# The power potential of the less-powerful within networks.

# A political sensemaking process (PSP) model of rapid network development and dissolution.

## *Discourse as deus ex-machina*

*James Fairhead*
*Ray Griffin*
*Department of Management & Marketing*
*University College Cork*
*Ireland*
*Tel: 00353 (0)21 902791*
*E-mail: j.fairhead@ucc.ie*

The paper commences by introducing the preliminary research question, which broadly asks about the nature and role of power and political process in relationship/network development in general, and within multinational corporations (MNCs) more specifically. The paper then presents perspectives on power drawn broadly from the management and sociology literature before summarising some of the key orientations to relationships and change within the industrial network literature, and more specifically, the role within these of power and political process. It appears that the historically prevailing view has been that relationships within networks develop gradually and cumulatively over time, with power playing what might be termed a 'concrete' role in such a process, based primarily on identifiable resource dependencies. The concept of 'system power', beginning to emerge in the management and organisation literature, is not explicitly articulated. In short, the less-powerful are seen as facing formidable obstacles in seeking to achieve enhanced network positions and control and it is not clear under what circumstances rapid network change can be induced, let alone how the less-powerful might be able to induce it.

These two literature reviews therefore help raise a more specific research question, which is the nature and significance of 'invisible' and 'impersonal' discourse-based power within relationships and networks and its association with rapid network change.

To help address this question, the paper next introduces a case-study of rapid network change within a multi-national corporation (MNC) environment, and analyses this using each of the power dimensions in turn. Most significantly, this analysis highlights the power potential of the less-powerful within networks, as well as the possibility of quasi-instantaneous relationship development and rapid change (*pace* the network literature) — that may be associated with discourse-based 'system' power.

The paper concludes by proposing a 'Political Sensemaking Process' (PSP) model of network change, which allows for the possibility of rapid change in both  xxxxx

## Introduction

What is the nature and role of power and political processes within organisations and society? As we shall discuss below, even within the wider sociological literature, where power has been for many years quite central to the research agenda, such questions are fraught with disagreement. By contrast, within significant sections of the management and organisation literature, as we shall argue, power is not just a problematic concept but much-ignored, or at least taken-for-granted. In light of this, therefore, we might reasonably think it fruitful to examine the industrial network literature, too, to understand the the more-or-less explicit assumptions about the nature of and role of power and political process in the development and dissolution of relationships and networks.

The paper therefore begins by reviewing some of the literature specifically addressing the issue of power within sociology, organisation studies and the business policy literature. Following on from this we will review some of the key orientations to relationships and change within the industrial network literature, and more specifically, the role within these of power and political process. This two-track review will then pave the way for an analysis of a case study of strategic and structural change within an MNC network.

## The concept of power in the management and sociology literatures

The sociologist Rosabeth Moss Kanter (1983) has fetchingly described the role and nature of power in organising and managing as 'one of management's last dirty secrets'. In support of this contention we would cite our own review of the MNC literature, following Birkinshaw and Morrison's [1995] typology (Griffin & Fairhead 1999). This found that while power becomes an increasingly significant factor in the literature, it remains almost entirely implicit.

Nonetheless, over the last twenty years, both the organisation and business policy literature have increasingly espoused the view that power and political processes are an important component of strategy formulation and change (see Gray and Ariss, 1985 for a useful review).

One formative study was Mintzberg's (1983) book 'Power in and around the Organization'. However as Gray and Ariss (1985) note, recent perspectives on power can be traced back to Crozier (1964), March and Simon (1958) and ultimately Weber (1947).

The *raison d'être* of the political perspective on organisations is well-expressed by another theorist, Jeffrey Pfeffer (1982):

'Organisations, particularly large ones, are like governments in that they are fundamentally political entities. To understand them, one needs to understand organisational politics, just as to understand governments, one needs to understand government politics'.

One possible reason for the historical neglect of power in the management and organisation literature is that up until the late 1970s, power was still regarded as a negative term in organisation studies (Salancik and Pfeffer, 1977). Of course it was widely understood at the time that power was an important feature of organisations but many attributed its significance to the underdeveloped state of the 'science' of management (Pfeffer, 1992).

To complicate matters further, researchers have long noted the confusion that exists concerning the definition of power (Hardy, 1996). In *Power: A Radical View* (1974) Lukes

provides an influential summary of earlier writings on power. He studied and critiqued two previous conceptions of power by Dahl (1957) and Bachrach and Baratz (1962) before proposing an additional dimension. Lukes's review has in turn been criticised and complemented by Hardy (1996) who has proposed that a further 'invisible' and 'impersonal' dimension of power — termed 'system power' — should usefully be added to Lukes's taxonomy.

We turn now, therefore, to a review of these various conceptions of power, before refining our research question at the end of this sub-section.

### *Dahl's view of power — power derived from resources and deliberately used in a conflict*

Lukes categorises Dahl's (1957, 1961) conception of power as incorporating only a 'first-dimension' of power. Power within this view is "the ability to get another person to do something that he or she would not otherwise have done" (Dahl 1961). Fundamentally the exercise of power entails conflict. More specifically, the process of power works through the realm of decision-making with the winner prevailing through the possession of superior resources, acumen, or both (Lukes 1974). Actors with the means to control resources can cause outcomes. Clegg (1989) describes power at this level as "the most apparent, evident and economical circuit of power".

