, the interplay of which determined the development of our case companies: autonomy, control and compromise discourses. Table 2 outlines the key characteristics of these discourses and Table 3 summarizes legitimation strategies used within these discourses and provides typical examples of each.

**TABLE 2: Key characteristics of the identified discourses**

	<b>Autonomy discourse</b>	<b>Control discourse</b>	<b>Compromise discourse</b>
<b><i>Views on the MNC</i></b>	The MNC as a decentralized network of equal units; HQ practices extensive delegation and localization to benefit from local experience, knowledge, competences and expertise Local expertise and competences are seen as important	A hierarchical view on the MNC with the HQ occupying the central role and the local subsidiaries acting as dependent and controlled satellites implementing central directives HQ expertise and competences are seen as superior and sufficient	A balanced mix of central control and local discretion aimed at benefiting from both HQ expertise and subsidiary's competences and local knowledge
<b><i>Legitimation strategies and elements</i></b>	Time and necessity aspect References to quantifiable benefits (local knowledge and expertise, costs, local competition) References to cultural characteristics of self and the other Invoking other similar examples	References to past successes References to cultural characteristics of self and the other Appealing to moral reasons References to quantifiable benefits of preserving the status quo (knowledge, experience)	The need to balance between the inputs of HQ and subsidiary Constantly growing local competition Growing importance of local markets in face of decreasing home markets Experienced failures in local activities Learning curve
<b><i>Subjectivity and power implications</i></b>	Challenging the superiority status of HQ Legitimizing a more decentralized MNC structure More discretion and responsibility for subsidiary managers in decision making and resource allocation Equalizing local managers' experiences and competences with those of HQ managers	Preserving the superior position of HQ as status quo Legitimizing HQ control over subsidiary – hierarchical and centralized MNC structure Assigning a lion's share of decision making power to HQ managers Sustaining HQ managers as being more powerful and knowledgeable than their subsidiary colleagues	Assigning more authority to local managers in local matters but keeping the central role of HQ managers in global matters A more equal division of decision making power between HQ and local managers Decisions of HQ concerning local operations are to be debated and not to be taken for granted

**TABLE 3: Legitimation strategies, cultural conceptions and typical examples**

Legitimation strategy type	Case #1: FinFood	Case #2: FinPaper
<b>Problemization</b>	<p><b>Episode #1 examples</b></p> <p>"We need to separate the Russian business into a standalone division. Simply time has come for that....At the level of the Group we for sure need to have a more direct channel of influence simply because of the business scale."</p> <p>"We failed in creating synergies between Petersburg unit and Moscow unit. And here my firm opinion is that the Finns largely delayed this process. If it had been done faster, then it would be easier."</p>	<p><b>Episode #1 examples</b></p> <p>"[W]e try to involve those [Finnish] people to work with us together, to develop the ideas, so that we make them, we ask them to travel down here to meet the potential business partners, to visit the sites and so on, so they have kind of understanding [and are] close to real life."</p> <p>"In FinPaper, for an investment project normally a lot of foreigners will come. They take key positions and somehow they don't know the local situation and local conditions. They still ask local people for support. It would be better to just look for local people to take care of that..."</p>
<b>Rationalization (at subsidiaries)</b>	<p><b>Episode #1 examples</b></p> <p>"Russia has to be separated into a separate structure, there will be fewer expenses and more responsibility and decisions will be made faster."</p> <p>"Now we [the Russian unit] are more competitive than our colleagues in Finland. [In Russia] the situation is quite different, and for them [Finns] it's quite difficult to feel the situation in Russia and to understand that the processes are quicker than in Nordic countries."</p>	<p><b>Episode #1 examples</b></p> <p>"The Chinese run their mills much cheaper. We don't know how. We know that their machinery comes from Company X...But anyway the machinery is about 30% of the cost. That leaves 70% for other things than machinery.. In this we haven't been good enough."</p> <p>"To be efficient, local competences are very important..."</p>
<b>Rationalization (at HQs)</b>	<p><b>Episode #2 examples</b></p> <p>"All Russian managers in these Russian companies are not used to work in matrix system, they are not used to work outside their own units ...and that needs continuous coaching."</p> <p>"[W]e [managers at the HQs] need now to strengthen our steering structure from here [the HQs] because ... Russians are very hierarchical, they want somebody to decide."</p>	<p><b>Episode #2 examples</b></p> <p>"The people that we put in to do these projects, they really have a certain skill, and they have a certain mentality and mindset to do these jobs, and then it becomes even trickier to take in external people into these kinds of teams. They are really a burden."</p> <p>"If you go and do something in area where you have a lot of knowledge and you know completely how to get it done and then you select the team around you that you know that with these five guys we get this done. And then somebody comes to tell you that could you please take these additional five [local] guys to join. It is really a burden. Unfortunately, it is so."</p>
<b>Naturalization</b>	<p><b>Episode #2 examples</b></p> <p>"So what we have said is that we would rather like to embark on a fairly slow acquisition path and put the bakeries in good shape when we acquire them, before we go on acquiring new ones. So from that point of view this is a very conscious way of approaching the market."</p> <p>"[W]hen it comes to managing things in general, I believe that controlling is good. It's not nice, but if you want to achieve something you really have to do the follow-up as well."</p>	<p><b>Episode #2 examples</b></p> <p>"I mean the understanding of the industry and the experience in executing big projects, naturally that is one of our overall main strengths when we go to a new area. And going back in history we have made a lot of big investments."</p> <p>"I would say that we are very good at we are doing. So there is quite a bit of history and tradition... And...we have been able to look at the best practices in all those subsidiaries that we have in different parts of the world and to take the good practices and utilize and share them within the company."</p>

<p><b>Episode #1 examples</b></p> <p>"Firms are very Finnish and that is the problem..."</p> <p>"Firms wait until the very end to make decisions. Even if they have the possibility to make decisions before that, they will not do it. They will still try to gather data and listen to others..."</p> <p><b>Cultural conceptions (at subsidiaries)</b></p>	<p><b>Episode #1 examples</b></p> <p>"Firms are very close to one another in the expatriate community here. Firms are hanging out with the other Finns and they do not seem to be interested in learning from the other cultures. So I think that is just the mindset. I think I see that somehow in the management as well."</p> <p>"[I]n Finland people think selfishly, if people go on holiday, they turn off their work phones, they enjoy holidays. [In China] local employees have shorter holidays for example, and also the key person should be always available over the phone at least when there something urgent happens."</p> <p><b>Episode #2 examples</b></p> <p>"The general director in a Russian company is really the Boss, with a big B. And people need to feel that the Boss is in charge. They feel a little bit insecure if we [Finns] don't know what we want."</p> <p>"I have a feeling often that we agree [with Russians] that we do something but nothing really happens... they say that okay it's good, and they act like they agree with me but then they probably go and start doing things as they always have..."</p> <p><b>Episode #3 examples</b></p> <p>"You cannot ever go to Russia and teach Russians. You have to give them time to learn by themselves and you can give some recommendations and show some examples, but Russian people do not like that somebody comes and says that now stop, you have done everything wrong and start doing like this..."</p> <p>"I think that you really need to be careful to understand that what we've already had in St. Pete we didn't bring there, we had it there when we bought the company, and then Moscow is a different case."</p> <p>"Going back a few years, even with Moscow, we had a great investment case but we did not have real long term business proposal before the acquisition. We write it, I think, as we go and it looks good..."</p> <p><b>Episode #2 examples</b></p> <p>"My sense is that the Chinese people just want to be told what to do and how to do it. And I am not sure whether that's a very good way to run the company, so I think we need to change that."</p> <p>"It's quite typical in China that you easily lose this systematic approach if you have some problem, people start to scream and run and that's the first reaction, and then you really have to calm people down and say this really doesn't help, let's think what to do."</p> <p><b>Episode #3 examples</b></p> <p>"Our Chinese unit has some good aspects: how to manage the project, how to do the project in a very short time. [The HQ of] FinPaper can learn a lot about how to do projects in China."</p> <p>"We must adapt to the Chinese cost level. Our competitors could build paper machine faster and cheaper... It is difficult for a foreign [company] to do this kind of things. To be efficient, local competences are very important."</p> <p>"We are now bringing in the knowledge that we need from our home base and we also have local people here who have the local knowledge. Then it's that kind of target of the organization to get the best out of these two."</p> <p><b>Reconciliation</b></p>
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## ***First order analysis***

### *Case #1: Developing acquisition competence in Russia*

The first case deals with operations of a Finland-based MNC - FinFood - in Russia. FinFood is a family-owned company with 15,000 employees and a strong market position in Northern Europe. The company's operations in Russia started with a highly successful gradual acquisition in St Petersburg in 1997. The Russian subsidiary has later expanded its operations by acquiring two other companies in St Petersburg. Currently, it is the biggest subsidiary of FinFood. The company later extended its Russian operations by acquiring a subsidiary in Moscow. The business has so far developed less successfully in Moscow than in St Petersburg.

The current task for the FinFood's management lies in identifying, nurturing and developing critical resources and competences that could allow the company to meet the challenges that it is facing in Russia. The company needs to identify what competences it requires to succeed in Russia, where these resources and competences reside and who should be delegated or 'empowered' to engage these resources and competences in the company's Russian operations. Historically, the 'weight' of the HQ in deciding how to operate has been very significant and the company has been extensively relying on knowledge and competences of the HQ which were closely associated the owning family management and centered on careful planning and risk minimization. However, as FinFood pursued its acquisition strategy in Russia, further development of resources and competences to integrate newly acquired subsidiaries, especially decision-making and executing aspects of it in the post-acquisition phase, emerged as an important and challenging issue.

Our analysis specifically focuses on the discursive struggle around the overall strategic development of FinFood in Russia and, more specifically, around the role of the local subsidiary in this process. It can be divided into three main phases detailed below.

Phase #1: Taking initiative locally. After FinFood has been operating in Russia for almost 10 years, managers at the Russian subsidiary started to be disappointed with the existing company's situation in Russia, which was described as a 'dead lock' that required radical changes. And managers at the Russian subsidiary put their initiative to the table – to separate the entire business of FinFood in Russia into a stand-alone strategically independent business unit. Russian managers insisted that the HQ had to entrust them by recognizing and relying more on their competences. Precisely that, as the initiative of the Russian subsidiary went, could have been done by integrating the Russian business of the company into one organization with strategic responsibility and authority to make decisions locally. The approach that the HQ management of FinFood 'consciously' relied on during the decade of operating in Russia and which was centered on a 'fairly slow' acquisition strategy built around HQ's competences was seen by Russian managers as one of the reasons behind the company's difficulties in Russia. The decision-making process was too slow and not responsive enough for the dynamic Russian market resulting in missed opportunities for expansion through acquisitions in Russia and slow integration of existing units. The feeling was further exacerbated by recent challenges that the company experienced while integrating the newly acquired unit in Moscow into the FinFood's structure. Russian managers opined that most of these challenges occur precisely because of the slow and heavily controlled integration approach chosen by the HQ in Russia.

Phase #2: Resisting local initiative at the HQ side. When the initiative of the local subsidiary was communicated to the HQ, it was resisted. Historically, a HQ-driven view prevailed at FinFood, according to which the HQ possessed the knowledge and competences in terms of how and by what means to pursue acquisitions in Russia and the 'voiceless' role of local subsidiaries was to accept and implement directives from the HQ side. The perceived competencies of the HQ included careful and skillful planning, risk minimization, and (when needed) decision making competence. As such, this status quo situation embraced the perception that the FinFood's HQ possessed the legitimacy to dispense rules, policies and codified operating procedures thus delegating them to different levels within the MNC. Hence, even despite the fact that the chosen approach of FinFood has been questioned and the new initiative was proposed by managers in the Russian subsidiary, managers at the HQ continuously resisted it. One of the main arguments for preserving the status quo approach in the eyes of the HQ was the perceived need to continuously control the local operations from the HQ side for them to be competitive and profitable.

Phase #3: Searching for the balanced way. However, as time passed by, the local initiative was finding more and more support at the HQ and gradually the attempts of Russian managers to make the local subsidiary's 'voice' heard by promoting the local initiative produced a certain change in attitudes of (at least some) managers at the HQ. The Russian subsidiary and its initiative were recognized to an extent and a certain form of compromise was achieved with several important consequences. First, the perceived need to control started to fade out (become weaker) as control began to be seen by also managers at the HQ as indeed limiting the contribution of local managers' competences thus constraining the overall development of FinFood in Russia. Second, the Russian business of the company was finally separated into a stand-alone division. However, although the decision was formally made, it still took a considerably long time and created additional frustration and ambiguity among local managers.

*Case #2: Developing investment project competence in China*

The second case concerns operations of a Finland-based pulp and paper MNC – FinPaper - in China, the world's fastest developing market in the pulp and paper industry. FinPaper is a European, traditional, line-oriented and hierarchical organization "where everyone knows their position and duties and most people have been doing what they do today for the last ten years." It employs more than 40,000 employees worldwide.

FinPaper is one of the founding members of the Nordic pulp and paper cluster known globally for its technological know-how and high operational standards. The company historically relied on its 'in-house' competences in investment project management to expand internationally. Projects were usually implemented by international project teams located at the HQ with the assistance of European-based consulting companies. Thus, each and every phase of planning and implementing projects was carefully controlled from the HQ. The very same approach was chosen when the company entered China. However, it has been questioned later on by several corporate managers concerned with the profitability of the company's operations in China and by local Chinese managers. The situation ignited a debate concerning ways of conducting investment projects in China.

Our analysis focuses on the initiative that the local Chinese subsidiary came up with concerning how to develop the FinPaper's investment project competence in China and the discursive struggle that it led to.

Phase #1: Taking initiative locally. Similar to the case of FinFood, the first episode of our analysis deals with the initiative undertaken by local managers in the Chinese subsidiary concerning how to improve the overall competence of FinPaper in China. Their idea was to establish a competence center that would function to nurture and develop talented and knowledgeable managers locally. These managers were then to form the managerial base for the FinPaper's operations in China. It would allow the local subsidiary to increase its strategic importance in the eyes of the HQ, at the same time solving the acute problem of FinPaper in China, such as the lack of local responsiveness and expertise in developing investment projects locally. It would allow the company to compete with intensifying local competition through a more efficient and localized decision making.

Phase #2: Resisting local initiative at the HQ side. However, the initiative of the local subsidiary was initially resisted by the HQ on the grounds that the existing company's approach was sufficient and adequate to succeed in China. Being one of the main contributors to the fame of the so-called Nordic cluster in the industry, known for high quality products and cutting edge technologies, FinPaper has placed a lot of confidence on its ability to expand internationally by capitalizing on competences developed by the cluster's members. The company's organizational competences were accumulated and centralized in the hands of a few highly knowledgeable and experienced project teams, primarily located at the HQ side. Local competences were to a large extent ignored because managers at the HQ continued to believe in the key role and competence of these international project teams to be used also in China.

Phase #3: Searching for the balanced way. However, with time the struggle for the subsidiary initiative recognition was reconciled when the FinPaper's HQ ultimately decided to establish a Competence Centre in China to nurture local managerial competence and empower local managers more. The 'Competence Center' narrative became one of the central narratives that managers in China utilized in their struggle for more recognition. As opposed to the previously dominant narrative about the confidence of several top managers that, if need arises, the company could become more efficient and responsive in China based on existing HQ competences, this narrative presented Competence Center as the solution for the future that would optimize the balance between the local subsidiary's recognition and the HQ's 'weight', producing what was often referred to as the 'balanced way'.

## ***Second order analysis***

### *Autonomy discourse: Promoting local subsidiary and its initiative*

#### Legitimation strategies

Our analysis shows that there were two main legitimation strategies through which the initiatives of the local subsidiaries were promoted. They are described in more detail in the following.

Problematization. The first strategy was problematization. In case of FinFood, it was driven by an understanding that change is inevitable, that ‘simply the time has come for that’, and it makes more sense to provide the local subsidiary with more recognition, and in order to do that there is a need “to separate the Russian business into a standalone division... simply because of the business scale”. The current situation of FinFood in Russia was problematized by being described as requiring radical change and HQ managers to “make choices whether they trust... [Russian managers] or not”. There were several concrete arguments that Russian managers invoked in their problematizations. It was claimed that FinFood “failed in creating synergies between Saint-Petersburg and Moscow units” because “the Finns largely delayed this process”. Russian managers also argued that the HQ did not pay sufficient attention to “transfer[ring] the experience of Russian managers and Russian specialists to other units of FinFood in Russia” but instead tried to do that on its own completely. The status quo approach was further problematized by referring to the fact that “FinFood came here [Russia] with the general assumption that they are more efficient than Russians in the day to day business” that led to a situation when “Finns do not always seriously consider the specifics that exists here [Russia]” often relying too extensively on “some external indicators of the market” and “various consulting companies, which more or less lead them to decisions”.

In promoting their initiative to the FinPaper’s HQ, local managers in China also relied on the strategy of problematization. It was used to criticize particular aspects of the existing approach of FinPaper in China. One such aspect was the reliance on expatriate teams located at the HQ, which was the FinPaper’s normal way to conduct projects locally. These project teams were claimed to lack the knowledge of “the local situation and local conditions” that necessitated them to “ask local people for support”. A higher reliance on local managers and local competences embodied in the idea of Competence Center was called for. The second aspect, the general reluctance of corporate managers from the HQ to change the current approach of FinPaper in China and to provide local managers with more recognition, embodied in their mistrust towards local managers, whom “feel that [they] might contribute more but... are not trusted by [Finnish managers]” was highlighted as being problematic for the overall FinPaper’s development in China. Thus, the Competence Center initiative aimed at reorienting the overall approach of FinPaper in China towards a more local competence-based approach. Additionally, local managers tried to challenge the existing approach by telling stories concerning how the future might shape up for FinPaper in China depending on decisions that are made today. For instance, one respondent referred to the current situation at the Chinese market as a “sort of golden chance to do things differently” and to improve the overall company’s situation in China in the future.

Rationalization. The second strategy used by local managers in both case companies was rationalization. At FinFood, it entailed providing rational justifications for separating the Russian business into a separate, independent organization, granting Russian managers more autonomy, trusting their initiatives and competences, and recognizing their input into strategic decision-making. One of these rational justifications for recognizing the local initiative was time and cost efficiency. A separation of the Russian division was viewed as resulting in “fewer expenses... and decisions ... [being] made faster”. Further, by empowering the local subsidiary, FinFood was to advance its competence in Russia by gaining access to knowledge about the situation at the local market that Russian managers have. It was seen as rationally well justified simply because for “them [Finns] it’s quite difficult to feel the situation in Russia”.

Similarly, local managers in China also promoted their initiative by rationalization strategy. The adequacy of excessive means of control imposed on the local subsidiary, stemming from perceptions of superiority and sufficiency of HQ competences, was questioned using rational arguments. For example, the ability of local Chinese competitors “to run their mills much cheaper” or to be more flexible and quicker in decision-making raised certain doubts whether the existing control approach rooted in the company’s HQ-based engineers’ “tendency for ‘golden machines’..., [their] want to make the best machines possible” was the most appropriate for the Chinese context and whether what used to be the core competence of FinPaper became its core rigidity, so that the company’s “steps [at the Chinese market] are so slow that competitors steal [the FinPaper managers’] ideas.”

#### Underlying cultural conceptions

Importantly, underlying the legitimation strategies, a set of pre-existing cultural conceptions was also utilized by local managers to promote their subsidiaries’ initiatives. At FinFood, some Russian respondents referred to ‘the Nordic culture’ as one of the main reasons why Finnish companies are not able to realize their full potential in the local market of Russia. One of the problems that FinFood was facing in Russia was referred to as “Finns are very Finnish,” implying the lack of courage and initiative to seize opportunities “in a big world around” that ultimately leads to “a lot of missed opportunities”. Finnish managers were depicted as incompetent to adequately respond to demands imposed by the dynamic business environment in Russia. In general, one of the most prominently present cultural conception among Russian managers about Finns was that “Finnish guys are slow guys... [a]ll business [that] they do, they also make too slowly...” and it is “very difficult to encourage them to do big things, i.e. to take risks”. Consider the following description from a Russian respondent describing the ‘Finnish way’ to do business:

Sometimes I can compare Finns with a bee. If you put a bee in the same situation, you know it is considered to be much more intelligent (laughs), it flies only in this direction and then, after dozens of attempts, it just falls down and dies. So this is the way I see that people in the West often are operating.

Finnish managers were perceived as ethnocentric in their behavior in Russia, lacking the desire to recognize local knowledge and to learn from their Russian colleagues and exhibiting “a desire to show... how they work and to [make Russian managers] start working the same way” instead.

Similarly, at FinPaper, the Finnish culture and Finnish people were described by our Chinese respondents as being too result- and fact-oriented, incompetent in people management and personal relations, which are seen as crucial and absolutely necessary to succeed in China, so that “a failure in any of these skills [can] destroy the whole project in China”. At the same time, while the Western (including Finnish) systematic way to handle business issues was appreciated by Chinese managers, when implemented in China, it was perceived as poorly applicable to the dynamic Chinese environment. The Finnish management was described as a slow decision making entity that ‘researches projects to death’ slowing down the development of company’s operations in China. Some Chinese respondents argued that Finnish managers need to learn how to deal with local employees to uncover their full potential and to make quicker and more efficient decisions aimed at capturing ample – but constantly shrinking due to fierce competition – opportunities of the Chinese market:

Sometimes... they [Finns] get stuck with... small issues, somebody might bring those and take them up and then there are long discussions and [it becomes] very difficult to continue...

Interestingly, some of our interviewees among Chinese managers also pointed to a certain level of resistance of Finnish expatriates to learn from other cultures including the Chinese one so that Finnish managers preferred to “hang out with other Finns and not to be interested in learning from other cultures”. Another example indicating that Finnish managers are too ethnocentric was provided by one of our interviewees who described the company’s top management group as ‘a small Finnish club’ with a very Nordic mindset. FinPaper was portrayed as “not a global company by any means... [but] a local company with a global name... export[ing] Finnish practices around the world”.

Thus, the analysis shows that there were relatively strong and similar cultural conceptions held by our local respondents in Russia and China concerning their Finnish colleagues. And these were used as an important means to promote the local initiatives in the two case companies. But as the next section shows managers at the HQ were far from ready to accept it.

*Control discourse: Resisting the local initiative*

#### Legitimation strategies

Two main legitimation strategies were used by Finnish managers at the two HQs to resist the subsidiary’s initiative as the following illustrates.

Naturalization. The first one was naturalization. Over the years, at FinFood, the existing status quo approach has been legitimized and naturalized within the company. It was rooted in a relatively successful history of operations, both domestically and internationally, that the company has had over the years during which “FinFood has always stuck to its core competence [of being] a family company with a brand and no huge ambitions to experiment and to go into different directions”. In this light then it was perceived as natural that the HQ has quite heavy ‘weight’ in deciding how to operate in Russia. When operating in Russia the status quo situation was further legitimated by promoting and reproducing perceptions of HQ’s competences as being sufficient to run the company’s Russian operations as well in the future. To ensure the subsidiary’s compliance and commitment to the current approach, managers at the HQ

referred to the fact that the current status quo approach is “a very conscious way of approaching the market... [by] embark[ing] on a fairly slow acquisition path”. There were narratives about the future used by managers at the HQ to legitimate existing competences of the HQ as adequate to outperform local competitors in Russia, where “it will take some time before competitors will catch up with FinFood in Russia..., [which is] a year or two ahead.”

The initiative of the local subsidiary was also initially resisted by the FinPaper’s HQ and the strategy of naturalization was mobilized by HQ managers to defend the company’s current approach in China built around HQ-based competences. Anchoring this approach in the company’s long and successful operating history and the high reputation for its technological excellence and product quality, the HQ had a very strong case to present the current status quo situation as being natural. The existing ‘in-house’ competences of the company were seen at the HQ as being state-of-the-art: “Maybe I am biased but I would say that the level of the Finnish know-how... has been superior.” Here is another typical example:

I mean the understanding of the industry and the experience in executing big projects, naturally that is one of our overall main strengths when we go to a new area. And going back in history we have made a lot of big investments.

The possession of these competences differentiated, in the eyes of HQ managers, FinPaper from its competitors in China, giving it a competitive edge of having “the European fine-tuned mode of operation and thinking, something that ... competitors do not have”. Project teams that embodied these competences were primarily located at the HQ side and were seen as including highly knowledgeable and experienced people, whom “have been there [meeting new market places and new cultures] before”.

Rationalization. Further, managers at the two HQ have persistently prolonged their attempts to legitimize the lack of attention to the local subsidiaries’ initiatives by using rational arguments. At FinFood, an important rationale for not paying or hesitating to pay sufficient attention to the local initiative in the eyes of the HQ was the perceived need to continuously control the local operations from the HQ side. It was supported by arguments about the inexperience of “all Russian managers in these Russian companies... to work in a matrix system” implemented at the HQ and transferred to the local subsidiary. This perception manifested the commonly-held view at the HQ that the local subsidiary “needs continuous coaching”. Another example of how the rationalization strategy was used to legitimize control and to ‘silence’ the local ‘voice’ involved a claim by HQ managers that subsidiary managers lacked efficient decision making competence due to the historically constituted hierarchical structure of the local organization, where “[Russian managers] want somebody to decide”. Even though control in general was seen at the HQ as ‘not nice’, it was perceived as necessary and rationally justified to ensure that HQ directives were followed in the best possible way.

The rationalization strategy of legitimation was also used by HQ managers at FinPaper to justify the need for imposing control and keeping the HQ’s strategic ‘weight’ significant in China. For instance, the lack of familiarity among Chinese managers with decision-making and reporting practices of Western MNCs, “which is quite easy to manage in the Western world... [but] is not the case in China”, was used to justify the need for control and monitoring. Granting Chinese managers more recognition and thus assigning a more active role in strategy formulation and implementation was resisted by HQ managers who argued that it will make leveraging existing competences

of the company in China (which were seen as solely HQ-based) less efficient and more difficult.

The people that we put in to do these projects, they really have a certain skill, and they have a certain mentality and mindset to do these jobs, and then it becomes even trickier to take in external people into these kinds of teams. They are really a burden.

Thus, by using rational arguments managers at the HQ strived at promoting their competences as constituting the competences of FinPaper in China.

### Underlying cultural conceptions

A number of pre-existing cultural conceptions were also utilized by our Finnish respondents at the two HQs to legitimate HQ control and to resist the initiatives. So, at FinFood, our Finnish respondents did not see their Russian colleagues as being very well versed in Western business practices which in turn were perceived as constituting the core of successful business activities globally. These competences were strategic planning and operational decision making. For Finnish managers it signified the backwardness and localness of their Russian counterparts, whom instead were seen as overly relying on emotions and feelings in their actions and decisions and often being too far off from reality. These perceptions then contributed to the proliferation of another conception that “Russians are not reliable, that they are dishonest, [and] that you can’t really trust them”. Russian managers were not seen as trustworthy and this untrustworthiness was then often referred to by Finnish managers while discussing daily business activities at FinFood: “I don't see that as important to hold to the statistics in the reports that Russians send to Finland, because I don't really trust them.”

It should be emphasized that it is precisely because the referred managers were from Russia on a generic level that Finnish managers did not trust them. There were no trust problems or reasons to be suspicious towards some managers in or from Russia individually. We did not find any instances in our data where Finnish respondents were expressing their mistrust towards a particular manager. And it allows us to say that these views of Finnish managers were based on their underlying cultural conceptions about people in Russia in general. Often, a lack of trust was blamed on institutional and cultural factors, like cultural norms, that make Russian managers behave the way they do. Consider a quote in which a top manager at the HQ talks about the role of oral agreements in Russia juxtaposing it with how different it is in Finland:

An oral agreement...does not mean anything, I mean you can agree face to face about certain things but tomorrow you know the counterparty will completely disagree and say that basically yesterday it rained but today the sun is shining, so the times have changed. So that is the complexity that you do not have in Finland ... you have much more flexibility of interpretation in [Russian culture].

In addition to the conceptions about the trustworthiness of Russians, there was a belief among Finnish managers that managing Russian employees requires strong authority and hierarchy, because Russian employees have “a big expectation that there is a certain person who has the responsibility and makes the decision”. This view was often somewhat implicitly referred to by our respondents from the HQ to justify those instances when the initiative of the local subsidiary was not fully heard in deciding on strategic issues related to the Russian market. Referring to the quotes above, in this

way, the HQ tried to take on the role of ‘a director who is giving the orders and giving the tasks’ to the local subsidiary.

Finnish managers at FinPaper also relied on cultural conceptions in resisting the initiatives. They described their Chinese colleagues as being incompetent to make decisions in a systematic Western way and relying instead on networking and making “decisions... mainly based on your own feeling”. The Chinese culture in general was depicted as archaic, tradition-driven, and relying too much on feelings and a common sense, that clearly contradicted the established ways of dealing with business situations in Finland and in Finnish companies. Chinese managers were described by Finnish respondents as being too much risk-taking and overly opportunistic. Finnish respondents stated that “they [Chinese] don’t calculate any return on capital... [and] don’t even know what it means, [so that] it is only the cash that matters”. Therefore, it was portrayed as being too-risky to assign significant responsibility to local managers. Also, Chinese managers were perceived as lacking motivation to take initiatives, who “just want to be told what to do and how to do it”, with implications for their ability to make work independently, which was seen as one of the consequences of their cultural background. Furthermore, some Finnish managers stated that their Chinese colleagues are not well-versed in systematic approaches ‘to do things’ and therefore need to be constantly monitored and assisted by the HQ or expatriates from the HQ in cases of panic and helplessness when “people start to scream and run... and ... you really have to calm people down and say ... let’s think what to do”.

Hence, by describing their Chinese colleagues as possessing certain culturally-embedded traits but crucially lacking in those traits which are considered to be ‘a must’ in Finland, by viewing them as representatives of a tradition-driven and common sense-based culture, Finnish managers strived at explaining the lack of strategic recognition of the local subsidiary’s initiative and the heavy ‘weight’ of the HQ in deciding how to operate in China.

#### *Compromise discourse: In search of balanced way*

In both case companies the discursive struggles described above resulted in compromises between the two parties, however of rather precarious nature. It signified the likely possibility that the identified struggles are not finite but will be continuous and ongoing. In case of FinFood, the Russian business was in fact separated into a standalone division. However, the resulting division of responsibilities between the HQ and the local subsidiary were still seen as unbalanced considering the strategic importance of the Russian subsidiary for the entire business of FinFood in terms of profitability (i.e. as one of the most profitable divisions of the company) and future prospects (i.e. the vast size of the Russian market). In fact, one of the top managers at the HQ described Russia as “the main source of growth and importance of investments” for FinFood.

In this light, the separation of the Russian business was perceived by local managers with reserved optimism because a top manager from the Finnish HQ was appointed to head it, implying a continuation of active guidance and control from the HQ side. To justify this decision (as quote below illustrates), the HQ stressed that one of the key reasons for slow development of business in Russia was the fact that, to a large extent, the Russian side was poorly controlled by the HQ, while, as our analysis shows, on the

contrary, Russian managers considered the existing means of control as limiting and downgrading initiatives of the subsidiary.

I think the root cause of this has been that the strategy [of FinFood] in Russia has not been clearly enough defined. I mean there is no mystery in that... and... the management model of the Russian [subsidiary] was very... arms' length and hands off, so Russians did whatever they want or basically implemented their own points of view... but it was not really led, managed by top division management in a proper way.

Another instance indicating the persistent lack of strategic recognition of the Russian subsidiary by the HQ was how the HQ handled the aforementioned acquisition in Moscow undertaken several years later after a very successful acquisition in St Petersburg. Despite the fact that the HQ management clearly understood the crucial role that the local management played in implementing the deal in St Petersburg, the experience of local managers in St Petersburg was not utilized in Moscow (until late in the process when challenges became critical) when integrating the newly acquired company in Moscow.

[W]e did not have the mindset, people and the competences in Saint-Petersburg, because it was not their task, they were not incentivized, I mean there was this notion that yes, we want to maintain and become number one [in our area] in Russia but... to expand and go to Moscow and ... other places... we did not have the organization nor the platform really to build on, we did not have the resources to extract to do this, so we are doing it on hobby basis, also we did not have the mindset...

As the quote above illustrates, the top management of FinFood had a lot of means to justify the lack of empowerment of the local Russian subsidiary despite of the acknowledgment (by the same respondent) that “the team in Russia knows what is going on in the Russian market”. All in all, it illustrates that the compromise that both sides settled at by the time our data collection finished was a precarious one.

In a similar fashion, with time HQ managers at FinPaper also started to pay more attention to the fact that their Chinese competitors were able to operate in a much cheaper and a more efficient way in China, and that “somehow we [the HQ] have to balance between control and speed”, which was recognized to constitute “a big challenge”. Some managers at the HQ came to realize that existing project management competence of the company was not sufficient to operate in China and a new set of competences is needed to be developed and employed. Some voices were raised to argue for the necessity to provide local managers in China with more recognition and responsibility. Although in the beginning local competences were only partially appreciated by managers from the HQ, gradually they started to be viewed as valuable and important for the Chinese context, so that “to be efficient, local competences are very important”.

Indeed, the HQ realized that local managers in China could contribute substantially to the corporate pool of knowledge and competences. They started to be seen as the main building blocks of the company's competence in China producing a new guideline for Chinese operations stating that “the more we can grow local talent the better”. Hence, the HQ decided to establish the Competence Center in China to nurture local managerial competence and provide local managers with more recognition thus optimizing the balance between the local subsidiary's discretion and the HQ's influence, what was often referred to by different interviewees as the ‘balanced way’.

However, similar to the case of FinFood, the process of arriving at the ‘balanced way’ was long and challenging. Despite of the HQ’s recognition that the Chinese market is one of the most strategically important for the company, the process of developing the company’s business in China was and remained slow. That’s how one of the top managers in the Chinese subsidiary expressed his frustration concerning the situation where the HQ lacks initiative and at the same time does not ‘empower’ the local Chinese subsidiary:

You know what has been lacking...? FinPaper has publicly said many times that we have the strategy defined [for China], where we want to focus on, and bla, bla... but we haven’t taken the next step...

The need for the HQ to recognize local subsidiary’s initiatives has been raised by local managers in China for a substantial period of time, because it was argued that “it is too much to ask a business area leader in Europe, who has been working there twenty years, to judge on what’s happening in China”:

That is why I said that people [at the HQ] may not have the right understanding of the situation over here in terms of investments effectiveness, in terms of, you know, how to develop a business case... out of the opportunities we have... Using the same business logics that we’ve used during last 20, 30 years in Europe in forest industry, we may not be able to develop any business in China.

However, often these pleas were not heard at the HQ, which is indicated by the fact that even despite the launch of the Competence Center, one of the biggest problems of FinPaper in China was retention of the local talent. Feeling not empowered and not foreseeing many development opportunities in the company, where most of top management positions, even in the local subsidiary, are occupied by expatriates, local specialists were leaving the company being attracted by more dynamic and faster-paced competitors.

To be honest...now my personal feeling is that we can’t say that FinPaper is very successful in China...During the recent three years...several key persons have already left...They are thinking that there is no development opportunities, like in the mill...e.g. expatriates are always the manager. Then some local managers maybe already have been doing what they do for ten years...it may become boring.

Hence, similar to the case of FinFood in Russia, the achieved compromise was a precarious one providing certain indications that the discursive struggle around the subsidiary recognition will continue.

## **Discussion**

The analysis examined two processes which resulted in partial strategic recognitions of local subsidiaries’ initiatives by the HQs of two Finland-based MNCs developing operations in important emerging markets of Russia and China. As the analysis showed, at the first glance, the examined struggles concerning how to operate in local markets in the aftermath of strategic initiatives of the local subsidiaries were about organizational actors drawing on a number of more or less explicit legitimation strategies. The actors at the subsidiary level utilized these strategies to promote their initiatives, whereas the actors at both HQs used them to resist the initiatives and to

push forward existing strategic approaches built on the assumption that HQ competences and experiences are superior and state-of-the-art.

As a result, the local subsidiaries' initiatives were not recognized despite of the fact that both companies have recognized publicly (for instance, through their annual reports directed at the companies' stakeholders where the markets of Russia and China occupied very significant shares of the total space, thus presumably reflecting the perceptions of individuals at the top [e.g., D'Aveni and MacMillan, 1990; Bouquet and Birkinshaw, 2008b]) the strategic importance of the local subsidiaries and the strategic significance of the local markets. And despite of the fact that both subsidiaries occupied relatively strong power and bargaining positions within the MNCs' networks, i.e. both possessed strong 'weight' (e.g. Bouquet and Birkinshaw, 2008b): the Russian subsidiary was the largest and most profitable one within FinFood and the Chinese subsidiary was the fastest growing one within FinPaper. However, despite this public recognition and active attempts of the local subsidiaries to be heard, the local subsidiaries' initiatives examined in this study were largely not listened to and ignored. To find a compromise was challenging for the HQ and the subsidiaries.

Complementing these more explicit aspects of the struggle and partially explaining why in both cases the process of subsidiaries' initiatives recognition was challenging, our analysis also showed how in both organizations the sets of pre-existing cultural conceptions were relied on by organizational actors when framing their ideas on whether or not the local subsidiaries' initiatives need to be recognized. These conceptions were widely used by actors at both HQs and subsidiaries and doubtlessly, at least to some extent, affected how the examined struggles (re)produced specific balances between the HQs' influence and the subsidiaries' discretion in both cases as well as the subjectivities of organizational actors vis-à-vis each other.

