4. Commander-in-chief or absentee landlord? Key perspectives on headquarters in multinational corporations

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INTRODUCTION

The multinational corporation (MNC) represents a longstanding area of research in international business (for example, Stopford and Wells 1972). Its role has been so central in international business research that the entire field has sometimes been equated with the study of the MNC (Shenkar 2004). Recent years have seen the burgeoning of research into subsidiary roles (for example, Birkinshaw and Hood 1998) and inter-unit knowledge transfer in the MNC (for example, Foss and Pedersen 2004). Scholarly interest in headquarters during the same period has, by contrast, been rather limited.

In this chapter, we compare and contrast four key perspectives on the MNC headquarters: namely, the design, the network, the institutional and the critical perspectives. Overall, these perspectives provide an inter-disciplinary approach to theorizing about the MNC by incorporating research from fields such as economics, strategy, international business, industrial networks, sociology, organizational theory and anthropology. Our comparative analysis uncovers two extreme views of MNC head-quarters which we argue are captured in the metaphors underlying classic 'design' and emergent 'critical' perspectives respectively. While the former has been characterized as drawing on a military metaphor of headquar-ters as commander-in-chief of a conquering army (Forsgren et al. 2005), the latter portrays the headquarters as 'an absentee landlord who is not only ignorant, but who destroys rather than creates value' generated by foreign subsidiaries (Kristensen and Zeitlin 2005, p. 234). The network and the institutional perspectives fall in between these two extremes, but
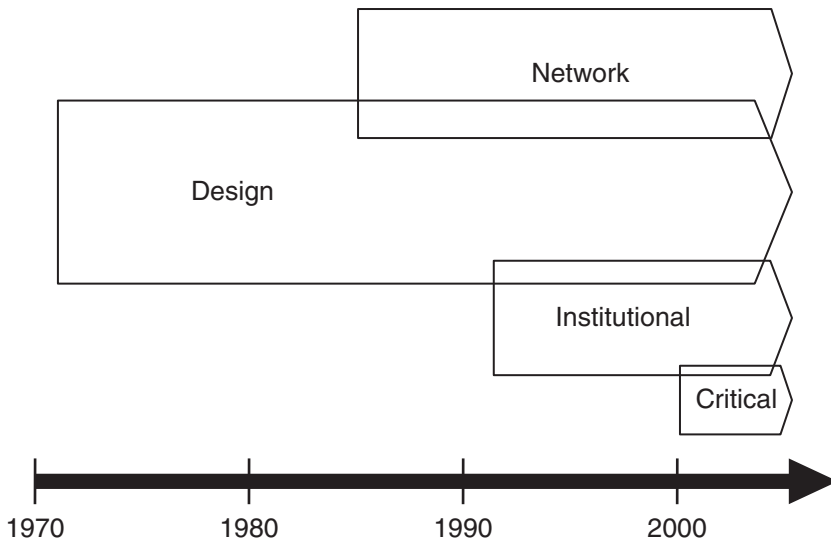
Figure 4.1   Key perspectives on MNC headquarters: interrelations and order of emergence

alongside the critical perspective they question the design view and its notion of the MNC as a unitary rational actor, masterminded by the grand organizational plan of headquarters. These three perspectives emphasize heterogeneity and local embeddedness as essential to understanding the organizational development of the MNC.

Figure 4.1 schematically illustrates our diagrammatic portrayal of the four perspectives: specifically, how they relate to each other, and the chronological order of their emergence. While the perspectives are analytically distinct and have different origins, they overlap to a certain extent. Some contributions contain elements of more than one perspective, or can be described as steps in the intellectual development from one perspective to another.

A key argument in this chapter is that a comparison of different perspectives on the MNC matters because what you see ultimately depends on the lens you are using, given that each perspective necessarily downplays some characteristics of the MNC while illuminating others. Thus, it is important to clarify the understanding that individual perspectives have of MNC headquarters. Put simply, whose view of headquarters are we using? Whose should we perhaps be using? And given that the different perspectives exist, must we treat them as competing, or can we deploy them in a complementary fashion so as to arrive at a richer, more nuanced

understanding of the role of the headquarters function in the MNC? Ultimately, then, the contribution of our comparative analysis is to clarify the assumptions and omissions of each perspective, as well as highlighting an emerging consensus that takes the field beyond a traditional design perspective stemming from economistic or rationalistic explanations.

