

‘Global games and general claims:
locating the contribution of Kristensen and Zeitlin’

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(Contribution to Review Symposium: Peer Hull Kristensen and Jonathan Zeitlin *Local Players in Global Games: The Strategic Constitution of a Multinational Corporation*. Oxford, Oxford University Press, 2005)

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1. The contribution of *Local Players in Global Games*

This monograph is one of the most important studies of multinationals to appear in recent years. It takes its place alongside Bélanger et al.’s work on ABB (1999), showing the potential for generating theoretical insights from the intense scrutiny of a single company.

The book is an in-depth study of the headquarters and three key subsidiaries – in Denmark, England, and the USA – of a UK-owned engineering multinational, APV. Its theoretical contribution is, simply put, to take subsidiaries seriously. It help redress the neglect of subsidiary strategy by much of the international business literature, while avoiding the

opposite trap of neglecting the headquarters perspective. Subsidiaries are seen not as passive subjects of HQ strategy, but as strategising actors in their own right, in symbiotic relationship with their acquiring company. Thus subsidiaries actively seek to be acquired by the parent, in order to gain access to global markets. They strategise by leveraging local resources to strengthen their position within the global firm, and to exploit the advantages of membership of a multinational not least for enhancing the development of the locality in which they are embedded. As a result, the conventional view of the role of the multinational's HQ is also challenged: HQ is inherently unable to enact a coherent global vision or to coordinate activities effectively across countries in order to realise international competitive advantage.

The book provides a realistic depiction of multinationals as uneasy political coalitions.

Complex game-playing takes place in which subsidiaries are able to exploit tensions between multiple and sometimes conflicting lines of authority within the company. The multinational is, in short, 'an arena for internecine rivalries' (p.11). In exploring the internal politics of the multinational, the authors show, importantly, how subsidiary actors engage with other actors in their locality, often finding accommodations that cut across the boundaries of the firm.

Local Players in short provides a plausible account of subsidiaries as units operating, politically and strategically, both within transnational chains of economic activity and within a defined local institutional environment.

These theoretical insights are coupled with – and stem from – the great depth, richness and subtlety of the empirical account. It is rare for researchers to obtain such in-depth access to different organisational levels within the MNC. The narrative is informed by a historical perspective that helps show the evolution of different models of 'constitutional ordering' within the subsidiaries, models of varying degrees of stability and efficacy over time. As well as giving a strong sense of the continuities in the 'administrative heritage' of the different subsidiaries, this historical context conveys the fragility and mutability of accommodations: actors' changing roles, the rise and decline of units, the relative transience of influence, the complexity and instability of the balancing acts required to maintain position.

The heart of the empirical material is a detailed depiction of how subsidiary actors mobilise and deploy resources from their local institutional environment, and how this feeds a complex dynamics of reciprocal strategising at variety of levels: intra-plant, plant–locality, inter-subsidiary, subsidiary–business unit, subsidiary–HQ. The Horsens Danish case study in particular is an exemplary account of how strategising actors exploit the resources of their environment. Horsens mobilised local suppliers, engaged with domestic training institutions,

forged strategic alliances with the plant convenor and union, and changed its internal work organisation as part of its 'strategic positioning'. This engagement in the locality gave it the base from which to 'undermine its assigned role' within APV and create an innovative one. For example, Horsens management and unions used the national institutional framework (the state's covering of a high proportion of the wages of workers undergoing training) and the local (union direct representation on boards of local schools) to forge an accommodation that secured the supply of skilled workers.

Finally, *Local Players* furnishes a vision – agreeable if rather idealistic – of a way forward for actors in multinationals, based on competitive, mutually supportive and mutually constraining games. Such games centre on the involvement of employees and their representatives in strategic development, and the building of linkages with local communities to develop and exploit the competitive advantages they offer. The final part develops some interesting thoughts on what amounts to the quasi-democratisation of relations between centre and peripheral units, based on pragmatic collaborations on goal-definition, problem-solving, and the sharing of information.

2. How far can we generalise from *Local Players in Global Games*?

However, a number of concerns emerge about the methodological approach of *Local Players*. At the core of these concerns is the book's attempts to generalise from the single case in order to characterise the way multinationals are in general. This is not an inherently flawed exercise. But its validity depends on convincing the reader that the case-study company is appropriate as a case from which to generalise. Kristensen and Zeitlin make strong claims (p.xxi) for the theoretical contribution of the study:

(B)y carefully confronting the organizational strategies and mechanisms for the coordination and control of the multinational proposed in the managerial literature with the experience of APV, we can assess their effectiveness in meeting the challenges of running an actually existing MNC.

APV functions in this respect, they argue 'as a limiting case, capable of demonstrating the inadequacy of standard models of multinational management *whether or not its experience can be taken as representative of other global firms*' (emphasis added). This suggests that

APV, while not a *typical* multinational, is a ‘test case’: in other words, it can be claimed that, if APV is like this, then other multinationals are likely to be so *a fortiori*. Unfortunately, APV does not appear to be such a case. Rather, it is an ‘extreme case’ (as the authors elsewhere concede), which illustrates the studied pathology to an extent unlikely to characterise other firms. If this is so, then the wider resonance of the study is far less than the authors claim.

The essence of APV’s atypicality is that it did not introduce changes into a ‘well-established organizational structure and shared administrative heritage’ (p.193). Moreover, when ‘an MNC is created through mergers and acquisitions of former rivals, no historical bonds of trust or networks of mutual obligation and respect are likely to exist among its constituent units’ (p.208). It is in short, a company of previously independent, entrepreneurial subsidiaries and as a result, ‘a very unstable mixture’ (p.20). Most multinationals are not like that, even where they grow abroad by acquisition. They retain a predominant ‘beating heart’: acquisitions are absorbed into a pre-existing organizational/administrative heritage.

