

## Low-intensity conflict in multinational corporations

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# Low intensity conflict in MNCs

## Abstract

**Purpose** – Inter-unit conflict in MNCs is an important and well-researched theme. However, while most studies have focused on open conflicts acknowledged by both headquarters and subsidiaries, much less research has dealt with low intensity conflicts caused by power asymmetries. Still, low intensity conflicts can be highly damaging – not least because they are rarely resolved. Thus, we set out to identify why and in which form low intensity conflict develops, as perceived by low power subsidiary representatives, in the interaction between MNC headquarters and subsidiaries.

**Design/methodology/approach** – We use a qualitative approach to understand low intensity conflict relying on 170 interviews in four Danish MNCs.

**Findings** – We describe antecedents of low intensity conflict and identify four types of actions by HQ representatives that can lead to the development of such conflicts, namely ignoring, bypassing, assuming, and educating.

**Originality/value** – Very few studies have dealt with low intensity conflict – not least in international business research. We argue that the study of low intensity conflict in MNCs can provide us with relevant, novel knowledge of MNC functioning.

**Keywords** MNC, International business, Conflict, HQ-subsidiary relations

**Paper type** Research paper

## Introduction

Employees in different MNC units often operate in highly dissimilar institutional environments (Harzing and Sorge, 2003) facing more or less contradictory institutional pressures (Molina, 2012). This can lead to differences in interests on the basis of which conflicts may develop (Blazejewski, 2012). Such conflicts are especially likely to escalate in situations where geographical, cultural, and linguistic distance as well as power asymmetries exist between the parties – as is often the case in MNCs (Gammelgaard, Kumar and Worm, 2013; Luring and Klitmøller, 2015).

While conflict between individuals in different MNC units has been well-covered in existing research (Schotter and Beamish, 2011), less attention has been paid to the intensity of the conflict. In this article we therefore aim at exploring a relatively understudied theme in international business conflict literature, namely that of low intensity conflict that has been mentioned in existing literature but has not yet been systematically examined. For example,

Blazejewski (2006) studied conflict in a German MNC and found not only open conflict but also avoidance of open confrontation and conflicts that were hidden, i.e. 'below-the-line'. In a recent publication Bjerregaard and Klitmøller (2016) mention the mundane struggles and resistance expressed as silent conflict in a Mexican subsidiary of a Danish MNC. This resonates well with a statement by Kolb and Putnam (1992) that conflict, although not always directly observable, is a persistent fact of organizational life, deeply embedded in the very fabric of social encounters. Hence, it may be argued that since conflict is ever present, much of it is expressed in a low intensity form enacted as avoidance, alliance forming, gossip, conspiracies, and subtle vengeance directed activities (Kolb and Putnam, 1992) or as 'below-the-line venting of frustration' (Blazejewski, 2006: 87). This form of conflict is thoroughly described by Scott's (1987) classical anthropological study on 'weapons of the weak' describing patient and silent acts of resistance among low power groups. Scott's work on low intensity conflict is based on an idea of power asymmetries between different parties. While the power relation between headquarters (HQ) and subsidiaries is often complex (Kristensen and Zeitlin, 2005), in line with Scott (1987) we propose that low intensity conflicts may arise and persist when one party feels inferior to the other. We do recognize that HQs may have good reasons for maintaining a position that could lead to low intensity conflict behavior among subsidiary employees. Nonetheless, in the current article we argue that the existence of such conflicts can have negative consequences for MNCs and as such should not be ignored.

Hence, the aim of this article is to build on theoretical notions of low intensity conflict and empirically examine why and in which form they may develop as perceived by subsidiary representatives in the interaction between individuals in MNC HQs and subsidiaries.

## **Literature review**

In this section we first describe how power asymmetry can affect relations between members of HQ and subsidiaries. We then proceed to outline how this can cause conflict between members in the different MNC units. Finally, we discuss the different levels of conflict stating that our focus will be on low intensity conflict with distributed interests. In this study the focus is specifically on low intensity conflict in situations where the subsidiary is of lower power than HQ.

### *Power asymmetry between MNC units*

A number of studies have focused on power-dependence and the interaction between

members of MNC units (Birkinshaw and Hood, 1998; Bouquet and Birkinshaw, 2008). According to this literature, individuals in less powerful MNC units have interests in autonomy that allows them to discover and pursue distinct business opportunities which will result in a more beneficial position (Dörrenbacher and Gammelgaard, 2011). Moreover, although they share ownership and the overall purpose and aim with the MNC that they are part of, the different units are also rent-seeking entities that pursue private benefits; for instance in terms of the allocation of strategic investments or other benefits (Andersson, Forsgren and Holm, 2007). The pursuit of different goals among various MNC units can often lead to divergent perceptions of other units, their aims and role. Such perception gaps can be linked to asymmetrical power relations within the MNC.