Below, we first briefly review the state of existing research on the role of MNC headquarters, and present arguments as to why it is important to pursue a better understanding of this role based on the assumptions of MNC research more generally. We then present the four perspectives that our comparative analysis has yielded. We are not presenting an exhaustive review of the field but rather use what we see as typical examples of each perspective. In our analysis, we examine key metaphors as a way of unlocking the core assumptions, understandings, insights and even distortions associated with each perspective (Morgan 1997). Finally, we compare the perspectives and discuss implications for future research.

THE NEGLECTED ROLE OF HEADQUARTERS IN MULTINATIONALS

Traditionally the headquarters is regarded as 'the brain of the firm', assuming a leadership position (Beer 1972). Researchers have examined the role and strategic objectives of the corporate center in the multidivisional firm (for example, Chandler 1991; Markides 2002) and the nature of corporate involvement in divisional activities (Poppo 2003). We argue that the behavior of the MNC headquarters has often been taken for granted rather than extensively discussed or problematized. In order to address this neglect, Ferlie and Pettigrew (1996) presented a literature review and a research agenda; however, their calls for greater attention to be paid to the headquarters function did not result in a large flow of research. The work of Goold, Campbell and colleagues (Goold and Campbell 1987, 2002; Goold et al. 1998), particularly their notion of the 'parenting function' of headquarters, stands as perhaps the most important contribution on the topic. While acknowledging the considerable breadth and scope of this research conducted over a significant period of time in several leading British-based multinationals, it can nevertheless be described as an effort to discuss and develop a better understanding of the role of headquarters based on 'mainstream' MNC strategy literature, without really questioning whether the headquarters is the nexus of corporate control and management. We return to this point in our literature review below.

This take on the MNC headquarters can however be challenged, both

on theoretical grounds and because it is badly out of sync with current reality in many MNCs. There are different types of multinationals, but is there just one type of 'headquarters', or several? What do we really understand by this generic term? How far do we think the power of a headquarters extends, how is this power exercised, and how does it wax or wane as circumstances change? We may even ask ourselves if developments toward greater virtualization and global distribution of work are in the process of rendering the very term '*the headquarters*' inappropriate. These questions could perhaps be considered marginal if the importance of MNC headquarters were in decline, as could be thought based on work emphasizing developments toward less-hierarchical structures in MNCs (for example, Doz et al. 2001, 2003). However, while a shift towards less-hierarchical structures is undoubtedly occurring in some multinationals, there is little empirical evidence to indicate that the great majority of MNCs are taking this path. On the contrary, recent research by, for example, Buckley and Ghauri (2004) suggests that the relative importance of headquarters is in fact growing as outsourcing and subcontracting become more common. These observations suggest that we must revisit the headquarters in our search for new ways of understanding it.

Steps in this direction have been taken in Nordic work focusing on factors that influence the location and mobility of headquarters as an organizational unit (Forsgren et al. 1995; Birkinshaw et al. 2006; Barner-Rasmussen et al. 2007). Within this body of research, efforts have been made to distinguish between different types of headquarters and to discuss not only managerial/rational but also symbolic aspects of headquarters. For example, it has been argued that corporate headquarters symbolize links to national identities and roots in a way that divisional headquarters do not (Forsgren et al. 1995; Birkinshaw et al. 2006). At the same time, the findings of Barner-Rasmussen et al. (2007) suggest that distinctions between corporate and divisional headquarters may be unclear, the borders between them fluid, and their roles unstable. In addition to these empirical insights, as we shall elaborate upon below, new approaches to conceptualizing the MNC have recently surfaced that clearly break with previously dominant paradigms and assumptions about headquarters.

In combination, these developments constitute a compelling argumentation for thoroughly examining and assessing our understanding of headquarters in MNC. We may thus conclude that headquarters units and the roles they play in MNCs cannot be properly understood by approaching headquarters as the central boxes on a corporate organization chart and new approaches are called for. Against this background, we proceed to present our comparative analysis of theoretical approaches.

FOUR PERSPECTIVES ON HEADQUARTERS IN MNCS

As mentioned previously, we discern four different perspectives on the MNC in the literature, each of which incorporates a distinct view on headquarters: the design perspective, the network perspective, the institutional perspective, and the critical perspective. The main characteristics of each perspective are summarized in Table 4.1. In the subsequent sections, we introduce each of the perspectives in closer detail.