### *Bachrach and Baratz's view of power — power derived from control over process and deliberately used to head off conflict*

Lukes also talks of a 'second-dimension' to power, espoused by Bachrach and Baratz (1962). Bachrach and Baratz (1970) critiqued Dahl, highlighting another, less visible, face of power. They note how power is often wielded to systematically exclude potential competitors from the process of decision-making, or to confine decision making to 'safe issues'. Thus they suggest that the existence of conflict is obscured as issues are 'suffocated before they are voiced, or kept covert; or killed before they gain access to the relevant decision-making arena' (Bachrach and Baratz 1970, p. 44). Therefore the use of power can be seen not only in the overt attempts to influence decision-making, but also in the more subtle ways that issues put forward for decision making are selected and presented, in such a way as to head off the mere possibility of conflict.

Clegg (1989) refers to both these first two dimensions of power as 'prosaic conceptions, that stress domination as the centrepiece of the exercise of power.'

### *Lukes' third dimension of power — power derived from the ability to manage meaning for others and deliberately used to negate conflict*

Lukes's (1974) contribution has also drawn attention to a totally invisible face of power, the ability to manage meaning and shape perceptions, cognition and preferences in more cultural and ideological ways. The dominated are not only powerless, *but are unaware of their powerlessness.*

Within this dimension, power is vested in the ability to define reality for others, so that they internalise the existing order as 'divinely ordained and beneficial', or at least acquiesce in it because they can 'imagine no alternative' to it (Lukes 1974). Mueller (1973) notes that such groups, 'have been socialised into compliance, so to speak, they accept the definitions of political reality as offered by dominant groups, classes or government institutions'.

Lukes proposes that power elites manage not only the first two dimensions of power but also this third, more subtle, dimension. The three dimensions have been have been summarised by Hardy (1996), as *power over resources, power over processes and power over meaning*.

***Hardy's revision of Luke's model — power derived from 'impersonal and invisible forces'***
One of the two prime weaknesses of Lukes' three-dimensional model, according to Hardy (1996), is that it sees power solely being exercised in a 'top-down' manner. The possibility of the less powerful being capable of influence is explicitly denied. On theoretical grounds, following Foucault (1980), Hardy disputes this assertion, suggesting that one 'should not assume that dominant groups alone have recourse to the ability to define reality' (1996). Consequently Hardy refined Lukes' model to include a 'bottom-up' aspect to each of the three dimensions.

Furthermore, Hardy (*ibid*) proposes a second and more fundamental revision of Lukes' model. She notes that within the model, power is implicitly defined as necessarily operating within a causal relationship. Actors are quite consciously compelling other actors to do something that they would not have done. She suggests a fourth dimension (derived from Foucault), termed 'system power', where power is not consciously mobilised by actors, but is embodied in 'impersonal' and 'invisible' forces that produce advantages and disadvantages for organisational members. In other words, unlike the previous three dimensions, power is not susceptible to deliberate manipulation by any one actor, but impersonally embedded within larger systems. Moreover it is 'invisible' in the sense that it is taken for granted, and hence unnoticed by organisational actors.

Such a conception — quite at odds with the implicitly sovereign and calculating view of power found in the management literature hitherto — prompts us to refine further our research question, and to ask whether and how 'system' power operates within organisational networks, and within MNC networks in particular. As we shall see below, to the extent that power and political process is accorded significance in the network literature, it comes across as much more of a concrete and objectively amenable phenomenon than the one implied by Hardy, following Foucault.

***Perspectives on power and change within the network literature***
Turning now to the industrial network literature, we might first usefully note that power is seen as a major source of network mobilisation and change, to the extent that this does occur. (Sometimes, because of actor self-interest, power is also recognised as a potential force for inertia.) Thus, 'a major question to be asked in a network context is what bases of power do individual actors bring to a particular relationship?' (Easton & Araujo 1992, p69). These power bases are seen in quite objectivist terms, as residing primarily in network 'positions' and resource dependencies: 'by controlling valuable resources the actor gains power in relation to other actors' (Hakansson 1992 p140). The process by which these positions are arrived at is however less well understood (Axelsson 1992 p189).

Despite the fact that 'power' is viewed (somewhat tautologically) as a potent source of development and change within networks, we might do well to remind ourselves that within the historical network literature, the tendency has been to stress continuity rather than change and development rather than destruction or dissolution.

More specifically, networks are widely held to be characterised by relatively stable long-term exchange relationships (Hakansson 1982). These, it is believed, are cemented by a certain

mutuality of orientation, interdependence (especially in respect of resources), bonds of various kinds, including bonds arising from the fact of past investment in such relationships (Easton 1992, p9). The currency of such investments is typically either 'hard' (capital equipment etc) or 'soft' (people, time) (*ibid*).

Though the possibility of relationships being developed through 'soft' exchanges is increasingly contemplated in the literature, and underpinned by the literature's constructivist perspectives (Hakansson & Snehota 1989), the network literature has arguably tended to downplay the significance of non-economic exchanges, even though they are capable of having major 'repercussions' for network development (Easton & Araujo 1992, p69). Most particularly, we might guess, focusing on non-economic exchanges would give us a greater opportunity of identifying and understanding the processes (cultural and cognitive as well as political) by which network change comes about.

