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The Contested Space of Multinationals;
Varieties of Institutionalism: varieties of capitalism

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Abstract
The paper argues that the contrast between studies of MNCs which emphasise isomorphism and those which emphasise social embeddedness is unhelpful. Following recent institutionalist discussions which have emphasised the dynamic nature of firms, and institutions, it is argued that the transnational social space of the multinational encompasses a variety of different forms of actors which are engaged in processes that partially produce isomorphism and partially reproduce institutional difference. This perspective is proposed not as a middle way between the two institutionalisms but as a way to capture the ongoing dynamics of MNCs. The paper illustrates this approach through considering four ideal-typical 'games' which occur inside MNCs. These games are analysed in terms of the actors, the institutional resources brought into the game, the emerging rules of the game, the outcomes of the game and how these processes relate to institutional theory. These games reveal the complex interaction of processes of isomorphism and social differentiation and suggest an agenda for further research on MNCs that will focus on examining how these games interact and with what effect in different sorts of multinationals.

Keywords: Multinationals; institutionalism; varieties of capitalism; isomorphism; embeddedness.

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Introduction.

There are many good reasons why organization theorists have been slow to empirically study multinationals. The difficulty in assembling data and the problem of access are substantial barriers in themselves. In more theoretical terms, the complexity of MNC organizations and the predominance of normative and rational theories in this field, that from the outset position multinationals as either representing the worst of contemporary capitalism (in terms of exploitation and inequality) or the best (in terms of efficiency and innovation) (Westney and Zaheer (2001: 365) have made it difficult to create a framework for studying multinationals which is more distinctively based within the traditions of organization theory. As with other complex social phenomena common sense data comes in such abundance that nearly every theoretical view may be immediately or intuitively verified. Who would have difficulties in understanding the MNC as being an effective agency for mobilizing contexts to provide resources? Who would deny it a leading competitive position looked at from the resource-based view of the firm? As an ideal example for students of principal-agents relations? As a context for power-games and politics, coalition-making and fights over resources? Where could the potential for studying a learning organization and knowledge sharing be bigger? Is it possible to imagine other agencies in our age that play more important roles as producers of ideology? And do we not find evidence that they are increasingly becoming providers of cultural values, competing quite successfully with churches, universities, governments and social movements? MNCs reveal all the aspects that can be revealed by studying any private or public complex organization from either one or more of the many perspectives of organization theory, just more so.

The same can be observed if we focus more narrowly on perspectives drawn from the diverse streams of institutional theory (Campbell, 2004). The new institutionalism in organization theory (e.g. Meyer and Rowan, 1991) would probably explain the multinational organizational form as an outcome of current institutional expectations that see globalization as important for being a modern and legitimate agency in which other organizations and institutions are willing to invest or employ resources. Similarly, the MNC can speedily spread novel organizational forms, practices and procedures, etc. within its boundaries by the application of the powers of the managerial hierarchy, a form of coercive, rather than mimetic, isomorphism (DiMaggio and Powell, 1983: 150-4). Thus MNCs may be seen as globally creating convergence and isomorphism faster and in a much more efficient way than any other social carrier has been able to do previously (Zucker, 1987).

Against such views, researchers within the tradition of historical institutionalism, such as National Business Systems (NBS) (Whitley and Kristensen, 1996; Whitley, 1999) or Varieties of Capitalism (Hall and Soskice, 2001), may claim two, partly contradictory, tendencies. The first, developed by Whitley (2001), argues that MNCs as firms build their managerial hierarchies, learn to exercise authority, construct markets and business networks, employ workers in a way that is highly influenced by distinct national institutions. When they go global, they will take these practised, national templates and routines of control and coordination with them and create subsidiaries that reflect the organizational forms of their home country. Thus divergence is reproduced and extended in the period of globalization. The second position, developed by Kristensen and Zeitlin (2001; 2005), claims that because subsidiaries have been and are operating in distinct national settings, they will build their organizational practises on host country institutional foundations and will not simply reflect the home based practices of the multinational. Prosperous subsidiaries mobilize national institutional resources to gain social space, economic importance and political power within a MNC. It follows from this that MNCs may become a contested terrain, a transnational social space, in which subsidiaries fight over a multiplicity of possible future forms, directions and destinies for the MNC by drawing on the institutional advantages of their host location. Once again, divergence is reinforced.

A simplified account of these arguments might basically contrast the view that MNCs are carriers of processes of institutional isomorphism and globalization with the view that they retain strong elements of national institutional embeddedness, whether this is through the direction given to the firm by its home origins or through the ability of subsidiaries to sustain their local practices. However, in this paper, we seek to recast this argument in the light of more recent developments in institutional analysis. In particular we are referring to those approaches which are aiming to bring a more dynamic perspective into the relationship between institutions, actors and firms (e.g. Streeck and Thelen 2005; Morgan et al. 2005; Thelen 2005). The common strand which links these perspectives is a recognition that firms are not static recipients of institutional contexts but are rather involved in a complex and dynamic interaction with institutions at the national and international level. Thus both firms and institutions are continually evolving and changing in ways that go beyond simple models of 'fit'. The aim of such arguments is not to return to a voluntaristic or even a contingency view of the firm but rather to uncover the social processes and the social actors which give life and meaning to these broad categories of firms and institutions. Is it possible to carry these insights through into the analysis of multinationals? In this paper we seek to argue that it is possible to do this and furthermore by doing so, we can open up the institutionalist analysis of multinationals in ways that can provide rich, new insights and research agendas.

We begin from the view that the multinational firm consists of emergent categories of actors that evolve through processes of mutual recognition, strategizing and organizing. This reflects a "network of dependencies formed by individuals" engaged in processes of mutual mobility or "dance" (Elias, 2000, p 482). Thus the transnational social space created by the MNC is a space where actors emerge through a process of identifying, using and reconstructing institutional resources. Thus the MNC and its connectedness to institutions at the global, regional, national and local levels is an evolving, shifting phenomena in which a range of actors and institutions are influencing this process. From this perspective, the dichotomy between global isomorphism and local institutional embeddedness is heuristically valuable but becomes a constraint once it becomes a template for positioning one's view of social reality. In what follows, we instead explore the interaction between isomorphism and embeddedness through considering in depth what we call four ideal-typical games that are being played in multinationals in the current period. In these games, we explore how different types of actors emerge, how they are shaped by and themselves shape institutions and how this in turn is impacting on the outcomes of the activities of multinationals.

