

Regional Head Quarter's Dual Agency Role: Micro-Political Strategies of Alignment and Self Interest

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Abstract

Increased research focus on the networked perspective of the MNE reflects a greater delegation of responsibility from corporate headquarters (CHQ) to subsidiary and intermediary units such as regional headquarters (RHQ). This shift has increased the intensity of political interactions between key actors within the MNE. Despite the recent rise in studies on the micro-political perspective of the MNE, to date little empirical work has explored this issue in the context of the CHQ-RHQ relationship. Drawing insights from agency theory and micro-politics, we focus on the context in which RHQs develop micro-political strategies in order to manage the flow and exchange of knowledge with CHQ. We show how RHQ may exhibit a 'dual agency' role when dealing with CHQ, in that it is characterised as a principal and agent, each requiring different micro-political knowledge strategies. As a principal, RHQ will develop micro-political knowledge strategies to increase alignment with CHQ. As an agent, RHQ develops micro-political knowledge strategies to pursue its own self-interests. Having identified different RHQ agency roles, we develop a conceptual model that outlines how alignment and self-interest seeking behaviours from RHQ manifest through different micro-political knowledge strategies in its agency relationship with CHQ.

1.0 Introduction

Understanding how political interactions affect the flow and direction of resources between key actors within the multinational enterprise (MNE) has been a significant question for scholars and practitioners alike (Mudambi & Navarra, 2004; Geppert & Dorrenbacher, 2014). The increased delegation of decision making responsibility from corporate headquarters (CHQ) to subsidiary and intermediary units within the MNE has resulted in an increased focus on the micro-political interactions between these units (Morgan & Kristensen, 2006; Geppert et al. 2016). Extant research that has focused on the CHQ-subsidary relationship has largely failed to consider political issues in the context of CHQ's relationship with integral intermediaries such as regional headquarters (RHQ). How micro-political strategies impact the flow of knowledge is a problem that is not well understood in the context of RHQ's relationship with its CHQ (Foss, 1997; Mahnke et al. 2012; Verbeke & Asmussen, 2016). Knowledge is a key source of power, and the sharing or hoarding of knowledge may be politically motivated, depending on the interests of key actors within the MNE (Mudambi & Navarra, 2004). Both CHQ and RHQ may have divergent political intentions that affect the flow of knowledge between them. By focusing on the micro-political strategising of RHQ, we aim to understand how the political interactions at the CHQ-RHQ interface affect the flow and sharing of knowledge. In exploring this question we integrate insights from agency theory and micro-politics in the MNE.

Agency theory is generally concerned with the relational difficulties that materialise from the delegation of work from a principal to an agent (Eisenhardt, 1989a). In the MNE context, as a principal, CHQ delegates responsibility and decision making authority to foreign agents, with subsidiaries generally identified as agents (O'Donnell, 2000). As a key intermediary, RHQ is expected to manage the flow of information between CHQ and local subsidiaries within the MNE (Verbeke & Asmussen, 2016). However, the RHQ may suffer from role ambiguity in

that it performs different agency roles to the subsidiary within the MNE (Kostova et al. 2016). This is a significant challenge for RHQ as it controls in some roles (principal) but is controlled in others (agent) (Hoenen & Kostova, 2015; Steinberg & Kunisch, 2016). In this sense, RHQ's position within the MNE represents a 'dual agency' role, in that it may operate as either a principal or an agent when interacting with CHQ (Deutsch et al. 2011; Nell et al. 2011; Birkinshaw et al. 2016). Performing this dual agency role in an effective manner requires RHQ to engage in micro-political strategies with CHQ. RHQs may develop micro-political strategies in an attempt to temper CHQ's desire to maintain control and alignment, in opposition to their own desire to be as autonomous as possible (Kristensen & Zeitlin, 2005). An agency lens is therefore appropriate for our study as it emphasises relational issues of alignment and self-interest between key actors (Hoenen & Kostova, 2015; Kostova et al. 2016).

The political interactions that take place within these agency relationships have been labelled micro-politics (Kristensen & Zeitlin, 2005; Morgan & Kristensen, 2006). Extant research has focused mainly on the types of micro-politics within the CHQ-subsidary relationship that arise due to budget allocations, relocation decisions, mandate changes (Dorrenbacher & Gammelgaard, 2006) and the transfer of employment practices (Ferner et al. 2012). The role of agency and micro politics and their effects on knowledge flows, in particular between CHQ and RHQ, is less well documented (Geppert & Dorrenbacher, 2014). Knowledge flows are a key determinant of bargaining power (Mudambi & Navarra, 2004), hence, how and why knowledge is shared and exchanged within the MNE is a politically motivated activity (Geppert et al. 2016). This foregrounds the need to explore the micro-political interactions related to knowledge control between CHQ and RHQ.

Our findings illustrate that the delegation of authority from CHQ to RHQ creates a series of tensions around whether the RHQ will remain aligned with the CHQ or potentially pursue their self-interests. We find that RHQ exhibits a 'dual agency' role in interacting with CHQ, in that

it may be characterised as both a principal and agent. As a principal, RHQ develops micro-political knowledge strategies to increase alignment with CHQ. However, as an agent, RHQ develops micro-political knowledge strategies to pursue its self-interest. Building on recent literature focused on micro-politics (Morgan & Kristensen, 2006; Geppert & Dorrenbacher, 2014; Geppert et al, 2016) and the agency theory perspective of the MNE (Hoenen & Kostova, 2015; Kostova et al. 2016; Steinberg & Kunisch, 2016), we develop a conceptual model which explicates the different agency roles RHQ assumes in its relationship with CHQ and the associated micro-political knowledge strategies. The main contribution of our study lies in illuminating how micro-political strategies in relation to the flow of knowledge are key for balancing alignment and self-interest at RHQ level. We explore the aforementioned issues through case study analysis of two European RHQs of MNEs in the medical devices industry.

The paper proceeds as follows; the next section introduces the theoretical underpinnings of our study. The methods are subsequently detailed before a discussion of the findings and an outline of the key contributions of the study. We conclude with a consideration of the limitations of the study and potential avenues for further study.