Turning now to the time-dimension which characterises relationship development, it has been noted that relationships can sometimes develop rather rapidly (Easton & Smith 1984) or even quasi-instantaneously because of network 'latency' that is actualised by a non-economic *exchange of cognitions* (Fairhead & O'Sullivan 1997) or else as a result of some other latent 'pure potential relationship' (Easton & Araujo 1992 p67). However, the more common view is that social relationships, especially, would tend to develop slowly (Ford 1980; Easton 1992 p12). More broadly, while change can be seen as a 'central feature' of networks (Easton 1992 p21), it tends to be seen as occurring for the most part gradually (*ibid* p11) through processes of 'co-ordination' (*ibid* p23; Lundgren 1992) and 'adaptiveness' (Brennan & Turnbull 1997). While the more vigorous possibility of network 'mobilisation' is also envisaged (Lundgren 1992) it would be generally be seen as achieving outcomes only gradually, without the *sturm und drang* associated with the concept in the political literature: 'evolution is the main mode; revolution is possible but unusual' (Easton 1992 p24). In particular, changes in network 'positions' (or of strategic identity) may not be 'easy to achieve or even... possible' (*ibid* p21). Echoing this view, Lundgren (1992 p161) notes that 'the actor's probability of succeeding in its attempt to change the network will be extremely small'.

Last but not least, it might be suggested that network theories of process tend towards a constructive and developmental perspective. Constructive, in the sense that outcomes are tend to be integrative, holistic and growth-oriented. Developmental (Van de Ven 1992) in the sense that such outcomes may often be a feature of late stages of development (Fairhead & O'Sullivan 1997). Expressed bluntly, the focus is on the creation and development of networks of actors, activities and resources, rather than on their dissolution and destruction, and the possible interpenetrations of these possibilities. Innovation, for example, viewed aptly by Schumpeter (xx) as 'creative destruction', within a network context (as in most of the innovation literature) becomes a rather less contentious activity which serves to bond networks (Hakansson 1987). This is not, however, to say that the possibility of within-network competition and conflict is entirely ruled out. Hakansson and Johanson (1992 p30) note that '[network] actors have, to some extent conflicting interests". Most notably, Easton and Araujo's co-relation framework (1986) posits 'conflict' (among other modes of relationship) as having 'destruction' as its goal. More delicately, the point has been made that the struggle for resource control is seen as sometimes entailing 'disinvestment' in some relationships (Hakansson 1992, p140) or 'displacement' (Smith & Laage-Hellman 1992, p56). As Hakansson & Johanson (1992 p31) note: 'actors can always be dispensed with... if a specific activity disapperas, the network can remain functionally intact because the surrounding activities are adjusted so that they take over the function of the absent activity...'

More usual, though, according to Easton & Araujo (1992 p64), if competition and conflict are envisaged, the tendency is to see them as a 'paradoxical counterbalance within a single relationship (Ford, Hakansson & Johanson 1986).'

## Case-study introduction and methodological discussion

Against this theoretical backdrop, after some brief methodological discussion, a case-study (one of a series of four) will be introduced. This tells the story of how managers of an Irish subsidiary of an American MNC identified the possibility of the 'rationalisation' of European operations during the 90s, and how they decided to work with MNC headquarters (HQ) as a result. They did this by re-conceptualising their own strategic identity in order to make any rationalisation programme happen in a way favourable to their own chances of survival. By the end of the case, the worldwide number of plants had been halved, and the number of European plants reduced from eight to two, with every likelihood that the Irish plant would soon be the sole European production base.

The fieldwork on which this paper is based took place between December 1997 and July 1999. A total of four case studies were collected during this period and were developed primarily through personal interviews over a series of intervals with the General Manager (GM) and senior managers (an average of six in-depth interviews per company). In the case presented here, personal interviews were supplemented not just by internal documents (which were mainly used to corroborate the interviews (cf Denzin 1978 and Jick 1979) but specifically by an 'action learning' dissertation written by the GM. The research was conducted in two phases (Fairhead and O'Sullivan, 1997).

The first phase in all cases consisted of interviewing several managers within the organisation. The research was conducted in accordance with a broadly interpretative approach (Burrell and Morgan, 1979) and consonant with many of the precepts of 'grounded theory' (Glaser and Strauss, 1967). Thus at the beginning of an interview the interviewees were questioned very generally on the organisations' history, which indirectly surfaced the issue of their relationship with their HQ. At such points, interviewees were invited to expand upon the HQ relationship theme, and were encouraged to recount the rich details of their experiences. Only towards the end of each interview were interviewees, if necessary, prompted to analyse their own situation and how that situation came about. During the course of each interview, researcher intervention was kept to a minimum and set out to be encouraging but otherwise non-evaluative (Martin 1966).

At the start of the interviewing phase of the research, project interviews were recorded and subsequently transcribed verbatim. However this was felt to be a barrier to gaining the 'real' story, and latterly in the process recording was dropped in favour of note-taking. It was found that, as a result, interviewees talked more freely about sensitive matters.

These first-phase interviews were carried out not just with the GM but also with divisional managers within the subsidiaries. Thus a 'convergent interviewing' method (Dick 1990) was used, whereby inconsistencies between respondents were highlighted and investigated in later interviews. It further served to broaden and deepen understanding of the case and its context.