The analysis shows that the role of cultural conceptions needs to be paid attention to when analyzing HQ-subsidiary relations in the MNC. As such, cultural conceptions, as discursive sensemaking resources, are closely intertwined with power considerations and political interests of actors in the MNC. They represent sensemaking discursive resources rooted in the institutional and cultural contexts of home and host environments, within which the MNC is embedded in. Unfortunately, until now influences of national cultural conceptions on organizational processes within the MNC as well as on subjectivities of involved actors remain somewhat overlooked in international management literature. To raise interest in this, no doubt, very important topic, our analysis shows that cultural conceptions that organizational actors possess of themselves and others have important implications for how actors' ideas concerning subsidiary initiatives and HQ control are framed.

In terms of cross-case comparison, the two cases yielded similar findings despite their differences in terms of contexts, industries, operational histories and modes. Only some differences could be discerned. First, the identified underlying cultural conceptions concerning each other were seemingly more salient and widespread in managerial sensemaking of Finnish and Russian managers than of Finnish and Chinese managers. It can be explained by closer geographic and psychic distances between Russia and Finland and the shared and eventful history between the two neighboring countries. In contrast, whereas prominent cultural conceptions were also present in the case of FinFood, they were not as salient.

Second, there were slight differences, which were rooted in the nature of the companies' industries, in how the two HQs utilized the 'globalization' discourse (see Becker-Ritterspach & Dörrenbächer, 2009). FinFood could draw on its fame as one of the founding members of the globally known Nordic cluster in its industry, whereas FinPaper, due to the local nature of its business, could only refer to the past managerial successes of its founding family owners. Obviously, the two justifications of the HQ control had very different 'weight' in the eyes of the subsidiaries' managers: the FinFood's family ownership was openly questioned and criticized by Russian managers, whereas the FinPaper's fame was more or less accepted in China. The FinPaper HQ's inclination to develop 'golden machines' was questioned instead.

Finally, the last difference between the case companies that has been theorized in the literature (see Gammelgaard, 2009) concerned the fact that FinPaper's subsidiary in China was led by a Finnish expatriate, whereas the Russian business of FinFood was until recently headed by a local owner. The presence of a Finnish executive may have to some extent smoothed out the legitimation struggles between the HQ and subsidiary in FinPaper. HQ-raised executives are more familiar with reporting standards, values and expectations of their HQ and can cater better to them thus increasing the subsidiary's chances to be noticed and recognized by their HQ.

Despite of these differences, the two cases yielded very similar findings thus allowing us to assume that the identified legitimation strategies and the reliance on cultural conceptions employed by actors in their discursive struggles over subsidiary initiatives recognition may be at least to some extent generic and extendable to other cases and contexts.

## **Conclusion**

There is a paucity of knowledge concerning the socio-political aspects and dynamics of how a subsidiary's initiative is framed, negotiated and made sense of in the MNC: that is how specific views on such initiatives are promoted and resisted. To partially fill this gap, we have adopted a discursive perspective to uncover the micro-level discursive processes and struggles around such initiatives' framings that easily pass unnoticed with more conventional analysis. Our analysis demonstrates that the process of subsidiary initiative recognition is a socially negotiated process in which discursive framings play a crucial role.

Our analysis highlights several features of discursive struggles that are likely to characterize sensemaking and legitimation in MNCs also more generally. First, negotiations around subsidiary initiatives recognition relate to control-autonomy dynamics in MNCs. So that the classical tension between HQs' tendency to exercise control and subsidiaries' inclination to maintain autonomy (Bouquet & Birkinshaw, 2008; Edwards, Ahmad & Moss, 2002; Mudambi & Navarra, 2004; O'Donnell, 2000) is often reflected and played out through discussions and organizational politics around subsidiary initiatives.

Second, our analysis also shows that there is an inter-national cultural struggle that underlies sensemaking around subsidiary strategic recognition in MNCs. Cultural conceptions play a crucial, although not always very explicit and thus openly acknowledged, role in the discursive struggle around subsidiary initiatives recognition (Wodak et al., 1999; Ailon-Souday & Kunda, 2003). By invoking various cultural

conceptions that are then linked to notions of competence and expertise, as if representatives of some national cultures were more 'equipped' for possessing specific organizational competences and expertise than others, organizational actors aim at constructing and promoting particular views on how subsidiary initiatives are to be treated in the MNC.

Thus, altogether our analysis shows that whether a subsidiary's initiative within the MNC gets recognized or not is to a large extent related to existing cultural conceptions and cognitive frameworks of involved managers as well as institutional discourses available to them. It resonates with other studies that claim that different processes in the MNC, such as e.g. transfer of knowledge between HQ and subsidiary, represent an expression of geopolitical power relations – often grounded in a distinction between so called 'developed world' and 'developing world' cultures and differences between them - between those who export management knowledge (usually HQ – the core) and those who adopt it (usually subsidiary – the periphery) (Ailon, 2008; Frenkel, 2008).

We believe that this analysis makes contributions to two literatures. First, it complements extant literature on subsidiary initiative taking in the MNC (e.g. Birkinshaw & Hood, 1998; Bouquet and Birkinshaw, 2008a, 2008; Ambos et al., 2010) by going beyond structural explanations of the development of HQ-subsidiary relations and delving deeper into specific legitimation strategies that organizational actors in subsidiaries and HQs embark on to negotiate over whether or not subsidiaries possess valuable competences, resources, and knowledge and thus their initiatives need to be listened to and heard. Although the legitimation strategies that we identified have been already examined in other contexts, our study contributes specifically to the literature on legitimation in MNCs by showing how, going beyond often more ceremonial discussions and negotiations between organizational actors concerning how HQ-subsidiary relations are to be built, the more subtle and less explicit cultural conceptions of self and others are used to render a certain framing of subsidiary initiative as legitimate or not.

By doing so, we advance further our understanding of the MNC as a discursive and complex organization where legitimation plays a central role. There are studies that have taken up discursive aspects in and around MNCs (Balogun et al., 2011; Brannen, 2004; Geppert, 2003; Geppert, Williams & Matten, 2003; Holden, 2001; Vaara & Tienari, 2008), but such analyses have remained scarce. This is a deficiency per se, but particularly unfortunate given the importance of more critical analyses of politics and power in MNCs (e.g. Dörrenbächer & Geppert, 2006; Geppert and Dörrenbächer, 2014; Kostova et al., 2008; Kristensen & Zeitlin, 2005). We believe that our discursive view on MNCs also complements existing institutional analyses of MNCs by highlighting the importance of social construction of key MNC properties, such as subsidiary initiative and HQ control / attention (Kostova & Zaheer, 1999; Kostova & Roth, 2002).

Second, this analysis also contributes to studies focusing on nationalism and cultural stereotypes in MNCs (Ailon-Souday & Kunda, 2003). It adds an extra piece into the puzzle of the use of cultural conceptions as potent discursive resources in MNCs and organizations in general. It shows that cultural conceptions can be and are used by organizational actors strategically to legitimate or de-legitimate organizational processes and activities, such as subsidiary initiative taking, with power and political implications for the MNC, such as the realized distribution of responsibility and

resources between HQ and subsidiaries, as well as implications for subjectivities of MNC managers vis-à-vis each other.

Thus, in our view, it is useful to go beyond traditional theorizations of 'cultural differences' (Hofstede, 1980) in analyses of MNC sensemaking and legitimation. Such theorizations of 'culture' and 'cultural differences' tend to provide a convenient abstraction - a black box - into which organizational challenges and confrontations that arise within the MNC can be placed (see McSweeney, 2002; Ailon, 2008; Vaara et al., in press). By doing so these theorizations construct a narrative that constitutes these very cultural differences and gives them seemingly scientific legitimacy (Frenkel, 2008). However, often they do not offer adequate explanations for how a particular organizational phenomenon, including that of subsidiary initiative recognition, develops and comes into being. One approach is to focus on the cognitive and discursive processes through which HQ control, subsidiary initiative and other strategic issues are made sense of, framed, and ultimately legitimated or de-legitimated. This allows one to observe and analyze how exactly national cultural categories, conceptions, and national interests filter and pervade organizational sensemaking and legitimation struggles.

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**APPENDIX 2 ESSAY #2****ON THE PERFORMATIVE EFFECTS OF CULTURAL STEREOTYPING IN THE MULTINATIONAL CORPORATION**

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*Under review in Organization Studies*

**Abstract**

This paper attempts to complement existing research on power and politics in multinational corporations (MNC) by focusing on the central role of national cultural stereotypes in MNC decision-making. In particular, we advance the notion of ‘stereotyping’ as an important micro-political activity in managerial sensemaking within MNCs. Our in-depth analysis of an acquisition and greenfield operation of Finland-based MNCs in Russia shows that stereotyping has cognitive effects in the form of myopic vision that prevents managers from being mindful of alternative solutions to organizational issues. The analysis also demonstrates that stereotypical ideas concerning ‘the other’ are conducive to mistrust that inevitably harms relationships within the MNC. Furthermore, and most importantly, it elucidates how stereotyping produces superiority and inferiority positions among actors in MNCs with long-term power implications.

**Keywords:** Cultural stereotypes, cultural stereotyping, discursive sensemaking, multinational corporation, performative effects

**Introduction**

Multinational corporations (MNCs) are complex organizational entities characterized by multifaceted internal political processes and power constellations (e.g. Dörrenbacher & Geppert, 2011; Geppert & Dörrenbacher, 2014; Kostova, Roth & Dacin, 2008; Mudambi & Navarra, 2004). Nevertheless, micro-political activities within MNCs have remained relatively poorly understood (Dörrenbacher & Geppert, 2006; Geppert & Dörrenbacher, 2014; Kristensen & Zeitlin, 2005). In particular, more research is needed to increase our understanding of the political aspects of managerial sensemaking (Clark & Geppert, 2011; Geppert, 2003). In this paper, we wish to contribute to this stream of literature by examining the role of cultural stereotyping in managerial sensemaking and its implications for power and politics in the MNC. We focus on cultural stereotyping because spanning geographic, cultural and linguistic borders in MNCs involves making sense of cultures and differences (Berry, Guillen & Zhou, 2010; Kirkman, Lowe & Gibson, 2006; Shenkar, 2012, Tung, 2008). The focus of this sensemaking is often on relatively persistent differences in beliefs, values or practices at the national and/or organizational level (Lyles & Salk, 1996; Reus & Lamont, 2009; Thomas & Au, 2002). These cultural conceptions are, however, not neutral representations of difference, but bring with them all kinds of assumptions with various kinds of power implications (Ailon-Souday & Kunda, 2003; Vaara & Tienari, 2007). Furthermore, these conceptions can be used in a variety of ways in sensemaking

processes, at times even as political tools. It is these aspects of managerial sensemaking that we focus on in our paper.

To elucidate the ways in which cultural stereotypes are used in managerial sensemaking in MNCs, we pursue a discursive sensemaking approach. Sensemaking can in general be seen as the process in which actors construct their reality in action (Weick, 1995), and discursive sensemaking focuses attention on the role of language and discourses in this sensemaking (Clark & Geppert, 2011; Geppert, 2003; Vaara & Tienari, 2011). As such, stereotypes have been examined extensively in social psychology (Allport, 1954; Bodenhausen, 2005; Macrae & Bodenhausen, 2000) and to a rather limited extent in management literature (e.g., Ailon-Souday & Kunda, 2003; Moeran, 2005; Vaara & Tienari, 2007). Yet the focus in these studies has so far been on stereotypes per se, and not on stereotyping as a micro-political activity that may play an important role in managerial sensemaking in MNCs. In particular, there is a paucity of knowledge concerning the performative effects of stereotyping, that is the organizational implications of an ongoing use of national cultural stereotypes. Hence, the purpose of this paper is to elucidate the performative effects of cultural stereotyping in managerial sensemaking within MNCs.

Our analysis is based on an extensive in-depth analysis of two Finland-based MNCs operating in Russia. As a result of this analysis, we identify and elaborate on three distinct effects of cultural stereotyping. First, our analysis shows how stereotyping has cognitive effects in the form of myopic vision that prevents managers from being mindful of alternative solutions to organizational issues. Second, the analysis illustrates that stereotypical ideas concerning 'the other' are conducive to mistrust that inevitably harms relationships and interaction within the organization. Third, it demonstrates how stereotyping produces superiority and inferiority subject positions in managerial sensemaking. Finally, we also explain how managers and organizational members may cope with and reflect upon such stereotyping for example with organized cultural learning efforts.

This analysis demonstrates the importance of cultural stereotyping as a micro-political activity for managerial sensemaking in the MNC that is used by organizational actors to construct their organizational reality. More specifically, the analysis helps to better understand how 'cultural differences' are made sense of in MNCs and elucidates the performative effects that stereotyping tends to result in. By emphasizing the role of mindfulness, our analysis also helps to understand how such effects may be dealt with.

## **A discursive sensemaking perspective on cultural stereotyping in the MNC**

### ***Conventional view on national cultural differences in the MNC***

Following the publication of *Culture's Consequences*, the seminal work by Hofstede (1980) that described culture as a collective programming of the mind' shaping people's behavior from the inside out, we have seen a proliferation of research on cultural differences in international management (Berry et al., 2010; Kirkman et al., 2006; Shenkar, 2012; Tung, 2008). An essential part of this rich literature has been to view 'cultural differences' as a source of conflict, frictions, and misunderstandings in organizations (Lyles & Salk, 1996; Reus & Lamont, 2009; Thomas & Au, 2002). While this stream of research has provided important insights and clarified the role of beliefs, values and practices in international operations and within MNCs, the conventional

approach have also been criticized because it does not seem to be able to capture the multifaceted and dynamic aspects of cultural differences (Harzing, 2003; McSweeney, 2002; Shenkar, 2012). Thus, new conceptualizations and methods have been suggested and developed in this body of literature (Berry et al., 2010; Shenkar, 2012).

In particular, a stream of research has provided an alternative view that is based on a social constructionist understanding of cultural differences (Brannen, 2004; Söderberg & Holden, 2002). From this perspective, cultural differences are socially constructed and (re)produced by organizational actors who simultaneously define their self-identity vis-à-vis the 'other' (Ailon-Souday & Kunda, 2003; Barinaga, 2007). According to this view, culture is an ongoing interpretation process rather than a stable embodiment of values and norms. Instead of being a system of form and substance, it is made up of relations (Sackmann, 1997; Söderberg & Holden, 2002). Our focus on stereotypes is in line with this view, but rather than examining cultural constructions per se, our intention is to elucidate the role of cultural stereotyping as an inherent part of managerial sensemaking in MNCs with specific performative effects.

### ***National cultural stereotyping in the MNC***

Stereotypes related to age, ethnicity, race, culture, nationhood, or gender have received considerable interest in the field of social psychology and social cognition (Allport, 1954; Bodenhausen, 2005; Macrae & Bodenhausen, 2000). Stereotypes are used because people's evaluations, impressions, and attitudes are shaped and guided by their knowledge and pre-existing beliefs about the social world around them (Fiske & Neuberg, 1990; Macrae & Bodenhausen, 2000; Macrae & Bodenhausen, 2001). Rather than viewing others on the basis of their unique individual characteristics, people rely on stereotypical conceptions, which are biased leading to category accentuation, that is the exaggeration of real group differences (Tajfel, 1969; Turner, 1985), and related illusory correlation, that is the misperception of group differences that do not exist (Hamilton, 1981; Hamilton & Gifford, 1976).

Culture and stereotypes are closely related to each other: If culture is to be characterized as a set of meanings and practices that are shared among members of a cultural group (Triandis, 1996; Triandis & Wasti, 2008), then stereotypes can be seen as a means by which knowledge about social groups is (re)produced and shared among members of a culture (Lyons & Kashima, 2001; Williams & Spencer-Rodgers, 2010). Some researchers even go as far as to suggest that stereotypes constitute a 'common ground' that people can agree upon when discussing a third party and, just like culture itself, serve to both demarcate ingroup boundaries and facilitate interpersonal relations (Castelli, Pavan, Ferrari & Kashima, 2009; Clark & Kashima, 2007).

In this paper, we pursue a discursive sensemaking approach, which emphasizes the crucial role of language in and around stereotypes and stereotyping. According to this view, stereotypes are always constructed on the basis of existing discursive resources, that is stereotyping in a specific context is based on the mobilization of often widely held conceptions (Bhabha, 1999; Billig, 1995; Wodak et al., 1999). Whereas the ideas around cultural stereotypes are usually rooted in the historical relationship between nations, the actual stereotypes tend to be generalizations that to various degrees reflect simplistic conceptions of national cultures and the differences at hand (Wodak et al., 1999). The process of stereotyping may involve what Billig (1995) has famously called 'banal nationalism': taken-for-granted views about specific nations and their

representatives constructed and reproduced in everyday life. However, at the same time people may also use existing stereotypes in creative ways through particular discursive strategies to further their own interests or ideas in a specific setting (Wodak et al., 1999).

In this view, national stereotypes play an important role in the transnational social space of the MNC where multiple political interests are at play simultaneously (Clark & Geppert, 2006; Morgan & Kristensen, 2006; Morgan, Kristensen & Whitley, 2001). Accordingly, the (re)production of stereotypes is an ongoing and dynamic process that shapes existing conceptions of 'cultural differences' held by organizational actors, but also provides these actors with the opportunity to reflect on their conceptions and occasionally use them for their advantage. In this sensemaking, actors can seek explanations of organizational problems, failures, and successes (Child & Markoczy, 1993; Vaara, 2002); define labels to describe and name things and events; and/or formulate learning points and recipes (Sackmann, 1992). In these ways, cultural stereotypes can also be used as strategic discursive resources by organizational actors in their micro-political struggles within the organization (Ailon-Souday & Kunda, 2003; van Marrewijk, 2010; Ybema & Byun, 2011). For instance, Ailon-Souday and Kunda (2003) showed that the multicultural context of the MNC is not potent enough to fully eradicate nationalism and cultural differences in relations between actors located in different units. Instead it provides a fruitful additional ground for the expression of nationalistic ideas and (re)production of cultural differences by those who have the power to do so. Van Marrewijk (2010) subsequently found that 'cultural differences' are used by organizational actors as a strategic resource to reach specific goals connected to specific power constellations in geographically (and culturally) dispersed IT projects. Furthermore, Ybema and Byun (2011, p. 316), examining the relationship between national culture, identity, and power relations in the MNC, argue in favor of conceptualizing culture as "a symbolic resource that is actively and creatively used by organizational actors to create a sense of identity and cultural distance in political struggles in multinational corporations."

These contributions notwithstanding, explicit analyses of cultural stereotypes are scarce (see, however, Ailon-Souday & Kunda, 2003; Vaara, Risberg, Sørderberg & Tienari, 2003; Vaara & Tienari, 2007). In this paper, we will focus on the role of national cultural stereotypes in MNCs, but want to extend the analysis beyond specific stereotypes per se. Hence, we will use the term 'stereotyping' to refer to the ongoing discursive sensemaking processes where stereotypes play a central role. The aim is to not only study what kinds of stereotypes are reproduced, but to concentrate on what these stereotypes do when making sense of challenging issues in MNCs; thus we focus on the performative effects on cultural stereotyping as part of managerial sensemaking in MNCs' international operations. While previous studies have provided us with key insights into some of these effects, there is a paucity of knowledge of the actual performative effects of stereotyping. This leads us to formulate our research question as follows: What are the performative effects of stereotyping in managerial sensemaking in MNCs?

### **Research context and methodology**

To be able to examine stereotyping in context, we focus on Finland-based MNCs' operations in Russia. In particular, we have studied the two case companies in a real time manner within an extensive empirical research project. The cases have provided

us with revealing research settings as they allowed us to analyze stereotyping and its effect as an inherent part of the managers' ongoing sensemaking.

### ***Research context: Finland-based MNCs in Russia***

Western MNCs have made significant investments in Russia after the breakdown of the Soviet Union, which has also triggered a discussion about national cultural, institutional and organizational differences and their implications. Studies on the challenges of Western corporations operating in Russia have highlighted various types of cultural differences between Russian and Western managers (Camiah & Hollinshead, 2003; Engelhard & Nägele, 2003; Fey & Denison, 2003; Michailova, 2002). For example, it has been shown that Western-originated HRM practices do not fit into the Russian context (May, Young & Ledgerwood, 1998; Michailova, 2002), that the information and knowledge exchange and the interaction between expatriates and local managers in Russia are not easy (Camiah & Hollinshead, 2003), and that learning in general in the Russian-Western setting is difficult (Engelhard & Nägele, 2003). Studies of Finland-based MNCs' operations in Russia are scarce, but they tend to by and large reflect similar kinds of experiences (Fey & Björkman, 2001).

To better understand the sources of stereotypes, it is useful to examine the relationship between the nations and how that is reflected in commonly held stereotypes (Billig, 1995; Vaara & Tienari, 2007). There is a long history connecting Russia and Finland. Finland was part of the Kingdom of Sweden for some 800 years and adopted its judicial and governmental systems and its political structure from Sweden. Then, in 1809, Sweden lost Finland to Russia, and for more than 100 years Finland was a Great Duchy of the Russian Empire. During that time there were several attempts to "Russify" (i.e., to force the adoption of Russian language) the new territory. It was only in 1917, after the October Revolution, that Finland declared its independence.

In 1939-40, the two countries fought what is called the Winter War (Edwards, 2007; Van Dyke, 1997); both sides sustained heavy losses. In the end, although a substantial part of eastern Finland was annexed by the Soviet Union, Finland preserved its independence. Also, the Soviet Union demanded extensive war reparations from Finland. At present, there is still some sentiment favoring a return of the ceded eastern region (i.e., Karelia) to Finland. In 1948, Finland committed itself to a Treaty of Cooperation, Friendship and Mutual Assistance with the Soviet Union, which became the basis for political and economic relations between the two countries until 1991 (Hentilä, 1998). Nevertheless, Finland deliberately tried to limit the influence of the Soviet Union solely to economic issues and resisted any attempts to impose ideological demands. The breakup of the Soviet Union in 1991 caused the deepest recession in the history of Finland. The recession lasted until the mid-1990s and served as the main incentive for investing in new technologies and for the subsequent ascendance of the electronics and telecommunications industry into one of the main sectors of foreign trade. Finnish FDIs in Russia grew constantly between 1994 and 2008. After a downturn due to the financial crisis, these investments have again picked up after 2010.

The joint history of the two countries is reflected in the stereotypes that both nations have about each other. There are also nicknames that both Russians and Finns have adopted. The Finns use 'ryssä,' which is often somewhat pejoratively applied to all Russian-speaking people in Finland, including the children of mixed Finnish-Russian marriages. From the noun 'ryssä' the verb 'ryssiä' was later formed, which literally

means ‘to screw things up’. It acquired its pejorative connotation during the process of ‘russification’ of Finland attempted by the Russian Empire in the beginning of the 20th century. Since then, it has been used to denote the main threat to Finland and its independence (Kuusi, Smith & Tiihonen, 2007). Furthermore, some studies show that Finns tend to hold predominantly negative attitudes towards Russian-speaking immigrants (e.g. Raittila, 2004). For instance, it was found that between 1987 and 2003 Russians were among the least welcome immigrant groups in Finland (Jaakkola, 2005). Similarly, Russians apply the name ‘tsukhna’ to Finns. Historically, this term has been used to denote Finns living in areas close to St. Petersburg and Lake Ladoga, but it has also more recently acquired the pejorative connotations of being ‘undeveloped’ and ‘uncivilized’ (Protasova, 2003). Moreover, Russians often refer ironically to Finns as being ‘hot Finnish guys,’ alluding to their quietness and emotional reservation.

### ***Research design***

This paper focuses on two cases of Finland-based MNCs operating in Russia: Mega established a greenfield operation and Alpha conducted several acquisitions. We chose these cases because, on the one hand, they are very similar (i.e., both are medium-sized, Finland-based MNCs operating in Russia) but, on the other hand, provide examples of different operating modes. In both cases we had the opportunity to follow very closely the ongoing organizational change processes that the companies initiated: Mega established a greenfield operation near St. Petersburg and Alpha acquired its second Russian subsidiary in Moscow. This allowed us to follow the events in a close to real-time mode for two years and track managerial sensemaking of key decision-makers. Such a set up was ideal to analyze the performative effects of stereotyping in the transnational social space of the MNC.

Organization Alpha. Alpha is a Finland-based, family-owned food producing MNC employing around 17,000 people in the Nordic and Baltic countries. It has more than 3,000 employees in Russia. To start operating in Russia, Alpha acquired a Russian company in St. Petersburg in 1997. The management of Alpha wanted to maintain tight control of these operations, which in practice led to a lack of autonomy in the Russian operations. This approach was rooted in the long and successful history of Alpha’s operations throughout its roughly 100 years of existence, but it also reflected concerns about the risks in Russia. Although the implementation of post-acquisition integration was delegated to local management in the Russian organization, they had very limited ability to influence strategic directives and decisions made in Finland. Hence, the interest of local managers in obtaining more discretion and power in decision-making processes was not accounted for. However, Alpha experienced difficulties in conducting its second acquisition in Moscow where the Finnish HQs did not make use of the experiences gained in St. Petersburg. Later, this was perceived at the HQ as a mistake and the need to engage Russian managers was realized. Still, the process was not easy to implement as it was characterized by persistent disagreements between Finnish and Russian managers concerning the implementation of changes and the role of local managers in it.

Organization Mega. Mega is a Finland-based chemical product manufacturer. It employs 5,000 people and focuses on markets in Europe and Asia. Lately, the company has embarked on active international expansion. To enter Russia, it established a greenfield operation in 2005 in the area close to St. Petersburg. From the outset, the

HQ management at Mega decided to rely on local managers in running the company's local operations. Hence, the management team, including the general director, was recruited locally. The strategy proved to be very successful, and the Russian subsidiary became the fastest growing and most profitable unit in the entire organization. By 2007, Mega already had around 300 employees in Russia. The crucial role of the local management team in achieving such results was acknowledged and appreciated by the HQ. However, not everything in relations between Russian and Finnish managers went smoothly; there were instances of mistrust and suspicion. The objective of the HQ to impose tight control over its Russian subsidiary was in clear opposition to the interest of local managers, who enjoyed more discretion and power in deciding upon operational issues locally. This conflict led to situations in which the valuable international experience of the Russian managers, gained from their previous employments within large non-Finnish MNCs, was overlooked and not exploited to its full potential by the HQ. Decision-making around specific operational issues became very challenging. Both sides recognized that the problems required serious attention and changes in attitudes and beliefs. However, such changes proved very difficult to realize.

### ***Data collection and analysis***

The data for this study were collected in an extensive two-year research project involving six researchers (including the authors) and two research assistants that focused on how Finland-based MNCs transfer knowledge and competences between their HQs in Finland and subsidiaries in Russia. The empirical material comprises interviews, various kinds of documents and personal observations. Within the project we conducted two rounds of personal and semi-structured interviews in the case companies with top and line managers at HQ-level in Finland and at subsidiary level in Russia. These two rounds of interviews were preceded by pilot interviews in both companies with key managers at the HQs responsible for the companies' operations in Russia, during which key problems and challenges were identified and discussed. During the pilot interviews, a list of future interviewees within the larger project was compiled and discussed. Then, the interviews were conducted over a period of two years, focusing on the identified areas. Altogether 64 interviews were conducted (see Table 1).

**TABLE 1: Interviews**

Company	In Finland	In Russia	Top managers	Line managers	First round	Second round
<b>ALPHA</b>	12	21	24	9	7	26
<b>MEGA</b>	15	16	14	17	12	19
	<b>Total: 64</b>		<b>Total: 64</b>		<b>Total: 64</b>	

At least one of the authors was present in all the interviews and two participated in more than half of them. All the interviews were semi-structured. The main idea was to let the interviewee describe issues that were researched as freely as possible, to follow a 'storytelling' (Czarniawska, 2004) approach. A key motivation was to be able to track

their sensemaking and the role of stereotyping on as natural a basis as possible. All this was strictly confidential, which was a prerequisite for this kind of critical analysis. The topics of the interviews included development of organizational competences and dynamic capabilities, transfer of knowledge and HR practices, diffusion of organizational culture, language and communication issues, cultural differences, and organizational power. The language used during the interviews was English, Finnish, or Russian, and most interviewees could choose the language most appropriate for them. The interviews lasted from 45 to 120 minutes. They were recorded and transcribed verbatim yielding some 1,000 pages of transcripts. Where necessary the transcripts were translated into the reporting language (English) afterwards. The interviews provided us with rich analytical material containing experiences, opinions, and attitudes of the managers, which was then used in the analysis.

We also gathered an extensive amount of documentary material, including company documents and reports as well as media texts. This material played an important role in providing an overall understanding of the key events and their implications and allowed for placing our interviews in context. Furthermore, we had the opportunity to engage in numerous discussions with the managers in workshops and more informal meetings. We could also make and benefit from on-site observations. Apart from elucidating the overall patterns in sensemaking, these encounters and observations helped us to validate our initial findings.

In analyzing the data we followed an 'abductive' approach, which involves constant movement between theory and empirical data (Van Maanen, Sodersten & Mitchell, 2007); this meant that as we were progressing through the empirical analysis of the data, we compared and reiterated it with the theoretical ideas that formed the basis for the analysis in the beginning. The data were analyzed in three stages as follows. The first stage consisted of identifying what stereotypes our interviewees used to make sense of the topics and themes discussed during the interviews. We searched the transcripts for cultural stereotypes that were mentioned by both our Finnish and Russian interviewees in relation to their Russian or Finnish colleagues. Here, we kept in mind the definition of cultural stereotyping as a process through which people come to judge other people and respond to them in terms of their cultural and geo-political category membership (e.g. Finnish, Western, Russian, non-Western) (cf. Bodenhausen, 2005) and adopted a broad understanding of what a 'stereotype' is and included not only instances where stereotypes were expressed or referred to explicitly but also more implicit references that required us to read 'between the lines.' At this stage, we treated a stereotype as present if in his / her sensemaking the interviewee explained or justified a particular course of events, its preconditions or outcomes by invoking national / cultural category memberships of the concerned actors.

Although we initially looked into stereotypes held by both Finnish and Russian managers, in the subsequent analysis we specifically focused on stereotypes held by Finnish managers as representatives of the companies' HQs concerning their Russian colleagues. This focus was chosen to help us understand the effects of stereotypes held by HQ actors on HQ-subsidary relations in the two MNCs. Such a focus is also in line with yet still conventional and dominant focus of the majority of mainstream international management literature on MNCs, i.e. the top down approach to how decision making at the level of HQ influences the evolution of the entire MNC (e.g. Bartlett & Ghoshal, 1989; Nohria & Ghoshal, 1997). However, it should be noted that we used interviews with Russian managers as well in subsequent steps of our analysis

because they provided us with important insights concerning Finnish managers' sensemaking.

We grouped the stereotypes identified in the interviews with Finnish managers into eight categories based on our analyses of their content: (1) 'Russians need hierarchy' (these stereotypes concerned the inclination of Finnish managers to view Russian organizations as being inherently and essentially hierarchical); (2) Moscow and St. Petersburg are two countries in one culture' (reflects the ideas of Finnish managers concerning the differences between the two Russian cities as being difficult to reconcile); (3) 'Russia is imperialistic and dangerous' (concerns the inclination of Finnish managers to view Russia and the Russians as being imbued with imperialistic ideas and hence potentially dangerous for outsiders); (4) 'Russians are historically untrustworthy' (portrays Russian managers as untrustworthy based on historical encounters between the two nations); (5) 'Russians do not keep promises' (concerns the inclination of Finnish managers to view their Russian colleagues as not keeping promises and acting opportunistically in business relations); (6) 'Russia is criminal and non-transparent' (describes Russia as being a criminal and legally non-transparent state); (7) 'Russians are inferior to Finns in their competences and skills' (portrays Russian managers as being somewhat inferior to Finnish managers in management competences and skills); and (8) 'Russians cannot take initiatives and assume responsibility' (reflects the belief that Russian managers cannot take initiatives and responsibility). Table 2 provides a summary of these national cultural stereotypes.

**Table 2: Finnish cultural stereotypes about Russia and Russians**

Stereotype	Company	Typical examples
Russians need hierarchy	<u>Alpha</u>	"The general director in a Russian company is really the Boss, with a big B. And people need to feel that the Boss is in charge...They want to have a leader who knows what he, usually he, wants. Even though this person doesn't really know." [Finnish manager 2, top, Alpha] "So that there is a big expectation that there is certain person who has the responsibility and makes the decision. If I am going there and I am trying the Finnish way that let's collect some people together and I am asking about your opinions and how should we do that so immediately they think so that here we have a manager who does not know what we are doing here or what should we do here..." [Finnish manager 6, top, Alpha]
	<u>Mega</u>	"[For any organizational problems] there is always these wonderful good explanations why it happened but it is really... The Russian Way of working is very hierarchical still." [Finnish manager 20, top, Mega]
Moscow and St. Petersburg are two countries in one culture	<u>Alpha</u>	"Moscow knows what they want to do. I actually felt that there is a quite big sort of competition between Moscow and St. Petersburg... it's quite interesting how strong it is actually." [Finnish manager 3, line, Alpha] "It is not easy, I mean you have Finnish Russian integration, and then you have this St. Petersburg Moscow integration, so it is like two countries in the culture." [Finnish manager 4, top, Alpha]
	<u>Mega</u>	Not applicable (Main operation only in St Petersburg)
Russia is imperialistic and dangerous	<u>Alpha</u>	"And today in Russia, I think when I talk to people who are even more travelling on the Russian market than I am, the sentiment in Russia is changing. So due to the fact that the economy is in a pretty good shape, many Russians really think that they don't need foreigners, they can do it themselves." [Finnish manager 2, top, Alpha] "Still Russia is big and dangerous." [Finnish manager 3, line, Alpha]
	<u>Mega</u>	"[For Finns] the idea of Russians and Russia is [that they are] scary, history is so close. Our grandparents were in the war and quite a few of them died there. Those images don't change very easily. The Russians probably don't even understand that the Finns think like this. It surprises

		<p>them that even modern-day Finns are so strongly aware of the memories and horrors of the war.” [Finnish manager 24, line, Mega]</p> <p>“And then my impression is that for Russians façade is very important. It is how you look, how you behave and status and things like that.” [Finnish manager 21, top, Mega]</p>
Russians are historically untrustworthy	<b><u>Alpha</u></b>	<p>“You can’t trust them, Russians... never trust the Russian. Might come from the history, have something to do with it.” [Finnish manager 3, line, Alpha]</p>
	<b><u>Mega</u></b>	<p>“The biggest problem is that actually Finns mistrust the...Russian people... this is historical of course, first of all we have been fighting the Russians during many wars for hundreds of years as part of Sweden initially and then we had like roughly hundred years of belonging to Russians, the end part of it was a bit stressful for Finns...” [Finnish manager 20, top, Mega]</p> <p>“There are some ... Finnish employees, [who] have said that [they] will never, ever go to Russia, because of the Winter War or these kind of things...It’s in their upbringing.” [Finnish manager 21, top, Mega]</p>
Russians do not keep promises	<b><u>Alpha</u></b>	<p>“I have a feeling often that...that we agree that we do something but nothing really happens. So it’s kind of a...they say that, yes okay it’s good, and they act like they agree with me but then they probably go and start doing things as they always have and kind of ignore the...so they’re doing what they say they’ll do.” [Finnish manager 5, line, Alpha]</p> <p>“I think perhaps we have been too soft - in Russian culture we have been a bit taken for a ride at times.” [Finnish manager 4, top, Alpha]</p>
	<b><u>Mega</u></b>	<p>“The Russians often don’t do as we ask them to do or as we have agreed with them” [Finnish manager 22, top, Mega]</p>
Russia is criminal and non-transparent	<b><u>Alpha</u></b>	<p>“Russia is still perceived by those who don’t work there regularly, for instance as I do, as a risk” [Finnish manager 2, top, Alpha]</p> <p>“Political scenarios are also there [in Russia]... but we have not gone in any form of bribing.” [Finnish manager 1, top, Alpha]</p>
	<b><u>Mega</u></b>	<p>“There are people who don’t want to go to Russia, because they are afraid. They have an image of criminality and are afraid of traveling to Russia.” [Finnish manager 24, line, Mega]</p> <p>“There is quite a lot of mistrust between Finns and Russians, well not the Finns and the Russians, but Finns to Russians specifically.” [Finnish manager 20, top, Mega]</p>
Russians are inferior to Finns in their competences and skills	<b><u>Alpha</u></b>	<p>“[Russian] people are so used that for example HR manager is working there somewhere, quite far away lonely in his room and waiting that somebody calls him. It was not as we are in Finland working at the factory and cooperating and discussing with all our colleagues.” [Finnish manager 6, top, Alpha]</p> <p>“It has been very difficult for Russian managers to delegate [to others]... the decision part.” [Finnish manager 25, top, Alpha]</p>
	<b><u>Mega</u></b>	<p>“In Russia, I think that the people and organizations are not ready yet to do that [to work in teams] and it is a big step, so we have to in a way consciously develop and in a way educate, but also push in order to accelerate the development in order to get like all the brains utilized in the organization.” [Finnish manager 20, top, Alpha]</p> <p>“Delegation of decision making is still lacking in Russia and that creates misunderstandings and is clearly an area for development.” [Finnish manager 20, top, Mega]</p>
Russians cannot take initiatives and assume responsibility	<b><u>Alpha</u></b>	<p>“I must say honestly that I don’t know how well performance appraisal is working in Russia... Being honest I’m quite skeptical whether it’s really what I think it is.” [Finnish manager 3, line, Alpha]</p> <p>“[Y]ou cannot put Russians into the committee and say that here is an issue, sort it out. They cannot sort it out, they would expect somebody... they can come with ideas and proposals but will want somebody to decide.” [Finnish manager 1, top, Alpha]</p>
	<b><u>Mega</u></b>	<p>“In Russia, people are afraid of being punished for their mistakes. It’s also cultural. In Mega, they are not afraid” [Finnish manager 21, top, Mega]</p> <p>“In Russia it’s a fact that you can be fired. And, this actually prevents people from trying more, because they are afraid of making mistakes” [Finnish manager 22, top, Mega]</p>

Second, we focused on the performative effects of this stereotyping by identifying concrete examples where stereotypes played a role in managerial sensemaking. Thus, rather than analyzing the stereotypes per se, we wanted to understand how they were used in managerial sensemaking and with what effects. Using the identified stereotypes, we were able to single out specific types of performative effect that the stereotypes had in the two case organizations. After several iterations, we distinguished three types of performative effects: cognitive (i.e., myopic vision), relational (i.e., mistrust), and power (i.e., constructions of superiority and inferiority). It should be noted that although analytically distinguishable, the performative effects were often intertwined in actual empirical examples. The following provides an example as to how we interpreted our material at this stage. For instance, the following quote was interpreted so that, first, a Finnish manager from HQ explicitly invokes the stereotype that ‘Russians need hierarchy’ and, second, he uses it to express his perceived need to continuously coach and lead Russian managers.