In order to emphasise the dynamic interaction between actors, rules and institutions, we draw on the metaphor of the 'game'. One advantage of the game metaphor over Elias' use of the 'dance' metaphor is the sense that at the end of the game, there will be consequences. Games tend to have distributional outcomes, winners and losers in a way which a dance does not. Like the 'dance', the processes of a game reflect the skills of the participants and these in turn derive from features that are outside the site of the game/dance itself. They reflect the resources which are available to actors because of their positioning in a wider social structure of institutions. This wider setting imposes a certain structuring over the rules by which the actors play the game. However, we should not interpret this in an overly deterministic way. There are a variety of institutional resources in any particular society for actors to draw on. Nor need actors be confined to their local context when searching for resources. Thus these games require skill and knowledge and they require this to be put into action in encounters with other actors.

The game metaphor has limitations. It encourages us to reify both actors and rules, something which in this paper we seek to avoid. We use the category 'actor' not to describe a prefigured and premoulded agent but rather as referring to an emergent grouping composed of shifting interests. Over time, a collective actor can become more stable but equally they can remain loose, shifting coalitions of shared interests. This is where mutual dependency arises; it is in relation to significant 'others' (competing or participating in a shared social space) that actors solidify their interests and sense of collectivity. They can also remain loosely coupled within themselves depending on how the other actor groups with which they are 'gaming' are constituting themselves.

Similarly rules gain their constraining power and their solidity only as actors refer to them and use them as ways to further their own interests at the expense of others. It is through the process of interaction that the rules become more clearly identified and hard.

Through the game metaphor, we aim to emphasize action, emergence and change as central to renewing the institutionalist approach to multinationals. We present four “ideal-typical” games that are being played in MNCs in the current period. We have chosen these games on the basis of our own research and that of others who have been interested in the internal dynamics of MNC. We do not claim that these four are exhaustive but that they do capture some of the key issues in our understanding of MNCs from an institutionalist perspective. Each game involves a different interaction between institutions and actors. Each game also illustrates a different side of institutionalist theory. The games are presented deliberately as ‘ideal-types. They offer templates against which processes within specific MNCs can be understood. In specific MNCs and institutional contexts the actors which are playing these games are constructed differently and the configurational processes that they engage in are divergent. Nevertheless by identifying the ideal-typical games, we are able to draw on a broad range of institutional theory and offer a potential integrating framework. We propose that institutional research on MNCs can progress more effectively by considering how the games which we have identified play out in particular contexts and how they interact to produce distinctive types of outcomes for multinationals, the actors within them and the national and local contexts in which subsidiaries are embedded.

For our analysis of each ideal-typical game, we use a similar structure. Firstly, we identify the key interdependent actors and how they are mutually positioned and interacting. Secondly, we consider the institutional resources upon which they draw and how this empowers them to play in particular contexts. Thirdly, we aim to identify the key characteristics of the game which is being played. Fourthly, we seek to identify the broad consequences of the game for the multinational and its broader objectives. Fifthly we relate this to a particular theme in institutional theorizing about MNCs.

First Game: A New Language Game on Globalization.

Our first game is concerned with the mutual constitution of a discourse of globalization and a new social actor, which we can broadly label 'global management'. The game that is being played here is one in which other actors (e.g. managers with local knowledge) are being positioned as subordinate – their knowledge is constructed as less valuable, as archaic, and as conservative. In theoretical terms, we want to argue that this has elements of different kinds of institutional isomorphism carried through the language of globalization.

Among the contributions that help make sense of this situation Bartlett and Ghoshal' s book (1989) stands out. According to them, MNCs suffered from problems across "administrative heritages" as intensified competition and global restructuring proved their previous organizational forms inappropriate. The decentralized federation of the classic European MNC, which had its comparative advantages in responsiveness to national differences, was deficient in capturing global economies of scale and other cost-reducing advantages; whereas the centrally coordinated American and Japanese international and global corporations had advantages in cost-efficiency and were able to transfer standardized knowledge and procedures from their home-bases, but proved deficient in responding to and learning from local circumstances in host markets and economies. To stay competitive MNCs would have to combine global efficiency, multinational flexibility and worldwide learning and innovation (Ibid, p 137). The solution to this triple demand Bartlett and Ghoshal termed the “transnational solution”. In the transnational, the HQs role is distant from operational issues. It directs the flow and allocation of capital, assigning different roles and responsibilities to different subsidiaries, overseeing and creating market-relations between subsidiaries, building a culture that serves as the glue of the entire organization and is sustained by HRM policies that police recruitment, ideology and careers of managers. Such organizational devices as task forces, project teams and committees that bring together managers and employees across subsidiaries from different nations are expected to take conflicts off-line, thereby preventing the transnational from drifting into anarchy. The HQ must constantly balance between its entities, encourage adaptation in some places, reduce powers in other places; live with ambiguity, overlap and change in management responsibilities among its units so that it encourage diversity, dynamic tension and thereby an entrepreneurial spirit within and among them.

This argument reflects an emergent game which is currently central to the development of MNCs. On the one side is the actually existing diversity of the MNC, what Bartlett and Ghoshal label as ‘administrative heritage’ but which institutionalists are more likely to describe as the ‘social embeddedness of managerial practices’. On the other side are the global managers whose attention is focused on achieving the benefits of efficiency, flexibility and learning that the 'transnational solution' offers.