The aim however was not just to take account of the subjective experiences and interpretations of the interviewees (Burrell and Morgan, 1979; Brenner, 1985) but to develop higher order explanations of their interactions (Geertz, 1977; Fairhead 1998)

Thus, the second phase of the research was the presentation of the case studies and researcher interpretations of these to the interview participants. The purpose of this phase was partly to correct factual errors and to gather additional detail to enrich the case. It also very importantly enabled both the interviewees and researchers to further develop and refine earlier interpretations. Part of the stimulus for this was the introduction of theoretical ideas from the power and MNC literature. It was in this way that the researchers were able to introduce and substantiate the significant role of various discourses as high-level 'programming' devices for HQ/subsidiary interactions (Geertz, 1977). The corrections and re-interpretations of the data made at this stage were then fed into the case and contributed to the theory-building process.

Prior to the commencement of each interview, certain assurances were made about confidentiality. To this end all names, places and identifying traits have been obscured from each one of the four cases, one of which is presented below, in the form of a case narrative, in which the participants recollect how their behaviours and interpretations, in respect of HQ, have evolved over an eight year period.


## HQ/subsidiary relationships within INVARA Corporation

Invara Incorporated started as an emigrant family-owned company and, in its 60-year history, has grown from four family members working in a machine shop in Shmo, New Jersey, to a world-wide leader in the design, manufacture and marketing of metal and plastic consumer durable products. The corporation employs approximately 25,000 employees in 42 countries. Invara Corporation's well-diversified portfolio includes some of the best known brands in the world.

During the 80s the corporation was catapulted to the forefront of the industry through several large acquisitions. By 1989 Invara had eight roughly equal-sized European plants located in Ireland, Spain, Germany, France, Belgium, Holland, Austria and Italy.

However, the corporation failed to integrate the newly-acquired plants and by 1990, the corporation's revenues were depressed. A long-term rival supplanted Invara on the all-important Fortune 500.  The founding family still held the largest minority holding in the corporation and Wall Street investors reportedly believed that the family did not have the 'guts' to make tough decisions. In the immediate aftermath of the firm's exiting the Fortune 500, Invara's long-standing CEO stood down and his second-in-command, Abe Chambers, took over.

Even before Chambers took over, his emerging agenda was picked up on by the GM of the Irish plant and his colleagues:

**'My first hint of the rationalisation program was when Abe Chambers visited this site in 1989 before his promotion to CEO. He expressed an interest in the Single European Act [that allowed free trade within the EU] and how we felt it would affect our business' (GM of Invara Cork).**
The consequence of this line of questioning became clear to the Irish managers in the aftermath of the visit. As a result of what could be called a 'sensemaking' exercise (Weick 1995)  managers of the Irish subsidiary set in train a process of interpretation and re-

enactment that was to result in a dramatic reconceptualisation of the subsidiary's role within the MNC.

*'In the debriefing session afterwards we put together everybody's notes and observations' (GM of Invara Cork.*

All four of the managers had picked up on the apparent significance of the Single European Act, but it was only through discussion that the implications became clear:

*'We picked up on the rationalisation thing from very scant signs, I know it seems obvious now but then it came as a real shock' (Financial Controller of Invara Cork).*

One thing that emerged during the course of the debriefing meeting was the fact that Chambers had 'earned his spurs' rationalising the North American operations.

*'At the time, everyone in the corporation was aware that a small Canadian plant was being shut down as a result of NAFTA [which allowed free trade between the US, Canada and Mexico] and its market was going to be served from a significantly bigger plant in the US' (GM of Invara Cork).*

The implications as the Irish management saw them were twofold:

*'The question that came out of that session was is it feasible to close a European plant? And then obviously how we could make sure it was not Cork?' (GM of Invara Cork).*

Over the next few weeks the Irish managers' attitude to their situations changed quite significantly:

*'Once we were listening to the grapevine it seemed that the Spanish site was going to close. It was clear that we had to choose the next target' (Production Manager of Invara Cork).*

*'We took the view that we would have to be the aggressor. So we set about putting together a complete proposal of how the Belgian plant could be closed and how the work could be resolved primarily in Cork. As Kevin Heffernan the Dublin [Gaelic football] coach used to say "get out there and get our retaliation in first" and have the guys in Belgium sitting there saying what the hell happened' (GM of Invara Cork).*

*'Abe and Hans (the German manager) were very useful in this regard. We picked our target well, even though the Belgian plant was exceptionally well run. The Belgians came into the group in 1989 as part of an acquisition that was championed by Abe's predecessor. So in terms of knowing their way around the corporation they had little experience and were seen as part of the mess that Abe's predecessor left behind' (GM of Invara Cork).*

Looking around for ways to bolster their position, they saw how EU legislation, and time itself, could be used as a lever:

*'The EU social chapter was being ratified at the time. It meant that there was a limited time to close the Belgian plant before it got considerably more expensive. This limited the time that the board had to decide. Basically when we presented it, it was either our plan or they would get hit by very expensive requirements under the social chapter. There was no time to*

*order a full examination of the European operations, and if that had happened it could well have led to our closure' (Human Resources Manager of Invara Cork).*

The Irish managers did a lot of informal groundwork to draw support for their case:

