Sensemaking, Sense-Censoring and Strategic Inaction: The Discursive Enactment of Power and Politics in a Multinational Corporation

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Abstract

In this paper we contribute to knowledge of power and politics in international business by developing the understanding of the role of discourse and sensemaking in the subsidiary–headquarters relationship. Based on an ethnographic action research study in a British subsidiary of an American multinational corporation, we conduct an ethnomethodologically informed discourse analysis of the accounts, stories and metaphors through which power and politics in the subsidiary–headquarters relationship were created as social facts. We then broaden the analytic frame to trace longitudinally how these facts led the subsidiary managers to hide, dilute or restrict their 'local sense' from the headquarters, including their knowledge of the local market and their preferred strategic direction for the firm: a process we term sense-censoring. We reveal how the subsidiary used power and politics as reasoning procedures to decide against pursuing a preferred course of action, despite a strongly held belief to the contrary, due to anticipated reactions or counter-actions, thereby transforming potential strategic action into inaction. Sense-censoring is significant for international business management, we propose, because it impacts upon knowledge flows, innovation diffusion and organizational learning. We conclude by outlining the implications of systems of sense-censoring and strategic inaction for the management of global–local relations in multinational corporations.

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Introduction

Why do subsidiaries in multinational corporations (MNCs) fail to voice their opinions, fail to resist seemingly misplaced central policies and fail to share their local knowledge with headquarters? Answering these questions can help us to understand some of the central issues in international business, such as how resources are allocated, how information is shared, and how control can be exerted over subsidiary operations spanning geographical, product or market boundaries (Andersson, Forsgren, & Holm, 2007; Doz & Prahalad, 1984; Meyer, Mudambi, & Narula, 2011; Mudambi, 2011; Mudambi & Navarra, 2004; Prahalad & Doz, 1981). Following Dörrenbächer and Geppert (2006) and Clark and Geppert (2011), our focus is on intra-organizational sensemaking about power and politics *within* the MNC rather than the effects of the macro-political sphere *on* the MNC, such as the effects of the political hostility of host country regimes on foreign direct investment (as for example in Hymer, 1979, part III). The paper presents findings from a longitudinal ethnographic action research study of a change initiative within the British subsidiary of an American-owned MNC. Our study provides two main contributions. First, we develop a discursive enactment perspective that reveals the role of discourse – in particular accounts, stories and metaphors – in the reproduction and/or transformation of subsidiary managers' 'framing' (Creed, Langstraat, & Scully, 2002; Fairhurst, 2010; Fiss & Hirsch, 2005) of global–local power and politics. Second, we show how this dominant framing led the subsidiary to hide, dilute or restrict their local sensemaking from the global headquarters – a process we call 'sense-censoring' – thereby transforming potential strategic change into strategic *in*action.

Adding to the existing body of sensemaking-related constructs (see Maitlis and Christianson, 2014: 68), we define *sense-censoring* as the process through which actors consciously 'censor' their sensemaking accounts, with or without the presence of any official attempts to edit or silence them, due to anticipated reactions or counter-actions. This concept is therefore different from the term 'sense-hiding', which is defined as the actions of those in authority in 'hiding particular ideas' (Vaara & Monin, 2010, p. 6), 'silencing alternative senses' and the 'marginalization of particular voices' (Monin, Noorderhaven, Vaara, & Kroon, 2013, p. 262) – a term closer to the notion of authority-imposed censorship. It is also related to but distinct from Weber's notion of 'legitimate authority',[1] but could nonetheless be seen as a social process through which the 'lower rungs' prospectively anticipate the 'rulings' of the upper echelons – even where they disagree with those rulings themselves.

The paper is structured as follows. First, we review existing work on power and politics in MNCs. In the next two sections, we outline the discursive enactment perspective on power and politics we adopt in this paper, with its emphasis on the role of discourse in sensemaking. After outlining the methodology of the study upon which we draw, we present the empirical data in two sections: a detailed analysis of team meeting interaction followed by a longitudinal analysis of a series of global–local issues. Finally, we conclude by discussing the contribution of the notions of discursive enactment and sense-censoring to the wider understanding of power and politics in MNCs.

Power and Politics in MNCs

Traditionally, power has been something of a 'taboo' subject in business and management studies, a kind of '*éminence grise*' (Krause-Jensen, 2010, p. 69). More recently, however, scholars

have shifted towards 'a notion of power that does not automatically identify power with something oppressive and noxious' (Krause-Jensen, 2010, p. 70), by viewing power and politics more as a potentially *productive* element of organizational life (Buchanan & Badham, 1999; Butcher & Clarke 2003; Dörrenbächer & Geppert, 2011; Gunn & Chen, 2006; Kacmar, Bozeman, Carlson, & Anthony, 1999; Pfeffer, 2010). A similar trend has been seen in the international business literature. In their study of HQ–subsidiary relations, Schotter and Beamish (2011, p. 254) emphasized 'that power and political game playing are unavoidable components of organizational life.'

By the mid-1990s, from an HRM/IR perspective, the headquarters–subsidiary relationship was analysed in political, reward-and-punish terms (Ferner & Edwards, 1995; Mueller, 1996). In the 2000s, this was taken further into a more clearly defined 'power and politics' school of thought, which conceived of the MNC as constituted by a 'set of relations between a range of actors with their own powers and interests' (Morgan, 2001, pp. 9–10). Mudambi (2011) and Blazejewski and Becker-Ritterspach (2011, pp. 142–4) both distinguish a number of different theoretical approaches to the study of headquarter–subsidiary relations in MNCs. Specifically, Mudambi (2011) distinguishes the *headquarters–subsidiary dyad*; the *evolution of subsidiary mandates*; and the *multiple embeddedness* of the MNC perspectives. In terms of the broader theoretical traditions, research into MNCs has been dominated by transaction cost economics, resource dependency and institutional schools of thought (Ghoshal & Westney. 2003; Rugman, 2005), with an additional perspective provided by radical neo-Marxian scholarship (e.g. Hymer, 1979) and critical management perspectives (e.g. Willmott, 2013).

The MNC is thus seen as involving 'often lively and dynamic political activities of actors, making the MNC a "contested terrain"' (Geppert & Dörrenbächer, 2011, p. 22; Edwards & Bélanger, 2009), where 'problems of nationalism and problems of authoritarianism intertwine' (Hymer, 1979, p. 48). Power can be exerted in decisive and dramatic ways, for example, when a subsidiary is sold, liquidated or its major operations outsourced. However, such options can be *threatened* or *anticipated* rather than actually *exercised*. Indeed, the power/politics perspective deviated from more mainstream strategy and economics-based approaches by showing that rules and relationships are *continuously contested* (Ferner, 2000; Geppert & Dörrenbächer, 2011, p. 26; Hardy & Clegg, 1996, p. 334; Hymer, 1979, pp. 48–50). Factors influencing the power balance and political dynamics are numerous, and include the combination of market size, planning experience and revenue-generating potential (Jarzabkowski & Balogun, 2009), strategic centrality, control over administrative systems and the maintenance of a dominant coalition (Jarzabkowski & Wilson, 2002), size or prestige (Boussebaa, Morgan, & Sturdy, 2012) and the distribution of resources, organizational culture and the centralization or decentralization of control (Balogun & Johnson, 2004). Mudambi (2011, figure 2) characterizes the headquarters–subsidiary relationship in terms of two dimensions, 'headquarters control' and 'subsidiary response to headquarters control', whereby the latter can either be 'acquiescence' or 'resistance'.

As Schotter and Beamish (2011, p. 247) show, 'subsidiary resistance is a far more common phenomenon than previously acknowledged' and, in some circumstances, rejection of HQ initiatives can have positive outcomes for the subsidiary, depending on the nature of its boundary-spanning function with HQ. Yamin and Ghauri (2010, p. 134) distinguish 'invisible networks' around subsidiaries from 'visible networks' controlled by the centre, showing that a shift towards the latter as part of a planned outsourcing strategy can shift 'the balance of power in favour of control and planning by the MNC centre'. Hence, work has begun to examine power and politics as an outcome of the ongoing sensemaking, interactions and negotiations between social actors. In the next section, we elaborate in more detail the sensemaking perspective on MNCs we draw upon and seek to contribute to.

Sensemaking and MNC Power and Politics

In the field of international business, power is no longer understood as a 'one-way street' – something possessed by the global headquarters and exercised over subsidiaries – but rather as a dynamic and situational achievement mediated by processes of sensemaking and discourse (see e.g.Balogun, Jarzabkowski, & Vaara, 2011; Clark & Geppert, 2011). This means that we must view 'macro structures such as the global market, the national business system or local work practices [as] socially constructed in micro situations, often in the form of commitments and justifications' (Geppert, 2003, p. 314). It is through the stories, texts and conversations that circulate within MNCs that actors *make sense* of the resources, knowledge, capabilities, alliances and bargaining power that subsidiaries have, or may lay claim to. Kristensen and Zeitlin (2005, p. 175) describe the way in which a reorganization exercise led by the parent headquarters affected the distribution of power in the MNC they studied. Bouquet and Birkinshaw (2008a,, 2008b) outline the various tactics used by subsidiaries to gain attention from global headquarters, including how subsidiaries with apparently 'low power' gain influence despite their lack of control of formal resources. As Williams (2011, p. 287) shows, 'politics can be used by subsidiary managers within the MNC as a way to provide impetus for initiative and competence development, attract resources and new mandates'. Indeed, Balogun et al. (2011) show how voice and resistance is enacted by subsidiaries in order to actively reconfigure their role within the MNC.

