



# The Network Firm as a Political Coalition

Organization Studies  
2016, Vol. 37(9) 1227–1248

© The Author(s) 2016

Reprints and permissions:

[sagepub.co.uk/journalsPermissions.nav](http://sagepub.co.uk/journalsPermissions.nav)

DOI: 10.1177/0170840616634131

[www.egosnet.org/os](http://www.egosnet.org/os)



**Josh Whitford**

Columbia University, USA

**Francesco Zirpoli**

Università Ca' Foscari Venezia, Italy

## Abstract

The article uses a qualitative case study of fifteen years in the production network that revolves about Fiat Auto to depict the “network firm” as a political coalition. The analysis touches on Fiat’s radical outsourcing of production in the 1990s, a short-lived and ill-fated alliance with General Motors in 2001, a descent to the brink of bankruptcy in 2004, a return to profitability by 2007, and, finally, the acquisition of control of Chrysler in 2009. The article reconstructs James March’s classic Carnegie model of the firm in light of the blurring of organizational boundaries. By marrying that model with ideas drawn from the literatures on organizational networks, social movements, and organizational politics, the article demonstrates that strategic decision-making at Fiat and at key suppliers shaped, and was shaped by, an interplay of frames and relational embedding within and across organizational boundaries. This shows how coalitional politics shape and are shaped by the shifting boundaries of the firm, and how those politics affect the evolution of the production networks that prevail across many contemporary industries.

## Introduction

In this article, we recount and analyze two crucial decades in the production network that revolves about Fiat Auto. The account touches on: a two-sided internationalization in the 1990s that saw Fiat invest heavily in emerging markets as part of a “world car” strategy while simultaneously enticing sophisticated global suppliers to invest on the company’s home turf; an ill-fated alliance with General Motors inked in 2000; the Turinese automaker’s descent to the edge of bankruptcy in 2004; its striking turnaround; and the Obama administration’s seemingly surprising decision to turn Chrysler over to the Italians as part of the American “auto bailout.” We do not presume definitively to explain either why Fiat nearly ran aground or why its recovery was so seemingly miraculous. Our aims are more tractable. But they are also in some ways more ambitious. They are, specifically, to theorize the role *organizational politics* play in the evolution of the *vertical*

---

### Corresponding author:

Josh Whitford, Department of Sociology, Columbia University, 618 Knox Hall MC 9649, New York NY 10027, USA.

Email: [jw2212@columbia.edu](mailto:jw2212@columbia.edu)

*networks* that are, by many accounts, an increasingly prevalent organizational form across a range of industries; and, in the process, to develop a more general theoretical model of the vertical network firm as a political coalition (see, e.g., Ghoshal & Bartlett, 1990; McDermott, Mudambi, & Parente, 2013).

Vertical network forms of organization are an important subclass of the “business network” (Forsgren, 2013). They are defined by the revolution of a range of variably autonomous organizational units revolving about a “helmsman” or “hub-firm”—often but not always a multinational company—that organizes “production by managing the resources that it needs, but [often] does not own, for a durable project” (Aoki, 1971, p. 406; Baudry & Chassagnon, 2012, p. 239). They are, in short, unified productive entities that vertically integrate multiple levels of relatively independent subunits, many if not most of which are legally independent firms.<sup>1</sup> Their spread has been identified with the broader displacement of “geocentric” multinational corporations (MNCs) governed by “calculative and coercive/bureaucratic regulations” by more “heterarchical” forms better suited to the coordination of activities in an ever more complex and ever more global economy (Ghoshal & Bartlett, 1990; Hedlund, 1986; Rugman, Verbeke, & Yuan, 2011). They are exemplary, as Davis and Zald (2005, p. 335) note, of a world in which many firms so “increasingly resemble episodic movements rather than ongoing bounded actors” that many have almost taken on the “character of politics whose ‘citizens’ may engage in collective action to challenge policies with which they disagree.”

The extant literature on the evolution of network forms of organization—be they vertical or horizontal, MNC or national, or of other stripe—has long sought to theorize the implications of this openness of organizations to their environments. It has also tended to rely on a very particular set of simplifying assumptions. Researchers have operationalized organizational units or subunits—which might be individuals, teams, divisions, subsidiaries, firms and beyond—as network nodes. And, sometimes with the aid of graph theory, they have operationalized relationships of various sorts between nodes as ties which can themselves be of various sorts (weak or strong, positive or negative, contractual or equity, etc.). The goal, often, is to generate an account of network evolution in structural terms. Changes to boundaries and composition of the nodes themselves are left beyond the scope of investigation in analyses that draw inference from the birth and death of nodes (however defined) and/or patterns of tie formation and dissolution. This is manifest, for instance, in Gulati’s (1995, p. 619) demonstration that “previously allied firms are likely to engage in further alliances” but that “beyond a certain point, additional alliances between the two firms start to diminish the likelihood of further allowances”; but there are many other such accounts (this literature is vast. See e.g., Smith-Doerr & Powell, 2005, for a review).

Interestingly, studies of organizational politics have long relied on a similar set of simplifying assumptions dating—at least—to James March’s seminal 1962 conceptualization of the “business firm as a political coalition.” March observed that organizational behavior at the time bore a resemblance to (then) “current conceptions of political conflict systems,” and established the analytic utility of depictions of the executive as a political broker, of the composition of the firm as less given than negotiated, and of its goals as less given than bargained. However, he recognized also that the “elementary units” in one study can well be the conflict systems of another—since the coalitions in question in many analyses might include everything from suppliers to customers to governmental agents to trade associations and beyond. His solution was to limit his scope to interactions between organizational subunits with “preference orderings” that are more or less “causally antecedent, and independent of, the decisions of the larger system” as it would then be safe to “treat the preference ordering of the subsystem as given without considering the way in which that ordering is derived” (March, 1962, p. 664). The influence of this solution is manifest, for instance, in the continued prominence of a “resource dependence” approach (Pfeffer & Salancik, 2003 [1978]).

That approach, as Wry, Cobb, and Aldrich (2013, p. 449) correctly note, explicitly repurposed March's earlier conceptualization to predict that those "internal groups best able to manage an organization's most pressing external dependencies will obtain the most power within an organization."

To deny the past or even future utility of these assumptions—whether in the study of network forms of organization, of organizational politics, or of their intersection—would obviously be wrong. However, there is some need to rethink their scope of application and to find alternatives for the growing space beyond that scope. It is not just data that is "theory laden." Scientific and social scientific concepts are also "history laden," reflecting cases mostly "defined by the problem the researcher has set out to explain" (Somers, 1998, p. 758, drawing on Kuhn). The legacy of the Carnegie School is justly present across a broad swath of contemporary organizational theory. But it also developed across empirical examination of the large Fordist corporations that had dominated the post-war era, in studies where it was common to examine "the functions served by boundary roles" without really questioning whether there was any real cost to claims that the "minimal defining characteristic of a formal organization [should be] the distinction between members and non-members" (Aldrich & Herkes, 1977, p. 218). The implication, as Clemens (2005, p. 352) rightly notes, is that organizational analysts today are forced to reckon with an empirical world marked by "fluid alliances, unclear lines of authority, and recombinant parts." And they (and we) must as a consequence be willing to rifle as necessary "through the social sciences in search of new theoretical images or tools."

The argument is in three main sections. In the remainder of this first section, we outline our theory and model. The heart of the argument is in the second section, which reports on our data and method, and develops the model across a narrative of extended "moments" in the evolution of the network in question. The final section offers our discussion and some concluding remarks.

### *Theory and contribution*

Our proposed model of the network firm as a political coalition retains key elements of March's original Carnegie School formulation, including especially the ideas that the executive is usefully seen as a political broker, and that the composition and goals of the firm are more bargained than given. Our findings are thus easily to be put into dialogue with and compared to competing approaches to the study of organizational networks and organizational politics. The key novelty is that we marry those elements to an alternative theory of coalitional formation and bargaining that "cross-fertilizes" concepts and mechanisms between analyses of organizations and of social movements, and that thus does not rely on the same simplifying assumptions characteristic of those studies to date. We endeavor, specifically, to explain the mobilization of power and other resources in the pursuit of interest—the natural hallmark of political analysis—without rendering those interests as "fixed in the way conceived by rational choice models" (Kaplan, 2008, p. 744). Instead, we trace how relevant interests—and consequently the range of viable coalitions—are shaped, mediated, and sometimes even transformed by: (i) the *frames* actors use to "cast issues in particular light and [to] suggest possible ways to respond to those issues" (see also Benford & Snow, 2000; Campbell, 2005, p. 49); (ii) as well as by actors' *embedding* in specific social, organizational, and institutional contexts (Campbell, 2005, p. 49).