Although there is considerable power vested in the formal role of HQ, a constant bargaining for influence between HQ and subsidiaries takes place, and distribution of power is determined by a number of factors (Andersson *et al.*, 2007). For example, subsidiary power can be connected to units' ability to influence HQs in their strategic and operational decision-making activities (Dörrenbacher and Gammelgaard, 2011). This ability, in turn, is determined by different factors, including the extent to which a subsidiary creates knowledge that is valuable for HQ and other MNC units (Mudambi and Navarro, 2004). Local market characteristics, including the strategic importance and level of competitiveness, are also mentioned as sources of subsidiary influence. Andersson *et al.* (2007) discusses subsidiary influence as determined by the strategic importance of the subsidiary's local market coupled with the closeness of the subsidiary's relations with that market. The authors also recognize that HQ's own knowledge of local markets may counteract the extent to which local market knowledge may serve as a source of subsidiary power.

Although subsidiaries often develop strategies to diminish power asymmetry in favor of HQ, HQ's fear of subsidiary subversive strategies still influences inter-unit relations in many MNCs leading to control initiatives from HQ representatives (Delany, 2000). The resulting dominating power base allows HQ managers to misrecognize subsidiary managers' perceptions of HQ's dependency of the subsidiary unit. Linking perception gaps to domination, it may be argued that low power MNC unit employees may not have the sufficient power to engage in open conflict and thus may have to resort to subtler forms of conflict activities such as discrediting high power individuals when they are not present. Also, the low power unit members may choose to turn to what Morrison and Milliken (2000) call

‘organizational silence’ as speaking up is perceived to be both ‘useless and even dangerous’ (p. 722). In this regard Ferner *et al.* (2004) describe how English subsidiary managers experienced how the word ‘no’ was not to be used in interaction with their American HQ counterparts (p. 382). If low power MNC unit members are not able to protest to high power unit members, then it is likely that conflict may develop even though this is not always apparent to the high power individual.

### *Conflict*

Conflict develops when the implementation of one individual or group’s selected alternative impedes on or is hindered in its realization by other individuals or groups’ interests (Greer, Caruso and Jehn, 2011; Blazewski, 2012). Moreover, a conflict exists if two parties’ interests and scopes of action collide, and if this collision is perceived by at least one of the actors involved (Jehn, Rispens and Thatcher, 2010). Fundamentally, the behavioral driver of the conflict can be rooted in perceptual differences among constituents which share the same organizational goal. These conflicts may follow from, for instance, insufficient information or differences in mental models. This type of conflict differs from conflicts of interest where actors hold incompatible views with respect to the goal of the organization and how to reach these (Pahl and Roth, 1993).

Conflicts can arise in relation to actions taken or actions not taken by the other actor. Both situations can cause conflict behavior. In addition conflict may arise in relation to close interaction (conflicts become evident) and in relation to avoidance of contact (stereotypes thrive) (Halperin, Sharvit and Gross, 2011). This can also be related to action theory (Wilson and Shpall, 2012) in philosophy stating that conflict may be looked upon in the light of willful/non-willful action as well as activation/pacification. Hence, it may be argued that in an MNC context conflict could be understood from an intension as well as an interaction perspective as two underlying dimensions. The negative effect of that process has been shown to be even greater when involving distant parties as e.g. members of different MNC business units (Jarvenpaa, Shaw and Staples, 2004).

Conflictual events are experienced individually. However, even if conflict situations are only felt directly by few individual group members, they are often subsequently communicated and thus transmitted to other group members (Mackie, Devos and Smith, 2000). Group identification can then sometimes over time affect the whole unit so that the same emotions

will develop in all individual members to a greater or lesser extent (Smith, 1993; Luring, 2008). Hence, conflicts in MNCs are not actual conflicts between units as organizational entities but between individuals socially ordered by organizational structure as well as by geographical, cultural, and linguistic distance (Klitmøller and Luring, 2016).

### *Level of conflict*

A review of research on conflict literature describes different levels or degrees of conflict intensity, ranging from high to low intensity conflicts which differ both with respect to antecedent conditions driving the behavior of the actors and the type of dissent reflected in the conflictual behavior (Katz and Kahn, 1978; Ellegaard and Andersen, 2015). Figure 1 outlines a model describing behavioral drivers and conflict intensity as underlying dimensions in the outline of four different types of high and low intensity conflict.

\*\*\*Insert figure 1 \*\*\*

High intensity conflicts in MNCs and other organizations are recognized and typically openly voiced by most if not by all organizational members. In cell A, high intensity conflict with integrated interests at the core, is theoretically possible, but is unlikely as the distribution of opposing interests is a main driver of conflict intensity. We describe them as paradoxical conflicts, as they represent a fundamental schism in a complex of interests held by one actor. The type of conflict found in cell B, high intensity conflicts between distributed interests, on the other hand, are manifest on several organizational levels ranging from personal to intra-organizational units, suggesting negative attitudes on both sides of the conflicting parties (such as suspicion, disassociation, and hostility), and conflictual behaviors characterized by careful rationing and distortion of information as well as a strong degree of formalism and rigidity (Roth and Nigh, 1992). Such conflicts can be labelled open as they are voiced, and as the camps of interest are often manifest among MNC constituents. Divergent opinions regarding standardization vs. localization decisions is an area that has been described to cause open conflict between different MNC unit representatives (Solberg, 2000) e.g. with regard to HRM policies (Ferner *et al.*, 2004; Luring, 2013).