Processes of sensemaking and sensegiving are important for how 'power' is understood and how 'political' agendas or motives are established. Actors have to *make sense* of who has power, how it is produced and how best to enact it. They also have to make sense of 'political' action by negotiating distinctions between who is acting in the interests of the organization or in their own sectional political interests to advance their agenda or protect their 'turf'. For example, HQ managers must establish whether a particular subsidiary action – such as a request for resources or a decision to withhold certain information – is motivated by a 'legitimate' or 'illegitimate' agenda. Sensemaking must also be directed toward establishing whether they have sufficient power and influence to enforce control over a 'rebellious' or 'resistant' subsidiary, and also through what methods to exert such control (Clark & Geppert, 2011; Dörrenbächer & Geppert, 2006; Meyer et al., 2011; Mudambi, 2011; Schotter & Beamish, 2011).

Becker-Ritterspach and Dörrenbächer (2011) propose that understanding the behavioural *rationales* that underpin subsidiary behaviour is important for understanding MNC behaviour, such as intra-firm competition between SBUs. Their study reveals the existence of distinct 'actor rationales' within MNCs, as different subsidiaries attempt to make sense of when competition is preferred over cooperation, for instance. Recent studies have also highlighted how actors within both the headquarters and subsidiary make sense of factors such as control systems, resource allocation and information sharing (Birkinshaw, Holm, Thilenius, & Arvidsson, 2000; Chini, Ambos, & Wehle, 2005). For example, both Birkinshaw et al. (2000) and Clark and Geppert (2011, p. 411) uncovered significant perception gaps between the subsidiary managers and headquarters in terms of how the former estimated aspects such as their strategic value and role, leading to significant 'disjunctures' in their thinking and behaviour. For us, what matters, then, is not what 'power bases' or 'political bargaining tools' (resources, markets, innovations, knowledge, etc.) subsidiaries *technically* have, or what power plays or political threats actually emanate from the global headquarters. Rather, what counts is how the subsidiary *makes sense* of what they have, and what actions they might take, and what they *perceive* are the likely consequences of any such actions by the global company they are part of. Importantly, this can occur even before any reactions and counteractions have actually taken place. In fact, as we will go on to show in this paper, sense-censoring can operate *prospectively* to make sense of why an action *should not* be undertaken and why

sensemaking needs to be 'censored' in the absence of any official organizational attempts to censor subsidiary activities.

Clark and Geppert (2011, p. 405) also contribute to the MNC sensemaking approach by distinguishing four types of identity sensemaking: *dominated*, *oppositional*, *defensive* and *consensual*. How headquarters and subsidiary respectively make sense of their identity is interactive in that 'Local managers' responses are likely to be tempered by the head office managers' political stance. When sensegiving acts are perceived as coercive or dominating, for example, local managers may adopt defensive tactics that vary from opposition to ceremonial acceptance' (Clark & Geppert, 2011, p. 405). This ceremonial acceptance can hide a deeper disquiet which might live as 'silent dissatisfaction', but – as we seek to show – can also find expression in what we call 'sense-censoring'. Mudambi and Navarra (2004, p. 386) posit that 'an important subsidiary objective is its bargaining power within the firm'. From a 'political sensemaking' perspective, 'the MNE is conceptualized as the ongoing social construction of dispersed social actors applying different "contextual rationalities" to influence the strategic meaning of the subsidiary' (Clark & Geppert, 2011, p. 397). This leads us to examine how and why different forms of 'rationality' – or different 'thought worlds' to use Baunsgaard and Clegg's (2013) terminology – exist within various global divisions of international businesses.[2]

While existing studies have contributed greatly to our understanding of power and politics in MNCs, what these studies have paid less attention to is how these social facts about power and politics are discursively constructed through the production of accounts in *real-life* work situations (Paroutis & Heracleous, 2013) and how these accounts are used by members in *real-time* encounters to base their decision-making and action on (Balogun et al., 2011). For instance, we do not know if the accounts of power and politics produced in the diaries and interviews collected by Balogun and Johnson (2004, 2005), Kristensen and Zeitlin (2005) or Boussebaa et al. (2012) were also used in their daily working lives, and if so, how they were responded or reacted to in specific interactional contexts. In short, what is missing is an understanding of how organizational members in MNCs use power and politics *in their everyday working lives* as they go about their practical tasks. Studying these everyday situations where 'power' and 'politics' get created as social facts and used as practical reasoning procedures is important, in our view, because it is these situations that have material consequences for 'what happens next', as 'only members' accounts are implicated in the constitution of actual courses of action' (Llewellyn & Spence, 2009, p. 1434). The question remaining, therefore, is precisely *how* organizational members go about 'negotiating and constructing the organization as a reality independent of its particular members but with determining power over their activities' (Gephart, 1978, p. 560).

Discourse and MNC Power and Politics

What, then, is the role of discourse in MNC sensemaking processes? We draw on, and further develop, Balogun et al.'s (2011) discursive perspective that emphasizes the 'constitutive role of language' by elucidating the 'complex ways in which discourse is used to socially construct the MNE and the role of the subsidiary' (p. 766). It is through the production, circulation and interpretation of *accounts* (Maitlis, 2005) that members learn to make sense of their internal and external environment, as people share, compare and negotiate their accounts of 'what is going on here' and 'what should we do next' (Balogun et al., 2011; Maitlis, 2005; Maitlis & Lawrence, 2007). Hence, we focus primarily on *sensegiving* rather than sensemaking per se, the former defined by Gioia and Chittipeddi (1991, p. 442) as 'attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality'.

In order to analyse the multiple relationships involved in MNCs, Meyer et al. (2011, p. 236) suggest the term 'increasing interfaces' and argue that 'subsidiaries must be "externally embedded" within each local context while also being sufficiently "internally embedded" within the MNE network', and as a result we should think of subsidiaries as being *multiply embedded*. In this paper, we seek to advance understanding of these 'contextual rationalities' (Clark & Geppert, 2011) or 'thought worlds' (Baunsgaard & Clegg, 2013) in multiply embedded subsidiary relationships by examining how the discursive construction of particular 'facts' about power and politics led to forms of 'reasoning' that made apparently 'irrational' decisions – *strategic inaction* and *sense-censoring* – seem 'rational'. What is needed, we suggest, is a framework for understanding the role of discourse in creating the 'social facts' upon which managerial reasoning, decision-making and action are founded. To this end, we seek to develop a *discursive enactment perspective*, which provides a framework for understanding how the power environment and political terrain in MNCs are constructed as social facts and used to conduct practical business in 'live' situations.

We build on Balogun et al.'s (2011) discursive perspective on subsidiary–headquarters relationships by examining how making sense of an actor, say global HQ, as 'powerful' or 'political' makes a difference to the practical decisions and actions of members. In so doing, we are able to address two important questions about subsidiary behaviour in MNCs, namely: How does discourse shape sensemaking about MNC power and politics? And most importantly, what outcomes flow from specific instances of such sensemaking?

Methodology

According to Dörrenbächer and Gammelgaard (2011, p. 235), recent research has made only limited progress in 'mapping the detailed inner working of MNCs'. Research on organizational and strategic change in an MNC context typically relies on interviews (Balogun & Johnson, 2004; Boussebaa et al., 2012; Jarzabkowski & Balogun, 2009; Kristensen & Zeitlin, 2005; Rouleau & Balogun, 2011), giving rise to problems of hindsight, post-hoc and retrospective rationalization (see Schotter & Beamish, 2011, p. 247). Part of the methodological challenge facing the field is the need for methodologies which enable research to study at a micro-level detail of situated (inter) action, while also being able to capture the more meso- and macro-level processes which unfold over time over a larger scale and scope (Pettigrew, Woodman, & Cameron, 2001, p. 697). For Blazejewski and Becker-Ritterspach (2011, p. 180), a process perspective is necessary to capture the dynamics of headquarters–subsidiary relations in MNCs. Ethnography enables us to capture the 'temporal flow of practice' as it happens in 'real time' and in situ (Maitlis & Lawrence, 2003; Moeran, 2009; Sandberg & Tsoukas, 2011). We respond to Dörrenbächer and Gammelgaard's (2011, p. 249) call for more 'in-depth ethnographic and socio-political studies' as ethnography in MNCs can draw on insights garnered by related disciplines such as anthropology (e.g. Mazzarella, 2003; Wright, 1994).