“[Russian companies have] a hierarchical structure where you stick to your job and do not interfere with others. But not to interfere with others easily becomes do not interact with others. So they are not used to it, to that type of working and that needs continuous coaching.”

[A Finnish manager]

In another example, the following quote is interpreted so that, first, a Russian manager mentions the stereotypes held by his Finnish colleagues that the Russians are not reliable and dishonest and, second, he connects them directly to the challenges that Finnish managers have in dealings with Russian managers at personal level.

“I think that the most important problem is that Finns think that Russians are not reliable, that they are dishonest, that you can’t really trust them. And having this kind of perception on the general level, it’s very difficult for a person not to use it in his relationship with his Russian colleague.”

[A Russian manager]

Third, having identified these performative effects that the stereotypes held by Finnish managers had in the two case organizations, we then examined mini-cases where stereotyping seemed to have played a crucial role in managerial sensemaking. In the following we will provide six examples of such mini-cases in the form of vignettes illustrating the performative effects in question.

### **Performative effects of cultural stereotyping in the MNC**

This section elaborates on the performative effects of national cultural stereotyping (see Table 3 for a summary). Each of the sub-sections opens up with a cross-case discussion of stereotypes that we identified in our material in relation to each of the effects. Then, we provide vignettes that illustrate specific effects of stereotyping. The final fourth sub-section focuses on mindfulness and cultural learning, that is the ways in which the managers reflected upon the stereotypes and invested in cultural learning.

Table 3: Performative effects of cultural stereotyping

Type of performative effect	Examples of national cultural stereotypes invoked	Illustrative quotes of performative effects
<p>Myopic vision</p> <p>= <i>Cognitive inability to consider alternative options than the chosen one</i></p>	<p><b>Russians need hierarchy:</b> "There is also strong will... to control everything and I think that the basic... traditional Russian organizational model where one man is on the top deciding everything and very linear; this pyramid thinking is quite ingrained in the management style [in Russia]." [Finnish manager 20, top, Mega]</p> <p><b>Moscow and St. Petersburg are two countries in one culture:</b> "The relationship between the unit in Moscow and the unit in St-Petersburg is not very easy because... if somebody comes from St-Petersburg and knows much more about equipment, processes, branding, assortment, customer care and key account management, it is a tough call for people in Moscow because they think that they know everything in Moscow... they were not born to work together." [Finnish manager 6, top, Alpha]</p> <p><b>Russians do not keep promises:</b> "An oral agreement... in Russia it does not mean anything, I mean you can agree face to face about certain things but tomorrow you know the counterparty will completely disagree and say that basically yesterday it rained but today the sun is shining, so the times have changed. So that is a complexity that you do not have in Finland..." [Finnish manager 4, top, Alpha]</p>	<p>"[Russian companies have] hierarchical structure where you stick to your job and do not interfere with others. But not to interfere with others easily becomes do not interact with others. So they are not used to it, to that type of working and that needs continuous coaching." [Finnish manager 20, top, Mega]</p> <p>"It is very important to transfer the experience of Russian managers and Russian technologists and specialists... to other subsidiaries in Russia. Because... Alpha tried to solve the problem in Moscow alone, separately... from us, and I don't think that this gave the best result in general. Maybe if we were included in this process, the results would be better than now." [Russian manager 9, line, Alpha]</p>
<p>Mistrust</p> <p>= <i>Relational propensity of actors not to consider the other party as being trustworthy</i></p>	<p><b>Russia is imperialistic and dangerous:</b> "... The Russians want to be the Red Army and to show the outside that we are the biggest and we are the greatest." [Finnish manager 20, top, Mega]</p> <p><b>Russians are historically untrustworthy:</b> "You think about how many older people in Finland still like comment on Russia... it is like, the only good Russian is a dead Russian, the only way to like look at the Russian is through the like... what is that... aiming through a rifle, behind the rifle. This type of like thinking is in a way ingrained in their mothers' milk. So the starting point is mistrust..." [Finnish manager 20, top, Mega]</p>	<p>"They [Finnish managers] try to change us but I think if they want to work in Russia, they must change themselves because... 5 million people in Finland trying to change us... it is the same also in China where Finnish people try to change the nation of Chinese people, I do not think that it is possible... If you want make business here they must be more flexible." [Russian manager 10, line, Alpha]</p> <p>"So if you have brilliant results, please don't try to interfere into the whole things. It's the bad thing, and it's the obstacle, it demotivates everybody here. So you see that we are different, but we trust each other, if we trust the competence in professionalism, and those people who are managing this Russian subsidiary, please let them do. Do you get the results? Yes. Are you satisfied with them? Yes. So what else?" [Russian manager 19, line, Mega]</p> <p>"We [the Russian management team] cried out loud that, guys, we are going in the wrong direction [with the project], let's do something about it. And they didn't want to hear until a certain phase or a certain moment. And everyone realized that well, this is a total fiasco. And then they started to listen." [Russian manager 13, top, Mega]</p>
<p>Sense of superiority / inferiority</p> <p>= <i>Situational inclination of actors to engage in (re)constructing oneself as being superior and others as inferior</i></p>	<p><b>Russia is criminal and non-transparent:</b> "Russia is still perceived by those who don't work there regularly, for instance as I do, as a risk." [Finnish manager 2, top, Alpha]</p> <p><b>Russians cannot take initiatives and assume responsibility:</b> "[Y]ou cannot put Russians into the committee and say that here is an issue, sort it out. They cannot sort it out, they would expect somebody... they can come with ideas and proposals but will want somebody to decide..." [Finnish manager 1, top, Alpha]</p> <p><b>Russians are inferior to Finns in their competences and skills:</b> "We can't make them [Russian managers] work as a team... we can't have any matrix organization there [in Russia]..." [Finnish manager 22, top, Mega]</p>	<p>"When they [Finnish managers] select suppliers, they try to select Finnish suppliers. Just open your eyes! ... There are suppliers with much better and cheaper products. We could save a lot of money..." [Russian manager 11, top, Alpha]</p> <p>"[Russians] will be part of management teams but there will be a Finnish guy on top. It is not explicitly so that the top guy has to be from Finland but the top guy needs to be from the outside and he could be Russian of course but to recruit a Russian... to be on top of that team is a serious risk because we will not be able from here to contribute much to the success." [Finnish manager 1, top, Alpha]</p> <p>"Actually... sometimes there is such a feeling that you are perceived as an idiot, some kind of bear with the balalaika, who does not understand anything. So when you say something, people reply how can you say so, you do not know how to do at all?" [Russian manager 17, line, Mega]</p>

***Cognitive effects of stereotyping: Myopic vision***

Myopic vision refers to a cognitive inability of managers to take into consideration alternative courses of action beyond the chosen one. It stems from processes of socialization that result in collective conformity of judgment and normative standards, often involving simplistic and narrow views of the (organizational) world, whereby unfitting information is overlooked (Ashmos, Duchon & McDaniel, 1998; Dutton, 1993) and organizational learning is limited (Weick, 2002; Weick & Sutcliffe, 2006). In our analysis, we identified myopic vision as a central cognitive effect of cultural stereotyping.

While myopic vision may be widespread in such complex organizations as MNCs, our interviews indicate that it was clearly associated with stereotyping. In fact, most of the stereotypes by their very nature made the Finnish manager think that they already knew the problems and challenges associated with Russia and the ways to deal with them. In addition, specific stereotypes tended to aggravate this myopic tendency. In particular, the idea that Russian organizations are hierarchical and that consequently Russians need control was frequently used by the Finnish managers as a justification for following the Finland-based practices and procedures in these operations. The following is a typical example:

“[In Russia] there is strong will ... to control everything and I think that the basic ... traditional Russian organizational model where one man is on the top deciding everything and very linear, this pyramid thinking is quite ingrained in the management style [in Russia].”

[Finnish manager 20, top, Mega]

There were also other stereotypes that further clouded the ability of the Finnish managers to consider alternative ways of running their business. These included the widely spread notion that Moscow and St. Petersburg are distinctively different and that the people from the two cannot collaborate with each other (see Vignette #2). Importantly, these stereotypes tended to prevent the Finnish managers from focusing more attention on the practices of the Russian organizations or using the expertise of the Russian managers. As a Finnish manager put it:

“Finns surprisingly enough don’t know really anything about Russians. I think that is the problem. And those who don’t know, they can develop whatever views ”

[Finnish manager 2, top, Alpha]

This is how the Russian managers perceived the issue:

“I believe that Alpha came here with the general assumption that they are more efficient than Russians in day-to-day business.”

[Russian manager 7, line, Alpha]

“I think that most people in the central office thought that they could just replicate the Finnish organization here, recruit some people and manage different functions directly from Finland, having absolutely the same kind of processes and procedures that they have in Finland.”

[Russian manager 13, top, Mega]

In all, the very nature of the stereotypes seemed to hamper the ability of the Finnish managers to think anew and make use of the local resources in their operations. The following vignettes will provide two specific examples.

Vignette #1: Myopic vision at Mega

Cooperation between Russian and Finnish managers at Mega has been relatively successful since Mega started its greenfield operation in St. Petersburg, but the cultural stereotyping seemed to prevent the ability of the Finns to make use of the local resources. The example deals with the Finnish managers' belief that Russian organizations are essentially hierarchical and that Russian employees need a hierarchical structure where "everything has to go through the local top manager." Because Mega's Finnish HQ adopted a matrix organizational structure, an attempt was made to build a similar matrix structure in the Russian organization. However, according to Finnish managers, it could not work in Russia mainly due to the inherent inability of Russians to operate in such a system and the Russian preference for a clearly defined "line of command." In fact, many Finnish managers were convinced that authoritarian values were deeply ingrained in the psyche of Russian managers. This called for clear instructions and guidelines from the HQ to key managers in Russia, which was incompatible with the development of the matrix structure. For instance, a Finnish top manager described the general director of the Russian unit as follows:

"He [the general director] is very interesting. When he is in Finland, he behaves in a Finnish way but when he is in Russia, he behaves then in a Russian way (laughs)... I have a feeling that the Russian general director is always the Russian general director, even though here [in Finland] he behaves in a different way..."

[Finnish manager 21, top, Mega]

This view was strongly criticized by the Russian managers, who claimed that Finnish managers myopically insisted on the need for Russian organizations to be hierarchical simply because they want to justify control over their actions:

"In Finland they think that in Russia the organizational structure is very hierarchical and it is absolutely not true. In this company ... and I worked in different companies ... it is not hierarchical at all ... We do not have such situations when somebody cannot approach our general director, anybody can do that and everyone does that ... Why Finns think that we have strong hierarchy here, I do not know maybe because the organizational chart looks like a hierarchy ... And maybe that's why they [Finns] have this belief and it is some kind of stereotype from the Soviet times."

[Russian manager 14, line, Mega]

Vignette #2: Myopic vision at Alpha

Alpha's development process in Russia was challenging, at least partly because of the prevailing stereotypes. The cognitive effects of cultural stereotyping became apparent in the process of integrating the newly acquired subsidiary in Moscow into Alpha's overall structure. The acquisition turned out to proceed more slowly and less successfully than the previous acquisition in St. Petersburg (which was Alpha's first acquisition in Russia). To explain these difficulties, Finnish managers increasingly blamed the differences that presumably exist between St. Petersburg and Moscow. In particular, the "arrogant attitudes" of managers in Moscow towards their Russian

colleagues in St. Petersburg – resulting from more general tensions due to Moscow being the official capital and St. Petersburg being the “second capital” of Russia – were considered the cause of unwillingness on the part of managers in Moscow to cooperate with and learn from their colleagues in St. Petersburg. For instance, some Finnish managers were of the opinion that people in Moscow and St. Petersburg “were not born to work together”:

“We were very sort of aware of... this thing that [coming to Moscow and saying]. Hello, I am from St. Petersburg and I know how you should do things in Moscow... that it is not very [appropriate].”

[Finnish manager 1, top, Alpha]

However, Russian managers from the Moscow subsidiary viewed this explanation as ungrounded and based on a cultural stereotype that has its roots in stories spread in the media:

“Finns created this idea [concerning the difference between Moscow and St. Petersburg] and they believe in it, in reality it is not so ... both in St. Petersburg and here [Moscow] we have reasonably smart people who understand that before we were ... two different companies ... and now we are both Alpha and we cannot live without each other ... it is not even funny but sad that there are such beliefs ... I guess if you ask anyone here [Moscow] about this issue, everybody will answer with some irony ... my husband works in a newspaper and I know perfectly how such things are created. Let this be in newspapers or in some other mass media but we understand that in reality it is not so ...”

[Russian manager 8, line, Alpha]

Believing in the rivalry between Moscow and St. Petersburg, the Finnish HQ managers decided not to engage managers from St. Petersburg in the latter acquisition in Moscow, thus ignoring local knowledge in Russia that could be used to the company’s advantage. Despite indications that it may be a costly decision, the Finnish HQ persisted in their attempts to meet the challenges on their own, thus undermining the locally available resources and knowledge, as the following quote illustrates:

“The biggest mistake was to take aside all experience of the company in St. Petersburg and not use it in Moscow ... our Finnish colleagues didn’t use it. They wanted to do it alone, without our experience ... but we could do it much more effective and efficient if we were together.”

[Russian manager 9, line, Alpha]

### ***Relational effects of stereotyping: Mistrust***

Mistrust is a relational effect of stereotyping that played a central role in our cases. Trust is an essential element of international business activities (Currall & Inkpen, 2002; Dyer & Chu, 2000) and can be defined as an “attitude or expectancy about other people and the social systems in which they are embedded” (Maguire & Phillips, 2008, p. 373). The question of whether to trust or not is fundamental for any sensemaking that concerns organizational actors and their relationship to each other (Bachmann, 2001).

There were several cultural stereotypes that undermined the development of trust between Finnish and Russian managers in the two case organizations. Many of these stereotypes were rooted in the joint history of Russia and Finland, which has included

very challenging periods for both countries, such as the years when Finland was a part of Russia and the Winter War. The following is a typical example:

“If you think about the war... many older people in Finland still comment on Russia... [saying that] the only good Russian is a dead Russian, the only way to look at a Russian is... through a rifle, behind the rifle...”

[Finnish manager 20, line, Mega]

Here the Finnish manager refers explicitly to the difficult historical relationship between Finland and Russia, in particular, the war and its legacy. Because of this historical heritage still today there are a number of widely held stereotypical ideas among the Finnish people about Russia and the Russians. There were also stereotypes that explicitly portrayed Russians as untrustworthy because of being “overly imperialistic,” “aggressive,” “pretentious,” or “status-oriented.” A typical example is provided below:

“From the Russian side ... I sense that there is in the behavior, there is something like ... in a way like imperialistic or like we are the members of Great Russia, the new Great Russia, and we know and we are strong and so on ... it is not like opened but you still sense it in some comments and in some behavior and there is also strong will ... to control everything.”

[Finnish manager 20, top, Mega]

This quote shows that the Finnish managers were often suspicious about the intentions of their Russian counterparts; the Russians were expected to behave opportunistically to fulfill the imperialistic ambitions that Finnish managers assumed the Russian managers to possess. These tendencies, as mentioned above, were often rooted in the problematic history between the Finns and Russians.

Furthermore, such stereotypes were linked with particular social and organizational practices such as “not keeping promises” and “not being reliable.” The following is a typical example:

“I have a feeling often that ... that we agree that we do something but nothing really happens ... they [Russians] say that, yes okay it’s good, and they act like they agree with me but then they probably go and start doing things as they always have and kind of ignore what they say they’ll do.”

[Finnish manager 5, line, Alpha]

Here the interviewee states that Russian culture has particular features that need to be accounted for in order to avoid being “taken for a ride.” It also underscores the Russian tendency of not following up on what has been promised and being rather flexible in interpreting what has been agreed.

In all, such stereotyping had major effects on the inter-unit relations and they in particular demotivated the Russian managers. As a result, collaboration was at times difficult, and at times mistrust also seemed to prevent the MNC from pursuing interesting business opportunities.

Vignette #3: Managerial mistrust at Alpha

Mistrust, supported by cultural stereotypes, figured in the relationship between HQ and subsidiary managers at Alpha. It was present in daily interactions and discussions concerning various operational issues, such as conducting a round of development discussions in the subsidiary that was coordinated by the HR department at HQ, but implemented by the local HR unit. After the results were reported to HQ, they were questioned in the following way:

“We keep statistics, like we ask managers how many development discussions... you had during this year... But even if somebody [from Russia] sends the figures... I don't see that it's so important to hold to the statistics, because I don't trust them.”

[Finnish manager 3, line, Alpha]

The quote above illustrates the inclination of Finnish managers to portray their Russian HR colleagues as being capable of falsifying the results, so that they do not reflect the real situation in development discussions at the Russian subsidiary. Moreover, the Finnish managers relied on stereotypes about the general societal situation in today's Russia (see above). Consequently, the mistrust towards their Russian colleagues was closely linked with more general concerns among Finnish managers towards the Russian business environment.

Not surprisingly, these tendencies, although not often openly manifested, were seen as derogatory and demotivating by the Russian managers. They were disappointed by the constant presence of mistrust in their relationships and daily interactions with their Finnish colleagues. In making sense of these situations, some Russian managers even suggested that they were not eager to continue their work at Alpha unless the situation improved substantially:

“[The Finnish managers at] Alpha must make some choices. One choice: you trust us or not... If they trust, it means we must do it, if they do not trust us, [then they need to] change us. I can see our way but Alpha tries to sit at two places at the same time.”

[Russian manager 10, line, Alpha]

Overall, the Finnish HQ preferred to act very cautiously when developing the company's business in Russia. According to our Russian interviewees, it resulted in missed business opportunities:

“I understand that Alpha is afraid of Russia, they do not know the Russian market ... They are afraid of our criminal situation, our legislation problems and so on ... but [to develop the company's business in Russia] I think that it would be better if Alpha would have a list of risks with some measures for risk elimination and some real plan about new business developments.” [Russian manager 10, line, Alpha]

Vignette #4: Managerial mistrust at Mega

At Mega mistrust manifested itself in several situations when Finnish managers questioned the information that was provided to them by their Russian colleagues; this mistrust seemed to be evoked by the cultural stereotypes discussed above. A Russian manager at Mega described the situation as follows:

“I think that the most important problem is that Finns think that Russians are not reliable, that they are dishonest, that you can’t really trust them. And having this kind of perception on the general level, it’s very difficult for a person not to use it in his relationship with his Russian colleague.”

[Russian manager 13, top, Mega]

The quote above clearly states that explicit stereotypes about Russians as unreliable and untrustworthy hampered the development of inter-personal relationships at Mega. According to a top manager at HQ, these relationships were therefore characterized by an overwhelming amount of suspicion and mistrust, which clearly constituted one of Mega’s biggest challenges in Russia:

“Since we started in Russia we have had a lot of examples, concrete examples, of this mistrust, of like, ok, everything that Russian management tells us, we question, or our people question: that ok, this can’t be true, why would this be different than everywhere else in the world... And I think that that is the biggest challenge, to break down the mistrust.”

[Finnish manager 20, top, Mega]

The mistrust rooted in the cultural stereotypes at Mega also seemed to affect operational issues. For instance, when the Russian subsidiary tried to approve the budget for the upcoming year with the top management and the accounting department at HQ, the proposed version was rejected several times by HQ. Imbued with the suspicion that Russian managers may be not entirely trustworthy, Finnish managers justified this decision by questioning why accounting in Russia is different than anywhere else in the world. A Russian manager expressed his views on the issue in an ironic way:

“I think that it is driven by the fact that they are afraid that if they approve the budget then maybe we will suddenly spend millions of euros... I do not know for what but... I do not really understand this.”

[Russian manager 13, top, Mega]

***Power effects of stereotyping: Constructions of superiority and inferiority***

Furthermore, stereotyping had power effects in both case organizations; it reproduced power relationships between both organizational units and nations. In particular, these were means to produce and sustain senses of superiority and inferiority between the Finns and Russians in general and the organizational members in particular. At times, the superiority/inferiority relationships were very clearly expressed as in statements about how “advanced,” “developed,” “modern,” “skillful,” and “competent” the parties were portrayed. However, more often the stereotypical conceptions were subtle, requiring careful unravelling and reading between the lines.

There were several stereotypes that the Finns used in their sensemaking to portray themselves as superior. The most common stereotypes (re)constructed the Finns as more “advanced” and “developed” than the Russians, especially in terms of managerial and organizational competence. The following quote is a typical example of such constructions; the Russians are described as somewhat inferior because they lack the ability to work in a matrix system (see also Vignette #1):

“[W]e have been the matrix organization already since the beginning of 90s. And the matrix organization... is virtually unknown as a model at least in practice [in Russia]... so there is this type of like differences in behavior of people which is related I think to the traditions and the way they [the Russians] have been operating in the past ... For us it is like tolerating that Russians do not understand, for Russians it is about like learning gradually that this is what we want ...”

[Finnish manager 22, top, Mega]

Russians were also frequently portrayed as “unable to take the initiative” or “assume responsibility.” These characteristics were seen as exemplifying Russian inferiority in relation to their Finnish counterparts. Importantly, these stereotypes echoed notions of Western dominance or neo-colonial power relationships (Banerjee & Linstead, 2001; Frenkel, 2008). That is, the Finns tended to construct themselves as representatives of the West; for example in terms of the up-to-date global management skills and team-oriented practices that the Russians lacked. The following quote offers a typical example of these constructions:

“[The Russians] so used to do so that one man is doing all decisions. And now when we [the Finns] are trying to create some kind of working management team there ... it has not been working in the same way as we understand the management team here. And that’s a big challenge for us there in St. Petersburg that we can make them work as a team.”

[Finnish manager 6, top, Alpha]

A similar conception of Finnish superiority was produced by a Finnish manager who denied that Russians (here in comparison with people from the Baltic States) were moving in the direction of Europe:

“There is so much happening in the Baltic States, and they are very eager sort of to integrate with everything with European Union... And then the markets [there] are changing, and a lot of young people in leading positions in management team for example, they are sort of full of ideas, let’s do this. And then compare to Russia, where it’s a bit more stable and things are not changing. They are changing rapidly but not in this way that they would be part of Europe.”

[Finnish manager 3, line, Alpha]

Another related, but contrasting conception of inferiority based on the joint history of the two countries was produced by Finnish managers when discussing a potential threat: that the Russians may end up being self-sufficient in their operations and may go against the interests of the Finnish owners:

“[O]bviously it is an issue [that Russians might start feeling self-sufficient], I mean, if the business in Russia is growing, and from their point of view. Of course, Finland is a small country with not very long history. It has been part of Russia. It's only like 90 years I think. Next year will be the 90 years independent celebration. So I mean, I can fully understand that, as long as they are even making a successful business, making money and growing... But from my point of view, it is a little bit worrying cultural thing”

[Finnish manager 5, line, Alpha]

Such constructions of superiority and inferiority played an important role in the legitimation of HQ control over the Russian subsidiaries. It also had a major impact on the ability of these corporations to develop their operations in Russia.

Vignette #5: Constructions of superiority/inferiority at Alpha

Russian managers at Alpha told us that they believed that their pleas for more autonomy had finally been heard when the Finnish HQ decided to separate Alpha's entire Russian business into a stand-alone and relatively independent unit. However, the Finnish HQ soon announced that the newly established unit would be run by a Finn. At least partially, this decision was based on the understanding among Finnish managers that Russians cannot be given full autonomy; the Russians were perceived to be less capable of running the business. Overall, the Russians were not seen to embrace Western ways of managing organizations in a democratic and empowering manner. Hence, the constructions of the Finns as being superior to their Russian colleagues arguably influenced the lack of autonomy in the subsidiary. A Finnish top manager put it as follows:

“[Russians] will be part of management teams but there will be a Finnish guy on top. It is not explicitly so that the top guy has to be from Finland but the top guy needs to be from the outside and he could be Russian of course, but to recruit a Russian... to be on top of that team is a serious risk because we will not be able from here to contribute much to the success.”

[Finnish manager 4, top, Alpha]

Vignette #6: Constructions of superiority/inferiority at Mega

At Mega constructions of superiority/inferiority played a central role in managerial sensemaking. Based on our interviews, the Finnish managers often relied on their stereotypical constructions of “being Finnish” to denote being superior and more knowledgeable than “being Russian.” In turn, Russian managers felt that they were not being respected and listened to. These are illustrative examples narrated by Russian managers from Mega:

“Let's say if there are two different opinions about the same problem and one opinion is from the Finnish side and one from the Russian side. If they do not match, then most likely the opinion of the Finnish side will be accepted, I mean by the Finnish management.”

[Russian manager 18, line, Mega]

“If in Finland they are asking something, and it's not done so easily here, then of course they say well, okay, they are Russians, they can't do it.”

[Russian manager 16, line, Mega]

These examples illustrate the frustration felt by Russian managers over the Finnish managers' stereotypical perceptions of them being inferior to those of Finnish managers. In this case, this kind of stereotyping seemed to play an influential role in legitimating HQ control and preventing the Russian managers from assuming more responsibility in the management of the corporation.

### **On mindfulness and how to go beyond stereotyping**

While stereotypes seem to play a central role in managerial sensemaking, the evidence from our case companies shows that they are not always reproduced mindlessly; managers occasionally become self-reflexive and mindful of stereotyping. Such mindfulness is crucial to be able to deal with the adverse effects of stereotyping; managers need to be willing to acknowledge that they are prone to stereotypical biases and prejudices. We observed many cases where the managers could reflect upon the stereotypes, often with the help of irony. For example, when asked about the source of the difficulties experienced by his company in Russia, a Finnish manager provided us with a self-reflexive account that stressed the importance of developing a deep understanding of the Russian environment and its undercurrents:

“Many things change rapidly now in Russia, so if you don't have the feeling of how things change, you might make wrong decisions. And I think [this is] much more important than some unknowledgeable Finns having a certain perception of what a Russian person is, either belonging to the mafia or working as a prostitute maybe or being very, very rich and arrogant or... it doesn't give you any additional knowledge, not at all. We have all the same types [of people] here [in Finland] as well.”

[Finnish manager 2, top, Alpha]

Another example concerns a Finnish manager who, when asked about the challenges encountered in building trustful relationships between Finnish and Russian managers, pointed out the inclination of his Finnish colleagues and subordinates to judge their Russian colleagues on the basis of stereotypical ideas. He noted that the stereotypes held by Finnish managers are often related to a lack of confidence in “the big picture” rather than to a perception of the untrustworthiness of individual Russian managers.

“What I am partly trying to do is basically breaking down [the mistrust] at the individual level by [asking the Finnish managers]... what do you think about Alexei, what do you think about Irina, what do you think about this and that person? [They say]... yes, yes, we trust her or we trust them but we do not trust the big picture. So that is the route we are trying to take now in order to get people to work together, in order to as individuals build up the foundation and then I think that gradually that would break down the prejudices, which we have.”

[Finnish manager 20, top, Mega]

Such examples of self-reflexivity were also supported at the organizational level. In particular, the two case organizations undertook several organizational measures to promote cultural learning. First, both invested in cross-cultural and communication training and seminars for management. Such training was aimed at assisting managers to examine their own actions critically, in light of what they were learning about the other culture. Also, it helped them to understand organizational practices and routines that were embedded in different cultural contexts. Both of our case organizations also ran seminars in Finland and Russia dedicated to Russian and Finnish cultures

respectively. Both encouraged and provided opportunities for their managers to study Russian or Finnish.

Second, both organizations attempted to diminish the impact of stereotyping by cultivating a shared corporate culture. Emphasizing shared values and norms rather than distinguishing between values and norms pertinent to different national cultures was envisioned as preventing managers from relying on stereotypical judgments when making decisions. For instance, at Mega a special session was organized in Finland for both Russian and Finnish top managers where the issue of cultural stereotyping was discussed. The main argument that was aired was the suggestion that instead of emphasizing, often stereotypically, cultural differences between the two countries, it would be better to develop new shared organizational culture of Mega. It was seen as being conducive to building more trustful and hence productive relations between the two parties.

“This is something we also discussed in Place X [a place in Finland] last year. Well, I don’t think we should focus too much on cultural differences, because it’s corporate culture that we’re trying to build here, not Finnish culture... I think it’s not cultural differences, which of course exist, but they are not that critical. It’s the perceptions that people in Finland and in Russia have about the other nation, which is driven by historical reasons, by different kind of prejudices and so on, and this is something that should be fought.”

[Russian manager 13, top, Mega]

Similar views were expressed at Alpha where a new corporate culture was seen as a way to mitigate some of the problematic effects of national cultural stereotyping:

“[T]he most important is not to stress too much in both management and communication in general Russian culture or Finnish culture, Lithuanian or Swedish and so on, but to stress Alpha’s culture. Then that would allow smoothing these [cultural] differences.”

[Russian manager 12, line, Alpha]

Third, organizations employed a number of human resources practices that aimed at facilitating employees from different units working together side by side. The goal was to enable mutual learning and self-reflection among the target employees concerning their own cultural norms and values as compared to those of the other culture. Both MNCs have developed several practices to help their employees to improve their understanding of the other culture, thus minimizing the impact of cultural stereotypes on their daily activities.

## **Discussion and conclusion**

This paper has aimed at complementing existing research on power and politics in MNCs by drawing on research on national cultural stereotypes. In particular, we have advanced the notion of ‘stereotyping’ as an essential part of managerial sensemaking in MNCs. Rather than focusing on stereotypes as discursive constructions per se, we have examined stereotyping as a micro-political activity used by organizational actors in their managerial sensemaking. As a result of our analysis of Finnish corporations’ operations in Russia, we identified three types of performative effects of cultural stereotyping. First, the analysis shows that stereotyping impacts managerial cognition causing myopic vision and thus preventing managers from being mindful of various

alternative paths in dealing with specific issues. Second, it illustrates that stereotypical ideas concerning 'the other' are conducive to mistrust in relationships within the MNC. Third, it demonstrates that stereotyping produces conceptions of superiority and inferiority with significant organizational implications. Finally, although cultural stereotyping is not easy to eradicate, actors can at times reflect upon the stereotypes and engage in collective learning efforts that help to overcome some of the adverse effects.

Our analysis underscores the role of organizational actors' agency in utilizing cultural stereotypes as often convenient discursive resources to advance and / or protect their political interests and fulfill their power aspirations in MNCs. For instance, it shows how HQ managers can invoke cultural stereotypes bearing negative connotations about their subsidiary colleagues to justify and rationalize their strong interest in committing the foreign subsidiary in question to follow HQ-based practices and procedures. Even up to the point when it prevents these managers from considering alternative courses of action and ultimately causes financial losses to the company. Or HQ managers can rely on cultural stereotyping in their sensemaking when constructing their subsidiary peers as being inferior to them in terms of professional skills and competences to legitimate tight means of HQ control over the subsidiary's development and functioning. In this way, cultural stereotyping with its performative effects constitutes an important micro-political activity that organizational actors engage in when pursuing their political interests within the 'contested terrain' of the MNC. Moreover, the presence and the similarity of stereotyping and its performative effects that we found in managerial sensemaking of actors in both examined MNCs demonstrates the importance and the efficacy of stereotyping as micro-political activity when employed by actors with diverging political interests in their MNC internal negotiations.

This study provides an example of using discursive sensemaking approach on cultural stereotyping to advance the literature on power and politics in the MNC. In particular, it highlights the value of linking actor-centered, power-nuanced and discursive-based theorizations around cultural stereotyping with more conventional and macro-level international management research on cultural differences in MNCs. By integrating insights of these two perspectives, we have been able to develop the notion of stereotyping and elucidate its performative effects within MNCs in a novel way. More specifically, this analysis contributes to three streams of literature.

First and foremost, our analysis specifically adds to the nascent research on power and politics in MNCs (Becker-Ritterspach & Dörrenbacher, 2011; Dörrenbacher & Geppert, 2011; Geppert & Dörrenbacher, 2014; Mudambi & Navarra, 2004) by elucidating the role and performative effects of cultural stereotyping as a micro-political activity in managerial sensemaking around international operations in general and HQ-subsidiary relationships in particular. The essential point is that national cultural stereotypes are readily available resources that tend to be mobilized in MNCs precisely in situations that require sensemaking. In particular, our analysis shows how micro-level cultural stereotyping impacts how organizational relationships and power relationships are socially constructed within the 'transnational social space' of the MNC (Morgan & Kristensen, 2006) and how stereotyping forms an important part of micro-political behavior of organizational actors in their pursuit of political interests and power aspirations within the MNC (Dörrenbacher & Geppert, 2011). All this allows one to cultivate a critical mindset as to how cultural stereotypes are used politically to provide superficial explanations and justifications for people's behavior. In particular, our analysis helps to better understand how and why stereotypes are used to promote and

defend one's self-image at the expense of the 'other,' which can be used by actors in micro-political struggles for both material and symbolic resources within the MNC.

Second, this analysis has also implications for studies on stereotypes more generally. In particular, our analysis adds to previous rare studies on stereotypes (Ailon-Souday & Kunda, 2003; Vaara & Tienari, 2007) and other tropes, such as metaphor (Vaara, Tienari & Sääntti, 2003) and metonymy (Riad & Vaara, 2011), in management literature by shifting attention from specific stereotypes to the role of cultural stereotyping as a commonly present aspect of sensemaking in cross-cultural settings. The point is that rather than merely examining specific discursive elements, we should also place them in context in terms of ongoing cultural sensemaking. Our analysis has distinguished three specific, although often intertwined, effects of stereotyping. Thus, it provides an integrative model that helps to understand the range of effects of stereotyping. By distinguishing the cognitive, relational, and power effects, this analysis also makes it possible to better comprehend the specific consequences of cultural stereotyping.

Third, the paper sheds new light on the challenges that Western MNCs experience in Russia and in other emerging markets. While the extant literature has predominantly examined the contribution of culturally-bound differences between cultures and organizations to these challenges (Camiah & Hollinshead, 2003; Engelhard & Nägele, 2003; Michailova, 2002), this analysis underlines the fundamental role of pre-existing and enduring micro-level cognitive elements possessed by individual managers in shaping their attitudes and behaviors when operating in these environments. Hence, we posit that it might be of more relevance for Western and Russian managers to examine their attitudes and beliefs rather than blaming and essentializing 'cultural differences' and 'scapegoating' culture. National stereotypes and cultural (mis)conceptions appear to reinforce the belief in 'fundamental cultural differences' in the context of MNCs where people with different cultural backgrounds engage in transferring knowledge, creating shared organizational cultures, and promoting social cohesion in different national contexts. Cultural stereotypes also have a strong emotional substance as they often reflect traumatic experiences in the relationship between two nations like Finland and Russia.

The analysis leads to several implications for MNC managers. The most important implication is that stereotypes are influential in the context of MNCs and need to be acted upon. The point is that national cultural stereotypes should not be dismissed as mere expressions of superficial understanding; attention should instead be focused on stereotyping as an ongoing social phenomenon that may have significant adverse effects. The first step in doing so would be to create awareness among managers about the dangers that stereotyping poses. Managers need to be self-reflexive and acknowledge the possibility that they are prone to stereotypical biases and prejudices. Although cultural training may run the risk of reproducing stereotypes, it can also help to better understand the reasons for stereotyping as well as to cultivate a critical mindset.

Our analysis has limitations that should be taken seriously. First, cultural stereotyping is a phenomenon that is difficult, even impossible to capture 'objectively.' Thus, our findings are linked with the specifics of Finnish-Russian relationships and our own interpretations and biases. However, the fact that the research team that conducted this study comprised people of both Finnish and Russian origin should alleviate at least the most obvious concerns. Second, we focused on stereotypes of Finnish managers and left

out those of Russian managers. Still, we would like to acknowledge the reciprocity of stereotyping tendencies in the MNC: stereotyping from one side, more often than not, produces stereotyping from the opposite side. Third, although the two cases provide a basis for theoretical generalization (Tsoukas, 1989), it should be understood that the analysis is context-specific because Finnish-Russian relations are unique in terms of their historical, social and political backgrounds. In particular, MNCs based or operating in other countries will certainly have to deal with specific cultural stereotypes that may not have come up in these cases and in this specific context. Fourth, it should be emphasized that this analysis is largely based on personal interviews that may suffer from impression management. However, the opportunity to examine the cases and interview managers in real-time should alleviate these concerns. Furthermore, we meticulously compared the evidence obtained through interviews with the evidence obtained from secondary sources, and the feedback from representatives of both companies helped to validate our findings. Finally, our cross-case comparison revealed very similar stereotyping tendencies in the two cases.

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**APPENDIX 3 ESSAY #3****NATIONAL IDENTITIES IN TIMES OF ORGANIZATIONAL GLOBALIZATION: A CASE STUDY OF RUSSIAN MANAGERS IN TWO FINNISH-RUSSIAN ORGANIZATIONS**

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Published in C. Dörrenbächer & M. Geppert (2011). *Politics and power in the multinational corporation: The role of institutions, interests and identities*. Cambridge University Press, Cambridge, pp. 346-379.