The Design Perspective

We have termed the first perspective on the MNC headquarters 'design' as it builds on contingency theory and views the corporate center as the grand designer of organizational plans in the multidivisional firm. In a critique of this perspective, Forsgren et al. (2005, p. 185) argue that according to this approach headquarters assumes the role of 'commander-in-chief' who directs operations, assigns subsidiary roles and steers the organization. While barriers to these unified designs and strategies are recognized, such as the administrative heritage of the firm and the need for localization as well as standardization, ultimately these barriers can be overcome through managerial action. This perspective emphasizes fit between corporate strategy, organizational design and the external environment (see, for example, Egelhoff 1982) and is typically traced back to Stopford and Wells (1972) and, more recently, influential works by Ghoshal and colleagues (for example, Bartlett and Ghoshal 1989). The organization is driven by top management's concerns to enhance efficiency, minimize transaction costs and ensure optimal use of resources. The design view presupposes that headquarters can and should exercise control over foreign subsidiaries, based on hierarchical and ownership ties. Any conflict in headquarters–subsidiary relationships is interpreted as a sign of control failure on the part of headquarters (see Table 4.1). This perspective could also be termed as 'rationalistic', following Morgan and Kristensen (2006), or 'mainstream' (Dörrenbächer and Geppert 2006).

The view of the headquarters has evolved within the design perspective. In early contributions (for example, by Chandler 1962) 'corporate involvement in divisional decisions' was considered 'extremely problematic' if it occurred through corporate domination (Poppo 2003, p. 425). Minimal corporate involvement was advocated because divisional managers were seen to be 'much closer to day-to-day action and thus most qualified to make decisions pertaining to their business' (ibid., p. 404). The corporate center of the multidivisional firm adopted a hands-off

Table 4.1 Comparing four perspectives on MNC headquarters

Dimension	Perspective			
	Design	Network	Institutional	Critical
	Unitary			
View of MNC	Unitary	Network	Heterogeneous	Warring fiefdoms
View of control in MNC	HQ can exercise control over subsidiaries through formal structure and shared values	HQ lacks knowledge of subsidiaries' actions so cannot fully control them	HQ one source among many of institutional authorities/ pressures	HQ does not have control
Basis of actors' power	HQ: Hierarchy, ownership; subsidiaries: size, economic power, strategic importance	HQ: hierarchy, potentially knowledge and shared values; subsidiaries: membership in external networks	HQ: hierarchy; subsidiaries: resources conferred by external environment	HQ: hierarchy; individuals in subsidiaries: local institutional environments
HQ role	'All-knowing', 'parent', rational actor who assigns roles to subsidiaries, creates value	'Outsider'; lacks in-depth knowledge of subsidiary external networks	'Outsider'; lacks in-depth knowledge of subsidiary institutional environment	'Absentee landlord' in relation to subsidiaries, neither legitimate nor knowledgeable; 'storyteller' in relation to the stock market

	HQ/top management–subsidiaries	Subsidiaries torn between corporate and external relationships	Subsidiaries torn between HQ and local institutional environment	Power struggles between individuals
Focal relationships in this perspective	HQ/top management–subsidiaries	Subsidiaries torn between corporate and external relationships	Subsidiaries torn between HQ and local institutional environment	Power struggles between individuals
View of environment	An external factor to the MNC	Subsidiaries are embedded in their local environments	HQ and subsidiaries are embedded in their respective local environments	Local environments provide resources for power play
View of HQ–subsidiary conflict	Sign of weakness or failure	Inherent due to heterogeneous interests of subsidiaries	Inherent due to different institutional worlds	Inherent; a 'contested social space' by nature
Typical examples of the perspective	Stopford & Wells (1972), Bartlett & Ghoshal (1989), Chandler (1991), Goold, Campbell & Alexander (1998), Markides (2002)	Forsgren (1990), Forsgren, Holm & Johanson (1995), Holm, Johanson and Thilenius (1995), Forsgren, Holm & Johanson (2005)	Ghoshal & Westney ([1993] 2005), Westney (1993), Kostova (1999), Kostova & Roth (2002), Roth & Kostova (2003)	Morgan (2001), Kristensen & Zeitlin (2001, 2005), Morgan & Kristensen (2006)

approach and guided divisions by formal long-term planning which was possible in rather more stable operating environments. In recent years the increased unpredictability and volatility of external environments, Poppo (2003) argues, has triggered greater corporate involvement and a range of 'parenting' activities. Later contributions to the design perspective (for example, Chandler 1991, Goold et al. 1998) reveal a positive view of the headquarters which adopts a more hands-on approach to managing its divisions.

As mentioned above, the work of Goold and Campbell stands as perhaps the most important body of work on the headquarters function so far. Goold et al. (1998) define 'a corporate parent' as 'all those levels of management that are not part of customer-facing, profit-responsible business units', and it is emphasized that the parent 'entails costs' which are justifiable only insofar as they do not exceed the value added by the control and coordination activities undertaken by the parent. Goold et al. limit their discussion of the firm to 'units' and 'the parent', while their notion of 'the environment' seems to consist of customers and the stock market. Their conceptualization encompasses neither the broader environmental or institutional context, nor – despite the 'parent' metaphor – any individuals.

