Pushing the frontiers of critical international business studies: The multinational as a neo-imperial space

Mehdi Boussebaa
School of Management, University of Bath, Bath, UK, and

Glenn Morgan
Cardiff Business School, Cardiff University, Cardiff, UK

Abstract
Purpose – This paper aims to discuss the context- and power-sensitive approach to the study of multinationals that has emerged in the last decade, argues for the need to supplement it by a clearer focus on the wider geopolitical context in which multinationals operate and outlines the implications for the development of IB research in this area.

Design/methodology/approach – The paper provides a summary overview of context- and power-sensitive studies of multinationals before proposing a research agenda for the next decade. In particular, it argues for the need to combine the institutionalist angle taken by context/power analyses with post-colonial theory as a means of bringing geopolitics into the study of multinationals, a task that CPoIB is well positioned to accomplish.

Findings – The paper identifies a lack of “criticality” in context/power research and, in particular, a lack of attention to the neo-imperial character of multinationals with specific regards to their management and organisation.

Research limitations/implications – The implications of this paper are that the nature of contemporary multinationals is further illuminated, especially their role in (re-)producing (neo-)imperial relations in a supposedly post-colonial world. Further, the paper suggests an agenda for future research on the relationship between imperialism and multinationals.

Originality/value – The value of the paper is in drawing together more closely the study of multinationals as organizational structures and political systems with the history of imperialism and contemporary post-colonial theorising.

Keywords: Globalization, International business, Multinational companies, Post-colonialism
Paper type Viewpoint
Taking stock: MNC research in the first ten years of CPoIB: 2005-2014

In the last ten years or so, a sizable body of context- and power-sensitive research has approached and conceptualized the multinational corporation (hereafter MNC) as a socio-political system (see Almond and Ferner, 2006; Collinson and Morgan, 2009; Do¨rrenba¨cher and Geppert, 2011; Kristensen and Zeitlin, 2005). CPoIB has played an essential role in publishing this research (see, e.g. Boussebaa and Morgan, 2008; Do¨rrenba¨cher and Gammelgaard, 2011; also Faulconbridge, 2010). Prior to this, the study of MNCs had been dominated by perspectives drawn from transaction-cost economics and strategy (see Rugman, 2009). The main approach to MNC organization taken at this stage was informed by contingency theory (Galbraith et al. 1972) and, hence, the multinational’s organizational arrangements were seen to be largely determined by the demands of the international business environment (e.g. Bartlett and Ghoshal, 1989). Finding the organization-environment fit was believed to be the task of senior managers in a context where failure to adapt was eventually punished by market forces. This approach to MNC organization led to a body of research that was generally functionalist and prescriptive in orientation (see, e.g. Doz et al. 2001; de la Torre et al., 2001).

As neo-liberal economic ideas took hold in the 1980s and barriers to the movement of trade and capital were brought down, a key theme running through such literature was that “globalization” forces were making it increasingly difficult for the MNC to continue operating as a home-centric hierarchy, in which power and resources were concentrated in the firm’s center (headquarters) and where organizational capabilities (e.g. skills, knowledge, management practices) typically spread from headquarters into subsidiaries. In effect, this type of MNC “resembled a new form of colonialism, corporate colonialism, in which the headquarters […] played the role of the metropolis and the subsidiaries the role of the periphery” (Mourdoukoutas, 1999, p. 5). It was therefore seen to be maladapted to the demands of the “post-imperialist age” (Prahalad and Lieberthal, 1998) since success in this new “borderless world” (Ohmae, 1990) depended on the ability to leverage resources and capabilities from many different parts of the world. It was this positive engagement with other parts of the world that would allow the MNC to be more flexible, responsive and innovative than rivals adopting an imperialistic management approach. Thus, MNCs were advised to re-organise themselves into decentralized yet integrated global networks (e.g. Hedlund, 1986; Bartlett and Ghoshal, 1989; Birkinshaw, 2000). In this model, resources and capabilities would be distributed throughout the firm and made to flow in multiple directions: not simply from headquarters into subsidiaries but also from the latter into the former and, importantly, between subsidiaries themselves. The ability to function in this way was presented as not only a major source of competitive advantage but also a means of abandoning the imperial past of the MNC – no longer would MNCs be, as Doz et al. (2001, p. 3) put it, “accused of behaving like twenty-first century imperialists, imposing the exploits of their homeland on malleable markets worldwide.” In short, the IB literature of the 1980s-1990s envisioned the end of corporate colonialism and the rise of what may be described as the post-imperialist MNC.