Low intensity conflict, on the other hand, can be described as conflict that is not directly and openly voiced by any of the involved parties, and most often the importance of the conflict theme is not equally acknowledged by all parties. Low intensity conflict between integrated

interests (cell C) describes ongoing tensions relating to, for instance, prioritizations that will occur in any organizational relationship on a continuous basis and do not necessarily call for any further action. Schotter and Beamish (2011) argue that conflict in the relationship between members of different organizational units can be triggered by a multitude of factors including market and customer preferences, strategic misalignments, global and local competitors' strategies, asymmetries between local and global industry dynamics, managerial self-interests, and personal characteristics of the individuals involved. Typically, they are resolved through a broad spectrum of repairing interaction scripts (Dirks, Lewicki and Zaheer, 2009).

However, although low intensity conflicts are subtler and less action-oriented than open conflicts, they are not always benevolent, as suggested by cell D in figure 1. We label these suppressed conflicts, and they are our main interest here. Like high intensity conflict, low intensity conflict may be derived from a fundamental disagreement of interests, which is not widely shared and even suppressed by those involved, due to issues such as strong power asymmetries in the intra-organizational relationship. Conflicts of interests are not necessarily obvious, and for an exchange partner strongly dependent on other parties, they are not easy to conceptualize. At the same time, the stronger party in an asymmetric relationship may find it difficult to acknowledge or even grasp that there is a conflict of interest in the first place, simply dealing with it as a more benevolent type of disagreement. This type of low intensity conflict with distributed interests is the focus of the current article.

Regarding this type of conflict, despite its low intensity, it may still be highly damaging and also hold the potential to escalate into a high intensity conflict over time. One reason for this is that since such conflict is not clearly articulated and may not be recognized by all parties, it is therefore often not resolved (cf. Stahl, Maznevski, Voigt and Jonsen, 2010). Linked to this, Halperin *et al.* (2011) argue that in order to solve conflicts, they must be recognized by all parties. Moreover, measures to understand the situation from the other party's perspective must be taken. This is often not possible in low intensity conflicts where the conflict is not explicated because recognition of the conflict may only be held by one of the parties. This reflects the findings of Distefano and Maznevski (2000) who describe the term 'hidden conflicts' and argue that this is the most difficult type of conflict because one of the parties may assume agreement because the other choose not to raise differences in opinions openly.

Blazejewski's (2006) study suggests that low intensity conflict can result in subsidiaries' ceremonial adoption of transferred practices, or, what Winter and Szulanski (2001) termed a *faux-replication* strategy, with considerable negative side-effects in terms of unnecessary costs, damage to internal relationships, institutionalizing of maladapted and counter-effective local organizational structures, perceptions, or values. On a personal level, low intensity conflict where anger is internalized rather than voiced more openly has been well-documented to increase stress and lead to physical and emotional problems (Averill, 1982). Hence, there is both theoretical and empirical support for assuming that low intensity conflict is damaging to MNC functioning as well as to individual well-being, and also that this kind of conflict is difficult to resolve.

## **Method**

For this article we followed the methodological procedures suggested by Mäkelä, Kalla, and Piekkari (2007). Their article explains how researchers can combine different qualitative empirical projects and direct them towards one common research aim, using observations from an initial exploratory case study to prompt focused coding of data material from explorative and detailed case studies in other MNCs. The purpose of this process was the type of theory building that Welch, Piekkari, Plakoyiannaki, and Paavilainen-Mäntymäki (2011) label inductive theory building.

The preliminary observation of low intensity conflict emerged from an exploratory study of an English subsidiary of a Danish MNC. This corporation is labeled MNC I. After further exploratory studies, it became apparent that low intensity conflict might be a more general feature linked to power relations in MNCs. It was clear that this concept was complex and called for in-depth qualitative data collection due to its sensitive nature and the strong emotions involved.

We expanded our empirical investigation to include another three Danish MNCs. Consequently, studies in MNC II, MNC III, and MNC IV were initiated to verify and elaborate on the initial findings that low power individuals' perception of the role and actions of high power actors could lead to unvoiced tensions. This was executed by incorporating the conceptualization of low intensity conflict into on-going research and by reanalyzing and recoding existing interviews. The main aim has not been to compare across companies but to assess differences and similarities between different actors in the various units studied. We



assume that all subsidiaries were of lower power than the respective HQs based on the following criteria: All the studied MNCs were ethocentrically organized in the way that, e.g., expatriate personnel was always sent from the HQ to the subsidiary and not the other way around. Moreover, none of the included subsidiaries was involved in any type of product development but functioned primarily as sales and production sites. Finally, among the subsidiaries none of them had more than ten percent of the staff employed by HQ, and none of them had a financial turnover of more than fifteen percent of the domestic market.