**Abstract**

The process of globalization has an imprint on how people perceive 'who they are' in terms of national self-identification. It is especially the case within multinational companies (MNC), which by definition are 'transnational spaces' comprising individuals of multiple nationalities embedded into shared corporate culture in multiple geographic locations. Hence, it is rather surprising that there is a paucity of knowledge regarding how individuals construct their national identities in the MNC context. This paper attempts to make a contribution to this previously neglected area of inquiry. Adopting a constructionist perspective on identity work, which views identity as a discourse socially constructed through language and embedded in power relations, the paper examines how Russian managers in foreign-owned MNCs in Russia construct their national identities and identifies two types of struggles in this process: (a) the desire to become acknowledged as a legitimate member of the Western managerial community of practice, and (b) the desire to differentiate from the Western affiliation, especially the Finnish management approach, preserving the Russian identity precisely as means for 'non-westernization', keeping the borderline between 'us' and 'them'. The analysis posits that the national identity is a symbolic discursive resource that organizational actors draw upon in the symbolic production of difference in organizational settings. In doing so, it is often used to marginalize the 'other' based on distinctive collective characteristics (stereotypes), which are applied to all members of the 'other' group and aimed at promoting self-interests in the MNC. Therefore, national identity is a vital element of organizational actors' sensemaking processes that (re)produces power relations between actors in the MNC context.

**Keywords:** national identity, multinationals, globalization, Russia, Finland, stereotypes, discursive resource, 'us' versus 'them', sensemaking, power relations

## Introduction

While there is quite an extensive literature addressing the issue of individual and organizational identity construction (Alvesson 1994; Phillips and Hardy 1997; Sveningsson and Alvesson 2003; Thomas and Linstead 2002), we still know relatively little concerning the process of how organizational actors construct their national identities in the MNC context. The dominant view presents national identity as the collective programming of people's minds (Hofstede 1980, 1991). Lacking an agreement as to how to define "culture" (Roberts and Boyacigiller 1984), this view tends to categorize the behavioral patterns of individuals based on a limited set of continuums, e.g. collectivism/individualism, high context/low context, masculinity/femininity, etc. Such conceptualizations represent very static (Tayeb 1994), minimal (McSweeney 2002), and essentialist (Ailon-Souday and Kunda 2003; Barinaga 2007) views on national identity that try to fit it into the predetermined categorizations and failing to take into account the subjectivity and agency of organizational actors in choosing and defining "*who they are*".

This paper posits that nationalism and national identity provide an important set of discourses that are used to make sense of, to legitimize, and to normalize various important issues in MNCs. The national identity construction process is far from being an objective and rational one and national identity per se cannot be viewed as static, given or taken-for-granted (Ailon-Souday and Kunda 2003; Barinaga 2007). Rather it is informed by the motivation of organizational actors in different parts of an MNC to define the "self" identity in a more beneficial manner vis-à-vis the "other". This motivation is often interlinked with conflicts of interests in the organization, such as struggles for scarce resources, career advancements, or strategy formulation and agenda-setting participation. The construction of national identities (re)creates a certain net of power relations among organizational actors which inevitably are more beneficial for some and less beneficial for other actors. The possible power effects may be related to the constructed superior–inferior, ethnocentric-polycentric, global-local, developed-undeveloped and other relationships between different organizational actors. Hence, the process of national identity construction cannot be detached from the socio-political setting in which it takes place.

To illustrate it empirically, this paper examines the process of national identity construction among Russian managers in two Finnish-Russian MNCs. Recently, a relatively large stream of literature has been published which claimed that there is a new generation of managers coming to the fore in Russia, whom through the processes of socialization into the western "managerial community of practice" embraces western managerial values (Alexashin and Blenkinsopp 2005; Elenkov 1997, 1998; Puffer and McCarthy 1995). Nevertheless, not much has been written trying to explicate various subtleties and complications of this process. Bearing that in mind, the questions that this paper tries to shed some light on can be formulated as follows: (a) What are the consequences and the impact of globalization on self-perception and self-identification of local managers in their locality?; (b) What kind of discourses does the national identity work entail?; and (c) What implications does the process of national identity construction have for power and politics in MNCs?

In their illustrative account of national identity construction in an Israeli-American merger, Ailon-Souday and Kunda (2003) stress the need for similar studies but of "other times and places". They argue for the need to study the meanings attributed to

national identity in later and more advanced stages of organizational change than they have done. Hence, in this paper I study the identity construction process among Russian managers in two Finnish-Russian organizations: the first one is the result of an acquisition that took place in 1997 when one Finland-based MNC acquired a prior existing organization in Russia, and the second one is an organization that was established as a greenfield operation in Russia by another Finland-based MNC in 2005.

The analysis is based on the data that was collected from these two Russian organizations which have been subjected to the globalization forces after they have become parts of Finland-based MNCs. The setting of Finnish-Russian organizations is particularly interesting for studying the national identity construction process because it comprises characteristics that can easily be extended into many other contexts which are of great interest to business scholars. Some of these characteristics are: (a) Russia is one of the world's economies in transition with strong societal and organizational inheritance of its communist past, traces of which can still be found in relations between organizational actors within organizations (Holt, Ralston and Terpstra 1994; McCarthy et al. 2005; Puffer, McCarthy and Naumov 1997); (b) nationalistic ideas have been prospering in Russia since the 1990s as a base for people's identity construction, which has caused waves of xenophobia and an overall negative attitude towards foreigners especially in the business sphere (Ayios 2004; Kets de Vries 2001); and (c) relations between Russia and the western countries can be viewed through a postcolonial lens as western countries and thus western managers are perceived by many as a primary source of knowledge that can foster development in Russia. Together these factors create a social complexity that influences how Russian managers construct their national identities and perceive themselves in relation to the "other" in the context of Finnish-Russian MNCs.

The rest of the paper is structured as follows. The next section outlines the discursive perspective on national identity and nationalism. Then, the description of the study context is provided followed by the methodology that was utilized to analyze the data. Finally, the empirical evidence is presented and some conclusions are drawn in the end.

### **On national identity, organizational power and the discourse of nationalism**

There are various ways to conceptualize nationalism (see for example Anderson 1983; Billig 1995; Hobsbawm 1990; Wodak et al. 1999). For instance, it can be viewed as an ideology or a social movement. For the purposes of this paper, I use a conceptualization of nationalism as a discourse constructed on the basis of shared understanding of history and continuity. Following Billig's (1995) idea of "banal nationalism", I view the construct of a "nation" as a construct, which is often accepted and reproduced mindlessly and uncritically rendered possible by mundane habits of language, thought and symbolism in everyday life creating a sense of national solidarity in the citizenry. In his influential book "Banal Nationalism", Michael Billig (1995) discusses examples of banal nationalism, such as the use of flags in everyday context, sporting events, national songs, symbols on bank notes, popular expressions and others.

Having stated that I see nationalism as a discourse, now I turn to discussing what I mean by discourse in general and identity work in the discursive context in particular. By discourse I refer to a more or less integrated, prefabricated line of using language and reasoning in which the phenomenon is constructed rather than revealed or

mirrored (Fairclough 1995; Knights and Willmott 1989; Sveningsson and Alvesson 2003). Furthermore, one cannot understand specific discourses without considering the social context within which they operate (Laine and Vaara 2007; Thomas 2003). Ways of talking, or ideological discourses, do not develop in social vacuums, but are related to forms of life. Therefore it follows that identity can be understood not only as language and ideological discourses but also as social practices, which constitute what could be called “*national identities*”.

Following a poststructuralist view, I posit that in the turbulent and multifaceted world of today, identities, including national identities, are in a constant flux. Stuart Hall (2000: 17), one of the leading theoreticians of the notion of “identity”, has put it as follows:

Identities are never unified and, in late modern times, increasingly fragmented and fractured; never singular but multiply constructed across different, often intersecting and antagonistic, discourse, practices and positions. They are subject to a radical historicization, and are constantly in the process of change and transformation. ... Though they seem to invoke an origin in a historical past with which they continue to correspond, actually identities are about questions of using the resources of history, language and culture in the process of becoming rather than being: not “who we are” or “where we came from”, so much as what we might become, how we have been represented and how that bears on how we might represent ourselves.

Hence, identities arise from the narrativization or self-categorization (using humor and other types of storytelling) of the self, i.e. they are discursive constructs and are tied to discourse offering a short-hand description for ways of talking about the self and community (Shotter and Gergen 1989). Social identity theorists (Tajfel 1978; Turner 1985, 1999) claim that individuals in social groups construct their social reality through dividing the world into “us” and “them” giving way to various processes of inclusion and exclusion. Interestingly, this entails the recognition that it is only through the relation to the “other”, the relation to what it is not, to precisely what it lacks, to what has been called its constitutive outside, that the “positive” meaning of any term – and thus its “identity” – can be constructed (Derrida 1981; Laclau 1990). Identities can function as points of identification and attachment only because of their capacity to exclude, to leave out, and to render “outside” (for instance, dichotomies of man and woman, manager and worker). Laclau (1990) argues that “the constitution of a social identity is an act of power” rooted in processes of subjugation and resistance within the organization that are contingent and perpetually shifting.

Hence, the process of national identity construction is closely linked to power. I view power as a “relational effect” emerging from the political constitution of the organization rather than a property of certain structures or individuals. More specifically, from a discursive view power is constituted and reproduced through the structures of organizational communication and interaction between organizational actors at different levels of the organization and is conditioned by actors’ political interests, agency and subject positions. Power manifests itself both as hierarchy, i.e. as differences among organizational actors’ access to specific meanings, and as establishment and maintenance of organization-specific values, symbols and practices. Which practices, norms and values are considered relevant and legitimate to be maintained and reproduced is likely to relate directly to the groups “in power”, to their interests, and to their influence on organizational attention-setting practices (Iedema and Wodak 1999).

To sum up, in this paper I build on a poststructuralist view on national identity as an alternative to a widely used essentialist conceptualization of national identity that has been previously dominating the literature. In these studies researchers tried to capture the notion of national identity as statically located along the limited set of continuums used to categorize “culture”, i.e. collectivism – individualism, high context – low context, high and low power distance, etc. (Hofstede 1980, 1991). The notion of national identity has been treated as “the passive embodiment of a predetermined cultural template” (Ailon-Souday and Kunda 2003: 1074). In turn, this paper argues that such conceptualization fails to take into account the agency of organizational actors in (re)constructing and making sense of their national identities (Newton 1998). Meanwhile, in the MNC context national identity might potentially represent a powerful discursive resource available to organizational members and hence the agency of organizational actors needs to be considered seriously. Hence, I view national identity as a discourse that can be mobilized and used in specific contexts of an MNC as a strategic resource in a struggle for power (Hardy, Palmer and Phillips 2000; Hardy and Phillips 1999; Phillips and Hardy 1997).

### **National identity in Russian organizations**

“If Russians hope to be able to operate successfully in a global economy, as their societal transformations suggest that they do, they must identify and adopt forms of management and organization appropriate to that goal.”

(Kets de Vries 2001: 586)

“[W]e cannot...merely teach (or preach) a doctrine of free enterprise development [to Russians]. That would not have greater impact than trying to explain a sunrise to a blind person.”

(Holt et al. 1994: 136) [italics added]

A lot of literature has been published recently discussing the processes of transformation at both political and societal levels in Russia since the collapse of the Soviet Union. In particular, some studies have focused on changes that took place in managerial practices and mental frameworks of Russian managers in the newly forming capitalist settings. For instance, several studies have stressed the gradual change in managerial behavior in Russia towards western ways of behavior (Alexashin and Blenkinsopp 2005; Elenkov 1997, 1998; Puffer and McCarthy 1995). It was suggested by researchers that being and being viewed as “westernized” has become equivalent to being perceived as professional and knowledgeable among Russian managers (Puffer, McCarthy and Naumov 1997). The “west” in general became seen as the source of knowledge and competence that Russian managers needed to acquire in order to be able to cope with globalization and its consequences in order to gain legitimate access into the “western managerial community of practice” (Clark and Geppert 2006).

However, to my best knowledge there are no studies that have focused on how Russian managers view themselves and construct their national identities while coping with these globalization forces and trying to make sense of their organizational reality in the Russian setting. We seem to know little concerning the discursive resources that they draw on to narrate/categorize themselves within the boundaries of “*local*” versus “*global*”, “*us*” versus “*them*”, or “*HQ*” versus “*subsidiary*” rhetoric. The setting of Russian companies is very interesting also in light of a recent debate in the neo-

institutional literature concerning the process of institution building in ventures between western MNCs and so called post-socialist organizations (Child and Czegledy 1996; Clark and Geppert 2006; Clark and Soulsby 1999). This literature stream posits that international MNC operations may be more typically characterized by degrees of conflict and disagreement between western knowledge (and its carriers) and local practices (and their practitioners). It is argued that relations between western and local agents can be characterized as “asymmetrical relationships” (Clark and Geppert 2006: 341), in which the balance of power is structurally weighted in favor of the western HQs. The relational asymmetry between western and post-socialist organizations stems from inequalities, which are intrinsic to the initial contract or bargain, e.g. the weak initial capital and technological position of local organizations, imbalance of senior management and the rights of the partners in strategic control and decision-making (Inkpen and Beamish 1997).

Clark and Geppert (2006) claim that these inequalities become reproduced in asymmetries in management discourse and reputation. In the global management sphere, post-socialist managers have weak claims to legitimacy and one of their aims in international collaboration is to seek the legitimacy of full membership of the “western managerial community of practice”. While they remain “peripheral participants”, they have a strong incentive to “learn” enough to become accepted as peers. Using the metaphor of Holt et al. (1994), Russian managers do want to cease being blind and to be able finally to see the sunrise (see quote in the beginning of this section). This requires gaining knowledge about how to speak “modern management”, a problem not faced by their western colleagues.

It is assumed that former Eastern European managers need to acquire the same set of competencies as managers from the west that would permit them to operate within the market system (Economist 1994; Kets de Vries 2001). As the argument goes, general western management practices and norms should be preferred to specific Eastern European ones because the former ones are of greater value since they have been systematized and are already widely applied. Also, from the postcolonial perspective, western management practices are often regarded as a universal norm representing the essence of effectiveness and efficiency and non-western management is usually judged against this norm (Banerjee and Linstead 2001; Frenkel 2008; Prasad 2003). Building on ideas of pioneering postcolonial theoreticians, like Edward Said (1978), Ashis Nandy (1983) and others, a postcolonial perspective posits that in inter-national settings most of western-driven analyzes around national characteristics and differences involve problematic assumptions concerning normality, morality, legitimacy, progress, development, etc. These assumptions are often based on “a system of hierarchical binary oppositions such as active/passive, centre/periphery, civilized/savage, developed/undeveloped, masculine/feminine, modern/archaic, scientific/superstitious, and so on” (Prasad 2003: 12) where the west represents the former part of every dichotomous relationship and the non-west the latter.

However, in their critique of such views, Child and Czegledy already in 1996 in a Special Issue of *Organization Studies* dedicated to “Managerial Learning in the Transformation of Eastern Europe” argued that some skills which western organizations have in recent years come to recognize as crucial for purposes of conducting international business successfully are actually the ones in which Eastern European managers are already better versed than their western colleagues. They provide two examples: (a) capability to develop personal business networks, and (b) familiarity with the specific cultural and institutional environment of their own country. As a conclusion, Child and Czegledy

(1996: 174) suggest that “*Eastern European managers should unlearn less than might be assumed either by western advisors or the members of foreign companies which have located in Eastern Europe*”.

Western managers and economists often regard the transformation of Eastern Europe as a modernist project of a worldwide post-communist convergence onto a liberal and democratic system based on the open market system. At the same time, on the personal level, it creates certain tensions when what westerners perceive as “learning” opportunity for Eastern managers may be interpreted by Easterners as unwelcome intrusion. Hence, it is very interesting how Russian managers see themselves in the globalizing environment in which they hold roles defined within the power structures of their organizations, which are foreign-owned, as well as other roles framed for them as members of their national and local communities.

### **Research context: The Russian-Finnish relations**

The case of Finnish-Russian companies examined in this paper is an interesting setting in which to study the process of national identification due to the historical and cultural background that undoubtedly has an impact on which discourses organizational actors draw on and how the power dynamics are played out within the relationship. There is a long history that within different points in time has been connecting Russia and Finland. Finland was part of the Kingdom of Sweden for about 800 years and adopted its judicial and governmental systems and its political structure from Sweden. Then, in 1809, Sweden lost Finland to Russia, and Finland for more than 100 years became a Great Duchy of the Russian Empire. During that time there were several attempts to “russify” (i.e. to force the adoption of the Russian language) the new territory. After the Russian October Revolution in 1917 Finland declared its independence.

In 1939-40 Finland and Russia were involved in the so called Winter War which was declared as one of the parts of the Second World War. Both sides endured large losses and the war ended with large parts of eastern Finland being annexed to the Soviet Union though Finland preserved its independence. Also, the Soviet Union demanded extensive war reparations from Finland. Until the present, there is a movement in Finland defending the right of ceded eastern regions (i.e. Karelia) to return to Finland.

In 1948, Finland committed itself to a Treaty of Cooperation, Friendship and Mutual Assistance with the Soviet Union which later became the basis for political and economic relations between two countries for years to come. This treaty has made Finland appear as a Soviet satellite in the eyes of many western and American observers. However, Finland has deliberately tried to limit the influence of the Soviet Union to economic issues only resisting any attempts to impose ideological demands.

The strong dependency of the Finnish economy on its trade relations with the Soviet Union caused the deepest recession in the history of Finland when the Soviet Union broke up in 1991. The recession lasted until the mid 1990s and served as the main incentive for investing into new technologies and for the subsequent ascendance of the electronics and telecommunications industry into one of the main foreign trades.

The joint history between the two countries is also reflected in the everyday language that Finns and Russians use. For instance, there are nicknames that both Russians and

Finns have adopted for naming each other. Finns use “ryssä” which is often somewhat pejoratively applied to all Russian speaking people in Finland, including people from the Commonwealth of Independent States (CIS) countries and children from mixed Finnish-Russian marriages. Similarly, Russians use “tshna” to name Finns. It has also acquired some pejorative connotations lately. Also, Russians often talk ironically about Finns as being “hot Finnish guys” alluding to quietness and emotional reservation of Finns.

### **Research design and methodology**

The paper focuses on managerial identity work and studies the interface between the organizational / globalization issues and processes and role expectations, on the one hand, and more individual efforts to navigate between and reconcile the discourses within the frameworks of power relations, on the other hand. The special emphasis is given to the discourses that organizational actors use to construct their national identities in the MNC context.

To do that, I studied the social construction of national identity by Russian managers in the setting of two Finnish-Russian organizations. The one – RusFood – was acquired by the Finland-based MNC, FinFood, in 1997 in the food industry, and the other – RusTyres – was established in 2005 as a Greenfield operation of another Finland-based MNC, FinTyres, in Russia in the manufacturing industry. In this study I draw on extensive data that was collected from a longitudinal study within an international two-year project on competence management across borders. The data was collected during the period of March 2006 – November 2007 using various techniques. Firstly, a total of 37 semi-structured interviews were conducted with managers in both Russian organizations (21 interviews at RusFood and 16 interviews at RusTyres) in order to acquire an appreciation of globalization as an everyday, lived experience and of the ways in which managers socially and culturally managed and reacted to it. The interviews lasted between 45 to 100 minutes and were recorded and transcribed verbatim afterwards. To the extent possible, during interviews I followed a “story-telling” approach, that is, interviewees were encouraged to tell their own experiences with minimum interference on the part of the interviewers (Czarniawska 2004). Most of the interviews were conducted in Russian, i.e. in the respondent’s preferred language. The following topics were discussed: what is and how the respondent perceives the company’s organizational competence globally, how the respondent perceives the relations between the HQ and the subsidiary, what role does the language play in these relations, and what are the cultural stereotypes and differences that exist between organizational members and what is their impact on everyday activities.

Secondly, the author and his colleagues have participated in several managerial meetings within both companies and have taken part in discussions concerning the companies’ operations in Russia and the numerous challenges involved. These meetings have provided a good understanding of the process of developing a shared corporate identity and challenges related to it in both companies. Both companies have relatively recently started their internationalization activities and hence the corporate management has been facing the challenge of transforming the mentality of the firm from “being a local player” into “becoming a global” company. Finally, I had access to ample secondary sources of information such as company presentations, internal reports, learning diaries, etc. These sources were used to deepen my knowledge of both

companies and improve my understanding of relevant issues within and without both organizations.

In the analysis I have focused on distinctive articulated ways of representing organizational reality, that is, “discourses” in the organization. These “discourses” can be seen as both alternative and competing ways of socially constructing organizational reality around national identities. I assumed that the ways organizational actors talk about certain organizational events facilitates their own identity construction process. In other words, I have treated discourses as “the principal means by which organization members create a coherent social reality that frames their sense of who they are” (Mumby and Chair 1997: 181, cited in Thomas and Linstead 2002: 75). The identities that emerge through these processes are not value-neutral and have important implications for the organization leading to particular outcomes and power implications. For instance, studies have shown that organizational actors use a wide range of discursive resources to promote certain views and ideas within organizations but not others (see, for example, Garcia and Hardy 2007; Hardy, Palmer and Phillips 2000; Hardy and Phillips 1999; Hodge and Coronado 2006; Phillips and Hardy 1997).

The interview material has provided me with an extensive discursive database for examining various discourses around national identity construction. I applied what is called an “abductive” approach to the data analysis, meaning that the theoretical ideas were constantly refined as I was progressing through the data analysis (van Maanen, Soderen and Mitchell 2007). In the beginning of the analysis, I synthesized the interview transcripts into individual case accounts. In these accounts, I focused on various general narratives in managerial discourses on national identity. I tried to focus on the manifest content of the data (see e.g. Suddaby and Greenwood 2005) by mapping these narratives focusing on specific textual elements, like repeating concepts, metaphors, or signifiers “us / them”. In doing this, I extensively used participant observation (i.e. my field notes that I was actively taking during the interviews) and numerous secondary sources as recommended by e.g. Lincoln and Guba (1985). This has helped a lot in the task of placing specific narratives in their wider social and intertextual contexts. Then, I tried to extract the discursive struggles over national identities that I was able to identify in the data thus focusing on the latent content of the data (e.g. Suddaby and Greenwood 2005). The identified narratives/themes were used to generate hypothetical interpretive frames concerning the meaning of national identity. Finally, these interpretive frames were validated, refuted, or changed through continuous reading and rereading of the data in search of examples, counterexamples, supporting and refuting evidence. I also have attempted to validate my tentative interpretations by feeding back to the interviewees the findings as I made progress with the analysis in the form of the company reports. In these I have listed the main findings and asked the interviewees to provide me with feedback on my interpretations. Such practice has allowed for the fine-tuning and the validating of my conclusions.

### **The construction of national identity in Finnish-Russian organizations: “Who are we?” and “Where do we come from?”**

The analysis of the data has showed that national identity was employed by managers of both Russian organizations for two main purposes, which can be described as discursive struggles. The first struggle reflected the desire of Russian managers to position themselves as more “global”, professional, superior, and knowledgeable than their Finnish counterparts. In so doing, Russian managers tried to establish themselves

as being better versed in the dominant western managerial approach than their Finnish counterparts. The main discursive resources that they drew on in this struggle were rooted in their professional experiences, knowledge, and skills embedded in the current national and institutional environment of modern Russia.

The second struggle reflected the inherent need and desire of Russian managers to preserve their cultural distinctiveness of being Russians that was portrayed as a valuable resource in the Russian organizational context. In so doing, Russian managers resisted Finnish management discourses infused with softer values of what can be termed the Nordic approach to capitalism, such as job security and egalitarianism. The main discursive resources that Russian managers utilized in this struggle were their cultural and national characteristics together with closely related humorous stories and metaphors.

Of course, the author acknowledges the contested nature of these struggles and the difficulty or impossibility of being fully comprehended. Both struggles were not total or ubiquitous in any sense. Still, it is argued that they provide a good basis for discussing the national identity construction process and the discourses that it draws on as strategic resources in the struggle for power in the organizational context. The following two sections describe these struggles in more detail.

#### **(A) The struggle for global status: “We are more global”**

The first type of struggle that I was able to identify in the data is related to the desire of a certain social group – in this case Russian managers that were interviewed for this study – to be established into the position of power in relation to the “other” – Finnish managers - within the organization. It was established by means of subjugation and exclusion of “others” from the category of who can be considered “global” in the global environment. This struggle also reflected the well-documented processes of dividing between “us” and “them” that take place in organizations undergoing various organizational changes, e.g. mergers and acquisitions (see, for instance, Larsson and Finkelstein 1999; Olie 1994). I found that national identity served as a symbolic resource that was invoked by Russian managers to differentiate them as more “global” from their Finnish colleagues.

From the outset, the Russian managers in both organizations felt the need to position themselves as equal partners to their Finnish colleagues. To do that they had to overcome certain stereotypes that existed in the minds of the Finnish managers which depicted Russians as lagging behind and not well versed in the western managerial approach of doing business. These stereotypes were seen by the Finnish managers as an essential part of their Russian colleagues, as something which is given and cannot be changed but rather has to be dealt with. In turn, the Russian managers viewed the existence of these stereotypes among their Finnish counterparts as a sign of Finnish ethnocentrism and backwardness. These stereotypes were described as being obstacles for Finnish companies’ development in Russia. One Russian manager has put it as follows:

I understand that FinFood is afraid of Russia because really even though FinFood is here for more than nine years, even in that case they do not know the Russian market, they do not know the Russian management style and that’s why they are afraid.

The existence of these stereotypes served for the Russian managers that were interviewed as a proof of Finnish “*localness*” and non-“*globalness*”. In turn, the Russian managers depicted themselves as possessing a global mentality and hence as more globally oriented than their Finnish colleagues. Note the following extract from the interview with one of the managers:

An interviewer:

Is FinTyres MNC in its mentality?

A Russian manager:

No. But RusTyres is an MNC in its mentality. FinTyres Corporation is multinational in theory but not in practice.

An interviewer:

What needs to be changed then?

A Russian manager:

You answered yourself in your question – mentality needs to be changed, habits need to be changed, localization should be avoided, they need to think not only about themselves... but about the company.

Trying to position themselves as being more “*global*”, the Russian managers have alluded to the general differences in terms of geography and size between Russia and Finland. Note these types of allusions in the following passage narrated by one Russian manager:

[G]enerally about Finns... it is nothing personal, it is like an observation, what I think... because I work with Finns since 1993 and that means that I generally like it... but what is the obstacle for more dynamic and faster development? I think that it is a feeling [among Finns] that Finland is a small country, only 4.5 millions, [and] it is in the corner of Europe...

Another stereotype that, according to the Russian managers, Finns had about their Russian colleagues and that also impeded the successfulness of the Finnish companies’ businesses in Russia was related to the views of Finns on the hierarchical nature of Russian organizations. The Russian managers claimed that such views emerged from a somewhat static view of Finns on modern Russia and their reluctance to acknowledge the changes that take place in Russia as the business environment becomes more and more international and competitive. Indeed, the hierarchical nature of Soviet organizations, that were the predominant kind of organizations in Russia throughout the 1990s, is well documented in the literature (see, for instance, Bollinger 1994). To some extent this fact has become ingrained in the minds of the Finnish managers being supported by various consulting reports and experiences of western managers in Russia in the 1990s.

It appeared that the existence and persistence of a hierarchical structure had negative connotations in interviews with both Finnish and Russian managers, being seen as a sign of lagging in development. Such views can be attributed to a postcolonial perspective. Within this perspective “*hierarchy*” is seen as an antipode of what is

considered to be nowadays a universal neo-liberal ideal of an organizational “open” structure – a flat matrix structure – which is perceived as representing progressive and developed aspects of modern western organizations. Hence, in the modern “developed” world hierarchy is considered to be “non-developed” and an undesirable organizational structure. Along the same lines, Finnish managers often referred to the excessive hierarchical structure of Russian organizations linking it both with the communist legacy of Russia and with the, “inherited” from the Soviet times, non-democratic leadership styles and paternalistic relations in Russian organizations (Fey, Adaeva and Vitkovskaia 2001; Kets de Vries 2001). The Russian respondents have resisted such views by calling them stereotypical and claiming that in reality the Finnish organizations are more hierarchical than the Russian ones, thus, once again reproducing the “us” versus “them” opposition.

The Finnish stereotype is that here in Russia the structure is highly hierarchical, and everything is done only when the boss says okay, do it. This is not really true. Really not true...

I don't know why, but Finns consider our structures more hierarchical, but I wouldn't say it is so. This is more a clear division of responsibilities. So this is not hierarchy, this is just, I would say, clearer structure.

[O]f course, formally at FinFood it is very democratic but in reality it is only formality. At RusFood... of course it is not so democratic, only one or two managers can make decisions. But here we really discuss decisions before decisions are made. For example,... if I make some decision, I ask... opinions [of my subordinates] and if it is some important decision then I ask all people who can help me to make the best decision. And I am really interested in their opinion because of course nobody knows everything... In FinFood everyone is responsible only for one service... And they have different specialists, very good specialists but if these people do not have [a] wide view, some systematic minds, in that case it is impossible to make good decisions.

The struggle of being recognized as more democratic and less hierarchical than the “other” potentially had very important implications for both organizations in terms of how power relations played out between the HQs and the subsidiaries. Acknowledging that both Russian organizations are less democratic may have implied that the Finnish HQs would be able to legitimately impose means of control on the Russian managers' activities. Such an attempt may be then justified by referring to the inability of the Russian managers to work effectively within a matrix system or to the excessive concentration of decisional power in hands of one person which is seen as an inefficient way to function. On the other hand, actively rejecting such a view on Russian organizations may have allowed the Russian subsidiaries to acquire more legitimacy for autonomy in pursuing business opportunities in their environments and to resist practices and initiatives imposed on them from the HQ's side. Hence, the struggle around the notion of being democratic/non-democratic can theoretically be seen as a latent conflict aimed at producing a certain social order with differentiated power positions in it.

In drawing a borderline between “us” being more “global” than “them”, the Russian respondents used not only the analogies but also involved a third element – a third party – which to some extent served as a measurement scale in a competition for the “global” status among managers. This third party was what the Russian managers labeled as “true global companies” referring to the US multinationals, for instance Coca-Cola. Having been employed by these companies, as many Russian managers have been, the Russian managers claimed to possess truly a global vision of how to run global businesses, which the Finnish managers lacked. For instance, when discussing

the HR function that was implemented in one of the organizations in Russia the Russian manager stated the following:

The performance appraisal system that we have here... has not been really transferred [from Finland]. It has been transferred and adopted from the leading multinational companies operating in Russia and other countries.

Our compensation system was adopted from the experience of multinational companies.

Having that kind of school [a leading US multinational] in my background... helped us to organize [a HR function in the Russian unit] on another level, not as in FinTyres.

We simply try to take the best that they have there [in Finland] and transfer it here [to Russia] and what we do not like, we leave in Finland.

Another characteristic that was drawn on in the struggle between the Finnish and the Russian managers for being more “global” was the ethnocentrism of Finns and their “*anti-Russian-ness*”. For the Russian managers these views served as one more indication of a “*local*” and not “*global*” mindset of their Finnish colleagues. The Finnish managers were blamed for holding very simplistic and somewhat narrow minded stereotypes about Russians that only exemplified their “*local*” mentality and mindsets. Also, the willingness and the ability to learn were portrayed as signs of global orientation (“*to pick the best from everywhere*”) and the Finnish managers were depicted as not willing to learn. Finns in general were portrayed as not very knowledgeable about Russia in the first place. Again, by narrating such stories the Russian managers were trying to position themselves as more “*global*”. At the same time, for instance in RusTyres these kinds of narratives were also used by Russian managers as rhetorical tools to renegotiate the allocation of responsibility between the HQs and the Russian subsidiary. By referring to the situation as “trust crisis” and “*imbalance between responsibility and authority given to local management*”, they were able to shift the balance of authority allocation more in their favor.

Deeply in their [Finnish] souls there are anti-Russian feelings

I do not think that Finns do not want to learn from Russians, but I do not see a strong desire. To say more, I see a desire to show us how they work, and have us start working the same way in Russia.

Finns surprisingly enough don't know really anything about Russians. I think that is the problem. And those who don't know, they can develop whatever views...

Finns have a certain perception of what a Russian person is - a Russian is either belonging to the mafia or being very, very rich and arrogant. It's not really true of course.

Interrelated with the previous point, there was some evidence that indeed the struggle for “*global*” status was occurring on both sides. The Russian respondents have justified the need for positioning themselves as more “*global*” and thus different from the Finns in order to counter the tendency among Finnish managers to downgrade the competence of their Russian counterparts. That's how one of the Russian respondents symbolically expressed his frustration concerning this matter:

Actually, in the beginning when people do not trust other people, sometimes there is a feeling that Finns perceive you as an idiot, some kind of a bear with balalaika, who does not understand anything. So when you say something, Finns reply: “How can you say so, don't you know

anything?" Although later you understand that these people just do not understand the rules of the game in Russia.

The competition for "global" status in both organizations also involved references to the historical relationship between Russia and Finland. Some respondents referred to the period of the Winter War and the region of Karelia, which was annexed to the Soviet Union in the aftermath of the war, when discussing the relations between Finns and Russians and the differences between them in the organizational setting. Consider the following extract from one of the interviews:

A Russian manager:

In my view, cultural differences do exist. These differences could be not so vivid, but considering events of the Winter War, Karelia and so on... I even bought a book about that...

An interviewer:

Book about what?

A Russian manager:

About Karelia, whose territory was it, originally Slavic in 1326, there was no even smell of Finns there. Slavs were fighting with Swedes. First one side was conquering it, then the other. And in the end, Swedes brought there a small population of Finns, left them to live there so that these people could protect their own land... so it is possible to argue for a long time, but when a Finn cheers for Mannerheim [the commander-in-chief of the Finnish Army during the Winter War], Russians sitting at the table feel uncomfortable... Just happened recently...

The fact that the Russian environment is more challenging to operate in due to more dynamic social and economic conditions was seen as promoting courageousness and effectiveness among the Russian managers. Living in modern Russia, the Russian managers portrayed themselves as more equipped to face the challenges of the global business environment where efficient decision making and adaptability to changes are crucial. Also, their ability to sacrifice their own personal interests in favor of organizational goals was seen as underlining their global orientation. On the contrary, the Finnish managers were depicted as badly equipped for global challenges because they were coming from "a warm place" and were prioritizing their own interests over organizational goals. Therefore, they were depicted as being unable to make "big" decisions that are seen as a must in a global business environment to succeed.

Finns never take serious decisions, because the punishment - and the worst punishment - is to lose the job in the company... because it is a warm place, in Finland particularly.

Being an employee in a Finnish firm I should be happy that I will not be fired and they will always find some place for me. But from the point of view of a man who has targets to fulfill, I am not happy, I do not need such stability... If I was picking my nose sitting here, I would still be getting money... It is not like that here - Russia now is a different country. Dynamics here is such that if you sit and pick your nose, you are less than nothing from the societal point of view and so on. It is only possible if you are a son or some cousin of Hodorkovsky or Abramovich, but a simple man has to move...

Generally working with Finnish companies, it is very, very difficult to encourage them to do big things, i.e. to take risks, extremely difficult...

To sum up, this struggle had crucial implications for strategizing and decision making in both organizations. In fact, in RusFood it produced a concrete outcome leading to the situation when the Russian subsidiary was separated into a stand-alone business unit granting Russian managers more decision-making responsibility and autonomy. By claiming that the Finnish managers are not easily adaptable to the current global situation worldwide and lack desire to learn and comprehend new cultures and markets, the Russian managers hinted at the necessity to allocate more decisional power to them and, at least partially, achieved it. It illustrates the situation in which national differences are presented as structural impediments to successful development while the actual political considerations, e.g. gaining more decision making power or more autonomy, are silenced. It highlights the political nature of the national identity construction process (see also Ailon-Souday and Kunda 2003) and underscores its importance as one of the contributing elements to organizational sensemaking and to strategy debates in organizations.

**(B) The struggle for distinct status: National identity as a valuable and distinctive resource**

Simultaneously with the struggle for the recognition of being more “*global*” than the “*other*”, there were instances of another struggle taking place in both organizations – the struggle for being established as a distinct collective from the counterparty based on the national separateness and distinctiveness. In line with the previous research, our data confirmed that the commitment to the national collective tends to intensify in the global setting (Vaara, Tienari and Säntti 2003). The Russian respondents drew on discourses related to their national identity to indicate the borderline within the organizational boundaries between two distinct groups – the Russian and the Finnish managers. The Russian national identity was used as a powerful symbol that served as a “*natural*” and hence “*objective*” differentiator between two groups (e.g. being Russian and non-Finnish) and in doing so proved to be a potent counterforce to the converging force of the globalization processes.

The struggle was expressed in attempts of our interviewees to explain various daily work situations in terms of cultural differences clearly differentiating what can be labeled as “Finnish” or “Russian”. Often, what was labeled as being “Russian” was described as a valuable and beneficial resource to possess in an organizational setting. Often Russian managers during interviews utilized humor to indirectly communicate their views about Finnish managers and Finnish culture in general and to express detachment from their Finnish counterparts. In so doing, they resisted the Finnish management approach and its values from being internalized in the Russian subsidiaries. It concurs with the literature that suggests that humor is widely used by organizational actors as one of the coping strategies to express resistance and the intention to de-legitimize (Hatch 1997; Grugulis 2002; Hatch and Ehrlich 1993).