However, the context/power-sensitive research of the 2000s generated insights that, taken together, have challenged this vision – implicitly at least. Drawing mostly on comparative and neo-institutionalist frameworks of analysis (see Morgan, 2007 for a summative review), it has shown that, in practice, headquarters continues to exercise considerable control over subsidiaries through conventional control systems.
(e.g. budgeting, formal authority, performance management, etc.). It has also revealed significant country-of-origin effects on the development and deployment of organizational capabilities within the firm. That being said, context/power-sensitive studies have also shown that subsidiaries generally find themselves in a condition of “institutional duality” (Kostova and Roth, 2003), whereby they are not only pressured to be consistent with home-country rationalities but also to be isomorphic with their own local institutional contexts. This condition often creates center-subsidiary conflicts and leads subsidiaries to resist “colonization” by headquarters, drawing on power resources derived from the local environments in which they are located (see, e.g. Boussebaa and Morgan, 2008; Do¨rrenba¨cher and Gammelgaard, 2011; Ferner et al. 2012; Muzio and Faulconbridge, 2013).

Thus, context/power-sensitive research has produced an image of the MNC as a space of competing institutional logics and interests, and thus as a site of on-going conflict, experimentation and negotiation (see also Kristensen and Morgan, 2012a). In so doing, it has called into question the idea of the network and, by implication, the notion of the post-imperialist MNC. However, in being focused on the way in which national institutional contexts penetrate into the firm and impact on issues of cross-national management and organization, this research has paid little direct attention to the specifically imperial nature of MNCs. Below, we therefore argue for the need to bring geopolitics into the institutionalist study of multinationals.

Moving forward: possible future trajectory for 2015-2024
Context/power-sensitive research has been valuable in bringing a clearer focus on the role and importance of societal institutions in the management and organization of MNCs. There is no doubt that it will be developed further through both deeper empirical studies and more refined conceptualizations (e.g. see the effort by Kristensen and Morgan (2012b) to integrate the analysis of MNCs with changes in the nature of global capitalism and national forms of capitalism). In this contribution, however, we wish to emphasize the importance of linking these studies together with a deeper appreciation of how the geopolitical context has affected and will continue to affect the structure and functioning of MNCs. Much of the research previously described has tended to be concerned with processes of conflict and negotiation emerging from institutional differences between the various national contexts across which the MNC operates and the impact which these differences have on the ability of social actors to shape firm-wide processes. Yet, national contexts are not simply different institutional settings, separate and distinct from each other; they are in practice entwined and located in a hierarchical system of nations dominated by imperial powers (e.g. Britain in the nineteenth century and then the USA after 1945). It is therefore important to bring into the discussion the realities of political-economic dominance in the world economy.

Similar to Smith and Meiksins (1995), therefore, we argue that it is not enough to simply consider “societal effects” on intra-MNC management and organization; one also has to consider “dominance effects”. Smith and Meiskins use the concept of “dominance” to capture the way in which certain societies act as models to others in terms of their work organization. In their discussion, being dominant is both ideologically and materially grounded. It is ideological in the sense that the production model used in the dominant society is believed to be the “most efficient” model available and, therefore, societies that claim to be modernizing and competing are
under normative pressure to adapt to the model and to train their managers according
to the precepts of the model. It is materially grounded in that the reason why
dominance is achieved is in part because the particular production model is highly
competitive and generates wealth and profit for the firms in the dominant society.
However, we suggest that the concept of dominance can be used in ways that highlight
the imperial nature of interdependence and hierarchy in the world economy. Most
obviously, the colonial Empires stretching back to the “discovery” of the Americas
were forms of dominance that have deeply impacted on the nature of the modern world
by shaping the economic, political and social structures of the societies which they
colonised. Indeed, the colonial Empires played a major role in drawing boundaries and
establishing the identity of territories as states with fixed boundaries, creating new
forms of “imagined communities” (Anderson, 1991) that cut across traditional porous
boundaries between social groups, language communities and the multi-layered forms
of political jurisdiction which existed before the emergence of the modern state.

