ABSTRACT

Studies of the international tendencies in organizational activities have led to the emergence of the sub-field of global strategic management. Theorists of global strategy have suggested that imbeddedness, both at the level of geography and culture, is an impediment to growth, and advocate an approach that is free of such constraints in the quest for above average profits.

In this paper, we suggest that global strategic theorists have viewed the process of internationalization from a narrow and western-oriented perspective. Drawing upon the more diverse views of internationalization from economics and political science, we identify the critical views of internationalization which do not find mention in this research. We critique existing frameworks of global strategy, and offer an alternate research agenda for international organizations as well as theorists, as an imperative against intellectual marginalization and as a possibility for a more inclusive approach to non-western subjects in the field of international business.

INTRODUCTION

In this paper, we attempt a critical examination of the assumptions that appear to have informed the literature on international corporatization in the field of Strategic Management, and therefore question the theory building processes that have arisen from the scholarship. In doing so, we seek to identify a few key research questions and directions which might invest the field with a greater degree of legitimacy, and address the various criticisms that have been leveled against it from diverse ideological positions.

In the past few years, the literature in Strategic Management has been increasingly captivated by the ideas of the globalization of management strategy (van Gelder, 2004; Harris 2002; Nohria & Ghoshal, 1994). While the issue of the internationalization of capital has had a long history in the field of business strategy, going right back to the works of Chandler (1962) and Perlmutter (1969), the current resurgence in the field may be interpreted as an attempt by the academy to
respond to the issues that have arisen following the exponential increase in the globalization of world economic activity (Dicken, 2003), in terms of global shifts in manufacturing and production operations internationalization of investment, and widening circuits of capital.

We review the literature in the field of Global Strategic Management (GSM), in an attempt to locate the various ideological assumptions that drive the field. Following from the economic assumptions that are articulated within the mainstream scholarship in GSM, we examine the influential microeconomic theories of the Multinational Enterprise (MNE) that inform the mainstreams of GSM, in particular the internalization theory (Hymer, 1976) and transaction cost theory (Williamson, 1985). We also discuss the critical treatment of the internalization theory as it unfolds in various other social sciences, mainly economics and political science, offering a thesis that while the mainstream views of internationalization accentuate the non-antagonistic differences between the corporation and the state, they actually underestimate how collusive arrangements between the transnational elites actually create conditions for ensuring the successful performance and economic domination of MNEs. In juxtaposing these points of view, we attempt to contextualize the unqualified acceptance of the superior performance (and beneficial impact) of MNEs by the field of GSM and suggest that alternate research agendas in the field need to achieve a more balanced understanding of the theme of globalization. We end with a suggestion that theories of GSM need to exhibit greater sensitivity to power imbalances, issues of national priorities and geo-political egalitarianism, and the larger socio-cultural impacts of globalization rather than operate in a purely economic and unidirectional perspective.

GLOBAL STRATEGIC MANAGEMENT - AN APPRAISAL OF THE LITERATURE

At face value, the literature in the field of Strategic Management that deals with globalization appears to be marked by a great deal of diversity. For instance, Melin's (1992) review of three volumes of the Journal of International Business Studies found them representing seven different areas of internationalization, namely finance and banking, cross cultural aspects, international joint ventures, human resources, foreign direct investments, coordination/control and host government relationships. Such a broad spectrum of interest areas have led to a variety of research interests, which appear to pull the field in different directions.

While there have been many attempts at developing typologies of research themes in the field, two influential organizational frameworks for research in the field of Global Strategic Management (GSM) are noteworthy.

Ghoshal (1987) sees global strategies as being mediated by two key variables, strategic objectives and sources of competitive advantage. In an attempt to recast the "totality of a multidimensional and complex phenomenon" (p 438) into a two dimensional framework, Ghoshal identifies three strategic objectives, namely efficiency, risk management and innovation; and three sources of competitive advantage, namely national differences, economies of scale and economies
of scope. From the network of this 3x3 matrix, Ghoshal identifies 9 strategies of globalization, designed to "help managers and academics in formulating various issues that arise in Global Strategic Management" (p 433).