Despite K&Z’s claim that APV ‘is ‘not at all exceptional’ in its lack of effective integrative structures (p.200), it is in fact neither typical of current MNCs, nor the exemplar of an emerging trend. The truth is that there are plenty of hierarchical multinationals with effective centralised control, with the power resources (the ‘techniques of domination’) to ensure they have to make relatively few concessions to local institutional arrangements; for example, they are able to influence subsidiary managers’ career paths and rewards, and control the investment, production and export quotas of their operations. Many other firms, more ‘heterarchical’ in functioning, are nonetheless also successful in coordinating their activities internationally over extended periods of time.

This is not to say that the politics of resistance are absent from such coherently coordinated firms, merely that they are confined within relatively narrow limits that do not normally threaten the inherent integrity of the enterprise. Thus the claim that the ‘unending process of mutually aligning these multiple narratives ... constitutes the core challenge of coordination and “control” for the MNC’ (p.22) appears somewhat overstated.

Having argued that the problems of APV stem from the lack of a common administrative heritage, the authors try to generalise to M-form companies as a whole (p.210 and ch9), arguing that the pathology of conflicting collaborative games stems from generic flaws in the M-form concept, such as the separation of strategy and operational decision-making, and the lack of knowledge by each of each, so that there is difficulty in developing reciprocal positive

games. So which is it, the lack of shared administrative heritage, or the inherent flaws of M-form, that explains APV? This is an important question because if the former, it is representative of a minority, niche sub-set of MNCs, if the latter, it's a pervasive issue.

This central question dogs many of the conceptual elements of the argument, for instance the concept of 'global games'. This is a useful notion, but how applicable is it in situations where the centre is more dominant, and can set the framework of rules by which subsidiaries play? Even though games are likely to be observable in such cases, their salience is likely to be far less than in the special case of APV, and the subsidiary actors playing them may well have considerably less room for manoeuvre. More generally, the book does not make explicit what it sees as the limits to the scope for games. Where, exactly, do multinational actors come up against the structural constraints imposed by operating within a global economic system of competition? And do such constraints vary from firm to firm? One way of phrasing this issue is to ask whether the fate of APV was inevitable, given the financial community's role in structuring the behaviour of strategic players in these sorts of firms; or were other paths possible, within the constraints of the kind of multinational that it was?

At a more practical level, there is an irritating lack of transparency about methods. On the basis of exactly what data, collected under what conditions, are the book's questions addressed? The empirical analysis is *prima facie* plausible, coherent and indeed convincing, but rigour demands transparency about mundane issues such as: the number of interviews conducted, with what balance and breakdown of categories of respondent by site, function, etc., and in which time periods of the project's lengthy duration; how information was recorded and analysed; the steps taken to ensure equivalence of data collection procedures between sites and researchers; and so on. This may seem a prosaic and pedantic criticism, but it is key to social scientific credibility and trust. The lack of information on data collection means, for example, that we do not always get a sense of how far accounts of contentious processes or incidents were 'triangulated' through testimony of multiple witnesses. An illustration of this would be the Horsens–Unna interaction in which the Danes set out to challenge the authority of the German subsidiary to determine the allocation of products between plants, and in particular to transfer Horsens' valve production to Unna: was the testimony of Unna respondents incorporated into the book's account of this controversial episode?

A final set of questions revolves around the realism of the prescriptions that the authors draw from their analysis. Though the authors are duly guarded about the practicability of their

proposals, it is still reasonable to ask whether the prescriptions for experimental coalitions of actors in and outside the multinational as a means of developing local resources can really be effective in countering the systemic pressures of the ‘institutional equity nexus’. Can the implied positive sum games be played in practice? Inevitably, it could be argued, there will be competition for mandates between upskilling localities – and some will lose out.

There must also be questions over the generalisability of the prescriptions taken from this particular case. In many firms, productivity coalitions within the plant may not be viable because the multinational’s strategy is premised on driving out costs rather than mobilising craft skills and knowledge. In such cases, the *inclusive* constitution of the ‘collective actor’ at plant level, and engagement with local knowledge communities, may not be important for the subsidiary’s positional strategies within the global firm.

Most fundamentally, factors outside the control of local actors are liable to swamp the impact of local strategising. You may strategise all you like at the level of the plant, but your vision can be swiftly obliterated by the global competitive forces within which multinationals operate: cross-border merger and acquisition, rapid and radical technological change, investor and share market pressure on corporate leadership, and so on. Such forces can wash away subtle positional strategies like tidal waves. Locationally-specific competitive advantages and skills, developed with such care and attention, may become obsolete and redundant in short order. Indeed the transitoriness of innovative local solutions and coalitions is one of the striking findings of the book. The fate of Horsens itself is sad confirmation of this observation. In 2006, APV decided to pool its Danish resources and concentrate its manufacturing on Kolding, relocating production from Horsens some 40 kilometres to the north.

But despite these qualifications, *Local Players* is, to repeat, one of the most stimulating, valuable and important works available. For those serious about understanding multinationals, it is essential reading.

Reference

Bélanger, J., Berggren, C., Björkman, T. and Köhler, C. (eds) (1999) *Being Local Worldwide: ABB and the Challenge of Global Management*. Ithaca: ILR Press.