The case study setting

The study upon which this paper draws comprised 30 months of participant observation, conducted by two action researchers, of a change initiative in a UK subsidiary of 'FitCo' (all names are pseudonyms), a US-headquartered MNC. FitCo is a major player in the worldwide branded apparel market, operating in more than 25 countries, with a global turnover of more than $3bn.[3] The firm sells a wide range of branded goods to consumers, predominantly through major retail chains rather than its own outlets. Most of the local national operations were wholly owned subsidiary

companies managed by national managing directors reporting directly to headquarters, with very few joint ventures and licensed distribution operations.

FitCo[UK] had a turnover of over $300m and was FitCo's largest profit centre outside the US. Moreover, because the company was originally founded in Britain, the UK subsidiary was also of great cultural importance to the strategic narrative and 'rhetorical history' of the firm (Suddaby, Poster, & Trank, 2010). On paper, FitCo[UK] had the strategic position, economic performance and local country embeddedness that *should* have rendered them a powerful player within the framework of Geppert and Williams (2006). FitCo's British founders grew the firm rapidly in its early years, exploiting a combination of product innovation, elegant branding and fast adaptation to changing market trends. Exports grew fast and so did the company's visibility, leading a major US concern to buy the business and build the now well-known major multinational multi-brand corporation. Under the new American owners, product lines, design, marketing advertising, sales targets and budgets were set centrally by the US headquarters. Strategy, R&D, product design and marketing were all centralized, leading most subsidiaries – the UK included – to have a limited claim to a 'competence-creating mandate' (Cantwell & Mudambi, 2005, p. 1109). The emphasis on centralized control and short-term financial performance criteria was akin to the 'strategic dependant' view of subsidiaries described by Clark and Geppert (2011).

Data collection

The study was conducted by two academic researchers, who were invited into the company to act as 'action researchers' to provide their (unremunerated) assistance in a FitCo[UK] strategic change initiative, in return for being permitted to collect data for academic purposes. The inevitable corollary to in-depth immersion in one site, of course, is that the researchers were unable to be simultaneously present in other locations. Hence, the study does not have access to the inner workings of the global headquarters or other subsidiaries. However, the study *does* illuminate how the subsidiary managers *anticipated* how global headquarters would respond, hence our focus on 'sensemaking about the likely sensemaking of others' (see also Clark & Geppert, 2011). The dataset was later shared with a wider team of scholars to enable new insights to be generated, subject to the same confidentiality agreement. The research was conducted in three phases, outlined in Table 1.

In Phase 1, Researcher 1 was invited into the UK subsidiary to act as an unpaid management consultant (MC) to lead a strategic change initiative concerning key account management (KAM). Phase 1 involved six months of semi-structured interviews with senior management and other relevant parties, work shadowing, the collection of relevant documents and information, and participant observation of formal and informal settings. The aim of Phase 1 was to produce a 'diagnosis' of the subsidiary's KAM problems, along with a set of recommendations about how they should be addressed. This 'diagnosis' and 'action plan' was subsequently accepted and ratified by the UK Board of Directors.

In Phase 2, Researcher 1 began implementing his recommendations. He assembled a project team of senior managers (hereafter the 'project team') and hired another 'action researcher' (Researcher 2) – a doctoral researcher jointly funded by the company, also with significant industry experience – to assist with the implementation work. Researchers 1 and 2 worked jointly with the project team for several months, before Researcher 1 exited the field, having been in the field for a total of 18 months. Data collection during Phase 2 comprised of field-notes recorded by the two researchers of all their interactions, along with tape-recordings of all the project team meetings. Finally, Phase 3 consisted of further field-notes, tape recordings and document capture by Researcher 2 for a subsequent 12 months, as the implementation of the new KAM strategy

Table 1. Phases of data collection and data sources.

|	Researchers	Duration	Data sources
Phase 1: Diagnosis	Researcher 1	6 months	• 'Illuminative evaluation' semi-structured interviews: 51 interviews with Board Directors and Senior Managers • Work shadowing: 5–8 days in length of 2 managers and 1 director • Collection of documents • Participant observation of informal and formal settings
Phase 2: Project team meetings and change initiation	Researcher 1 & Researcher 2	12 months	• Semi-structured interviews: 35 interviews with Board Directors and Senior Managers • Collection of documents • Participant observation of informal settings • Tape recording of all project team meetings: 10 project team meetings, 3–5 hours each
Phase 3: Ongoing change implementation	Researcher 2	12 months	• Semi-structured interviews: 27 interviews with Managing Director, Marketing Director, Sales Director, and two senior managers • Collection of documents • Participant observation of informal and formal settings

unfolded. Repeat interviews were also conducted with all members of the project team throughout the change implementation.

The data is presented in this paper in two interrelated parts. In the first part, excerpts from the tape-recording of the first project team meeting from Phase 2 are subjected to a detailed ethnomethodologically informed discourse analysis (Bolander & Sandberg, 2013; Whittle, Housley, Gilchrist, Mueller, & Lenney, 2014). The analysis focused in particular on how the accounts, stories and metaphors produced during a dialogue between Researcher 1 and a senior manager discursively enacted power and politics as social facts. The second part broadens the analytic scope to provide a longitudinal analysis of a series of issues – and associated organizational outcomes – in the subsequent months of the subsidiary change initiative traced by the study. This second section draws on three main data sources from Phases 2 and 3: ethnographic field-notes, tape-recorded meetings and semi-structured interviews. Our approach therefore follows both the classic early work of Moerman (1988) and more recent contributions to organization studies of Samra-Fredericks (2003) and Hughes, Randall, Rouncefield and Tolmie (2012) in seeking to combine detailed analysis of the interactional features of talk-in-interaction, along with broader ethnographic observations of unfolding courses of action over time and space.

Data analysis

Data analysis proceeded in two stages. First, transcripts were created of the ten project team meetings and a detailed discourse analysis was conducted of these transcripts. The basic unit of analysis was an individual 'account', which can take many forms, such as 'factual descriptions' or 'stories' (Antaki, 1994; Edwards & Potter, 1992; Potter, 1996). Accounts typically involve the use of particular descriptions, narrative sequences of events, phrases, terms, figures of speech and metaphors (Potter & Wetherell, 1987). Two of these elements – stories and metaphors – were
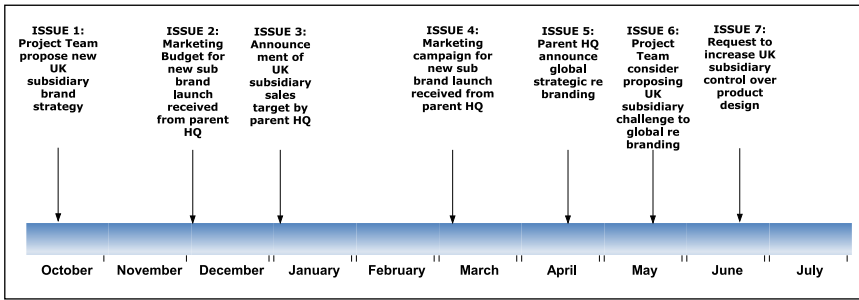
Figure 1. Timeline of issues

particularly prominent in the data analysis of the transcripts and hence comprise a central focus of this paper.

The data excerpt analysed in this paper was one of the relatively rare moments where the relationship between parent and subsidiary was explicitly 'topicalized' (Edwards & Potter, 1992), i.e. became a 'topic' of conversation. As our analysis will show, most of the time the sense of 'power imbalance' and 'political tension' between the subsidiary and headquarters was not explicitly discussed. The extract we analyse is therefore not presented as a 'typical' or 'representative' excerpt designed to illustrate a wider set of such instances. Rather, the aim was to focus on a particularly rare and 'pivotal' moment where a working 'definition of the situation' (Goffman, 1971 [1959], p. 246; Thomas, 2002) of the internal MNC parent–subsidiary relationship was explicitly discussed in a meeting.

Having identified the 'pivotal moment' of discursive enactment in the first team meeting, the second stage of data analysis involved a broader analysis of the whole ethnographic study to examine how this enactment shaped the team's decision-making and action over time and across different contexts. The seven issues presented in this paper are what the participants *in their first-order sensemaking*, not us as analysts, saw as being affected by (or affecting) their relationship to the global HQ. We present the ethnographic findings in three formats to aid conceptualization: not only as a narrative but also diagrammatically as a timeline (see Figure 1) and with a table detailing the issues (see Table 4).

The Discursive Enactment of Power and Politics

The first meeting of the project team began with the management consultant 'MC' (Researcher 1) presenting his 'diagnosis' of the problems the company faced – both locally and globally – and the changes he thought were required to 'fix' them. Within the first hour of the meeting, the group established that they needed a new key account strategy and a more cross-functional way of working. Their retail customers were hugely important: the company did not have its own stores and therefore relied exclusively on these retailers to sell their products to consumers. For FitCo at least, their new way of managing key accounts was certainly an 'innovation' and involved a different strategic direction that focused on a 'concept-led' sales and marketing strategy. The conversation soon shifted to a discussion of the relationship between the UK office and US headquarters in general, and how working within an MNC might affect their strategic change initiative at subsidiary level. The team discussed how politically 'risky' their change initiative was. Not only could the highly ambitious short-term sales targets set by headquarters be adversely affected by their new brand repositioning strategy, it also deviated from established global policy, which demanded high

Table 2. List of pseudonyms.