*'Before walking in to make the formal presentation we more or less knew that it was going to work out. After all the CEO was semi-committed to the closure before the meeting. Basically we did a lot of informal groundwork. Firstly we had good rapport with everyone in the room that day and everyone knew an appropriate amount of what we were going to say. By the time we actually made that presentation, we were openly saying that this is how you could save the company an awful lot of overhead, by closing that plant and moving the work over to Cork' (GM of Invara Cork).*

Even if the outcome was a forgone conclusion the Irish managers believed that corporate norms about 'due process' needed to be respected:

*'It was very public. We got significant support from the IDA and so we were presenting to the board the proposal pretty much wrapped up in ribbon, so they just had to make the decision yes or no. We knew that a public formal presentation would deliver a knock out punch; this is an organisation that despises underhanded dealings so all this had to be done on the up and up [ie in a correct way]' (GM of Invara Cork).*

The Belgian plant closed shortly after the formal presentation and the work was primarily devolved to Invara Cork. Bolstered by their successful handling of this integration process, the Irish plant developed further rationalisation plans which resulted in the closure of Invara's French, Dutch, Austrian and Italian plants. More broadly throughout the group over a five year period, the new CEO, with considerable help from the Irish GM, halved the number of plants world-wide. And within Europe only two plants, Ireland and Germany, out of the original eight, survived the 1990's. Nonetheless, at the time of interviewing, the Irish GM had further projects in mind:

*'On a more subtle level we are trying to build up our skills in injection moulding (a key skill in plastics manufacture) in Ireland. The firm currently has the German plant programmed as the plastic products manufacturer and Cork as the metal plant. In no other area of the business is this artificial split made and so once we have developed the injection moulding technology we will effectively have a plastic product capability. I am building up the right network of people to start questioning the plastic/metal division. By and large if we can show that this is a positive and progressive way of doing business, we would doubt if the German plant will see the millennium' (GM of Invara Cork).*

In June 1999, a short time after the research was completed, the General Manager of the German subsidiary suffered a heart attack. As a result, the GM of Invara Cork was asked to take over responsibility for the German operation.


## Analysis
The purposes of this paper, as we have suggested earlier, are twofold. First, the aim is more comprehensively to theorise the workings of power in and around the networks of MNCs, and second, more specifically, it questions to what extent Hardy's (1996) augmented version

of Lukes's model usefully explains the dynamics of relationship development between MNC HQ and subsidiaries.

Thus, in the sub-sections which follow, we briefly re-present the case in terms of each dimension of Lukes's (1974) model, showing how each dimension captures only a part of the picture delineated by the case — emphasising some aspects and being largely blind to others. This is therefore, in effect, a multi-lensed analysis, somewhat in the manner of Allason's (xx) discussion of the Cuban missile crisis.

After this we again re-present the case, drawing on Hardy's contention about the ubiquity of 'bottom-up' power. We conclude that this gives a more complete explanation of the case data. In the next sub-section, we extend our analysis to include Hardy's major insight, that power can also be conceptualised in terms of impersonal 'system' forces. We conclude that these forces have been significantly under-estimated in both the MNC and network literatures. Finally, in the concluding section, we seek to critique and develop Hardy's analysis, and make suggestions for the development of a future research agenda for the industrial network literature that investigates more fully the interesting and topical phenomena of ultra-rapid network development on the one hand and dissolution on the other.

### *A three-dimensional Lukesian analysis*
Drawing from the case-study evidence, one can quite clearly see how a standard Lukesian perspective could restrict our understanding of HQ-subsidiary relationships. For a start, all three Lukesian dimensions, as we have noted, following Hardy (1996), neglect the possibility that the less powerful can exercise influence. Thus, if we had allowed a Lukesian perspective to structure our research approach (as much of the MNC literature has effectively done) we might not have sought to interview any subsidiary managers in the first place. Instead the focus of our attention would have been on HQ, and we would doubtless have been led to the conclusion that the rationalisation program was a fundamentally logical and purposive process, driven by HQ perceptions of business requirements.

More specifically, if we had taken a first dimension standpoint and focused on the HQ view of the strategic process, we would have been tempted to believe that the closing of the Belgian subsidiary was the product of a democratic decision making process. The HQ view would have doubtless emphasised that *due process* was observed — in the GM's terminology, that everything been done "on the up and up" solely through the vehicle of a "formal presentation.".

Thus while we might have noted that the debate about how best to revise the organisational structure to fit a new global strategy was potentially contentious, we would probably have concluded that the issue was satisfactorily resolved by HQ utilising its superior 'expert' understanding of global business conditions, underpinned by its command of more copious resources. In particular, the role of the CEO, Abe Chambers, would have been emphasised — his prior experience of handling the NAFTA rationalisation would have been seen as the factor that enabled him so confidently to lead this decision-making process. Such a process, we might have judged, was therefore based primarily on HQ's expert power, with its coercive power kept largely in reserve. While, in this view, the role of resource dependencies could theoretically be recognised, it seems unlikely that we would be sensitive to the possibility of subsidiaries manoeuvring so as to make HQs dependent on them. We might also, as in some of the network literature discussed above, conceive of resources primarily either in physical capital-asset terms or in terms of a demonstrable skill-base. In which case, we would be hard-

pressed to understand how the Irish subsidiary had created its own power effectively out of nothing and would be all-the-more-likely to look for more tangible and rational explanations uniquely within the MNC HQ.