2.0 Micro-Politics in the MNE

The MNE is increasingly understood as a ‘contested terrain’ characterised by political interactions and conflicts between key actors (Clegg et al. 2016; Morgan & Kristensen, 2006). This research foregrounds micro-politics as an important lens to understand differing interests between central actors. As a result of these divergent interests, micro-political strategies are developed to “initiate, influence, resist and/or negotiate” positions within the MNE (Geppert & Dorrenbacher, 2014: 238). Micro-political interactions are manifest in conflicts between CHQ and subsidiaries, and may have both stabilising and destabilising effects on the relationship (Dorrenbacher & Gammelgaard, 2016). In order to manage these potential

conflicts, and moderate CHQ's diminished influence, increased emphasis has been placed on the role of key intermediaries such as RHQ and its relationship with CHQ (Piekkari et al. 2010; Ciabuschi et al. 2012). However, CHQ and RHQ may have conflicting political interests that result in increased political tensions and struggles (Kristensen & Zeitlin, 2005). Restructuring processes, such as the increased delegation of functional responsibility from CHQ, provide particularly fruitful contexts for studying micro-politics (Dorrenbacher & Geppert, 2009). Despite this, micro-political interactions in the context of the CHQ's relationship with key intermediaries such as RHQ are largely underexplored (Becker-Ritterspach et al. 2016). We apply an agency theory perspective to explore this issue further.

2.1 An Agency Theory Perspective

Agency theory considers the governance structure between a principal and an agent, and how this contractual relationship may be complicated by issues of misalignment and self-interest (Eisenhardt, 1989a). There is growing recognition that the MNE involves more than just the CHQ-subsidary agency relationship and this calls for a greater understanding of multiple principal-agent relationships (Arthurs et al. 2008; Hoenen & Kostova, 2015). For example, RHQs are important intermediary units, premised on the objective of managing the flow of information from a given region to CHQ (Piekkari et al. 2010; Ghobadian et al. 2014; Chakravarty et al. 2017). RHQs are expected to perform a dual agency role in that they control regional operations (principal) but they are also controlled by CHQ (agent) (Deutsch et al. 2011). In this sense, RHQ's relationship with CHQ may represent a 'principal-principal' dyad (Young et al. 2008), while concomitantly representing a 'principal-agent' dyad. Performing this dual agency role exposes RHQ to micro-political interactions in its relationship with CHQ (Geppert & Dorrenbacher, 2014). These micro-political interactions are evident in the principal's desire to maintain alignment, in opposition to the agent's desire to act with self-interest (Kristensen & Zeitlin, 2005). Agency theory is an appropriate lens for our study as it

demonstrates how politics stems from both issues of alignment and self-interest among different actors (Hoenen & Kostova, 2015; Kostova et al. 2016).

2.2 Principal to Principal Relationship

RHQs, which are defined as “units purposely established to steer national subsidiaries within a region”, differ from foreign subsidiaries (Mahnke et al. 2012: 293). Subsidiaries build their influence on critical resources, whereas RHQs possess a formal HQ mandate, hence shifting the CHQ-RHQ relationship to a principal-principal dyad (Ward & Filatotchev, 2010; Ciabuschi et al. 2012; Steinberg & Kunisch, 2016). This type of relationship differs from a traditional hierarchal one and represents a horizontal or lateral dyad (O’Donnell, 2000). The difference being that CHQ focuses on holistic strategic adaptation and renewal across the MNE, whereas RHQ is an intermediary structure, legally controlled by CHQ (Alfoldi et al. 2012; Chakravarty et al. 2017).

In its capacity as a principal, it may be in RHQ’s interest to increase the level of alignment it has with CHQ. This is based on the logic that misalignment may lead to increased monitoring, less power in future negotiations or even mandate removal (Galunic & Eisenhardt, 1996; Dorrenbacher & Gammelgaard, 2010). In order to enhance alignment with CHQ, RHQ may comply with corporate standards and seek to appear more open and transparent. Achieving successful alignment involves minimising the divergence of preferences and interests between the two parties (Nohria & Ghoshal, 1994). However, RHQ may not be capable of accurately determining if its behaviour is in line with CHQ’s philosophy (Foss & Weber, 2016). Due to bounded rationality, principals may not be effective in communicating or understanding each other’s complex objectives (Hendry, 2002; 2005). Uncertainty in the form of restructuring or management changes at CHQ may exacerbate this problem (Menz et al. 2015).

In a principal-principal relationship, RHQ may be politically motivated to share knowledge with CHQ in order to increase alignment, on the premise that this knowledge strengthens their position in future negotiations (Mudambi & Navarra, 2004). The more knowledge exchanged the greater the degree of information processing capacity of each party, as each will develop a greater understanding of the other's values and objectives (Gupta & Govindarajan, 1991). Both formal and informal interactions are important for sharing knowledge (Aalbers et al. 2012). Formal interactions and structures at the CHQ-RHQ interface may involve product development teams, annual meetings or direct reporting lines (Nell et al. 2011). Informal interactions through socialisation, political bargaining and coalition building are equally important means of influencing knowledge within the MNE (O'Donnell, 2000; Bouquet & Birkinshaw, 2008; Hotho et al. 2012). Informal interactions such as corporate visits, international assignments or informal conversations (Johnson & Medcof, 2007) also act as important socio-political avenues for sourcing and sharing valuable knowledge. Individuals that socialise or travel to CHQ have the capacity to regularly develop political coalitions that allow for the dissemination of relevant knowledge (Conroy & Collings, 2016; Yang et al. 2008). Developing 'managerial ties' with 'political brokers' through political lobbying is a key concern in this regard (Kotabe et al. 2011). Therefore, how micro-political strategies of knowledge exchange affect RHQ's alignment with CHQ is a key concern of our study.

2.3 Principal to Agent Relationship

Agency theory traditionally assumes that in a principal-agent relationship, the agent is an opportunistic self-interest seeker (Jensen & Meckling, 1976). Self-interest is defined as the motivation to do whatever it takes to satisfy desires and increase outcomes, with indifference to how these actions affect others (Rocha & Ghoshal, 2006). Delegating responsibility from CHQ may provide RHQ with greater power to act opportunistically (Ciabuschi et al. 2012). As Verbeke and Asmussen (2016) suggest, RHQs may act opportunistically by giving priority to

the operations of the country they are located in. Extant research has illustrated that in the early stages of development, RHQs may be more interested in the advancement of new knowledge at the expense of leveraging existing power bases within the MNE (Lasserre, 1996; Mahnke et al. 2012).