Frames are conventionally defined as the "metaphors, symbols, and cognitive cues actors use to cast issues in particular light and [to] suggest possible ways to respond to those issues" (Campbell, 2005, p. 48). They have diagnostic and prognostic components, where the former identify problems and assign blame while the latter link problems to claimed solutions. They tend empirically to be "fabricated out of bits and pieces of already available repertoires and cultural artifacts" (Campbell,

2005, p. 53)—which, in our case, means in bricolage from resources circulating in and around the world of technical and financial professionals, managerial consultants, and the like (Barley & Kunda, 1992; MacDuffie, 2013). Thus construed, frames are “schemata of interpretation” (Goffman, 1974, p. 21) all but necessarily deployed when actors find themselves forced to “make sense of ambiguous signals from the environment” (Kaplan, 2008, p. 732). They have been shown heterogeneous not just between industries and firms but within them (Engler, 2015; Kaplan, 2008; Schulze, MacDuffie, & Täube, 2015). They shape—but do not uniquely determine—“how individual actors see the world and perceive their own interests” both because a multiplicity of frames tend normally to be in contention and because they are deployed in social milieu in which people regularly “suggest what is going on to others” (Kaplan, 2008, p. 732).

Kaplan (2008) has in prior art grafted a theory of framing into a political/coalitional model of organizational strategy-making. She observes that organizational actors regularly “attempt to transform their own cognitive frames into the organization’s predominant collective frames” and that “framing contests” therefore arise in organizations when the frames actors deploy prove incongruent. And she shows that those contests turn on the relative ability of organizational actors “to establish the legitimacy of their frames and of themselves as claimsmakers or to realign frames to influence how others see issues” (Kaplan 2008, p. 730). This approach, though, offers us only a partial solution to our problem as it is focused entirely on goings-on internal to a single and well-bounded organization. Our own case, by contrast, is populated by actors who are for the most part “multiply embedded.” We argue across our case narrative that participants to important framing contests include more than just persons formally employed by Fiat proper who are embedded both in their own “internal” corporate networks and in the “external” networks of “the host milieu[x]” in a variety of territories (Becker-Ritterspach & Dörrenbächer, 2009, p. 209). Relevant personnel in that external network are employed by suppliers embedded in the internal networks of their own employers, some of which are themselves subsidiaries of powerful multinational firms riven by their own political fights.

Again, prior art gives guidance. Becker-Ritterspach and Dörrenbächer (2009, p. 204) observe that “studying politics of intrafirm competition [in the contemporary MNC] involves ... asking who are the relevant and key actors and how their relevance is constituted.” There are, also, studies of how MNC subsidiaries “balance ‘internal’ embeddedness within the [MNC] network with their ‘external’ embeddedness in the host milieu” (e.g., Meyer, Mudambi, & Narula, 2011, p. 235). But again, that guidance has limits. Geppert and Dörrenbächer (2014, p. 231) are right to observe that partisans of a business network approach have yet to explore in depth “how power is socially enacted and how political maneuvering is grounded in micro-level interactions” across networks. Our proposed solution to this problem—and so too to our need for a window into the ways in which “framing practices” in the network organization affect and are affected by goings-on that run not just within but also across the boundaries of particular organizations—sits in the attention we give in our analysis to actors’ “relational” embedding, to the ways in which variation in social and business ties affect actors’ knowledge of the motives, trustworthiness, and capabilities of others (Granovetter, 1985; Krippner & Alvarez, 2007; Uzzi, 1996). That solution, we argue, allows us to identify “relevant actors” and to explain when and why particular frames do or do not resonate with consequence across the vertical network forms of organization that are our object of study.

Our claimed contribution in this article consists therefore in a studied reassembly of existing constructs in application to a kind of case otherwise outside the useful scope of more standard analyses of organizational politics. We document the utility of the model in two main ways, both regularly identified as standards for good theory-building in case study research on organizations (Bacharach, 1989; Eisenhardt & Graebner, 2007). The first is principally undertaken in the next section, where we use the model—to draw on an oft-used metaphor—as a “lens” to show: (i) how

the conceptual imagery of the political coalition, coupled with an analysis of the ways in which those contests are shaped by patterns of relational embedding, allows us to distill an exceedingly complex empirical reality into a plausible and potentially falsifiable narrative account of the evolution of the particular network that revolves about Fiat; while (ii) confirming that our motive constructs are also general enough to “[serve] the investigator as a measuring rod to ascertain similarities as well as deviations” between our case and others (Brady & Davies, 2004; Coser & Merton, 1971, p. 223). We show also that our model identifies some of the reasons and ways frames and practices travel—or fail to travel—within and across the multinational vertical network form that is our object of study (see, e.g., Kostova, 1999; Kostova & Roth, 2002, on the transnational transfer of organizational practice).

The second “way” is taken up most explicitly, but not exclusively, in the discussion and conclusion. We show that our approach in fact explains the evolution of the network in question better than do alternative approaches that either offer an alternative view of organizational politics, or do not focus on organizational politics *per se* but presume broadly to explain the evolution of vertical network forms of organization. These include “managerial” accounts less convinced that cases like ours have the “character of politics whose ‘citizens’ may engage in collective action” (Davis & Zald, 2005, p. 335) and so give causal primacy to the changing qualities and (relatively autonomous) decisions of leadership teams (e.g., Clark, 2011; Smith & Tushman, 2005). There are also approaches that retain the essence of the simplifying assumptions discussed above by giving causal primacy to dynamics at the macro- or field level in accounts that, for example, highlight the salience of “institutional mimesis” (i.e., Garcia-Pont & Nohria, 2002) and/or—in an alternative political approach—predict that broader shifts in conceptions of control should best explain changes in “corporate profit and accumulation strategies” (Dunford, 2009, p. 145; Fligstein, 1990, 2001).

## The Case: Fiat Auto as the Helmsman of a Vertical Network

Our entry to Fiat Auto as researchers came in 1998 (Zirpoli) and 2001 (Whitford) respectively. The case was theoretically interesting to us for two main reasons. First, Fiat management had outsourced radically, even relative to peer automakers: in 1987, 70% of value was designed internally, 48% made either directly or through subsidiaries, and Fiat had near monopsony power over a vast domestic supply base; by 1997, Fiat designed and produced just 30% and relied for the rest on a supply base that was far less dependent and that included a good number of subsidiaries of major multinational automotive suppliers (Bianchi, Enrietti, & Lanzetti, 2001; Enrietti, 1987; Whitford & Enrietti, 2005). Second, the company had begun in those same years to expand its operations abroad. Fiat’s reaction in the late 1980s to slowing growth in new car registrations in Europe and to growing competition in the small car segments that have long been Fiat’s specialization was to “enter emerging country markets where car ownership was low, and whose shares of the world were expected to increase substantially” (Dunford, 2009, p. 148). This led to substantial new investments in production facilities principally in Poland, Brazil, Argentina, and Turkey and, as a result, nearly 40% of Fiat’s 1997 production took place outside Italy (as against 10% in 1987).<sup>2</sup>

Our research was conducted independently at first, but the authors have worked jointly since 2006 and here rely on more than 240 hours of interviews across 45 different firms as well as scores with industry experts, government officials, and representative of unions and employers’ associations. In what follows, we draw primarily on 40 interviews with 35 different persons at Fiat Auto carried out in three waves (1998–1999, 2001–2003, and 2006–2008); 22 interviews involving 26 different persons (19 in Turin, 7 in Michigan) at Fiat-Chrysler subsequent to the acquisition of the latter by the former in 2009; and 77 interviews at 43 different first and second suppliers (across the same waves of interviewing). Interviewees at Fiat and Fiat-Chrysler include senior managers (e.g.,

the Chief Technology Officer and the Vice-President of purchasing) as well as more operational personnel (e.g., managers in charge of vehicle lines). At suppliers we have sought out those responsible for the commercial relationship or for component or system development. We have identified interviewees in many ways, ranging from cold calls to snowballing, and have generally conducted interviews in Italian. We have also collected documents that have helped us to formulate questions in interviews, to verify claims, and more broadly to reconstruct the terms and outcomes of framing contests as they have manifested in formal organizational strategy and structure.

Methodologically, we exploit variation internal to the case using a “replication” rather than a “sampling” logic in ways that are “highly iterative and tightly linked to the data” (Eisenhardt, 1989, p. 532; Eisenhardt & Graebner, 2007). In analyzing and presenting the data, we triangulate interviewees’ responses with each other, with company documents and with subsequent developments. We also compare interviewees’ retrospective descriptions of events to documents produced, or to interviews conducted around the time those events occurred. In a few cases, we interviewed the same people at different times, and in many cases interviewed people in structurally similar positions at different times. To protect the identities of those who have shared sensitive material we do not name interviewees or supplier firms. We mask the names of supplier firms but make no effort to hide Fiat and Chrysler, as to do so would be futile (there are few automakers in the world). We have interviewed enough people at these “helmsmen,” though, that we can obscure as needed by describing roles in general terms (i.e., “a high-level manager in X department”; “an engineer working on Y project”; etc.).

### *A first narrative moment: frame divergence*

The questions we asked in our early interviews explored the reasons Fiat outsourced so radically (in keeping with our research question at the time). Answers fit in some ways with the claims of those who give causal primacy to “field-level” concepts to explain organizational behavior, in the sense that many in the company had embraced a set of ideas that were much discussed in the business and managerial press and that had diffused rapidly across the industry in those years.<sup>3</sup> Those ideas have since been identified by MacDuffie (2008, 2013) as a distinctive and powerful cognitive frame (“modularity-as-frame”) rooted in three core beliefs.<sup>4</sup> Those beliefs—which play heavily across the rest of our account—hold that design rules can minimize interdependencies between groups of components (“modules”) thereby enabling producers simultaneously to: (i) generate flexibility through “rapid innovation at the level of modules, each proceeding independently and at its own pace”; (ii) reduce “costs, from standardization of interfaces that minimize coordination costs during product development, plus standards for modules that generate a larger number of potential suppliers and allow switching among suppliers more frequently”; and (iii) as a result more easily rely on assembly plants dispersed globally without, however, decentralizing R&D or design (Baldwin & Clark, 2000; MacDuffie, 2008, p. 9; MacDuffie, 2013).