It would be unfair to state that this perspective as a whole completely neglects the environment, interunit differentiation, subsidiary autonomy and influence, or the role of individuals. It is nevertheless characteristic of research in this vein that when these factors are examined, their significance pales next to that of the headquarters. The relevance of individuals is acknowledged in arguing for the desirability of corporate integration through interpersonal networks, but the perspective is headquarters-centric, and one in which factors external to the MNC carry little weight.

We would argue that the inherent tensions embedded in this perspective can be seen in Bartlett and Ghoshal's (see, for example, 1990) use of a biological or 'organismic' metaphor (the latter is the term introduced by Morgan 1997). While on the one hand they depict the MNC as a living organism with an anatomy, physiology and psychology, they also believe that this complex being can still be manipulated by top management: the biological system can be 'shaped', 'developed', 'modified', 'altered' and 'realigned'. Yet of course, if the metaphor is taken seriously, it is highly problematic to talk of 'realigning' anatomy – this is not physically possible without radical surgery. Thus, the very metaphor used casts immediate doubt on the power of top management to undertake grand organizational design. Equally problematic is the portrayal of beliefs and values as a normative control mechanism that can be wielded as a tool by senior management.

The Network Perspective

The *network perspective* expands the analysis beyond the MNC to incorporate external business networks, making operational and relational business exchanges the main concern. It can be traced to a shift in focus from the MNC as designer of corporate structures to the promoter of the efficient sharing and transfer of knowledge across and within divisions. Headquarters' role is to optimize sensing and absorptive capacity, communication and co-operation whilst maximizing the number of co-located activities and minimizing the costs of distance between interdependent units. These ideas were to take many guises in the international business literature in the 1980s, for example heterarchy (Hedlund 1986); diversified (Prahalad and Doz 1987); transnational (Bartlett and Ghoshal 1989); multifocal (Doz 1986); evolutionary (Kogut and Zander 1993). Building on these notions of the MNC as a 'multi-centre' firm (Forsgren 1990), researchers based in North America applied network theories to the MNC, reconceptualizing headquarters as a node in an intraorganizational network. For example, Ghoshal and Bartlett (1990) relied on the North American sociological tradition of social network analysis to develop their concept of the MNC as a network encompassing external relationships such as with customers and suppliers as well as exchange relationships among MNC units.

Even earlier, a group of researchers largely based at Uppsala University drew on network theories emerging from research on industrial marketing and purchasing. One of the first contributions to apply a network model to the MNC and the study of foreign direct investment is by Johanson and Mattson (1985). It focuses on the external dependencies and relationships between firms in a market but does not penetrate inside the firm itself. Forsgren and Larsson (1985) address this by introducing a political perspective on the MNC derived from organization theory. Accordingly, they highlight the MNC as caught between simultaneous tensions: the centripetal forces of ownership systems versus the centrifugal forces of the different industrial systems to which individual units belong. This argument is taken even further in Forsgren (1990, p. 266), who forcefully asserts that '[other] authors go wrong in assuming the top management makes the final decision about the appropriate level of autonomy at the subsidiary level'. The influence of resource dependence theory is evident in these early contributions, particularly the notion that power conflicts take a certain pattern depending on the resources controlled by individual actors.

Here, we wish to mention two influential early contributions that are somewhat difficult to classify – namely Hedlund (1986) and Kogut and Zander (1993). These authors take a relatively benign view of the

prevalence of internal strife in the MNC and the extent to which head-quarters may be able to exert (informal) control over subsidiaries, suggesting that they might better be placed in the design perspective. On the other hand, their choice of metaphors suggests something else; Hedlund conceptualizes some MNCs as 'heterarchies', Kogut and Zander view all firms as 'social communities' with the ability to combine or share capabilities between units (although efficiency remains a key aspect in their discussion), and both emphasize the limitations of hierarchical control. As both heterarchies and social communities fundamentally are networks of personal relationships between people, we include them in this perspective, although we acknowledge that their quest for efficiency and their strong belief in managerial agency separates them from many subsequent contributions in this vein. This is shown in Figure 4.1 by having the design and network perspectives overlap.