There are numerous anecdotal stories in Russia that depict Finns as being slow, calm, and inexpressive. One can often hear how Russian people imitate the Nordic accent and slow tempo in their speech. Also, Finns are often grouped together with other nations from the Baltic countries, mainly Estonians, who used to be a part of the Soviet Union. It can also be viewed as a patronizing act if one considers that Finland used to be part of the Russian Empire from 1809 until 1917. In our data there were many examples when the Russian managers were trying to employ humor describing certain situations that they encountered while working with Finns. By so doing, they aimed at indirectly

expressing their reluctance to accept the Finnish management approach and its values. Here is one anecdote told during the interview with one Russian manager:

I remember one anecdote about an Estonian guy, but ... it can also be applied to a Finnish guy... Man on the road outside of the city is trying to stop a car. He stops it. It is in Estonia. He asks the driver: "To Tallinn, is it far or near?" Driver says: "Near." "Would you take me?" Driver says: "Yes." He sits in a car, car goes, goes, goes. One hour, two hours. Passenger asks: "Sorry, is it now far or near Tallinn?" Driver says: "Now, faaaar". So this is about our neighbors [Estonians and Finns].

Another way of expressing detachment from the Finnish colleagues was the use of metaphors by Russian managers. Metaphors are symbolic resources that are able to communicate more than they literally express. Consider the following narrative from the interview with one of the Russian managers. Note how in this narrative Russians are depicted as being more flexible and open-minded while Finns are portrayed as somewhat narrow-minded and inflexible.

I am often asked about the general difference between Russia and Finland. I even prepared a joke about it. If you take a fly and put it in a can or a bottle it will just move around randomly here and there but it will finally find the way out, so the problem is solved. And I say that this is the way Russians work. Trying lots of things, you fail but you do not care and you try something else and then, here you are. Sometimes I can compare Finns with a bee. If you put a bee in the same situation, you know it is considered to be much more intelligent (laughs), it flies only in one direction and then, after dozens of attempts [hitting the glass wall], it just falls down and dies. So this is the way I see that people in the west often are operating.

Furthermore, the Russian culture was depicted in interviews as a valuable resource that serves the organizational goals well and is better prepared to face the challenges of globalization. For instance, when questioned about the cultural differences that exist between Russians and Finns, one interviewee responded by distinguishing between how Russians are better able to cope with uncertainty than Finns:

I already - based on my experience during these two years - understand that the same word even in English has two different meanings for us and for Finns. For example, "How are you?"; "Good, but there is one problem"; So this word "problem" for Finns is a complete collapse, something completely amazing. But for Russians "problem" is just a question that needs to be solved.

The Russian managers' active use of humor and various metaphors to describe their relations with their Finnish colleagues underscores their attempts to downplay the abilities and achievements of their Finnish colleagues within both organizations as well as to resist the Finnish management discourses that were transferred from the HQs promoting a more egalitarian and less competitive approach to management. It can be seen as an attempt to overturn, de-legitimate, and, subsequently, change the existing asymmetrical relations between Russian and Finnish managers (see Clark and Geppert 2006) in favor of the relations, which would provide the Russian managers with better access to resources and financial rewards. In both of our case organizations, the existing relations were challenged by referring to the ability of the Russian managers to be more effective when dealing with scarce resources, uncertain and complex environments, and ambiguous social interactions. To some extent it concurs with the arguments found in the literature that Eastern European managers are indeed better able to cope with uncertainties and ambiguities due to the socially complex nature of the environment where they come from (see also Child and Czegledy 1996; Stark 1996).

Another positive feature that the Russian managers have associated in their interviews with their Russian identity was their hard working nature and workaholic attitude

towards work. As such, it was claimed to be distinct from the attitude of Finns towards work. The fact that the Finnish managerial approach tends to promote more attention to work-life balance issues was portrayed as a sign of weak organizational commitment and prioritization of personal interests. The Russians, in contrast, were described as very committed and enthusiastic (“crazy”) towards their work and organizations. The fact that in Russia people often are forced to work substantially more than they want was not voiced very eagerly by our Russian interviewees. Instead, it was often turned on its head and presented as a distinct feature of “*being Russian*” that helps people achieve good results and makes them responsible and work-oriented.

[P]eople have to work actively here [in Russia]. If you would come here [to the Russian organization] at 7 o'clock in the evening then this place resembles a trade floor, it is completely crazy.

Another topic which is totally unclear for us [is that] when in Finland people finish their working hours, they leave everything as it is and go home. We do not go [home], we do everything until the end.

So there [in Finland] is an understanding that people here [in Russia] live differently, that they have different perceptions, different mentality... And we would like to be like [Finns] also, staying here [at work] from 9:00 till 17:00, so that in the same way we could close our computers at 17:00 or 17:30 and just go home and then in the morning come back and start again. So we can only envy Finns and try to behave like that also to have some kind of work-life balance. If it is something like 50-50 there, here it is 90-10. And if you are young, I always ask young people here, are you married. They answer no. And I say if you will be working here, you will never get married... For example, my kid goes to sleep at 21:00, so I do not see him at all - I come home he sleeps; I leave he still sleeps...

Another expression of merits embedded in the Russian national identity was associated with the fact that Russian managers were more people-oriented as opposed to process-oriented and discipline-oriented Finnish managers. Also, Russians were depicted as more caring and even passionate for the ultimate result in both individual and collective work. Such self-portrayal depicted Russian managers as more humanistic and at the same time more dedicated to and responsible for their work thus questioning the irresponsibility and the lack of a “psychology of self worth” among Russian managers that the extant literature has claimed to be somewhat typical for post-Soviet managers (Holt et al. 1994).

I would not be hiding that I and my people got an offer from Company X to double our salaries. It was very simple: come to our side and let's conquer the whole country. It is possible but not interesting to work in a company-loser. Not everything can be measured in money, especially when you do this work already for many years. I know perfectly that I will not be without work, I know my own price, but what we do here is... I do not know but we get high from it... that we killed a competitor here, there, there... so in every issue we are the first ones, everywhere and in everything... So what we are not getting in money, we are getting this way by working in such a company.

What I really appreciate in our previous general director was that even though he was the biggest shareholder here... he was very, very close to people... And people really trusted him. And they knew that whatever he said it would be really implemented.

The Russian managers quite often stressed the fact that Russia is nowadays a completely different country that managed to overcome a large number of difficulties that it was facing after the collapse of the Soviet Union. They actually took a lot of pride in highlighting the changes in the social as well as business environment in Russia. In a way, by depicting themselves as some kind of heroes who managed to overcome a great number of problems and challenges during the post-Soviet years, the Russian managers

tried to point out their legitimate right to be repositioned as equal partners of their western colleagues. Such attitudes were expressed to undermine the general contribution of the Finnish side in developing the Russian organizations. Consider the following extracts from the interviews:

This industry is now different. I do not want to say that Russia may be has passed the way which other countries need 50 years to go through, we made it in 10. But this is close to reality because the way the companies are managed, everybody knows that they need financial analysis, they need marketing, they need HR if they want to have good people so on and so forth. So it is kind of standard. I do not think that FinFood in case of RusFood brought a lot.

Honestly, I think that what they [Finns] think [about their contribution] is clearly overestimated...

They [Finns] try to change us [Russians] but I think if they want to work in Russia, they must change themselves because, please do not understand me like some nationalist but in any case, small 5 million people Finland trying to change Russia... (laughs)... it is really funny... it is the same also in China where Finnish people try to change the nation of Chinese people, I do not think that it is possible... If they want to make business here, they must be more flexible...

Hence, by referring to various national characteristics that in the minds of the Russian managers make them better equipped to deal with limited resources and escalating complexity of the environment, the Russian managers aimed at resisting the more egalitarian Finnish managerial approach thus renegotiating the balance of interests between control and autonomy within both MNCs. Such micro-political renegotiation activities were also documented previously in the literature (see also Ferner et al. 2004; Martin and Beaumont 1999). This analysis shows that the degree of control imposed on the subsidiary by the HQs emerges out of a process of negotiation between the two and the national identity construction processes play an important role in these negotiation activities constituting one of the main driving forces of the organizational actors' political behavior within MNCs.

## Summary

To summarize, the findings of this paper indicate that there were two main discursive struggles that the Russian managers were engaged in being subjected to the forces of globalization (see Table 1). Both struggles involved the (re)construction of specific kinds of managerial subject positions. The first one reflected the struggle aimed at positioning oneself as more "global", with certain connotations of being more superior and knowledgeable as well, in mentality than one's counterparts. Being more "global" was associated with some sort of empowerment and self-realization that the notion of "being a global manager" brings with it. The data suggests that the involvement of the Russian managers into this discursive struggle was intentional and conscious and aimed at actively resisting the hegemonic postcolonial discourse depicting westerners (in this case Finnish managers) as carriers and a source of seemingly "universal" knowledge for non-westerners. The Russian managers tried to reposition themselves as being better versed in the dominant western management discourses than their Finnish colleagues.

The second discursive struggle reflected the inherent need and desire of the Russian managers to preserve their cultural distinctiveness of being Russians that was portrayed as a valuable resource in the Finnish-Russian organizational context and was used to resist the Finnish managerial approach imposed on them by the HQs. To do that, they drew on the discursive strategy aimed at the construction of national

differences. Additionally, this discursive struggle included elements of the heroification discourse as the Russian managers took a lot of pride in the fact that they belonged to the generation of Russian people who were able to achieve a tremendous and fast-paced social change in Russia following the collapse of the Soviet Union.

**Table 1: Struggles: types, main characteristics, main discourses, and power implications**

Type of struggle	Main characteristics	Main discourses used by Russian managers	Power implications
Struggle for being global	Aims at positioning the “self” as more global, open-minded, adaptable, and polycentric than the “other”, thus positioning itself as better versed in the western managerial approach of “true” multinationals	<ul style="list-style-type: none"> <li>a) Russians are more adaptable to the global and dynamic environment</li> <li>b) Russians are less ethnocentric than Finns</li> <li>c) Russia is a geographically larger country as compared to Finland</li> <li>d) Finns are only formally more democratic and less hierarchical than Russians</li> <li>e) Russians possess more extensive experience from large global “third country” MNCs</li> <li>f) Russians have the willingness to learn from others which is lacking in Finns</li> <li>g) Russians are able and willing to make “big” scale and efficient decisions</li> </ul>	<ul style="list-style-type: none"> <li>Redistribution of decision making power</li>   <li>Granting more autonomy to Russian subsidiaries</li>   <li>More active participation in agenda setting and strategizing</li> </ul>
Struggle for being distinct	Aims at positioning the “self” as possessing more valuable, distinct, and beneficial features than the “other” derived from national identification, thus downplaying and resisting the Finnish management approach and managerial discourses	<ul style="list-style-type: none"> <li>a) Russians are more flexible and open-minded as opposed to Finns who are slow and inflexible</li> <li>b) Russians are better able to cope with uncertainty</li> <li>c) Russians are more enthusiastic about and dedicated to their organizations</li> <li>d) Russians are more workaholic and “crazy” about work</li> <li>e) Russians are more people-oriented as opposed to more process-oriented and discipline-oriented Finns</li> <li>f) Russians are more passionate for the ultimate result</li> <li>g) Russians have overcome and achieved a lot since the Soviet Union has ceased to exist</li> </ul>	<ul style="list-style-type: none"> <li>Downplaying of Finnish contributions, achievements, and capabilities</li>   <li>Granting more autonomy to Russian subsidiaries</li>   <li>More career promotions and advancements for Russian managers</li> </ul>

## Discussion and conclusions

This paper has attempted to shed some light on the following questions: (a) What are the consequences and the impact of globalization on self-perception and self-identification of local managers in their locality?; (b) What kind of discourses does the national identity work entail?; and (c) What implications does the process of national identity construction have for power and politics in MNCs? To tackle these questions, it examined the process of social construction of national identity among Russian managers of Finland-based organizations in Russia. More specifically, it tried to illustrate how national identity is being built in the face of globalization force and to challenge some of the existing views on national identity that have dominated the literature with a few important exemptions though (see, for instance, Ailon-Souday and Kunda 2003; Barinaga 2007). The dominant view entails an essentialist and static perspective on national identity construction and denies organizational actors of any subjectivity and agency in this process. This paper, on the contrary, has attempted to show that the national identity provides organizational actors with an important set of discourses that can be utilized as symbolic resources to resist the hegemonic influence of the globalization meta-discourse and to acquire power within the organizational setting. It argues that the phenomenon of national identity is too complex to be theoretically captured by means of strict and static sets of continuums (e.g. Hofstede 1980, 1991). Rather the national identity can be described as a symbolic discursive resource that organizational actors draw upon in the symbolic production of difference in cross-national organizations, e.g. MNCs. It is often used to marginalize the “other” based on some collective characteristics or features (e.g. stereotypes) which are applied to all members of the “other” “imagined community” (Anderson 1983). For instance, this analysis shows how by juxtaposing itself to Finnish managers whom were portrayed as “local” in their mentality, coming from a “small” and secure place, and thus not able to cope with the global dynamics and pace, the Russian managers aimed at producing an image of a Finnish manager being poorly equipped to manage global companies adequately thus trying to shift the power balance in the relationship. Therefore, national identity is an important element of the organizational actors’ sensemaking processes (re)producing power relations between organizational actors in the MNC setting.

Following the quest of Ailon-Souday and Kunda (2003) to provide more accounts of how local managers construct their national identities in the face of globalization, this paper has presented the case of Russian managers in the context of Finnish-Russian organizations. Such setting is a very peculiar one due to several reasons thus complementing and adding to the generalizability of the Ailon-Souday and Kunda’s (2003) findings. Firstly, Russia is one of the emerging markets as opposed to the developed Finnish market. Secondly, historically Finland has been part of the Russian Empire from 1809 till 1917. The former aspect has resulted – as illustrated in this paper – in the internal struggle that local managers from the emerging markets have to deal with when faced with the force of globalization. These managers feel the need to be included into the “western managerial community of practice” and it facilitates their strong intention to be portrayed as “global” managers. It leads to a very aggressive attitude on their behalf towards the “other” in the organization – the Finnish managers in our case companies. At the same time, the latter point provides a counterforce to the need to adapt and to change for Russian managers. Instead, being Russian creates a sense of pride and self-esteem in particular relationships with Finnish managers. So the final outcome is a complicated intertwined struggle between: (a) the desire to become acknowledged as a legitimate member of the western managerial community of

practice, and (b) the desire to differentiate from the western affiliation, i.e. the Finnish management approach, preserving the Russian identity precisely as a means for “non-westernization”, keeping the borderline between “us” and “them”.

Complementing Ailon-Souday and Kunda (2003), who examined the process of national identity construction in a merger between companies from two developed economies (i.e. an Israeli-USA merger), this analysis illustrates a similar process but in a western-Russian setting. It also more explicitly discusses the power implications of national identity construction for organizational decision-making processes. It shows what kind of wider societal, managerial, and institutional discourses are drawn upon by organizational actors and underscores the prominent role that cultural stereotypes play in this process. Additionally, it illustrates the existence of a non-organizational global social hierarchy of national identities which renders some national identities to be superior to others. For instance, the analysis showed how the Russian managers resisted the influence of their Finnish colleagues by claiming that they are in fact more knowledgeable than Finns due to the possession of experience from US MNCs, which indeed some of the Russian managers had.

The analysis shows that global and national identities are closely interlinked in the case of Russian managers. Such a finding challenges the dominant view in the literature stressing the inevitable convergence of managerial values of Russian managers with “global” western values. Supporting the argument of Child and Czegledy (1996), who state that Eastern European managers might need to unlearn less than it is often claimed in the western business community, this paper provides an indication that Russian managers seem to be of the same opinion and they see western managers as carriers of knowledge only to a limited extent. The most likely scenario then for the future is the one in which Russian managerial values will combine parts from western business practices and some of the existing local ones. This line of argumentation complies with the idea of global “crossvergence” of managerial values, which was coined by Ralston, Gustafson, Cheung and Terpstra (1993). “Crossvergence” is seen as a continuum between the polar extremes of convergence and divergence. It provides an integrative alternative that might be characterized as the “melting pot” philosophy of managerial values formation (Ralston et al. 2008). When applied to the Russian context, “crossvergence” suggests that there will be an integration of cultural and ideological influences from both within and without Russia that will result in a unique value system that will borrow from both national culture and economic ideology (Ralston et al. 1993).

It should be noted that despite the initial expectation, no significant differences were found in types of discursive struggles that were taking place in two organizations (i.e. one greenfield and one brownfield operation). Both struggles were present in both cases. The only difference was that the struggle for being more global was slightly more salient at RusTyres, i.e. a greenfield operation, and the struggle for being more distinct at RusFood, i.e. a brownfield operation. Russian managers at RusTypes were more inclined to establish themselves as better versed in the western management approach by claiming that they are more global in their mentality, less hierarchical, and possess more international experience from the “true” MNCs. Russian managers at RusFood were more persistent in underlining various differences between Russians and Finns claiming that Russians are more result-oriented, people-oriented and responsible. However, the fact that both struggles were found in both cases illustrates that the nature of the national identity construction process is at least to some extent universal

in being linked to power relations and does not depend on the nature of operations that much. The struggle for power seems to be ubiquitous in MNCs.

The findings support the conceptualization of an MNC as a “transnational space” (Geppert, Matten and Walgenbach 2006; Morgan 2001; Pries 2001) and the neo-institutionalist perspective on shared organizational identity and locally indifferent, global attachments. The paper posits that it is precisely because of globalization that people tend to stress their national identities as the way of differentiating from “others” and as the source of advantage in the organizational context. It illustrates the “precarious nature” of the “transnational space” of the MNC: the emergence of transnational identities is constantly threatened by social relations in and around the MNC, which are to a large extent predetermined by national identities of organizational actors (see also Dörrenbächer 2007; Dörrenbächer and Geppert 2006). Also, national identity provides organizational actors with an important set of discursive resources that can be used in legitimating/de-legitimizing and normalizing various organizational practices. For instance, it challenges the idea of “best practices” that – according to the literature – are continuously identified and transferred within MNCs (Szulanski 1996). It follows that what is considered “best practice” within organizations to a large extent depends on organizational actors’ power dispositions, in which national identity discourses play a crucial role. In a similar vein, the findings illustrate the subjective nature of such notions as “culture” and “cultural differences” in the MNC context. If the national identity can be utilized as discursive resource then the notions of “culture” and “cultural differences” as well are powerful tools in political and power games within cross-national organizations.

The extant literature has not been very active in recognizing that cultures and national identities are always embedded in particular political settings. Extant studies tended to view various organizational problems as cultural confrontations or incompatibilities where people representing two different cultural or national collectives do not converge on a common understanding of things. However, it is important to distinguish cultural from political affiliations and to recognize that not all conflicts that occur in cross-national organizations are results of cultural differences. In fact, this analysis indicates that there are other types of conflicts that emerge due to power dispositions and personal interests of organizational actors, which often are self-centered, self-serving and aim at gaining power and authority within an MNC through decision-making participation, access to resources and other means. These interests often become promoted or resisted through various discourses around national identity and cultural differences. Such discourses can be used to either support certain decisions and initiatives or reject them (Holden 2002). Hence, it is important to go beyond traditional theorizations of cultural differences (Hofstede 1980, 1991) and national identities within MNCs and to examine the process of national identity construction from a cognitive or a discursive perspective (see, for instance, Wodak et al. 1999). In fact, language and discourses used by organizational actors seem to have the “generative” power to create new meanings and understandings by bringing together different existing meanings from different social domains thus connecting cognition and action (Vaara et al. 2003). These discursive aspects of power should be taken seriously and need to be examined.

The analysis presented in this paper has implications for MNCs. Since nationalism is an important element embedded in the relationships between managers of different nationalities, it impacts the daily decision making and managerial sensemaking processes in MNCs. It has certain implications on who participates in decision making

processes, what decisions are made or rejected in the organization. In practical terms it means that organizational members might resist certain initiatives emanating from other parts of the organization based on nationalistic motives. Such initiatives as transfer of knowledge, diffusion of practices and dissemination of shared corporate cultures might fail because of these motives. Hence, they should be paid attention to and taken seriously.

While these findings can be seen as analytical generalizations (Tsoukas, 1989) that shed some light on the politicized nature of the national identity construction processes in modern MNCs, it is important to contextualize these findings. The Russian-Finnish setting offers an interesting set up to study the national identity construction processes but it is also a very unique one considering the joint history these two countries had. For instance, the applicability of the postcolonial lens is complex in this setting due to the fact that Finland has been under the rule of the Russian Empire for more than 100 years and as our findings show memories of those times still live on in minds of both Russians and Finns. Also, national identity is a context-bound resource and some contexts are more fertile in providing various discourses around national identity than others. In this sense, the Russian-Finnish context has a very “rich” historical, cultural, and societal content, from which a large number of discourses can be mobilized and utilized by organizational actors as strategic resources in their struggle for organizational power. At the same time, other contexts might not be as “rich” in this respect. However, one might speculate that the main mechanism through which national identity functions or is utilized as a strategic resource in the struggle for organizational power remains the same in other contexts as well. Nonetheless, it would still be important to compare this analysis with cases from other industries and other national settings. It would be especially interesting to study other kinds of post- or neo-colonial settings where specific conceptions of superiority and inferiority could be reflected in sensemaking around national identities (e.g., Frenkel 2008; Prasad 2003). Researchers need to investigate more thoroughly how organizational actors use various metaphors, analogies, humor or irony in the national identity construction processes. Also, future research may examine how the process of national identity construction varies depending on social position and background of managers in terms of education, age, gender, etc. or on their position in the organizational hierarchy. Then, it could try to identify various measures that MNCs could utilize to minimize the effects of nationalism on daily organizational processes.

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**APPENDIX 4 ESSAY #4****WE DO NOT TRUST THE BIG PICTURE: CULTURAL STEREOTYPES, 'CONTEXTUAL CONFIDENCE' AND TRUST FORMATION IN CROSS-BORDER BUSINESS ACTIVITIES**

Written by Alexei Koveshnikov

*Unpublished essay***Abstract**

Through a rich empirical case study of a Finland-based multinational (MNC) operating in Russia, the paper examines the impact of cultural stereotypes on trust formation in cross-border business operations. First, the analysis shows that the views of organizational actors from different parts of the MNC on trust are determined by cultural and institutional contexts, which they inhabit. Second, it illustrates how the process of trust formation in the MNC is not only closely interlinked with organizational identification of actors with the company but is also based on actors' national identification. Third, it demonstrates how pre-existing cultural stereotypes can undermine trust from the inception of a relationship by engendering low levels of 'contextual confidence' among actors. Finally, the analysis shows that - even though developing strong organizational identity among organizational actors in MNCs is presumed to alleviate trust problems - in some cases it does not suffice to overcome the influence of cultural stereotypes on the process of trust formation between actors in MNCs. Cultural stereotypes can be invoked by organizational actors in micro-political confrontations to problematize a trustor's 'contextual confidence' in a trustee's institutional context and in this way justify imposed control and particular decisions. As such, these micro-political implications of trust formation processes remained relatively unexplored in prior literature.

**Keywords:** cultural stereotypes, trust formation, contextual confidence, national identity, organizational identity, micro-politics, Russian-Finnish context

**Introduction**

Trust has been described as an essential element of social and economic life that facilitates cooperation, lowers agency and transaction costs, and acts as a basis for interaction between people and organizations (Mayer et al., 1995; Smith et al., 1995; Jones, 1995). It was found to be a central issue in cross-border mergers and acquisitions (Bijlsma-Frankema, 2004; Marks and Mirvis, 1998; Chua, Stahl and Engeli, 2005; Olie, 1994), joint-ventures (Currall and Inkpen, 2002; Inkpen and Currall, 2004), and alliances (Das and Teng, 1998; Gulati, 1995; Zaheer, McEvily and Perrone, 1998). However, to form and sustain trust is not easy and it is a particularly challenging task in cross-border operations of multinational companies (MNC), where both geographical distance and cultural differences may hamper trust development between units. Cultural expectations are often very different in different countries, and

geographical distance does not allow for frequent face-to-face contacts between units' members.

The literature on trust has been divided into two streams: one arguing that decisions whether to trust or not are essentially rational and calculation-based (see Gambetta, 1988; Bachrach and Gambetta, 2001) and another, a more sociologically-oriented, one (see Luhmann, 1988; Bachmann, 2001: 346) suggesting that decisions to trust are non-rational and "background beliefs and tacit knowledge are much more important in determining social actors' behavior than explicit calculations over potential gains and losses associated with specific decisions." However, what these beliefs and knowledge are remains unexplored in the literature. In this paper we concur with the second stream and propose that one of these non-rational elements influencing the trust formation process in a particular cross-cultural context of the MNC is a set of cultural stereotypes possessed by the involved actors concerning each other.

Thus, the aim of this paper is to examine the impact of cultural stereotypes on the formation of trust in the setting of MNC cross-border operations. Yet, in this paper we would also like to go beyond the deterministic models of trust formation that have dominated the research so far and that tend to treat trust as a dependent variable springing from various 'given' independent variables (cf. Child and Möllering, 2003; e.g., Gambetta, 1988; Bacharach and Gambetta, 2001). Drawing on Luhmann (1979, 1988), who differentiates between two interconnected levels of trust, that is micro- and macro-level, we argue that trust formation processes in MNCs have also micro-political implications. Whereas micro-level trust is personalized, meaning that it is experience- and relationship-based, macro-level trust is a more abstract one capturing the degree of 'contextual confidence' towards a particular institutional system or environment. It is here, we argue, that organizational actors in the MNC embark on mobilizing their ideas and pre-conceptions, such as cultural stereotypes about a particular context, as a discursive resource to engage in micro-political confrontations. (Re)constructing the degree of their 'contextual confidence' in line with their situational interests, organizational actors in the MNC are able to engage in micro-political struggles for control and power. Up to now, these micro-political implications of trust formation processes remained relatively unexplored in prior literature.

In this paper a case of a Finnish MNC operating in Russia is examined. Our context-specific focus on Russian-Finnish business relations is in line with recent pleas in the literature to consider the context-boundedness of trust and context-specific issues of trust (e.g., Ferrin and Gillespie, 2010; Saunders et al., 2010). As such, Russia provides a distinctive context for research on trust due to its institutional, historical and cultural idiosyncrasies. It has undergone significant changes, both economic and social, since the market economy reforms were initiated in the 1990s. These changes inevitably touched upon the way Russian companies operate and influenced the social organization of Russian companies. Contemporary Russian managers are said to be affected on the one hand by values pertinent to the market economy and on the other hand by the traditional Russian values (May et al., 2005; McCarthy, Puffer, Vikhanski and Naumov, 2005; Michailova, 2001).

Moreover, up to now the Russia's institutional environment has not been, and arguably is still not, able to produce a reliable and stable system of supporting institutions. Thus, the Russian institutional environment is characterized by underdeveloped formal institutions, often producing a void, which is then usually filled in business relations by

informal ones. Puffer, McCarthy and Boisot (2010) describe the following institutional voids in Russia: undeveloped legal and financial infrastructure, excessive administrative discretion, corruption in government offices, high interest rates, inflation, and lack of managerial expertise. Altogether, these voids predetermine the dependency of Russian managers upon a clan-type organizational form of capitalism with its related reliance on networks (i.e. blat in Russian) (see Michailova and Worm, 2003; Ayios, 2004; Puffer and McCarthy, 2007; Ledeneva, 2009; McCarthy and Puffer, 2011).

This can be puzzling and frustrating for Westerners who are accustomed to expecting greater openness in business dealings rooted in their experiences in developed economies with strong institutions, laws, established business practices, and contracts that provide clear rules and enforcement governing business transactions and facilitate high levels of 'contextual confidence'. Moreover, however salient and potent the described institutional voids can be, Western companies operating in Russia are there to reap the benefits and profits that the Russian market has to offer. In this respect, managers in these companies can be expected to try to benefit from the presence of institutional voids and their characteristics in the Russian environment by invoking them as discursive resources in the managers' micro-political negotiations with locals. In these conditions the formation of trust in Russian-Western business relations can be even more challenging.

Thus, the paper complements the literature in two ways. First, despite the fact that there is a proliferation of literature on trust, the processes through which trust is formed in MNCs remain relatively unexplored (for notable exceptions see Child and Möllering, 2003; Maguire and Phillips, 2008). Our analysis shows that trust is a culturally-framed social construction and its formation is closely interlinked with both national and organizational identities of organizational actors in the MNC. Second, following the call for future research by Maguire and Phillips (2008), the paper examines how cultural stereotypes constitute a discursive resource enabling actors in the MNC to engage in micro-political confrontations. In this way, cultural stereotypes impact trust formation in cross-border business relations by enabling the trusters to construct their 'contextual confidence' in institutional and legal environment of trustees as being justifiably low. To the best of our knowledge, the role of cultural stereotyping, their micro-political implications, and the mechanisms through which it influences trust formation in cross-border business activities have not been examined in the literature previously.

## **Trust, cultural stereotypes and identity**

### ***Classifications of trust***

The trust literature can be roughly divided into two main streams: the one that conceptualizes the choice to trust or not as a more or less deliberate and economically rational choice which is based on calculating potential gains and losses (see for instance, Gambetta, 1988; Coleman, 1990; Bachrach and Gambetta, 2001), and the one that questions to a varying degree the calculation-based nature of trust decisions arguing that, for instance, background beliefs may be more relevant to consider when examining trust decisions rather than assuming that these decisions are based on rational calculations (see for instance, Zucker, 1986; Bachmann, 2001; McEvily et al., 2003; Kim et al., 2009). Several classifications of trust have been offered in the

literature in an attempt to reconcile these two streams (see Shapiro et al., 1992; Lewicki and Benedict-Bunker, 1995; Mayer et al., 1995; Rousseau et al., 1998). For instance, Shapiro et al. (1992), Lewicki and Benedict-Bunker (1995), and Maguire et al. (2001) differentiate between calculus-based trust, knowledge-based trust and identification-based trust. All these forms of trust are based on the predictability that the other person – a trustee – will behave in a certain way, however, identification-based trust also includes goodwill, which means that in addition to predictable behavior trustees are also expected to forego opportunistic behavior not because of penalties or other losses but because it is seen as a ‘right’ thing to do.

Following Maguire and Phillips (2008), in this paper trust is defined as an ‘attitude or expectancy about other people and the social systems in which they are embedded’ (Kramer, 1999: 575, cf. Maguire and Phillips, 2008: 373). Those expectations might be both positive and negative, i.e. forming or damaging trust respectively. Trust is generally seen in the literature as ‘socially learned and socially confirmed expectations that people have of each other, of the organizations and institutions in which they live, and of the natural or moral social orders that set the fundamental understandings of their lives’ (Barber, 1983: 164, cf. Maguire and Phillips, 2008: 373). Hence, it is an expectation that some other will act with predictability and benevolence (Maguire and Phillips, 2008). Importantly, social norms and social context were found to shape both the behaviors the parties engage in, as well as their beliefs regarding the intentions of others (Sitkin and Stickel, 1996; Whitener et al., 1998). Against this background we suggest in this paper, that cultural stereotypes may constitute one of the factors that influence whether these expectations and beliefs are positive or negative, (re)constructing also the level of ‘contextual confidence’ between the involved actors.

### ***Trust, ‘contextual confidence’ and identity***

As it was already mentioned, trust at the individual level cannot be examined separately from social context in which it takes place and develops (e.g. Zucker, 1986; Bachmann, 2001). For instance, Bachmann and colleagues (Lane and Bachmann, 1996; Bachmann, 2001; Bachmann and Inkpen, 2011) emphasize the role of institutions for trust formation. In their view, besides more explicit formal arrangements, institutions also include more informal and context-specific routines, practices and norms, to which people orient their behavior (i.e. “the ways we do things around here”). Luhmann (1979, 1988), who distinguishes between system (or institutional) based and interpersonal trust, argues that whereas the latter is negotiated and decided one way or another (i.e. to trust or not) between individuals, yet it is highly dependent on the former, i.e. whether a truster trusts or wants to trust an institutional or social context that a trustee represents.

Some scholars (e.g. Child and Möllering, 2003) have suggested that the importance of social and institutional context can be captured with the notion of ‘contextual confidence’. It is defined as the predisposition of a truster to trust a trustee based on a perceived trustworthiness of the trustee’s relevant institutional and social environment. The literature has shown that the embeddedness in social systems of both parties involved in a trust relationship plus the institutional support provided by rules and norms, if they are seen as effective, strongly promote and facilitate trust formation by facilitating a truster’s decision to invest trust in a relationship (Lane and Bachmann, 1996; Child and Möllering, 2003; Bachmann and Inkpen, 2011). For instance, Child and Möllering (2003) have found that the level of ‘contextual confidence’ that foreign

managers and investors have in the Chinese institutional context has an effect on their trust in the staff located within that context. However, the antecedents of such confidence, i.e. what may influence whether organizational actors have the confidence or not, are not well covered in existing literature. Moreover, the prior literature tends to have a rather deterministic view of how different factors impact trusters' levels of trust. These factors, such as for instance the level of 'contextual confidence', are treated as more or less 'given' and they either influence in a certain way trust or not. At the same time, the literature has so far ignored the possibility that organizational actors can have agency in influencing the process of trust formation in line with their interests and ideas.

Recently, it was noted that organizational identification processes play an important role in trust formation in organizations also (Maguire and Phillips, 2008). Trust to a particular institutional context (i.e. 'contextual confidence' in Child and Möllering's [2003] terms) is related to coherent and convergent organizational identity narratives combined with individuals' ability to identify with the organizational identity constructed through these narratives. But 'contextual confidence' can also be undermined by organizational ambiguity and by the absence of employees' organizational identification. However, together with organizational also national identification processes become salient when trust is being formed in the context of MNCs. In this respect, whereas the role of organizational identification of actors on trust formation has been noted in the literature (see Maguire and Phillips, 2008), we know little concerning how trust formation is influenced by national identification of organizational actors in different parts of the MNC and especially by cultural stereotypes that actors have about each other.

### ***National identity and cultural stereotypes in MNCs***

Researchers have suggested that national identity provide an important set of discourses, including various cultural stereotypes, that can be used in the context of MNCs to make sense of various organizational issues (Ailon-Souday and Kunda 2003; Barinaga 2007). The presence of cultural stereotypes may lead to stereotyping which is defined as 'a process through which [people] come to judge other people and respond to them in terms of their social category memberships', like age, ethnicity, race, nationhood, gender, etc. (Bodenhausen, 2005: 112). Empirical evidence shows that people's evaluations, impressions, and attitudes are shaped and guided by their knowledge and pre-existing beliefs about the social world around them (e.g., Fiske and Neuberg, 1990; Macrae and Bodenhausen, 2000; Macrae and Bodenhausen, 2001). Rather than viewing others on the basis of their unique collection of individual characteristics, people rely on categorical or stereotypical conceptions of others. Furthermore, the national identity construction process was found to be far from being an objective and rational one and informed by the need / desire of every individual to produce a symbolic difference in the context of the interaction aimed at defining the 'self' identity (Ailon-Souday and Kunda 2003; Barinaga 2007; De Cillia, Reisigl and Wodak, 1999). Power relations and politics also play a crucial role in this process. Furthermore, the inclination of individuals in the context of MNCs to be associated with or to promote a particular national identity is often interlinked with conflicts of interests in the organization, such as struggles for scarce resources, career advancements, or strategy formulation and agenda setting participation (Ailon-Souday and Kunda, 2003; Dörrenbächer and Geppert, 2011). Inevitably such conflicts of interests with their respective micro-political implications then impact trust formation between organizational actors in MNCs.

### ***Trust in cross-border operating organizations***

The extant literature acknowledges the critical role of trust in cross-border inter-organizational relationships, such as mergers and acquisitions (e.g., Cartwright and Cooper, 1996; Marks and Mirvis, 1998; Bijlsma-Frankema, 2001; Stahl et al., 2003, 2006; Stahl and Sitkin, 2005), joint-ventures (Currall and Inkpen, 2002; Inkpen and Currall, 2004), and inter-firm alliances (Das and Teng, 1998; Gulati, 1995; Zaheer, McEvily and Perrone, 1998). For instance, in the context of cross-border M&As trust and problems related to trust were found to induce poor communication, culture clashes, breach of agreements between the parties (e.g., Cartwright and Cooper, 1996), and facilitate the creation of “us versus them” sentiments (Larsson and Finkelstein, 1999). It was also argued that the ability of the acquiring firm’s management to build trust and create a sense of shared identity is one of the key factors in the post-acquisition integration process (Stahl and Sitkin, 2001). At the same time, it was suggested that trust can be easily damaged and lost especially during the post-merger integration stage (see Krug and Nigh, 2001; Chua et al., 2005). Several variables were proposed in the literature as antecedents of trust between members of a post-merger organization, such as collaboration history, mode of takeover, power differential, cultural distance, integration speed, etc. (see Stahl, Kremershof and Larsson, 2007; Stahl and Sitkin, 2008 for a more detailed overview of these antecedents). However, to the best of our knowledge, the impact of cultural stereotypes on trust formation in the context of cross-border inter-organizational relationships has not been considered by the literature so far (see Maguire and Phillips (2008) for a similar observation).

To sum up, the literature posits that trust is a crucial element of MNCs’ cross-border activities. Moreover, trust in the MNC seems to operate at two interconnected levels (see Luhmann, 1979, 1998): micro-level trust is based on emotional bond between individuals and macro-level trust is an abstract form of trust towards institutional systems and contexts. Importantly, the literature recognizes that decisions to trust may be predicated on a number of not necessarily rational and objective beliefs and views held by organizational actors about each other. Essentially, the inclination to trust or not reflects expectations concerning possible behaviors of the other and can be influenced by a truster’s pre-existing ideas concerning a trustee. However, how exactly decisions to trust are formed in organizational, especially cross-cultural, setting and how the two levels of trust interact with each other in these processes remain far from clear. Further, extant studies also seem to suggest that pre-existing beliefs and ideas may determine the formation of trust between organizational actors from the very beginning of a relationship. But what triggers this process and whether this process has any micro-political implications is less known. Finally, the literature suggests that by improving organizational identification of actors, trust problems can be eliminated in organizations. However, in cross-cultural organizations, such as MNCs, organizational identification is just one form of identification that actors embrace together with e.g. national identification. It remains far from clear how these two then interact in culturally diverse contexts. In this study we aim at shedding some light on these issues by examining the role of cultural stereotyping and its micro-political implications in the formation of trust in MNCs, the topic which remained largely unexplored in the literature up to now.