If we had taken a second dimension perspective, we would have been more likely to admit of the possibility that the corporation's decision to integrate its European manufacturing plants was neither democratic, nor totally visible. While we might have suspected that conflict would be very much sidestepped and the outcome 'fixed' it seems unlikely that we would have been apprised of much of the relevant detail, nor does it seem likely that the proactive nature of the subsidiary's role would have been emphasised. Instead, to the extent that any "fixing" was acknowledged, the focus would have been on the way that it was uniquely the CEO who moved the chess pieces to enable the "proposal pretty much wrapped up in ribbon... to deliver a knock-out punch [at the formal presentation]".

Taking a third dimension perspective, we would certainly have been sensitive to the more subtle ways in which HQ can influence, shape, and determine how subsidiaries envisage strategic possibilities, by means of symbolic manipulations of context. Yet again, however, we would have tended to see HQ as potentially all-powerful. More specifically, we would probably have seen HQ as the sole conscious architect of a new 'rationalisation' culture, a culture which stemmed from Wall Street pressure to make the same "tough decisions" as other companies had made. In this perspective, we would have noted how HQ had vigorously (symbolically) signalled the need for change throughout the company both by its appointment of Abe as the new CEO and his subsequent closure of the Canadian plant. In this view the CEO would be seen as playing a key role in 'building' the new culture, not just passively through his appointment, but actively through his vigorous leadership. The fact that he visited all the subsidiaries even before the time of his official appointment and had consistently "expressed interest in the Single European Act" could, in this perspective, be seen as symbolically creating a context for rapid action. Still further, and most interestingly, this view could depict the CEO as consciously engaged in a 'conditioning' process, whereby subsidiary managers were quite rapidly 'socialised' into accepting as quite normal a drastically revised frame of reference — which effectively regards fellow subsidiary managers not as partners but as competitors. As further evidence of conditioning, this third dimension analysis might highlight how the Irish GM now apparently sees it as normal and inevitable that he should be turning on his former German ally and seeking to take over his business. But, in this view, the GM might still be seen as being *passively* manoeuvred into this situation because of the way that HQ had 'managed' corporate culture. Such an interpretation contrasts markedly with the 'bottom-up' power perspective discussed below.

### A 'bottom-up' power perspective
The above three-dimensional analysis of the case takes the HQ as the primary unit of analysis and sees HQ as the unique driving force. However, if Hardy's critique of Dahl is taken into account, we become more sensitive to the possibilities of 'bottom-up' power and are more likely to adopt a research approach which is open to the possibility of strategic change as effectively *co-created* by both HQ and subsidiaries.

Only in this approach, therefore, would we necessarily adopt either a subsidiary-focused analytical frame, of the sort adopted by the 'subsidiary strategy' stream in the MNC literature, or more sophisticatedly, a network view. As a result, we would be more likely to portray the Irish manager somewhat as he, himself, presents his role in the case research. He

would more likely be seen as a key actor within the decision to close the plant, saying, as he does:

*"We picked our target well"*.

And

**"We took the view that we had to be the aggressor... and get our retaliation in first..."**

In this perspective, therefore, we be on the look-out for such utterances, and would see them as evidence of the Irish managers' voluntaristic attitude, and note that they construe the rationalisation agenda as a context for action that they can shape, not as a constraint upon action (cf. Green, 1987). Further evidence of this, as we would see it, are their more specific comments about closure:

**"So the question that came out of the session was 'is it feasible to close a European plant? And then, obviously, how we could make sure that it was not Cork".**

More specifically, this perspective would encourage us to see the Irish manager as directly affecting the power outcomes, by defining and setting the agenda and being very largely responsible for excluding the other subsidiary managers from the debate — a Bachrach and Baratz perspective on power, except, paradoxically, *orchestrated by the less-powerful*. This was achieved, we would believe, through the Irish GM's deliberate 'framing' of the decision-making process within the time-constraint provided by the imminent ratification of the EU social chapter.

In this perspective, therefore, we would not see the HQ as having a monopoly over 'symbolic management' and 'context creation'. And all in all, we might come to define the subsidiary manager role in somewhat 'heroic' terms — seeing in him an archetypal case of the proactive and independent 'subversive' manager (Molloy 1992; Delany 1998) and quite possibly depreciating the Belgian GM and others as 'boy scouts' (*ibid*.). More specifically, we would draw sustenance for such speculations from comments like these:

**"the Belgian plant was exceptionally well-run [but]... in terms of knowing their way around the corporation they had little experience..."**

**"[we aimed to] have the guys in Belgium sitting there and saying 'what the hell happened?'**

However, by emphasising this subversive/boy-scout duality, we would be effectively adopting a 'sovereign' view of subsidiary power, where events are seen as strongly determined by human agency. It is this view, most particularly, that a 'system' power perspective would strongly qualify, which we discuss immediately below.

### A 'system power' perspective
In considering the case in terms of Hardy's fourth dimension of power, system power, we would qualify our previous 'heroic' account of the capacities of subsidiary managers.

Subsidiary managers can no longer be depicted in 'sovereign' terms as the sole architect of their destinies. They cannot simply be celebrated for their forceful personalities that enable their subsidiaries to take strategic initiatives.