Thus, the data for this article is collected from four independent research projects conducted at four separate Danish MNCs. We investigated 10 subsidiaries from England, USA, Germany, Italy, Hungary, Poland, Singapore, and China in our four MNCs, and we were physically present in all subsidiaries for making interviews. The number of sites examined was chosen to acquire multiple voices to be used in our dataset and to assess if the low intensity conflict was a general theme. We included small (10 employees) and large subsidiaries (2500 employees) as well as different industries and countries to see if there would be institutional variations in the consequences and antecedences for the perception of conflict. However, we did not find any substantial patterns in that respect. Table 1 provides an overview of key figures of the included companies.

\*\*\*Insert table 1 \*\*\*

### *Interviews*

In all MNCs, we used qualitative interviews loosely following a semi-structured interview guide. The main idea was to apply a ‘story-telling’ approach, that is, to let the interviewees describe their views on the issue studied as freely as possible, allowing them to interpret questions freely and pursue those themes that they regarded as central. Questions were therefore used more as a checklist and guide to ensure that central data points were collected across the four corporations.

We specifically asked interviewees from subsidiaries to express their overall impression of the parent company and provide examples of how their perceptions were developed. At the end of each interview, interviewees were asked to share any additional information they felt was relevant.

Including different voices was achieved by interviewing individuals from all different levels and from both subsidiaries and HQs. We also talked to both local and expatriate personnel in order to get as many different voices as possible. Table 2 provides details of interviewed personnel.

\*\*\* insert table 2 \*\*\*

### *Analysis*

We went through an iterative comparative process between theory and data. We also combined within-organization analysis with between-organization analysis. We coded the data, classified it into emerging themes and compared our findings to existing theory. In order to identify low intensity conflicts in the data material, we used the qualitative analysis program Nvivo 10 to code for those instances where subsidiary employees described examples of transgressions that caused a negative change in their perceived state of the HQ-subsidiary relationship, but which did not result in open conflict. Nvivo supports cross-case analysis by allowing for transposing and using code structures to be exchanged and developed across the case contexts. In this sense, iteration between the case data and theory-building is supported, helping researchers to manage complexity and strengthening the process validation. Afterwards we discussed the few discrepancies in the different sets of coding and decided on where to finally place these last text pieces. First, we conducted the within-organization analysis of the data material in order to understand each organization as a coherent whole. Secondly, we searched for cross-organization patterns, comparing the identified topics across the four MNCs and identifying similarities and differences. Whenever differences in interpretation arose, we went back to the original interview texts to decide on the most appropriate interpretation. Working as a group of researchers allowed us to compare the case data in a reflexive way.

### **Results**

In this study we have focused on relations between HQ representatives and subsidiary employees, as perceived by the latter, in situations where HQ is the more powerful unit. Our study reveals various elements of low intensity conflict in the HQ-subsidiary relationship. Low intensity conflicts can be relatively problematic, however, silent and subtle as they are. This is explained by a subsidiary employee:

When you have a problem with a decision taken by HQ, there is just a limit to how much noise you will make. You know at the end of the day it is their company. But this is also our company, and you just get really frustrated so you have to talk to your [local] colleagues about it. That is when you start to build this picture that they are all idiots. (MNC III).

This quote indicates that, although conflicts are felt individually, they easily become unit-wide – especially when power asymmetries exist. While low intensity frustration is expressed “below-the-line”, meaning that HQ’s will never even know about it, there is, however, some awareness of the problem in HQ. As one HQ manager put it:

There are many subtle conflicts for sure. It is not something that people are really upset about here [at HQ]. But over time the small things add up to a dismissal here and a project that is abandoned there. But it is these little everyday things that do the damage. They perhaps build up more. It’s harder to get them aired out in relation to those who sit at a distance. But it is rare that there is someone who loses it in these situations. (MNC I).

When asked, HQ personnel had not experienced any conflict with subsidiary staff. However, if they were prompted to think of any situations where disagreements were voiced, some so-called ‘*soft reactions*’ were described. HQ employees sometimes had the feeling that subsidiary employees disagreed with a decision or a project. Reaction to proposed activities, as mentioned by an HQ manager, could be: ‘*Oh I have to go on a business trip, and then I just couldn’t make it, and then finally sorry I just couldn’t do it in time and so on*’ (MNC I). Another HQ manager put it thus: ‘*There are many soft ways to opt out of global project work without making it formal, and it is hard to do anything about*’ (MNC III). It could also be a meeting situation where a subsidiary employee ‘*behaved in a certain unhelpful way*’. Hence, although none of the HQ informants mentioned open conflicts, they had all experienced subtle indications of disagreement. Yet these reactions had not caused HQ managers to change decisions or engage more deeply in a dialogue.

