

## Book Reviews

### Local Players in Global Games: The Strategic Constitution of a Multinational Corporation.

Peer Hull Kristensen and Jonathan Zeitlin. New York: Oxford University Press, 2005. 352 pp. \$50.00.

The title of *Local Players in Global Games* captures very well its content, that is, the strategic and organizational tension experienced by the different units within a multinational firm (MNC) due to the often conflicting or non-aligned interests between the local economic and political environment of its subsidiaries and the global context in which they operate as well as their role as part of a larger multinational. The book addresses a critical question in the international business literature, "What happens when a number of previously autonomous firms from different countries, each with their own historically constituted identities, routines, and capabilities, come together inside a single multinational corporation?" (p. xiii). To answer this question, the authors engage in a rigorous, detailed, and rich historical case study of an "actually existing" MNC from its formation to its dismantlement.

Most studies of the MNC explore the optimal organizational and strategic dynamics that MNCs' corporate headquarters seek to pursue in order to achieve the expected returns from their subsidiaries, although some studies have focused on the process of internationalization of firms in different countries, such as Guillén's (2005) book on the rise of the Spanish multinationals. Kristensen and Zeitlin's book adopts a polycentric perspective, in that it treats the MNC subsidiary as a distinct national entity with considerable decision-making autonomy, to analyze the complex web of relationships within the MNC as well as the effects of the distinct national and global institutional environments. In this regard, the authors speak to the existing recent debates on the varieties of capitalism and institutional change (Morgan, Whitley, and Moen, 2005) as well as to the more firm-level research tackling employment relations models within the corporate governance system (Federowicz and Aguilera, 2003; Gospel and Pendleton, 2005).

Kristensen and Zeitlin describe the intersecting multiple narratives of three firms that were born domestic firms in three different countries (Denmark, England, and the United States) and depended heavily on the local environment and of a family engineering firm, APV in London, that was born with an international orientation and became the corporate headquarters when the four firms became one multinational corporation. By 1987, APV was the world's largest food and drink equipment manufacturer, mostly due to growth via domestic and international mergers and acquisitions. The authors trace these firms back to the late nineteenth century and are able to identify different key factors in each national institutional environment and how these factors influenced change over time as these firms engaged in the global game of the MNC. These sets of institutional pressures range from the need of the British corporate headquarters to constantly manage its relationships with capital markets and institutional investors to subsidiaries' adjustments to the local labor supply of highly skilled labor.

The introductory chapter does a terrific job at summarizing the existing research on the multinational firm, drawing on the international business and organization theory literature, and it also nicely positions Kristensen and Zeitlin's book within this existing research. The authors warn the reader that they are going to discuss mostly the non-cooperative games of globalization and conclude in a more optimistic fashion by suggesting some solutions for how local and global sense-making can be used to foster mutual tolerance and cross-border knowledge exchange among the different units in the MNC.

Part 1 focuses on comparing how a Danish firm (Horsens), an American firm (Lake Mills), and a British firm (Howard) were acquired by British APV—a firm that lived in relentless fear of being the object of a hostile takeover bid. This chapter discusses the different reasons for why these three firms joined APV, as well as the actors involved in the decision-making process. With the help of archival and interview data, the authors uncover the expectations as well as the selling capabilities that these three formerly (quasi) independent firms proposed in the merger-and-acquisition negotiating game.

Part 2 provides an exhaustive, and at times too intricate, study of the reciprocal strategic games that each subsidiary and the corporate headquarters undertook in the different stages of the life cycle of this MNC. The authors do a magnificent job at systematically tracing the historical legacies and how they played out in the process of a single local firm becoming part of a multinational corporation. Special attention is paid to describing the learning path that each actor experienced in constant mutual misunderstanding as well as the significant roadblocks and adjustments that these four MNC units encountered, some while embedded in the local business system and others while interacting with the other units in the MNC and with the broader international environment. The most interesting contribution is the discussion of how each of the actors in the four units perceived the reciprocal strategic and organizational problems and how they attempted to overcome them. Finally, I found particularly useful the summary chapter of part 2 (chap. 7), in which Kristensen and Zeitlin offer a systematic comparative multilevel analysis of the strategic capabilities of the local players and analyze how each unit conceptualized the (non) collaborative MNC game and why some units did better than others.