The centrality at Fiat of this family of frames is manifest in a 1998 article by Roberto Testore (1998, p. 3)—then Fiat CEO—describing the company’s “178 *world car project*” as one “destined to beat all previous output records in the company’s history” precisely by using modular concepts in “co-design” with “world class” suppliers. And while such public pronouncements are of course highly strategic and must be read as such, it was clear from other interviews and internal documents that the company in fact made very substantial changes to both structure and organizational routine in light of that frame. It, or its manifestations in practice, surfaced regularly in conversations not just about the 178, but about other models as well. For instance, a top Fiat manager told us that Fiat’s main concern at the time was “to reduce [their] assets and overall development costs and, at the same time, leverage external sources of innovation.” Modularity, in this context, aimed

to allow Fiat to retain decision-making, engineering, and design responsibility at its Turin headquarters even as manufacturing capacity would decentralize both globally and within Italy (further in the latter than it already had; see Whitford and Enrietti (2005) for a discussion of the company's prior growth in Italy's south).

The initial resonance of a modularity frame internal to a decentralizing network helmsman is easily understood. Fiat had lost market share in Italy—from 60% to 45%—between 1988 and 1992. Future demand in Fiat's core markets was projected to grow slowly, while the advent of global benchmarking surveys made clear that the company's costs were in fact high, its quality standards low, and its technology lagging. A global revolution in car-making in response to the Japanese "invasion" was ongoing. And so it was easy to find enough overlap in the "prognostic" side to align the interests of a broad coalition in support of the automaker's coupling of a "world car" approach with a heavy reliance on modular concepts in the design of the company's new models. A finance division charged with managing investors expected to be able to push risk onto suppliers. The purchasing division hoped to grow and acquire centrality.<sup>5</sup> Marketers could hope to target new niches by mixing-and-matching modules. Technical divisions got the promise of help from suppliers then investing heavily in their own technical infrastructure. Subsidiaries—then just foothold facilities in Poland, Argentina, and Brazil—got new investment in assembly facilities and promises of local R&D facilities going forward (Balcet & Enrietti, 2002). And while there was some opposition from unions, there was no real dispute that the company needed to get more competitive (Negrelli, 2004).<sup>6</sup>

Our interviews revealed ample support across the automaker for the idea—summarized in Testore's (as CEO) 1998 writings—that Fiat would make a "a major effort to support [key suppliers] in their development [and would] seek to promote a concept of (co-design and partnership)." This was consistent with the spread of "process-based" understanding of inter-organizational trust into actors' frames across understandings of the drivers of Japanese manufacturing competitiveness. It also fit with reporting at the time in the academic and business press as in, for instance, the findings in Dyer and Chu's (2000) cross-national study of the determinants and effects of trust in supplier–automaker relationships. There was, for instance, near consensus among interviewees at Fiat that the automaker would be needing new and more systematic "routines for selecting suppliers" and would require the implementation going forward of more institutionalized "processes for responding to supplier problems" (Dyer & Chu, 2000, p.263). However, even within frames broadly supportive of Fiat's embrace of modularity there were some differences which, though seemingly largely questions of emphasis, would give rise to a series of ultimately quite consequential framing contests.

Two main coalitions emerged, each concerned that reductions in Fiat's technical divisions would leave the automaker too dependent on supplier know-how to directly assess tradeoffs between different combinations of cost and performance. Neither set themselves outside the broad logic of modularity as then understood, but their frames did highlight different elements of that logic. One gave particular diagnostic weight to a risk—a "modularity trap"—that had been identified in the business press at the time (Chesbrough & Kusunoki, 2001) and worried that the standardization of interfaces and componentry so constitutive to modularity would leave Fiat ill-positioned to incorporate novel but more "integral" technologies into its vehicles. Its core ideologues sat in a relatively small group in the technical division—around 120 persons—called the "Components Development Platform" (CDP) charged with mitigating those traps by developing underlying engineering "concepts" (a class of solutions to engineering problems) flexible enough to satisfy multiple scenarios. Reductions in Fiat's asset base meant that the division worked closely with panels of suppliers, generally deploying a prognostic frame that sought *flexibility*. This was to be got through an underlying "conceptual" regularity across engineering solutions that could speed

product development by shaping the ways in which design teams would standardize across models and that would sway suppliers to collaborate in the development of those components by offering a first-mover advantage in future bidding for the production of subsequent iterations as well.

The main opposing coalition was grounded principally—though not exclusively—in the purchasing division. Its partisans drew on a *standardization* frame that did not so much deny modularity traps as give more weight to alternative risks. They focused in particular on Fiat's links to a historic supply base that was famously flexible but that had been given no reason by Fiat (in a near monopsony) to conduct independent research, to develop design competencies, or to export substantially (let alone develop a global footprint). Their prognosis drew in part on lessons gleaned globally from the translation of practices from Japanese automakers across the industry. They could not replace their suppliers overnight, nor did they wish to cede privileged access to suppliers that were, at the least, flexible and cost competitive. So, though undermining their own monopsony position, they began to help once-captive suppliers to diversify by pursuing contracts with some of Fiat's competitors which—they hoped—would generate technological learning from which they too would benefit (Whitford & Enrietti, 2005). They forced some to internationalize for the first time by providing supply contracts for the 178 contingent on co-investment abroad (Whitford & Enrietti, 2005; Zirpoli & Caputo, 2002). And, to support others, they offered subsidized training programs for a selected core group of Italian suppliers (Whitford & Enrietti, 2005).

Concurrently, the purchasing division encouraged foreign MNCs to place subsidiaries in Italy, often by brokering their purchase of existing Italian suppliers. They did so, in the words of a high-level purchasing manager, because “foreign multinational suppliers had developed more advanced R&D structures due to the demanding technology level required by their local customers.” They were generally successful—Balcet, Ferlino, and Lanzetti (1999) identify a rapid increase in the number of multinational auto suppliers in the region between 1990 and 1995 and show that those multinationals grew more rapidly than the sector as a whole—but they were also concerned that they had minimal leverage with their new multinational partners. They hoped this would change once the rollout of the “world car” project and some highly modular models then in the works for European launch bore fruit. In the meantime, Fiat's purchasing division elected to “hybridize” (in the words of an interviewee) principles borrowed from Japanese producers by maintaining, when possible, multiple potential suppliers and pitting them against each other in “controlled” (rather than open) competition (Zirpoli & Caputo, 2002); and they frequently demanded, as a condition of contract, that Fiat's first-tier and system suppliers work with second-tier suppliers selected by the automaker.

Neither practice was per se unique to Fiat. The American assemblers—with the exception of Chrysler—had similarly “hybridized” lessons drawn from Japan (Dyer, 2000; Mudambi & Helper, 1998). The imposition of a working relationship with a lower-tier supplier was common even among Japanese producers, where it has been used to increase “carry-over” of parts between models (Choi & Hong, 2002). But their joint deployment by Fiat's purchasing department was distinctively marked by the mutual embedding of Fiat and supplier personnel in the Piedmont region. For instance, a supplier we interviewed argued (derisively) that Fiat's imposition of second-tier suppliers followed a logic of industrial “eugenics.” Fiat had eschewed a “natural selection,” by which he meant that Fiat did not just “leave everyone to do their job until they lose faith in him [for nonperformance].” The purchasing division and their allies had instead managed their fear of collusion among first-tier global suppliers by guaranteeing the survival of suppliers with whom they had very strong trusting relationships but who might otherwise have found it difficult to remain in the market (hence “eugenics”). Ties into those suppliers gave Fiat personnel insight into the otherwise opaque cost structures and strategies of system and module suppliers, as well as into the technologies, margins, and bargaining strategies of suppliers considered potentially adversarial.



This combination was effective on its own terms, in the sense that it helped the purchasing department both to limit the cost of components and systems (at least in the short-to-medium term) and to enlist an ally in a marketing department eager to introduce new functionalities (since they expected modularity to ease system integration and competitive bidding to ensure good pricing). Its artificers were consequently able to highlight the correspondence between diagnosis made and prognosis to give “resonance” to a frame that emphasized the link between modularity and scale economies and that coveted a heightened ability to threaten exit in bargaining (Benford & Snow, 2000, p.619; MacDuffie, 2013). That same resonance, however, disfavored engineers in the Component Development Platform and others whose diagnostic frame emphasized instead the dangers of modularity traps. Their efforts to develop new ties with the technical centers of suppliers were thwarted with regularity by a dominant coalition too willing—in their view—to embrace technological solutions inconsistent with the engineering concepts the CDP had developed.<sup>7</sup> An engineer from the CDP said, for instance:

We were never sure that the platforms [would] then use our engineering solutions. Sometimes we go on for years and the engineering solutions we find never find a space in vehicle developments. It is not a matter of what engineering solution better suits the new product, it is a matter of who has the right to decide on that. ... The power equilibrium was in favor of the purchasing department whose task was to lower the price of supply while improving the quality standards of the component purchased.