Forsgren et al. (2005) conceptualize the MNC as a network of units, which themselves are actors engaged in local business networks. Rather than viewing the MNC as an army headed by a commander, they frame it as a strategic network of relationships evolving between its own units and other business actors. Drawing on the behavioral theory of the firm (which is rejected by Bartlett and Ghoshal 1993), they characterize the MNC as a 'heterogeneous, loosely coupled organization' (Forsgren et al. 2005, p. 184) in which 'bargaining and conflicts are natural ingredients' (p. 99). Conflicts are inevitable because of the heterogeneous resources and interests of each individual unit. Subsidiary units of the MNC are each embedded in both internal (corporate) and external (network) relationships. The subsidiary not only acts as a 'bridge' between headquarters and the external network, but may also be subjected to their opposing influences.

The concept of the embedded multinational challenges the design view of headquarters by pointing to the critical resources that subsidiaries can develop through external networks. While the focus of business networks is on the subsidiary, Forsgren et al. (1995) suggest that rather than head-quarters acting as a controller and influencer of shared corporate values, it is challenged in this role by the impact of critical resources possessed by subsidiaries. Ultimately, formal control and *actual influence* by head-quarters are two very different things. As the network model rests on key assumptions from resource dependence theory, power is derived from resource interdependencies. Since other subsidiaries often depend on these resources they become an alternative source of power to hierarchically-based power traditionally centered on the MNC headquarters. The empirical results of the study reported in Forsgren et al. (2005) suggest that the greater a subsidiary's involvement in the external network, the more difficult it is for headquarters to exert influence over that subsidiary.

In accounting for the limits to headquarters power, formal control may not be associated with actual influence in this relationship.

The business relationships formed by individual units of the MNC also have implications for other potential sources of headquarters control posited by the design perspective: knowledge and shared values. Forsgren et al. (2005) question whether headquarters actually does take the main role in coordinating knowledge transfer within the MNC. Headquarters is constrained by the fact that it does not share the critical knowledge that a subsidiary has of its external business network. Nor is it able to devise shared values that are meaningful for the constituent units of the organization, given that values as well as interests follow from the business relationships maintained by each unit: 'business comes first, and shared values second' (Forsgren et al. 2005, p. 156). The authors go on to argue that the business network is a far more important explanatory variable for transfer of subsidiary knowledge within the MNC than 'shared values' between subsidiary and headquarters.

Thus, in crucial respects, headquarters is characterized in this perspective as 'an outsider' (Forsgren et al. 2005, p. 191) due to its fundamental ignorance of the context in which foreign subsidiaries operate. It is posited that the MNC's internationalization process is the result of headquarters 'not knowing' rather than 'knowing' about the global market (Holm et al. 1995, p. 117). Given that knowledge is power, the ignorant headquarters is also potentially the impotent headquarters. The grand designer of the design perspective now is much more circumscribed in terms of the possibilities available to it. Equally, inclusion of the broader operational environment (outside the business network) is frequently overlooked (Forsgren et al. 2005) as an influence on the headquarters–subsidiary relationship. It is to the institutional context, including the external environment, that this chapter now turns.

The Institutional Perspective

Institutionalism is characterized by a diverse set of approaches. Jackson and Deeg (2008) distinguish between two broad forms of institutionalism, namely the 'thin' variable-based approach which is common in international business research, and the 'thick' case-based approach which is practiced in the study of national business systems, for example. Since these two approaches to understanding institutions are fundamentally distinct we have grouped the national business system under the critical perspective. The common ground between the institutional and critical perspectives is, however, illustrated in Figure 4.1.

The *institutional* perspective on the MNC was pioneered by Ghoshal

and Westney ([1993] 2005) and Kostova (Kostova 1999; Kostova and Roth 2002). It applies key tenets of the new institutionalism, originating in North American sociology. Seen through this lens, the MNC is 'characterized by substantial heterogeneity and complexity' (Roth and Kostova 2003, p. 888). Roth and Kostova (2003) identify three sources of heterogeneity in MNCs: the external environment, intra-organizational complexity and individual variability. This perspective has largely focused on the external and intra-organizational contexts. The starting point is that MNCs, like all organizations, are socially embedded, meaning that organizational behavior must be explained with reference to the social practices that surround the organization. Organizations adopt particular practices and structures not just due to technical or efficiency reasons but also because they are commonly accepted 'rules of the game'. This acceptance may be due to coercive factors (for example regulatory traditions), cognitive biases (for example taken for granted assumptions) or normative factors (for example guidelines for appropriate conduct). Thus, institutional scholars 'have generally shared skepticism toward rational choice and efficiency-based perspectives, and instead stressed that organizational practices are to be understood against the background of socially constructed views of appropriate organizational forms' (Björkman 2006, p. 464).

