Corporate Political Strategies and State Owned Enterprises (SOEs):
An Alliance to Conquer International Markets

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ABSTRACT

Management literature is replete with cases of companies that use competitive strategies in the markets in which they operate. However, organizational success often depends on other variables, such as political action, which has been neglected in more detailed studies in strategy literature in general. Researchers such as Epstein (1969), Mizruchi (1992), Schuler (1996), Hillman and Hitt (1999), Blumentritt (2003), Boddewyn (2003), Hadani (2007) and Tian, Hafsi & Wu (2009) have stressed the importance of political strategies, claiming that organizational decisions and actions are influenced in practice by them. In the competitive international markets corporations use political strategies to influence stakeholders in order to conquer segments of the market that they focus on and also to prevent from other adverse interests. In this context, home country governments also assist domestic MNC’s international ventures using their state owned enterprises (SOEs). This paper aims to examine the political strategies practiced by a Brazilian multinational engineering company in its international operations in its dealings with home country state owned enterprises. The methodology employed was the single case study, using a qualitative approach for data collection and analysis at a large Brazilian multinational engineering company. The findings revealed that political strategies directed at SOEs from home governments are critical to a company’s internationalization process.

KEYWORDS

Brazil, International Business, Political Strategies, State Owned Enterprises

INTRODUCTION

Management literature is replete with cases of companies that use competitive strategies in the markets in which they operate. However, organizational success often depends on other variables, such as political action, which has been neglected in more detailed studies in strategy literature in general.

Researchers such as Epstein (1969), Mizruchi (1992), Schuler (1996), Hillman and Hitt (1999), Blumentritt (2003), Boddewyn (2003), Hadani (2007) and Tian, Hafsi & Wu (2009) have stressed the importance of political strategies, claiming that organizational decisions and actions are influenced in practice by them. These strategies have to do with the organizational capability to influence political decisions and actions in a given context. The purpose of this type of strategy is to conquer new business opportunities and block or reduce conflicting interests.

The roots of the concept of political strategy are to be found in the work of Epstein (1969), where it is suggested as a tool that is capable of creating a favorable environment for the success of a company.
Authors have since used other terms to identify this type of strategy, but corporate political strategy has been the most frequently employed term (Schuler, 1996; Hillman & Hitt, 1999; McWilliams, Van Fleet & Cory, 2002; Tian, Hafsi & Wu, 2009; Luo & Zhao, 2009). Other terms employed by authors include corporate political activity (Blumentritt, 2003; Hillman, Keim & Schuler, 2004; Hadani, 2007; Mantere, Pajunen & Lamberg, 2009), corporate political action (Mizruchi, 1992) and nonmarket strategy (Boddewyn, 2003).

In this context, the notion of political strategy practice differs depending on the environment in which a company operates. Every environment and market has its own specific characteristics, as do the actors who are most and least relevant to the interests of the organization in question. Consequently, political strategies have to be examined on an individual basis in light of the reality of each market. From the outset, this complex condition has limited the methodological parameters of case study authors, both in terms of data collection and contextualization.

The internationalization process of companies is highly uncertain, especially in comparison with domestic markets. This is mainly due to a lack of knowledge concerning how business develops in a new environment because of cultural factors and the legal, social, economic, administrative and, especially, the political structure.

In these conditions, corporations use political strategies to influence stakeholders in order to conquer a segment of the market that they require and also to prevent other interests from interfering with theirs. Some of the most important political strategies used by internationalized enterprises are directed towards home country government. Home country governments are able to support the internationalization of their domestic firms, generally through a variety of forms that enable them to obtain a competitive advantage over other firms.

Home country governments also assist domestic MNC’s international ventures using their state owned enterprises (SOEs). These, because of their size, backing and geopolitical power, end up becoming strong allies in the internationalization process. Recently, authors, such as Musacchio & Lazzarini (2014) and Abdelal, Khan & Khanna (2008), have explored the role of the state as a capitalist agent in the world economy venturing into different markets.

In this light, this paper aims to examine the political strategies practiced by a Brazilian multinational engineering company in its international operations in its dealings with home country state owned enterprises. The methodology employed was the single case study, using a qualitative approach for data collection and analysis at a large Brazilian multinational engineering company. The research strategy was chosen due to the confidential nature of the collected data.

**POLITICAL STRATEGIES**

Traditionally, the political behavior of organizations has been accused of being corrupt and illegal and, for this reason, neglected by scholars in the field of strategy. However, organizational success often depends on other variables, like political action, which have been neglected in more detailed studies in the strategy literature. Some authors, such as Aplin and Hegarty (1980), Boddewyn and Brewer (1994), Schuler (1996) and Hillman and Hitt (1999) suggest observing the influence of organizations on the politics of a given State or region. This approach is known as Corporate Political Activity (CPA). It has also been referred to as nonmarket strategies, by Hillman and Hitt (1999), Boddewyn (2003) and Wan (2005).

These political strategies lie somewhere between the context of traditional business and society (Mantere, Pajunen & Lamberg, 2009) since their intention is demonstrate the active and reactive action of companies to transformations in society. When it comes to influencing the environment, the political behavior of organizations is usually focused on certain actors, such as governments, interest groups, public opinion, and intelligence agencies (Boddewyn & Brewer, 1994). Pfeffer and Salancik (2003) point out that organizations attempt to change the environment in order to adapt it to their own capacities.
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