with capitalism and its corporations and will not be addressed by collaborating managers. In one of the few mentions of blue collar service workers, the authors have the fantasy that McDonald's and Wal-Mart are "driving the frontline workers into participative relations with their bosses" (p. 31).

Thus, the reader must be prepared to lay aside any concerns for social justice in a book that repeatedly calls for the creation of community, and the authors' examples of success include some of the most rapacious corporations in the country. A famous case of such a CC is the price-fixing scandals in 1961 in electric equipment and motors, where Westinghouse's "customer councils" rigged bids. U.S. business is full of such CCs, with a few exposés every decade. The possibility of this kind of strategizing is hardly mentioned in this book's glowing account of business networking.

But that is not the authors' intention. They intend to describe and analyze examples of CCs in the business world, and in these terms they succeed quite well, giving us an interesting and rewarding book.

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The Global and the Local: Understanding the Dialectics of Business Systems, by Arndt Sorge. New York: Oxford University Press, 2005.

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Globalization is on everyone's mind, and everyone seems to have an opinion of what it means to local actors. There have been several popular books written that are either favorable or hostile to globalization, as well as some very good books that address the issue with a more rigorous academic perspective (Geppert & Mayer, 2005). Arndt Sorge's view of the issue is centered in institutional and sociological theory. His central theme in this book is that globalization requires an accommodation of local traditions and values to global economic norms. As corporations become even more global, understanding this accommodation process becomes more and more critical for corporate success. Sorge addresses this by exercising societal aggregation and disaggregation through social, economic, and political action.

Sorge begins the book with a discussion of societal aggregation and disaggregation—an issue central to the globalization convergence-divergence debate. Second, using an institutional theory perspective, he examines the dialectic of local versus global impacts of social, economic, and political action. The dialectic is seen as "a phenomenon of simultaneous or successive conflict, interdependence, and complementarity between a statement, notion, motive, or force and its respective opposite" (p. 15). Third, he integrates corporate management and corporate governance. The contribution of this book is in laying a solid theoretical foundation for discussing local and global dynamics of globalization.

Sorge is the Seillier Professor of International Business and Management at the University of Groningen (the Netherlands). He has held positions in schools of sociology and management and has carried out significant comparative studies of management and organization throughout Europe. Sorge drew on his professional competence in developing this book, but his motivation is clearly described in the poignant preface to the book. He was struck by a dilemma—the superficiality of the debate on globalization juxtaposed with his personal experience of growing up in the ruins of postwar Germany with that nation's shattered identity, the occupation of the country by the allied forces, and the seemingly arbitrary (to a young person) rearrangement of the indigenous populations and national boundaries to fit an emerging global institutional view of how the new Germany(ies) should look. Sorge captures the motivation of the book by describing a particular experience he had while living in Oxford, England, when he was thirty-one years old:

> As I listened to a Bach cantata on BBC Radio one dreary autumn evening in 1976, I was suddenly emotionally overcome with the awareness of somehow being ineradicably German. It had nothing to do with dissatisfaction with any foreign or international arrangement or identity; it

> was focused on a German ritual associated with late autumn or winter that consisted of listening to a Bach cantata, having a walk regardless of the foul weather, and enjoying a coffee and cake afterwards (p. vii).

SYNOPSIS OF THE BOOK

The book consists of seven chapters. The first three introduce the theme and develop the theoretical conceptualization. Chapters 4 and 5 provide empirical evidence drawing on an historical analysis of the emergence of a unified and then divided Germany with diverse social and institutional frameworks between 1880 and 1945, as well as Sorge's prior comparative work on the governance of work systems. In Chapter 6 Sorge applies the theoretical conceptualization of enterprise management and corporate governance, while in the short concluding chapter he offers his view on making sense of globalization.