### *A second narrative moment: balkanization*

By 1998 Fiat was a company transformed, a Fordist behemoth turned into one of the least vertically integrated automakers in the world across the space of just a decade. That year, though, brought a slate of “ambiguous signals from the environment” (Kaplan, 2008, p. 732) that would bring competing coalitions to a head. Fiat’s European market share had been roughly stable through the 1990s but had fallen nearly a quarter between 1997 and 2000, pushing the company’s balance sheet slightly into the red already by 1998. That decline was (almost by definition) associated with the failure of models released in the middle 1990s to meet sales targets. Those models had, however, primarily just been restylings, and the jury was still out on models more fully shaped by organizational routines more reflective of the automaker’s embrace of a logic of modularity. The 178 in particular had only just come on line and had delivered relatively promising sales in Brazil in 1997. And in Europe, heavy investments had been made in a model—the *Stilo*—set to release in 2000 with an ostensibly promising bevy of options and technologies at a price point below that of the company’s competitors.

This all placed Fiat’s leadership team—or, in Marchian terms, the political broker—under pressure. Their response reflected the sway of the coalition mobilized around what we referred to in the previous section as a *standardization* frame. The influence of that frame on the company’s strategy is manifest already in Fiat’s 1999 annual report (released June 2000), which highlights “efforts made in the area of product innovation and the aggressive implementation of cost containment measures” and outlines the logic of the company’s decision to sign a strategic alliance with General Motors in March 2000. That alliance, though backed by an exchange of stock and by a “put” option for Fiat, was at its heart an industrial agreement to generate “synergies” that would “amount to two billion Euros by 2005, half of which [would] benefit Fiat Auto directly” (Fiat Group, 2000, p.9). Those synergies were to be got across Europe and South America only (the alliance excluded the Asia-Pacific area and North America) across two 50/50 joint ventures in purchasing and in powertrain design and manufacturing (which covered between them some 80% of total vehicle manufacturing costs); and from a commitment to develop a series of shared

platforms promising to spread fixed costs “over more than 5.5 million cars, more than twice Fiat’s current volume” (Fiat Group, 2000, p. 9).

Fiat also moved the now-shared (with GM) purchasing division to Germany—though most staff remained where they had been—and hired a specialized automotive industry consulting company to analyze each company’s component lists. Those consultants, acting in the name of the joint venture with business cards to match, then rebid components in an effort to use market power to drive down prices. This cut against lower-level buyers’ ability to play personal favorites, therefore shortcircuiting precisely those ties that had been at the base of a “eugenic” approach on the grounds that they would no longer be needed given that higher-level buyers would—with GM’s added volumes—have far more leverage. And, in the hopes of forcing engineers to standardize more components across models and platforms, the Component Development Platform was disbanded on grounds that so many of its engineering solutions had remained on the shelf. Its personnel were dispersed as part of a larger reorganization of the technical division. Its functions—to the extent they were replaced—were folded into an empowered and centralized technical function that, as a 2002 internal presentation made clear, was to be the centerpiece of a structure “born to leverage economies of scale in engineering and design.”

The reorganized technical division—according to that same Fiat’s internal presentation—was to become a “technology content provider” to seven different “product development platforms” which would rely then on relatively standardized “off-the-shelf” technologies mixed and matched across platforms and models. Each platform was assigned to project teams under the control of a lead manager who would direct “vehicle line managers” responsible for the management of performance tradeoffs that might come up in the integration of the many systems and components that make up the different vehicles derived from the different platforms. In aggregate, this structure openly resembled Toyota’s reliance on “heavyweight” product managers (Wheelwright & Clark, 1992). Its logic is captured in the retrospective words of an interviewee from the technology division:

The idea of the system integrator was coupled with the idea of modularity, and interpreted in the sense that the system integrator should have the competence of integrating systems as its core competence. We thought we could be substantially detached from certain component and systems technologies and focus primarily on “architectural” know-how. For this reason we delegated to suppliers the complete development of certain technologies, those that we did not consider as core.

And yet, this vision never quite manifested in routines and practice across the network. Fiat’s “heavyweight” product managers found—to quote one—that their “right to make decisions mattered little without the information and know-how needed to make those decisions well.” Though they could turn to “competence centers” in the centralized technical division, Fiat’s near total delegation of direct component design had led too many personnel expert in those technologies to move, often to employment with the suppliers who had taken on component design responsibilities. The technical divisions, another explained, consequently lost “the ability to manage performance tradeoffs” on their own and therefore to “set performance targets for suppliers ... [or to] monitor [their] work.”<sup>8</sup> Relational embedding that might have served as an alternative had eroded due to some combination of the joint venture with GM and (again) the “eugenic” approach taken in years just past. The company’s “heavyweight” product managers were isolated as a result in teams populated largely by engineers formally employed by suppliers (though often co-located in Turin). And, in the complaint of one member of those teams, their task demanded the skills of a “magician. Everything was under the control of the manager responsible for the vehicle. It was just impossible to cope with all the aspects of product development, from technical to economic issues.”

Managers and engineers associated with the platform teams responded with a frame that directed the blame away from themselves and towards Fiat's technical division's inability to help them manage tradeoffs that had not, in fact, been ironed out in the "pre-development" phase (as was supposed to happen). This led them to ignore a centralized engineering division that, in the words of another Fiat manager, felt to them like "just another engineering supplier that by accident was part of the [same] firm, nothing more, nothing less." Instead, they mobilized pragmatic local alliances of shared interest with the suppliers they relied on to get their projects out the door. Those suppliers were for their own part unhappy with the Fiat-GM purchasing alliance that, a sales engineer at a global supplier with a longstanding presence in Turin said, had "created not a few problems in Fiat's supply base, not just because they lost business to GM suppliers but because [GM's] attitude towards suppliers was one of absolute arrogance, absolute inhumanity, lack of respect on all levels."

Suppliers continued to engage with Fiat—many saw their options as constrained given their location in Italy and the absence of other assemblers nearby—but they did so across a balkanized collection of platform teams that were themselves only weakly connected to the decision-making center. This further undermined the effectiveness of a purchasing alliance premised on standardization across models and consequent scale. The problem was not that suppliers had no interest in scale; profits for suppliers in the auto industry are generally earned more on the sale of parts than on development. But the structure of working relationships had constrained the development of an alternative coalition. The effects—over time—on Fiat's products and profitability were profound. A top Fiat technology executive told us in 2006 that "each platform had [in years previously] tended to develop its 'own' cars with very few concerns about component and platform sharing." And, speaking retrospectively, he told us:

When I arrived [in 2005], I reverse engineered many Fiat cars belonging to the same and different segments. Nobody would have said, just by looking at the components and how they were engineered, that the two cars were produced by the same firm. Due to confidentiality reasons, I cannot tell you the exact figures, but we can make a lot of money just by bringing components commonality to a decent level [that is, by somehow doing what the alliance with GM and consequent reorganization was supposed to do but had not].<sup>9</sup>

### *A third narrative moment: counter-mobilization*

The depth of Fiat's difficulties exploded into the public gaze in 2002. The 178 world car project had foundered. Projected to sell a million units across Brazil, Argentina, Turkey, and India, it sold only a third of that in 2001 (the model never sold more than 360,000 units in a year). The *Stilo* had come out, late, that same year and had also sold just a third of its target. The failure of the alliance with GM to deliver cost savings—due, again, in no small part to the failure to effectively standardize components—had filtered to the balance sheet and, combined with plummeting sales, had led debt to balloon. The risk premium on bonds grew, raising capital costs that led investors to demand that Fiat sell off high-value assets—like the Ferrari and Alfa Romeo brands—amid fears it would not survive. Things were bad enough that a 2003 article in *The Economist* declared that "even Italians" were spurning Fiat's cars and that "the firm's third rescue plan in two years [was] unlikely to be enough" to "avoid going bust."<sup>10</sup> Yet between 2003 and 2007, the company's market share in Italy grew by 13%, global sales by 28% and, most importantly, an annual loss of nearly 1.5 billion euros in 2003 had been turned by 2007 into a profit of more than 800 million.

Popular accounts of that turnaround—of which there are many in the business press (e.g., Clark, 2011)—highlight the 2005 arrival of a new top management team. And while our own arguments

do not imply that changes at the top did not matter (a question to which we return in conclusion) our interviews underscore that the contours of the company's post-crisis evolution are theoretically continuous with its pre-crisis troubles. We have to this point shown that framing contests that might once have remained internal to Fiat had spilled across organizational boundaries. We have emphasized that a particular framing of modularity into Fiat's organizational structure had interacted with pre-existing patterns of relational embeddedness to balkanize the network into platform teams generating: (i) a shared diagnostic frame critical of the loss of technical know-how in the technical division; and (ii) a prognostic frame that privileged stopgap measures to get product out the door. This had pushed those actually designing vehicles to mobilize support from the supplier engineers who—for reasons endogenous to Fiat's decision to rely so heavily on them in the first place—were highly competent in the component-specific technologies those teams needed to bring their projects to (relative) fruition.