It is interesting to note that of the six aforementioned factors that Ghoshal uses to form the perimeter of his taxonomy, only 'national differences' may be identified as being a non-economistic variable. However, upon closer examination, it is evident that Ghoshal's treatment of national differences also arises from economic aspects such as 'wage rates, interest rates of currency exchange rates' and second order effects like "economically inefficient environments," or "inter-organizational linkages, the educational system and managerial know-how" (p 433). Moreover, the only variable in this classification that may have been seen to have non-economistic connotations, the educational system, is sandwiched between two economic variables, almost as a guard against any ambivalence.

While Ghoshal's organizing framework can be critiqued as being too constricting and reductionist, the framework proposed by Melin (1992), is far more flexible. After an extensive review of the literature, Melin identifies three broad themes of internationalization in the mainstream literature. The first theme attempts to cast internationalization as a stage in the development of a corporation. It is here that we may place the influential 'eclectic theory' of Dunning (1980, 1988), which sees foreign involvement as a function of locational, integrational and ownership-specific advantages of the internationalizing firms. The second theme attempts to study the sequential and causal link between strategy and structure. A bulk of the empirical research in internationalization has centered around this theme (Martinez & Jarillo, 1989). Much of this research is concerned with identifying the direction of the causal arrow in the strategy-structure linkages. Chandler's (1962) famous assertion that structure follows strategy has been continually supported and refuted by a number of studies in the international context (Peters, 1984; Melin, 1989). The third theme that seems to have dominated the internationalization debates has been termed the "Process School" (Prahalad, 1990). Concentrating their research in the direction of the Diversified Multinational Corporation (DMNC), the researchers affiliated to the Process School eschew the "architectural" approach of to the MNE literature in favor of examining the constant balancing that MNEs have to perform between the 'economic imperative' of profit maximization, which suggests centralized controls, and the 'political imperative' of having to adjust to local demands, which necessitates the relinquishing of authority in favor of a decentralized autonomy (see Doz & Prahalad, 1991, for a conceptual framework).

In addition to Ghoshal's and Melin's articulation of the various directions from which this issue is being addressed, one could add the case of "the battle of the consultants." Emerging from the works of two of the most influential consultants in the field, Kenichi Ohmae and Michael Porter, the debate has tended to end in stalemate as both parties offer empirical evidence for apparently contrasting analyses of the internationalization debate.
Discussing the issue of power relations in an "interlinked economy," Ohmae (1990) concludes that the current economic bonds between the industrially developed nations constitute linkages which have been rendered "organic," and advises the developing (sic) economies to respond to inducements to participate in a "borderless world," where the free flow of individuals, capital and activities, and the "weave of economic interdependence of nations" would ensure the security and prosperity of all humankind. The rhetoric conceals a prescription for the development of "global strategic alliances" that would supersede and render obsolete the borders of the nation state.

Porter (1990) on the other hand, is more circumspect. In an inductive analysis of his experiences as an international consultant, Porter develops a theory which suggests that nations with particular combinations of circumstances have the potential to offer enormous strengths to the forms of particular industries operating there. In his view:

"Competitive advantage is created and sustained through a highly localized process. Differences in national economic structures, values, cultures, institutions and histories contribute profoundly to competitive success. The role of the home nation seems to be as strong as or stronger than ever. While globalization of competition may appear to make the nation less important, instead it seems to make it more so. With fewer impediments to trade to shelter uncompetitive domestic firms and industries, the home nation takes on growing significance because it is the source of the skills and the technology that underpin competitive advantage." (Porter, 1990, p 19).