While the actions by HQ managers leading to low intensity conflict behavior could be based on good reasoning in the overall interest of the MNC, they could, nonetheless, have a negative effect on relations between HQ and subsidiary employees. In this analysis we focus on

antecedents for low intensity conflict behavior among low power MNC actors. Focusing on how the actions and intentions of HQ representatives as members of powerful units can cause low intensity conflict behavior among subsidiary members, we propose a model consisting of four characteristic antecedents. Each of these gives rise to particular kinds of perceived conflict within the subsidiaries. While all antecedents to low intensity conflict appear to be related to the way high power HQ-representatives exert their influence on low power subsidiary employees, it is possible to distinguish between them. As depicted in figure 2, one dimension describes whether the HQ's power position is used in an active or non-active manner (intensions). The other dimension illustrates whether HQ managers exert power that engages with the subsidiary representatives or not (interactions). The model presented links back to the conflict dimensions from Wilson and Shpall (2012) listing willful/non-willful action as well as activation/pacification. In our case four types of antecedents to low intensity conflict in MNCs can be presented: Ignoring, bypassing, assuming, and educating.

\*\*\*Insert figure 2 \*\*\*

### *Ignoring*

The first category of antecedents to low intensity conflict among subsidiary representatives is characterized by HQ representatives' exclusion of subsidiary employees by outright ignoring their needs and input. This is caused by HQ managers, in an in-direct and apparently non-active manner, ignoring the subsidiary interest by hardly noticing the existence of the subsidiary and not listening to input from those working there. One HQ manager mentioned the physical distance to the subsidiary as a factor allowing him to unconsciously ignore his foreign colleagues:

It is probably easier because you are here in Denmark, and you are the HQ. So it's easier just to close your eyes and say – well, I'm so busy focusing on my own. There are not so many points of contact during a day. So you can probably just easier say I don't care. It would have been different if it was him who sat next to your office. Then you could see how frustrated he is when you meet him at the coffee machine. (MNC I).

Another issue mentioned by subsidiary employees was the frequent verbal and written use of language only shared by HQ members causing feelings of being excluded. According to

subsidiary employees in our study, individuals from more powerful HQ units did not show interest in trying to learn or understand. A manager from an English subsidiary described how HQ representatives did not listen to their concerns about what they felt were mistaken expectations concerning the English market:

Just because it is a big seller in Denmark, it is not necessarily the same here. They don't get that. You see them throwing all these money around and you think to yourself – no wonder we are losing money. I don't think they are really listening. (MNC 1).

From the perception of subsidiary employees, one consequence of the disinterest in local market conditions was a lack of responsiveness to local requests for adaptations to processes and products. The disinterest in subsidiary conditions and views are also described by a subsidiary manager in another MNC:

In Europe you can use cardboard for packaging. But in Asia we can't use cardboard because the air is too humid and after four to six months it only has about half of its original stability. Still, they deliver products to China in cardboard packaging! I have tried to ask HQs – why do you do that? And the answer was – this is the way we have always done it. When I argued that it doesn't work, the reply just was – we don't have time for this. (MNC III).

This quote illustrates an important, recurring issue in the cases. When subsidiary employees addressed what were important issues for them, HQ managers seemed not to listen and thus ended any debate. Instead, they indicated and sometimes even openly articulated that they did not need external input. As this closed the conversation, these situations could not develop into open conflict. Yet, they led to frustration among subsidiary employees.

### *Bypassing*

Staying with the issue of HQ representative excluding subsidiary employees, the second category of antecedents to low intensity conflict among subsidiary representatives is caused by a more direct and action-oriented approach from HQ managers. Interviewees from subsidiaries report feeling bypassed because HQ representatives take various actions within

the realm of the subsidiary without involving its personnel. In such situations, subsidiary employees interpreted the situation as a result of HQ managers' perception that subsidiaries were unnecessary intermediaries – even in the foreign market. Accordingly, HQ personnel, for instance, interacted directly with local markets or implemented initiatives that indirectly affected local market operations without asking, involving, or informing subsidiary personnel of their plans and actions. Such initiatives typically had the purpose of standardizing or streamlining activities and information at a corporate level, but subsidiary employees often felt disdained when HQ representatives interacted directly with local customers as in the example below.

So the marketing department decides that they will send out direct mails about something. And they don't involve us....They think it is good. I don't think so. They send out a direct mail and they write the names on the label. And they don't know that in Hungary we write the first name second and that's a big problem because we have a lot of names where we have first name also in the family name. .... They think that the local organization is just a barrier for a very effective communication with our customers. (MNC III).

In another case, HQ management designed and implemented a new online system aimed at standardizing information and processes between the MNC and local customers. In doing so, they ignored the fact that implementation would alter the dialogue between subsidiary employees and their customers by shifting a substantial part of the daily communication with customers to outside of the local sales rep-customer relationship. However, centralizing an increased amount of information at HQ level left subsidiary staff somewhat vulnerable as exemplified by a sales consultant:

I had an appointment where I sat with some customers, and I wanted to show them how to order the new nice display for [name of new product], and the day before I had been in the online system, and it was okay. [At the meeting] I tried to get in to show this picture and how to order, but it was not in the system. I don't know where it went and why, so after that I called Denmark and they said no, it is not in the system anymore because of this and this. And we got no

information before. (MNC II).