In this sub-section, we show how local mobilization in liminal spaces in the network, in the places where engineers found themselves endlessly searching for workarounds due to coordination failures, rippled back to the center. The stories we heard were many. Few were significant by themselves, but taken together they evidenced an alternative prognostic frame that would shape and be shaped by a project we will call, pseudonymously, "X."<sup>11</sup> That project—led by a Vehicle Line Executive of the sort expected to be a "magician"—was marked by local reaction to the hollowing out of competencies in Fiat's technical division. The team made the decision to take responsibility for the design of far more parts than was typical at Fiat at the time, hoping to learn about interactions between components and systems in order both (i) to react to problems that emerged as the model went into production and (ii) to develop "derivative" models more quickly and at lower cost. The team leader described it as a "big risk because, sincerely, to do it on such an important project was maybe a little bit crazy," all the more so since they had taken on the design of components like the dashboard that fundamentally affect consumers' perceptions of vehicle quality, that interact with other very important systems (i.e., safety, HVAC), and that rely on a technology—*injection molding*—in which Fiat had "over the years lost so many specialists."

She said, however, that those specialists were not so much gone from the network as gone from Fiat. They had "gone to work for suppliers at the moment of the outsourcing" and her team knew (through relational embedding) which suppliers—and even which engineers at those suppliers—had the expertise required. They were also able to enlist the support of internal embedded allies like a "supplier quality group somewhere between Purchasing [which was then captured by the joint venture with GM] and Quality" that could help them to understand concrete details of suppliers' capabilities when relational embedding did not suffice. And where a more centralized structure had undermined the engineers of the "Component Development Platform", from our first "moment", by limiting their ability to make credible commitments to suppliers, the team in charge of Project X could exploit balkanization at Fiat to provide cooperative supplier engineers with insights into the (otherwise opaque) inner workings of components and systems that would in fact go into production. That insight would help those suppliers to win contracts to supply parts in volume if the project was a success (and it did in fact prove valuable as Project X gave birth to a model that came out on time, on budget, and that sold well).

Those sales were important in and of themselves, as the company was hemorrhaging cash. Project X was more broadly significant, however, for an additional reason. The team found that the learning garnered through more direct component design allowed them to coordinate suppliers' engineering and design activities more effectively than when they eschewed direct component design and focused their energies just on system integration. This gave essential grist to subordinate groups internal to Fiat unhappy—as a top technology officer told us—that "engineers in the company had just delegated design and engineering to somebody else, usually outside the

company.” The new diagnosis, he explained, ran interestingly opposite to frames that had been prevalent across the network just a few years previously: the company had made a mistake by investing just in “architectural” know-how since “you cannot integrate components’ performances you know very little about ... If you have never designed a component or a system it is very difficult to understand the subtle interactions with the rest of the vehicle.” But, he continued, the seemingly obvious solution—“We [Fiat] should have reversed our strategy by integrating back competences that we had lost”—was off the table because, “We [Fiat] had two problems ... no money and no time.”

Informed by the experience of Project X, this rising coalition drove Fiat to “quasi-insource.” By “quasi,” we mean that Fiat staff did not exactly eschew their heavy reliance on design outsourcing, but did involve themselves in a far broader array of direct component design. This logic was subsequently extended to projects in which Fiat developed “template” models in the hopes of then amortizing those relatively heavy investments in engineering solutions across a series of “derivative” models spun off more quickly and cheaply (see Zirpoli & Becker, 2009). This frame partially reflected the underlying logic of the Components Development Platform disbanded a few years earlier, so it was naturally accompanied by the (re)formation of an organizational unit tasked with transforming the company from a mere “integrator” to instead a “creator” of technologies. As before—though this time due as much to capital constraints as to framed commitment—the unit could neither hire many new personnel nor just expand out from their one remaining area of deep technical expertise (engine technologies) to related technologies in a classic insourcing strategy; they would necessarily rely heavily on supplier personnel located internal to and beholden to their own employers. But there was a key difference: engineers deployed both to that unit and to the platform teams were in a position to form a very different and much more robust set of alliances across the vertical network in question due to the unwinding of the Fiat-GM alliance in 2005.

Many accounts of that unwinding focus on Fiat’s extraction of 1.55 billion euros from GM in the divorce. There is little disputing that the cash was important, but for the longer-term evolution of the network (contingent on surviving) it is more significant that the purchasing division was also released from its poorly performing joint venture and could be co-opted by the rising faction. This was done at the top with the appointment of a high-level manager who had initially made his career on the engineering side of the company; and then in the ranks by dropping the “very rigid” procedures that had denied middle and lower-level staff “creativity” in the performance of their tasks (we are here using descriptors offered us in 2008 by a mid-level interviewee in that department). This allowed that rising faction that was focused on regaining control of key components and systems development (thanks to direct exposure to design and engineering of those components and systems in “template” projects) to make a big bet on a new sort of outsourcing that would leverage strong cross-cutting ties linking Fiat to engineering suppliers like Magna Steyr and Pininfarina (one tie was especially strong: Fiat’s new Chief Technical Officer was previously at Magna Steyr).

Engineering suppliers had historically served a role in the industry, helping assemblers to develop “niche” products with relatively small anticipated volumes. Fiat’s rising coalition bet that the combination of engineering solutions learned through heavy involvement in template models and deep ties into engineering suppliers would allow them to guide these latter in the development of a series of mass derivative models. This engendered new forms of blurring of the boundaries and command structures of organizational units as Fiat personnel were necessarily involved in “triangular” organizational relationships. It meant, specifically, that the responsibility for product performance sat with an engineering supplier but the long-term relationships with suppliers developing components would be managed by Fiat employees. Those relationships did not always run smoothly but did still allow Fiat to cut the lead time from 26 to 24 months for products using a new architecture and by as much as 15 months for derivative projects (these measures vary according to model

segments). Compared with the *Stilo*, costs of a new model development based on a new architecture but in the same market segment were halved while costs for the development of derivative models were reduced by as much as two-thirds.

### *Epilogue: multinationalization mark II and a future yet to write*

Most accounts of the events that led Fiat and Chrysler to ink an alliance in 2009 and to merge in 2014 reference the knock-on effects of the global financial crisis of 2008 and the contingent decisions of Barack Obama and his automotive task force as matchmakers. They describe a desperate Chrysler CEO who “wanted a small car so badly he flew to Italy in a body cast to see Sergio Marchionne” (Vlasic, 2011, p. 281), and lauded the latter as the “outsider to the car industry” whose “unfamiliarity with Fiat and the auto sector ended up giving him an edge” because it had given him the oblique vision he needed to cut deals that had once seemed unthinkable (Meichtry, 2009). The model we are developing here disputes neither the obvious significance of linked global crises that have forced changes across more than just the car industry, nor the acumen and boldness of specific decision-makers at specific times. It does, however, wrestle more concretely with the means by which relevant actors *collectively* “make sense of ambiguous signals from the environment” (Kaplan, 2008, p. 731) and, as a consequence, to develop a shared strategic response.

We have focused to this point on European players who were—or who at least became—central participants in the framing contests we have identified, highlighting “counter-mobilization” in the periphery of the production network. Here we note also that players outside that European core had not sat static in the interim. Consistent with Kostova and Roth’s (2002) finding that more dependent subsidiary units are less likely to implement organizational practices pushed on them by those parents, the failure of the 178 project to meet its ambitious sales goals had left personnel at subsidiaries to chafe at the expectation that they merely adapt imported technology to local conditions. Athreye, Tuncay-Celikel, and Ujjual (2014, p. 108) report, for instance, that Fiat’s subsidiaries in Brazil had sought to do more than just develop new models on the 178 platform—which was foreseen in the project itself, reflecting the logic of modularity—and had in fact undertaken “clear qualitative upgrade in terms of [their] development” competencies by exploiting their local (“external”) embedding in the host milieu. They had done so by exploiting “strong ties between the two Fiat subsidiaries in Brazil, and interactions with external suppliers [in ways that] allowed more autonomous product development” (Athreye et al., 2014, p. 108; Mudambi & Navarra, 2004).<sup>12</sup>

Fiat’s project development organization in Brazil—in Betim—had numbered just 150 in the late 1990s when it had been expected simply to tweak platforms with an eye towards demand conditions in the developing world. That small unit, however, became a logical ally of Fiat’s Turinese technical divisions as these latter sought in the wake of Project X to “quasi-insource” on the cheap in collaboration with suppliers, and then to look for help developing derivatives on the basis of the template models. This was abetted, also, because Fiat’s European engineers were already working with suppliers that had their own subsidiaries in Brazil (i.e., they hoped to exploit a parallel “internal” embedding of MNC suppliers’ own corporate networks). Fiat’s technical divisions consequently directed some investments towards South America and tasked the subsidiary with the eventual development of a derivative model on the basis of the Fiat’s “mini” template. Betim’s headcount grew steadily as a consequence, tripling to 450 by 2005 and nearly doubling again (to 850) by 2008 with engineers, also, rotating more regularly through Turin (Ibusuki, 2011, p. 116). And, crucially for purposes here, the subsidiary had by late 2008 made considerable progress towards the 2010 launch of their “100% Brazilian” Fiat *Novo Uno*.