Our argument is that this perspective has provided a whole broad range of actors inside and outside the MNC with a new universal language to conceive of corporations engaged in worldwide operations. In particular, it enables the identification of a clear role for a category of 'global managers'. This group is constituted as having a willingness to accept diversity, tensions, ambiguity and even conflicts as expected and legitimate in such corporations. It knows that diversity exists and constructs this as a 'good thing' because through variety, there can be learning and innovation. However, in order for this to happen, the transnational solution requires a vision above and beyond the local as well as above and beyond structural solutions. Bartlett and Ghoshal state that "the task is not to build a sophisticated matrix structure, but to create a 'matrix in the minds of managers'" (Ibid p 212). The focus is on assessing whether individual managers possess the right mind-set for the transnational solution. Reinvigorating the traditional distinction between cosmopolitans and locals, this enables the identification of a new global business elite. Kanter, for example. describes the operation of these New Business Cosmopolitans in this way:

"As cosmopolitans spread universal ideas and juggle the requirements of diverse places, they manage resistance to change from locals who see their power eroding. Cosmopolitans face decentralizing pulls in their own organizations, such as reasons why an idea from one place won't work in another, resentment of world concepts because they restrict local identity and options, and legitimate concerns about how well concepts from other places fit local needs. The job of cosmopolitans is to bridge such differences and resolve them so that companies can operate efficiently on a global basis. Cosmopolitanism is a mindset that finds commonalities across places. And globalization in one aspect of business inevitably leads to globalization in others." (Kanter, 1995, p 61).

Thus, in figurational terms, the language of the transnational solution serves to constitute a global elite or "community of practice" that accepts that the world is diverse, engaged in conflicts, full of ambiguity, resistant to change and relativistic. Such an ideology fostering the acceptance of and ability to live on if not thrive on *ambiguity* helps constitute the identity of global management through a language of mutual recognition, i.e. knowing who is part of this group and who is not. A central part of this identity is action. For the global managers, using diversity to create innovation, learning and flexibility in an environment of highly competitive product markets requires frequent modifications or changes to formal organizational structures and management practices. As there is no organization structural solution for the transnational, global managers are free and even expected to constantly alter the balances in the firm across subsidiaries, between functions, and between layers in the hierarchy. Internally, the transnational solution as a framework for managerial action has played, no doubt, an important part in legitimizing and rationalizing the constant re-allocation of funds and product-mandates among subsidiaries, streamlining and making lean HQs, etc..

Global management as a category of actor draws its legitimacy from multiple sources beyond the organization. The powerful discourse of globalization itself, the more substantive management education programmes that claim a common management knowledge, the management consultancies that expound global solutions are all powerful contributors to this emergent reality. Lurking more problematically behind these phenomena are the international financial markets where the discourses of shareholder value, global competition and management accountability and compensation systems join together to reinforce the view that there is one global management elite that shares values, practices and systems. From the point of view of our analysis of the MNC, therefore, we do not claim that there is an all-powerful global management group dominating the firm. Rather it is an emergent construct that gains its meaning and efficacy through relational processes of mutual recognition.

In particular, this comes from how this group interacts with its ‘other’ – ‘local managers’. Students of MNCs often observe that the central HQ managers explained problems by reference to the idea that many subsidiary managers were lacking “a global vision for their activities”. In effect, the game is to call into being the category of ‘local managers’ and then to show how such local managers need to be educated and/or disciplined in order that the transnational solution can work. The category of ‘local manager’ only makes sense from this figurational perspective. From an institutional social embeddedness perspective, local managers differ significantly from each other rather than making a single collectivity. Local managers as a category relate to specific institutional conditions of existence. The global-local differentiation elides that distinction as it does many other distinctions. Expatriate managers assigned to subsidiaries, for example, may see themselves as part of the global management structure as may host country nationals aspiring to positions within different parts of the

MNC. They may reject the label ‘local managers’. In other contexts, managers in global management positions may wish to continue to see themselves as ‘local managers’, as fundamentally German or Danish managers. On the other hand, the language of the transnational solution potentially leaves other actors without ascribed formal rights and with an institutionalized unpredictability of their future rights and obligations. It offers global managers a very high degree of maneuverability as they have a legitimate rationalization for not being bound by obligations agreed upon in a particular local context.

In summary, our first game concerns the play of global managers in contrast to local managers. It reflects the discursive emergence of this category of social actor and its ‘other’ (local managers) and the construction of a figurational process in which global managers constitute themselves as the glue that holds the MNC together at the same time as they continually restructure and change the firm. Whereas the category of global management exerts a powerful isomorphic pull on individuals through its construction in management education, management knowledge and the management press, the category of local managers is much more complex, lacking an underlying rationale. Within this game, it only exists as ‘the other’ though in reality it exists as many others with distinctive institutional resources that enable them to challenge global management. Thus convergence (a single game, a single category of global management) co-exists and interacts with divergence (diverse institutional settings and diverse local actors).

Second game: Global Capital Markets, MNC restructurings and investment bargaining

Our second game focuses on the interaction between the players in the capital markets and the top managers of MNCs and the consequences which this has for firm restructurings.

Our first group of actors can be identified as what Golding (2001) terms the Institutional Equity Nexus established around the global financial markets. These actors are made up of investment banks, institutional investors of various kinds and financial and other intermediaries (such as lawyers, accountants and management consultants). It is beyond the scope of this paper to identify the specific roles that each of these actors have within the institutional equity nexus or how this has emerged as a dominant influence in the organization of international capital markets (see Fligstein 1990; Froud et al. 2000; Lazonick 2005; Lazonick and O'Sullivan 2000; Williams 2000). The main point we wish to draw out is that each of these actors has an interest in an active and highly liquid capital market. Whether their earnings derive from commissions (buying and selling on behalf of others), fees (offering advice to clients) or market changes (buying and selling on their own account in anticipation of market movements), they require the capital markets to be deep and broad. They also require the capital market to deliver up regular high returns. They act in these markets in ways which ensure the possibility of such high returns, judging entry and exit into the markets and into corporate deals according to this criteria. Although actors within the Institutional Equity Nexus pursue their own individual paths to achieving returns, e.g. in terms of their investment strategy at the level of particular firms, sectors, countries etc. and their broader portfolio strategy (in terms of managing risks across different types of investment and across different time-scales), there is also a lot of commonality in terms of how they relate to firms and markets.