Sorge implicitly poses the question, "If neoinstitutional theory is correct that isomorphism is a dominant reality, does that not imply that globalization leads inevitably to convergence across societies and economies?" His answer is an emphatic NO, and he goes on to build a coherent argument demonstrating that globalization is about neither convergence nor divergence but, rather, a dialectic between the local forces of a national culture and the global forces of a dominant economic logic. To this point his argument is not radically different from others who have noted the shallowness of the convergence-divergence view (Giddens 2002, 2007), but this is merely Sorge's point of departure. From here he builds on several theoretical streams, including dominant logic, metatradition, and myth; social partitioning; social constructions of reality; and dissonance and uncertainty reduction.

The argument begins by noting the advance of international social, economic, and political action and that these advances are dialectic, where conflict, interdependence, and complementarity coexist. Globalization feeds into both societal aggregation and disaggregation, both societal homogeneity and specificity, and both societal integration and new societal characteristics that are opposite one another. Globalization itself exists as an empirical reality more in the form of programs, processes, and questions than as a reality of indisputable facts. While the facts confirm increased trade, movement of capital, multilateral and bilateral trade agreements, and the emergence of global transnational organizations, the empirical evidence of societal convergence or divergence is hazy and stylized. This creates a dilemma.

Sorge uses dialectic at a social or cultural level as a way to unravel this dilemma. This dilemma *is* resolved, but not through abandonment of local tradition or through the denial of global processes. The dialectical process involves simultaneous or successive conflict, interdependence, and complementarity between a force and its opposite. Here he introduces the concept of "actors" and "agents," actors being unbound by institutional frameworks or constraints while agents function within institutions characterized by rules and norms. Actors and agents are dialectically opposed; actors function through spontaneous action systems based on social tradition, whereas agents function deliberately within an institutionally defined process. These actors and agents have different perceptions of reality, where the actor's reality is based on social and cultural tradition while the agent's reality is based on a global economic perception (Djelic, 1998).

It is the dialectic process of agents and actors, as well as their aggregates, institutions, and action systems, that shapes the emergence of the globalized world and the different social interpretations of that world. All societies and cultures have strong continuity, but the continuity is one of constant change. Societies appear static only to those who experience them through a minute-by-minute and day-by-day lens; the slow, continuous change is ever present and observable to those who use a wider lens of time or scope. These ever-present changes do not run counter to a social identity based on tradition, metatradition, and myth. While traditions are relatively static, the constant social change leads to a layering of tradition and dissonance from continuous change, leading to metatraditions that combine the original tradition with the new perceived reality. Myths are formed to explain or rationalize the emergence of a new metatradition as a coping mechanism to reduce dissonance from the erosion of the original tradition. This is another part of the dialectic: the social foundation of tradition is in conflict with the globalization pressures of a dominant economic logic. The dominant economic logic delegitimizes the noneconomic traditions on which many societies are based. These include traditions based on family, community, spirituality, or other noneconomic ways of making sense of the human condition. Sorge provides a good example of these issues:

> From a long-term perspective, German work systems have been exposed to the dynamics of a metatradition; this was prepared by the societal order of Germany in the Middle Ages and during its subsequent development. It is the contiguity and articulation of peer control and leadership within the close confines of provincial societal space that has provided a leitmotiv for the changing orchestration of work systems to date. From this basis, domestic and international effects have been so closely interwoven that it is difficult to describe one without referring to the other (p. 182).

Complex industrialized societies have rigid institutions with functional interdependencies. For these societies, human organization based on economic principles provides a transparent and functionally based dominant logic. Less complex societies with more family or clan forms of organization have fluid institutions and cognitive interdependencies. To Sorge, these are part of the dialectic that globalization introduces, and it is through this process that we have a globalized world characterized neither by convergence nor divergence but, rather, by a separation of personal and institutional space. This separation of personal and institutional space does not require understanding, merely functionality. Human beings and managers think and make commercial decisions based on global economic interdependencies, but they act within a local framework. Managers' economic-based decisions may clash with the local traditional constituency.

This is a key point, since the dialectic between the industrialized societies' rigid institutions with functional interdependencies and the less complex societies' fluid institutions with cognitive interdependencies moderates the behavior of the agents and actors in the resolution of the different perceptions of reality. The more powerful the force, whether it be economic rationality or traditional rationality, the larger its impact on the society it penetrates and the greater the consequences for each society.

