PROJECT MARKETING IN TURBULENT ENVIRONMENTS: THE INFLUENCE OF OPPOSING INSTITUTIONAL INTERESTS

,

Track: **Interaction and Actors in Turbulent Times**

Keywords: Political embeddedness, turbulence, opposing interests, milieu, stakeholder management

Work-in-progress

Abstract

One aspect of institutional actors which has not been studied is the existence of opposing interests and factions within institutional actors. *Opposing or vested interests are strategic political interests camouflaged as national interests.* Opposing political interest has to do with whose interests are affected if a particular project is awarded to a particular project supplier; or who stands to or not benefit if the particular project is awarded to a particular project supplier. Different factions or interests within institutional actors may create turbulence for project marketing in various ways- stall the project moving into the implementation stage, outright cancellation, or being re-awarded to new bidders. This paper is to draw attention to the existence of the problem and therefore calls for research activities as a way of helping international project marketing firms make successful project marketing in Nigeria and other developing countries sharing similar characteristics with Nigeria.

INTRODUCTION

With the growing importance of the recognition that relationships with political actors such as governments can be critical to foreign market activity (Welch and Wilkinson, 2004:216), understanding and managing opposing interests of these powerful actors can be crucial. Political (or 'institutional') actors which include bureaucrats, government ministers, members of parliament, opposition parties, interest groups and the media (e.g. Hadjikhani and Håkansson, 1996) can help form or change the business network with which they are connected through facilitating or disruptive activities (Welch and Wilkinson, 2004:218).

One aspect of institutional actors which has not been studied is the existence of opposing interests and factions within institutional actors. *Opposing or vested interests are strategic political interests camouflaged as national interests.* Opposing political interest has to do with whose interests are affected if a particular project is awarded to a particular project supplier; or who stands to or not benefit if the particular project is awarded to a particular project supplier. Our secondary case data of a Nigerian project shows that different factions or interests within institutional actors may create turbulence for project marketing in various ways- stall the project moving into the implementation stage, outright cancellation, or being re-awarded to new bidders. This paper assesses the existence of a political action called the opposing interest in project awards in the Nigerian business environment.

LITERATURE REVIEW

Because project markets are characterized by the intervention of numerous business actors and also non-business actors (Owusu and Welch, 2007; Hadjikhani & Thilenius, 2005), with the attendant potentials and risk created for international project marketing from the host environment, researchers have begun to recognize the effect of the milieu especially the political risk on the success of project marketing operations (Hadjikhani, 1998; 2000; Hadjikhani and Häkansson, 1996; Hadjikhani and Ghauri, 2001; Luqmani et al., 1988; Ramamurti, 2003; Salmi, 2000; Hadjikhani, Lee and Ghauri, 2008; Doh and Ramamurti, 2003; Hadjikhani and Sharma, 1999; Welch and Wilkinson, 2004) and particularly the role of non-business actors in the success or failure of project supplier (Skaates, Tikkanen, & Lindblom, 2002:401). However, stakeholder management is focused on those interests and actors who affect, or in turn, are affected by the corporation. Stakeholders' interests may be aligned with those of the host government, of the MNC, or may reflect a combination of both or neither (Doh and Ramamurti, 2003:249).

Political behaviour is understood as an interaction that is embedded in the relationships between MNCs and political actors (Hadjikhani, 2000:93). Though it was pointed out that political risks for project-selling firms has not been thoroughly studied by Hadjikhani, (1998:235), in comparison to other modes like FDI and JV, international political factors and behaviours can be found in the studies (Robinson, 1964; Behrman, 1971; Moran, 1973; Vernon, 1971; Hadjikhani and Ghauri, 2001) and IB political behaviour (Behrman & Grosse, 1990; Brewer, 1993; Boddewyn and Brewer, 1994; Doz, 1979; Fagre & Wells, 1982; Gladwin & Walter, 1980; Gomez-Casseres, 1990; Kobrin, 1987; Ring, Lenway, & Govekar, 1990; Rugman & Verbeke, 1990; Hadjikhani, 1998; Hadjikhani, 2000; Hadjikhani and Sharma, 1999; Hadjikhani and Håkansson, 1996; Hadjikhani, Lee, & Ghauri, 2008), political embeddedness (Welch and Wilkinson, 2004) while Korbin (1982), Egelhoff (1988), Conner (1991), Kogut, (1991) Hadjikhani and Ghauri (2001) paid attention to the management of political actors with the presumption that management is a function of response to political environment but none is yet to focus on opposing or vested interests.