The colonial Empires generally hardened around ideologies and practices which
categorized “natives” as inferior and, therefore, to be civilized; the resources of the
lands populated by the natives (mineral, agricultural as well as labour) were to be
controlled and exploited to the benefit of the imperial power. Clearly, there were
“societal effects” associated with different forms of imperialism but, generally, all the
European imperial powers took on board theories of racial and civilizational
superiority to legitimate their conquests and their activities – “the white man’s
burden” – and they supported each other in the imperial ideal even as they competed
over territories. Thus, colonial powers exported their laws, their educational systems,
their tax systems and their bureaucracies to civilise and exploit. Such knowledge
transfers, together with the transfer of colonial administrators, engineers, agronomists,
settlers, etc. shaped the local economies, their infrastructures, values and practices. In
the process, wealth flowed back to the colonial metropolises, providing the basis for
further expansion of their productive capacities, but so too did ideas about how to
control populations, how to measure outputs, how to develop new techniques of war.

This process established international linkages and international exploitation as
part of the world economy and institutionalized an imperial form of dominance which
has shaped the nature of international business to this day. Indeed, the earliest
multinationals were born in the colonial period and were a crucial means by which the
colonial powers controlled and exploited resources in their empire. They were trading
companies that exported manufactured goods and that imported commodities such as
sugar, oil, gold and silver – many of these early MNCs, especially in the agricultural
products, minerals and oil extraction sectors remain significant. This early experience
of “international business” enriched colonialist nations and created a financial and
productive base from which to establish new sectors, build new MNCs and maintain
the coloniser/colonised division in the world economy, even after the closing of the
colonial period in the twentieth century. Here, it is useful to note that the majority of the
world’s largest and most powerful MNCs are headquartered in former colonialist
countries (particularly Britain, France, Germany and The Netherlands) and new
imperial nations (e.g. USA). Equally noteworthy is that these organizations are
establishing and controlling a growing number of subsidiaries in “developing” nations
(Molz et al. 2010), i.e. countries that were once colonies of the European Empires and
that have continued, in many cases, to provide their former imperial masters with
labour, markets and materials (Nkrumah, 1965).
While the impact of this imperial form of dominance is obvious in sectors such as minerals extraction (oil, gold, iron ore) and agriculture as well as in the fact that manufacturing up until the last few decades was predominantly concentrated in the old imperial nations, it is also worth noting its influence on other developments. In particular, the relatively new category of business organizations known as “professional services firms” (e.g. accountancies, law firms and management consultancies) are centrally concerned with establishing forms of knowledge and modes of organizing that make it possible for them to sell their services around the world (Boussebaa, 2009) and for their clients to transact and manage their assets across nations (Morgan, 2009). These firms have been almost exclusively based in the former European colonial powers and in the USA from where they have established a powerful influence over rule-making and knowledge production processes globally (Boussebaa and Morgan, 2014). Linked to them have been educational institutions established in part to provide appropriate professional education for, initially, the imperial ruling classes and, later, for middle ranking professionals and managers in corporations and civil administration – a role in which business schools have played a central part through the diffusion of management and organization models developed in the USA to other contexts (see, e.g. Alcadipani and Caldas, 2012; Westwood and Jack, 2008; Cooke, 2004). As a result, Western professional service firms built themselves up to be the world’s largest and most powerful, and as the transnational sphere of governance has become more significant with the rise of “globalization” (Djelic and Sahlin-Andersson, 2006; Djelic and Quack, 2010), these organizations have attained a peculiarly powerful role in shaping rules and expectations worldwide.