## Research design and methodology

The analysis is based on an extensive research project that focused on cross-border competence management in Finland-based MNCs operating in Russia. It applied a classical case study methodology (Yin, 2003), which is well suited at providing rich contextual sense of phenomenon under investigation. The methodology addresses the aims of this study, e.g. to explore the impact of cultural stereotypes on formation of trust in the context of cross-border activities of MNCs. To do that, we conducted two rounds of personal and semi-structured interviews in the chosen case company. The interviewees included top and line managers at the headquarters in Finland and the subsidiary in Russia. Altogether 31 interviews were conducted (see Table 1).

**Table 1: The list of interviews**

In Finland	In Russia	Top managers	Line managers	First round	Second round
15	16	14	17	12	19
<b>Total: 31</b>		<b>Total: 31</b>		<b>Total: 31</b>	

All interviews were semi-structured to let interviewees describe issues that were researched as freely as possible. To the extent possible, we followed a ‘story-telling’ approach, that is, interviewees were encouraged to tell their own experiences with minimum interference from interviewers (Czarniawska, 2004). However, we also used specific open-ended questions. The topics that each interview covered included: development of organizational competences and dynamic capabilities, transfer of knowledge and HR practices, diffusion of organizational culture, language and communication issues, cultural differences and organizational power. The language used during interviews was English, Finnish or Russian. All interviews were recorded and then transcribed verbatim. Where necessary the transcripts were translated into the reporting language (English) afterwards. The interviews yielded rich analytical material containing experiences, opinions, and attitudes of managers which was then used in the analysis. Various secondary data sources (companies’ documents, reports, Internet websites, and newspapers) and personal observations during meetings and several workshops constituted an important source of data production and helped to put the interview material in a wider context.

The choice of a case company was determined by several reasons. First, preliminary research that we have conducted within the broader scope of the project revealed that issues of trust contributed significantly to several complications that the company experienced in Russia. Second, the company has started its operations in Russia, i.e. established a Greenfield operation, in 2005 just prior to the time we began the study in the beginning of 2006. It allowed us to follow events surrounding these operations in close to a real time mode. It helped us to track down changes that were taking place concerning trust in relations between partners. Finally, we have gained excellent access to the company and all the information related to its operations in Russia. The broader project on cross-border competence management was partly initiated by the company’s top management in Finland. They were keen to learn more about their Russian business and improve their relations with Russian colleagues.

An 'abductive' approach (Van Maanen, Sorensen and Mitchell, 2007) was chosen for data analysis, meaning that our theoretical ideas were constantly refined as we were progressing through the analysis. The data was analyzed in the following way. First, the case study data was organized into the case company account in which descriptions of key events within the case company, taken from the raw data, were chronologically ordered (Langley, 1999). In doing this, various secondary data sources were of big help in trying to establish the exact sequence of events.

Second, we coded the interview transcripts, company reports and internal documents for references to and narratives about trust / mistrust, organizational identity, corporate culture, national identity, and cultural stereotypes. In doing this, we tried to differentiate between references to trust between actors and 'contextual confidence' of trusters in trustees' environment. At this stage, it started to be clear to us that in our respondents' narratives these two are interwoven and closely interrelated.

Finally, we tried to map the coded interview extracts with key organizational events that we have singled out during the first stage. That way we have identified four key periods in our case company's history related to the formation of trust, around which the empirical section of this paper is structured. These are (1) the establishment of the Russian plant and initial constructions of trust by the involved actors in Russia and Finland based on their organizational and national identities, (2) the initial predisposition for mistrust among the involved actors due to cultural stereotypes ultimately resulting in constructions of low 'contextual confidence', (3) the HQ transfer of shared corporate culture in an attempt to overcome the experienced trust problems by facilitating organizational identification among Russian employees, and (4) the enduring problems in forming trust among the involved actors due to the persistence of cultural stereotypes engendering the constructions of low 'contextual confidence'.

### **Case organization: NORT**

NORT is a chemical process manufacturer of close to 5,000 employees, which focuses on markets of Europe and Asia. The company has been able to be relatively successful internationally despite of its small size compared to its competitors. Expanding into Russia has been the company's priority since the mid-2000s. NORT started its expansion into Russia with a joint venture with a foreign partner. However, very quickly the joint venture had to be terminated. After that NORT decided to invest in a Greenfield factory outside St Petersburg. The factory and the local organization were built from scratch in a very short time. The factory was established in a very short period of time. In 2007, the Russian organization employed around 300 persons, recruited in less than 2 years.

From the beginning due to its limited international experience, the headquarters management at NORT decided to rely on local managers in running the company's Russian operations. To do that, a management team was recruited among local Russian managers including General Director. A lot of attention was given to transferring the NORT's corporate culture into the new Russian organization. The strategy proved to be successful: the Russian subsidiary has quickly and successfully internalized the shared corporate culture and soon became the fastest growing and most profitable unit in the entire organization. The role of the local management team in achieving these results was difficult to overestimate. It was acknowledged and appreciated by the headquarters

as well. However, not everything in relations between Russian and Finnish managers went smooth.

Although the cooperation was very productive for both sides, more than once it was disturbed by instances of mistrust and suspicion. It has led to situations when valuable international experiences of Russian managers gained from their previous employments within large MNCs has been overlooked and not utilized to its full potential by the headquarters. There were also problems around differences in working cultures. It turned out to be a challenging task to assimilate an egalitarian Finnish working culture with a hyper-competitive and materialistic one existing in modern Russia. Overall, the problems of mistrust between Russian and Finnish organizational actors were recognized by both sides as acutely requiring serious attention and a more general change in attitudes and beliefs. However, the change proved to be difficult to bring to life.

### **Cultural stereotypes, ‘contextual confidence’ and the process of trust formation in the MNC**

#### ***Construction of trust: Trust is culturally-determined and identity-based***

The first finding is related to the fact that ideas concerning trust are culturally- and institutionally-determined and hence are discursively constructed in different ways in different contexts. It is known that cultural values and assumptions, e.g., about how people should relate to each other, affect interpretive frameworks for making trust judgments (e.g., Doney, Cannon and Mullen, 1998; McKnight et al., 1998; Johnson and Cullen, 2001; Whitener et al., 1999). Further, although some elements of perceived (un)trustworthiness may be universal, other may be culture-specific (Den Hartog et al., 1999; House et al., 2004). Complementing this knowledge, our analysis suggests that constructions of trust are grounded in cultural contexts, within which they are produced. Constructions of trust in multinational organizations, such as MNCs, are also identity-based in two ways: they are based on (1) organizational identity and (2) national identity. These two are often closely interwoven with each other. All in all, this finding is central for all other findings of this paper for it explains why and how cultural stereotypes have such important and persistent micro-political effects on trust formation within the MNC.

Immediately, after NORT’s Greenfield plant in Russia started to operate, discussions around trust started to proliferate between managers in Finland and Russia at higher levels of hierarchy. In particular, means of control that from the start have been implemented by the headquarters in the Russian plant were seen by Russian managers as excessive and unnecessary. A shared feeling of mutual trust was often presented by our respondents as a better and more motivating alternative to excessive means of control:

A Russian voice:

“It is very important that we trust each other, that we know that we can rely on each other, work closely together and have very open relationships. This is also what keeps the motivation going.”

However, trust formation was challenging. While from the very inception the Russian plant by all means became very successful operating unit within the NORT's overall organizational structure in terms of productivity, product quality, efficiency and profitability, there were clearly divergent views on what it means 'to trust' among Russian and Finnish managers. For the former, trust was seen as based on relations. Underscoring the underdevelopment of the institutional environment in Russia, the Russians tend to trust people they know personally. This also means that once you know someone and trust him / her then trust has been created. That's how one Finnish manager described the Russian way of looking at trust:

A Finnish voice:

"In Russia they appreciate continuity, that you have the same people working so they learn to trust you. They know how you react, and that is an advantage. If you change people all the time, it doesn't really work...If you just rotate people all the time, they don't know who you are really."

On the other hand, Finnish managers trusted contractual agreements. It reflected the strong trust of these managers in their home institutional environment, which they were after also when operating in Russia. For them trust had to be proven continuously and trust building was a very dynamic and reiterative process. These differences produced a certain amount of ambiguity within the Russian plant because for Russian employees it was not entirely clear what exactly they had to do to acquire trust from the Finnish headquarters. Besides, knowing that in the Finnish headquarters' view trust needs to be proven continuously and can be lost in any moment created a situation when trust was seen as fragile and difficult to sustain. Moreover, the fragility of trust delineated a micro-political discursive space where different constructions of trust or mistrust could be invoked to pursue different interests of organizational actors at the HQ.

A Russian voice:

"...where we have the differences, for example when we speak about trust and results, there is different perception in this organization and in Finland how these two things are connected because for us [Russian employees] either you have the trust that you have already earned or you do not have the trust but for them [Finnish employees] when Mr. X [CEO of NORT] for example is saying that trust can only be based on results and it is a continuous process, that is something that we [Russian employees] hear but do not really understand..."

Moreover, by expressing different views on trust our respondents were often constructing their own national and organizational identities through these narratives. For instance, on several occasions our Russian respondents expressed their pride of being Russians and not Finns. There were several aspects to this pride. First, when constructing their professional identities, several of our Russian respondents referred to extensive professional experiences from large MNCs that they have had before joining the NORT's Russian plant. They all "were selected from the companies operating globally and using very progressive technologies in everything" that presumably provided them with strong knowledge and competence "to organize business from the scratch". In contrast, not many Finnish managers had similar experiences. In the view of one of our Russian respondents,

A Russian voice:

“[W]hen you attracted people from leading companies on the market in their fields, it means that that kind of companies have very good structures, I mean organizational structures and other things. They have very strict rules and procedures inside. And it means that the managers who grew up from those companies, they have systematic approach in their work also. And they know how to organize everything, how to establish it, and how to organize the business processes, and implement that kind of things. You see that there are also the differences between NORT in Finland and in Russia. ... In Russia, we have more structured and more systematic approach in doing business.”

Second, our Russian respondents viewed their Finnish colleagues as ethnocentric and not possessing the ‘global mindset’. Several Russian respondents complained that “although in fact becoming a multinational company, the headquarters [of NORT] often still behaves as a purely Finnish company”. At the same time, constructing their national identity our Russian respondents portrayed themselves as better prepared to deal with challenges that the MNC faces because they were operating in the very dynamic and fast-changing Russian environment. Hence, our Russian respondents did not identify with their Finnish colleagues and instead they tried to amplify cultural differences that existed between Russian and Finnish employees.

A Russian voice:

“Being an employee in a Finnish firm I should be happy that I will not be fired and they will always find some place for me. But from the point of view of a man who has targets to fulfill, I am not happy, I do not need such stability...It is not like that here – Russia... is a different country.”

On the other hand, our Finnish respondents also invoked their national identity when discussing trust challenges in relationships with their Russian colleagues. For instance, they have referred to the joint history between the two nations: the times when the Finns “have been fighting the Russians during many wars” and the times of Finland’s “belonging to Russians” which was “a bit stressful for Finns”. All in all, the conflicting nature of national and organizational identity narratives inevitably increased the ambiguity and constructed a certain level of mutual (mis)trust that the two groups felt towards each other at NORT.

Hence, our analysis illustrates that the constructions of trust are context-determined and identity-based. Concerning the former, the ideas about what trust is and how it can be formed are determined by cultural and institutional contexts, within which organizational actors operate. As for the latter, trust is closely interlinked with both organizational and national identities of the actors, and its development depends on the presence / absence of convergent / divergent organizational and national identities’ narratives within the MNC operating across borders. As the process of national identity construction is often driven by the actors’ self-interest to portray oneself as being more knowledgeable and competent vis-à-vis the other, the micro-political underpinnings of trust formation in the MNC should also be recognized.

***Predisposition to trust: The initial lack of trust due to low ‘contextual confidence’ engendered by cultural stereotypes***

Having shown that constructions of trust are closely interlinked with national and organizational identities of actors in the MNC, our second finding illustrates how from the inception national identification of the involved actors can undermine trust formation between two units within the MNC. The mechanism through which it happens is grounded in a set of cultural stereotypes that representatives of one nation

(MNC unit) have about representatives of the other (MNC unit). The possessed cultural stereotypes are then used to construct a certain levels of 'contextual confidence' among trusters towards trustees. Thus, we present an alternative to the McKnight et al.'s (1998) idea that positive stereotyping can facilitate high initial trust formation in new organizational relationships by suggesting that national stereotyping can act as a form of macro-level negative stereotyping (of the trustee's institutional, cultural, economic contexts) thus leading to high initial levels of mistrust formation.

The very starting point in the relationship between the NORT's headquarters and the Russian plant was mainly the lack of trust on behalf of the headquarters towards the Russian unit. It was rooted in cultural and historical backgrounds that Russia and Finland have in common. As it happened, for more than 100 years, between 1809 and 1917, Finland has been part of the Russian Empire. Only after the Russian October Revolution in 1917 Finland declared its independence. Moreover, in 1939-40 Finland and Russia were involved in Winter War, during which both sides endured large losses. The war ended with parts of eastern Finland being annexed to the Soviet Union, although Finland preserved its independence. Also, the Soviet Union demanded extensive war reparations from Finland.

Against this background, it was not surprising that despite the need to establish trustful relations with Russian managers running the Russian plant, the sought high level of trust was lacking from the inception. On several occasions our respondents described the relationship between the Finnish headquarters and the Russian plant as untrustworthy due to a number of pre-existing stereotypes about each other. Interestingly, both Finnish and Russian respondents acknowledged that there was a more biased attitude from the Finnish side towards Russian employees and the Russian business and institutional environment than from the Russian side towards Finns. Note how in his narrative one Finnish manager talks about 'the nation Russia' and 'the Putin's regime', which is indicative of the fact that it is the 'contextual confidence' of Finnish managers in relation to their Russian colleagues that was constructed and seen as the problem in the relationship from the inception.

#### A Finnish voice:

"There is quite a lot of mistrust between Finns and Russians - well not Finns and Russians, but rather Finns towards Russians.... there are a lot of prejudices. I think the biggest challenge is to break down that mistrust. What we are trying to do is to spend more time together as individuals. Breaking down the mistrust towards the nation Russia or to the Putin's regime is difficult. But breaking it down at the individual level is easier: 'Yes, we trust her or we trust them even if we do not trust the big picture.' That is the route we are trying to take now in order to get people to work together, to build up the foundation at the interpersonal level, and then I think that will gradually break down the prejudices."

Other Finnish respondents referred to the history between the two countries when trying to justify why trust problems exist. For instance, one manager explained the mistrust of Finnish employees towards Russian employees by referring to the times when Finland was part of the Russian Empire and to the war between the two.

#### A Finnish voice:

"The biggest problem is that actually Finns mistrust Russian people... this is historical of course, first of all we have been fighting the Russians during many wars for hundreds of years as part of

Sweden initially and then we had like roughly hundred years of belonging to Russians, the end part of it was a bit stressful for Finns... So the starting point is mistrust.”

Our Russian respondents also realized this problem. The fact that Finns do not trust Russians historically was often presented as natural and understandable, so that “*if [Finns] historically did not trust Russians, they will not start trusting them tomorrow*”.

Hence, it appears that the existence of cultural stereotypes may in fact have a profound impact on a relationship between two parties from the very beginning, even prior to these parties having a joint history of cooperation. It is often rooted in traumatic historical events and comprises allusions to different negative experiences that two nations have had while dealing with each other in the past. Such experiences can then serve as powerful macro-level resources in constructing low levels of ‘contextual confidence’ by the involved actors. This inevitably hampers trust between the actors. Thus, ‘contextual confidence’, which influences trust between actors in different units of the MNC, is constructed through the involved actors’ national identity narratives, in which cultural stereotypes may play a central role.

***Organizational facilitation: The attempts to increase ‘contextual confidence’ through organizational identification’s facilitation***

Our third finding is that it is not always the case that problems related to trust can be alleviated once strong organizational identification is internalized by organizational actors across different units of the MNC (e.g. Maguire and Phillips, 2008) or corporate practices and values are successfully transferred from headquarters (e.g. Child and Möllering, 2003). Whereas it was found that institutional trust (Maguire and Phillips, 2008) and organizational trust (e.g. Hogg and Terry, 2000; Terry et al., 2001; van Knippenberg et al., 2002; van Leeuwen et al., 2003) can be restored once individual employees start to identify with the post-merger organization, in NORT even after the shared corporate culture has been successfully transferred and internalized in the Russian plant (established as a greenfield project) the formation of trust between the actors was still challenging. At least partly it was due to the continuous allusions by Finnish managers to cultural stereotypes, which they used to persistently (re)construct their ‘contextual confidence’ in the Russian environment as being justifiably low. Similar to prior literature arguing that a coherent organizational identity influences the degree to which organizational actors identify with the organization, assimilate its values and accept its goals as their own (see Dutton et al., 1994; Scott and Lane, 2000), Russian employees at NORT felt and exhibited strong identification with their Finland-based corporate headquarters, its values and its goals. However, it was not enough to increase the ‘contextual confidence’ and facilitate trust formation in the company.

The way in which the corporate management of NORT decided to tackle the problem of mistrust between managers at the headquarters and in the Russian unit was by transferring the shared corporate culture called NORT Spirit (NS). The values communicated by NS contained references to such qualities as aggressiveness, desire to win, pro-activeness, etc. and were visualized through images of Finnish warriors from the 17th century. It also contained several slogans, such as “Nothing is impossible”, “Good is the enemy of the best” and others. The importance of transferring the shared corporate culture to smooth out cultural differences and trust problems was often stressed by our respondents.

The transfer was undertaken through several means. First, the new values were widely communicated to Russian employees through various meetings, seminars and trainings. Symbols representing the shared culture were widely disseminated throughout the Russian plant by means of posters, corporate newspapers, placards, etc. As one of our Finnish respondents told us the main idea with these practices was to create a sense of belonging among employees at the Russian plant to 'the tribe of NORT', members of which would share certain behavior, symbols, songs and values related to the company.

Second, several human resource management practices were introduced to ensure that new values are well internalized by Russian employees. The values were embedded into induction programs for all new recruits and in all management training courses. 'An employee of the year' prize, called 'NORT of the year', was launched to designate the best employees, who were chosen by employees' votes.

A Russian voice:

"[L]ast week... we granted this 'NORT of the year' awards, and among those three people, who got the awards, was one operator. And you know maybe that we use this voting, and... for me it was rather a good sign, for example, [that]... they [Russian employees] not only write the name, but they give rather distinctive reasons for selecting this or that person. And the reasons were just in line with the corporate culture. It's also a good sign. Of course it's a very difficult job for us to make our people believe in this spirit [NS]. And that make them strongly believe that the work in line with the principles of corporate culture is nothing unique. It's normal. It's normal because if you'd like... if you, for example, want to describe a person who works close to you, and is a very good colleague and, for example, he is a trustworthy person, cooperative and other things. So it means nothing strange, it's a person who is target oriented who is a good team worker, who is setting opportunities for developing himself and the company, and his working place."

All these measures were generally well received at the Russian unit. The shared corporate culture has been internalized by Russian employees. In fact, on several occasions we were told by our Russian respondents that they have indeed incorporated the values of NS culture into their way of thinking and approaching important decisions.

A Russian voice:

"Of course, the will to win, we all have it. Looking at our results it is visible that we want to work, we want to develop our company, we want to be number one in the world and in this respect we work together with the Finnish side because they have identical goals and so we work in the same direction with them."

Some respondents referred to the good semantic fit between NS values and the Russian contemporary business culture which facilitated the good internalization of these values by Russian employees. Note how one of our Russian respondents says that Russians always need 'something to believe in' and mentions the good fit between 'what Russians are' and the values of NS.

A Russian voice:

"Finns did not pay attention to it in the beginning, but Russians are so that first there was icon, then grandpapa Lenin, then Stalin, then Brezhnev... so there needs to be something to believe in always. So these elements of some legend... so it is classics of management and business organization. In our case it is NS. Again, if we talk about the spirit, I guess you can understand

from my words that we are very aggressive: we want to tear apart, “to kill”, to win the enemy... So NS fits us very well. This picture with the knight, with the sword... it is a very good theme... And in general Russians have participated in many wars, so Russians have this aggressiveness in their blood, we do not need what is not ours but we will not give away what is ours. So the NS theme is liked not only by us but also by our distributors, our partners...”

Consequently, it created a sense of organizational identity among Russian employees as employees of NORT and members of the NORT tribe. Employees in Russia started to identify closely with their corporate culture and the values that it comprises. However, this organizational identification was not conducive to facilitate trust formation between organizational actors in Finland and Russia, despite of active trust development measures that both sides were engaging in. The problem persisted because these measures were not very effective in minimizing the role of the actors’ national identification, which remained salient and thus did not allow for (re)constructing the persistently low ‘contextual confidence’ among Finnish managers at the HQ in the Russian business context.

***Implications for trust formation: The pervasive precariousness of trust due to persistently low ‘contextual confidence’ engendered by cultural stereotypes***

All in all, irrespective of the internalization of the shared corporate culture in the Russian unit that reduced organizational ambiguity and produced strong organizational identification among Russian employees, the formation of trust between the Finnish headquarters and the Russian plant remained difficult and only partial. First, the constructions of low ‘contextual confidence’ among Finnish managers got invoked in relation to a number of trust-related issues at more operational level, for instance, resulting in ‘imbalance between responsibility and authority given to the local management [in Russia]’. Russian managers felt that there was ‘too much control from the headquarters’ when ‘almost all decisions, even minor ones, are to be approved by the headquarters’ and ‘important decisions can be made without consulting the local management’. They accused their Finnish colleagues for ‘direct interference... in issues that should be taken care of locally’ and for ‘not [having] enough transparency in communication and decision-making’. These problems were felt very closely by Russian employees. It produced feelings of despair that were very de-motivational for them:

A Russian voice:

“Sometimes you feel that Finns are so suspicious about us. Why do they try to help us behind our back, why do they not say things to us directly, why do we so often get the information indirectly from other people. Do they trust us or not? If not then why are we sitting here, then we should not work here. We are top managers and they should trust us, if not what the hell are we doing here?”

As it was already mentioned, all these problems surfaced in the situation when the Russian unit from the inception became the fastest growing and the most profitable unit of NORT. Russian managers expected more trust from their Finnish colleagues also because they portrayed themselves as very hard working people who, while trying to achieve the goals of the company, ‘unfortunately... do not have the right balance between work and life’. At the same time, Finns were perceived as living in a wealthy country with effective institutions, where people are concerned with work-life balance, work strictly from 9AM till 4PM, and have sufficient time for leisure and rest.

Second, there were several manifestations of the persistently low (re)constructed 'contextual confidence' among HQ managers in the Russian environment in operational decisions made within NORT. For instance, when the headquarters decided to introduce a resource allocation system at the Russian plant to align its production process with the one at the Finnish plant, Finnish managers from the headquarters responsible for implementing this project had attempted to execute it without involving local experts and managers in Russia. Despite of persistent attempts of Russian managers to influence this process, because in their views it was not going well from the start and a number of important nuances pertinent to the Russian business environment were not accounted for, their attempts were ignored. The aforementioned constructions of low 'contextual confidence' towards the institutional and legal environment in Russia were put to the table at the HQ to justify the mistrust towards the opinions of the Russian colleagues in this situation. One Russian respondent complained that,

A Russian voice:

"[Decision makers] in Finland don't simply understand the absolutely different scope of work that the financial department is supposed to do here because of legislation and all the reporting obligations that we have. This has been very difficult to communicate and to convince them."

Thus, the Russian suggestions were not seen as credible until the whole project had to be terminated exactly due to the negligence of several important aspects of the Russian business environment. That was expensive lesson for the company to learn that 'if you'd like to be successful, you have to give this credit of trust to this Russian team, believing that they know the specific features of doing business in Russia'.

A similar situation occurred with the budgeting process. When the Russian unit started to prepare a budget to be approved by the headquarters, it faced severe challenges due to the unwillingness of the Finnish side to trust the presented calculations. Again, this type of trust problems was rooted in the pre-existing ideas among Finnish managers concerning the alleged lack of transparency in the Russian institutional and business environments. Despite the fact that in views of the Russian managers they have done "a great job in the budgeting process", the budget had to be recalculated several times and still in the end there was no 'officially approved budget for the factory'. As one of the Russian respondents ironically noted:

A Russian voice:

"I do not really understand this because on the one hand there were detailed calculations and costs projections and so on presented and no-one really looked at them and at the same time no-one was really prepared to say that it is approved and go ahead, which does not prevent us from I mean functioning properly but this point of final decision when you have to present it like N times and it is still not approved... what is the point?"

And some Finnish respondents actually also acknowledged that these trust challenges were rooted in the lack of trust or the desire to trust to legal and business institutions in Russia among Finnish managers, i.e. their persistently low 'contextual confidence':

A Finnish voice:

“We [often] question... why would this be different [in Russia] than everywhere else in the world. Why they [the Russian managers] are claiming that the [Russian] legislation claims this and everywhere it claims this and so on. And ... there are a lot of prejudices in [our] thinking.”

From their side Russian managers attributed these challenges to their Finnish colleagues’ ‘lack of understanding of cultural differences and readiness to learn and respect them’ and in particular to their ‘misconceptions about the corporate culture and management style of the Russian organization’. Measures that were proposed to address this problem were very diverse ranging from initiating a week of the Russian cuisine in the Finnish headquarters’ canteen and arranging a set of lectures about the Russian and Finnish cultures up to a suggestion to ‘create a system of mutual learning whereby Finns could learn more about Russia and Russians, and Russians about Finns and the NORT corporate culture’.

A Finnish voice:

“We had a couple of workshops and a brainstorming meeting, and we want to have one now again in a couple of days where everyone in the Finnish management goes to Russia to get to know Russians and their culture better. We work in teams, and try to learn together. We also had a seminar in which we openly discussed inter-cultural problems. Furthermore, we decided that all Russian managers have to visit Finland and join the Finnish management meetings, department meetings and so on... so that there is an exchange of information and understanding on both sides.”

A Russian voice:

“Because you see that for example a person sitting in NORT [the Finnish headquarters] thinks that this is because of bloody Russians who do not want to work and some other things. But you contact each other and try to ask and explain the situation, so everything is getting clear. And you see that those Russians are not so strange and not as terrible as you thought about them. So that is the thing how to deal with the difficult situations also.”

It was acknowledged that the process of trust formation is not an easy and quick process, especially in conditions when Finnish managers keep (re)constructing persistently low ‘contextual confidence’ to ensure that the ongoing micro-political confrontations turn out beneficial for them. In these circumstances trust formation required a lot of time and effort. One Russian manager has very precisely concluded that “water polishes stones and if each day we prove that we care about the business, I think that we will come to something...”

Hence, sometimes even despite of the organizational identification achieved through the successful transfer and internalization of the shared corporate culture and its values, the trust formation between units in the MNC can still be incomplete due to the prevalence of even stronger national identification. The organizational actors’ national identity work in different units of the MNC then triggers a reliance on cultural stereotypes to make sense of surrounding organizational events and processes. In cases when these stereotypes carry somewhat negative connotations due to e.g. traumatic historic experiences between two nations, they can be used as discursive resources to construct the levels of ‘contextual confidence’ that actors in respective units of the MNC have concerning each other as being low and ultimately damaging for trust formation.

## Discussion

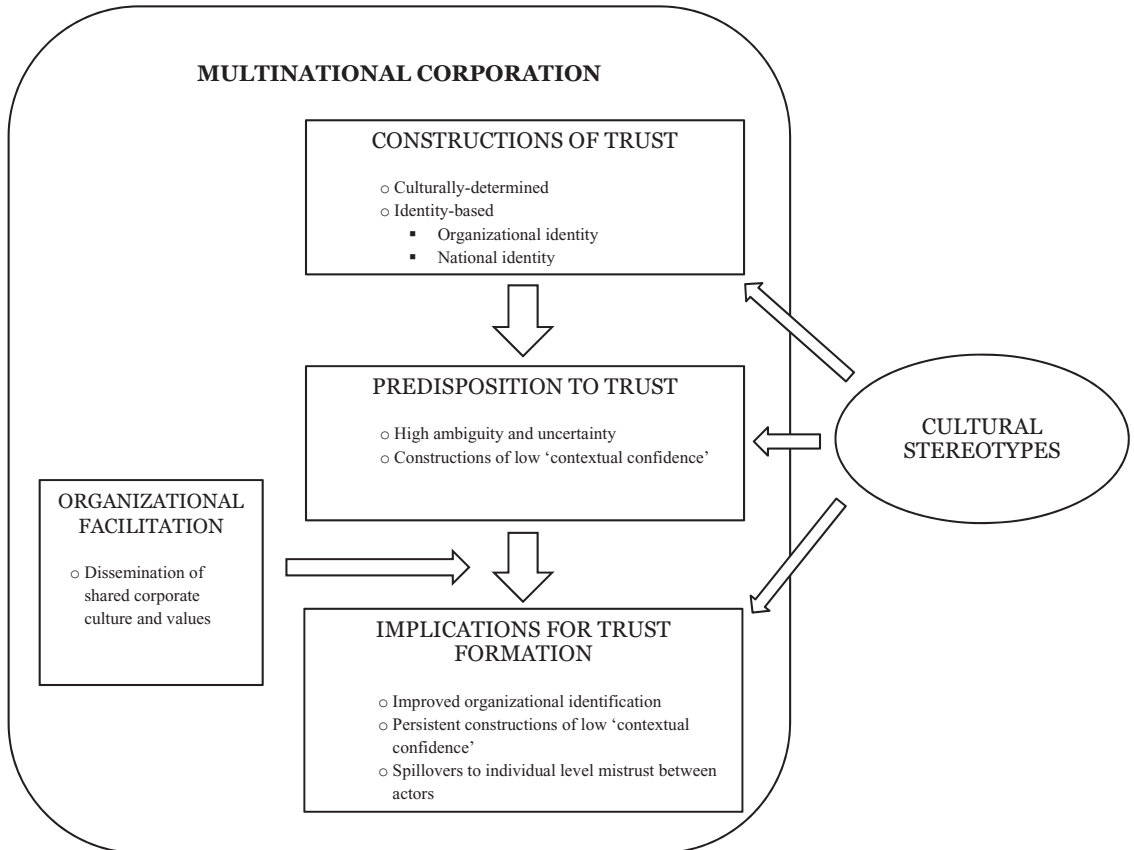
The analysis presented in this paper has examined the process of trust formation in the context of organizations operating across borders, such as MNCs (e.g. Child and Møllering, 2003; Maguire and Phillips, 2008). There are several main points that the paper makes. First, it suggests that trust, as well as various factors that supposedly influence trust formation, are in fact 'not given' to organizational actors to be either accepted or not. Instead, they are constructed through organizational actors' discursive activities and are both organizational and national identity-driven. These constructions of trust are culturally and institutionally-determined. It explains why they are constructed differently in different contexts, making them context-bound.

Second, occasionally cultural stereotypes may be salient enough to lead to a situation when trust is absent from the start of a relationship between actors in the MNC. Whereas some previous studies have found that surprisingly high levels of trust can exist prior to a specific relationship (Meyerson, Weick and Kramer, 1996; McKnight et al., 1998), for instance, due to rapid cognitive cues arising from group membership and good reputation, our analysis shows that also high levels of mistrust are possible in such situations due to pre-existing cultural stereotypes and high contextual ambiguity and relational uncertainty.

Third, whereas previous research has pointed out that organizational identification and transfer of practices can help to overcome challenges in trust formation and to facilitate trust building (e.g. Child and Møllering, 2003; Maguire and Phillips, 2008), our analysis presents some counterevidence, which suggests that oftentimes organizational actors can continue to mobilize various pre-existing cultural stereotypes to construct their 'contextual confidence' as being justifiably low. Using these constructions the actors embark on engaging in micro-political confrontations for control and decision making power. When it happens, then the facilitated organizational identification becomes not sufficient enough to fully foster the intended trust formation.

Finally, our analysis illustrates the durability of this effect of cultural stereotypes, which is sustained by the micro-political confrontations among organizational actors in the MNC for control and power. Overall, it makes trust formation in the MNC challenging, fragile and only partial. The graphic representation of the analysis is presented in Figure 1 below.

**Figure 1: Cultural stereotypes and the process of trust formation between actors in the MNC**



The analysis contributes to the literature in two ways. First, it is one of the first qualitative analyses of the trust formation process in the context of MNCs operating across borders. Following recent calls for “more qualitative work” in trust research (Möllering, Bachmann and Lee, 2004: 560) and for a “shift in research attention from trust in dyadic relations to trust in aggregate social systems” (McEvily et al., 2003: 100), the paper qualitatively investigated how trust is constructed and constrained at a more aggregate level of social systems (i.e. headquarters versus subsidiary and Finland versus Russia) than merely at interpersonal dyadic level. It shows that trust in the context of cross-border operating MNCs is an identity-based construction, however, not only organizational (Maguire and Phillips, 2008) but also national identity-based. Further, it illustrates how the trust formation process in the MNC is influenced by pre-existing cultural stereotypes that each side involved in a trust relationship has about the ‘other’. The stereotypes are used by organizational actors as micro-political resources to invoke various institutional voids and in this way construct their ‘contextual confidence’ in a trustee’s institutional context as being justifiably low. The

ultimate goal is then to influence how, or in whose favor and for whose benefit, the micro-politics in the MNC play out.

Whereas previous studies found that trust in cross-border operating organizations, for instance following M&As, can be undermined by organizational identity ambiguity or organizational actors' absence of identification (see van Knippenberg et al., 2002; van Leeuwen et al., 2003; Maguire and Phillips, 2008), our analysis indicates that in some cases it can also be undermined, both from the very inception of a relationship and as it develops, due to the presence of cultural stereotypes, which can be conducive to cultural and nationalistic confrontations between organizational actors. In these cases trust can be continuously undermined irrespective of actors' organizational identification level as cultural stereotypes can be used to construct the perceived 'contextual confidence' of trusters in trustees' environment as being low, often also damaging individual level trust between these actors. Despite the claims that to tackle negative effects of cultural stereotypes organizations need to de-emphasize (national) group membership and re-categorize groups within a common (organizational) group identity (e.g. Brewer and Miller, 1984; Gaertner and Dovidio, 2000; Miller, 2002), this analysis shows that such measures are not always effective due to the micro-political underpinnings of these processes.

Moreover, it appears that also the strategies of active trust development, such as establishing personal rapport, recruiting local managers, and transferring standardized HR and operational practices into its cross-border operations, which have been advocated in the literature to overcome trust problems (e.g., Child and Möllering, 2003), might turn out to be not very potent in light of the salience and the invocation of cultural stereotypes among actors in the MNC. Thus, future research can delve deeper into trying to identify what kind of symbolic actions and practices organizational actors can adopt to mitigate these negative impacts of national stereotypes on 'contextual confidence' and, ultimately, on trust formation.

Thus, the ways in which particular notions of 'contextual confidence' and ultimately trust are constructed by organizational actors in the MNC through their organizational and national identity narratives have power and micro-political underpinnings. By constructing specific notions of 'contextual confidence' and trust, organizational actors may be guided by their personal micro-political interests. It may take a form of one person expressing his / her mistrust towards his / her colleagues across the border in order to acquire certain benefits, such as access to valuable resources, acquisition of more decision-making power and control and so on. For instance, our case analysis shows how managers from a headquarters may try to justify excessive means of control imposed on a subsidiary by invoking the discourse of mistrust that may be rooted in cultural stereotypes concerning a trustee's institutional context. It can also be so that by invoking certain ideas concerning the untrustworthiness of the 'other', organizational actors in the MNC may be tempted to construct a particular sense of superiority vis-à-vis the 'other' thus creating a self-beneficial power balance between the involved actors in the MNC. Nonetheless, it remains to be studied in future research what kinds of power implications the process of trust development and its perturbations can have in the context of MNCs.

Second, this paper contributes to the literature on operations of Western MNCs in Russia. Existing literature tends to depict trust problems that Western MNCs face when operating in Russia as predominantly stemming from the culturally-determined

predisposition of Russian managers and employees to exhibit low trust to foreigners and outsiders of their in-groups in general (e.g., Kets de Vries, 2001; Ledeneva, 2009). Also, the weaknesses of the Russian institutional environment, so called 'institutional voids', and the ubiquitous importance of blat in Russia have been argued to contribute to an inclination among Western managers not to trust their Russian colleagues (e.g., Ayios, 2004; Puffer et al., 2010).

However, this analysis points towards another source of trust problems and low 'contextual confidence' in relationships between Western and Russian organizations and managers, namely cultural stereotypes that are invoked by Western managers and through that affect the process of trust formation in Western MNCs operating in Russia. There appears to be the need for these MNCs to put efforts into measures aimed at overcoming these problems to develop mutually trustful and, hence, mutually advantageous relations with their Russian colleagues. Such measures may include extensive international rotation of personnel, organization of joint meetings and social outings, provision of cultural trainings and courses for managers and employees. Still some of these measures are more effective than others. Future research can investigate in more detail various types and relative effectiveness of measures and practices - other than diffusion of shared corporate culture and values - that MNC may engage in to facilitate trust formation between employees in its different units located across borders.