The project resonated in its success with the prognostic frame that had begun simultaneously to develop in the network helmsman’s European core. Fiat had proved able to rapidly remake its product

development processes across a range of derivative models (including iconic ones such as the Fiat 500) and sites not just because the development of engineering “templates” had allowed the automaker to spin models out quickly, in variety, on budget and on schedule. It had also guided the formation of a series of inter-organizational routines across the formation of what we referred to above as “triangular” organizational relationships with complex reporting requirements. Those routines proved effective in the coordination of the development of derivative models across multiple and “cross-”embedded actors at Fiat, at engineering suppliers, and at component and system suppliers in Europe. Their successful and subsequent deployment internal to the MNC, but across local context, in Fiat’s South American operations helped provide Fiat leadership with the cognitive, material, and political resources to convince the core of a sustaining coalition—located not just in the technical divisions but also in key MNC suppliers—that an alliance with Chrysler offered more than just new access to a North American market abandoned by Fiat nearly three decades previously.

A full account of the sudden incorporation into the network in question of a vast range of newly relevant actors embedded in their own histories and relations runs beyond our scope. However, it is worth noting the words in 2011 of a key manager reflecting continuity in frame. Fiat, he said, was aiming to “restore dignity to the technical areas of the company” in reaction to Chrysler’s previous ownership, these “Wall Street types [where], you know, there was not an emphasis on putting resources against these types of activities”—where by “these types” he meant investments in technology and engineering. The “end of their [old Chrysler’s] story” was that they would just

conclude [their] design model and then ... find suppliers and ask them to offer it. When you have completely given up the competence, you can’t even judge the feasibility. It is difficult to make a judgment on the offers you get in terms of development cost, investment.

So, perhaps unsurprisingly, there are obvious parallels in a dominant-at-time-of-writing prognostic frame that has seen Fiat-Chrysler’s Auburn Hills outpost first quasi-insource design in projects in ways strikingly similar to practice in Turin in the early 2000s, and second, place staff with close ties to the engineering division in leadership positions in the purchasing division and make quite deliberate efforts to repair frayed relationships with suppliers.

## Discussion and Conclusion

In an oft-cited “criteria for evaluation” for new theory in the study of organization, Bacharach (1989, p. 497) underscores that metaphors are not themselves theory but “may well serve as precursors to theory.” Their utility is in their heuristic value, in the “propositions and hypotheses that derive from the imagery” they evoke. There is little disputing that March’s imagery of the business firm as a political coalition has, with the help of the rest of the Carnegie School, generated many useful propositions. We emphasize that our analysis cannot and should not gainsay a half century of organization studies using that core model depicting the goals and composition of organizations as less given than bargained. Our point has been to take seriously mounting evidence that, as Powell (2001, p. 35) has eloquently observed, the current period is marked by a “disruptive and costly period of adjustment to a new logic of organizing” across any number of organizational fields. This has motivated us (i) to clarify the scope of application of that extant body of research, while (ii) linking March’s seminal imagery to an alternative theory of coalitional bargaining more sensitive to “boundaries of ... firms ... so porous that to focus on boundaries means only to see trees in a forest of interorganizational relations” (Powell 2001, p. 35).

This extends the Marchian insight that firms are less a coalition than they are bundles of potential coalitions into new contexts without, however, demanding a sharp conceptual break with prior

art. It is enough just to recombine and repurpose ideas common to studies of both organization and of social movement to analyze patterns of contestation within and across firms in order to better identify: (i) actors' deployment of discursive resources (frames) that resonate with actors in other organizations or organizational units whose cooperation they need to achieve their goals; and (ii) their exploitation of concrete patterns of relational embedding between parties within and across organizations. That recombination clarifies, for instance, when and why "losing" coalitions reappear, despite their disaggregation, even when their members exit the company (e.g., those members may just disperse to suppliers or elsewhere in the organizational field, only to "activate" as conditions change). Similarly, it explains why the quashing of the frames around which coalitions have mobilized need not mean that the managerial ideologies on which they rest are banished too; in fact, subordinate players and subordinate frames remain—for better or for worse—important latent sources of continuous contestation and change.

We have also shown how this model helps to "ascertain similarities as well as deviations" between our case and others (Coser & Merton, 1971, p. 223) (as per our claims in the introduction) across our discussion of Fiat's decision to globalize production in the 1990s by building factories abroad while centralizing finance, R&D, and product development in Turin. This meant that those subsidiaries never became consequential players in the coalitional politics of the network. Instead, Fiat's initial access to global knowledge flows—at a time of very substantial technological ferment—turned on Fiat's ability to bring that knowledge to Turin both by encouraging outward investments by historic local suppliers and inward investments in Italian subsidiaries by multinational suppliers. This identifies a class of phenomenon—the uneven intra- and inter-organizational transfer of strategic knowledge and practice (see, e.g., Kostova, 1999; Kostova & Roth, 2002)—that is of theoretical interest across a range of organizational fields by demonstrating: (i) that the key initial contests took place largely in and around one historic industrial region that served as a node in larger global networks; while (ii) tracing how those practices diffused (or did not) as the network in question evolved towards a more "heterarchical" and more truly global multinational form.

Because we rely on conventional conceptual constructs, our findings are easily compared to other studies of the challenges of coordinating complex interdependent tasks especially across organizational boundaries. MacDuffie's (2013, p. 37) analysis of modularity initiatives at Ford and Hyundai offers an example. MacDuffie demonstrates that Hyundai progressed more than Ford towards modular design not in spite of, nor in the hopes of moving beyond, its reliance on "tightly coupled, quasi-integrative organizational relationships" but rather precisely because the Korean automaker had established strong relations with suppliers "well before the modest movement toward greater design modularity that those arrangements made possible." We show that personnel associated with Fiat's Components Development Platform had sought to establish a deep embedding into suppliers with the requisite design competencies before presuming to develop a more modular product architecture which, had it not been blocked, might have sent Fiat along the path taken by Hyundai. Because it was blocked, Fiat instead followed a trajectory more akin to that at Ford wherein "expectations of cost reductions and lessened coordination weren't immediately met, [and] the powerful imperatives of completing a vehicle project on time and at budget ... overrode corporate-level goals of increased adoption of the task force's defined modules" (MacDuffie 2013, p. 25).<sup>13</sup>

Finally, we must clarify how our account compares to alternative theories that might similarly claim to explain the evolution of the network in question. These include approaches that would sidestep our interest in the blurring of organizational boundaries—therefore retaining the essence of March's simplifying assumption—by giving causal primacy to dynamics at the macro- or field level. Dunford (2009), for instance, roots Fiat's troubled globalization in the chimerical carrot of



“economic expansion in countries that adopted neoliberal programmes of economic reform consistent with the market oriented principles of the Washington Consensus globalization strategy” (Dunford, 2009, p. 145). There are also theories that avoid questions of organizational politics altogether, like institutional theories that highlight “mimesis” and expect “firms [to] most closely observe and imitate the strategic behavior of firms who occupy the same strategic niche rather than the behavior of firms in their industry defined more broadly” (Garcia-Pont & Nohria, 2002, p. 307). Or we might compare to approaches unconvinced that the contemporary MNC has taken on the “character of polities whose ‘citizens’ may engage in collective action” (Davis & Zald, 2005, p. 335) and that expect, with Nadler and Tushman (1990, p. 77) that “the executive [remains] the critical actor in the drama of organizational change” (see, e.g., Clark, 2011).

None of these alternatives is without evidence. It is true, as Dunford (2009, p. 154) observes, that “emerging country markets were far more important in relative terms for FIAT Auto than for other automobile manufacturers,” and that the collapse of the Brazilian and Argentine economies and the ensuing failure of Fiat’s “world car” contributed to Fiat’s near-bankruptcy in 2004. Those who look towards the salience of institutional mimesis can emphasize that Fiat’s pursuit of a partner (GM) came when other relatively small automakers were doing likewise (Daimler-Chrysler in 1998, Renault-Nissan in 1999); it is true also that Fiat turned back towards insourcing around the same time that growing complexity was pushing the industry away from modular product architectures (see, e.g., MacDuffie & Fujimoto, 2010). And those inclined to give causal primacy to top management teams need not limit their attention to the particular role of Fiat’s “turnaround artist” (Gumbel, 2009) CEO Sergio Marchionne, whose arrival in 2004 was quickly followed by radical improvements in Fiat’s performance. It is true also that (i) that uncertainty over the future of the company given the declining health of the scions of the Agnelli family contributed to capital starvation in the 1990s; and (ii) that the deaths of Giovanni Agnelli (in 2003) and his brother Umberto (in 2004) gave Fiat top management new freedoms in their dealings with financial actors.