One of the primary reasons that agents act opportunistically is that they feel they are not given access to resources or they perceive they are too tightly controlled (Kostova et al. 2016). However self-interest may not always be driven by the agent and there have been recent calls to explore how ‘principal opportunism’ may in fact be the main cause of agency problems within the MNE (Cavanagh et al. 2016; Kostova et al. 2016). Agents may also feel that they are at a ‘knowledge disadvantage’ to their principal, as they cannot access valuable knowledge that the principal possesses (Li et al. 2016). In this regard, RHQ may be politically motivated to build specific advantages in the local institutional environment (Morgan & Kristensen, 2006). Increased political interaction and knowledge exchange with local knowledge networks that are unavailable to CHQ may facilitate the ability to overcome a knowledge disadvantage (Li et al. 2016). External connections may provide access to knowledge networks that are not accessible within the MNE, and this knowledge may be subsequently used to develop the agent’s position in political negotiations with the CHQ (Morgan & Kristensen, 2006). These external connections may represent a high level of specialised information of which CHQ does not have direct access. In this regard, RHQ may be less dependent on CHQ for resources, particularly if it represents a large fraction of the MNE asset base (Kim et al. 2005). Political manoeuvring with external stakeholders such as universities, science centres, customers, suppliers, competitors and policy makers can also prove access to valuable knowledge (Andersson et al. 2014). Despite these insights, empirical evidence on how the external context in which the agent is embedded affects agency relations within the MNE remain limited (Hoenen & Kostova. 2015; Kostova et al. 2016). Hence, as an agent, RHQ may be politically

motivated to pursue its self-interest but exploring how and why RHQ does this is pertinent to our study.

Self-interest seeking behaviour may not always be a zero-sum game, as the traditional agency perspective contends, and may have ‘healthy’ effects (Kostova et al. 2016). Too much alignment provides little basis for the long-term development of RHQ, as it may end up being too similar to CHQ with limited potential to add further value (Morgan & Kristensen, 2006). Reverse knowledge transfer (RKT) is a process of political persuasion in that RHQ may be politically motivated to convince CHQ that the knowledge garnered opportunistically both fits and is aligned with CHQ. RKT may enhance CHQ’s capacity to recognise the value of RHQ knowledge if this knowledge is perceived as relevant and aligned with CHQ (Ambos et al. 2006; Najafi-Tavani et al. 2014). The greater the degree of perceived relevance and alignment of this knowledge, the more likely it is to be transferred or used by CHQ (Yang et al. 2008).

The micro-political interactions surrounding the flow of knowledge at the CHQ-RHQ interface are heretofore largely a neglected issue. In order to explore this issue, we demonstrate the RHQ may perform a dual agency role, where it may be politically motivated to maintain alignment with CHQ but also act in a self-interested manner.

3.0 Methodology

We adopted a multiple case study approach that facilitated the collection of rich data on the nuances of how political interactions at the CHQ-RHQ interface affect the flow of knowledge. Cases were selected via theoretical sampling, prioritising their suitability for illuminating and extending relationships among constructs (Eisenhardt & Graebner, 2007). Two case studies were chosen in order to provide clarification, replication and extension of emergent findings in the data across both cases (Eisenhardt & Graebner, 2007). This form of replication logic enhances the validity and sharpens the focus of relationships between constructs and the

underlying reasons of why these relationships may exist (Eisenhardt, 1989b; Yin, 2009). Two key sampling criteria were applied. Firstly, we focused on European RHQs of two U.S. headquartered MNEs operating in the medical devices industry in Ireland. This sector in Ireland is a prime destination for U.S. Foreign Direct Investment (FDI) (Giblin & Ryan, 2012) and it provides these firms with an attractive base for managing their European operations. Secondly, we explicitly focused on RHQs that had gained mandate extensions through corporate investment in the three years preceding the start of data collection. Mandate development, in the form of functional delegation from CHQ, is a fruitful context for exploring micro-political activities (Dorrenbacher & Geppert, 2009). The main sampling source utilised in identifying suitable companies was IDA Ireland'sⁱ database, while further sampling was carried out through media reports. Four pilot interviews were carried out with industry experts (IDA Ireland Manager, IMDA Managerⁱⁱ, former MDs of both RHQs) and were subsequently combined with initial insights from the literature to assist in identifying key priorities for investigation.

3.1 Data collection

The major source of data was face-to-face interviews, conducted between 2008-2012, comprising 28 managers interviewed in total (15 in EDGECOⁱⁱⁱ and 11 in GUIDECO), and held on the respective sites. In addition, two other managers from IDA Ireland and IMDA were also interviewed, to provide more general contextual understanding of the MNEs and the wider national and industrial context. Each interview lasted on average one hour and was tape-recorded and subsequently transcribed verbatim. Drawing on Welch et al (2012), respondents were chosen based on the significance of their role within the RHQ in that they were knowledgeable of the main issues being explored. For example, the majority of those interviewed held regional or global roles, which meant that they regularly interacted with CHQ. Table 1 presents the profiles of these interviewees.

Table 1: Interviewee Profiles 2008-2014

EDGECO	GUIDECO	Industry Representatives
<ul style="list-style-type: none"> • Vice President (VP) Global Operations • Managing Director (MD) <ul style="list-style-type: none"> • R&D Director • Senior R&D Manager (x2) • New Product Development (NPD) Manager <ul style="list-style-type: none"> • R&D Manager • Manufacturing Director • Senior HR Program Manager • Senior Engineering Manager <ul style="list-style-type: none"> • Senior HR Manager • VP Director of Manufacturing <ul style="list-style-type: none"> • R&D Director • VP Global Vascular Operations <ul style="list-style-type: none"> • Lean Sigma Master 	<ul style="list-style-type: none"> • Managing Director (MD) • R&D Director • Senior R&D Manager • NPD Manager • R&D Engineer • HR Director • Director of Engineering • Senior R&D Manager • VP International Finance • VP Regulatory Affairs <ul style="list-style-type: none"> • VP 	<ul style="list-style-type: none"> • IMDA Director • IDA Ireland Manager
15	11	2

3.2 Data analysis

Data analysis was intertwined with data collection, and emerging findings were discussed with respondents. Refining and adding new categories rather than pre-specifying *a priori* assumptions is inherent in qualitative research (Dubois & Gadde, 2002). Theorising in this way is inspired by empirical observation of real-life problems (Van Maanen et al. 2007). We analysed the interview data using established coding techniques (Gioia et al. 2013; Saldana, 2015) and codes resembled significant themes that emerged within the data analysis process. This coding process involved 3 main steps. Firstly, analysis involved identifying initial concepts in the data and grouping them together through an open coding approach. These open codes were correlated with representative empirical quotations from respondents. This led to the development of first order codes or main themes that were closely related to the language used by informants. Secondly, searching for relationships between and among these categories

was carried out through axial coding, which resulted in the development of second order themes. These second order codes represented theoretical categories, closely aligned with constructs from the micro-politics literature. Finally, these categories formed the basis for our conceptual development in the form of higher order aggregate dimensions. This process was not linear and instead evolved as an iterative flexible approach between data collection and analysis, until we had a clear grasp of the emerging theoretical relationships and additional interviews failed to reveal new data relationships (Eisenhardt & Graebner, 2007). We took several steps to ensure the reliability of our data. First, we meticulously filed detailed documents of the data, field notes and transcripts as they were collected, in order to ensure transparency and replication. Second, the data were analysed independently by each author before a discussion on what emergent themes to include or omit from the final dimensions.