Nation-states are pragmatic institutions that loosely aggregate diverse cultural and social groups within their boundaries. Sorge notes that human beings are quite able to accept differences, but the degree of dissonance increases as both the physical proximity and temporal proximity decrease. We are able to live comfortably with alternative perceptions of human value, whether expressed in economic terms or spiritual terms, as long as those with the other perception are far away and not immediately confronting us with their alternative view.

So it is with the industrialized societies' rigid institutions and the less complex societies' fluid institutions. As long as we do not need to deal with the other in the near future or as neighbors, we are quite comfortable. Globalization, however, brings our neighbors closer to us in both temporal and physical proximity. We become less comfortable, and the urgency of the dialectic increases.

Convergence through globalization is paradoxical in that it also implies the opposite: divergence, retrenchment, and provincialization. The actions of MNCs in globalization often involve sending home country managers as expatriates to preside over operations in emerging economies. Sorge describes the outcome of this:

> When people emigrate from societies that consider themselves superior and are able to impose this view on others, this typically triggers the construction of a new society in which the immigrants form a new ruling class. This imposition from the outside . . . has historically been the major mechanism of aggregating societies into larger entities, which has also often meant authoritarian rule and domination (p. 70).

This creates the paradox of globalization:

> The creation of societal integration through empire-building produces an inevitable backlash since it invariably entails an overextension of societal horizons which stand in the way of deeper societal integration. Either the elites fall out with each other and integrate with the locals, or the elites stick together and are ousted by domestic or external contestants. In either case, societal integration thus tends to swing like a pendulum, such that every noticeable movement toward increasing integration (imposition of a ruling societal stratum on previously diverse societies) is met with a corresponding movement toward decreasing it (retrenchment of societal horizons through societal division, or strengthening of entities at intermediate or lower layers of societal integration) (p. 71).

Sorge implies that MNCs operating in transitional economies act as elites, which is where the danger lies.

With this, Sorge completes laying out his theoretical framework—something he has done brilliantly. The theoretical framework adds value in two very specific ways beyond the convergence-divergence approach. First, it is a *dynamic* model, demonstrating the interplay over time between the local actors and the global agents. Second, it demonstrates that globalization produces a *dialectic* of simultaneously increasing both convergence and divergence, which leads to societal partitioning, cultural change, and, ultimately, the emergence of new national institutions, which reflect both the global economic logic and the local traditional logic. When those who hold the dominant power impose their logic on their opposite, less powerful group, a hostile backlash will inevitably emerge.

The next two chapters offer empirical support for his thesis, using a research approach Sorge describes as

> deconstruction as a step-by-step, continuous and dialectical elaboration of a metatradition, which incorporates institutional partitioning, the recombination of opposites, their harmonization through pragmatic interpretation within action systems, and newly emerging functional interdependencies within a societal order (p. 104).

His empirical studies include a historical analysis of the emergence of a unified and then divided Germany with diverse social and institutional frameworks between 1880 and 1945, as well as comparative analysis of work systems in Germany, the United Kingdom, and France. It is to Sorge's credit that he includes analytical evidence to support his theoretical conceptualization, but given the broad scope of his conceptualization, it is difficult to empirically validate the overall model. The face validity of the model is evident, and the analytical case studies are helpful in providing a deeper understanding of the process Sorge describes.

Sorge's premise raises the challenge to MNCs: how to pursue a global economic logic within the paradox of local traditions, without creating a backlash that will be harmful to the strategic interests of the MNC. During globalization, institutional features that at first appear "alien" to the local culture will be socialized and recombined with existing traditions to become "local" metatraditions, aided by the lubricant of myth as a way to resolve contradictions. An example is the positioning of French cognac consistent with Chinese norms of liquor consumption. Smart (2004) demonstrates how changing the perception of the proper way to consume French cognac facilitated the introduction of the beverage into the Chinese market. Rather than presume the Chinese would adapt to the French institutionalized norms of cognac consumption, the liquor industry adapted the "proper way" to consume cognac to Chinese norms. The alien French norms were combined into the existing tradition of alcohol consumption to become a local Chinese metatradition of how cognac should be consumed, and a myth emerged fitting this new beverage with Chinese tradition. The global economic logic of increasing market penetration was layered onto a local tradition of alcohol consumption in a way that created no backlash.