From the point of view of the firms whose shares are being traded, it follows that firms try to grow as fast as possible to be grouped among the league of the largest and most liquid stocks whilst at the same time achieving high levels of returns to shareholders. A key method for achieving this is to engage in mergers, acquisitions and hostile take-overs, an outcome which is very favourable for the institutional equity nexus as it opens up the possibility of more fees, commissions and gains from share price movements. Thus the game between the institutional equity nexus and the senior managers of the MNC is set within the parameters of high returns to shareholders sustained and disciplined by participation in the capital markets. What these “markets” offer to MNCs is access to cheap financial resources by which they can not only finance their debts but also speed up their growth. Engaging in these games, however, also implies that HQ executives soon discovered that they had a choice between only two alternatives: either they could manoeuvre to be positioned in such a way that they could acquire or merge with other firms if their shares were highly rated, or, if they were weak and share prices low, the MNC might easily fall victim to hostile take-overs.

The crucial mechanism for mediating these pressures lies in the senior managers’ abilities to restructure and reorder the firm to reduce costs and increase efficiency and to explain and justify these processes in a discourse acceptable to the key players in the institutional equity nexus. For the senior managers of multinationals, in particular, the key to this is primarily identified in the development and application of benchmarks for performance at various levels and sites of the organization. The benchmark becomes the means for senior managers to judge performance across various sites and to leverage local managers and employees in to higher levels of performance in order to save their jobs. This process is in turn reinforced by the degree of oversight and monitoring exercised by various parts of the institutional equity nexus, which themselves develop benchmarks of best practice that could be used to boost or undermine the position of companies. This creates a neat self-referential circle as top executives often hire similar professionals and consultancy firms to dress up their strategies in tune with the most recent fashions, to devise internal bench marking systems and governance procedures in order to talk up the price of shares. Further in order for reporting systems to reflect these discourses, top executives impose on subsidiaries new bench-marks, new reporting procedures and new pressures for them to meet in investment- and head-count bargaining. Subsidiaries take these pressures and put them on workers and suppliers so that they spread to every corner of the system. Under the names of “investment-bargaining” or ‘regime shopping’, we can see a game in which HQs play off subsidiaries against each other, forcing them to show up with the best benchmarks in order to be favored in investments- or head-counts decisions. Mueller et al. (Mueller, 1996; Mueller and Purcell, 1992) see this game as an efficient way for MNC HQs to simultaneously diffuse new work-practices (JIT, lean-production, teams), etc., to escape from the risks of empowered labour that follow from such work-practices and finally to force unions to accept gradual reductions in quality of industrial relations, wages and working conditions. Thus global managers faced with cut-throat competition forced local managers to take on increasingly tough targets for performance that frequently required workers to make concessions and adopt new forms of work organization and flexible arrangements if they wanted to save their jobs.

The game is interesting because it introduces both a novel form of mutual competition among subsidiary levels of MNCs and relates measured performance-differences directly to political negotiations on the distribution and allocation of capital. As such it seems from the outside to carry some traits of fairness and procedural justice as subsidiaries' abilities for continuous improvement, etc. is exchanged for economic resources. Relatedly this institutional equity nexus seemed to promise not only its players but also individual shareholders "value for money". It promised to punish self-seeking executives by imposing "good governance" and in exchange companies that played by its rules were given access to cheap financial resources so that they could take over companies that were less able to play according to its rules. It was a system that elevated CEOs to heroic positions if they engaged in pressurizing actions for change of their corporations by engaging in novel strategies and implementing new bench-marks, while CEOs demonstrating less activity became punished as if "criminals" by decreasing stock-prices. The community of business professionals was on a constant search for novel ways to do businesses in the form of excellent entrepreneurs, change masters or corporations and discovered "best practices" which could soon be translated into standardized formulas that any corporation playing with the City or Wall Street needed to adopt.

In our view it is difficult to think of a better example of how myths of the institutional environment become effectively imposed on the formal structures of companies as is generally held by neo-institutionalist organization analysts. Imitating what is considered “legitimate” forms of organization is not just a matter of belonging to the “court-circle” of the institutional equity nexus, it is a question of survival, as dropping share-prices do not just hamper a company’s ability to grow, but rather prepare it for immediate extinction by a hostile take-over. Past-performance, seems of little interest; rather the here and now and immediate future matters, and for that reason, headquarters must be quick in installing the most recently demanded strategies, goals and means, bench-marks and governance methods in the most efficient way on both subsidiaries, suppliers and “human resources”. It can be said that this game in a very effective way leads to isomorphism, not only among headquarters, but also in how and by what measures subsidiaries and suppliers are assessed.

At least during the 1990s institutional investors, investment banking, fund managers, the stock exchange and MNC HQs constituted in Wall Street and the City of London a highly complementary system that would lead to mutual gains (amongst this limited group of actors) as long as players stuck to the rules of the game and tried to the best of their powers to subdue other parts of their networks to this game. Investment-bargaining and regime-shopping looked a small price to pay for managers, when alternative costs would be possible hostile take-over bids with the eventual loss of personal prestige and position. Complaining local managers just demonstrated their lack of understanding of the larger pattern of the global game if they complained about strategies that seemed utterly irrelevant for their businesses, about bench-marks that gave only bad insights into their performance more generally and about the lack of investment that forced them backwards compared to some of their competitors. When they could not reach bench-marks, ROI or any new indicator on performance engineered within financial centers, consultancy firms, business schools or headquarters, this would be labeled as ‘bad excuses’ (Bélanger et al. (1999). In turn, this reinforces the elite’s belief in its own foresight compared to the lack of understanding and resistance to change demonstrated by from local managers, subsidiaries and workers.

Game three: The institutional logic of MNC Corporate Managers

Our first two games can be read in terms of processes of institutional isomorphism. In the first game, this arose from the creation of a discourse of global management. In the second game, the emphasis was on the homogenizing effects of the institutional equity nexus in the capital markets. Now, however, we start to draw more on the tradition of national business systems type institutionalism. In the next two games, we identify the factors which disrupt the isomorphic processes and destabilize the multinational. In the third game we focus on the internal processes of competition and gaming that occur amongst the managers of the MNC as they seek to survive within the context of the institutional equity nexus.

