This is a good readable book that several audiences should find interesting. It squarely addresses an important void in the literature - how subsidiaries contribute to entrepreneurship in MNCs. However, the title is somewhat broader than its content. "A subsidiary-level perspective of entrepreneurship in the global firm" would probably be more accurate, since corporate-level entrepreneurship is largely absent. A corporate-level analysis only enters the story when it influences subsidiary-level entrepreneurship.

The first six chapters describe how subsidiaries develop different types of entrepreneurial initiatives, how these initiatives are received and reacted to by the wider corporation, and how such initiatives ultimately change subsidiary-level strategy and even corporate-level strategy. The argument, of course, is that subsidiary initiatives are important drivers of strategy at both levels, and that their importance is likely to increase. While a good deal of this section is based on earlier articles by the author, the book presents the material in a style that is suitable for students. There are typologies, schematic diagrams, illustrated examples, and often pro and con arguments for critical points. The book also seems to develop more fully than previous articles the potential influence of subsidiary action on corporate strategy.

This goes beyond the author's earlier concern with subsidiary development to address corporate development (a different dependent variable). I think MBA students and managers in MNCs should find this section (plus chapter 9, which discusses managerial implications) of particular interest.

Chapters 7 and 8 are quite different from the preceding section. They attempt to broaden the discussion by considering how the points and arguments of the previous chapters impact existing theories of the MNC. Here the book examines how (1) the transaction-cost theory of international production, (2) a resource-based view of the MNC, and (3) a network perspective of the MNC are affected by the subsidiary initiatives and strategy building processes already discussed. I found these two chapters to be much more developmental - and controversial - than the rest of the book. They lead to a presentation of the author's own "internal market model of the MNC," which shares similarities with the interorganizational network model of Ghoshal and Bartlett (1990), the business networks perspective of Forsgren and Johanson (1992), the heterarchy of Hedlund (1986), and other related perspectives. This section, I believe, could be confusing and frustrating for MBA students and MNC managers. It is most appropriate for those concerned with researching and developing theory for the MNC.

The remainder of this review deals with some of the primary issues and conclusions of the book. The first of these is that subsidiary initiatives are important drivers of subsidiary strategy (it isn't just determined by HQ assignment). The argument is that subsidiary initiatives can improve the quality of subsidiary strategy, not just from a subsidiary perspective, but from the corporate perspective as well. The problem here is one of understanding. Subsidiary initiatives and the processes surrounding them need to be better understood by both subsidiary and corporate management. To facilitate this, the process needs to be better documented and conceptualized, so that it can be more readily understood and learned. This is what the book seeks to do. An interesting issue here is the corporate immune
system, which consists of factors that block subsidiary initiatives from resulting in successful expansions of subsidiary charters or mandates. The book devotes an entire chapter to this subject, which provides an in-depth picture of the factors that frequently cause the HQ to resist change and defend the status quo. Making these explicit for subsidiary and HQ management improves the process.

But as I read this chapter, I also noted the reverse side of this argument. As a manager in a regional HQ of Exxon, I experienced many of the same factors that make up the corporate immune system. Except in this case it was we who were proposing the initiatives and the subsidiaries who were dragging their feet and resisting change to the business model. I also considered why most initiatives involving HQ went from HQ to subsidiary, instead of vice versa. I believe it was because HQ had much better access to new technology and knowledge about shifting market demands than the subsidiaries, and people at HQ had the slack to be able to evaluate and think about significant changes. I would guess these factors may still be true today for industries like petroleum, pharmaceuticals, etc. None of this contradicts the story being told by the book, but it reminds one that the subsidiary-level perspective is not the whole story. This is something that is easy to forget as one reads the book.

Another issue raised by the book is that subsidiary initiatives are also potentially important to corporate strategy. They represent a new source of variation that generates new alternatives from which corporate HQ can select. Models that tend to view the MNC as an interorganizational network generally suggest that subsidiary level input to corporate strategy can and will be substantial. The present book provides more conceptual detail for this relationship than previous work, but Birkinshaw's empirical studies seem to reveal relatively few instances where subsidiary level initiatives have had significant impact on corporate level strategy. This seems to be an issue that begs for more empirical research, and the present book is a good foundation for beginning such a project.

Finally, an issue that emerges throughout the book, and especially in chapters 7 and 8, is the relationship of subsidiary initiatives and entrepreneurship to a network perspective of the MNC. This is an issue that seems to invite debate and further clarification. As I understand subsidiary initiatives and the gaining of charter approval, this process seems to assume some kind of hierarchical structure in an MNC. If one assumes the MNC behaves as an interorganizational network when it addresses subsidiary initiatives, who approves changes in a subsidiary's charter? Who sets the rules for competition among subsidiaries and referees their actions? The rich discussion, especially in the back chapters, encourages this kind of query and helps sharpen one's focus on many interesting aspects of this still evolving subject.

References