Interestingly, Boddewyn and Brewer, (1994:119) noted that when IB topics were first researched in a policy-oriented manner, Fayerweather (1969) stressed "the accommodation of interests and the resolution of conflict" between international firms and political actors at home and abroad as one of the four key decision areas in this policy field. Similarly, the institutional perspective emphasizes the importance of local stakeholder relationships in embedding and anchoring the project in its host country's environment (Miller and Lessard, 2001; Flyvbjerg et al., 2003; Grün, 2004). Therefore, local stakeholder relationships can be considered as a means of managing unexpected events and the lack of local stakeholder relationships as a source of unexpected events (Aaltonen et al, 2010:568).

From a strategic perspective, the marketing of a project-based firm thus focuses on the management of a firm's multiple relationships in a network of business and non-business actors (Tikkanen, 2006; Skaates & Tikkanen, 2003; Cova, Mazet, & Salle, 1996; Tikkanen, 2006). There is need to develop embedded relationships with relevant regulatory agencies in the project marketing phase in order for the project to receive crucial permissions (Cova et al., 2002). The case used in showing the presence of opposing interests and how it affects project marketing and operation is the Manitoba management contract in Nigeria.

Case Manitoba

In 2012, a $23 million electricity transmission management project that had been awarded to Manitoba Hydro International (a Canadian firm), was suddenly cancelled. It took the intervention of the Canadian Government to get the Nigerian authorities to re-instate the contract (Leadership, 20 November, 2012).

The deal that led to the engagement of Manitoba Hydro International to manage Transmission Company of Nigeria followed a long process that started in 2007 whereby Manitoba, a Canadian company and Power Grid of India had then submitted technical and financial bids which were being considered before the exit of President Obasanjo's administration on May 29th 2007 (ThisDay, 28 Jan 2013). The result of the evaluation of the two technical proposals showed that only Manitoba Hydro International was able to meet the benchmark which led to its being appointed as the management contractor for Transmission Company of Nigeria. However, the project contract was signed between the Bureau of Public Enterprises (BPE) on behalf of the Federal Government and Manitoba in July 2012 with a commencement date of September 1, 2012 (ThisDay, 28 Jan 2013) but subsequently cancelled in November, 2012.

The cancellation was largely due to the interest of some powerful players in the Bureau of Public Procurement (BPP) and the Power Ministry (Leadership, 20 November, 2012, ThisDay, November 16, 21, 2012). Some powerful Nigerians are behind the Power-grid Corporation of India and are trying to frustrate the whole process and "they are the ones behind the whole conspiracy." (Leadership, 20 November, 2012) and led Manitoba's work at TCN been largely frustrated by strategic political interests camouflaged as national interests as well as desperate attempts to delete key management positions from the contract (ThisDay, 28 Jan 2013).

Pressure from the international community, especially the Canadian government, as well as from preferred bidders for the electricity generation companies forced the Nigerian government to reverse itself on the cancellation of the $23 million transmission management contract awarded to Manitoba Hydro International (Canadian firm), (Leadership, 20 November, 2012) in December, 2012.

How do opposing interests affect project marketing? Opposing interests create turbulence for project marketing by stalling projects moving into the implementation stage, outright cancellation, or being re-awarded to new bidders.

Discussions

The increasing complexity in the relationship between local governments and MNCs has influenced the way political risk is analysed in international marketing studies (Hadjikhani and Hakansson, 1996:432). In reality, successful projects show exceptional stakeholder management and potentially taking into account their needs and requirements (Cleland, 1986; Olander and Landin, 2005; Aaltonen and Sivonen, 2009) by following the process of stakeholder identification, classification, analysis, and management approach formulation (Miller and Olleros, 2001). The purported cancellation of the Manitoba contract lends credence to the extremely high level of political risks associated with doing business in Nigeria. If adequate efforts had been put to identifying and the ‘accommodation of interests and the resolution of conflict’ various interests as suggested by Fayerweather (1969), the crisis could had been avoided.

Project marketing normally runs into difficulties simply because of failures on the part of the marketers to systematically identify and treat such latent opposing interests and in the end stall the project moving into the implementation stage, outright cancellation, or being re-awarded to new bidders that would guarantee the protection of those opposing interests. Looking at the reasons being canvassed by the opposing groups to the project being awarded to Manitoba, it was claimed that it was solely awarded to the company without following due process which Doh and Ramamurti (2003:247) claimed as one of the reasons which projects run into the legitimacy problem. With reference to the case study, two firms were involved in the bidding process namely Manitoba, a Canadian company and Power Grid of India.