The bench-marking, investment-bargaining and regime shopping game of the last section reinforces the M-form type of organization placing the managers of operational units in a process of mutual competition whilst top executives oversee, audit, and control them, holding a grip over capital-allocation and the strategic orientation of the corporation. As a number of authors from Sloan onwards (for the most detailed account, see Freeland 2001) have seen, this has the potential to lead to lack of cooperation across management positions and all sorts of subversive games in terms of the reshaping and reconstruction of information before it passes to higher authorities. Because these top-executives are generally not able to assess the numbers from the perspective of operational knowledge and experience (which they lack), the danger is that decisions are taken on the basis of problematic information. Divisional and subsidiary managers learn how to make the numbers “come out right” by manipulating the plans they submitted to the general office (Ibid:286) and when such a situation occurs an incessant war on numbers results with the implementation of new measures and new forms of monitoring.

Jackall (1988) is one of the few that has actually ethnographically observed managerial behavior in such M-form organizations. He argues that managerial work in these organizations is fragmented and short-term and therefore bound to produce failures in large numbers. However, usually such organizations do not have strong tracking systems that are able to trace and allocate responsibility in a timely and accurate fashion. This is significantly affected by the speed and frequency of organizational restructurings and other management changes emerging from the effort to placate the capital markets. These changes disrupt clear lines of responsibility going from the actions of particular managers to consequences in the marketplace and back to an impact on the career progression and rewards of particular managers. From the point of view of such managers, it is important to make strategic moves that enroll them as members in powerful coalitions and do not leave them taking the blame in situations of failure. One of the most efficient ways of achieving both is to “outrun their mistakes”.

The formula is to engineer fast promotions so that they may be able to allocate the blame for their own mistakes on their successors, thus further advancing themselves and harming future potential competitors. Those at the top have the right to allocate blame, which therefore “falls on unwary and inexperienced underlings”. This is, in Jackall’s view, the new form of bureaucratic power and it combines easily with the creation of uncertainty.

A good strategy for fast promotion is to play the “numbers game” right. By making promises of short-term improvements and short pay-back periods and by manipulating their jurisdiction to come up with fast improvements in current bench marks, they may simultaneously get promoted and ruin the longer term potential of a business-area or unit. This process squeezes short-term results out of the firm at the same time as reducing its long-term development capabilities. Senior managers at the headquarters reinforce this game because they themselves are at the top actually because they have shown great skills at playing this game, and if the rules were changed, they might consequently not be the winners and rulers. Moreover with corporations playing the game of the institutional equity nexus, top-executives are only to a limited extent able to learn from experience. Kristensen and Zeitlin (2005), point out that the highest length of service amongst top-executives, in the MNC they investigated, was 5 years. , Normally a top-executive is only allowed a period of between 18 months to three years to achieve a turn-around in corporate performance. This, has drastically reduced the average length of time that managers spend in a senior position within many MNCs. It is easy to trace the causality behind this: HQ executives will tend to make very favorable promises to the institutional equity nexus in the beginning of their period in office. This will probably be accompanied by maximizing the perception that there were problems in the previous period, scape-goating previous management and engaging in significant restructurings in the early period of office. The outcomes of any significant restructuring are likely to unfold in complex ways over different time-scales. Initial successes in pushing up the share price through cutting costs or engaging in big mergers, acquisitions or divestments are unlikely to be sustained over a longer period. A flattening or dipping of the rate of improvement may stimulate a further round of restructurings but the cyclical nature of this soon tests the patience of the institutional investors. Therefore senior executives are most likely to maximize their reward packages early on in their reign in anticipation of forced or 'voluntary' exit later in their period of office. Building in continuous restructuring may be one way to avoid this as frequent mergers and acquisitions or divestments make it difficult to compare achievements across official reporting periods, at the same time as providing the pretext for a renegotiation of senior management compensation packages. If such a stabilization among rulers is not achieved it becomes nearly impossible to predict for lower level managers which are the protective coalitions and which are not as new management is just as likely to come from outside (complete with its own allies and networks) as it is from inside. At all levels of the managerial hierarchy, therefore, surviving and prospering in such an environment is highly unpredictable, another factor which will persuade many managers, particularly in the headquarters, to continuously scan the labour market environment in the hope that new and better opportunities may come along. Where headquarters are co-located, e.g. in and around London or New York, the result is a very local labour market for 'global' managers!

It is important to recognize that this game has another dimension that results from institutional differences in the nature of management. Differences in managerial careers, in the socialization and training of managers, and in the authority-systems within which they operate in different countries may influence, neutralize or transform what Jackall called the institutional logic of the corporation and provide other than Anglo-Saxon national business systems with important comparative differences if not advantages. Authority relations differ amongst countries, not least because industrialists and managers circumscribed their coming into dominance under industrialization with very different ideologies of authority (Bendix, 2001) fighting against a variety of previous authority systems (Bendix, 1980). They fought very different social groups in different countries and had to win very different wars to gain highly different social spaces on the road to broader societal power and dominance (Kristensen, 1997). From this perspective, authority-relations do not simply flow downwards from the holders of office but rather are ascribed upwards by those over whom authority is exercised. In practical terms this means that those who exercise authority must do it with great care so that it falls within subordinates "zone of indifference", where "orders are acceptable without conscious questioning" of their legitimacy (Barnard 1968: 167). Change from one institutional logic to another must be connected to and legitimated by the old, probably creating a hybrid between the imagined/imitated and the old (Guillén, 1994).

The nature of this authority to manage, how it was granted, under what conditions and why it is tolerated and legitimate is a very different game in different countries. Whereas a German manager needs to be technically competent to oversee the working tasks of his/her subordinate in order to be able to exercise his/her job, in the UK, managers rather rely on more general, frequently changing managerial ideas combined with the use of inducements (Stewart, et al 1994), while managerial authority is fragmented and responsibilities divided between many offices in France to minimize "face to face contacts" (Crozier, 1964; Maurice et al 1979). In terms of class background, educational route, career movements within and between firms, etc. etc, countries also show highly divergent patterns for socially constructing the "managerial class" (Bjyrkeflot, 2000; De Betignes and Evans, 1977). Thus it may be very different managers that come into position in different countries and they may have very different ways of adapting to the new institutional logic of the corporation.