4.0 Findings

4.1 EDGECO and GUIDECO

Both RHQs are part of a recognised medical technology cluster in the west of Ireland. This export-orientated cluster is acknowledged as an important source of knowledge for MNEs with a high degree of interaction between knowledge intensive universities, suppliers and competitors (Giblin & Ryan, 2012). The local context is pro-business, with supportive institutions and regulatory agencies such as IDA Ireland, successful in influencing the flow of FDI into Ireland, particularly from U.S. MNEs (Monaghan et al. 2014). Thirteen of the world's top 15 medical technology companies operate in Ireland, with over 29,000 employees in total in the sector (IDA Ireland, 2016).

EDGECO was established in Ireland in the early 1980s as a basic subsidiary and was attracted by grants and tax incentives from IDA Ireland. A subsequent acquisition by the current owner in the late 1990s evolved its role as a manufacturing subsidiary, producing labour-intensive and low-end medical device products. Through the planning and foresight of local management, EDGECO recognised it would need to add further value through higher-end manufacturing, which would subsequently facilitate an R&D mandate to be introduced. In 2002, EDGECO was recognised as a centre of excellence for manufacturing higher margin products and subsequently grew to some two thousand employees. EDGECO was formally recognised as the European RHQ in 2007. Since its inception, EDGECO has evolved from a basic manufacturer to a centre of excellence, specialising in the manufacture and R&D of medical device products, to an RHQ. Today, the RHQ employs upwards of 2,500 people making it one of the largest sites in the MNE, generating over 10% of total revenue.

GUIDECO first opened a manufacturing facility in Ireland in the mid-1990s. The RHQ has developed from a manufacturing site to the principal manufacturing plant for the MNE's

leading global product in guidewire and inflation technologies. GUIDECO has been the beneficiary of significant corporate investments over the last decade with a €20 million corporate investment in 2011 to build a new facility and R&D operations. This facility doubled the capacity of the site and added over 200 jobs in activities such as shared services and operations support. The RHQ has over 400 employees and is responsible for general financial and operational management to European operations. GUIDECO employs approximately 2,500 people globally with several manufacturing factories in the U.S., Netherlands, France, Denmark, Japan and China. This MNE is one of the fastest growing companies in its industry and is currently growing rapidly through acquisitions, with a significant rise in exports to China.

We begin by outlining how RHQ micro-political strategies, regarding alignment or self-interest, affected knowledge flow, before detailing the dual agency role that RHQs are faced with.

4.2 Micro-political strategies of alignment

Both RHQs were cognisant of being aligned to CHQ, recognising that “to continue to be fed and watered by our parent, we have to take a certain amount of orders” (Senior R&D Manager GUIDECO) and “at the end of the day [CHQ] can close us down in the morning” (Senior HR Manager EDGECO). RHQs were thus politically motivated to align themselves with CHQ through increasing knowledge exchange. RHQs placed a particular emphasis on informal political avenues in this regard. Encouraging corporate visits and building personal networks with key decision makers were key micro-political activities for exchanging relevant and valuable knowledge.

4.2.1 Corporate Visits

Alignment with CHQ requires regularly meeting face-to-face and being proactive in developing visits to CHQ and vice versa. Visits provided valuable informal platforms for exchanging crucial knowledge as “they concentrate people’s attention” (VP Director of Manufacturing EDGECO). Respondents felt that owing to their geographical distance from CHQ, there was a risk in becoming strategically isolated, especially as rival plants internally were geographically more proximate to CHQ. This fear of becoming isolated relative to those operations closer to CHQ was a catalyst in increasing informal politicking through visits. The rationale was that, “we need to be walking the corridors, making sure that you are in touch with the Directors in corporate” (Plant Manager GUIDECO) and “you get to have your input into products a lot earlier and you can put yourselves on strategic projects” (HR Manager EDGECO). A particular micro-political approach in this regard involved the utilisation of demonstrations, where corporate leaders that visited the RHQ were given guided tours through specific areas of the RHQs that were perceived likely to have the most impact:

It is important that your PR [public relations] is good and your timing...you have the prototype of the novel idea ready the day he is here, you show him and he sees that there is benefit...we will purposely showcase what he needs to see (Director of R&D EDGECO).

These demonstrations proved to be important informal mechanisms for displaying the relevant knowledge that RHQ possessed. In order to facilitate the frequency and ease of these visits, respondents commented on the increased pressure put on government officials to develop the infrastructure in the form of motorways from cities to major airports. Both RHQs were particularly conscious of targeting the CEO with visits and demonstrations, with this approach outlined below;

When the CEO comes over here he walks out on the floor he knows people by name...it is great because you can get decisions very quickly, at the end of the day he makes the decisions and if he is over here and he likes a proposal that we put to him (Director of Engineering GUIDECO).

These visits provide valuable political platforms for both RHQs to develop personal networks, which were also vital informal ways of sharing knowledge with CHQ.

4.2.2 Personal Networks

Knowledge and information were shared by politically targeting key individuals. For example, a number of individuals who previously operated out of the RHQs were promoted to global roles in the CHQ. These individuals proved to be key knowledge conduits or political brokers for the RHQs, along with providing the RHQs with a stronger voice at the corporate decision making table. As one respondent notes;

He would be very much pushing discreetly the Irish agenda, he worked here for a number of years so he would be out there saying this is what [Ireland] has done so ye should go and see it...the key decisions makers, if you can be linked to them, if you get isolated from those decisions makers then you are in trouble (Manufacturing Manager EDGECO).

The quote below highlights in particular how both RHQs politically target key gatekeepers in CHQ and align with their interests and preferences;

We all have our channels of influence...but essentially our CEO or anyone who influences him we need to be connected to...it comes down to individual wishes and desires...so it definitely gets more political, a lot of the strategies that we talk about at lower levels of the organisation you might think that they are developed in a very objective logical rational manner, it is anything but (VP Regulatory Affairs GUIDECO).