Instead, in this view, we would aim to discern within the case a number of sources of power that are not within the control of any one actor, such as a GM or CEO, but embedded within social and cultural systems.

For example, we might argue that the only really significant power forces in the case are a number of disparate but overlapping 'discourses'. For example, the whole process by which individuals within equity markets publicly compare the strategies and performance of companies like Invara and have the power to require them to effect operating economies, can be seen as deriving legitimacy from an implicit set of assumptions about the primacy of efficiency, and the recipes by which such efficiencies can be derived. These assumptions are also embodied in actions, behaviours, artefacts and sayings and, these, at the same time, serve to reproduce them. Collectively, taking into account the evolving nature of this process, its historical precursors, and its more-or-less implicit assumptions about meanings asnd purposes, such elements combine to form what can be described as a 'discourse of efficiency' — which companies ignore or resist at their peril. Abe's predecessor, we might recall, who failed to implement any rationalisation at Invara following its takeover spree during the 80s, was effectively 'stood down'. Thus, in effect, we can discern at least two sorts of discourse at work that have very significant power effects: the discourse of efficiency on the one hand, and, more specifically a 'discourse of rationalisation'.

Still further, the fact that Wall Street's 'market sentiment' was seen as legitimate reason for the ousting of a CEO, itself is made possible by another (newer) form of discourse — that of shareholder power — which has been extensively written about, and effectively promoted, both in the popular press and academic literature in recent years (xx refs).

Without these various discourses to draw on, we suggest that neither the subsidiary manager nor the CEO would have possessed the 'legitimate power' to effect such a drastic rationalisation of the MNC network. Arguably, it is these 'fourth dimension' discourses which set the scene for the other, more tactical dimensions of power within a network context.

To conclude these comments about the under-appreciated 'power of discourse' we might also note that our other case studies suggest that there could be still other discourses at work — such as the discourse of national identification, and more particularly the discourse of Irishness. Sometimes, it may be that these various discourses effectively compete, rather than reinforce each other, as in this case. A future paper, for example, will describe how a subsidiary plant was set up in Ireland, in an unlikely location, at the behest of an American CEO with Irish roots and a desire to well by the 'auld country'. Ironically, in this case, the discourse of efficiency proved rather less efficacious that the discourse of national identity: the CEO reputedly hand-picked a high-flying MBA-employee and let it be known that his job was to review all possible international locations for a subsidiary and to 'prove' that a second-tier city in Ireland was the most suitable of all sites for the investment.

Whatever the case, Hardy (1994) notes that to the extent that no single person is able to create or control such discourses, they can be described as 'impersonal', and to the extent that they are taken for granted and pass largely unnoticed or at least unquestioned, they can

(paradoxically) be termed 'invisible'. We expatiate on the notion and nature of such discourses, which we see as significantly under-explored in both the MNC and network literatures, immediately below. We also qualify Hardy's description of them as necessarily impersonal or invisible and highlight the central importance of 'sensemaking' processes as ways of identifying them and re-enacting them in a localised form for political ends.

## Conclusion — a political sensemaking process (PSP) view of rapid network change.

To restate our research question briefly, we have set ourselves a threefold task. First to investigate the nature and significance of discourse-based 'system power' within relationships and networks, secondly to understand the processes involved in rapid network change, and thirdly to explore the extent to which the less-powerful can associate themselves with these phenomena, and benefit from them.

### The nature and significance of 'system power' within relationships and networks

Most notably the preceding analysis has established the enormous potential of discourse-based 'system power' to transform traditional interaction patterns within networks. As we have suggested in our brief reviews above, neither the management and organisation literature, nor the network literature, has yet mined the significance of this sort of power, and how it relates to other sorts of power. Apart from traditional 'efficiency'-related discourses, as seen in this case, we have elsewhere argued that other discourses, such as 'TQM' (Bresnen 1996, Fairhead & O'Sullivan 1997) and 'Partnership Sourcing' (Fairhead & O'Sullivan 1997) are also of great significance in radically altering the landscape of traditional networks.

More subtly, however, our case analysis argues against any tendency to reify (or over-substantialise) such discourses. It leads us to take issue with the idea that discourse is necessarily either invisible or impersonal. A more aptly Foucauldian view of discourse would be to recognise that discourse can be both visible and invisible, personal and impersonal at different times, for different actors and to varying degrees.

To expand upon this point with an example, the discourse of rationalisation was only slowly perceived and pieced together by Irish subsidiary managers, though not apparently by the Belgian managers. As, indeed, it had only latterly been perceived and (at least partially) enacted by HQ (after a presumably bitter debate with shareholders). To this extent one can see that such a discourse is more or less visible or coherent at different times, depending on the location of actors within network time and space, their various 'knowledge structures' (Hakansson & Johanson 1992) and their differing sensemaking proclivities.

### The processes involved in rapid network change

As we noted above in our review of the network literature, the possibility of rapid network change, while not discounted, is not emphasised. In part this is a matter of historical rhetoric: in order to establish the validity of a network view, it was of course understandable and useful to emphasise their more enduring aspects. In part too this may be a matter of confusion between levels of analysis: as Hakannson & Johansson express it (1992 p31) actors 'can always be dispensed with... if a specific activity disappears the network can remain functionally intact...'