As we can see, the literature in GSM appears at face value to approach the issue from a multiplicity of perspectives, is characterized by debates and dissensions, and is driven by multiple research agendas. However, an attempt to recast the spectrum of research viewpoints into their basic ontological, epistemological, methodological and sociological assumptions (Burrell & Morgan, 1979) reveals a surprisingly high level of paradigmatic consensus.

In ontological terms, we see that the organization has constantly been reified as an entity being conceptualized by default in the personality of its Top Management Team. The epistemological positivism is constantly reiterated in the compulsion to cast the processes, strategies and themes of international research into framing rules, typologies and networks. While the process school has often condemned "static and purely economic views" (Ghoshal, 1987) of the internationalization process, it offers a surprisingly economistic view of the human element in the discussion of the issues of human involvement. The literature often equates human involvement with little beyond issues of technological competence, wage rates and the assumption of labor as being yet another factor of production. It is equally interesting to note that none of the empirical studies identified by Martinez and Jarillo (1989) or Melin (1992) contained any ethnographic or interactional study, or any design aimed at addressing the processual aspects of strategy. All studies revolved around quantitative, measurement oriented designs, quite a few of which (e.g. Hall & Salas, 1980; Peters, 1984; Melin, 1989; Stopford & Wells, 1972; Franko, 1976) were engaged in determining issues of causality.
One exception to the methodological rule however, has been Hamel's (1991) study of international strategic alliances, which sought to study how various national organizations used the strategic alliances they entered into as a basis for further learning and adding to their portfolio of core competencies. However, Hamel's study dealt exclusively with corporations where power imbalances were not a major factor, and where theory building issues were more in the area of the resource based view of firms rather than a study of the conditions of internationalization in the sense of the classic MNE. Hamel's study, while still in the same paradigmatic position as mainstream GSM, does offer interesting methodological possibilities for future research in the field.

While paradigmatic convergence of GSM theories is indeed striking, it is in the examination of the sociological assumptions that characterize the literature that one finds the greatest degree of consensus. The entire corpus of literature surveyed on the issue of internationalization was surprisingly devoid of any discussion on:

1. The nature of action choice that may be available to the 'subsidiary nation' in the multinational alliance;
2. The effect of the MNE on local/indigenous forms of industry in the subsidiary nation;
3. The issue of hazards, environmental and ecological concerns that accompany the setting up of an MNE;
4. The political impact of MNEs on the domestic economic policies of nations.

This is not to suggest that there has been no criticism of MNEs in the field or in other related social sciences. Indeed, the critique has been quite severe in a number of ways. What is observable however, is that none of this critique has been incorporated, or even addressed in the theory building processes in the field. Such a process has been accomplished by provincializing the discussion into a separate area of analysis, from where it exerts only a marginal influence on the mainstream.

It is indeed interesting to note that much of the critique leveled against the principles and policies of international management in general, and MNEs in particular, has suffered either of two consequences. Either it has been consigned to extreme (and often uninfluential) journals that sacrifice verifiability and rigor at the altar of trenchant critique, or it has been socialized into a cooperative and subservient discourse exemplified by a majority of the literature in the discipline of Business Ethics, which is replete with articles that, while apparently dealing with terms like "multinational corporate social responsibility" (Amba Rao, 1993) and "multinational ethical responsibility" (Pratt, 1991), continue to offer blanket praise to MNEs for their "beneficial effects, particularly in improved standard of living" (Amba Rao, 1993) and restrict their injunctions against MNEs to prescriptions about how they should improve their corporate communication to communicate their productive role in a better manner (Pratt, 1991). Some even go to the extent of absolving the MNE of any ethical responsibility on the grounds that they have "fiduciary
responsibilities that must override personal moral suasion" (Dobson, 1992). The whole aspect of "ethics" in such a localized and non-interactive relationship with other facets of the discipline is often seen as being cast in a mode of Kantian de-ontological imperatives, emphasizing individual actions that satisfy individual goals. Such ethics may often be at odds with non-Western value systems which emphasize ethnic group over self, a factor that needs to be taken into account when dealing with the issue of international management. Thus, the issues of ethics by the MNE as raised by forums such as those in the segregated discipline of Business Ethics are a matter of some concern, as by the nature of their provincialization and bounded-ness, they often end up serving the very interests that they set out to question.