A crucial aspect here concerns which managers move up to become the senior managers of MNCs, what mechanisms they use to do this and how this relates to their national origins. From some institutionalist perspectives, this might be seen in terms of the way in which individuals legitimize themselves as 'global managers' by developing their work experience, their educational qualifications and their personal networks beyond their home country. However, in reality the process is likely to be much more subtle. In their case study, for example, Kristensen and Zeitlin refer to the 'Danish mafia' within the MNC as a group of individuals that learnt their skills in the Danish context but then for various reasons have been sent off to other subsidiaries and from these positions have been able to exercise a wide authority within the MNC. This does not lead to them discarding their Danish identity but in some respects reinforces it and encourages them to retain their links with other members of the 'mafia' as a way of talking about and resolving common problems. Thus there are collective institutional resources which individuals draw on as they seek to survive and prosper in this frequently changing environment of the MNC.

In this third game, therefore, we can see managers at head office and subsidiary levels competing against each other but drawing on different institutional resources. On the one hand, the game is convergent, making actors play in a specific way but on the other hand, the resources they bring into the game differs.

Game four: Subsidiaries as collective players between local and global games.

This becomes even clearer when we broaden our perspective from the management level to the wider level of the 'industrial community' (the network of relations which link the local subsidiary to its local context where there is a shared 'community of fate') that exists at the local level. If, we consider how the specific national constitution of subsidiary-managers affects behaviour towards a corporation that has adopted the new institutional logic which we have described, it is obvious that a whole range of different options are possible, dependent on local circumstances. In countries or regions where managerial careers are primarily judged in terms of achieving the targets passed on by headquarters and managers' promotion possibilities are decided internally and externally by these short-term achievements, then lower level, subsidiary managers are likely to act in concert with the numbers game, i.e. to prove that they can manage their subsidiary so as to meet shifting fashions in bench marking in the most significant way. As these shifts are set in motion it is highly likely that individual subsidiaries that simply follow them, will find it problematic for their long term development. In the short term, the ability to hit stringent targets may mean that temporarily such subsidiaries may serve as popular recruiting grounds for managers that are being promoted to still higher positions. At the other end of the scale, however, are managers that are operating in localities or countries that have a tradition of focusing on more long-term developmental goals for the firm.. Such managers face a difficult trade-off. If they simply follow the new institutional logic they may ruin their personal reputation locally or nationally if it gets known that they have played their cards to meet short term bench-marks in such a way that they get promoted by harming a local subsidiary. Often, at local levels, there does exist a very well-developed “system for tracing responsibility” as employees and colleagues within and among firms are narrating the biographies of individual managers and creating stories as to their performance; a narration that may wind up with the inclusion of a manager in the local “we” or mean exclusion from the global “them”. Managers that opt for a local career may simply choose to play in such a way that they cultivate their local reputation at the cost of their global career, accepting the risk of being fired or degraded by the MNC.

Birkinshaw (1997, 2000, Birkinshaw and Hood 1998) has shown that subsidiaries may take on strategies that lead to the extension rather than the narrow exploitation of the mandate, which they have been assigned by their HQs. Delany (1998) describes “Boy Scout” and “Subversive” strategies, where the latter are always looking for ways to develop their local business in new ways. Such strategists may treat the MNC as just one arena of many in which they participate. For example, they may evolve strong networks and links into international, national and local markets, networks and institutions without seeking permission for this from the MNC HO. Indeed their ties with these other actors may become more intense and in some ways more significant (at least for the long-term future of the subsidiary) than their ties with the headquarters. Reflecting this, Kristensen and Zeitlin (2005) shows how a number of current subsidiaries in their MNC case study (which had previously been independent firms) actively “applied for membership” of the multinational as a way to realize their own strategy. Further, they tried – with different degrees of success – to pursue such independent strategies after they had achieved this membership. As Kristensen and Zeitlin (2001, 2005) points out, whether subsidiaries play their roles in a boy-scout way or are more subversively following their own distinctive route is also dependent on how far they accept the head office as a legitimate form of authority which can dictate how they are to act. Some subsidiary managers simply accept this as legitimate and follow orders without complaint (though, of course, employees might be rather less quiescent); others may perceive the MNC more as a gentleman’s agreements among peers where negotiation is essential; some may think of the MNC as a new form of protected home market offering stability and potentially room for new expansion; a final group see the entire corporation as an ongoing system of competition, where it is always good to struggle for enlarging one’s economic and political space inside and outside the firm.

Boy Scout subsidiaries, obviously, echo both the bench-marking, investment-bargaining and regime shopping game and help re-enforce the institutional game among corporate managers as these two games were described above. Such subsidiary strategies allow for this new regime to come to full fruition and can be expected to lead to isomorphic outcomes among subsidiaries in different countries. It is difficult, however, for us to see that subsidiaries can play these roles in full without gradually loosing their long term sustainability. They become more form than content as they gradually undermine their endogenous industrial, innovative and entrepreneurial talent and potential. Thus highly integrated MNCs (where subsidiaries lack local autonomy) may over time destroy the human and social capital they possess. This does not necessarily mean that the outcomes for senior managers are self-defeating. If they can manage boy-scout subsidiaries in such a way that they can talk up the share price, by showing that their targets are achieved and best practice is being transferred (regardless of the consequences), then HQs may be able to create continuously situations in which they can take over new companies and keep the machine of isomorphic creative self-destruction running on a still larger scale.

Subversive strategists must pay lip-service to the new institutional game among corporate managers and be able to play successfully the bench-marking, investment-bargaining and regime shopping game. But their methods are different as they mobilize and make novel use of their local social institutions, suppliers, labour markets etc.. In this way they rather spur national experimentation within National Business Systems to the effect that they may deepen comparative advantages and distinct ways of organizing employees and making use of skills etc. Their formal structure and how they measure performance is not so important to them as their ability to use internal resources and external networks in highly entrepreneurial and very unpredictable ways as seen from the MNC HQ. Such subsidiaries become increasingly de-coupled from the MNC and increasingly tightly coupled to the core attributes of the national business system or local industrial district in which they are located as well as to other places around the world that possess similar or complementary capabilities.