Institutional theory has until now been more concerned about the relationship between the organization and its environment rather than constructing a theory of the MNC *per se*. Perhaps the main contribution of the institutional perspective to the MNC is that it provides a powerful way of viewing the relationship between the MNC and the environment: 'The environment is not only external to the organization; the environment *enters* the organization' (Westney 1993, p. 56). The beliefs and actions of individuals within the organization are influenced by the environment, while at the same time organizations are carriers of their national environments. Westney (1993) argues that the appropriate level of analysis for the environment is the 'organizational field' or inter-organizational network. A key argument in institutional theory is that organizations that operate in the same environment 'are characterized by shared systems of meanings and tend to become "isomorphic" with each other' (Bjorkman 2006, p. 464). This strong focus on the subsidiary–environment interaction simultaneously entails that the subsidiary–headquarters relationship is treated more implicitly in this perspective than in several of the others. This, however, does not mean that it would be insignificant; on the contrary, a key contribution of this perspective is that it shows us the subsidiary as torn between isomorphism with its local environment and loyalty to its parent organization.

The MNC is not a straightforward case of local isomorphism because it simultaneously operates in a number of national jurisdictions and organizational fields (Westney 1993). Rosenzweig and Singh (1991) argue that each subsidiary of the MNC faces tension between, on the one hand, isomorphic pressures to adapt to the institutional pressures of the host country in which it operates and, on the other hand, pressures for consistency with other parts of the MNC, including the headquarters. Indeed, from the viewpoint of a subsidiary fully staffed with locals and with well-established local roots, the headquarters may be perceived as just an actor among others who vies for the attention and loyalty of the subsidiary, in competition with local firms and other parts of the local institutional set. This directs our attention to what Kostova and Roth (2002, p. 216) term 'institutional duality': the fact that 'each foreign subsidiary is confronted with two distinct sets of isomorphic pressures', emanating from host as well as home country. Thus, MNC units face the dilemma of simultaneously seeking 'external legitimacy' in the host environment and 'internal legitimacy' within their own organization (Kostova and Zaheer, 1999, p. 67).

In contrast to the design perspective, which portrays a rather harmonious view of the firm, the institutional perspective presupposes conflict – or at least a high potential for misunderstanding – between headquarters and subsidiaries, due to the different institutional worlds they inhabit. Empirically, institutional theory has been tested in relation to the transfer of organizational practices within the MNC. Some research in this vein (for example Mohan 2006) suggests that under particular circumstances, and in some areas, it is possible to achieve global integration. However, this requires the corporate headquarters to pick its fights wisely, concentrate on practices which are absolutely critical, and ensure that practices do not clash too severely with local cultures or interests.

When these conditions are not met, there is research to suggest that as institutional theory would predict, the ability of headquarters to enforce implementation of organizational practices in foreign subsidiaries is questionable at best (Kostova and Roth 2002). While global practices may be transferred, they may not necessarily be adopted and internalized locally. It is acknowledged that the reason may in some cases be simply a lack of resources at the local level ('assent adoption'; Kostova and Roth 2002). Still, research in this vein tends to explain most cases of local non-adoption of headquarters practices with structural and psychological motives of individual agents in foreign subsidiaries. In structural terms, an efficient practice may actually be regarded locally as inefficient because it is perceived to be inappropriate given that particular external environment. Blazejewski (2006) mentions the example of how a German MNC introduced its 'global core values', one of which was 'integrity', in Japan.

This value entailed restrictions on the giving and receiving of gifts, thus clashing head-on with traditional Japanese business culture. As for the psychological motives, negative emotional reactions generated by the perceived imposition of a practice may also preclude successful transfer (Kostova and Roth 2002).

Again, as with the network perspective, scholars within the institutional perspective take a skeptical position in relation to the actual influence of headquarters on organizational developments. Organizational unity is not assumed, and it is recognized that foreign subsidiaries may not share the organizational culture of their parent organization (Kostova 1999). MNC headquarters is one source of institutional pressure on MNC units, but by no means the only one. Thus, its role as grand organizational designer is continually under assault from other institutional authorities and influences.

The Critical Perspective

The fourth perspective, which we have labeled *critical*, emerged at the turn of the millennium to highlight how individuals may draw on multiple local contexts to fight power struggles within the MNC. In this approach, the focus is not so much on strategic planning or organizational design, but rather on why these grand plans fail to be implemented in an environment characterized by enduring global, institutional and social forces. This perspective directly challenges the rationalistic assumptions underlying the traditional 'design view' so can be deemed the most radical of the four.