These contacts facilitate the identification of other key corporate gatekeepers when it comes to sharing knowledge. Emphasis was placed on establishing relationships with these individuals as, “you cannot expect any multinational to come in and hand over their core development to

a bunch of strangers” (Senior R&D Manager EDGECO). The quote below reiterates the informal political nature of this activity;

It is all about corridor conversations, canvassing, so both formal and informal. So what you need to do strategically, is that you need to understand who the movers and shakers are and how do you build relationships with those, when is the right time to be at their side or to have a word in their ear (R&D Director EDGECO).

Respondents cited how changes to the CHQ agenda could potentially disrupt the RHQ’s strategy. Remaining abreast of these changes by tapping into valuable CHQ knowledge was vital. Respondents at GUIDECO were conscious of their close relationship to their CEO, particularly as he was due to resign and they feared this could impact the way they channeled their influence or who they politically targeted in terms of establishing a broader span of influence at corporate. EDGECO’s CEO has changed twice over the previous five years and the RHQ has been strategic in aligning initiatives around the new CEO’s preferences, as suggested above. Examples include the development of new talent and lean sigma processes aligned with CEO priorities. In particular, the development of ‘check adjust loop’ system is a political endeavour that allows EDGECO to source knowledge on changes to the CHQ agenda and align accordingly. This ‘check-adjust’ process is a political approach that is carried out informally by EDGECO and relies on personal networks for the flow of knowledge. As a principal, both RHQs developed micro-political strategies to increase their alignment with CHQ through knowledge sharing and exchange.

4.3 Micro-political strategies of self-interest

Respondents in both RHQs emphasised the importance of “being more creative and less subservient” (MD GUIDECO), which involved “not telling corporate everything you do” (MD EDGECO). This involved making decisions that benefited the development of their mandates, often without CHQ consent. Respondents in both RHQs described the “battle” with CHQ to

acquire greater R&D knowledge, which provided the genesis for self-interest seeking. Hence, they both devised plans to develop their mandates further. For example, at EDGECO, “[CHQ] are reigning us in a bit...so they are basically saying if we are losing the operations we are certainly not losing the R&D, they are batting down the hatches on the R&D stuff, we are finding it more and more difficult to get R&D here” (R&D Director). GUIDECO’s R&D Director noted that they were constantly battling the “closer to home issue”, believing their “strong handed” CEO often favoured operations in the U.S and that “we have to come up with new carrots for them” (R&D Engineer). As such, the RHQs were politically motivated to overcome this knowledge disadvantage.

4.3.1 Maverick work & knowledge creation

Believing that CHQ was illegitimately withholding R&D resources, both RHQs realised that they needed to develop new knowledge in order to eventually enhance their mandates. This led to the development of “maverick” work. Restructuring, in the form of change in top management at EDGECO and significant growth through acquisitions at GUIDECO, has provided the RHQs with further scope to be more political and act in a self-interested manner. The Senior HR Manager at EDGECO describes this political “game” noting, “where corporate are chopping and changing between leaders...you can do the stuff that is to your advantage...against a changing centre, if you are putting out the one team every week against a team that is changing every week, I know who is going to win that game” (Senior HR Manager). Each RHQ realised that they had to be more innovative themselves as “there is not even an overall innovation strategy diffused from HQ” (MD GUIDECO), but they channel their self-interest behaviour differently.

GUIDECO’s maverick work was largely informal and ad hoc and not purely focused on their R&D mandate but across a range of functions. Respondents cited examples of opportunities

they identified and presented to CHQ for permission to commit resources. When refused resources due to the CHQ “not seeing outside their own country” and a perception that “they do not understand”, GUIDECO subsequently developed initiatives to take advantage of these opportunities without the CHQ’s consent. As EDGECO’s Senior HR Manager noted, “it is often easier to ask for forgiveness rather than permission”. The below quote reinforces the opportunistic behaviour of GUIDECO;

We had to change our mind-set from one of compliance to a proactive one...So we went about accumulating the distinctive capabilities, which would endow us with this standing (MD GUIDECO).

Knowledge creation internally for EDGECO is focused on developing their R&D mandate and has become more formal through the development of a number of “innovation initiatives”, and establishing an “innovation culture”. The main challenge for EDGECO involved “improving the knowledge base of the people” (NPD Manager). “There has been a large learning curve going on with new competencies to be learned...the R&D team needed to learn more about drugs...change and adapt our clean room” (Manufacturing Manager EDGECO). EDGECO achieved this through various means, such as a patent disclosure system; “innovation is measured through the number of disclosures filed, so you have an idea, you file a disclosure and that gets into a bank and decided whether it should be filed as a patent” (R&D Director). Building an innovative culture in this way was often developed through “covert” initiatives that both RHQs implemented when they realised that they had to develop their mandates further but CHQ was withholding the necessary resources to do so.

4.3.2 External knowledge sourcing

The internal creation of knowledge is complemented with sourcing new knowledge externally in the local, regional, and global environment. Much of the pure research in R&D terms is

carried out in the CHQs, and as noted by EDGECO's Senior R&D Manager (2), "the head of R&D is based in [CHQ] and sometimes does not think of the corporation as a global one". Respondents added that much of the traditional R&D in the multinational, outside of CHQ, is development ('D') oriented and pure research ('R') happens largely in universities. As EDGECO's R&D Director stated, "innovations can come from anywhere but managerial choices regarding knowledge and technology transfer is influenced by the technological capabilities of the host environment". The R&D Director at EDGECO discussed how the next generation of product is likely to be a biodegradable medical device, "which we would not have internally. So we would work with [institutions and universities] that have the capability". GUIDECO partnered with universities for the development of less significant research initiatives as their Manufacturing Manager notes, "an employee engagement project we undertook a few years ago that is now being expanded across the corporation and the big take out from that is the way we got the university involved".

External knowledge sourcing is driven not solely through universities but also through the dynamics of the local context in which the RHQs ascribe to "innovation through collaboration" (NPD Manager EDGECO). As the VP of Regulatory Affairs for GUIDECO states, "my own network is broad and the medical device sector is small so it is good to be able to call on past colleagues". Both RHQs cited the example of collaboration between medical technology companies and local institutions that drive the 'Innovation Technology Network'. This network is focused on the convergence between bio-medical and ICT sectors and benefits from cluster development in the area. EDGECO in particular are the "chief industrial sponsor of [ACTIVITY^{iv}]", a local research group established in 2004 in collaboration with a local university, which primarily performs exploratory work. This external link allows for "pure research" to be carried out through which the RHQs "provide the application" (Managing Director EDGECO). EDGECO's initial maverick work and external knowledge networks led

to the development of an €8 million customer innovation centre for EDGECO in Ireland in 2013, which was eventually aided by CHQ investment. The R&D Manager at GUIDECO adds that they also collaborate with suppliers and competitors, which allows them to lobby for valuable resources in the local environment;

We work a lot for them in terms of getting cartels going with regard to security, landscaping, purchasing power for oil, gas etc. the other bigger items...so a lot of those big business issues we would try and lobby together on (VP European Operations).