Pseudonym	Description
MC	Management Consultant (Researcher 1)
MM	Marketing Manager
HighStreet	High street retailer and key account customer
StreetCool	New sub-brand recently launched in US by Global HQ (soon to be launched in UK)
TechCo	Multinational software company
FMD	Former Marketing Director
G.CEO	Newly appointed Global CEO

volume sales at all costs, where retailers could 'pick and choose' stock and even knock down prices to secure high-volume agreements and where no 'exclusivity' agreements were permitted.

We join the meeting in Extract 1 at this pivotal moment where the marketing manager (MM) provides his account of their position within the global organizational structure. A list of participants and other pseudonyms are provided in Table 2.

Excerpt 1.

MM: The other interesting thing I think for this group and, eh (.) specifically for [HighStreet] (.) for, you know, for me to throw in is (.5) unlike five or six years ago when we could operate very much as a UK FitCo business, I don't (.5) we can't now. (1.5) <So… we are part of a glo:bal> (.) organi:zation that's getting bigger and bigger, you know, globally with its, (.) its power. (.5) I mean it actually wants to put Americans into the UK because it feels that, (.) you know, (.) UK people don't listen to, (.5) to what's going off, on over there. So there are certain things (.) you know that are happening. So if you're getting behind where the [StreetCool], we have to get behind that you know and say 'Right how do we maximise that?' (.5) Err:mm.. Because otherwise we're, we're (.5) you're just fighting against things that you can't=

What is significant about this opening account is that MM 'frames' (Fairhurst, 2010) the relationship between the US headquarters and UK subsidiary as one characterized by power and politics, in the form of power inequities and political conflict and tension. MM views their change initiative as *constrained* by the headquarters, which – in his view – has become more powerful and controlling over the last few years. The US headquarters, he states, are getting bigger and more powerful (L. 5–6), attempting to exert influence and control by sending staff to subsidiaries (L. 7–8), and constitute a force that is difficult to 'fight against' (L. 13–14). The use of terms such as 'fight' characterizes the relationship in adversarial terms, which frames the headquarters as an 'enemy' of their own strategic plans. In short, MM introduced power and politics as categories relevant to the participants (members) themselves, which furnish the team with forms of practical reasoning about what kinds of barriers they may need to take into consideration in the parent–subsidiary relationship. His account acts as a kind of 'warning tale' to be careful about what obstacles may lie ahead.

Through their accounts, stories and descriptions, 'people descriptively construct events as following, or as departing from, some normative or expected order' (Edwards, 1997, p. 144). In terms of the 'moral' of the story, global headquarters are implicitly framed as the 'bad guys' who are

likely to stand in the way of their attempts to do 'good things' at subsidiary level. The team, having already earlier framed their proposal as the 'right' thing to do to 'rescue' the business, position the headquarters as the adversary to be 'fought' and overcome: using a kind of 'hero' and 'quest' emplotment (Czarniawska, 2004, p. 21). By discursively enacting the relationship with global headquarters as one in which the latter is a 'powerful adversary' to their 'good' local initiatives, MM furnishes the team with a particular 'logic' for *prospective sensemaking*. Following this 'logic', the team are invited to think through whether, in light of their awareness of these powerful adversaries and political dangers, they should either (a) abandon their proposals because they anticipate it would be blocked by headquarters or be too foolhardy and dangerous to consider, or else (b) work 'under the radar' and attempt to implement their proposals 'out of view' of the parent headquarters.

What did the team decide to do? At this point, perhaps anticipating these two options, MC interjects (line numbers are continuous) with a story of his own from his consultancy experience in another major multinational corporation, a high-tech company 'TechCo':

Excerpt 2.

MC: =Well I'm involved at the moment, >I mean, as I say at the moment I'm involved in working with [TechCo]< (.) er (.) on a small project (.) >and they've got exactly the same issue<, you know (.) they've got the, uh, Americans, you can imagine what TechCo HQs like, Christ, I mean it's like standing in front of the steam(h)roller. I mean (.) I mean, >but they do stand in front of a steamroller< and they sort of (.) guide it slightly (.) and, (.) y'know, but they cho:ose >which battles they fight, they don't fight them all, they pick the winning ground, they make the best of what they< (.) you know, right (.) But then in the end sometimes they'd stand their gro:und, y'know, and, and (.) >in some cases they've turned the steamroller around and America is n:ow< (.) >bits of TechCo in America are changing because of what they've done in the UK and Europe. America are saying 'Wow, now hang on, that's a bloody good idea, hang on a minute let's go the other way.'< And the Amer:icans are now fed up >'cause they've moved the Global Headquarters to [European City X]< (.5) for this bit of the business. So it's sort of happening the other way and so yeah (.) it's this balance, it's a real balance. >And I think that was obviously a big part of FMD's issue as well<. I mean he was at the leading edge of that issue with the States I think=

MC tells a story of his experience at TechCo – a large multinational software firm – where the UK subsidiary *did* influence global strategy and 'push back' on the dictates of the headquarters. The metaphor of a 'steamroller' (L. 20) is used to frame the TechCo parent as a kind of crushing force that flattens all in its path. MC emphasizes that the subsidiary *did* succeed in 'stand(ing) in front of' and 'turning' this 'steamroller' (L. 20–21) around – no doubt a difficult task given the association of steamrollers with being unidirectional and hard to turn. Here, a second set of warfare metaphors come into play: the team, MC advises, can succeed if they choose which 'battles' to fight (L. 22) and 'pick the winning ground' (L. 23) and 'stand their ground' (L. 25). MC here attempts to 're-frame' (Fairhurst, 2010) MM's characterization of the unequal power relationship between headquarters and subsidiary. Power relationships are not set in stone, he suggests, they *can* be changed, especially if they learn from his story about how TechCo's headquarters started to listen to, and adopt, suggestions from its UK subsidiary (L. 26–30).

However, perhaps recognizing the need for 'balance' (L. 33, 34) in his consultancy advice to the team, MC balances his 'success story' with a kind of 'warning tale' (Zipes, 2012, pp. 39, 44) of the

consequences of losing these 'battles': through reference to an existing story of the former Marketing Director (FMD) (L. 34). Here, an existing story – already well-known to the whole team – is repeated as a story 'fragment' (Boje, 1991) and it functions like the archetypal warning tale of Icarus (Booker, 2004, p.154): become too confident and fly too close to the sun and you will perish. What is this story? A few months earlier, the former marketing director (FMD) had unexpectedly left the business. Speculation was rife about the cause of his sudden departure. FMD was known to have had a major 'spat' with global management over their marketing strategy and his attempts to challenge global policy – also repeated again here (L. 35–36). The fragmented gossip quickly settled into an established story that he had not left of his own volition (a potential 'frame'), or been headhunted by a competitor (another potential 'frame'), but had been 'sacked' because of his political battle for control with the headquarters – meaning a *political frame* had been chosen to make sense of the event.

The important point in our analysis is the motives and reasons contained within the story itself (Boje, 1991), which shape how *this team made sense of it*: namely, as an act of 'political retaliation' for resisting global policy. We ask, what social and organizational actions does this story fragment perform (Boden, 1994) here? We suggest that it performs the act of *sense-censoring*, whereby a story is told with the performative effect of making a considered course of action much less likely to be taken. In this case, it makes a subsidiary team, with their own 'sense' of the future strategy of the firm, likely to 'censor' their views when interacting with the global headquarters, for fear of suffering the same fate as FMD. It also serves to transform some of their planned strategic *action* – in this case the marketing innovation they are planning – into strategic *inaction*.

Kristensen and Morgan (2006, p.1478) remind us that 'locally shared systems' in MNCs exist 'where people are narrating the biographies of individual managers and creating stories as to their performance'. Here, the story goes that the FMD picked a political fight with the head office, lost the battle, and retribution followed: lest we 'learn this lesson', this can (and will) happen again. The overall 'lesson' of MC's two stories is thus: you should proceed to try to influence the practices of global headquarters, but you should proceed with caution, lest you end up losing your jobs too. Here, we see how discourse – in the form of accounts, stories and key metaphors – constructed their shared understandings and 'enacted' the structural relationship between parent and subsidiary in ways which informed their reasoning and shaped their proposals for action (Zbaracki, 1998).

How did the team react to MC's 'success story' of the 'battles' won by TechCo, and his 'warning tale' of the political retaliation experienced by the former marketing director? MM then stepped back in (line numbers are continuous) to provide an account of his own experience of 'fighting battles' with the US headquarters:

Excerpt 3.