Though, investors are understandably tempted to negotiate the best possible deals when considering infrastructure investments because sole-sourced agreements are especially attractive because they allow investors and governments to avoid lengthy negotiations and administrative procedures, and accelerate the project approval process concluded Doh and Ramamurti (2003:247). However, some argued that investors should avoid generous sole-source (non-competitive) arrangements and other imbalanced contract features because they may ultimately destabilise support for the investment, and in so doing, invite the wrath of political and citizen groups (Doh and Ramamurti, 2003:247). But in the case of Manitoba, the process started as far back as 2007 with Power Grid Corporation of India Limited, Manitoba Hydro International of Canada and ESB International of Ireland in the game after which ESBI withdrew from the process.

Future Research Directions

A fundamental challenge confronting multinational enterprises (MNEs) from developed economies is whether their traditional ‘global strategy’ can be adapted with minimal changes to emerging economies. A focus on emerging economies calls for more strategic attention and new business models built on how to identify and accommodate opposing interests camouflaged as national interest in projects. While the institution-based view is certainly applicable in developed economies, a focus on emerging economies is likely to generate more mileage for future research in IB strategy (Hoskisson et al., 2000; McMillan, 2007; Meyer & Peng, 2005; Peng, 2003; Wright et al., 2005). Opposing interests camouflaged as national interests in projects are not researched as of present because most of the project marketing research was done in the developed countries and so unaware of the existence of opposing interests posing as national interests. Research attention should be paid to the configuration of both the manifest and latent interests in projects. Since this problem is peculiar to the developing economies, research efforts should be focused on the existence of opposing or vested interests in projects in order to help international project marketing firms achieve success and not loose project deals due to hidden opposing interests.

REFERENCES

Aaltonen, Kirsi, Kujala, Jaakko, Lehtonen, Päivi & Ruuska, Inkeri (2010) A stakeholder network perspective on unexpected events and their management in international projects, *International Journal of Managing Projects in Business* Vol. 3 No. 4, pp. 564-588.

Aaltonen, Kirsi and Sivonen, Risto (2009) Response strategies to stakeholder pressures in global projects, *International Journal of Project Management* 27, 131–141.

Behrman, J. N., & Grosse, R. E. (1990) *International business and governments: Issues and institutions*. Columbia: University of South Carolina Press.

Behrman, J. N. (1971) *U.S. international business and governments*. New York: McGraw-Hill.

Boddewyn, J.J. and Brewer, T.L. (1994) International-business political behavior: new theoretical directions, *Academy of Management Review* 1994, Vol. J9. No. 1. 119-143.
Brewer, T. L. (1993) Government policies, market imperfections, and foreign direct investment. *Journal of international Business Studies*, 24: 101-120.

Cleland DI. (1986), Project stakeholder management. *Project Management Journal*;17(4):36–44.
Conner, K. R. (1991) A historical comparison of resource-based theory and five schools of thought within industrial organization economics. *Journal of Management***,** 17: 121-154.
Cova, B., Ghauri, P. and Salle, R. (2002), *Project Business: Beyond Competitive Bidding*, Wiley, New York, NY.
Cova, B., Mazet, F., and Salle, R., (1996), Milieu as a Pertinent Unit of Analysis in Project Marketing, *International Business Review*, Vol 5, Number 6: pp. 647-664.

Daily Times Newspaper, Nigeria (December 17, 2012) *Fed. Govt. finally approves Manitoba contract*

Doh, Jonathan P. and Ramamurti, Ravi (2003) Reassessing Risk in Developing Country Infrastructure, *Long Range Planning* 36, 337–353
Doz, Y. (1979) *Government control and multinational strategic management*. New York: Praeger**.**

Egelhoff WG. (1988) Strategy and structure in multinational corporations: a revision of the Stopford and Wells model, *Strategic Management Journal*, 9: 1-14.

Fagre, N., & Wells, L. T. (1982) Bargaining power of multinationals and host governments. *Journal of International Business Studies***,** 13(2): 9-23.
Fayerweather, J**. (**1969) *International business management***.** New York: McGraw-Hill.

