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Book review: Mobilizing resources and generating competencies: the remarkable success of small and medium-sized enterprises in the Danish business system

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Blundel, Richard K. (2000). Book review: Mobilizing resources and generating competences: the remarkable success of small and medium-sized enterprises in the Danish business system. *Journal of Management Studies*, 37(5), pp. 771-774.

Karnøe, Peter, Kristensen, Peer Hull and Andersen, Poul Houman. *Mobilizing Resources and Generating Competences: The Remarkable Success of Small and Medium-Sized Enterprises in the Danish Business System*. Copenhagen: Copenhagen Business School Press, 1999.

If you're looking for the central message of this fascinating yet strangely disturbing book, it's right up there in the title. Challenging and impassioned, Karnøe and his colleagues are presenting much more than a just another package of empirical studies. This is a declaration of independence, which has important conceptual and practical repercussions beyond the 'state' of Denmark. It should be of particular interest to strategists, industrial economists and anyone concerned with SMEs, technological innovation and local economic development policy.

The book is constructed around seven case studies, ranging from the changing spatial organization and economic role of railway towns in Western Jutland to a comparative analysis of institutional embeddedness in the Danish and US wind turbine industries. Each is rich in contextual detail, yet there is a fairly strong emphasis on theoretical framing, albeit with some variability between the chapters. The starting point is Whitley's (1992) work on national business systems, and its subsequent revisions (e.g. Whitley and Kristensen, 1995). The authors also draw on a diverse literature, including Veblen's evolutionism, Penrose's theory of the growth of firms, Scott's new institutionalism and Lundvall's work on national systems of innovation. More specifically, they share Lawson's (1997) view of economic rationality as 'situated', and reflect some aspects of Clark's (1999) agenda regarding the firm as embedded and shaped by its context. Concepts from evolutionary economics are seen as important in understanding the basis and consequences of economic action, but their support is tempered by criticism:

[I]n our view the evolutionary framework needs more explicitly to deal with the context specific sociological basis for a micro foundation of economic action (p. 71 n.22).

Arguably, the focus on the success of Danish SMEs leads to an insufficiently 'realistic' assessment of the internal and external factors that shape their 'zones of manoeuvre'. The comparative analysis of wind turbines, for example, is couched in social constructionist terms which identify the essential differences between Danish and US approaches without taking the implications beyond an assumed non-transferability to another institutional context:

Each approach activated a set of organizational routines that constituted the technological learning and competence building that was neither technically rational nor idiosyncratically random. ... Seeing strategy as patterns in actions, each approach was not an 'open choice from the menu', instead it may be conceived as activating and reproducing a technological tradition, a set of social practices that formed into a distinct pattern of technological learning (p. 181).

The case material provides several interesting cameos of the activation of resources in Danish SMEs, but the reader is soon aware that there is something else going on in this book. The agenda is not so much hidden as postponed. The opening chapter states that the aim of the book is to offer a counter-balance to the high-tech, large company emphasis in previous (i.e. '1980s to early 1990s') international debate on industrial policy and competitiveness. This aim is largely achieved, through an unwavering focus on SMEs in predominantly 'low-tech' sectors. However, by the time we reach the conclusion, the authors have decided to come clean:

In this volume, our primary aim has been to reveal that, though the Danish business system is not developing technologies or internationalizing by the same logic as is represented in

current mainstream managerial and economic textbooks, it is indeed developing these aspects, but by a very different type of 'logic' (p. 326).

The authors proceed to savage the contribution of a Danish 'modernist', Rasmussen, and in particular his (1988) government report into the impact of globalization on Danish industry. Rasmussen had argued that some of the most important Danish firms were in a 'danger zone' due to their size and position in international markets. With the benefit of hindsight, they counter-argue that modernist initiatives, including attempts to formalize SME networks (1989-92) and to revitalize a Japanese MITI model of government-business alliance (1994+), have proved largely ineffective. Perhaps so, though summary data to support this assertion would have been helpful in convincing the sceptics. Especially so, since it is this finding, in combination with the results of their own firm-level studies, which leads to their declaration of independence. In essence, Karnøe and his colleagues reject the universalist notion that Danish firms must adopt managerial patterns and prescriptions from other countries (i.e. as depicted in the German phrase: '*so ein Ding Miissen wir auch haben*')(1). As a consequence, their call for future research is predicated on reaching a deeper understanding of distinctively Danish business practices.

This book is disturbing for two reasons, both of which need to be addressed. First, there is what might be termed the 'positive' reason. The authors provide a sustained, coherent and empirically-grounded attack on 'one-size-fits-all theorizing and the potentially destructive policy prescriptions of globalization's big business / business school proponents. Of course, these are precisely the people least likely to lose any sleep over what will doubtless appear (to them) a rather parochial complaint. Yet they *should* be disturbed by a raw yet powerful critique which provides, albeit inadvertently, a useful template for other disgruntled countries and regions. Second, the closely related yet distinctly 'negative' reason to be disturbed. In concluding their argument, the authors drift into what appears to be exclusivist language:

To assist the development of new managerial practices and strategies in Denmark, we suggest that it is more important for scholars to study prevailing practices and strategies [rather] than restlessly proposing the imported lessons from alien theories and foreign firms ... Danish managers and groups of employees should be the ones to invent local practices (pp. 330-1).

In the context of the book, the substantive points are valid and well taken. It is also easy to sympathize with colleagues who complain of confronting the 'Tower of Babel' that is contemporary international social science discourse'(2). Their pragmatic focus upon 'bottom-up' alternatives to globalized organizational monocultures is also timely. Yet the faintly disturbing undercurrent serves as a timely warning against over-reaction in the opposite direction (3). The re-discovery and enthusiastic pursuit of localized systems of success should not blind us to the economic and socio-cultural advantages that arise from wider interaction, or to the dangers associated with recursiveness in its pathological mode. Socially embedded routines have all-too-often funnelled firms and nations towards isolationism, inflexibility and localized failure - the seedbed of conflict. The corollary must be that the 'local construction of economic rationality' project is balanced by a degree of openness.

Richard K. Blundel

Notes and updates

1. Adopting an argument that is familiar in development theory, the authors note the damaging effects of intervention schemes that have been based upon, 'visionary theories about universal development trajectories . . .' and lack a fundamental understanding of the idiosyncrasies of a historically-specific system: 'Rather than curing a particular national business system or individual firm within its *organum*, such interventions have often led to the worsening of the patient. Britain is a good case in point' (p. 327).

2. For Kristensen, 'Participating in international discourses on social sciences these days is not easy for a mind trained in the habits of coherence and consistency. Scholars talk as if they were not living in the very same world, as if the Tower of Babel had just collapsed' (p. 259).
3. Elsewhere, the authors emphasize that Danish managers must 'constantly be aware' (p. 324) of external threats and opportunities. However, it is *precisely* the logic and constraining influence of socially embedded and recursive action which limits that awareness (Penrose, 1959). Incidentally one might also question the extent to which local practices can be 'invented', and assert that purposive behaviour occupies a far more complex and problematic position in such contexts.

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