The critical perspective of the MNC is a sociological one, suggesting that MNCs 'constitute a form of transnational social space' or community (Morgan 2001, p. 10). The MNC's social character is two-fold: first, it is socially embedded in national and transnational institutions, and second, MNCs are not just 'means to achieve certain economic goals' (ibid.) but are sites for social interaction. The concept of 'space' suggests a geographical terrain which is occupied and fought over by individual actors claiming to represent different MNC units. Thus, the MNC is a 'contested' social space (Morgan and Kristensen 2006). This differentiates the critical perspective from earlier takes on MNCs as social communities, for example that of Kogut and Zander (1993), who instead use the social community metaphor to emphasize efficiency, collaboration and cooperation. Although the critical perspective is very much influenced by institutionalism and the 'European' or comparative-historical institutional tradition, it goes beyond traditional institutional theory by arguing that institutions do not determine organizational outcomes, but rather provide resources for individuals to use in their contests taking place in the MNC.

The critical perspective views headquarters–subsidiary relationships as conflictual and potentially dysfunctional. The central argument is that headquarters is not in control. Rather, structures and strategies of the MNC are the result of micro-political contests with each actor following their own contextualized rationalities. At the heart of this perspective is the desire to 'bring back' the actors, in other words the individuals operating within their local and organizational contexts. They are motivated not just by calculations of resource-dependency but also by personal career ambitions, altruistic ideals and personal identity constructions (Dörrenbächer and Geppert 2006). Thus, by extending the analysis to individuals we may gain additional explanations for subsidiary and headquarters' behavior.

According to the critical perspective, headquarters' actions lack legitimacy as well as knowledge (according to local rationalities their decisions often simply appear 'stupid and wrong', Kristensen and Zeitlin 2001, p. 188). Corporate management is simply too far removed from the operational realities which dominate daily experiences at the subsidiary level. The role of headquarters is reduced to constructing plausible narratives for the consumption of institutional investors in the stock market. Ultimately, the metaphor Kristensen and Zeitlin (2005, p. 234) use for headquarters is of an 'absentee' landlord who is not only ignorant, but who destroys rather than creates value, pointing to a dysfunctional relationship between headquarters and subsidiaries. Criticizing the viability of 'transnational' solutions, the authors 'cast doubt on whether the managerial apex of MNC headquarters is currently capable of deliberately organizing the construction of such a global web' (Kristensen and Zeitlin 2005, p. 17). Researchers from the critical perspective therefore repudiate the notion of an MNC's organizational structure being the 'outcome of a deliberate headquarters strategy' (Kristensen and Zeitlin 2001, p. 189).

In such an organization, fragmentation is more likely than unitary action; a state of 'warring fiefdoms' is a more likely outcome than an 'integrated network' (Kristensen and Zeitlin 2005, p. 193). Corporate culture cannot bind the MNC and hold it together: 'It is impossible to imagine how a common corporate culture could be formed across such diverse and relatively independent entities' (Morgan 2001, p. 13). Ultimately, given the transitory nature of the MNC, even a unit's status as headquarters is tenuous, given the prevalence of mergers and acquisitions worldwide (and in fact, the headquarters featured in Kristensen and Zeitlin 2005 is itself acquired). Thus, it is more appropriate to analyze the MNC as a temporary association of independent units, with constantly shifting organizational boundaries, rather than a single cohesive entity with a unified destiny. Therefore, the role of the headquarters morphs from 'leader' to 'umbrella', effectively a holding company for increasingly diverse and unrelated

assets. Although economies of scope and scale may ultimately still be real-
ized, subsidiary-level operations and corporate-level strategy risk discon-
nection, potentially undermining advantages of multinationality.

DISCUSSION

That all the three alternative perspectives to the design view question
the notion of the MNC as a unitary rational actor, masterminded by the
grand organizational designs of headquarters, is perhaps indicative of
how strongly dominant this view has been in MNC research during the
past decades. We can safely assume that it has also been communicated to
generations of business school students. It is anybody's guess how much
this arguably partial view of headquarters and its role in the MNC has
influenced today's managers and how, but it is certainly possible to view it
as part of the general *malaise* of 'bad management theories' that Ghoshal
(2005) attacked so vehemently in a posthumously published piece. It is
ironic that Ghoshal's own work is representative of this view; his belief
in individual agency and 'the power of managers to make a difference',
in combination with a corporate top management perspective, resulted
in thinking that certainly has inspired quite a few CEOs to sketch grand
organizational designs. The blind spot in the argument is that corporate
top managers are not the only individual actors in an MNC with the
power to make a difference – for better or, from a headquarters perspec-
tive, worse.

   At the same time, and as we have argued above, while the perspectives
are analytically distinct, there is at least potentially a dialogue between
them. We now proceed to discuss the questions we have posed at the outset
of this chapter. Whose view of headquarters are we using? Whose should
we perhaps be using? And given that the different perspectives exist, must
we treat them as competing, or can we use them as complements?