Sorge attempts to address the commercial aspects of the dilemma of global economic logic and local tradition straight on, with Chapter 6, titled "Enterprise Management and Corporate Governance," but this disappoints. He offers a good discussion of public versus private issues in management and the local and global impacts of economic liberalism, corporatism, and mercantilism. He has an insightful discussion of managing certainty and uncertainty and the application of dialectic analysis to those two poles. But he does not offer much practical help to strategic managers or scholars in the domain of the *practice* of globalization. He offers the helpful advice that expatriate managers should understand that their social construction of reality likely is different from that of the local actors within the expatriate context, but he offers little more. His entire premise implies that MNCs have an unavoidable role in creating a new institutional framework within the emerging local metatradition, but he does not offer significant guidance to managers on how to do this without creating the "inevitable backlash."

The application of the metatradition theory of institutional development can be useful in studying corporate governance, the stylized contrasts between "market" and "hierarchy," or those between "public" and "private." Taking a long view, Sorge argues that the metatradition of institutional development means countervailing tendencies are dominant in different eras, but this relative and time-specific dominance is reversible, leading to synthesis and new sets of meanings, functions, and syncretic cultural and institutional practices. Older practices will be generalized to newer interpretations.

It is perhaps in the corporate governance discussion that Sorge's premise is most relevant to scholars. Completing his empirical analysis of the German history of local and global pressures and their extension into corporate governance, he notes that the German model of shareholder value is under increasing attack from the Anglo-American model. He demonstrates the relevance of his conceptualization of local constructions of reality when he notes (p. 206) that British banks exist to care for the money of those who already have it, whereas German banks exist to make money available to those who do not already have it. The Anglo-American model of corporate governance places priority on maximizing economic value for shareholders, whereas the German model of corporate governance, now withering under pressures from MNCs and transnational organizations, places priority on building a socially sustainable economic system. He poses a provocative question here and suggests that the future of corporate governance research will proceed along one of two different paths. Either the Anglo-American model of capitalism will prevail and become the global standard, with new forms of liberal economic institutions forcing out corporatist, socialist, and government models, or, alternatively, there will be an emergence of a new model of corporate governance, with eclectic combinations and countervailing forms. But, to date, this new model is poorly defined. The Anglo-American institutional model of corporate governance may burst, as other institutional bubbles have burst before it, such as communism, feudalism, fascism, and slavery. He notes that "history has a nasty and ineradicable habit of refuting tidy models" (p. 224).

In his conclusion and retrospective on the impact of internationalization and globalization, Sorge notes that the layering of institutional space has been linked to severe conflict over the relative importance of layers and boundaries between entities. Institutional space is layered when the global logic is intermixed with the local traditional logic: in a successful global local interaction neither vanquishes the other; both coexist through layering of one on the other, yielding a new metatradition. The arbitrariness of boundaries between local and global facilitates social integration, since this allows flexibility in the layering process; it avoids an "us versus them" logic. Managers of MNCs are triply challenged: they are not well trained in the implications of managing the evolution of metatradition, most are unable to move mentally beyond the "taken for granted" model of an enduringly stable (home) institutional framework, and the inevitable layering of institutional space through the local and global interface can lead to significant conflict if not managed in a wise manner.

Sorge's dialectical conclusion: discussions of divergence and convergence are simplistic. It is better to ask which kinds of convergent tendencies are interdependent with which kinds of divergent tendencies. This will lead to a more emergent evolution of functional daily workspace, rather than an evolution based on conflict. These are not matters only for political scientists and public policy managers, for it is the expatriate MNC manager who often has the greatest interaction with a local population that is feeling the pressure of construction of new functional workspaces in which the immigrants form a new ruling class.