Lastly, it has to be acknowledged that the paper has several limitations that should be taken seriously when validating our results. First, it is a single case study. Although the context of a Finnish MNC operating in Russia provided a very rich setting for examining the impact of cultural stereotypes on trust formation and 'contextual confidence', it means that any kind of generalizations should be made with caution. Second, most of our empirical evidence stems from personal interviews. It may be so that due to a sensitive nature of the topic not all interviewees were open and frank with us during interviews. However, we tried to minimize this factor in two ways: (a) by conducting interviews whenever possible in the respondent's mother tongue, and (b) by utilizing as much as we could various secondary sources of information, including company internal reports, presentations and other documents.

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## APPENDIX 5 ESSAY #5

### RECONTEXTUALIZATION OF ORGANIZATIONAL PRACTICES IN MULTINATIONAL CORPORATIONS: AN ANALYSIS OF DISCURSIVE SENSEMAKING IN TWO CASES

Written by Alexei Koveshnikov, Wilhelm Barner-Rasmussen & Eero Vaara

*Unpublished essay*

#### Abstract

Previous research on transfer of practices in multinational companies (MNC) has focused little attention on the role of language and sensemaking. To partially bridge this research gap, the objective of this paper is to extend research on recontextualization to better understand various forms of discursive sensemaking around transfer of practices. Drawing on two in-depth case studies where Finland-based MNCs attempted to transfer specific HR practices from their headquarters to Russian subsidiaries, we develop a model of generic forms of recontextualization: acceptance (including internalization, appropriation and domestication), resistance (counter-argumentation and rejection) and distancing (irony and hypocrisy). By so doing, our analysis leads to a model of recontextualization that helps to understand the dynamics of discursive sensemaking in knowledge transfer more generally.

**Keywords:** transfer, practices, multinationals, recontextualization, discourse

#### Introduction

The increasingly prolific research on knowledge transfer in international management (Zander & Kogut, 1995; Szulanski, 1996; Foss & Pedersen, 2002; Minbaeva et al., 2003; Jensen & Szulanski, 2004) has pointed to numerous problems and challenges inherent in headquarters (HQ) -subsidiary knowledge transfer processes. Many studies have concentrated on the general dynamics of these processes and the ways in which they can be managed (Szulanski, 1996; Minbaeva et al., 2003; Jensen & Szulanski, 2004), while others have focused on their institutional aspects and the influence of contextual factors (Ferner & Quintanilla, 1998; Sharpe, 2001; Geppert & Mayer, 2006; Boussebaa & Morgan, 2008; Clark & Geppert, 2011). However, research attempting to bridge between these perspectives is scarce. Kostova and Roth (2002) examine subsidiary adoption of HQ practices from both a relational and an institutional angle. Brannen's (2004) process model shows how language, as an important dimension of the cultural context, affects the transnational transfer of firm products, processes, and practices; and Yu and Zaheer (2010) empirically study the influence of sociocultural context on practice adoption dynamics. The findings of this line of inquiry indicate that transfer and adoption processes in multinationals are socially complex and involve various cultural and socio-political tensions and struggles. Our understanding of these

nevertheless remains far from complete. For example, no previous study has accounted for the possible influence of institutions and context on the transferring of practices back from subsidiaries to headquarters, or what we in this paper call repatriation of practices.

Knowledge transfer is primarily accomplished ‘through the vehicle of language’ (Brannen, 2004; Sharp, 2010). This highlights the importance of semiotic aspects of knowledge transfer processes in multinationals – what Brannen (2004) terms recontextualization, or ‘the shifting and change of meanings across contexts’ (Yu & Zaheer, 2010: 495). Recontextualization is crucial to practice implementation because ‘the way organizational members understand and perceive a given practice affects their acceptance of it, and therefore can determine the success or failure of the implementation’ (Yu & Zaheer, 2010: 495). However, our understanding of recontextualization processes remains limited in terms of organizational actors’ discursive sensemaking and the different forms that it can take. The purpose of this paper is hence to elucidate the variety of ways in which organizational actors discursively make sense of the transfer and repatriation of practices.

Our discursive perspective is based on the idea that the diffusion, adoption and legitimation of knowledge entails collective translations or recontextualization of meanings associated with that particular knowledge (Thomas, 2003; Brannen, 2004). Furthermore, individuals act as ‘translators’ in this process (Czarniawska-Joerges & Sevón, 1996). What we emphasize is that this process can take many forms as individuals draw from and use various discourses in their sensemaking. In a nutshell, apart from positive or negative reactions (Brannen, 2004), people can – and are likely to – express various forms of acceptance, resistance, and even irony or hypocrisy in and through their sensemaking. These dynamics have been hinted at by Oliver (1991) and more recently by Kostova and Roth (2002) in their separation of behavioral and attitudinal responses to practice imposition, and especially their discussion of ‘ceremonial adoption’ of HQ-mandated practices at subsidiary level. However, that discussion largely leaves unexplored the discursive practices deployed by individual managers and provides a relatively schematic exploration of the implications of context, thus warranting further study.

Our analysis is based on an in-depth analysis of two cases of Finland-based MNCs transferring practices from their HQs to Russian subsidiaries, one of which is a green-field and another is an acquisition. It yields a number of contributions. First, the analysis illuminates the role of discourses in the recontextualization of practices by showing how organizational actors use different discourses at HQs and subsidiaries to make sense of the practices. Second, we distinguish between three generic forms of recontextualization: acceptance (including internationalization and domestication), resistance (counter-argumentation and rejection) and distancing (irony and hypocrisy). In so doing, our analysis leads to a model of recontextualization that underscores the agency of actors in the process and helps to understand the dynamics of discursive sensemaking more generally. A third contribution of our analysis is our discussion concerning how recontextualization may lead to repatriation of modified practices back to the HQs, an aspect of practice transfer that so far remains very little studied despite the commonly held view that intra-MNC knowledge transfer should not occur only from HQs to subsidiaries, but also vice versa (e.g., Bartlett & Ghoshal, 1989; Ambos, Ambos & Schlegelmilch, 2006; Yang, Mudambi & Meyer, 2008). Our model particularly highlights the political aspects of these processes, which easily pass unnoticed in conventional studies.

Lastly, our analysis indicates inherent differences in the dynamics of recontextualization in green-field vs. acquisitions cases. To anticipate our results, we suggest that the green-field context is likely to be more conducive to acceptance of the transferred practices, and later to a more extensive, formal, and explicit repatriation of the recontextualized practices back to the sending unit. On the other hand, in an acquisition we consider it more likely that the transfer of new practices will encounter more resistance and distancing rooted in and supported by discourses related to the inherited organizational cultures and / or practices.

### **Transfer of practices in multinationals**

The interest in practices transfer processes – the transfer of a practice from one institutional or cultural setting to another – was first approached in international business research from the perspective of normative control (Baliga & Jaeger, 1984; Edström & Galbraith, 1977; Jaeger & Baliga, 1985; Ouchi, 1981; Jaeger, 1983, Martinez & Jarillo, 1989). Recently, that line of inquiry has fused with research on knowledge transfer more generally (see e.g. Minbaeva, Pedersen, Björkman, Fey & Park, 2003; Jensen & Szulanski, 2004; Björkman, Fey & Park, 2007) and in that form remains an active area of IB research. Findings suggest that knowledge adoption in foreign subsidiaries is positively related to the degree to which the subsidiary is involved with other parts of the MNC (Björkman et al. 2007), and that transferring knowledge from other parts of the firm is easier when subsidiary employees are both able and motivated to adopt it (Minbaeva et al., 2003; Jensen & Szulanski, 2004).

In this literature, context has generally played the role of a control variable. Björkman et al. (2007) explicitly compare three different institutional contexts (notably including Russia), but their emphasis remains on the adoption of HR practices. Kostova and Roth (2002) display a similar approach to context, in their case that of a US-based MNC and the reactions by its subsidiaries in 10 countries to a quality-related practice. The study by Beechler and Yang (1994) is a rare early example of explicit attention to the institutional context in which values and practices transfer efforts occur. The recent process model of adoption and adaptation of organizational practices by Yu and Zaheer (2010), based on the adoption of Six Sigma by Korean firms, is another contribution that explicitly accounts for the influence of context.

Meanwhile, research in the comparative institutionalist vein has taken a growing interest in practices transfer processes (e.g. Ferner & Quintanilla, 1998; Gooderham, Nordhaug & Ringdal, 1999; Sharpe, 2001; Edwards & Ferner, 2002; Geppert, Matten & Williams, 2003; Saka, 2004; or Geppert & Mayer, 2006). Work in the area has often been focused on management and HR practices, as they directly influence the work of organizational members (e.g., Ferner & Quintanilla, 1998; Sharpe, 2001; Saka, 2004; Blazejewski, 2006). This research has shown that transfer and adoption processes between different institutional or cultural contexts regularly involve transformations of the practices in question or the meanings associated with them (e.g. Ferner & Quintanilla, 1998; Sharpe, 2001; Thomas, 2003; Brannen, 2004; Saka, 2004; Almond & Ferner, 2006; Blazejewski, 2006; Boussebaa & Morgan, 2008; Gamble, 2010).

For example, echoing Beechler and Yang's (1994) finding that Japanese-style HR practices were in some cases 'Americanized' when environmental forces were not

receptive to them, Ferner and Quintanilla (1998) have shown how globalization pressures led to ‘Anglo-Saxonization’ of HR practices, but in a distinctive ‘German manner’, in German subsidiaries. Sharpe (2001) has illustrated the complexities involved in the local adaptation in the UK of Japanese management practices that depend, for example, on the meaning given to specific changes. Saka (2004) has underscored the role of individuals in the collective translation of meanings that is necessary for the diffusion and adoption of particular practices. Blazejewski (2006), focusing on the transfer of ‘value-infused organizational practices’ from a German parent MNC to a Japanese subsidiary, found several examples of practices that had to be adapted so as not to be culturally offensive.

Hence, there is strong evidence that MNC HQs and subsidiaries as organizations remain locally embedded in their respective home and host countries. Thus, the extent to which ‘external’ practices become institutionalized in them can be seen as strongly dependent on the specific institutional and societal contexts of these local environments. Concepts developed elsewhere are actively influenced by subsidiaries ‘translating’ and adapting these ideas (Czarniawska & Joerges, 1996).

In this paper, we suggest that conceptualizing transfer process as a process of ‘recontextualization’ is particularly apt to highlight the tensions inherent in MNCs. As such, MNCs are interesting contexts for exploring recontextualization processes as they are considered a driving force of globalization in general, and particularly of the global diffusion of certain generic management-related values and practices. A common assumption, supported by mainstream MNC management literature, is that the corporate network of subsidiary units is controlled by a headquarters which has the power to establish in its subsidiaries a standardized set of corporate practices based on ‘global’ management principles (see e.g. Dörrenbacher & Geppert, 2006). It is only recently that scholars in international management have in growing numbers begun to question this view, often quite forcefully (see e.g. Kristensen & Zeitlin, 2005). Representing this new critical view, Morgan and Kristensen (2006: 1471) conceptualize the MNC as ‘a transnational social space within which different actors compete and negotiate with each other’. The MNC may be seen as a highly complex configuration of ongoing micro-political power conflicts at different levels, in which strategizing social actors/groups inside and outside the firm interact along various borderlines (‘conjunctures’), creating temporary balances of power that shape how formal organizational relationships and processes actually work in practice.

Assuming that the transfer of practices is primarily accomplished ‘through the vehicle of language’ (Brannen, 2004; Sharp, 2010), if we argue that practices normally tend to be recontextualized when they are transferred, we must be able to explain how these changes in meanings are produced and what forms can recontextualization take. In this paper we claim that discourses are the main vehicles of recontextualization, because it is precisely by mobilizing certain types of discourses and not others that organizational actors assign specific meanings to firm’s assets and manipulate these meanings. We now proceed, first, to elaborate on the concept of ‘recontextualization’, which is central to our analysis, and, second, to propose a discursive perspective on recontextualization.

## **Recontextualization of practices**

Recontextualization (Bernstein, 1996), or relocation of a discourse of practices into a new discursive space, has become an important concept in ‘analyz[ing] the discursive relations between different social spheres or conjunctures within which human action takes place and how discourse is changed as it moves between conjunctures to meet the needs of different social actors’ (Bernstein, 1996; cf. Thomas, 2003: 775). The concept has recently been used increasingly in linguistic and discourse research (Linell, 1998; Sarangi, 2001; Thomas, 2003; Erjavec & Volcic, 2007) and, in particular, in organization studies (Brannen & Salk, 1999; Iedema & Wodak, 1999; Iedema, 1999; Scheuer, 2001).

In one of the seminal works on recontextualization in organization studies Brannen (2004) conceptually identifies three key stages in transnational transfer of organizational assets. The first stage involves processes through which the local existing or pre-existing meanings are attached to the assets and then transferred into new environments which have interconnections with the home culture and often have some pre-existing knowledge of the transferred assets. The transferred assets go through the recipient’s cultural filters that attach pre-existing meanings to them as they enter the new environment. During the second stage the meanings of firm assets evolve as they are utilized and made sense of in the new context. As these assets become intertwined with the new host environment, they continue to undergo recontextualization. The third stage includes the repatriation of the new meanings associated with the firm assets back to the home context.

Hence, Brannen’s (2004) model directs our attention toward the transferred assets themselves (which can be intangible, such as values or practices, as well as tangible), those instigating their transfer; and those who ‘receive’ the assets locally and attach meanings to them. It presents a structured way of approaching the transfer issue: it highlights that there is also a process at the ‘receiving’ end and emphasizes that the receivers’ new interpretations of the assets may eventually find their way back to the source. However, we would like to extend and complement Brannen’s (2004) framework in two ways by proposing a discursive perspective on recontextualization processes.

First, in our view, the process of recontextualization is essentially a discursive process and as such cannot be understood without context (Fairclough & Wodak, 1997; Hardy & Phillips, 1999; Hardy, Palmer & Phillips, 2000). The role of the historical, political, and cultural contexts in attributing meaning to signs provides an important foundation for understanding the process by which firm assets take on distinct meanings in new cultural contexts (Fairclough, 1992). Here we agree with Thomas (2003: 786), who underlines that ‘in order to understand how discourse works in an organization one cannot simply analyze the discursive practices and products that take place in that instance’, but one must find out ‘where the discourse comes from, what resources are drawn into organizations to facilitate the discursive practice, and how resources are modified as they relocate from one conjuncture to the other’. Examining the process of transfer as a process of recontextualization in an MNC, which by definition encompasses a large number of different conjunctures (cultures, countries, nationalities, languages, etc.), allows us to track shifts in meanings attached to transferred practices as they move from one cultural, national, or linguistic context to another, i.e. what elements are included, excluded, added (explained, legitimized,

evaluated, and analogized) (see, for instance, Erjavec & Volcic, 2007). Hence, we suggest that there is the need to go beyond Brannen's model by explicitly bringing in cultural and historical dimensions which we believe are important in organization analysis in general, and perhaps of specific relevance in the context of relationships between organizations from countries that have a long and arduous political relationship, such as Finland and Russia in our case.

Second, in our opinion, Brannen's model downplays the role of individuals and the variety of ways they can make sense of the practices in question. Clearly, organizations carry out transmission and reception activities – the essential activities of the transfer process – through language (Brannen, 2004). But talk (Steward, 1976) and the manipulation of meaning (Gowler & Legge, 1983) are integral for exercise of power and attempts to control organizational members. Extant research has shown that discursive actions are key aspects of managerial work (ibid.; Shotter, 1993; Watson, 1995), and it is managers who control the importation and development of new ideas and meanings (Cunliffe, 2001). By applying a discursive perspective it is possible then to uncover the structural features or power relations involved in intertextuality - i.e., the production of texts based on snatches of other texts, which involves the appropriation and merging of resources from a variety of sources (Kristeva, 1986) - and explain why certain elements of a text or certain meanings are suppressed while other elements and meanings are emphasized. It is precisely these political aspects of knowledge transfer, i.e. the agency aspects that, we believe, need to be examined in more detail. This political struggle among individuals and dominant groups that mobilize discursive strategies to steer the recontextualization into a particular direction, determines the outcome, the degree and the form of recontextualization. Hence, we second Thomas' (2003) argument that the discursive perspective and the concept of recontextualization need to provide a means to develop a more politically- and power-nuanced understanding of transfer processes.

This leads us to formulate our research questions as follows: How do individuals discursively make sense of the practices to be transferred? What are the specific forms of recontextualization occurring in subsidiaries? What kind of implications does this have for the repatriation of practices?

### **Research design and methodology**

The analysis is based on an extensive research project on cross-border competence transfer, a part of which focused on operations of the two case companies in Russia. It is an extensive qualitative longitudinal study that follows the case study methodology (Yin, 2001). We have chosen these two cases – one greenfield and one acquisition – to examine different forms of recontextualization in two different modes of operation. To collect the data, altogether 64 semi-structured personal interviews were conducted in the companies. The interviews focused specifically on their efforts to transfer corporate values and HR practices from the HQs in Finland to the Russian subsidiaries to integrate the Russian units and to establish shared corporate cultures.

The interviews took place in 2006-2007 in three separate rounds. It allowed us to follow these transfer efforts longitudinally over a period of almost two years (see Table 1). The first interview round was conducted in early 2006 and comprised pilot interviews with 11 top managers from the two HQs. The second round took place in

March-June 2006 and included 13 semi-structured interviews with top and line managers in both Finland and Russia. The third round in October 2006-February 2007 followed a structured interview guide with open-ended answers. It covered altogether 40 people both in Finland and Russia. The respondents in the third round were partially the same as in the second, but included several new interviewees also. The aim of the third round was to probe deeper into interesting issues which had emerged during the previous rounds in a more structured way.

**Table 1: The list of interviews**

Company	In Finland	In Russia	Top managers	Line managers	First round	Second round	Third round
FABA	12	21	24	9	7	3	23
NORT	15	16	14	17	4	10	17
	<b>Total: 64</b>		<b>Total: 64</b>		<b>Total: 64</b>		

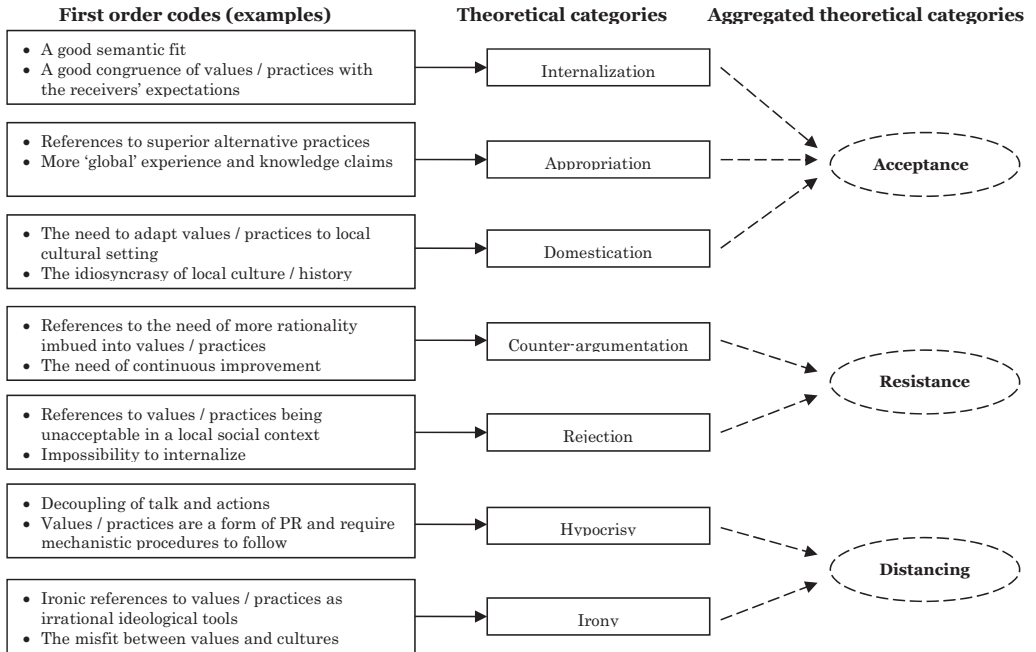
The interviews lasted between 45 and 120 minutes. As our research team comprised both Finnish (both Finnish and Swedish speaking) and Russian researchers, all interviews were conducted either in English, Finnish, Russian or Swedish according to respondents' preferences. It was possible for each of the authors was fluent in at least two languages. This approach yielded valuable information which could not have been accessed by conducting interviews in English only. All interviews were recorded and later transcribed verbatim, yielding some 1,000 pages of transcripts. In cases when interview extracts had to be translated into English all authors have participated collectively in making sure that important meanings and connotations are carefully preserved during the translation process.

The interviews were complemented by observations, field notes, corporate documents, press material, and other public data concerning the companies and their respective industries. Besides interviews, the authors also had a number of additional opportunities for interaction and discussion with key managers of the case companies, also in informal settings. For example, workshops with company representatives contributed substantially to our understanding of the dynamics within the case companies and allowed us to test and validate our preliminary findings with practitioners as the project unfolded. The last of these workshops was held in December 2007. Overall, our deep 'intrusion' into both companies allowed us to develop certain relations of trust with our interviewees, some of whom were interviewed several times. We believe that this fact has valuably contributed to the quality of the collected data for often our respondents were talking very openly about sensitive issues.

Our analysis resembled a classical case study in that we first mapped out key organizational events related to the transfer of practices (e.g. Langley, 1999) and then focused on organizational actors' sensemaking around these events. In interview transcripts we looked for extracts where interviewees talked about the practices that were transferred in both organizations. More specifically, we focused on discourses that interviewees used more or less intentionally to make sense of these transfer processes in a wider organizational context. We were fortunate to follow almost every transfer attempt in a close to 'real time' mode that has allowed us capturing the changes in meanings attached to the practices as they were happening. In transcripts from the first round of interviews, which took place at the HQs, we were able to single out discourses

describing explicitly or implicitly original meanings and interpretations that were attached to the transferred practices in both organizations. In transcripts from the following two rounds of interviews, the majority of which took place in Russian subsidiaries, we then focused on discourses that have driven changes in meanings attached to the transferred practices as they were recontextualized in the Russian setting and later, in some cases, repatriated back to the HQs.

During the second order analysis phase we proceeded in two steps. First, by mapping different types of discourses we were able to distinguish between different forms of recontextualization. Decisions to group certain discourses into a distinct recontextualization form were consensual among the authors and followed an 'abductive' approach, which entailed a constant movement between theoretical assumptions and empirical interpretations (Van Maanen, Soderen & Mitchell, 2007). The number of recontextualization forms and the content of each form were also decided upon consensually by all the authors. In deciding upon the ultimate number of recontextualization forms we followed the classical grounded theory approach (Glaser & Strauss, 1967; Strauss & Corbin, 1990), i.e. we continued identifying different forms of recontextualization up to a saturation point after which other forms were either difficult to define conceptually or they were not supported by our data. The ultimate, second, step was to group the identified forms of recontextualization into a number of generic theoretical categories. We decided to use the transfer process outcome as the basis for the grouping. Through this process we settled at three theoretical categories: acceptance, resistance and distance. Figure 1 describes the data structure that emerged from our analysis.

**Figure 1: Data structure**

### First order analysis: Transfer, recontextualization and repatriation of practices in two case organizations

#### Case #1: FABA

FABA is a major producer of consumer goods with 15,000 employees. The company focuses on Nordic and Eastern European markets. The FABA's operations in Russia involve a highly successful company in Saint-Petersburg which was gradually acquired since 1997. In 2007 it was the company's biggest production unit. Later, FABA has extended their Russian operations by acquiring another company in Moscow. The acquisition has developed less successfully than in Saint-Petersburg. Both companies that FABA acquired have been established in the Soviet times and were privatized in the early 1990s. Prior to being acquired by FABA, they have had different degrees of domestic success: the company in Saint-Petersburg has been a regional market leader, while the one in Moscow has been a marginal player in its region. Both have had their own corporate values and practices in place at the time when the new corporate values and HR practices were transferred from the FABA's headquarters.

*Initial ideas at the Finnish HQ.* Around the same time when we started our research at FABA, the headquarters initiated the process of transferring a set of HR practices, such as development discussions and performance management system, and its corporate

values to the Russian subsidiaries. From the HQ's point of view, the very existence of practices and values to be transferred were portrayed as essential features of any MNC. 'To be MNC', FABA had to possess a set of company-wide corporate values and HR practices. The internalization of these by subsidiary employees was not seen as very important, whereas their mere existence and the awareness among employees about what these practices and values are were prioritized. The transferred practices and values were perceived at the HQ as being universal and context-independent. Thus, to transfer these values and practices to Russian subsidiaries as they are was seen as appropriate. It was justified with arguments of rationality, business relevance, efficiency, and modernization. Additionally, the transferred practices and values were also presented to Russian managers as constituting important elements in FABA's history and traditions. Following company's values and traditions was positioned as the main normative principle for decision making: when in doubt, one should merely stay true to company's values.

Finally, the practices and values transferred to the Russian subsidiaries had some nationalistic and ideological undercurrents: through them the HQ management aimed at promoting Western democratic values and ways of doing things in the post-communist society of Russia with its communist legacy of authoritarian leadership styles and paternalistic relations in organizations (see Kets de Vries, 2001). By juxtaposing these aspects with more democratic and egalitarian relations pertinent to the Finnish society and Finnish organizations, Finnish managers aimed at bringing more democratic and less hierarchical ways of management into the Russian subsidiaries. Interestingly, these attempts at democratizing were 'spiced up' by a number of national stereotypes among Finnish managers about their Russian counterparts. The Russians were portrayed as lazy, mafia members, cheaters, and untrustworthy (reference withheld). These prejudices were never used directly to justify specific decisions; nevertheless, they can be seen as 'unsaid' or 'silenced' elements that subconsciously influence people's attitudes and actions (see Vaara, 2002; Ailon-Souday & Kunda, 2003).

*Reactions at the Russian subsidiaries.* Hence, the official meanings attached to the values and practices were epitomized around the notions of efficiency / productivity, knowledge transfer, and westernization / democratization. The process of transfer itself took place by several means. First, several "FABA values" and "HR practices" roll-outs were undertaken in both subsidiaries. They included discussions with all members of the Russian top management team where headquarters' representatives explained corporate values and practices. These discussions continued over three months and then the Russian managers were expected to communicate these values and practices as well as their intended meanings to their subordinates. Second, several large scale sessions were organized for all Russian employees, during which a video describing the history, values, and culture of FABA was shown, preceded by a special address of the company's CEO. Third, a number of supporting materials has been published and spread amidst Russian employees. For instance, the corporate magazine originally issued only in Finland has been translated into Russian and circulated among Russian employees. Various booklets articulating and promoting corporate values and practices were published as well.

The HQ-mandated transfers produced different views among Russian employees. While some have been very positive, emphasizing good semantic fit of the practices' and values' articulated meanings with local specifics; others have resisted particular meanings as being infused with hypocrisy and ethnocentricity and conducive to the

strengthening of headquarters control over its subsidiaries. In their resistance efforts Russian managers emphasized the idiosyncrasies of local cultural and institutional contexts and by doing so were able to promote specific alterations in the transferred values' and practices' meanings to e.g. either render them more rational or comply better with the local cultural specifics. Yet, still others reacted by employing humor, irony or hypocrisy in describing their attitudes toward the transferred practices. That produced recontextualization of several different forms. An important feature of the transfer processes at FABA, which also provided fruitful grounds for local recontextualizations, was that, because the Russian company already had preexisting values and practices of its own in place prior to being acquired, the newly transferred practices and values were oftentimes juxtaposed with the old ones.

*Repatriation of meanings.* At FABA there were examples of two HR practices, which, after being recontextualized in the Russian subsidiary, were, though not very formally, transferred back and adopted by the Finnish headquarters. The first one was the practice to conduct regular informal meetings among top managers of all units of the company internationally to get to know each other better and facilitate trust building. The second one, called FABA Games, was the practice that became widely accepted at the headquarters. It entailed social meetings between employees locally selected from every country in one place in order to do some sports together.

It was possible to trace alterations that occurred in the meanings inculcated into both of these practices prior to their repatriation. While from the inception the HR practices transferred from the Finnish headquarters have been positioned as means to achieve better individual and company performance and facilitate knowledge transfer, upon their repatriation from Russia back to Finland they carried additional meanings – social cohesion and wellbeing. However, the repatriation process was not without challenges: in the beginning Finnish managers were inclined to look at the attempts of Russian managers to socialize with other managers informally with suspicion and as mere attempts to get to travel abroad cheaply.

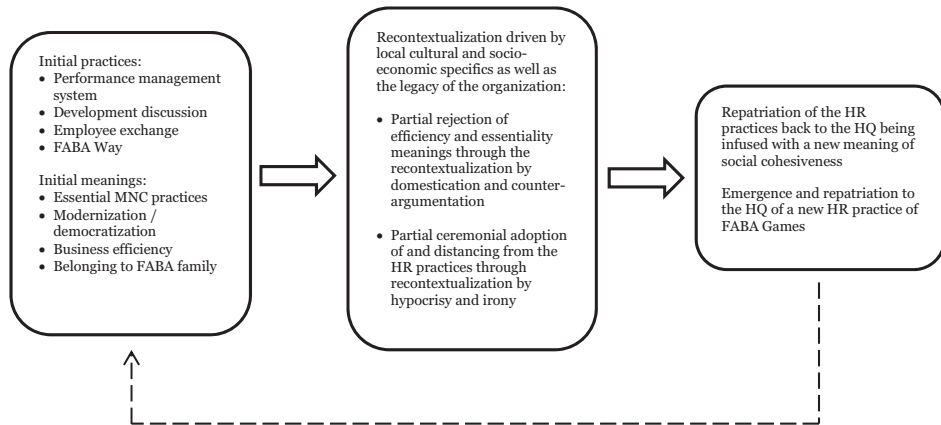
“This was pretty much an idea that came from somewhere in... Russia, Finns are not into these kinds of things, like let's do things together on our own time. And of course in Russia they wanted to come to Finland or Sweden and have an opportunity to travel cheap and companies paying for most of the costs and most of these ideas came from there, we would not think of it!”

(A Finnish top manager)

The practice of FABA Games emanated from the headquarters' employee exchange practice transfer to and its subsequent recontextualization in the FABA's Russian subsidiaries. The original practice allowed several workers from Finland to spend time working for FABA in Russia, whereas several Russians went to Finland in exchange. It produced interesting observations: the Finnish management realized that shop floor workers in Russia are much more socially bound to their work colleagues and 'know everyone by name' than in Finland. Due to cultural reasons in Finland workers were concerned mostly about their own tasks and were not interested very much in what was happening around. The original practice got recontextualized and acquired an additional meaning of promoting social closeness between workers in a workplace. The practice of FABA Games was born and spread at FABA to promote employees' social cohesion.

A processual model of the described transfer and recontextualization processes that took place at FABA is depicted in Figure 2 below.

**Figure 2: The process of recontextualization at FABA**



**Case #2: NORT**

NORT is a leading in its area, chemical process manufacturer employing around 5,000 employees and focusing on markets in Europe and Asia. Despite its relatively small size, it managed to hold a rather strong market position globally in specific market segments in competition with large multinational competitors. To enter Russia, NORT invested into greenfield operations outside Saint-Petersburg. The operating facilities and the local organization were built in a very short period of time. In two years after the unit started to operate it employed 300 employees. Also, the transfer of manufacturing technologies and competences has been highly successful. It was achieved through quick decision-making, good relationships to authorities and close cooperation between Russian and Finnish management teams. The Saint-Petersburg factory now generates a large percentage of the NORT's business.

*Initial ideas at the Finnish HQ.* The case of NORT was characterized by what appeared to be a fairly successful transfer of the corporate values called NORT Way and a relatively less successful transfer of HR practices, such as development discussions and performance management system. Concerning the former, the transfer success was to some extent surprising, because the values were based on imagery that could be understood as offensive to Russians, for it contained references to Finnish military successes (albeit in the 17th century) against Russian military forces. As for the latter, initially the headquarters presented the HR practices to be transferred as 'the headquarters best practices'. The transfer was justified by the need to integrate the Russian subsidiary's operations better with the headquarters' operations and internalize 'the NORT way of doing things', which was repeatedly acknowledged as being quite idiosyncratic and company-bound. The Russian subsidiary was expected to internalize the transferred practices the way they are implemented at the headquarters for the sake of efficiency. On the other hand, prior to investing into Russia, NORT had

rather limited international experience, and despite its long and successful history, was not very active business-wise outside Scandinavia and several Asian countries. Thus, managers at the headquarters were not sensitive (or internationally experienced) enough to acknowledge the local specifics in Russia thus giving way to ethnocentric attitudes in their relations with the Russian subsidiary. Note how one Russian respondent described a corporate meeting where issues related to the transfer of HR practices were discussed:

“Last summer, we had the HR global meeting. Very good practice we have in NORT and once a quarter we meet with all HR colleagues from different countries... Unfortunately up to this moment, we have that kind of meetings [when] the speakers are only from Finland [HQ], and we are, normally,... given the tasks, please do this do this do this.”

(A Russian top manager)

The meanings that headquarters' managers attached to the values and practices to be transferred, and that largely reflected the corporate culture, emphasized result orientation, incessant strive to win and improve, strong belief in one's own abilities, and courage to face the most unrealistic challenges. Top management envisioned creating a 'NORT tribe' comprising employees who deeply internalize and share corporate values and goals.

*Reactions at the Russian subsidiary.* Therefore, in case of NORT, the initial meanings were rooted in the headquarters' attempt to instill the 'headquarters' ways of doing things' onto the Russian subsidiary and to engineer a shared corporate culture that would ensure the ability of the headquarters to control the subsidiary's operations. Several steps were undertaken to accomplish the transfer. First, and probably most important, two key persons were hired to be in charge of making the new greenfield organization in Russia up and running. Whereas the technical and engineering sides of the project were handled by a Finnish project team, Russian-by-origin general director and HR manager were hired to create and manage the new organization. Both were thoroughly inducted into the corporate culture of NORT and worked hard to make sure that newly hired employees understand and share the corporate values. Second, the company employed a wide range of materials and tools to communicate its values and practices to employees in Russia: starting from posters depicting images associated with the corporate culture throughout the subsidiary's building and monitors around the shop floor constantly showing corporate news, announcements, updates and slogans up to various company-wide social events and presentations.

In these circumstances, resistance among Russian employees was less visible and widespread at NORT as compared to FABBA. The transferred values and practices were generally viewed as successfully internalized among Russian employees, especially managers. However, not all Russian managers were of the very same opinion and some have resisted the transfer (though not to the same degree as at FABBA) because they perceived the values and practices in question as being infused with and driven by ethnocentricity, mistrust and desire of Finnish managers to control their Russian colleagues. Arguably the NORT's headquarters had much less negative experience with their transfer attempts because the local subsidiary was a greenfield operation and did not have to overcome a pre-existing and institutionalized system of social meaning (in terms of corporate values, organizational culture, HR practices) to instill the transferred values and practices. Also, facilitation by the two top managers, who were initially hired to create the Russian organization, may have fostered the internalization

process. These two factors contributed to a relatively more extensive repatriation of practices and their meanings from the local subsidiary back to the headquarters than at FABA.

*Repatriation of meanings.* In NORT the process of repatriation was more formal and explicit than in FABA. For instance, a performance management system, after having been transferred and recontextualized locally in Russia, was repatriated back to the headquarters in a more formal way than in FABA (e.g. through official meetings). That's how one of the interviewees described it:

“Yeah, actually this [the reverse practice transfer] is already happening to some extent, because when we prepared together with Ms. X [the HR manager in the Russian unit] this performance management plan for NORT in Russia, and it was presented to Mr. Y [the General Director of NORT] and some other top managers from the headquarters, they said well, this is fabulous, why don't we present it to our general management meeting in NORT. So I think Ms. X is coming next month or very soon to this meeting to present it to the whole management team in Finland. And there are many other things as well...”

(A Russian top manager)

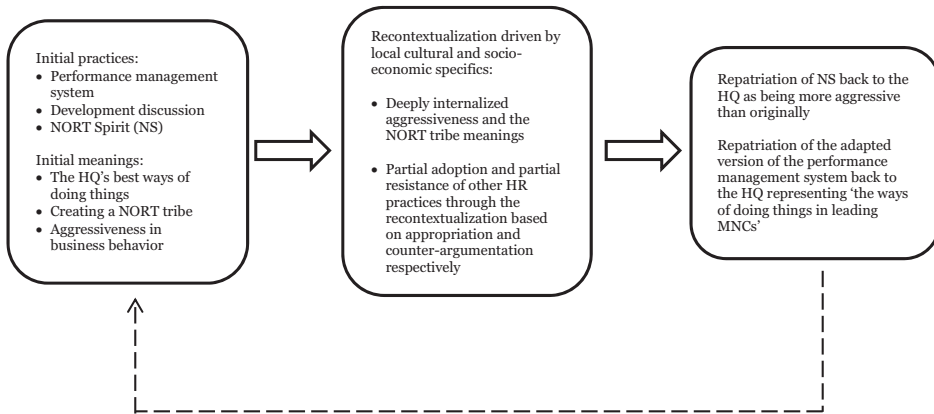
In case of NORT, the recontextualization process produced several alterations in meanings of the transferred practices also. Initially, different HR practices were transferred to the subsidiary to spread 'the headquarters' ways of doing things'. However, when they were repatriated back they symbolized 'leading MNCs' ways of doing things'. It was possible due to extensive working experience that most top managers of the Russian subsidiary had from other leading MNCs prior to joining NORT. It has later been transformed into different HR practices developed locally in the Russian organization, such as the performance management system discussed above. This approach became of interest to top managers at the headquarters and the repatriation was initiated. The rhetoric of Russian managers concerning the benefits of these practices for the Finnish organization played an important role in igniting the interest.