MM: =Yeah (.) well I mean I've, I've, I've (.) se:en it a lot and ↑we do challenge. I mean it's interesting now (.) >I don't think this business, 'n over the last four months I've learnt< (.) y'know a lot about the business with [FMD] moving. (.) I don't think people are ↑anywhere near aware of what goes on with America (.) and the battles we have and the things that w:e pick to try and (.)↑win so (.) and things that w:e (.) you know, have to say 'Right we'll get on and y'know we'll take that on.'=

MC: =Mmm

MM: I mean we have significant influence over the (.) the US but there are cer:tain things where they just, (.) they will steamroller it, because at the moment with G.CEO as head, (.5) you know it isn't (.) I mean the other thing is it's not a global business it's an ↑Amer:ican business (.5) that is trying to drive (.) this stuff [StreetCool] out globally (.) which I think is different [t:o

MC: [Well]
MM: [TechCo]
MC: ↑Well interestingly (.) interestingly (.) >eh, eh, eh< (.) >in TechCo it was quite interest-
        ing because in the end Europe, Europe rebelled by forming an alliance with the
        ↑Ame:rican company against Headquarters. So, (.) because (.) eh (.) in the Sta:tes (.),
        >in TechCo see the headquarters, the Global Headquarters was in [City Y]< (.) I think.
        (.) and the, >the US Headquarters sits in [City Z] or something like that< (.5) and basi-
        cally the US could ↑help Europe but the Global just wanted them to do as they were
        told=
MM: =no=
MC: = So in the en:d (.) >the US said 'Well we agree with you, we, we'll go back to
        Headquarters and we'll both say, y'know, ↑get lost.'< (1.0) And, (.) >and that's because
        there was some bigger ↑powerbases but in FitCo there aren't bigger [powerbases.
MM: [No because Global and America are [exactly the same
MC: [>Oh no, no, no, ↑you're the ant<=
MM: =Yeah=
MC: >Oh no you, ↑you're the ant< (.) >You've got to be really yeah (.) this elephant will
        stand on you and it won't ↑even notice us<.(.) >And it won't even no:tice that it's a
        wrong thing to do (.3)

MM discursively enacts the nature of the parent–subsidiary relationship as one in which there
exists a balance of power, something of a 'tug of war' ranging between headquarters dictating sub-
sidiary policy and practice ('they will steamroller it', L. 48–49), to the possibility of considerable
scope for influence in the other direction ('we have *significant* influence' L. 47). MC then interjects
with an addition to his previous story about TechCo (L. 55–69). In TechCo, he explains, the UK
subsidiary gained additional power from forming an 'alliance' with another regional head office to
'fight the battle' jointly (L. 57–63). Metaphors from politics, business and social movements are
combined, with references to 'alliances' (L. 57) and 'rebellions' (L. 57). This 'update' to the story of
TechCo is not a trivial tale or piece of gossip but rather is crucial for their decision-making as a team.
If, as MC acknowledges, the UK subsidiary of FitCo does not have another power base (i.e. another
subsidiary) it could form alliances with ('but in FitCo there aren't bigger powerbases', L. 68–69),
then his 'success story' might not be easy for them to replicate. MM agrees: they cannot form an
alliance with the other largest regional office to fight the battle jointly, because that office *is* the
global headquarters: and hence their only potential 'ally' is actually their 'enemy'.

Having been previously encouraged by MC to adopt a 'fighting spirit' and be 'brave' in their
approach to global headquarters – copying the tactics from his experience as a consultant at TechCo
– the team are now left with the original framing of the situation put forward by MM at the start of
the conversation. While Denning (2006, p. 43) discussed the notion of 'springboard stories', i.e.
stories told in order to get people *to do something*, both the stories here end up doing precisely the
opposite, encouraging the team to 'say nothing' (sense-censoring) and 'do nothing' (strategic inac-
tion) about certain issues.

In the final exchange on the topic, MC seems to resign himself to agreeing with MM's original
formulation. Another set of metaphors – this time from the animal kingdom – are now invoked:
MC states that the 'elephant' (read: headquarters) 'standing on' (read: dominating/imposing) 'the
ant' (read: subsidiaries) is 'the wrong thing to do' (L. 77), thereby framing headquarters' domina-
tion of global subsidiary operations as an *organizationally dysfunctional* state of affairs. An over-
view of the analysis of these accounts, stories and metaphors is given in Table 3.

What pattern of sensemaking did these various accounts, stories and metaphors produce? With
MC's 'success story' from TechCo looking unlikely to be replicated, and with their knowledge of

Table 3. Stories, metaphors and framing of parent-subsidiary relationship in excerpts of project team meeting.

Account	Author(s)	Stories	Core metaphors	Framing of subsidiary–parent relationship
Excerpt 1	Marketing Manager	Story of how business has changed: whereas in the past UK subsidiary had independence, now the global HQ has power Story of how US HQ think UK subsidiary 'don't listen', so wants to place its staff into UK	Warfare (fighting)	Parent HQ has power over subsidiary Parent seek to influence and control subsidiary Subsidiary initiatives require them to 'fight' parent
Excerpt 2	Management Consultant	Story of consultancy experience in UK subsidiary of another MNC (Part 1): a 'success story' of how subsidiary influenced parent Story fragment of what happened to the former Marketing Director when he disagreed with global HQ	Construction (steamroller) Warfare (fighting, picking ground, standing ground)	Parent–subsidiary power relationship can be changed if the subsidiary uses political tactics to exert influence in the other direction Playing politics can lead to negative consequences: as the former Marketing Director experienced when he was sacked for challenging HQ policy
Excerpt 3	Marketing Manager	Story of how much he has learnt about the business since the former Marketing Director lost his job: others are not aware of the influence of parent HQ Story of issues they attempt to 'fight for', and issues they just accept and 'take on' Story about company not being a 'truly' global business but an American business which sells US products in other markets	Warfare (battles) Construction (steamroller)	Parent has significant power and influence over subsidiary On some issues it is best for subsidiaries to accept global policy, but others are worth attempting to resist or exert subsidiary influence over Subsidiary can have influence over parent, but on certain issues such attempts are futile The company is not a truly multinational corporation but an American firm selling the same US-oriented products across the world
	Management Consultant	Story of consultancy experience in UK subsidiary of another MNC (Part 2): The success was down to alliances between subsidiary units, which cannot easily be replicated by this team within the current structure Moral story of how parent 'standing on' subsidiary and paying no attention to subsidiary issues is 'wrong'	Politics/social movements (alliances, rebellions) Animal kingdom (elephant, ant)	Politics tactics used in other MNCs may not be easy to replicate if other 'power bases' do not exist to form alliances with Domination of parent over subsidiary, and dismissal of subsidiary concerns, is 'bad for business'

the 'dangers' of losing these battles with headquarters from FMD's experience, their pre-existing sensemaking patterns – as a relatively powerless and politically vulnerable subsidiary – were thereby *reproduced and reinforced*. The interviews conducted during the study (see Appendix) show that this 'sense' arose from a widespread and deep-rooted discourse shared by senior management within the UK subsidiary: part of their collective 'sensemaking history' (Mantere, Schildt, & Sillince, 2012).

From Discursive Enactment to Strategic Inaction and Sense-Censoring

What happened next? Here we will trace seven key issues (Maitlis, 2005) over the months that followed which were informed by the now 'settled' and 'sedimented' framing of the parent–subsidiary relationship. The seven issues are ethnographically narrated below and are also presented visually as a timeline in Figure 1 and detailed further with reference to the empirical data sources in Table 4. Table 4 shows that in each case where a major event occurred or a major decision had to be made, the team used their established pattern of sensemaking – namely, that headquarters represented a powerful source of opposition and political adversary to their change initiative – to inform their actions (or more precisely *in*actions).

Issue 1

The project team had made a radical decision to 'tell the truth' to the UK Board about what they saw as the flawed strategic direction of the firm in the form of a one-page document and presentation. However, while a document *was* sent to senior management, key parts which the team thought would be perceived as 'blaming' the global headquarters were *deliberately omitted*. They reasoned that it would be a 'dangerous' move to be openly critical of global policy. Hence, they engaged in *sense-censoring* by consciously censoring the information they presented to their superiors. To the subsidiary managers, this was not simply a self-interested move, designed to protect their own jobs, but it was also a cunning organizational move, designed to avoid unnecessary hurdles to their 'good' initiative.

Issue 2

The project team received news from HQ of the marketing budget for the UK launch of a new sub-brand called 'Street Cool'. In their opinion, the budget was simply not enough to generate the sales demanded by the targets set by the global headquarters. Nonetheless, the team *backtracked*. There was *no* team request to the UK Board to ask for increased budget to support the launch, despite their clear conviction that such additional resources were necessary. Sensemaking about power and politics thereby led to both sense-censoring (saying nothing) and strategic *in*action (doing nothing).

Issue 3

The team was dismayed to learn of another increase in their sales targets set by the global headquarters. For them, pressure to sell 'at any cost' further denigrated the firm's ability to gain long-term brand strength and 'prestige' status by forcing them into a short-term focus on 'hitting the number': that is, shifting stock in large volumes, often at knock-down prices through less prestigious 'discount' retailers. While they were fiercely opposed to this short-termism, and the targets themselves, the team 'gave in' and did not pass on their concerns to the relevant UK Board

Table 4. Issue interpretation and outcomes informed by subsidiary sensemaking about power and politics in parent–subsidiary relationship.