In sum, the theories of GSM as represented in the mainstremds of the scholarship in Strategic Management, while portraying multiplicity and diversity of interests and agendas, may be seen as being driven by a tight set of basic assumptions that speak more of a consensus of a paradigmatic location in a "functionalist" camp (Burrell & Morgan, 1976).

LESSONS FROM OTHER SOCIAL SCIENCES

Irrespective of the nature of one's ideological affiliations, it would be difficult to deny the reality that economic and political structures have begun to be increasingly linked on an international basis. As the capitalist economy continues to be further globalized, the debate is not on the extent of internationalization, but on the way it needs to be analyzed. While the mainstream social scientists believe that the internationalization of capital has rendered the nation state and economic class obsolete as units of analysis (Williamson, 1985), scholars with critical affiliations are circumspect that these distinctions have disappeared altogether (Ruccio, Resnick & Wolf, 1991).

While the issue of the transnational enterprise (and its relationship with the nation state) has not been subjected to any major dissenting views in the field of management, it has been the subject of many contentious debates in some of the other social sciences, especially the fields of economics and political science. In this section, we briefly attempt to examine some aspects of the debates in this field, in an attempt to use the experiences to inform mainstream management theory.

The mainstream approach to the MNE can best be exemplified by the transaction cost approach. Derived from the classical microeconomic theoretical approach of using the market as the starting point of analysis, the transaction cost approach attempts to explain both the firm and the state as a safeguard against 'market failures' such as monopolistic and oligopolistic markets which may deter the optimal allocation of resources. The market, on its own, would not be able to sustain optimum allocation except through paying a high price in terms of transaction costs. The state then is conceptualized as an institutional device with a monopoly over coercion and a task of ensuring a market that does not degenerate into a situation of failure. The firm on the other hand, resorts to a variety of activities such as vertical and horizontal integration and contracts mediated by the state to replicate the perfect market conditions (Hennart, 1991).
In the application of this theory to the multinational corporation, the arguments of Buckley and Casson (1976) and of Williamson (1975; 1981; 1985) may be seen as an influential continuum. These theorists develop their argument from the contention that intangible assets such as know-how, technology and brand presence are rendered especially vulnerable in an international licensing arrangement, and the M-form structure of the MNE is the only effective way of a 'fair' return on investment across national boundaries. Indeed, it is interesting to see how much the transaction cost theory has influenced the international trade commissions such as GATT in their argument for an international protection for Intellectual Property Rights (Scherer & Ross, 1990). The assumption here is that the subsidiary nations in the transnational agreement may not be willing to or able to enforce the contractually determined criteria of appropriability. This thesis draws substantially from the economic theories developed by the so-named Chicago School in Economic Theory, represented among others by influential theorists like Stigler (1988) and Green (1987), who argue that economic institutions need to be freed from the influence of governments to function effectively. Thus, the economic theories informing the mainstream school of international management put forward an argument that is rooted in the imperatives of economic efficiency and industrial mobility, to suggest that MNEs are the most efficient industrial structures within the paradigm of industrial capitalism.

The critical (predominantly Marxian) perspective of microeconomic theory shares the mainstream belief that the state's role lies in its ability to ensure the reproduction of the capitalist mode of production, with the important exception that the state is also vested with the ownership of a large portion of the enterprise and the power to distribute the surplus value in an 'equitable' manner among the society (Pitelis, 1991).