Other examples of HQ representatives bypassing subsidiary staff in the attempt to optimize processes globally took the form of functions or processes being removed from the subsidiary level without either approval or involvement of the subsidiary employees. The subsidiary managers in turn felt that HQ managers did not understand the implications of such decisions. For subsidiary staff, the problem with bypassing was that the HQ initiatives, sensible or not, did not fit well with the daily requirements facing subsidiary managers. Since the HQ managers had the power and, according to themselves, good reasons for bypassing the subsidiary, there was not much there could be done about it in the subsidiary. Accordingly, instead of openly challenging HQ decision to bypass the unit, subsidiary employees exercised subtle resistance behavior. For example, an HQ employee mentioned that he had a feeling that some managers in a subsidiary were secretly sabotaging his project.

### *Assuming*

In this section we move from conflicts caused by HQ managers excluding subsidiary members, and instead we focus on conflicts related to HQ representatives' involving the subsidiaries, interacting with them. According to Clark and Geppert (2006), the orientations of HQ managers towards subsidiary managers vary significantly between positive and negative attitudes, and in their willingness to learn from ideas and practices that are imposed from outside (Clark and Geppert, 2006). While the two types of antecedents presented above (ignoring and bypassing) represented a disregarding and excluding HQ orientation towards subsidiaries, this section presents two antecedents characterized by a more involving albeit lecturing HQ orientation.

Here, we find conflict antecedents related to non-active and active actions taken by HQ staff. Starting with the non-active approach, subsidiary representatives report how they on a day-to-day basis experience that they feel HQ managers have certain assumptions about the subsidiary. Based on a taken-for-granted idea of the superior position of the HQ, not only in terms of power, but also in terms of knowledge, experience etc., HQ representatives act in a way that reveals a low regard for the ability of those working in the subsidiary. As exemplified below, according to subsidiary managers, HQ representatives seemed to have developed a problematic sense of infallibility thus feeling in their good right to assume the mistake was to be found in the subsidiary.

There is a great deal of organizational self-esteem in headquarters. I've actually received a great deal of criticism from Denmark because my products did not reach headquarters on time. But I just knew that it couldn't be right. So we went to Denmark, and we found that the problem arose because headquarters did not move the products from the truck and onto the ramp in time. My products stood waiting outside the headquarter buildings. But the premise was that it must be the Hungarians who are the idiots... because Denmark does not make mistakes, so why bother to go check if anything is wrong in Denmark. We saw quite a number of incidents like this. (MNC III).

It was clear that a number of HQ employees had a strong believe that their practices and values were superior to what came from the subsidiary. One HQ manager expressed it thus: *We believe that we in HQ have a very good approach to management. We try to be role models to our subsidiaries (MNC III)*. Or as another manager mentioned to the interviewer: *'I sometimes feel they [subsidiary employees] are destroying the company'* (MNC I). This was not expressed openly to subsidiary employees, yet these individuals had a feeling that they were not always appreciated.

For example, without being told directly many subsidiary employees felt they were perceived to be doing things in the wrong way causing losses for the MNC. This is also illustrated in the following quote from a manager in another subsidiary:

It has been a tendency that everything coming from HQ is good and what we have got is less good. We always try to live up to their standards. They fail to recognize the good thing about this company [the subsidiary]. (MNC I).

The local personnel in one subsidiary also complained that if they raised problems or concerns with the business, they were given ridiculous instructions by HQ executives, like *'just tell the retailers to put our product on the best shelves'* or *'just hire the best graduates'*. For subsidiary employees this indicated an assumption from HQ personnel that they were not skilled enough to see these opportunities – although they, according to subsidiary personnel, were often



unrealistic. Since the assumption, rightly or not, from HQ employees that their practices and values were better than those in the subsidiary was not laid out openly, the subsidiary employees' discontent with this attitude was also not explicated. Instead a number of degrading jokes about HQ personnel as '*raiding Vikings*' and '*Luftwaffe type of guys*' were used to '*let off steam*' in the subsidiaries.

### *Educating*

Educating is the last type of antecedents to low intensity conflict that is revealed through our study. Educating describes an including HQ approach through which HQ representatives actively and explicitly call for changes in subsidiary values or practices. Subsidiary staff argued that more powerful HQ managers often expected them to learn from and adapt to the ways things were done at HQ. As described by a subsidiary manager:

For headquarters the objective obviously is to spread the company culture across the world ... [They say]: 'We want to be global. We would like to work with different cultures and we also want to understand those different cultures. But everybody must first and foremost understand our common company culture. And everybody has to comply with that regardless of where in the world they are. (MNC III).