What is also interesting here is how this imperial form of dominance works out inside the professional service MNC. For instance, Hanlon’s (1994) study reveals how the “Big Four” (then, “Big Six”) accounting firms are largely dominated and led by their UK and US offices. The author also shows how the firms’ core capabilities are developed by these core offices and how offices based in small economies, while enjoying a degree of autonomy in relation to some business matters (e.g. partner promotion, client management, use of advertising, etc.), are required to adhere to the international standards and practices laid down by the US and UK groups. Following a similar line of thought, Boussebaa et al.’s research in the context of international consulting firms reveals how capabilities such as skills and knowledge and the professional staff that carry them tend to flow from offices based in the largest Western economies into peripheral subsidiaries located in small Western nations and, importantly, the “developing” world (Boussebaa et al. 2012, 2014). The authors describe such a reality explicitly as a form of neo-imperialism (see also Cooper et al. 1998; Barrett et al. 2005).

This research reflects what may be described as an imperial dominance effect, whereby MNCs remain built around a “core” in the (neo-) imperialist Western economies that dominates the management and organization of the firm in ways that re-produce coloniser/colonised power relations inside the organization. Thus, some parts of the MNC are “peripheral”, acting mostly as recipients rather than producers of skills and knowledge, while others are “central” to the firm, operating more as exporters than importers of such capabilities. These differences, in turn, shape the extent to which different parts of the firm are involved in the management of the firm and its international business activities. Clearly, one cannot see such differences as being fixed in time given that, as the subsidiary initiative literature has shown,
peripheral units can strategize to increase their centrality through mechanisms of voice (Bouquet and Birkinshaw, 2008) and by innovating on their own initiative (Do¨rrenba¨cher and Gammelgaard, 2011; Kristensen and Zeitlin, 2005). However, much of the discussion on the phenomenon of subsidiary initiative remains locked into a Eurocentric world-view in which the core-periphery divide is discussed in terms of a tension between Western actors based in different national institutional contexts; little attention is paid to the divide between Western (neo-) imperialist actors and those based in former colonial territories. This is doubly problematic if we consider the fact that international business increasingly involves relations between “developed” and “developing” nations (Molz et al. 2010), i.e. between ex- (and new) imperial powers and once colonised countries (Frenkel, 2008).

This dynamic concerning the way in which old imperial relationships remain deeply embedded in organizations not just in terms of structural features and patterns of material inequality but also as ways of conceiving of differences and capabilities are part of the subject matter of post-colonial organizational research (see, e.g. Prasad, 2003, 2012; Frenkel, 2008; Jack et al. 2008), some of which has been published in CPoIB (e.g. Banerjee and Prasad, 2008; Westwood and Jack, 2007, 2008). This research is concerned with not only the legacy of colonialism but also the continuation of this phenomenon, i.e. neo-colonialism, and its impact on present-day international business. Running through it is the view that international business theory and practice emerged from the colonial encounter and directly contributes to the reproduction of core-periphery relations in the modern world economy. Indeed, what distinguishes neo-colonialism from its predecessor is that it generally occurs through “non-traditional means” (Prasad, 2003, p. 6), i.e. not through conquest and occupation but via the economic and political activities of MNCs, management consultancies, business schools, transnational regulatory bodies and international financial institutions. These organizations impose particular conceptions of management and modes of organizing across the world and, in so doing, maintain the core-periphery relation that was developed in colonial times. This is not to deny that “Southern” voices can offer alternatives and can resist their incorporation into the dominant model (see, e.g. the special issues of CPoIB and Organization dealing particularly with debates in Latin America about counter-hegemonic struggles – Alcadipani et al. 2012; Ibarra-Colado, 2006) but such struggles occur within a framework of inequality and power in which (neo-) imperial power remains hegemonic. We thus agree with Frenkel (2008) that our understanding of the internal workings of MNCs could be advanced by drawing on postcolonial theory, which to date remains a marginal voice within IB research (Jack et al. 2011) and the institutionalist study of MNCs more specifically (Boussebaa et al. 2012; Becker-Ritterspach and Raaijman, 2013). Linking this to more specific studies of how MNCs have contributed to the shaping of colonial societies and how this continues to impact on the internal structure of these organizations would be a highly useful addition to the critical study of international business as espoused by CPoIB.