From the more subversive end of the scale, managers are able to play their cards in a skilled way if they are able to achieve two objectives. Firstly they need to be able to collaborate internally in the subsidiary across different groups. Secondly they need to be able to mobilize local and national resources by collaborating with suppliers, unions, vocational training and R&D institutions. Both of these conditions, if met successfully, can turn local cooperation into favorable outcomes for the MNC in which they are located but at the expense of simultaneously distancing themselves from the MNC head office (Kristensen and Zeitlin,Ibid: ch 7; Sölvell and Zander, 1998). As Sölvell and Zander (1998) point out, this may also imply that the better performing subsidiaries are those that increasingly become tightly integrated with their host-localities and for whom ties to the multinational become, if not weaker, then less and less important for directing their overall development. Some of them might even wish to be sold to other MNCs or to be offered opportunities for management buy-outs, if their ability to collaborate locally is hampered by MNC policies (e.g. towards suppliers, in terms of allocating R&D and product mandates). Often in such subsidiaries there is a strong sense of what it takes to do good business (technologically, in relation to customers, employees, etc) and this feel for the "local" game may in many ways run counter to the new institutional logic and method of control of the MNC . Kristensen and Zeitlin (2005) point to two possible local coalitions partners that may actively become engaged in such deliberate struggles: employees relating to the firm through integrative bargaining and sub-contractors able to play in concert with the subsidiaries. Others have rather pointed to units and elements of local "innovation systems" and/or the stickyness of regions" (Rugman and Verbeke, 2001).

The composition of internal and external actors of local subsidiaries thus will vary from one country to another. As observed by Raimo Lovio (2003) a Finish subsidiary manager that was able to create an internal collaboration with engineers to take on a R&D strategy in opposition to the American owners could through them mobilize larger engineering communities in other firms and public R&D institutions and in this way create unexpected leeways that changed the position of the subsidiary radically. In Denmark, on the contrary, skilled workers and the creation of a partnership between shop stewards/the convenor opened unexpected channels to make use of local labour markets, welfare schemes and training institutions to create very effective policies that brought a very marginal subsidiary close to the center of power of the HQ and provided it with an important global role (Kristensen and Zeitlin, 2005, ch 3). Similarly, Belangér et al (1999) show how subsidiaries that either have extraordinarily tight relations to national customers or possess viable internal capabilities for indigenous innovation are less likely to fall victim to (external) pressures from HQs and therefore can protect themselves more from the institutional logic of the MNC.

One of the great paradoxes that successful subversive subsidiaries discover, when they recognize disobedience as a strategy is that they possess more strengths and power than is recognized through the ordinary benchmarking- and performance measurement systems of the MNC to which they belong. In some cases this has led to attempts to institutionalize from the bottom-up novel forms of negotiations, deliberate attempts to modify HQ policies concerning transfer prices, budgetary distributions and influence the appointment of subsidiary managers. Sometimes it has led to the establishment of new bodies around and as extensions of existing European Work Councils, e.g. in Denmark by shop-stewards and convenors (Kristensen, 2003). In other cases it has led to the organizing of recurrent meetings between subsidiary managers from different local sites among which technological and competitive strengths can be better assessed and become recognized, partly offsetting also the ability of HQ-managers to play these managers off against each other. Other sub-unit managers may speculate about ways to force HQ managers into negotiations to preempt closure or relocation plans. For instance it is quite legitimate and feasible for subsidiary managers to use subcontractors or to outsource technological core-competencies. By using this power strategically, managers might entirely empty the subsidiary itself of such core competencies though through its local knowledge and networks it retains the capability. Head office managers on the other hand may fail to understand these local dynamics. They may as a result respond in ways that force the MNC to engage in a broad scale of negotiations with a locality before decisions can be made.

If subsidiary level managers start to create coalitions against HQ-managers or if networks of employees prepare concerted action before EWC-meetings, it is easy to imagine that such coalitions can both offset the games of the institutional equity nexus and the institutional logic of the corporation and bring down HQs, especially in times when it looks weak in the eyes of actors from the institutional equity nexus. Whether such sub-level, transnational power coalitions can also invent ways to collaborate or communicate more directly with parts of the shareholders are less predictable. But such a perspective in any case serves to underline how easy it is to imagine that researchers, engineers, skilled workers and line- and staff functions in relation to production will form pockets of opposition to the existing short term culture that has become installed in modern MNCs and may in the longer term become grouped together to form novel agencies. This might at least reduce the ability for HQs to further institutionalize investment bargaining and regime shopping. But it might even create differentiated local spaces by which certain professions from all over the globe will seek shelter in certain localities, where subversive subsidiaries can create for them a safe harbour and at the same make the locality benefit highly from their presence. This would probably both serve as reproduction, reinforcement and change of given local production systems but also change it and create for it a more independent global reach and reputation.

Such local clusters of transnational social spaces would greatly expand a final type of strategizing that can already be observed emerging in local subsidiaries. Many subsidiaries have been bought and sold so many times that their experiences have taught them that they should always follow a strategy that re-enforces their indigenous strengths in such a way that they are ready to be taken over next time by a "better" MNC owner. So in every move they make for securing their short-term survival, they should try to secure for themselves a better bargaining situation in any future round of negotiations with potential foreign owners. Creating highly competitive centers of excellence by becoming a transnational professional social space that links both local institutional resources into the subsidiary and more international networks of actors (within and outside the MNC) working in similar areas is one possible outcome of the drive of subsidiaries to position themselves more powerfully for life outside the environ of any one particular MNC. Such stable and consistent strategies in the midst of MNCs engaged in constant restructuring at the level of formal structure, in official strategies and bench-marks and dominated by reckless managers fighting for promotions might create very strong sub-cultures that have the potential to gradually fight for realizing an alternative vision of the MNC.