Issue	Description	Sensemaking about issue	Sensemaking about power and politics	Outcome	Source
1	Project Team plan their first one page 'telling the truth' document for presentation to UK Board, detailing the strategic 'failings' of the firm as whole and UK subsidiary in particular	Project Team reasoned that they had to be 'careful' about what they put in the document – how much 'truth' should they tell – because the previous Marketing Director got 'sacked' for 'telling the truth' to the US. Heated debate ensued about what could go into the one-page document and what was too 'dangerous' and should be left out	The UK Board were understood to be 'puppets' of the powerful US HQ. The previous Marketing Director was 'sacked', they reasoned, because the US told the UK Managing Director to sack him for 'challenging' the US too much and making political enemies 'across the pond'	Certain pieces of information did not get into the document. Other pieces of information carefully worded to avoid 'blaming' US HQ for the company's 'problems'	Project Team Meetings 1–5, 23/10/2003–13/01/2004 Former Marketing Director, Interview 1 09/10/2003 'One-page' document produced 11/02/2004
2	Team receives UK marketing budget for launch of new 'Street Cool' sub-brand	Team reason that marketing budget is insufficient to generate enough consumer brand interest in Street Cool to convince retailers (key accounts) to dedicate sufficient shop space, place large orders, while at the same time maintaining spend on other brand which comprised the 'bread and butter' of the firm's order book	Team reason that US HQ will ignore them if they ask for an increase in budget because they are in a 'vulnerable' and 'weak' financial position. The team reason that UK sales figures are not strong, which reduces their ability to 'boss' the US around and make demands, which in turn makes their sales even weaker: a vicious circle	Team do not ask UK Board to request increase in marketing budget from US HQ	Product Manager for 'Street Cool' Interview 07/04/04 Researcher 2 daily diary field-notes 07/04/04
3	US HQ announce UK subsidiary sales targets for next financial year	Team reason that 'pressure on numbers' (i.e. sales targets) coming from US HQ leads to short-termism that damages longer-term brand value. Products are too readily discounted to get stock out of warehouse. Key accounts (retailers) are able to dictate terms, dictate prices, dictate products, break 'promises' etc., all because the 'pressure on numbers (sales)' meant UK were 'scared' to upset them and lose their business	Team reason that numbers are 'non-negotiable' because the US HQ are too powerful to challenge, and politically hostile because they do not welcome 'dissidents' and react badly to alternative opinions. The previous Marketing Director tried this, and he got 'sacked' as a result. Sales Director especially is 'kept in the dark' about what they really think: his bonus (and his job) depended on meeting these sales targets set by US HQ	Team do not tell UK Board or US HQ they disagree with 'short-termism' of sales targets. Instead, the Team plan their own set of tactics to increase perceived 'desirability' of Street Cool sub-brand, which may increase short-term sales figures but increase long-term brand value	Project Team Meetings 1, 2 & 5 Marketing Director Interviews 1 & 2 (at FitCo) and 3 (after leaving FitCo), 19/03/2003–07/06/2003

Table 4. (Continued)

Issue	Description	Sensemaking about issue	Sensemaking about power and politics	Outcome	Source
4	Marketing campaign for launch of new sub-brand ('Street Cool') is announced by US	Team reason that marketing campaign is insufficient and 'wrong'. TV advertising campaign in particular criticised for 'failing' to be tailored to UK consumers and featuring celebrities unknown to majority of British public	Team do not challenge marketing plan, reasoning that it would be futile because the US would either ignore them or react badly by viewing any challenge as a 'political' rebellion	Marketing plan devised by US goes ahead as planned, including US advertising campaign shown on British TV advert deemed a 'flop' by Team and UK Board	Researcher 2, Key Account Customer Meeting (UK Ad Campaign Launch), Field-notes 7/06/04. Researcher 2, FitCo UK Internal Launch of UK Ad Campaign, Field-notes 12/07/04
5	New brand strategy announced: replacement of all prior sub-brands with single 'Street Cool' brand	Team prefer three separate sub-brands to be marketed concurrently, reasoning that each appeals to different market segments	Team decide not to challenge US brand strategy (US is 'too powerful' to change and will 'steamroller' any of our suggestions). In addition, no alliance with other subsidiaries is ever 'on the table' or openly discussed: other subsidiaries deemed to be too small and therefore lacking even more power than the UK subsidiary	Although not directly challenging the US, team carry on as normal, and begin discussions focused on the development of the three-pronged sub-brand UK branding strategy, in 'behind the scenes' rebellion to US brand strategy	Project Team Meetings 1–6, 23/10/200329/01/2004 In particular Project Team 7, 12/02/04, pp.32–46 of transcript
6	Team plan a second strategy document for presentation to UK Board, in response to new global brand strategy	Team reason that new global brand strategy (replacement of three sub-brands with single Street Cool brand) will cause serious damage to UK profitability. Team plan a strategy response document that sets out an alternative vision for brand strategy and marketing in the UK	Team concerned that UK Board are too politically close to US HQ, have had their 'ear bent' by 'the Americans' and also probably fear for their own jobs if they 'upset the apple cart' by disagreeing with them. Fear of political retaliation from the power centre in the US	Team decide not to present the document to UK Board, fearing the repercussions from the US	Project Team Meeting 6 – 29/01/2004; in particular pp.37–44 of transcript. Document produced 11/02/2004
7	Geographical location of product designers (ongoing issue recurrent throughout study)	Only apparel currently designed in UK specifically for UK market, all other footwear product lines designed in US. Team reason that their profitability as a UK business was seriously damaged by not being 'allowed' (note the somewhat parent–child power terminology here) to have product design tailored for the UK market and based in the UK. UK were 'forced' to market products that appeal predominantly to US market, but deemed to be 'out of touch' with trends in UK	The issue of having bespoke, UK-based British product design team was described as a 'constant battle'. Team reasoned that they should try to 'fight' this 'battle' but not 'push too hard' because they feared losing their jobs from upsetting the people in the US with the power to 'hire and fire'. Story of previous Marketing Director getting 'sacked' because of 'upsetting' the US repeated again	UK product manager for footwear made a series of appeals and requests to US HQ to have bespoke UK-based product design, all failed	Product Manager diary and interview 1 17/12/2003 Marketing Director Interview 1, 19/03/2003 Marketing Director Interview 2, 12/02/2004 Former Marketing Director (after leaving FitCo) Interview 09/10/2003 Project Team Meeting 6b, 29/01/04, specifically pp.26–27 of transcript

members – yet another instance of *sense-censoring*. The US HQ, they reasoned, were just 'too powerful' to challenge.

Issue 4

The US HQ announced the 'Street Cool' marketing campaign, designed by the US marketing department for the UK market. Staff from the UK office were invited to a special pre-launch screening of the new national television commercial in a local cinema. The reaction was a mixture of disbelief and disillusionment. Staff from the UK office viewed the advert as 'appalling', even 'laughable': out of touch with the target niche market of British youth. The American sport and music 'celebrities' featuring in the advert were not even recognizable to most British people. The advert was seen as a classic case of the pitfalls of centralization. In their view, marketing needed a more 'decentralized' and locally tailored approach. The second action researcher, also present at the screening, asked what they planned to do about their concerns. Puzzled faces responded that there was obviously 'no point' because any challenge to the global 'diktat' was futile. Their 'sense' of the commercial as inappropriate for the local market was 'censored' and went no further. As a result, the advert went ahead and was screened across the UK. As predicted, the advert was widely regarded as a 'flop' and, worse still, potentially damaging to their brand image amongst the fashion-conscious youth market.

Issue 5

The US HQ announced a radical new global strategic plan to amalgamate the three existing sub-brands into one single 'Street Cool' brand. Unlike the other issues, this issue was not 'censored' and *did* give rise to direct and vocal opposition by the project team, at subsidiary level at least. The team did attempt to 'voice' their concerns to the UK Board, arguing that this proposal would damage their ability to appeal across vastly differing consumer segments of the UK market. Middle-aged consumers wanting comfortable casualwear, people looking for high-performance sportswear and teenagers who want to look trendy – these different markets could hardly be treated the same, could they? The centralized branding policy was, in their view, not responsive to the needs of the highly differentiated British market. The UK Board seemed to agree, but were not willing to deviate from global policy. So, rather than raise the issue and 'fight' the global headquarters directly, the team instead planned a 'covert' strategy of secretly continuing their marketing around the original three brands. They 'feigned' compliance and simply carried on with the original three sub-brands for a while, with the hope of convincing the UK Board to back their strategy and eventually challenge the US mandate.