   To start with, we note that each one of the perspectives is anchored in
a specific context. The design perspective can be characterized as North-
Atlantic both spiritually and in terms of where its dominance is greatest.
Many of the companies studied as case examples within this perspective are
leading US multinationals. The institutional perspective can be described
as American-driven, but it is anchored in organizational sociology and
organization studies rather than strategy, and is thus positioned rather
differently on the US academic map. The network perspective has been
hugely influential in management and organization studies overall, not
least in the US context, where it interfaces with a large body of research
on, for example, knowledge management and social capital. With regard

to the study of MNCs, however, it has been particularly influential in the Nordic countries, where especially Swedish scholars have consistently developed and elaborated upon this perspective. Finally, the instigators of the critical perspective are scholars based in European countries with relatively large home markets and a long heritage of both industrial activity and industrial strife.

This brief effort to put the different perspectives and the authors who have contributed to developing these into their intellectual and geographical context may come across as shallow or arrogant. We argue, however, that it is important in order to examine the possibility that one's own vantage point, as well as the concerns and challenges of the academics and practitioners in one's closest environment, have influenced one's perception of the headquarters issue in MNCs. It is said that 'Where you sit explains what you see', and it is undeniable that key contributors to all of the four perspectives have drawn on empirical material that can be described as close to them in one sense or another, and hence perhaps not immediately generalizable to other contexts. For example, Goold and Campbell base their empirical work on consultancy assignments in British multinationals, while many Nordic contributions build upon data from MNCs from very small home markets.

Our provisional answer to the question of whose view of headquarters 'we' are using is that it depends on where we work and the intellectual tradition we are steeped in. But going further still, if the perspectives have been influenced by the contexts in which the respective perspectives have been created, we may also propose some provisional answers to the question of whose view of headquarters we should perhaps be using. The most successful context in which to apply the design perspective is likely to be a large, resource-rich global firm where no single subsidiary unit has a strong bargaining position *vis-à-vis* headquarters. Inversely, the institutional perspective may capture the experiences of firms that do not fulfill all of these criteria. The network perspective may particularly well reflect the challenges facing headquarters of MNCs from small home countries, forced to go international very early on due to the small size of their home market. And the critical perspective may at least to some extent reflect the specific troubles faced by financially weak, publicly listed MNCs in keeping control of strong subsidiaries. Thus, it is possible that the different perspectives are adapted to quite different situations.

At the same time, the divisions among the perspectives should not be underestimated or trivialized. We have pointed out that the perspectives can be distinguished by the different metaphors they use. Morgan (1980) alerts us to the fact that metaphors are not mere rhetorical devices, but they express fundamental differences in paradigmatic world views. The

design perspective and its metaphors, for example, could be seen to be examples of what Burrell and Morgan (1979, p. 107) term the functionalist paradigm, which is based on the 'underlying norm' that science can explain the 'rationality of society'. The critical perspective can ultimately be seen as challenging this functionalist paradigm which has dominated the study of the MNC. Thus, the existence of different metaphors is evidence of deeper intellectual divides.

Based on our review and related work on recent changes in how MNCs handle the headquarters function (Barner-Rasmussen et al. 2007), we also wish to advance some observations regarding the changing character of 'the headquarters'. As discussed by Goold and Campbell (2002), the increasing complexity of the modern MNC puts great demands on the headquarters function. In fact, traditional perspectives may no longer be sufficient to fully grasp the different roles the headquarters is expected to play, to the extent that there may be reason to question the concept of 'headquarters' as a noun. Like Goold and Campbell (2002 and Goold et al. (1998)), who advance the notion of 'parenting', we believe it may today be better understood as a verb. However, and as Goold and Campbell have themselves acknowledged in their 2002 paper, the 'parenting' notion may not be flexible enough to accommodate the often chaotic and conflictual nature of subsidiary–headquarters relationships in the MNC, as it has connotations to order and unquestioned hierarchy which may not be appropriate in that context. Such connotations are typical of the design perspective on the MNC headquarters, yet may obscure important dimensions of social reality in these firms. We thus call for alternative concepts that reflect the dynamic and turbulent nature of these activities in the modern MNC.

In conclusion, we would argue that dialog and comparison between perspectives can be useful: each perspective illuminates some characteristics of the MNC while necessarily downplaying others. Each of the perspectives contributes valuable insights to an improved understanding of MNC headquarters. Ultimately, then, the contribution of our comparative analysis is to clarify the assumptions and omissions of each perspective, as well as highlighting an emerging consensus that takes the field beyond rationalistic explanations.

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