This was an example of the perception that the only legitimate knowledge about 'the way we do things' in the organization was centrally located. As such, HQ representatives made great efforts to disseminate and teach these values and practices globally. There were numerous examples of how HQ managers' efforts to align and coordinate within the organization were perceived by subsidiary representatives as expressions of ignorance and arrogance within the HQ. One subsidiary employee, for example, argued that HQ nationals seemed to have a certain world map which they brought along when they set out in the world. Based on that, according to this person, HQ representatives seemed to think that people and practices were, or at least should be, the same all over the world. Another example was described by a subsidiary manager by the following:

Danish managers coming here [to the subsidiaries] tend to think that giving instructions to the production employees is the same in a

factory down here as in the factory placed just behind the headquarters in Denmark. [He expects] everyone in the factory to immediately know and understand all the instructions he is trying to convey... and if the Chinese do not understand, it must be him or her who is the problem. (MNC III).

In this example, low intensity conflict arose because subsidiary employees felt that the person believed there was only one right way – ‘the HQ way’ – and the objective of the parent company manager seemed to be to teach the rest of the world. Subsidiary employees were perceived to be less knowledgeable than employees in the parent company, and therefore they should learn from the higher standards and values of HQ managers. While the active dictation that subsidiaries should improve on a number of points was not openly rejected by subsidiary personnel, HQ managers described situations where subsidiary employees silently counteracted suggested changes. It could be *‘making up excuses for not working fully on a project’*, *‘going back to their subsidiary and simply neglect the project they are working on’* or *‘talking bad about an initiative when they get home’* as mentioned by different HQ managers.

## **Discussion**

### *Main findings*

As opposed to open conflict, low context conflicts have been argued to be rarely dealt with since they are often not recognized or noticed by the high power actors (Distefano and Maznevski, 2000; Stahl *et al.*, 2010; Halperin *et al.*, 2011).

When examining reasons for low intensity conflict, we found four important antecedents. These were 1) ignoring, 2) bypassing, 3) assuming, and 4) educating. Ignoring generally refers to a situation where subsidiary employees got the impression that they were not being taken seriously or listened to by representatives of more powerful business units. Bypassing could be described as personnel from HQ interacting directly with the local markets and other local actors without involving or even informing subsidiary employees. Assuming indicates that high power actors perceive low power actors to be less capable of doing their job correctly which leads to high power actors prioritizing own choices in a taken-for-granted manner. Finally, educating is related to members of powerful business units actively trying to

change and correct lower power actor's values and practices. All of these actions were found to lead to low intensity conflict behavior among individuals situated in lower power MNC units. Low intensity conflicts have been described in other MNC studies as below-the-line (Blazejewski, 2006) or silent conflicts (Bjerregaard and Klitmøller, 2016). This is something that can occur when the HQ is in a more powerful position and subsidiary employees cannot openly reject decisions made (Morrison and Milliken, 2000; Ferner *et al.*, 2004). Still, no attempts have been made to explore this more systematically.

Naturally, sentiments of being ignored, bypassed, or educated are common among employees in many organizations and may well lead to low intensity conflict also in domestic inter-unit interaction (cf. Kolb and Putnam, 1992). In an MNC, however, such conflicts could have even more severe and more long-term consequences compared to domestic organizations due to the organizational, national, institutional, cultural, and linguistic boundaries that may separate units from each other (cf. Luring and Selmer, 2012; Gammelgaard *et al.*, 2013; Selmer and Luring, 2015). It is also clear that low intensity conflict behavior among subsidiary personnel is a low power actor reaction. Open confrontation seems too risky since powerful actors, such as HQ managers, are already not recognizing the importance of the subsidiary and may resort to reducing the MNC dependence on the particular subsidiary even further (Bouquet and Birkinshaw, 2008). Added to this is the fact that the geographical, linguistic, and cultural distance will increase the chance of low intensity conflicts going unnoticed by such HQ managers due to reduced interaction thus leading to more long-term problems (Klitmøller and Luring, 2013).

#### *Implications for theory and suggestions for future research*

Although this study is a pioneering explorative study of low intensity conflict, it has some straight-forward implications for theory as well as for further research within this under-researched area.

Theoretically, we contribute to the literature on MNC management by extending the existing notions and conceptualizations and linking these to behavioural consequences. We believe this approach is useful for furthering the research agenda concerned with conflict in MNCs. In this sense, our research extends an existing and topical debate in the literature (Bjerregaard and Klitmøller, 2016; Blazejewski, 2006; Kristensen and Zeitlin, 2005). Our study responds to calls for more research about conflict causes and triggers (Blazejewski, 2012). The study of

low intensity conflict adds to existing research by demonstrating that not only open conflict but also more subtle variants of conflict should be the focus of MNC research. Through the study of low intensity conflict, we come to know more also about the general nature of conflict in MNCs. In particular the dynamics between conflict, power, and perception gaps are important to understand (Schmid and Daniel, 2011). Accordingly, we think that further investigation into low intensity conflict will bring us closer to understanding what is going on in units when different interests and perceptions emerge and persist. We also argue that conflict is not something that should be conceptualized as attached to international business units but something that over time become unit-wide.