    This was not a simple case of vested self-interest or protectionism. They felt passionately that they were 'doing the right thing' for the firm as a whole. For example, in a small scale act of resistance (but 'in secret' to avoid detection), for the latest big sponsorship deal they refused to put the new 'Street Cool' logo on the football shirts. This was not a self-interested political rebellion but for *business* reasons: Street Cool was associated with (often violent) celebrity hip-hop rap stars, while football in the UK at the time was trying desperately to 'clean up' its image and *avoid* associations with violence. Sense-censorship in this case led to local knowledge *not* being shared within the company and acts of resistance being hidden behind closed doors. Eventually, their resistance was ineffective anyway, as the UK Board gave in and they were forced to comply with global policy, further reinforcing their sense that 'resistance is futile' and therefore in future they should 'say nothing' (sense-censor) and 'do nothing' (strategic inaction).

Issue 6

In response to this new global 'single brand' strategy, the project team developed a *second* brand strategy document, again to be presented to the UK Board. The team presented the UK Board with an 'alternative vision' for UK brand strategy, one which rejected the US plan. This initial plan was short-lived. The Board seemed to agree, but did nothing. The project team made sense of this as a 'climbdown', with the dominant 'discourse of fear' of US reprisal, and the document was shelved. It went no further. The UK Board, they reasoned, were 'puppets' of the headquarters, 'blindly' following global diktats and unable to see the sense in taking a stand, perhaps out of fear of retaliation for 'breaking ranks'. The team therefore decided not to carry on their 'fight' and the issue was dropped.

Issue 7

A recurrent issue in the parent–subsidiary relationship regarded who maintained control of the design of products for the UK market. Historically, footwear design – seen as the most important brand image driver – was managed centrally by the global headquarters. The team reasoned that their profitability (which was declining rapidly at this time) was damaged by what they saw as 'irrelevant' American products being 'forced' on them. British teenagers were generally not that interested in basketball or baseball stars, they argued. Despite continual pleas by the product development manager to his counterparts in the US for more decentralized product design, all were met with deaf ears and the status quo remained. This further reinforced the subsidiary's beliefs that they should in future 'censor' their beliefs, ignore their local knowledge, forget local initiatives and simply *comply* with global diktats, even against their better judgement.

Discussion

Our analysis of the discourse of subsidiary managers and an external management consultant during a pivotal early strategy meeting of a subsidiary-level change initiative has revealed the importance of discourse in 'framing' (Creed et al., 2002; Fairhurst, 2010; Fiss & Hirsch, 2005) the subsidiary–headquarters relationship. The accounts produced during the meeting, in particular the framing effects of the *metaphors* used and the *stories* (re-)told, served first to establish, and then to sediment, ways of making sense of the subsidiary–headquarters relationship. Metaphors play an active role in framing our understanding of the world (Lakoff & Johnson, 1980), often in subconscious ways based on our embodied experiences (Cornelissen & Kafouros, 2008). Metaphors are also central to how we think of, in and about organizations (Morgan, 1986; Grant & Oswick, 1996). In this study, metaphors from the world of construction ('steamroller'), warfare ('battles'), and the animal kingdom ('elephant', 'ant') served to 'frame' the relationship between the subsidiary and parent. The parent headquarters, based in the US, was framed as a large, powerful and virtually unstoppable 'force' that would 'crush' their attempts to enact strategic change at subsidiary level. The headquarters was also framed as a political 'enemy', which constituted the relationship as one of *competition* rather than *cooperation*. Interactions with the global headquarters were framed as a 'battle' rather than a 'conversation'. Local knowledge of their market was framed as being 'steamrollered' by global policy rather than 'respected'. Subsidiary innovations were framed as being 'stood on' rather than 'welcomed'. Animal metaphors – of a giant 'elephant' standing on a tiny 'ant' – conjured up metaphorical images of size to frame their subsidiary as 'powerless'. Most importantly, this was not just idle chatter and gossip. The discursive enactment of these social facts

resulted in certain actions not being taken, including actions that could be described as initiative-taking, innovation, and raising issues that would affect the long-term strategic success of the firm.

What our study shows is that the discursive enactment of power and politics was not 'just talk', but rather, made *practical* and *material* differences to what happened within the MNC. On the basis of their enactment of the power and politics as social facts, the project team decided (a) to exclude certain pieces of information from their document of strategic diagnosis and recommendations to the UK Board, (b) not to request additional marketing resources relating to the launch of the StreetCool sub-brand, (c) not to question the sales targets they were given, (d) to avoid any visible criticism of the US-designed advertising campaign, (e) to keep hidden any departures from the instructions given by head office relating to marketing strategy, and (f) to accept 'defeat' in their attempts to secure a UK-based product design team (see Table 4). Patterns of sensemaking led to patterns of (in)action, which reinforced these patterns of sensemaking and sedimented them further into the dominant discourse of the global headquarters – namely, as a powerful and political 'force' to be treated with scepticism, fear and caution. Significant organizational outcomes for the MNC arose from this process of discursive enactment, including information *not* being shared, issues being kept off the agenda, resources being allocated without full knowledge of their local consequences, and global decisions being made without adaptation to local contexts.

Our study can also be seen as a failed attempt by an external change agent (MC) to 'frame break' by challenging dominant patterns of sensemaking amongst the subsidiary managers. As Zbaracki (1998) and Weber and Glynn (2006, p. 1652) point out, 'not all enacted realities stick', and MC's vision of renewed 'bravery' and 'courage' in 'battling' global headquarters certainly did appear to not 'stick' for long. What is crucial in terms of framing and sensemaking is that the assumptions about the power plays and lack of political support from the global headquarters discursively enacted by the team, and therefore treated as *stable social facts*, draw on pre-existing sensemaking patterns, a 'sensemaking history' (Mantere et al., 2012, p. 173). Moreover, this shared pattern of sensemaking *pre-configures their actions*. For example, without even having put forward their proposals to the global headquarters, the latter is already framed as a potential *adversary* and *barrier* to the local change initiative of the subsidiary.

The construction of power and politics as 'immutable facts' means that proposals, issues and agendas do not even get 'on the table' (Lukes, 2005, p. 40), and can therefore not even receive a hearing. Power and politics were used to engage in *prospective* sensemaking to anticipate what *might* happen during events that have not *yet* happened (Gephart, Topal, & Zhang, 2010; Gioia & Chittipeddi, 1991; Gioia & Mehra, 1996; Gioia, Corley, & Fabbri, 2002; Pitsis, Clegg, Marosszeky, & Rura-Polley, 2003), in this case predicting the reactions of global headquarters to the subsidiary change initiative they were planning. If we apply this theory to the 'Toyota accelerator crisis' case, we could argue that the Toyota American subsidiary deliberately suppressed its knowledge of the local context, and failed to provide the HQ with 'appropriate information' regarding a potentially significant problem (Greto, Schotter, & Teagarden, 2010). This sense-censoring led to strategic inaction that allowed the crisis to mushroom and ultimately ended up costing the firm hundreds of millions of dollars and significant reputational damage.

Conclusion

In this paper we have responded to Balogun et al.'s (2011) plea for research that illuminates how discursive methods can advance international business research (see also Geppert, 2003; Hardy, Palmer, & Phillips, 2000; Tienari & Vaara, 2011; Vaara, 2002; Vaara & Tienari, 2008; Vaara, Tienari, & Laurila, 2006). In particular, our study casts light on *why* subsidiaries behave the way they do. The discourse perspective we have developed in this paper fits with Dörrenbächer and Geppert's

(2006) call for a move away from rationalist, structuralist, deterministic and functionalist models of how organizations *should* structure and control their various SBUs towards perspectives which can address the question of 'how key actors actually bring structures into play' (Dörrenbächer & Geppert, 2006, p. 262), in particular the structures associated with MNC politics (Clark & Geppert, 2011, p. 411). Specifically, we have analysed how subsidiary managers use 'sensemaking to interpret each other's political interests and stances' (Clark & Geppert, 2011, p. 396).

Balogun et al.'s (2011) study of subsidiary role evolution found that discourse was used to 'sell' and 'give voice' to certain understandings of a new charter, whereas other discourses encouraged forms of resistance to this new charter. Like in Balogun et al.'s (2011, p. 783) study, the subsidiary managers in our study 'genuinely believed that there were differences in local market conditions' that would cause the global policy to fail. They also sought to create a new mandate and charter for their subsidiary and a higher degree of decentralization, where they would be given the right to develop their own local competencies, in areas such as marketing and product design (Birkinshaw & Hood, 1998; Cantwell & Mudambi, 2005). Whereas in Birkinshaw and Hood's (1998) framework, subsidiaries can 'see the opportunity to gain a new or enhanced charter' (p. 784), what our study shows is why subsidiaries may fail to develop the competencies or capabilities that they believe they hold.