4.4 Dual Agency – Reverse Knowledge Transfer

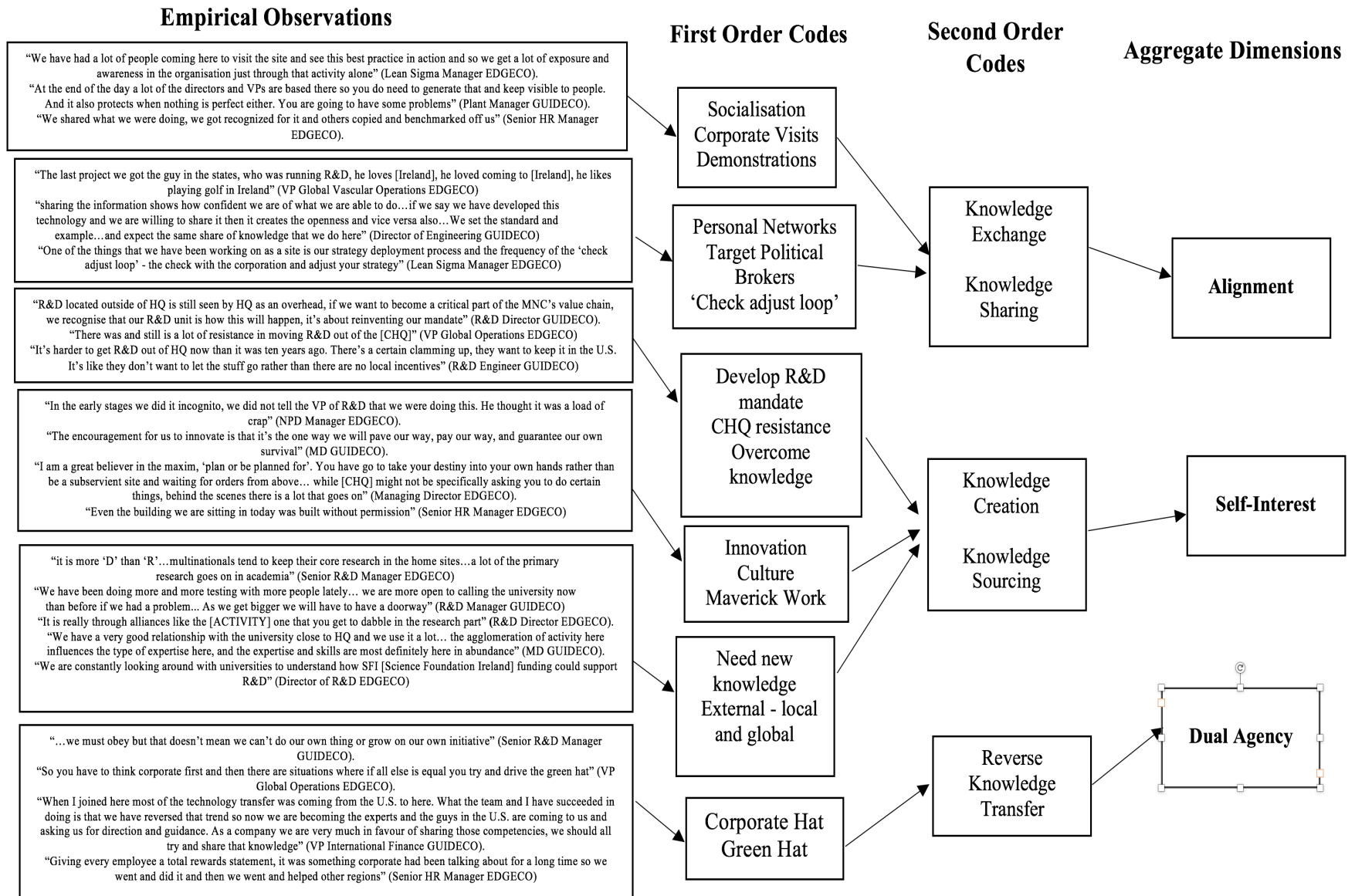
Respondents noted that trying to balance alignment and self-interest complicated their relationship with CHQ. As RHQs have taken on more regional and global responsibilities from CHQ, this has created dual reporting lines into CHQ and their own RHQ. RHQ respondents participate more in global teams and global councils creating further interaction with CHQ. In this sense, RHQs are under pressure to make decisions “objectively” that benefit the MNE. However, respondents noted they also make decisions opportunistically that benefit the RHQ. As EDGECO’s VP of Global Operations states, “I have influenced senior management to bring products here [Ireland] even though we are so cost inefficient”. Respondents in both RHQs referred to analogies of wearing the ‘corporate hat’ or the ‘green hat’^v when making these decisions. GUIDECO’s MD stated that when it comes to decisions regarding their key products, “it’s mostly the green hat we would wear”. However, the quote below captures how both RHQs attempted to balance this dual agency role over the long term;

If you make a decision based on wearing the green hat, which does not in the long term match with the corporate hat, it is not going to work...you have to align the green perspective with corporate and execute on that basis (R&D Director EDGECO).

Respondents noted that eventually sharing the knowledge, which they created and sourced opportunistically, back to CHQ was an important way to balance the green and corporate hat. Developing specialised knowledge in key areas, but subsequently illustrating the relevance of this knowledge through RKT, is a key political strategy for the RHQs. In some instances, the RHQ proactively led initiatives that they believed corporate had been “talking about for a long time but never acted on”, adding, “we went ahead and did it” (Senior HR Manager EDGECO). GUIDECO’s VP of International Finance described how they developed expertise in environmental awareness and now CHQ are dependent on them. This VP stated, “eventually it syncs and they come over here and ask questions to try and use our knowledge and experience...and we would also send people over there for a couple of months to get them set up”.

The above findings illustrate that RHQs may be characterised as both principals and agents in that they develop micro-political strategies to maintain alignment and self-interest. The micro-political strategies undertaken are geared towards managing the flow of knowledge with their CHQ. Figure 1 depicts the coding process and how we moved from key empirical observations toward a conceptual development of aggregate dimensions.