The critical perspective of the MNE can be understood by juxtaposing Marglin's (1974) research on the role of the technology of production in the increasing span of capitalist control of enterprise with Hymer's (1979) work on the similar role played by firm size and structure in increasing the control mechanisms as the firm moved from a Marshallian (owner controlled firm) paradigm through the national corporations (public limited concerns) to the M-form organization (characterized by a separation of strategic and operational decisions). According to the critical theorists, both the aspects of totalizing technology and the totalizing span of control find expression in the MNE, which represents the cutting edge of the controlling, profit seeking and exploitative processes that characterize private enterprise in a capitalist economy.

The mainstream view of the MNE in Political Science may be seen represented in the works of Walter Weyl (1917), George Ball (1967) or even, with some qualification, Adolf Berle (1954). This view, which is still the prevalent view as articulated by Drucker (1986), Ohmae (1990) and other gurus of globalization, saw the MNE as a response to the growing dispersion of the economic base of industrial activity, and predicted that the nation state, which was "rooted in concepts unsympathetic to the needs of the complex world" (Ball, 1967), would only be able to deal with this dispersion by the emergence of the MNE.
The critical view on the other hand, sharply dissents against this default definition of the MNE as a part of a global marketplace, existing as a realm of freedom apart from the coercive domain of nation states. Instead, it contends that the proponents for this unproblematic view of the MNE are guilty of a gross generalization, whereby they seek to apply the logic of the corporate restructuring of American society to multinational relations and the world market (Bowman, 1993).

**RESEARCH AGENDAS FOR A PLURALITY OF APPROACH**

The debates mentioned above have tended to be severe in their intensity, but are surprisingly never reflected in the theoretical discussions in the field of GSM. Consequently, it is not surprising to see very little research that has emerged addressing critical perspectives, even for purposes of refutation. Indeed, in incorporating interdisciplinary wisdom from the other social sciences with regard to the internationalization of business activity, traditional management theory has been informed almost exclusively by the mainstream theories of the MNE. The application of alternate perspectives in the treatment of this subject points to the following research agendas:

1. What is the impact of technological 'innovation' brought about by the MNE on the socio economic processes of the subsidiary nations?
2. What were the specific circumstances that led to the MNE possessing the shape, structure and economic values that it currently seems to possess?
3. Did the international corporations evolve into the entities they are from 'natural' or inevitable laws of technology and organization? If not, what processes of policy making, legislating or even fighting mediated the production of such a reality?

**IMPLICATIONS FOR RESEARCH IN GLOBAL STRATEGIC MANAGEMENT**

A fourth research question that could be asked from the perspective of the previous section could be - What exactly is the relationship between the MNE and the nation state, and what are the possible implications of such a relationship on the scholarship in strategic management? This question arises primarily out of the empirical observation that not only has the MNE been in a situation of advantage in its expansion into newer international markets due to its superiority in technology and size, but it often seems to have benefited either from fundamental changes in the economic policies of the subsidiary nation or in its political environment.

Mainstream economic theory has tended to explain this phenomenon in terms of the "efficient structure hypothesis" (Stigler, 1968), whereby economic institutions, in the absence of coercive supervision, tend to gravitate toward a situation of stability. This view is also echoed in mainstream political science, where there is general agreement that cooperation, rather than conflict,
is the basis of international relations (Keohane, 1984). Not surprisingly, strategic management has also tended to assume this view, arguing that multinational enterprises operate in "contestable" markets (Baumol, 1977), where until a firm achieves a certain threshold market share, cooperation is ruled out as a strategy (Graham, 1991) and that successful internationalization is an indication of greater innovation and better learning experiences in domestic markets (Porter, 1990).