The future figuration of MNCs: concluding thoughts

In this paper, we have described four ideal-typical games that are ongoing in multinationals. Whilst it is possible to argue that there are many more games, our selection was based on their importance for revealing the inter-connected and inter-dependent nature of actors and institutions in the construction of MNCs. In particular, we aimed to shed light on the complexity of the MNC and the cross-cutting pressures for isomorphism and for institutional differentiation. Our first two ideal-typical games illustrated strong processes of isomorphism generated through the discourse and practice of global management and global capital markets. In these processes, the ‘local’ was reduced to either a general category that concealed institutional differences between localities or a ‘victim’ of processes of investment bargaining and regime shopping. Our second two types of games, however, unpacked the isomorphism processes and revealed a much more precarious underpinning to the contemporary model of the MNC. The third game revealed how the supposed isomorphic pressures of the capital markets potentially created within the MNC a war of all against all. Managers have an interest in protecting themselves from the transparency and accountability that the capital markets demand. The continuous changes imposed by the markets provide the mechanism for this as they allow managers to move quickly around the firm before responsibility can definitively land on them. However, this gaming is also affected by the different national conceptions of what it is to be a manager. Thus whilst all managers may be playing the game, the way in which they play it and the purposes for which they engage in it will differ. This in turn relates to the fourth game where we examined how subsidiaries located in distinct institutional contexts develop specific orientations to the MNC head quarters. Institutional differences come to the front as key to understanding the distinction between Boy Scout subsidiaries and Subversive subsidiaries. The following table summarises our four ideal types of games.

TABLE 1 HERE

In developing our view of these games, we have treated institutions and actors as evolving and changing through processes of interaction. The MNC constitutes a particularly powerful transnational social space in this regard. The identification and development of actors through confrontations with others that are also struggling over social space is strong in MNCs. Unlike firms within national contexts, where the rules of power, distribution and authority are relatively well understood, inside the MNC there is no obvious institutional structure that holds the system together. This gives the space a fluidity that allows for actors to emerge in new ways and compete for social and economic rewards that may reshape both actors and institutions. Our four games illustrate particular points within the transnational social space of the multinational where this interaction is particularly salient. Future studies of particular MNCs using this perspective will enable us to see in detail how these games work out in practice. Our expectation is that such studies would shift the institutionalist view of MNCs even more drastically towards the sort of dynamic perspective which we have presented.

In this respect we end with one particular suggestion that stands traditional conceptions of multinationals on their head. From our analysis it seems that there is the fascinating possibility that the competition between different subsidiaries and different types of managers may lead to an outcome where the forces of isomorphism actually undermine their own continued existence and the forces of institutional differentiation emerge as the more powerful and significant. As the economic potential of boy-scouts gradually is exploited and their distinctive assets reduced, if not destroyed, their usefulness for the MNC begins to disappear. Conformity provides no long term basis for survival and growth. Subversive strategists, on the other hand, may in the longer term become the most important assets for HQ, even to the extent of becoming the exemplars of the company's strategy in front of the institutional equity nexus. For example, in Kristensen and Zeitlin (2005) it is the Danish Horsens plant and in Bélanger's (1999) study of ABB it is a small Finnish plant both with a long-term serving manager that move into the position of playing the "bench-mark-setting role" after having been greatly neglected by the HQs.

When such situations occur, the new language game of globalization that we investigated as the first step in this article, may become less rhetoric and more oriented towards practice. In such a situation as we have described MNC HQs will loose their ability to impose on subsidiaries the bench-marking, investment bargaining and regime-shopping game. As the subversive subsidiaries hold the key to and secrets of long term success, imposing on them targets and processes that destroy their local embeddedness and international connectedness would be to destroy again the only assets that give the MNC and its shareholders the possibility of long-term growth. As these secrets are highly distinct across subsidiaries in different countries, they may not be communicated in highly standardized bench-marking systems. Thus HQ executives face in the longer term the trade off between loosing power to subsidiaries or giving up the mode of control that today brings them their status in the eyes of the institutional equity nexus. In such a situation there is a need to alter again the mode of control and accountability, offering a historic chance for changing the MNC into a heterarchy and a network amongst high performing subsidiaries, with strong elements of self-coordination through systems of ongoing negotiations and deliberation. If this form of MNC diffuses on a large scale, MNCs may become transnational social spaces in which actors can dynamically debate and mutually negotiate the current and future comparative advantages of their economic organization and institutional context in the broader global division of labour. Today, no doubt, it may be argued that the two first games constitute a forceful pattern in which both ideological and social relations reinforce the figuration of a MNC so that it is primarily diffusing isomorphic institutions and organizational forms universally. But MNCs are fragile and easily changed, apart from being constantly challenged by their strongest subsidiaries. If, on the other hand, the first and the fourth games combine into feed-back loops of mutual reinforcement, MNCs could become the means for the systemic cultivation of comparatively divergent national business systems that collaborate innovatively.

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Table 1: The MNC Games in summary

	Game 1 The language game on Globalization	Game 2 Shareholder Value, Global Capital Markets and Firm Restructurings	Game 3 The institutional logic of MNC corporate managers	Game 4 Subsidiaries as collective players between local and global games
The actors	Global Managers and local managers	The institutional equity nexus and senior managers in the MNC	Managers in various parts of the MNC	'Industrial communities', locally embedded actors
The institutional resources	The existence of global firms The propogation of the idea of global management through management education, consulting firms, financial media	Control over capital – an interdependent relationship between owners and managers – a 'governance' issue	Significantly individual based – skill at playing the game but also related to the ability to form coalitions with others on the basis of shared interests Institutional resources in local systems	Local institutional contexts that empower local actors in different ways

			that provide legitimacy to certain concepts of management	
The game and the rules	How to gain authority, power and legitimacy to exercise control over the MNC as a whole	Playing in the capital markets according to the rules of power based primarily around share price	Struggling for power and position within the managerial hierarchy	Struggling to sustain the local industrial community inside or outside the MNC
The outcome	A centralisation of authority and legitimacy to the corporate headquarters of the MNC and delegitimising of local differences	Frequent restructurings of the MNC to respond to the market Use of regime shopping and performance targets	Frequent changes in position, lack of accountability tracking, creation of ‘false information,’ failure of the organization to learn	Diversity of subsidiary practices and orientations; balance between ‘boy scouts’ and ‘subversives’ and impact on longer term survival of the MNC
The theory	Institutional isomorphism through coercive and mimetic mechanisms	Coercive isomorphism derived from international capital markets	National differences Power conflicts in managerial hierarchies	National differences Institutional embeddednes s of actors.