Through the concept of *sense-censoring*, this paper develops an explanation of why certain 'issues' felt by subsidiaries never get to the point of 'issue selling' (Dutton, Ashford, O'Neill, & Lawrence, 2001; Ling, Floyd, & Baldridge, 2005), why new mandates and charters for subsidiaries are not developed (Birkinshaw & Hood, 1998; Cantwell & Mudambi, 2005); why ideas emanating from subsidiaries never appear as forms of 'voice' (Balogun et al., 2011; Bouquet & Birkinshaw, 2008a), and why potential acts of 'resistance' by subsidiaries (Balogun et al., 2011; Clark & Geppert, 2011) are quashed before they even emerge. In terms of the framework put forward by Mudambi (2011), this study shows that lying behind decisions about whether to 'acquiesce' or 'resist' are types of subsidiary-level 'reasoning procedures' (Leiter, 1980) that explain why forms of resistance that *could* emerge actually *fail* to emerge. As a result, MNCs may be led to develop global products and policies without input from subsidiaries that are fearful of putting their 'heads above the parapet'. MNCs may also fail to be aware of local initiatives and innovations, which are kept 'under the radar'.

Despite the fact that the subsidiary managers in our study thought their ideas and plans were both 'legitimate and beneficial' (Balogun et al., 2011, p. 783) for the firm as a whole, not simply a case of self-interested protectionism or defence of turf, they still largely failed to voice their ideas (sense-censoring) and failed to act upon their plans (strategic inaction) because of the way they made sense of MNC power and politics. This is also despite the strategic position, economic performance and local embeddedness – not to mention the cultural history of the firm's origins – that should theoretically have positioned them as a 'high power' subsidiary within the framework of Geppert and Williams (2006). As a result, knowledge flows and knowledge integration in MNCs (Becker-Ritterspach, 2006; Mudambi & Navarra, 2004) are affected, as subsidiary managers fail to circulate their 'locally embedded' knowledge (Meyer et al., 2011). As such, we add to the understanding of the *social systems* that underpin knowledge integration developed by Becker-Ritterspach (2006) by revealing the patterns of sensemaking – created and reinforced through the sharing of accounts, stories and metaphors – upon which the local 'contextual rationality' (Clark & Geppert, 2011, p. 397) of knowledge sharing is founded. In particular, the potential of the marketing 'innovation' being developed by the project team in this study was never realized on a global scale due to the patterns of sense-censoring and strategic inaction we observed.

Mudambi (2011) and Andersson et al. (2007) have both highlighted the parallel tensions that exist between efforts by headquarters to control their global operations, and the subsidiaries'

responses vis-a-vis such control efforts in the light of their local embeddedness. While we know that subsidiary responses can range from complete acquiescence and support to outright hostility and rebellion (Schotter & Beamish, 2011), we do not know when or why forms of resistance fail to surface in the first place. Our contribution here is to show not only how subsidiaries make sense of why they should resist the mandates imposed by the global headquarters, but crucially why they decide *not* to act upon that sensemaking. In this study, forms of strategic action favoured by the subsidiary, such as requests for locally tailored marketing campaigns, bespoke product design and additional resources, were transformed into *strategic inaction*.

The study therefore shows how the discursive enactment of power and politics as 'social facts' informed the 'prospective preclusion of actions in taken-for-granted situations' (Weber & Glynn, 2006, p. 1651). The discourse of the subsidiary managers thereby served to 'sustain and perpetuate particular meaning-systems and power arrangements' (Paroutis & Heracleous, 2013, p. 4), for instance, by viewing voice and resistance as futile. The findings of the study also develop existing work which has highlighted the difficulties in 'frame breaking' and changing existing ways of sensemaking (Clark & Geppert, 2011). Given that global corporations typically expect, or even encourage, subsidiaries to share knowledge and propose innovations, sense-censoring has implications for the study of 'perceptual discrepancies' in the global–local relationship (Clark & Geppert, 2011, p. 411). This paper therefore contributes by developing the understanding of the role of discourse in MNCs' strategizing, sensemaking and sensegiving processes (Geppert, 2003; Maitlis, 2005), by viewing MNCs as 'products of a continuous process of sensemaking, enactment and negotiated interactions' (Kostova, Roth, & Dacin, 2008, p. 1002).

Meyer et al. (2011, p. 236) have argued that understanding action in MNCs requires understanding the many different 'interfaces' in which business units operate, as they are simultaneously embedded in the 'external' context of their local markets and networks and 'internally' embedded in the MNC organization (see also Yamin & Ghauri, 2010). In this study, the subsidiary in question chose to limit the extent to which their externally embedded knowledge of their local market, and preferred global strategy, was shared within the internal hierarchy of the MNC in a process of strategic inaction and sense-censoring. The key question we must ask is: why? Was this a case of subsidiary actors rationally recognizing the HQ's position as legitimate in terms of 'legal authority' (Mudambi, 2011; Weber, 1978, pp. 952, 1006)? Or is this a potential elaboration of social processes underlying Hymer's 'power retention' thesis, such that 'headquarters retain the power to structure the corporation in suitable ways to reduce its federative character' (Yamin & Forsgren, 2006, p. 174)?

Neither of these positions fully explains the findings of this study. We have shown that the subsidiary's actions – or more precisely lack of actions – arose from the dominant understanding the managers held about their relatively weak bargaining power and relative vulnerability to political retaliation from the global headquarters. This dominant understanding, as we have shown, not only arose introspectively as a private cognitive process of sensemaking, but crucially also was produced and circulated *socially* and *discursively* in the form of accounts, stories and metaphors that served to create and reinforce the dominant patterns of sensemaking within the subsidiary. As such, our work here contributes to the growing body of work analysing power and politics as a 'symbolic' and 'discursive' phenomenon (Rouleau & Balogun, 2011).

We also build on existing studies of the subsidiary–parent relationship (Boussebaa et al., 2012; Clark & Geppert, 2011; Dörrenbächer & Gammelgaard, 2006; Dörrenbächer & Geppert, 2006; Meyer et al., 2011; Mudambi, 2011; Rouleau & Balogun; 2011; Taplin, 2006) by showing *how* actors create the social facts they rely on to undertake their reasoning about what is a 'rational' course of action to take: what Clark and Geppert (2011, p. 397) refer to as 'contextual rationalities'. This, we propose, enables us to explain why subsidiaries come to adopt certain courses of action, such as when to say nothing (sense-censoring) or do nothing (strategic inaction). Focusing on the

role of discourse, we propose, enables us to get 'behind the scenes' to understand how the 'facts' about power and politics that actors rely upon to make decisions are produced socially in forms of talk and text. Future research could usefully be directed towards examining the role of sense-censoring in the ideological processes through which actors in MNCs, or actors affected by the actions of MNCs, become complicit in their own domination and subjugation (Willmott, 2013).

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Notes

1. 'Under bureaucratic domination the enacted norm establishes that the person in power has legitimate authority to issue a specific ruling' (Weber, 1978, p. 1006).
2. The emphasis on different forms or 'modes' of rationality is also advanced by Baunsgaard and Clegg (2013), who examine the different ideological modes of rationality arising from systems of professional training and socialization.
3. Figures correct at the time of the study.

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Appendix – Interview excerpts on power and politics in the subsidiary–headquarters relationship

'[The] most difficult moments are around this sort of tension between local and central control, particularly when you genuinely feel a route that is being taken by the centre is going to be detrimental to your local brand and business. They're currently in a think global act global mode.'

(Marketing Director 1)

'…if we [the UK subsidiary] kinda get on the front foot and try to tell them [the US HQ] what's wrong or give them an opinion we get classed as being difficult, that we're building a wall, that we're an island. The person that gets the most shit from global is [Marketing Director 1].'

(Finance Director)

'The two most senior marketing people globally have different opinions as to where I should spend most of the money. It's sticky at the moment and I have fallen out with them… [I have] managed to disagree with both of them.'

(Marketing Director 1)

'…there are constantly difficult discussions, certain individuals just don't really want the feedback…. they go into George Bush mode: "you're either with us or against us!"'

(Marketing Director 1)

'FitCo's attempting to become a global organization, but the [HQ] perception of global is American. They think if it works in America it'll work everywhere.'

(Finance Director)

'This will work globally they say, don't mess about with it. It's a one-size-fits-all mentality.'

(Marketing Director 1)

'This centralized control, this global brand custodian sort of stuff, it's almost crippling us in terms of our ability to move and make things happen.'

(Marketing Director 1)

[recounting a recent conversation the global Marketing Director from HQ] '"Look! I don't care what any of you think, you're here to take back to your markets and do what we tell you to do." People are scared to death.'

(Marketing Director 2)

'I've got a clear view of where we should be going. There will come a time when this disagreement with Global is going to come to a head, then y'know it may become – you either execute or you stand up and say no. Quite a decision given [Marketing Director 1]'s sudden departure.'

(Marketing Director 2)

[recounting a recent conversation with the global Marketing Director from HQ, after having accidentally missed a meeting] '"You've got a meeting with me, you know you got a meeting with me. If you think you're an island, if you just see yourself as an island, you need to think about getting another job."'

(Marketing Director 2)

'I don't ever think we could have a global line because the differences, [the regions] are so different. … [but we in the UK have] got to be seen to be … working towards a global line.'

(Product Manager (Apparel))

'There's a lot of political stuff goes on around 'cause you have to be seen to want them [new products designed by HQ], even when the line is crap.'

(Product Manager (Apparel))