USEFULNESS OF THE BOOK

Sorge's book is useful in that it moves beyond a simple convergence-divergence view of globalization. The depth of case analysis provides a framework to conceptualize the challenges in globalization and internationalization relative to decision making in uncertainty. To this end, it adds to our understanding of the events we observe every day in the global and international arena. It is helpful to scholars in setting out a framework that can be used analytically to decipher the events they observe, as well providing a research skeleton on which further empirical work can be developed. It is helpful to leaders of MNCs in that it makes clear the impact expatriate mangers can have in building either a benevolent relationship with local actors or a situation that is ripe for conflict.

The book brilliantly sets out the premises of Sorge's thesis, and we find the first three chapters to be outstanding, although written in a somewhat opaque style. The two chapters offering empirical verification of the thesis are uninspiring but essential in legitimizing the argument and providing a deeper understanding of the phenomenon. They also point out the opportunities for macrolevel research into areas of international and cross-national institution building and institutional theory. Research in this area could answer managerial-level questions, such as "How do managers of MNCs recognize and resolve the uneasy interaction between host country institutional logic and Western corporate economic logic?" Researchers might also focus on process dynamic analyses looking at what the process dynamics are for resolving the uneasy interaction between host country institutional logic and Western corporate economic logic. The chapter on enterprise management and corporate governance disappoints, particularly in the area of enterprise management, where it has a spotty focus and relatively bland suggestions. The section on corporate governance is quite good, as is the short concluding chapter on making sense of internationalization/globalization. It is in these two areas that Sorge fully demonstrates his insights and the power of his analysis.

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Human Nature and Organization Theory: On the Economic Approach to Institutional Organization, by Sigmund Wagner-Tsukamoto. Cheltenham, UK: Edward Elgar, 2003.

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Is human nature relevant when we theorize about organizations? Many would say yes, and for exactly this reason, an economic approach to organizations is fundamentally flawed, since it assumes a highly problematic portrayal of human nature. This criticism comes typically in two flavors. First, the economic model of man, homo oeconomicus, is criticized from an *empirical perspective*. Typical exponents are the behavioral critique from Herbert A. Simon (1959) or, more recently, many contributions to behavioral economics that build on the works of Daniel Kahneman and Amos Tversky (Kahneman & Tversky, 1979). Second, it is argued from a *moral perspective* that homo oeconomicus has some problematic features. In this respect, the particular assumption of self-interested behavior is criticized. Self-interest makes homo oeconomicus for Amartaya Sen (1990) a "rational fool" in interaction situations, and in the same vein many management scholars argue that such negative assumptions have a profoundly negative impact on management practice (e.g., Ghoshal, 2005).

In his original and philosophically informed book, *Human Nature and Organization Theory,* Sigmund Wagner-Tsukamoto claims that both strands of criticism are based on a methodological misunderstanding. In particular, he contends that "(organizational) economics applies the model of economic man as a *matter of method,* but not as an empirical, positive or normative statement about human nature" (p. xiv; emphasis added). Such a methodological misunderstanding is observed as well in the work of influential scholars in organization research, such as that of Frederick W. Taylor, Herbert A. Simon, and Oliver E. Williamson. Accordingly, Wagner-Tsukamoto argues that organization theory is methodologically bugged by the question of how to portray human nature from its beginnings. By reconstructing and critiquing the organizational theories of these eminent researchers from a nonbehavioral, institutional economics perspective, he attempts to show that efforts to portray human actors in holistic and behavioral terms undermine "the conceptual consistency and, more importantly, the practical effectiveness of organizational economics" (p. xiv).

To defend his position, Wagner-Tsukamoto develops an interesting methodological perspective. Starting with Karl R. Popper, he argues that a scientist trying to understand reality as such would be quickly lost. For that reason, there is, in science, a general need for complexity reduction. In the first step this can be achieved by organizing research around problems, which he calls the "problem-dependence"