The final part of this book, part 3, is the most analytical and draws on the authors' empirical case study findings. It is a discussion mostly from the perspective of managing the MNC and why headquarters was able to manage quite successfully the external relationships with the local financial market and failed in controlling and coordinating the subsidiaries. The administrative and human challenges of the MNC are discussed, although part of the explanation is found in chapter 9, which focuses on the functions of the executive. One of the main conclusions is that the managers at headquarters suffered from managerial short-termism and misalignment of expectations. Here, I would have liked to see a bit more systematic discussion on the functional skills of the managers across countries and the over-time shift

## Book Reviews

from operational to financial. Chapters 10 and 11 propose a series of alternative suggestions at the firm level, in terms of process, as well as at the macro-level, in terms of the role of the firm in the global arena, that are thought-provoking but mostly stylistic ideal-types. The book ends with a nicely written and effective concluding chapter.

The bottom line of this book is that while theory on MNCs advocates the benefits of potential global synergy and cross-fertilization among the MNC's subsidiaries and with headquarters, in reality, as Kristensen and Zeitlin show, mutual misunderstanding and unintended consequences of strategic interaction among the different units in the MNC tend to lead instead to endemic strategic conflict and organizational disintegration. I find particularly fascinating the emphasis that the authors put on showing that the subsidiaries' struggle for a position within the multinational corporation has a tremendous effect on their performance and survival. For example, they show how the Danish subsidiary completely transformed its product line in order to find a strategic niche within the MNC.

There are several aspects that I really enjoyed in this book, and I suspect further research will take them as a conceptual and empirical model for conducting comparative historical research. First, the research design is systematic and rigorous. The authors not only examine these firms as they became an MNC, that is, from their autonomous origins to when they joined APV and then to their final acquisition by British competitor Siebe in April 1997. They also spend a great deal of effort in uncovering how this reality was perceived by each of the units embedded in their specific local context.

Second, unlike the authors of most research in international business, Kristensen and Zeitlin pay systematic attention to the role of employees and, more generally, employment relations within the MNC subsidiary, both in the subsidiary's labor market and in the global economy. The inclusion of labor in the corporate governance equation is often neglected, even though labor can be a critical partner to management, as in firms with co-determination, and particularly important in innovative labor markets, such as software or biotech, where labor's human capital becomes a key value-adding asset (Aguilera and Jackson, 2003). In addition, particularly in part 2, there is an emphasis on workplace organization, labor market dynamics, and different models of employee relations focusing on where authority is placed and how it is distributed.

Third, unlike most research in the field of mergers and acquisitions, Kristensen and Zeitlin's historical reconstruction of the birth of this multinational demonstrates that, more often than not, the plot is not about the shark eating the smaller fish; in this case, it is the story of four distinct more or less independent firms in three countries struggling for survival for over a century until they came together in the 1970s and '80s to form a single MNC. It is very important to note that targets are not simply acquired; in some cases, they are active shoppers.

Finally, a few questions remain open, and others could have been addressed in more detail. For example, it is not clear how this multinational firm compares with national flagship MNCs, such as Unilever. The authors do not discuss at length the governance control mechanisms in terms of accountability and cash flows. Finally, the role of the state and the broader political and economic environment, such as international economic crises and indirect state intervention in the form of tariffs or state subsidiaries, are neglected except in a few cases, for example, the attempt of the Danish subsidiary to produce machinery in the U.S. Despite these minor flaws, this book represents an important contribution to historical and comparative research on the multinational firm, and it certainly adds to our stock of knowledge in international business, economic sociology, and organization studies.

**Ruth V. Aguilera**

Department of Business Administration and  
Institute of Labor and Industrial Relations  
University of Illinois at Urbana–Champaign  
1206 S. Sixth Street  
Champaign, IL 61820

**REFERENCES**

Aguilera, R. V., and G. Jackson  
2003 "The cross-national diversity  
of corporate governance:  
Dimensions and determinants."  
*Academy of Management Review*, 28: 447–465.

Federowicz, M., and R. V. Aguilera  
(eds.)  
2003 *Corporate Governance in a  
Changing Economic and Political  
Environment: Trajectories of  
Institutional Change on the  
European Continent*. London:  
Palgrave Macmillan.

Gospel, H., and A. Pendleton  
(eds.)  
2005 *Corporate Governance and  
Labour Management: An  
International Comparison*.  
Oxford: Oxford University  
Press.

Guillén, M. F.  
2005 *The Rise of Spanish Multinationals:  
European Business in  
the Global Economy*. New  
York: Cambridge University  
Press.

Morgan, G., R. Whitley, and E.  
Moen (eds.)  
2005 *Changing Capitalisms? Inter-  
nationalization, Institutional  
Change, and Systems of Eco-  
nomic Organization*. Oxford:  
Oxford University Press.