Figure 1: Coding Process



5.0 Discussion and conclusion

Drawing insights from agency theory and micro politics, we illustrate that the dissemination of responsibility from CHQ to RHQ creates a series of tensions around how the RHQ balances alignment with self-interest. These tensions of alignment and self-interest are negotiated through micro-political strategies deployed by key RHQ actors. Our study makes two significant contributions. First, we contribute to the understanding of the role of RHQs within the MNE, illustrating that, although RHQs were initially created to minimise the complexity of CHQ's role, the existence of micro-political interactions between the two parties creates new complications in this relationship (Piekkari et al. 2010; Mahnke et al. 2012; Verbeke & Asmussen, 2016). From an agency perspective, the CHQ-RHQ relationship is more complex than the CHQ-subsidary relationship due to the existence of multiple agency roles that the RHQ enacts. Despite this, studies incorporating an agency perspective have largely focused on the CHQ-subsidary dyad, ignoring the significance of the RHQ (O'Donnell, 2000; Nohria & Ghoshal, 1994). As such, we answer calls for a multiple agency perspective of the MNE (Duetsch et al. 2011; Hoenen & Kostova, 2015; Kostova et al. 2016; Steinberg & Kunisch, 2016), illuminating that a variety of micro-political dynamics emerge as a consequence of the dual agency role that RHQ performs in its relationship with CHQ. Second, and more specifically, we contribute to the literature on micro-politics within the MNE (Morgan & Kristensen, 2006; Geppert & Dorrenbacher, 2014; Geppert et al. 2016) by showing how RHQ micro-political strategies are geared toward influencing the flow and exchange of valuable and relevant knowledge with CHQ. Therefore, we illustrate that the CHQ-RHQ agency relationship represents a fruitful but underappreciated 'emerging political contest' (Clegg et al. 2016), in which to further our understanding of the micro-political interactions between key actors within the MNE (Geppert & Dorrenbacher, 2014).

We show that RHQ may be characterised as a principal and may develop micro-political strategies aimed at increasing alignment with CHQ by openly sharing and exchanging knowledge. The RHQ is politically motivated to share knowledge, as it allows them to remain strategically relevant and aware of any changes that may affect their mandates. Increased exchange of relevant and valuable knowledge is a political endeavour (Ambos et al. 2006; Yang et al. 2008; Mudambi et al. 2014) as it reduces the impact of bounded rationality and avoids potential monitoring from CHQ. We illustrate how socialisation through corporate visits and personal networking are examples of micro-political interactions for sharing knowledge. Demonstrations during corporate visits were also political activities aimed at illustrating RHQ alignment. Whereas previous research has argued that corporate visits can be a drain on time for managers (Bouquet et al. 2016), we illustrate that these visits can be key in targeting and influencing ‘political brokers’ at CHQ (Kotabe et al. 2011). This finding reinforces the importance of socialisation in aligning conflicting agency interests at the CHQ-RHQ interface (Nohria & Ghoshal, 1994; O’Donnell, 2000; Hotho et al. 2012). Staying connected to CHQ through knowledge sharing, particularly during structural change, may be a key micro political strategy. In this sense we argue that the CHQ-RHQ agency relationship may represent a principal-principal dyad, with both parties operating as strategic partners in a horizontal or lateral relationship.

Concomitantly, we show that RHQ may also be characterized as an opportunistic agent, pursuing micro-political strategies that are in the best interests of developing its mandate. A key contribution of our study lies in explicating how the RHQ may act in a self-serving manner when met with resistance from CHQ. In other words, the extent to which RHQs accept CHQ behaviour as legitimate dictates the degree of self-interest seeking behaviour they enact. We add novelty to an agency perspective of the MNE by illustrating that agency problems are not purely driven by the agent’s self-interest seeking behaviour but more so driven by the

principal's self-interest or indifference (Cavanagh et al. 2016). We thus improve the understanding of 'principal opportunism' (Hoenen & Kostova, 2015; Kostova et al. 2016) by showing that principal opportunism from CHQ, in the form of withholding resources, may be the genesis for opportunistic behaviour from RHQ. The self-serving behaviour from RHQ is manifest in the form of micro-political strategies of knowledge creation and sourcing. Maverick work internally creates new knowledge of which CHQ may not have explicit access. Our findings illustrate that, as most R&D that happens at RHQ level is developmental ('D'), pure research activities ('R') may be difficult for RHQ to source from CHQ. This may leave RHQ at a knowledge disadvantage. Hence, we find that self-interest seeking by RHQ is driven by a desire to overcome this disadvantage. To circumvent this barrier, RHQs may also develop micro-political strategies to tap into external knowledge networks, which they use to develop their mandate and enhance their negotiation position vis-à-vis CHQ. We illustrate that universities, science centres or policy makers can be influential in affecting internal agency relations within the MNE. Therefore, the external context in which the agent is embedded affects the political interactions in CHQ-RHQ agency relationship (Saka-Helmhout, 2007; Hoenen & Kostova, 2015).

We illustrate that balancing self-interest and alignment in a dual agency role is a necessary requirement for RHQ. For example, if RHQ is characterised purely as an opportunistic agent and does not share knowledge with CHQ, this may lead to misalignment and increased monitoring from CHQ over time (Galunic & Eisenhardt, 1996). Equally, if RHQ is characterised solely as a principal they may risk failing to develop their mandate any further than CHQ permits (Morgan & Kristensen, 2006). In a dual agency role RHQ eventually shares externally accessed knowledge with CHQ. We illustrate that reverse knowledge transfer is a key micro-political strategy that RHQ uses to balance a dual agency role with CHQ. As a micro-political strategy, RKT allows CHQ to recognise the value and relevance of knowledge