However, while recognizing the neo-imperial nature of the modern MNC, it is important to be cautious about regarding the core-periphery relations discussed here as set in stone. To do so would be to neglect the fact that global power relations are not static but evolving and that while some societies might have been home to core actors in the past, they might not be so in the future. Thus the profound changes in the world economy that have resulted from the rise of the BRICs and, in particular, China, and the
recent decline of the US and European economies under the impact of the financial crisis of 2008 and subsequent fiscal crises (manifested in the Eurozone crisis and the downgrading of US government debt) threatens to fundamentally alter the patterns of dominance at the global level. As global hegemony moves from the US and former European colonial powers towards China in particular, new intra-MNC management and organization issues and power formations are likely to emerge.

The traditional IB literature has spotted this change and started to discuss the possibility of a new model of the MNC emerging from the BRICs and other emerging economies (Khanna and Palepu, 2010; Guillen and García-Canal, 2012). In this model, emerging MNCs are seen as being more flexible and less tied down by “administrative heritages” or cumbersome regulations than Western MNCs. Such firms are also seen to be more able to work in a network way because of the continued importance of personal ties and obligations which facilitate higher levels of trust than in large, bureaucratic MNCs from the USA and Europe. This research reflects an effort to develop a “societal” approach to the rise of MNCs from “emerging” nations; i.e. to explain the distinctive national institutional characteristics that facilitate their rise to prominence. However, this new research remains largely limited to an exploration of firm strategies and associated organizational structures. It therefore suffers from the same problems that the IB literature of the 1980s-1990s suffered from, namely an over-preoccupation with managerialist concerns at the expense of a more socio-political understanding of the MNC. As a result, we know relatively little about the internal workings of MNCs from China and other emerging economies and the sorts of relations of power and dominance that are being set up within them.

As with Western MNCs, we can expect that the more powerful of the multinationals from the BRIC nations will seek to ensure that the balance of advantages from internationalization flows back to their own societies, and this is likely to have an imperial dominance effect on the distribution of power and resources and the development and deployment of capabilities within the firm. We can also expect the emergence of “dominance effects” as understood by Smith and Meiksins (1995), whereby so-called “Chinese models” of the MNC, for example, begin to be held up as models other countries should emulate (though see Nolan, 2013 for a skeptical account of the discourse of Chinese dominance). As the BRIC economies grow, we can also expect the subsidiary actors rooted in them to exert more influence over the management and organization of Western MNCs. For example, given the rapid growth of the emerging economies, global professional service firms are doing more of their business in these countries and establishing large offices in those contexts as a result. How are such developments changing the balance of power within these firms?

Conclusions
In conclusion, we would argue that critical studies of international business can be enlarged and made more “critical” by taking on three tasks. First, there remains room for more exploration of the history of MNCs and their function in the imperial enterprise of yesteryear. This has a number of dimensions, including the role which MNCs played in exploiting the material resources of colonies and in shaping the institutional frameworks of these colonies. Second, there is a need for more focus on the internal dynamics of MNCs from the perspective of the origins of such firms in specific imperial relationships. This requires examining current MNCs as complex socio-political sites in which long-standing forms of imperial domination are
reproduced inside the firm and not just as sites in which different institutional/societal logics are expressed and battled over. Third, the changing nature of the global economy and the rise of MNCs from emerging markets need to be taken into account. There needs to be research which engages historically with the emergence and management of MNCs from different BRIC economies. India, which is now a fast-growing market with increasing outward FDI and service exports, was integrated into the British Empire and during that time received aspects of British law and education as well as created a managerial elite with strong British connections. China, by contrast, was never formally colonized and has undergone massive political, social and economic change over the last century. The form of entry into the globalized economy of these two emerging powers is very different and reflects in part their different histories during the Age of Empires. How do such differences impact on the ways in which MNCs from these countries are managed and how do they affect the ideas and practices which they import and adapt in their own context? Brazil offers a third route with a number of increasingly important MNCs of its own but with its own specific history of linkages to imperial powers over the last century (Schneider, 2013). More comparative work on these MNCs is necessary to understand whether new models of management might be emerging.

CPOiB has shown itself open to new perspectives on multinationals and, in particular, the study of these organizations from a critical perspective. An important research avenue, in which it will hopefully play a key role in the future therefore, is to establish the importance of, and probe deeply into, the relationship between MNCs and imperialism as a means of advancing our understanding of the history and development of multinationals as the global economy enters a new stage of uncertainty and fragmentation.

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Further reading