These alternatives likely explain some of what happened. They do not, however, give nearly the same insight into the range of alternative paths that might plausibly have been taken (and, by implication, have less to say about the range of possible futures as well). So though it is true that field-level pressures pushed Fiat and competitors alike to outsource radically in the 1990s, it is true also that key players in Fiat’s “losing” faction had amassed a series of potentially effective engineering solutions, and a different outcome to framing contests at the time might have left Fiat with a far stronger product palette going into the downturn of 2002. Likewise, the strategy put in place by the rising faction after the crisis was greatly aided by thick social relations between project teams and key suppliers maintained only as an accidental byproduct of the company’s balkanization between 2000 and 2002. And in response to those who focus on leaders, we note that the choices made by Fiat leadership are only obviously bad with the benefit of hindsight. It may be apparent *now* that the company’s embrace of a modular outsourcing strategy and a “hybrid” purchasing strategy failed. But the decision was well grounded in academic and prescriptive managerial writing of the period (e.g., Garud, Kumaraswamy, & Langlois, 2003; Sanchez & Mahoney, 1996). And though Marchionne’s arrival has of course coincided with a dramatic turnaround, it is true too that key cognitive and relational tools deployed to mobilize support on his watch were wrought and trialed initially in cross-firm product development platform teams prior to his appointment.

Our point is not so much to somehow refute the sometimes utility of such macro- and micro-levels of analysis. It is rather to identify theoretically salient phenomena at the meso-level that are, moreover, irreducible to the terms of either. Field-level phenomena like, for instance, the rise of a broad managerial discourse on modularity served as essential stuff in a key frame actors used in our story to identify which actions would (they thought) serve their interests. Similarly, those actors behaved strategically and made use of power and other resources in the pursuit of their

interests—as in resource dependence approaches. But there is good evidence that those interests were not fixed, that goals were shaped by frames constructed piecemeal, and there is thus no reason simply to grant the “paradigmatic privilege” afforded to accounts of action that read interests from structure and that therefore ignore the role of framing and cognition in organizational strategy-making (Kaplan, 2008; Whitford & Zirpoli, 2014). We have thus portrayed Fiat’s leadership as beholden to many parties as they negotiate the composition and activities not just of Fiat, but also of a broader array of firms linked by a combination of contract and familiarity. Our account is not blind to power but does show that power in vertical network organizations is decreasingly obtained from structural positions in hierarchies insofar as it becomes possible also to mobilize support across blurred organizational boundaries by turning towards “discursive resources” (Levina & Orlikowski, 2009) and towards actors embedding across a cross-cutting range of organizational milieux.

### Acknowledgements

This article is a joint endeavor. The listing of author names is alphabetical. It has been a long time in the making. There are hence many more to thank than we can list here. We would however like to express especial gratitude to Markus Becker, Daniel Beunza, Aldo Enrietti, Sarah Kaplan, John Padgett, and Andrew Schrank for helpful comments on specific drafts or presentations of the material.

### Funding

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

### Notes

1. Some refer to such diffuse organizational structures as “hybrids” or “quasi-firms.” The prevailing view, following Powell (1990), holds it more useful to think of the network form of organization as “neither market nor hierarchy” but as a distinctive form with some of its own logics.
2. For reasons of space, we black-box the prior transformation of Fiat from a Fordist firm into the vertical network form, referring the reader to Whitford and Enrietti (2005) and Locke (1995).
3. We will come back to this in the third section. Here we simply acknowledge that in the cross-section—rather than the longitudinal perspective that now informs our thinking—the similarities between Fiat’s and competitors’ responses to global pressures and shifting technologies seemed more salient than the differences.
4. Our account is complementary to MacDuffie’s. His study is cross-sectional in design, comparing a single main initiative at each automaker as a means to unpack variation in the organizational field. We have data from longer periods of time, on a greater diversity of initiatives across a single production network, and are oriented towards a set of research questions concerned to explain more precisely how coalitional struggle and organizational politics shape the dynamic evolution of the network in question.
5. This is in line with a standard resource dependence account, as they acquired that centrality due to the company’s growing reliance on external sources of innovation. We return and differentiate our account from alternatives—including standard resource dependence views—in the third section.
6. Fiat’s unions had also been all but broken by their devastating defeat in the 1980 strike (Locke, 1995).
7. The argument here is not that one frame was “verified” and the other “falsified.” Frames shape understandings of interest and, consequently, action. The prognosis of the latter group was not—in their view—sufficiently enacted across the network to know.
8. Suppliers similarly remarked on the loss of competencies at Fiat in those years.
9. Internal presentations show, for instance, that Fiat in 2006 produced 32 models across 19 different product architectures, and had 16 different component families in the HVAC (heating, ventilation, and air conditioning) system; for comparison, in 2010 there were more models but fewer architectures and HVAC component families (38, 11, and 8 respectively).

10. See *The Economist* (June 26, 2003), "Can it be Saved."
11. We remark on the 178, the *Stilo*, and later the mini/378 by name because we drew on public data; our knowledge of Project X includes details given in confidence.
12. We are aware from our interviews of views in Turin and Detroit towards those subsidiaries, but did not conduct interviews in Brazil. We rely for accounts of goings-on at Betim on extant case studies including especially Ugo Ibusuki's (2011) doctoral thesis, as well as articles and papers by Consoni and Quadros (2006); Balcet and Consoni (2007); and Athreye et al. (2014).
13. See also McDermott et al.'s (2013) discussion of "Strategic modularity and the architecture of the multinational firm." They too find that "the observed level of modularization ... varies across firms within industries." This is consistent with our—and MacDuffie's—claim that these ideas are "frames" and contested; there is no one-to-one relationship between organizational architecture and product architecture.

## References

- Aldrich, H., & Herker, D. (1977). Boundary spanning roles and organization structure. *Academy of Management Review*, 2, 217–230.
- Aoki, M. (1971). Two planning processes for an economy with production externalities. *International Economic Review*, 12, 403–414.
- Athreye, S., Tuncay-Celikel, A., & Ujjual, V. (2014). Internationalisation of R&D into emerging markets: Fiat's R&D in Brazil, Turkey and India. *Long Range Planning*, 47, 100–114.
- Bacharach, S. B. (1989). Organizational theories: Some criteria for evaluation. *Academy of Management Review*, 14, 496–515.
- Balcet, G., & Consoni, F. L. (2007). Global technology and knowledge management: Product development in the Brazilian car industry. *International Journal of Automotive Technology and Management*, 7, 135–152.
- Balcet, G., & Enrietti, A. (2002). The impact of focused globalisation in the Italian automotive industry. *Journal of Interdisciplinary Economics*, 13, 97–134.
- Balcet, G., Ferlaino, F., & Lanzetti, R. (1999). *Multinazionali in Piemonte: fattori localizzativi, strategie di investimento e impatto regionale*: IRES Piemonte.
- Baldwin, C., & Clark, K. (2000). *Design rules: Volume 1. The power of modularity*. Cambridge: MIT Press.
- Barley, S. R., & Kunda, G. (1992). Design and devotion: Surges of rational and normative ideologies of control in managerial discourse. *Administrative Science Quarterly*, 37, 363–399.
- Baudry, B., & Chassagnon, V. (2012). The vertical network organization as a specific governance structure: What are the challenges for incomplete contracts theories and what are the theoretical implications for the boundaries of the (hub-) firm? *Journal of Management & Governance*, 16, 285–303.
- Becker-Ritterspach, F., & Dörrenbächer, C. (2009). Intrafirm competition in multinational corporations: Towards a political framework. *Competition & Change*, 13, 199–213.
- Benford, R. D., & Snow, D. (2000). Framing processes and social movements. *Annual Review of Sociology*, 26, 611–639.
- Bianchi, R., Enrietti, A., & Lanzetti, R. (2001). The technological car district in Piedmont: Definitions, dynamic, policy. *International Journal of Automotive Technology and Management*, 1, 397–415.
- Brady, T., & Davies, A. (2004). Building project capabilities: From exploratory to exploitative learning. *Organization Studies*, 25, 1601–1621.
- Campbell, J. L. (2005). Where do we stand? Common mechanisms in organizations and social movements research. In G. Davis, D. McAdam, W. R. Scott & M. Zald (Eds.), *Social movements and organization theory* (pp. 41–68). Cambridge: Cambridge University Press.
- Chesbrough, H., & Kusunoki, K. (2001). The modularity trap: Innovation, technology phases shifts and the resulting limits of virtual organisations. In I. Nonaka & D. Teece (Eds.), *Managing industrial knowledge*. London: SAGE Publications.
- Choi, T. Y., & Hong, Y. (2002). Unveiling the structure of supply networks: Case studies in Honda, Acura, and DaimlerChrysler. *Journal of Operations Management*, 20, 469–493.
- Clark, J. (2011). *Mondo Agnelli: Fiat, Chrysler, and the power of a dynasty*. Chichester: John Wiley & Sons.