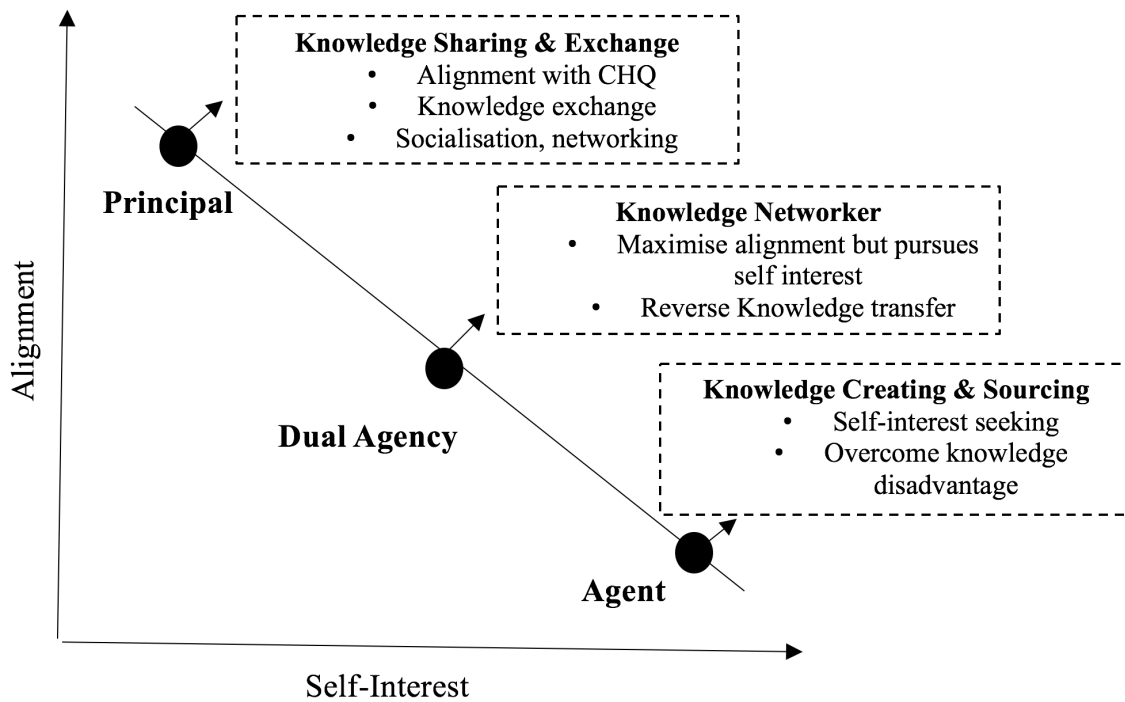
that RHQ has access to. We thus provide greater insights into balancing RHQ dual demands (Mahnke et al. 2012; Birkinshaw et al. 2016) and propose RKT as a key micro-political strategy for achieving this balance.

Furthermore, diverging from the traditional zero-sum agency perspective of self-interest seeking, we show how self-interest seeking behaviour may have broadly ‘healthy’ effects within the MNE (Kostova et al. 2016). Acting in a self-interested manner, RHQ may develop new external knowledge links that might have remained unidentified had they relied solely on the resources received from CHQ. The RHQ will subsequently gain greater bargaining power from this knowledge in future negotiations.

5.2 Conceptual Model – RHQ Agency Roles & Micro Political Knowledge Strategies

The main contribution of our study lies in the development of a conceptual model that elucidates the different agency roles of RHQ in its relationship with CHQ and the associated micro-political knowledge strategies underlying these roles (Figure 2). This conceptual model emerged from the data analysis and coding processes outlined in Figure 1. These roles are defined by two dimensions, the degree of alignment of RHQ with CHQ and the degree of self-interest that RHQ enacts. Within each role, different micro-political knowledge strategies emerge.

Figure 2: RHQ Agency Roles & Micro Political Knowledge Strategies



For example, as a principal, RHQs are committed corporate citizens and develop micro-political knowledge strategies to increase alignment with CHQ. As such the RHQ is highly aligned with CHQ and displays little self-interest. These strategies involve increasing the level of knowledge shared with CHQ. Increasing knowledge exchange is politically motivated by the fact that the closer RHQ is to CHQ the more informed they will be of any significant changes that may affect their mandate. A drawback of this role may be that if an RHQ displays little self-interest and consistently mirrors itself against CHQ, this could stifle innovation and minimise value added within the MNE over time, as RHQ may effectively be a clone of CHQ (Morgan & Kristensen, 2006).

In contrast, as an agent, RHQ has a low degree of alignment with CHQ, and develops micro-political knowledge strategies to pursue its self-interest. As our findings illustrate, micro-political knowledge strategies of self-interest are politically motivated if RHQ perceives CHQ

is illegitimately withholding valuable resources. These micro-political strategies focus on creating knowledge internally through maverick initiatives and sourcing knowledge externally through local institutional connections. In this regard, RHQs are opportunistic agents that may make decisions largely to enhance their mandates at the expense of their relationship with CHQ. This role is closely aligned to the traditional principal-agent relationship RHQ has with CHQ. A drawback of this role is that it may be value destroying over time and ultimately attract increased monitoring from CHQ if externally sourced knowledge is not shared.

In a 'dual agency' role, RHQ may be characterised as a principal, developing micro-political strategies aimed at maintaining alignment with CHQ, and an agent, developing micro-political strategies aimed at pursuing its self-interest. Dual agent RHQs act as knowledge networkers, sourcing knowledge externally but crucially sharing this knowledge internally with CHQ over time through micro-political strategies of RKT. This role can create value over time, if knowledge is shared between both networks. Hence, balancing micro-political knowledge strategies of self-interest and alignment is a key requirement for a dual agency role.

We acknowledge several limitations of the current study and point to opportunities for future research. We are aware that a case study approach may limit the generalisability of a study, however our aim was not to generalise but to develop theory (Eisenhardt & Graebner, 2007). While an in-depth overview of both agency theory and micro-politics was beyond the scope of the current paper, we focused on the interactions between the two in developing our theoretical argument and constructs. We limited our focus to the CHQ-RHQ agency relationship but future research may build on our work by investigating the dual agency role of RHQ in terms of the demands it faces in managing other agents in their region. Our focus was on considering RHQ as the unit of analysis, but RHQ is a complex entity that is likely to be made up of diverging interests internally. A further limitation is that we did not explicitly consider how international elements of the CHQ-RQ relationship, such as divisional structures, may complicate this

relationship. Future studies could also incorporate a social capital theory perspective to illuminate the complex networks within these structures. Finally, it would be interesting to explore further the dynamics of opportunism on behalf of CHQ and how this affects relations with powerful agents in the MNE.

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ⁱ IDA Ireland is the main government agency in Ireland responsible for promoting and attracting FDI.

ⁱⁱ Irish Medical Devices Association (IMDA) is a national institution that promotes and supports the medical devices sector in Ireland.

ⁱⁱⁱ Pseudonyms for case companies.

^{iv} Pseudonym. ACTIVITY is a world-class biomedical research centre.

^v These phrases were used by respondents as euphemisms to acting in the best interest of the MNE (corporate hat) or in the best interest of the Irish RHQ (green hat).