A few other, more subtle and implicit, examples of repatriation (or at least of its initiation) were identified in our data. The first one concerns NORT Way culture that has been transferred from the headquarters into the Russian subsidiary. Though NORT Way culture originally presupposed a certain form of aggressiveness towards opponents, it was only after it has been well internalized in the Russian subsidiary and in a distinctly more aggressive manner ('we want to kill, we want to tear apart' type of recontextualization by internalization, see below), that similar attitudes were brought back and started to spread through the headquarters. After being recontextualized through the Russian cultural milieu and the Russian cultural and socio-economic contexts with a certain degree of success (the Russian unit became the fastest growing in the entire organization), NORT Way culture started to symbolize a much more aggressive and proactive behaviour towards competition also for Finnish managers. NORT has often been described as not truly corresponding to the image of 'a NORT warrior' (see below the section on irony as the form of recontextualization). The discrepancy between intended and actual identity perceptions has constituted a problem for the company when it started to internationalize actively facing fierce international competition. In this respect, by being recontextualized in the Russian context and then repatriated back to Finland as a much more aggressively- and proactively-oriented culture, NORT Way has been able to bridge this discrepancy. One symbolic indication of the relevance of such interpretation stems from the fact that on

the Christmas' eve Finnish management of the company has sent postcards with Christmas greetings to all its clients and partners, and the cover of these postcards depicted a bear, an image which in many contexts carries connotations to Russia and Russian people.

A processual model of the described transfer processes that took place at NORT is depicted in Figure 3 below.

**Figure 3: The process of recontextualization at NORT**



**Second order analysis: Forms of recontextualization and their implications for repatriation**

In this section we examine closer the phenomenon of recontextualization and focus in more detail on its different forms. The identified forms can be divided broadly into three generic theoretical categories based on their nature and outcome: acceptance, resistance and distancing. We also explicate the implications of each of these for the ultimate repatriation of practices back to their source unit. The identified recontextualization forms are described in Table 2 below.

**Table 2: Recontextualization forms, its discursive elements, repatriation implications, and illustrative data**

Recontextualization forms	Discursive elements	Main characteristics	Repatriation implications	Typical examples	
				Case #: FABA	Case #: NORT
Internalization	Semiotics Alignment of interests	Successful internalization grounded in a good semantic fit, interests alignment, etc.	Some repatriation	Not identified	"People [in the subsidiary] understand that if we really achieved all those results that we did, then these words are not just sounds. Following these values we managed to get our market share and our current position. So it is really valued by people."
Appropriation	Knowledge ownership claims Invoking a 'global' discourse	Recontextualization based on claim of knowledge ownership	Some repatriation	Not identified	"The performance appraisal system that we have here... has not been really transferred [from Finland]. It has been transferred and adopted from the leading multinational companies operating in Russia and other countries." "We simply try to take the best that they have there and transfer it here and what we do not like, we leave in Finland."
Domestication	References to decipherability Incompatibility of cultures	Recontextualization based on cultural discourse	Some repatriation	"There were lots of words which people did not quite understand and it was impossible to start any discussion at all... So that kind of initiative really failed. Here we are trying to adapt it somehow to Russian culture, make it more living you know, not so formal."	"I think that most people in the HQ thought that they could just replicate the Finnish organization here... But it very quickly became obvious that it's not realistic, that it's not even efficient, because it will not achieve results."
Counter-argumentation	Quantification of disadvantages Rational sense	Resistance on the grounds of rational arguments	No repatriation, but learning possibility	"There is the minimal difference between Russian subsidiary's previous values and FABA values, because in the Russian subsidiary there is one additional rational value of the company added... Because normally values are only social, what the company is doing for people. There is a little bit different perception in Russia - values should also be... rational."	"And why we, for example, developed another design for performance management system? So I asked for the system that NORT has, so I got it, I studied it thoroughly, and I saw that there are other things that could be done better... Why should we use this version that is maybe not so excellent?"
Rejection	Strong ethical, moral elements Impossibility	Complete rejection based on grounds of faith, social position, ideology, etc.	No repatriation, but learning possibility	"It was something like a push from FABA side that we should provide discussions here about the company values...it was done a bit... too much efforts I would call it, too much push from FABA and it did not work here. It was very formal not even discussion but very formal lectures, people did not understand what are you talking about."	Not identified
Hypocrisy	Decoupling of talk and action Indirectness	Distancing expressed in inconsistency between what is said (talk) and what is done (action)	No repatriation	"In reality we work to get money, we work to give money to our owners, our shareholders because otherwise we would be non-commercial company. And I understand that these values are only like PR... for me it is only PR." "You have to be honest... From my... experience, for people who come to an appraisal, just one thing is important: what mark will be put by a manager to this form, to appraisal form."	Not identified
Irony	De-legitimation through humor Ironke elements	Distancing based on discourses imbued with irony and humor	No repatriation	"For me all these beautiful things like values, like team spirit... Very often it means that you sing company's hymn and you show that my company is all for me. I think that we only need people who can make good work, who have good professional skills but not people who sing company's hymns."	"You see, NORT Spirit describes some kind of a soldier. And to Russians it's quite difficult to make a connection between the Finns who are not aggressive themselves and soldiers."

## ***Acceptance***

***Internalization.*** The most successful form of recontextualization from the headquarters point of view is internalization. It takes place when meanings get accepted and internalized very deeply and comprehensively in a new organizational context due to (a) perfect cultural fit between the discursive knowledge being transferred and the host context's cultural discursive domain thus producing a good semantic fit (Brannen, 2004) or (b) proper timing and skillful management of the transfer process. The successful transfer of NORT Way is a good illustration of this form of recontextualization.

First, NORT Way values and meanings inculcated into them turned out to be very congruent with the current cultural and socio-economic environment in Russia. These meanings, associated with aggressiveness and courage in business, met good understanding and acceptance in minds of Russian managers, who were 'hungry' to achieve high performance to establish themselves as competent and ambitious managers. One interviewee argued that accepting the aggressive nature and content of the NORT Way culture is 'natural' for Russian people.

"Where it [NORT Way] originally was born? No, I don't know. I think it was also quite a long time ago. But I think for Russian people, it's accepted very well, so this is not something strange for them or something that they would resist, and that they have to make efforts to accept, no. This is more or less natural."

(A Russian line manager)

The values were documented in a leaflet, which featured cartoons of a 17th-century knight. The content, which was defined by Finnish top management, featured concepts inspired by warfare-related imagery, although they are not overtly belligerent in themselves. Nonetheless, the NORT Way values' relationship to war and fighting was well accepted and approved in the Russian organization. Once again the good semantic fit between the values and the current socio-economic and cultural environment in Russia was highlighted by Russian managers:

"People [in the Russian subsidiary] understand that if we really achieved all those results that we did, then these words are not just sounds. Following these values we managed to get our market share and our current position. So it is really valued by people."

(A Russian top manager)

"We are very aggressive, we want to tear apart, "to kill", to win the enemy... So NORT Way fits us very well. This picture with the knight, with the sword... it is very good theme... And in general Russians have participated in many wars, so Russians have this aggressiveness in their blood, we do not need what is not ours but we will not give away what is ours. So the NORT Way theme is liked not only by us but also by our distributors, our partners..."

(A Russian top manager)

Second, when the subsidiary was founded, two key Russian managers who were allocated the task of getting it up and running decided that it would be run based on NORT Way values. They played an instrumental role in getting the values translated into Russian and integrating them into recruitment, inducement and training processes

in the new unit. This was done very thoroughly and contributed to successful internalization of the values locally. It highlights the crucial role that skillful organizational actors can play in facilitating successful internalization of transferred practices and their meanings.

“NORT Way was brought here from the beginning and has been widely communicated to the employees, starting from their first day when they go through the induction. They listen to these induction programs in their discussions with the HR manager and management in general. They get special leaflets with this information, what are the main cornerstones of this culture. And they hear about it every day... So we use this word a lot, and not only literally, but also we mean it.”

(A Russian top manager)

*Appropriation.* The MNC is a ‘contested terrain’ where multiple rationalities come into play to produce distinct outcomes in terms of decisions, identities and strategies (Gooderham et al., 1999; Saka, 2004) and where organizational actors struggle for ideas’ ownership because to control ideas is to acquire power within the MNC. By appropriating meanings of transferred practices and assets more generally, organizational actors try to either gain control or increase autonomy. It allows to legitimate one’s authority position and to undermine the authority and subjectivity of others. The form of recontextualization that it produces can be called appropriation. It occurs when a recipient accepts and oftentimes internalizes transferred practices but at the same time alters their meanings by claiming that the ‘true’ ownership of these meanings belongs to a recipient rather than a sender (e.g. Kostova, 1999).

In case of NORT, several of the headquarters’ HR practices were accepted at the Russian subsidiary but at the same time their origin and ownership by the headquarters were de-legitimated by referencing alternative, supposedly better, practices. For instance, when a performance management system was transferred from the headquarters to the subsidiary, Russian managers – all of whom had prior work experience from leading, mainly US, MNCs – questioned the ownership of the transferred practice by referring to the alleged superiority of the practices used by their previous employers (and adopted by them):

“The performance appraisal system that we have here [in the Russian subsidiary]... has not been really transferred [from Finland]. It has been transferred and adopted from the leading multinational companies operating in Russia and other countries.”

(A Russian top manager)

Further, the key local managers, who had been responsible for building the Russian organization, often drew on a similar discourse. In the excerpt below, one of them discusses the corporate culture of NORT (which includes NORT Way values), notably separating it completely from its original cultural context and instead anchoring it squarely in a generic ‘transnational social space’:

“Well, the company has a very strong culture. It’s not like, it’s not a Finnish culture, it’s a corporate culture, which is really very strong, and it’s one of the great assets of the company and one of the key success factors. [...] I think it’s a uniculture, which is focused on achieving great results, which is focused on willing to win, willing to survive, willing to innovate, you know being always ahead of others.”

(A Russian top manager)

Thus, the recontextualization by appropriation allowed organizational actors in the subsidiary to engage with the headquarters in a tug-of-war concerning the distribution of power. By drawing on their professional backgrounds and claiming that ‘the authorship’ of the practices implemented in the subsidiary come from other sources (i.e. leading Western MNCs) rather than the headquarters, local managers attempted to downplay the contribution of the headquarters and shift the balance of power between their unit and the headquarters in their favor.

*Domestication.* Culture and cultural environment provide an important set of discourses (Anderson, 1983; De Cillia, Reisigl & Wodal, 1999; Wodak, De Cillia, Reisigl & Liebhart, 1999) that organizational actors can use to promote or resist different views and issues within the MNC (see Vaara, 2002; Ailon-Souday & Kunda, 2003). These discourses can also impact transfer processes from one cultural environment to another. By drawing on these discourses organizational actors are able to alter initial meanings inculcated in transferred practices prior to their acceptance and internalization based on arguments that a host cultural environment is not well suited for meanings in question to be transferred intact. We term this form of recontextualization as domestication.

The Russian interviewees at FABA drew on cultural discourses quite extensively in their sensemaking around transfer processes. They underlined the specifics of the Russian cultural environment requiring the transferred corporate values to be adapted prior to their transfer and internalization. It was emphasized that it was necessary to localize the values, to adapt them to local circumstances in order to substantiate ‘dry’ and formal Western business concepts with more ‘live’ meaning to make them decipherable and understandable for Russian employees.

“There were lots of words which people did not quite understand and it was impossible to start any discussion at all... So that kind of initiative really failed. Here we are trying to adapt it somehow to Russian culture, make it more living you know, not so formal.”

(A Russian top manager)

In case of NORT, the recontextualization driven by cultural discourses was also taking place. The Russian managers argued for adapting the transferred values and practices to the Russian cultural context. It was perceived as vital to ensure that they are internalized by shop-floor workers in particular. The difficulty with this category of employees stemmed from their cultural background, which presupposed a negative attitude towards the transferred values and practices. For instance, to illustrate these cultural differences our interviewees referred to managers being reluctant to ask for feedback from their subordinates and shop-floor employees, who were unwilling to provide their superiors with constructive feedback (both elements were parts of the development discussion practice to be transferred). Thus, by invoking these arguments rooted in the specificity of the Russian cultural context, the recontextualization by domestication was inferred.

“I think that most people in the headquarters thought that they could just replicate the Finnish organisation here, recruit some people and manage the functions, different functions directly from Finland, having... absolutely the same kinds of processes and practices as they have in Finland. But it very quickly became obvious that it's not realistic, that it's not even efficient, because it will not achieve results, so I think understanding these kind of differences, the way people think and the way people behave, the way people are motivated, in Russia versus Finland, I think has been really, really important, to many people in the HQ.”

(A Russian top manager)

Hence, the recontextualization by domestication is rooted in a host cultural environment where practices are transferred to. The environment provides organizational actors with a number of discourses that they deliberately use as discursive resources in their sensemaking to steer the process of recontextualization into a desired direction. It leads to ultimate acceptance and internalization of the transferred practice and its meanings, however only after these meanings are adapted to a local cultural milieu.

*Implications for repatriation.* When a transferred practice is accepted and, while recontextualized, gets internalized by actors at a receiving unit, it creates fruitful grounds for the subsequent repatriation of it back to a sending unit. In relative terms, and as compared to other recontextualization forms in the categories of resistance and distance (see below), these forms are by far the most productive and advantageous ones allowing the MNC to benefit from reciprocal transfer of knowledge and hence increased learning. For instance, when a practice gets repatriated after being recontextualized through appropriation, its meanings and content may improve as the result of it being compared and benchmarked against locally existing versions of the practice that developed in a local environment. In this way, the MNC can benefit from selecting the best practices (and meanings) found in the MNCs' geographically spread units.

A similar process takes place when repatriation occurs following the recontextualization by domestication. In this case, the MNC gains from local cultural adaptations of practices and their meanings in local subsidiaries. Thus, the organization can benefit from a multitude of cultures that it embraces by carefully selecting best adaptations of a practice that each of these cultures has to offer. When a practice gets recontextualized by internalization, the repatriation is more subtle and less discernible than in the two other cases. For instance, sometimes a receiving unit internalizes the transferred practice in a much deeper sense because it is novel and unfamiliar. Then, it may force employees in a sending unit to revamp their attitudes toward the practice as well, sometimes enriching the attitudes with new additional meanings. The case of the NORT's values and their more saliently aggressive content resulting from their recontextualization in the Russian subsidiary offers an illustrative example of that.

### ***Resistance***

*Counter-argumentation.* Transfer processes in the MNC are often justified using rational arguments of efficiency, productivity, and knowledge transfer (Gupta & Govindarajan, 1991; Kogut & Zander, 1992; Szulanski, 1996; Bresman, Birkinshaw & Nobel, 1999). However, our case companies show that rational arguments can also be used by managers in their sensemaking to counter-argue against the necessity of transfers thus recontextualizing and resisting them. Although altering original

meanings of these practices, this process does not lead to their internalization. We term this form of recontextualization as counter-argumentation.

In case of FAB A, transfer of FAB A values was seen as successful at the headquarters. However, there were several nuances in the Russian institutional environment that Finnish managers did not take into account when engaging in the transfer process. For instance, one interviewee described Russian people as expecting corporate values to be more rational as opposed to Westerners expecting these values to be more socially-oriented.

“There is the minimal difference between Russian subsidiary’s previous values and FAB A values, because in the Russian subsidiary there is one additional rational value of the company added... Because normally values are only social, what the company is doing for people. There is a little bit different perception in Russia - values should also be... rational.”

(A Russian top manager)

In some instances, Russian managers in their sensemaking even went as far as to claim that the overall content of the transferred HR practices was too ‘soft’ to be applicable in the dynamic and constantly changing Russian business and institutional environment. Some Russian managers resisted these practices and adopted their own, more ‘rational’ versions of them, thus producing recontextualization through counter-argumentation. Note how one of the managers describes why he does not accept the headquarters’ version of the development discussion practice and uses his own version adapted to the Russian institutional environment, where organizations are meant to be profitable to survive rather than take care of employees’ development.

“I think it [appraisal discussion] is the same like when I have discussions with my bosses in Finland. Maybe it is a bit stricter than in case of FAB A managers and us. Because as I said they are softer than I because I think that everything what we do must create profit for our company and that’s why I cannot wait until my subordinates would understand what they must do. And if they understand but they cannot do it, I have only one discussion in that case. The second discussion is only about when you leave our company...I am not a teacher and we are not in school.”

(A Russian top manager)

In case of NORT, recontextualization by counter-argumentation took a different form. Some Russian managers argued that instead of transferring existing HR practices from the headquarters, the Russian subsidiary needs to constantly develop and improve those HR practices that it already has to stay in sync with the local business environment. These rational motives were juxtaposed by the Russian managers with the perceived unwillingness of their Finnish counterparts to continuously develop and improve the HR practices employed at the headquarters. Note an account given by one top Russian manager of how the headquarters’ performance management system has been rejected by and then developed anew in the Russian subsidiary.

“And why we, for example, developed another design for performance management system? So I asked for the system that NORT has, so I got it, I studied it thoroughly, and I saw that there are other things that could be done better... Why should we use this version that is maybe not so excellent?”

(A Russian top manager)

*Rejection.* Another form that recontextualization through resistance might take is rejection. It leads to a complete rejection of transferred practices thus producing the worst transfer outcome possible from the headquarters’ point of view. Open resistance occurs when transferred practices and their meanings are resisted by actors on very strong grounds (i.e. ideology, faith, ethics, etc.) as entirely unacceptable in a host cultural / social environment. Even though in our cases there were no signs of complete rejections of transferred values and practices on any strong grounds, few mild examples could still be identified, though the evidence for them in our data was not as strong as for other forms of recontextualization. One example stems from the FABAs case where few Russian interviewees claimed that they have resisted the attempts of the headquarters to transfer corporate values by drawing on a discourse depicting Russian employees as being more people-oriented and humanistic as opposed to very formal and more process-oriented Finnish employees. The Russian employees were also described as having less understanding for Western managerial practices and hence being unprepared to internalize the values which are considered to be an important part of the managerial practice but only in the West.

“It was something like a push from FABAs side that we should provide discussions here about the company values...It was done a bit... too much efforts I would call it, too much push from FABAs and it did not work here. It was very formal not even discussion but very formal lectures, people did not understand what are you talking about.”

(A Russian top manager)

Overall, the two forms of recontextualization through resistance describe how local subsidiaries can resist transfer processes that are imposed on them by headquarters. The resistance can be based on rationally justified arguments as well as somewhat more ‘populist’ and relatively ungrounded reasoning for rejection. More importantly, it may produce concrete power effects when, being unsuccessful in transferring its practices, a headquarters may start delegating more authority to a local subsidiary to develop its own versions of rejected practices thus granting more autonomy and power to the unit.

*Implications for repatriation.* Because these recontextualization forms are essentially about resisting what is being transferred, they can be expected to be the least conducive to repatriation. In simple terms, when a practice is rejected due to e.g. strong rational arguments, it does not get internalized and, thus, cannot be recontextualized and, subsequently, repatriated. However, surprisingly enough, resistance can also improve transfer and repatriation processes between a headquarters and a subsidiary. Because when a subsidiary rejects completely what is offered by a headquarters, it is usually communicated in very explicit and well-articulated ways. In cases when a headquarters is able and willing to listen to and comprehend these messages, it can learn a lot concerning what went wrong and how to deal better with a subsidiary in the future. In this way, it can ensure that forthcoming transfers turn out more successful and productive resulting at least in some repatriation.

## ***Distancing***

***Irony.*** The first form of recontextualization through distancing in MNCs is based on irony. It emerges when meanings are being resisted, de-legitimated or altered using ironic comments or ironic humor. Irony and, in particular, ironic humor (Hatch, 1997) is widely used by organizational actors to confront ambiguity and confusion endemic to every organization (March & Olsen, 1976; Weick, 1979). According to Brown (1977: 172), “to render something ironic is to take it from its conventional context and place it in an opposite one”. The use of humor or irony as a coping strategy (Collinson, 1988; Grugulis, 2002) and as a means for employees to discursively construct and organize their cognitive and emotional experiences in and of their organizations (Hatch, 1997) is well documented in the literature. In our case organizations, we found that Russian managers used irony and humor quite extensively in their sensemaking, especially when discussing sensitive issues involving their Finnish counterparts. Irony was one way to express indirectly something that might sound offensive when said straight. Irony and ironic humor were specifically used to communicate frustration and express emotions concerning organizational issues (cf. Hatch & Ehrlich, 1993; Hatch, 1997).

In case of FABA, there was less agreement in the Russian subsidiaries about the need to transfer corporate values from the headquarters. Russian interviewees have ironically described these values as ideological tools that are entirely irrational and only create possibilities for career advancements for bad professionals: one can advance in one’s career by merely showing allegiance to the values instead of possessing good professional skills. This way of thinking might be attributed to the embeddedness of both Russian subsidiaries in the Russian socio-political, institutional, and cultural environments. In Soviet times the practice of promoting people based on their personal relations or connections to nomenklatura (i.e. a group of people constituting the Communist Party’s leadership or on jobs within the Communist Party’s apparatus) rather than their professional qualifications was widespread (Kets de Vries, 2001). Below, one of the interviewees ironizes about the transferred values and their importance:

“For me all these beautiful things like values, like team spirit... Very often it means that you sing company’s hymn and you show that my company is all for me. I think that we only need people who can make good work, who have good professional skills but not people who sing company’s hymns.”

(A Russian top manager)

Irony can be used by organizational actors not only to express their negative emotions but also to confront ambiguities and confusion. Often, the use of irony involves deeply ingrained cultural (mis)conceptions. Here is an example from NORT where one respondent argues for a semantic misfit between NORT Way values transferred to the subsidiary and the image that Finnish people have in the Russian cultural context. The respondent uses ironic humor to underline the mismatch between the aggressive nature of these values and the fact that Russians do not consider Finns in general to be particularly aggressive.

“You see, NORT is a word that describes some kind of a soldier. And to Russians it’s quite difficult to make a connection between the Finns who are not aggressive themselves and soldiers (laughs).”

(A Russian top manager)

Thus, by employing irony and humor when making sense of transferred practices and meanings, Russian managers expressed their detachment from and not serious attitude toward these practices that in turn influenced their internalization in the local subsidiaries.

*Hypocrisy.* In every organization actors hold a diversity of conceptions about what the organization and its purpose are, what good organizational outcomes are, and how such outcomes should be reached (Brunsson, 1989). It results in a situation when diversity in norms produces managerial inconsistency between talk, action and decisions (ibid; Brown & Jones, 2000; Huzzard & Ostergren, 2002). It can be defined as hypocrisy (Brunsson, 1989). In our organizations, we have observed a tendency among some Russian managers to accept transferred values and practices without actually internalizing them, i.e. adopting them only ceremonially. There was a de-coupling between what Russian managers talked and what they actually did in relation to the transferred values and practices. By doing so, they de-legitimated the old meanings attached to these values and practices and imbued them with new locally-grounded interpretations. We term this form of recontextualization as hypocrisy (Brunsson, 1989; Cha & Edmondson, 2006). It takes place in situations when a recipient adopts transferred values and practices only ceremonially without actually believing in them, thus, when adoption is not being followed by action.

In case of FABA, the transfer of values was viewed in Russia as contradicting the very idea of any private business enterprise, i.e. making money for shareholders. The introduction of shared corporate values was not seen as directly related to business activities as such. Rather, it was perceived as one of the miscellaneous activities that companies need to engage nowadays in order to keep good public image together with corporate social, environmental, and ethical responsibilities. Therefore, some managers did not see it as important to internalize and follow the transferred values.

“In reality we work to get money, we work to give money to our owners, our shareholders because otherwise we would be non-commercial company. And I understand that these values are only like PR... for me it is only PR.”

(A Russian top manager)

The Russian managers described themselves as being somewhat more realistic than their Finnish colleagues when assigning the degree of importance to the transferred values and practices. One Russian line manager subtly hinted at the fact that he adopted the transferred practice of performance appraisal but he does not believe in it and treats it more as a mechanical procedure that needs to be done and then can be put aside rather than an important organizational practice.

“You have to be honest... From my... experience, for people who come to an appraisal, just one thing is important: what mark will be put by a manager to this form, to appraisal form.”

(A Russian line manager)

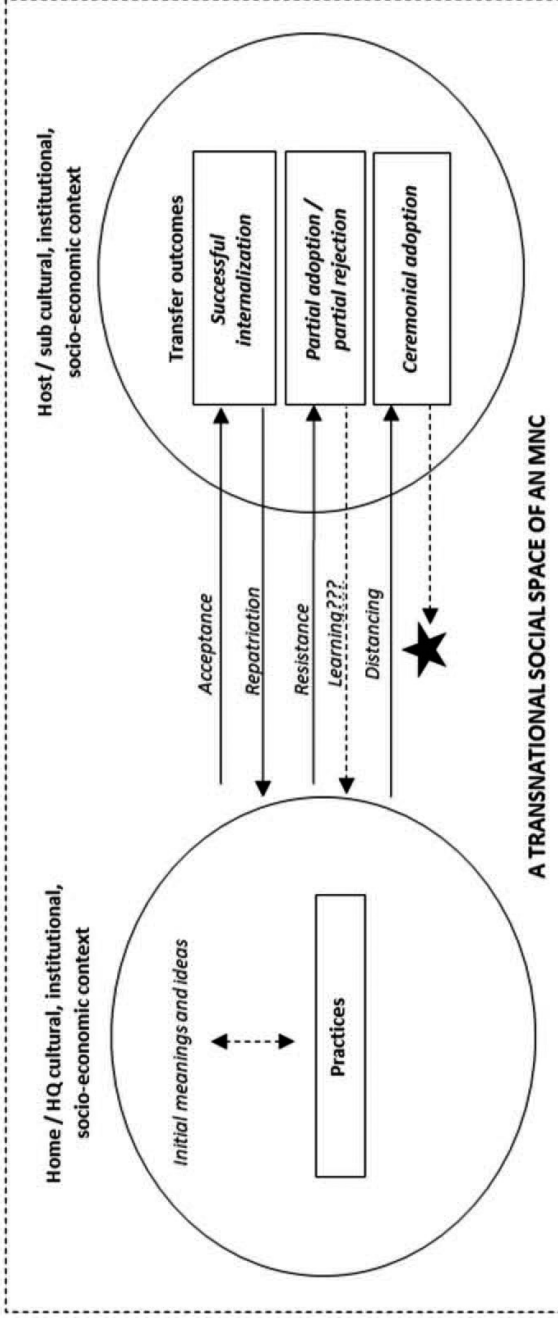
Both irony and hypocrisy are ever-present organizational features and are, to an extent, unavoidable in organizations. While being useful in handling ambiguous and sensitive situations, they also offer means for organizational actors to engage in the process of recontextualization of transferred practices and their meanings by distancing from these practices. In many ways, hypocrisy and irony provide a fruitful setting for ceremonial adoptions of what is being transferred.

*Implications for repatriation.* In our view, distancing is a very interesting outcome of transfer processes, which occurs quite often but is difficult to spot for headquarters' managers. It produces de-coupling between what people in a receiving unit say and what they actually do, often resulting in a 'ceremonial adoption' of a transferred practice. Precisely because it is ceremonial, often a headquarters is not even aware of these attitudes existing in a local unit. When a transferred practice is being distanced away from, instead of getting internalized through recontextualization, repatriation becomes nearly impossible. In our data the case of FABA had most of the instances where actors distanced themselves from the transferred practices by means of irony or hypocrisy. One implication that can be drawn from this is that different pre-existing systems of social meaning, i.e. within a company being acquired, provide more bases for proliferation of these forms of recontextualization, thus impeding repatriation process.

## **Discussion**

Although the process of transferring practices in the context of the MNC has been studied quite extensively (Ferner & Quintanilla, 1998; Gooderham et al., 1999; Sharpe, 2001; Edwards & Ferner, 2002; Kostova & Roth, 2002; Geppert, Matten & Williams, 2003; Saka, 2004; Geppert & Mayer, 2006; Gamble, 2010; Yu & Zaheer, 2010), we still know relatively little about the micro-political, sensemaking and discursive aspects of this process. More specifically, there is a paucity of knowledge in the literature concerning how both subsidiary and headquarters managers' interests influence their approaches to transfer processes. Hence, in this paper we examined different forms of recontextualization that emerge through sensemaking activities of organizational actors as knowledge is transferred from one context (e.g. headquarters) to another (e.g. subsidiary). We specifically focused on the interplay and the performative role of discourses in this process. This has led us to develop a dynamic model of knowledge recontextualization as illustrated in Figure 4 below.

Figure 4: The dynamic model of knowledge recontextualization in the MNC



Our analysis can be summarized in the following points. First, we have examined and illustrated the role of discourses in the process of recontextualization. Our results underscore the important role of historical, institutional, cultural and socio-economic as well as organizational contexts in this process, which has been somewhat marginalized in previous research (c.f. Gamble, 2010). This omission is unfortunate for these contexts provide organizational actors with discursive resources to resist, distance from, or comply with transfer processes. Embedded in and fed by cultural, institutional, socio-economic and organizational contexts' specifics, the process of recontextualization produces a discursive space within the MNC, where a number of 'pockets of resistance' exist. These can be utilized by organizational actors, not only dominant ones or located at the apex of organizational hierarchy, but also by actors at lower levels, such as line managers for example, to instill changes in meanings inculcated in knowledge transferred between different units of the MNC.

Second, extending the previous point, we have shown that the process of recontextualization is an interest-driven and power-laden process in which organizational actors use discursive resources available to them to pursue their interests and goals. Previous studies on transfer of practices largely tended to ignore the fact that organizations are inherently political arenas where struggles over diverging interests of different actors take place (Cyert & March, 1963; Ansari et al., 2010) and where the process of recontextualization has important consequences for how power is distributed between actors and units. It is especially true for intra-organizational transfers within MNCs with their inherent struggles for power between headquarters and local subsidiaries (Ferner, 2000; Mudambi & Navarra, 2004; Kristensen & Zeitlin, 2005; Bouquet & Birkinshaw, 2008). Our analysis sheds more light on these power struggles by showing how headquarter-imposed values and HR practices are often resisted to preserve subsidiaries' autonomy and minimize headquarters' control.

Third, we have distinguished between different forms of recontextualization of meanings that take place in MNCs when practices are transferred from home to host contexts crossing cultural, geographic, or political conjunctures. We grouped them into three broader categories comprising seven sub-categories: acceptance (including internalization, appropriation and domestication), resistance (counter-argumentation and rejection) and distancing (irony and hypocrisy). Obviously, these different forms differ in terms of the degree to which initial meanings are accepted, resisted, or distanced away by recipients. By identifying these forms, we have deepened both the important insights on subsidiary reactions to headquarter practice transfer presented by Kostova and Roth (2002) – by showing how practice adoption at the subsidiary level interacts with and is influenced by particular contexts. We also further developed Brannen's (2004) model of asset recontextualization, which to a large extent treats transfer processes as dichotomous 'take it or not' choices, whereas we demonstrate that a more nuanced approach to practice transfer is to treat it as a continuum with different degrees of internalization and / or rejection. Thus, our analysis underscores the polyphonic nature of the MNC (e.g. Vaara & Tienari, 2011) which, we believe, is conducive to a better understand of the MNC's continuous need to balance the multitude of diverse contexts, institutional logics and political interests of actors that it embraces.

Lastly, our analysis indicates that the operational mode, i.e. a green-field versus an acquisition, has an impact on the nature of recontextualization and the extent of repatriation processes. Our analysis, though only exploratory, suggests that a green-

field is more likely to lead to a relatively better acceptance of the transferred knowledge and later to a more extensive, formal and explicit repatriation of the recontextualized knowledge back to the sending unit. On the other hand, in an acquisition it is more likely that the transfer of new values or practices would encounter more resistance and distancing rooted in and supported by discourses related to the inherited corporate cultures, values or practices. It somewhat reiterates the point that acquisitions, haunted by political struggles and integration problems, tend to be in many cases much more complex transactions to implement successfully than green-field operations. Theoretically, it also takes us back to the seminal piece by Kostova and Roth (2002) who argued that the implementation and internalization of an organizational practice is positively related to the unit's perceived dependence on the parent organization, to the level of trust between the two, and the degree of identification to which the unit identifies with the parent organization. These are the factors that are likely to be more salient in the case of a green-field operation than in an acquisition and thus can explain the differences that we spotted in comparing the two case organizations.

## **Conclusion**

We believe that our analysis contributes to three literatures. First, it adds to research on transfer of practices in organizations by contributing to and extending further the recontextualization perspective (Thomas, 2003; Brannen, 2004). More specifically, the analysis underscores the importance of context in attributing meanings to practices and the role of individuals and their subjectivities in this process (see Figure 2). Starting from the premise that discursive actions are key aspects of managerial work (Shotter, 1993; Cunliffe, 2001), our analysis illustrates how managers are able to control the importation and development of new ideas and meanings within transfer processes. As such, bringing in the agency aspect into the recontextualization perspective provides us with a potential explanation of why many transfer initiatives in MNCs are very difficult to implement and often fail. Overall, it takes us closer to developing a more politically- and power-nuanced understanding of knowledge transfer processes in organizations.

Second, by focusing on MNCs we have attempted to advance our understanding of the discursive nature of these socially complex organizational forms. We believe that our analysis complements existing studies that have taken the discursive view on MNCs (Geppert, 2003; Brannen, 2004; Vaara & Tienari, 2008, 2011; Vaara & Monin, 2010) by highlighting that the transfer of practices between a headquarter and a subsidiary is a dynamic process shaped by organizational actors' interests and micro-political activity. The different forms of recontextualization that our analysis identified reflect the complex and multifaceted nature of the discursive struggles for legitimating and institutionalizing particular organizational order or change within MNCs. It highlights the importance of the social construction of organizational reality, agency, power and politics in MNCs (Kostova & Zaheer, 1999; Kostova, Roth & Dacin, 2008; Weber & Dacin, 2011).

Third, building on the previous point, our analysis shows how different forms, that recontextualization takes within MNCs, can be and are often contradictory to each other. For instance, the cases of internalization and hypocrisy or rationalization and irony analyzed in this paper imply entirely opposite justifications and argumentations. These contradictions illustrate the complexity of organizations and, more specifically,

organizational pluralism (e.g. Ford, 1999; Glynn, Barr & Dacin, 2000; Morrison & Milliken, 2000) and polyphony (e.g. Vaara & Tienari, 2011). Our analysis suggests that to capture a more accurate and nuanced view of the complex and pluralistic nature of organizations and specifically MNCs, researchers need to incorporate more explicitly the divergent voices and interests of different organizational actors into their research. It shows that organizational pluralism plays a crucial role in organizational learning processes also. Taking a practice, which is locally embedded, and transferring it to make it available to the entire MNC is not a simple one way transfer process. It involves filtering it through the 'barrier of pluralism' - different mental models and languages that coexist in every organization and especially in MNCs. This process results in understandings which are much more complex and polyphonic than those that come from a single cultural context, and it is precisely these understandings that contribute to organizational learning processes and routines (c.f. Glynn et al., 2000).

Our analysis has some important practical implications. While the ability to capitalize on knowledge that is developed in different parts of the organization is recognized as one of the main advantages of the MNC, the process of transferring knowledge itself is far from being unproblematic and easy. Often transfer initiatives simply end up in failures. By underscoring the complex polyphonic nature of transfer processes and the role of discourses used by managers to support, resist or distance from it, we hope to provide new insights that would help managers to manage and control it. Being aware of the dynamic nature of the recontextualization process and of its different forms might assist managers in their search for new innovative recontextualizations of practices that might be then transferred to other parts of the organization. Still, there is no easy remedy to ensure success of transfer processes but it may be helpful for managers to pay attention to discourses and rhetoric within the organization and frame their own rhetoric around the process of transfer in persuasive and convincing ways not forgetting to listen carefully to hidden meanings explicitly or implicitly aired in discussions and negotiations with organizational actors at the receiving end.

This study has limitations that should be taken seriously when interpreting our findings. First, it is difficult to generalize from it because the analysis is based on two organizations only. Rather our findings can be seen as analytical generalizations (Tsoukas, 1989) that shed light on the process of recontextualization of knowledge in modern MNCs. Second, our analysis is based on the very specific Finnish-Russian context with its historical and socio-political idiosyncrasies. Future research might do well by trying to examine recontextualization processes in MNCs in other national contexts and identify other recontextualization forms that were not present in our case organizations.

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# ALEXEI KOVESHNIKOV

## MICRO-POLITICAL PERSPECTIVES ON MULTINATIONAL CORPORATIONS

Multinational corporations (MNC) are often presented as powerful but 'faceless' institutional actors that shape the world we live in. However, we have lately seen increasing interest in actual 'faces,' that is the key actors, behind the MNC's functioning in relation to the cases of fraud and bankruptcy that, together with other factors, led to the severe financial crisis at the end of 2000s. The cases of Enron and Lehman Brothers easily come to mind. It raised concerns that power abuses and tricky political games developing and proliferating within MNCs can have tremendous corporate as well as societal impacts and consequences. Yet, as of now, the micro-level power and political relations between actors in MNCs and their implications, i.e. what I call in this thesis 'micro-politics,' are seldom examined. Moreover, neither is the role that

the institutional, cultural and sociopolitical contexts play in these micro-political relations among actors within MNCs sufficiently understood. Against this background, in this thesis I attempt to give 'a face' to the MNC. That is, I apply a number of ideas from comparative institutional theory, social cognition and translation studies to examine micro-political aspects of the interactions between organizational actors in MNCs that determine how these corporations function both on day to day basis and in a longer run. By so doing, I strive to offer a more nuanced, contextualized, and actor-focused sociological understanding of power and political interactions among organizational actors within the MNC. It is important to study and comprehend these processes in order to better explain them and to some extent control them.



**ISBN** 978-952-232-247-0 (printed)  
**ISBN** 978-952-232-248-7 (PDF)  
**ISSN-L** 0424-7256  
**ISSN** 0424-7256 (printed)  
**ISSN** 2242-699X (PDF)

EDITA PRIMA LTD, HELSINKI



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