- Clemens, E. (2005). Two kinds of stuff: The current encounter of social movements and organizations. In G. Davis, D. McAdam, W. R. Scott, & M. Zald (Eds.), *Social movements and organization theory* (pp. 351–366). Cambridge: Cambridge University Press.
- Consoni, F., & Quadros, R. (2006). From adaptation to complete vehicle design: A case study of product development capabilities in a carmaker in Brazil. *International Journal of Technology Management*, 36(1–3), 91–107.
- Coser, L. A., & Merton, R. K. (1971). *Masters of sociological thought: Ideas in historical and social context*. New York: Harcourt Brace Jovanovich.
- Davis, G., & Zald, M. (2005). Social change, social theory, and the convergence of movements and organizations. In G. Davis, D. McAdam, W. R. Scott & M. Zald (Eds.), *Social movements and organization theory* (pp. 335–350). Cambridge: Cambridge University Press.
- Dunford, M. (2009). Globalization failures in a neo-liberal world: The case of FIAT Auto in the 1990s. *Geoforum*, 40, 145–157.
- Dyer, J. (2000). *Collaborative advantage: Winning through extended enterprise supply networks*. New York: Oxford University Press.
- Dyer, J. H., & Chu, W. (2000). The determinants of trust in supplier-automaker relationships in the US, Japan, and Korea. *Journal of International Business Studies*, 31, 259–285.
- Eisenhardt, K., & Graebner, M. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal*, 50, 25–32.
- Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, 14, 532–550.
- Engler, D. E. (2015). Is it a car or a truck? Managerial beliefs, the choice of product architecture, and the emergence of the minivan market segment. *Industrial and Corporate Change*, 24, 697–719.
- Enrietti, A. (1987). La dinamica dell'integrazione verticale alla Fiat Auto Spa. *Economia e politica industriale*, 55, 113–145.
- Fiat Group (2000). *The Fiat Group in 1999: Consolidated and Statutory Financial Statements: Report on Operations*.
- Fligstein, N. (1990). *The transformation of corporate control*. Cambridge: Harvard University Press.
- Fligstein, N. (2001). *The architecture of markets: An economic sociology of twenty-first-century capitalist societies*. Princeton, NJ: Princeton University Press.
- Forsgren, M. (2013). *Theories of the multinational firm: A multidimensional creature in the global economy*. Cheltenham: Edward Elgar Publishing.
- Garcia-Pont, C., & Nohria, N. (2002). Local versus global mimetism: The dynamics of alliance formation in the automobile industry. *Strategic Management Journal*, 23, 307–321.
- Garud, R., Kumaraswamy, A., & Langlois, R. (Eds.) (2003). *Managing in the modular age*. Malden, MA: Blackwell.
- Geppert, M., & Dörrenbächer, C. (2014). Politics and power within multinational corporations: Mainstream studies, emerging critical approaches and suggestions for future research. *International Journal of Management Reviews*, 16, 226–244.
- Ghoshal, S., & Bartlett, C. A. (1990). The multinational corporation as an interorganizational network. *Academy of Management Review*, 15, 603–626.
- Goffman, E. (1974). *Frame analysis: An essay on the organization of experience*. New York: Harper & Row.
- Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, 91, 481–510.
- Gulati, R. (1995). Social structure and alliance formation patterns: A longitudinal analysis. *Administrative Science Quarterly*, 40, 619–652.
- Gumbel, P. (2009). Chrysler's Sergio Marchionne: The Turnaround Artista, *Time*, June 18, 2009. Available at <http://content.time.com/time/magazine/article/0,9171,1905416,00.html>
- Hedlund, G. (1986). The hypermodern MNC—A heterarchy? *Human Resource Management*, 25, 9–35.
- Ibusuki, U. (2011). *Localization of Product Development based on Competitive Advantage of Location and Government Policies: Case-study of Carmakers in Brazil*. PhD dissertation, Graduate School of Asia-Pacific Studies, Tokyo University.
- Kaplan, S. (2008). Framing contests: Strategy making under uncertainty. *Organization Science*, 19, 729–752.

- Kostova, T. (1999). Transnational transfer of strategic organizational practices: A contextual perspective. *Academy of Management Review*, 24, 308–324.
- Kostova, T., & Roth, K. (2002). Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. *Academy of Management Journal*, 45(1), 215–233.
- Krippner, G., & Alvarez, A. (2007). Embeddedness and the intellectual projects of economic sociology. *Annual Review of Sociology*, 33, 219–240.
- Levina, N., & Orlikowski, W. (2009). Understanding shifting power relations within and across organizations: A critical genre analysis. *Academy of Management Journal*, 52, 672–703.
- Locke, R. (1995). *Remaking the Italian economy*. Ithaca, NY: Cornell University Press.
- MacDuffie, J. P. (2008). *Technological and organizational barriers to modularity: Persistent integrality in the global automotive industry*. Mimeo. Philadelphia: Wharton.
- MacDuffie, J. P. (2013). Modularity-as-property, modularization-as-process, and ‘modularity’-as-frame: Lessons from product architecture initiatives in the global automotive industry. *Global Strategy Journal*, 3, 8–40.
- MacDuffie, J. P., & Fujimoto, T. (2010). Why dinosaurs will keep ruling the auto industry. *Harvard Business Review*, June.
- March, J. (1962). The business firm as a political coalition. *Journal of Politics*, 24, 662–678.
- McDermott, G., Mudambi, R., & Parente, R. (2013). Strategic modularity and the architecture of multinational firm. *Strategic Management Journal*, 3(1), 1–7.
- Meichtry, S. (2009). Marchionne to apply experience at Fiat to revive Chrysler, *Wall Street Journal*. May 1, 2009.
- Meyer, K., Mudambi, R., & Narula, R. (2011). Multinational enterprises and local contexts: The opportunities and challenges of multiple embeddedness. *Journal of Management Studies*, 48, 235–252.
- Mudambi, R., & Helper, S. (1998). The ‘close but adversarial’ model of supplier relations in the US auto industry. *Strategic Management Journal*, 19, 775–792.
- Mudambi, R., & Navarra, P. (2004). Is knowledge power? Knowledge flows, subsidiary power and rent-seeking within MNCs. *Journal of International Business Studies*, 35, 385–406.
- Nadler, D., & Tushman, M. (1990). Beyond the charismatic leader: Leadership and organizational change. *California Management Review*, 32(2), 77–97.
- Negrelli, S. (2004). The outsourcing “prince”: Models of supply chain governance in the Italian automobile districts. *Industry and Innovation*, 11, 109–125.
- Powell, W. (2001). The capitalist firm in the twenty-first century: Emerging patterns in Western enterprise. In P. DiMaggio (Ed.), *The twenty-first-century firm: Changing economic organization in international perspective* (pp. 3–30). Princeton, NJ: Princeton University Press.
- Powell, W. (1990). Neither market nor hierarchy: Network forms of organization. In B. Staw & L. L. Cummings (Eds.), *Research in Organizational Behavior* (Vol. 12, pp. 295–336). Greenwich, CT: JAI Press.
- Rugman, A., Verbeke, A., & Yuan, W. (2011). Re-conceptualizing Bartlett and Ghoshal’s classification of national subsidiary roles in the multinational enterprise. *Journal of Management Studies*, 48, 253–277.
- Sanchez, R., & Mahoney, J. (1996). Modularity, flexibility, and knowledge management in product and organization design. *Strategic Management Journal*, 17, 63–76.
- Schulze, A., MacDuffie, J. P., & Täube, F. A. (2015). Introduction: Knowledge generation and innovation diffusion in the global automotive industry—change and stability during turbulent times. *Industrial and Corporate Change*, 24, 603–611.
- Smith-Doerr, L., & Powell, W. (2005). Networks and economic life. In N. Smelser & R. Swedberg (Eds.), *The handbook of economic sociology*, 2nd edition (pp. 379–402). Princeton, NJ: Princeton University Press.
- Smith, W., & Tushman, M. (2005). Managing strategic contradictions: A top management model for managing innovation streams. *Organization Science*, 16, 522–536.
- Somers, M. R. (1998). ‘We’re no angels’: Realism, rational choice, and relationality in social science. *American Journal of Sociology*, 104, 722–784.
- Testore, R. (1998). World class manufacturing demands world class suppliers. *European Journal of Purchasing & Supply Management*, 4, 3–5.

- Uzzi, B. (1996). The sources and consequences of embeddedness for the economic performance of organizations: The network effect. *American Sociological Review*, 61, 674–698.
- Vlasic, B. (2011). *Once upon a car: The fall and resurrection of America's big three automakers—GM, Ford, and Chrysler*. London: Harper Collins.
- Wheelwright, S., & Clark, K. (1992). *Revolutionizing product development: Quantum leaps in speed, efficiency, and quality*. New York: Free Press.
- Whitford, J., & Enrietti, A. (2005). Surviving the fall of a king: The regional institutional implications of crisis at Fiat Auto. *International Journal of Urban and Regional Research*, 29, 771–795.
- Whitford, J., & Zirpoli, F. (2014). Pragmatism, practice, and the boundaries of organization. *Organization Science*, 25, 1823–1839.
- Wry, T., Cobb, J. A., & Aldrich, H. E. (2013). More than a metaphor: Assessing the historical legacy of resource dependence and its contemporary promise as a theory of environmental complexity. *Academy of Management Annals*, 7, 441–488.
- Zirpoli, F., & Becker, M. (2009). *Beyond product architecture: Division of labor and competence accumulation in complex product development*. Available at SSRN: <http://ssrn.com/abstract=1031931>.
- Zirpoli, F., & Caputo, M. (2002). The nature of buyer-supplier relationships in co-design activities: The Italian auto industry case. *International Journal of Operations and Production Management*, 22, 1389–1410.

### Author biographies

Josh Whitford is an associate professor of sociology at Columbia University. Much of his research has focused on the social, political, and institutional implications of productive decentralization (outsourcing).

Francesco Zirpoli is professor of management and director of the Center for Automotive and Mobility Innovation at Università Ca' Foscari Venezia. He is interested in organizational routines, network governance, organization boundary decisions, and the organization of innovation processes.