Based on this exploratory research, implications for further research are obvious since both replicating and extending this exploratory investigation may be worthwhile. While this study has suggested some antecedents for low intensity conflict, another worthwhile future research endeavor would be to identify reasons for why such conflicts persist in MNCs when it is ostensibly in the interest of organizations to anticipate and address them. Hence, more research should focus on how MNCs may identify and deal with low intensity conflict. Furthermore, looking into differences in the four types of antecedents identified in our study across different types of subsidiaries would be interesting. Subsidiary role typologies suggest that subsidiaries with different strategic roles in the MNC should be managed differently (Rugman, Verbek and Yuan, 2011). Therefore, it is also to be expected that low intensity conflicts do not only appear in different ways and with different consequences in different types of subsidiaries, with implications for how to handle such conflicts. While it was not possible to classify our findings according to subsidiary role, we believe this should be done in future studies. Finally, low intensity conflict could be linked to other central themes of international business research, such as HQ-subsidiary knowledge sharing, and the contribution from subsidiaries to the innovation agenda of MNCs (cf. Birkinshaw and Hood, 1998; Mudambi and Navarra, 2004; Phene and Almeida, 2008).

#### *Practical implications*

In a world of growing interdependence of market and resource positions, where the constitutional order of MNCs is no longer clearly dictated by members of the HQ, understanding and countering processes that may cause organizational tension are welcomed. The findings suggest that companies may want to monitor closely and try to counteract negative outcomes of low intensity conflicts. This may be crucial, since the negative emotions

among low power unit members may otherwise over time become substantial and difficult to alleviate as they assume a unit-wide character.

The literature on MNC conflicts in relation to the standardization vs. localization discussion (e.g. Solberg, 2000) mention that HQs actors should try acquire more knowledge of the local situation and develop an esprit de corps throughout the whole organization. This, however, may not necessarily solve low intensity conflict if it is not recognized. Increasing the awareness in high power units of the negative emotions that could be the result of ignoring, bypassing, assuming, and educating, may be a first step towards avoiding them (cf. Halperin *et al.* 2011). Often, low intensity conflicts are not acknowledged by powerful individuals due to the power asymmetry. Thus, representatives of influential MNC units need to be sensitive towards signs of discontent and disagreement from other units' employees and may start questioning whether all low intensity conflicts simply reflect conceptual gaps or conflicts of interests. Being in a dominating power position, it can be tempting for HQ managers to overlook subtle signs of conflict behavior in other units. This, however, can have long-term negative consequences. As such, all signs of subtle conflict behavior should be taken seriously and dealt with openly.

As predicted by the contact hypothesis (e.g. Amir, 1969), dialogue and increased interaction between units could have positive consequences. According to the contact hypothesis, more frequent communication diminishes the negative inter-group perceptions that may build up among discontent group members. This could be related to Solberg's (2000) suggestion that centralization should be a cooperative achievement made in a dialogue between HQ and subsidiary representatives. Moreover, some MNC studies have shown that boundary spanners are useful in reducing inter-unit open conflict (e.g. Schotter and Beamish, 2011). Boundary spanners such as expatriates may be particularly useful for identifying and solving hidden low intensity conflicts because they often have gained the trust of members in both units.

For MNC managers in subsidiaries and in HQ units there are important insights from this study as well. Conceptualizing, labelling, and explaining behavior which can be perceived by others as demeaning and/or arrogant can make it easier to recognize and address such behaviors as well as take measures against their consequences. Hence their negative consequences can more easily be identified and taken into account in the ongoing process of coping with low-level conflicts.

Finally, it also has to be recognized that many of the actions performed by e.g. powerful HQ representatives, which may result in low intensity conflict behavior by subsidiary personnel, are performed for good reasons – for example with regard to global integration or centralization efforts. In such occasions, HQ representatives should not bluntly ignore or discard subsidiary quarrels but should explain more precisely why certain decisions need to be taken and take the debate with the locals openly.

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*Figure 1. Conflict intensity and behavioral drivers*

		<b>Conflict intensity</b>	
		High	Low
		A	C
<b>Behavioral driver</b>	Integrated interests	Paradoxical conflicts	Ongoing tensions
	Distributed interests	B Open conflicts	D Suppressed conflicts

*Figure 2. Antecedents for low intensity conflict: Actions and intensions*

		Intensions from high power actor	
		Non-active	Active
Actions from high power actor	No interaction	<b>Ignoring</b>	<b>Bypassing</b>
	Interaction	<b>Assuming</b>	<b>Educating</b>

*Table 1. Company data*

	Number of business units	Staff	Turnover (Euros)	Industry	Studied subsidiary location/ employees
MNC I	30	16,000	7 Billion	Food processing	England/2,500
MNC II	40	2,000	100 Million	Furniture	Germany/10, Italy/10, USA/10
MNC III	80	16,000	2.3 Billion	Building supplies	Hungary/3000, China/2800, USA/1700 Singapore/600
MNC IV	40	10,000	5 Billion	Building supplies	Poland/2500 Germany/1000

*Table 2. Interviews*

Interviews	MNC I	MNC II	MNC III	MNC IV
Subsidiary employees	86	17	25	3
HQ personnel	9	5	14	4
Total number of interviews (n =170)	95	22	36	7