Flyvbjerg, B., Bruzelius, N. and Rothengatter, W. (2003), *Megaprojects and Risk: An Anatomy of Ambition*, Cambridge University Press, Cambridge.
Gladwin, T. N., & Walter, I. 1980. How multinationals can manage social and political forces. *Journal of Business Strategy,* 1: 54-68.
Gomes-Casseres, B. (1990) Firm ownership preferences and host government restrictions: An integrated approach. *Journal of International Business Studies*, 21: 1-22.
Grün, O. (2004), *Taming Giant Projects: Management of Multi-organization Enterprises*, Springer, Berlin.
Hadjikhani, A., Lee. J-W., and Ghauri, P.N. (2008) Network view of MNCs' socio-political behavior, *Journal of Business Research* 61, 912–924.
Hadjikhani A, Thilenius P. (2005) The impact of horizontal and vertical connections on relationships' commitment and trust. *Journal of Business and Industrial Marketing*; 20/3:136–47.
Hadjikhani, A., & Ghauri, P. N. (2001). The behaviour of international firms in socio-economic environments. *Journal of Business Research*, 22, 263–275.
Hadjikhani, Amjad (2000) The political behavior of business actors**,** *International Studies of Management & Organization;* Spring; 30, 1; 93-117
Hadjikhani, A. and Sharma, D.D (1999) A view on political and business action, *Advances in International Marketing*, Vol. 9, 243-257
Hadjikhani, A. (1998). Political risk for project-selling firms: Turbulence in relationships between business and non-business actors. *Journal of Business and Industrial Marketing*, 13(3), 235−255.

Hadjikhani, A. and Håkansson, H. (1996) Political actions in business networks: a Swedish case, *International Journal of Research in Marketing* 13, 431-447
Kobrin, S. J. 1987. Testing the bargaining hypothesis in the manufacturing sector in developing countries. *International Organization*, 41: 609-638.
Kogut B. (1991) Country capabilities and the permeability of borders, *Strategic Management Journal*, 12 (Summer Special Issue): 33-48

Korbin, S. (1982), *Managing Political Risk Assessment: Strategic Responses to Environmental Changes*, University of California Press, Berkeley, CA.
Leadership Newspaper, (November 20, 2012) Nigeria: U.S.$23 Million Manitoba Contract - How Canadian Government Forced Jonathan to Make U-Turn
Luqmani, Mushtaq, Ghazi, M. Habib, and Sami Kassem (1988) Marketing to LDC Governments, *International Marketing Review*, vol. 5, Issue: 1, 56-67.
Miller R, and Olleros X. (2001) Project shaping as a competitive advantage. In: Miller R, Lessard DR, editors. *The strategic management of large engineering projects: shaping institutions, risks and governance*. Cambridge, MA: MIT Press; p. 93–112.
Miller, R. and Lessard, D. (2001), *The Strategic Management of Large Engineering Projects: Shaping Risks, Institutions and Governance*, MIT Press, Cambridge, MA.
Moran, T. H. (1973) Transnational strategies of protection and defense by multinational corporations: Spreading the risk and raising the cost for nationalization in natural resources, *International Organization*, 27: 273-289.
Owusu, Richard A. and Catherine Welch (2007), "The Buying Network in International Project Business: A Comparative Case Study of Development Projects*", Industrial Marketing Management*, 36, 147-157.

Olander S, Landin A. (2005) Evaluation of stakeholder influence in the implementation of construction projects. *International Journal of Project Management*; 23(4):321–8.

Premium Times newspaper,(November 19, 2012) At last, FG revokes Lagos-Ibadan Expressway Bi-Courtney concession

Ramamurti, Ravi (2003) Can governments make credible promises?: Insights from infrastructure projects in emerging economies. *Journal of International Management* 9 (2003) 253–269.

Ring, P. S., Lenway, S. A., & Govejkar, M. (1990) Management of the political imperative in international business. *Strategic Management Journal*, 11: 141-151.
Robinson, R. D. (1984) *International business policy*. New York: Holt, Rinehart & Winston.

Rugman, A. M., & Verbeke, A. (1990) *Global corporate strategy and trade policy*. London: Routledge.
Salmi, Asta (2000) Entry into turbulent business networks: The case of a Western company on the Estonian market. *European Journal of Marketing*, Vol. 34 No. 11/12, 2000, pp. 1374-1390.
Skaates, Maria Anne; Tikkanen, Henrikki; Lindblom, Jarno (2002) Relationships and project marketing success, *The Journal of Business & Industrial Marketing;* 17, 5; 389-406
Skaates, M. A., & Tikkanen, H. (2003). International project marketing: An introduction to the INMP approach, *International Journal of Project Management*, 21(1), 503−510.

ThisDay Newspapers, Nigeria, (November 16, 21, 2012)
ThisDay Newspapers, Nigeria, January 28, (2013) *Politics, Intrigues Continue to Threaten Manitoba TCN Contract*

Vernon, R. (1971) *Sovereignty at bay: The multinational spread of U.S. enterprises*. New York: Basic Books.
Welch, C., & Wilkinson, I. (2004). The political embeddedness of international business networks. *International Marketing Review*, 21(2), 216–231.