Whatever the case more generally, in this particular case we see evidence of one very rapidly re-invented and developed dyadic relationship (between the Irish subsidiary and HQ) and a

whole host of rapidly 'disinvested' dyadic relationships and/or 'displaced' actors (Hakansson 1992, p140; Smith & Laage-Hellman 1992, p56).

What, then, exactly, promotes such rapid network change? While in this paper we have emphasised the enabling power of discourse — effectively discourse as a *deus ex-machina*, parachuting into a situation and dramatically changing the network landscape — we would also have recourse to a prior and complementary concept. In the case of the Irish subsidiary, we might surmise, it is not so much the rational quality of their plans that cause the Ireland-HQ relationship to develop, nor solely the capacity of these plans to tap into a powerful discourse. Just as persuasive, we would guess, is the sense of cognitive congruency perceived by HQ to exist between the subsidiary, HQ and 'external' networks within the investment community. The Irish GM effectively re-presents himself to HQ (as Thatcher famously said of Gorbachev after their first meeting) as "a man we can do business with".

In sensemaking terms (Weick 1995 pp17-62) we may surmise that the new CEO's few comments about rationalisation, duly 'extracted', 'focused' and amplified to a very high pitch of audibility through 'retrospective' and 'social' interaction during the Irish management team de-briefing sessions prompted by his departure, 'punctuates' the Irish managers' previous sense of strategic identity and causes them to fear for their future role in the network. As a result of this 'state of arousal' they predict future actions and interactions with HQ, and adjust their subsidiary's sense of 'identity' and purpose in a way that most effectively and 'plausibly' seems able to mesh together perceived past, current and future conditions. Because of their prior knowledge of the NAFTA-inspirted Canadian closure programme, the most 'plausible' explanation for the CEO's comments about 1992 is of impending European shut-downs. Whether this is an accurate interpretation or not, at the time of utterance, becomes less important than its capacity, in turn, to fit in, under pressure of time, with other prospectively plausible conjectures about subsidiary identities and relationships, such as 'the Belgian plant is the logical target for closure', and (eventually) 'there is no logic in the German plant having the mandate for plastics technology and Ireland only having metal.'

re-presents his subsidiary in such a way as to help 'enact' such conditions, takes further identity- and environment-confirming action, adjusts his presentation of subsidiary-self on an 'ongoing' basis

(It is this sense of 'network latency', that plays a role, therefore, not just in rapid relationship and network development (Fairhead & O'Sullivan 1997) but in their rapid dissolution — and the interplays between these two processes. To conclude the paper, we offer reasons for suggesting that this situation of rapidly effected creative-destruction is ever-more-likely to be a continuing feature of network existence.

And to the extent that Irish managers, in particular, actively engaged in a process to make sense of it and enact it, and apparently succeeded in achieving influential support for their interpretation of it, they can be seen as having played, through interactions, a significant *agency role* within Invara's corporate version of the discourse — *notwithstanding their relatively insignificant starting point position in the MNC network.*

Thus as this case suggests, actors need not be mere passive receptors of discourse. Nor, by contrast, can they often possess, as recent MNC theorising might lead us to believe (Birkinshaw 1997) totally sovereign powers. Instead, we can use Hardy's model with

appropriate fluidity, recognising the possible role of subsidiary managers as political sense-makers, ideological rhetoricians and *co*-creators of strategic reality. At some times they may indeed feel it possible to shape actions, events and identities while at other times they may judge it appropriate to bend, flex and modify these in response to perceptions of political possibilities, thereby eliding any clear-cut distinction between passivity and domination.

Turning our attention more closely again to the network literature, such an analysis qualifies the somewhat objectivist and 'sovereign economic actor' conception of power stemming from the network literature's traditional resource-dependence view. Instead, it proposes that the socially constructed realm of 'power discourses' can be usefully employed to augment the actor/resources/activities model — forming an important (if under-explored) part of the 'forces' that Hakansson & Johanson (1992) describe as 'binding together' the 'Actors, Resources, Activities' (ARA) environment.

In part, the success of the Irish managers in (retrospectively) establishing an acceptable and control-enhancing identity and (prospective) interaction pattern can be attributed to 'differential knowledge about activities, resources and other actors in the network' (Hakansson and Johanson 1992 p30). The

In doing so, our analysis re-affirms the validity of an interaction and network perspective on strategic change — that it can often be *co*-created by a variety of actors, and driven neither by HQ nor subsidiaries, nor even the 'external environment' but in large part through a 'political sense-making process' (cf Weick 1995) that fluently criss-crosses between a number of distinct but overlapping networks.

Last but not least, the paper concludes by noting the parallels between this case, with its discourse of 'rationalistion', and recent radical de-constructions of large-scale buyer-supplier networks in the name of discourses such as 'Total Quality' (Bresnen 1996). In both cases, 'communities of cognition' are perceived as developing around such discourses, either positively or negatively, both within and beyond the immediate network under consideration. Effectively, these virtual communities constitute a source of 'potential relationships' (Easton & Araujo 1992, p67) that either have, or fail to have, a broadly similar sense of identity and future at a very generic level of detail. Moreover, by being seen as either connected to, or disconnected from the legitimating discourse, these potential relationships are perhaps all the more potent, and capable of build-up or dissolution with great rapidity. A 'political sense-making process' (PSP) model is at this stage introduced to illustrate this conception of rapid network change.

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