The moot point raised by critical theorists, as to whether these theories adequately portray existing power imbalances and the role of international economic regimes in reinforcing these inequities continues to be unengaged with. For instance, it has been contended that international economic regimes such as the erstwhile Bretton Woods Agreement on exchange rates, the IMF, GATT and OECD, which have a history of dominance by a few select countries in selection of leadership, staffing and finance, are nascent representatives of materialized relations of social production, which is subjected to shadow control by a few nation states, thus implying that the nature of control by nation states of international processes is being transformed rather than being diminished. Critical economic and political theories contest the representation of national interests in terms of the interests of specific dominant classes. They see the state as a condensation of class relations (Poulantzas, 1978), acting as the organizer of the disparate interests of specific social strata, where the powers encapsulated by the state are functions of the extent to which the elite classes gain control over surplus value. The process by which transnational elites and local elites engage in commerce has been theorized in critical economic analysis by making distinctions between fundamental class processes, which exist at the site of production and subsumed class processes, which exist in transnational value flows such as intellectual property rights and international debt service repayments (Resnick & Wolf, 1987).

This then is the central theme of this paper: while mainstream management theory has borrowed consistently from a particular viewpoint prevalent in the social sciences, it has neglected to engage with, even for the purpose of refutation, the critical treatment of internationalization in these fields. In doing so, much of the research and theory building in mainstream GSM has been contingent upon the reification of the industrialized elite classes as being the sole objects of national interest. It suits such an approach to view MNEs as divorced from all local context, as disimbedded postmodern entities devoid of any roots either in communities or in nations, which of course absolves them of all fiduciary responsibilities to any constituency.

For instance, the Process School may be seen as a study of how the transnational elite, represented by the controlling forces of the DMNC, and the controlling elites of nation states engage in the dynamics of cooperation and competition. As long as the discourse is able to equate the interests of this controlling elite with 'local' interests, the Process School remains a model of rational processual inquiry. Likewise, as long as theories of entry and diversification retain their economistic focus and stay out of the realms of cultural environmental or political introspection, their models of causality and interpretation will continue to remain valid.
Such a unilinear and view of a process as complex as internationalization is quite perplexing. While this view of the organization offers a consistency of argument, it is in danger of imminent marginalization because of the speciousness of the assumptions that drive this consistency. The reality of the process of international expansion is that firms entering newer markets are encountering a high level of uncertainty, heterogeneity and multiplicity. Also, in their interaction with local and indigenous forms of society and industry, they are causing very fundamental impacts, which need to be assessed, challenged and transformed in an attempt to mediate the harmonious process of international economic exchange. With its superficial (and often ethnocentric) treatment of these issues, research in strategic management may in fact be contributing to its own marginalization. Its current focus is inadequate to explain the existing reality and certainly in no shape to offer projections and prescriptions for future courses of action.

CONCLUSION

In this paper, we have tried to historicize the field of global strategic management, and contrast its approach against those that can be found in a variety of different social sciences. We have been forced to conclude that despite having access to a lively diversity of perspectives on MNEs from these traditions, management theorists have remained very unilinear in their focus. One of their conclusions, which needs to be unpacked in future studies, is that it is not necessary for an MNE to be imbedded in any local context, and that such disimbeddedness is actually possible and feasible (Bartlett & Ghoshal, 1991). Such an approach, we argue, is ideological in character, and leads to a highly unilinear focus, which can be counterproductive in the long run. GSM theorists need to re-examine and re-evaluate the issue of imbeddedness, and recognize its pervasiveness (Poole, 1991) as well as its positive attributes.

It however needs to be qualified that research in GSM has been very useful in that often provided the most meticulous and innovative analytical methods and tools. It has led the way in informing various facets of the Resource based view of the firm, through an examination of the core competency theories (Hamel, 1991), internal differentiation processes (Ghoshal & Nohria, 1989), inter-organizational networking (Ghoshal & Bartlett, 1990), the role of subsidiaries in structural and processual frameworks (Jarillo & Martinez, 1990), schematics of knowledge flows (Gupta & Govindarajan, 1991) and various other aspects of the firm.

However, unless it continues to subject its basic assumptions to rigorous scrutiny, and attempts to address areas of criticism that arise from other social sciences and ideological positions, it will not be able to extricate itself from the allegations that it is little more than a polemical and inward looking branch of the study of organizations.
REFERENCES


