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BOOK REVIEWS

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DOWNSCOPING: How to Tame the Diversified Firm, by Robert E. Hoskisson and Michael A. Hitt, New York: Oxford University Press, 1994.

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DOWNSCOPING captures and analyzes the conflicting perspectives of managers, researchers, and public policy analysts who try to understand the limits to effective management of diversified firms. The authors examine the search for appropriate balance between the efficiency of external markets against the effectiveness of internal administrative systems, both of which can contribute to enhancing the economic performance of diversified firms. The authors effectively catalog and analyze much of the research dealing with the management of diversified firms, cite many actual corporate examples, and provide numerous suggestions to executives of such firms.

The book is predicated on the fundamental concern that "the internal governance of large diversified firms is often inadequate." The primary theme of the book is developed around the notion that many firms have diversified their operations beyond the capacity of managers and their supporting systems to outperform external markets. Consequently, they conclude that executives of such firms should reduce the scope of operations through divestitures, redesign managerial incentive systems, or take other actions to focus managerial attention so that strategic controls can perform effectively.

Because the book is intended to appeal to both researchers and practitioners, it seeks to serve diverse objectives. For example, the numerous critiques of research projects are augmented by examples from the popular press, which are intended to illustrate the author's various arguments. One possible result for researchers, however, might be a concern that "convenience sampling" for illustrations may dominate the strength of some research findings. In addition, some researchers may become a bit impatient with a few of the brief examples that are subject to multiple interpretations, whereas some executives may find the discussions of M-form corporations and other somewhat abstract research less than exciting.

Throughout the book's analyses of research inferences, readers should be careful to understand strengths and limitations of the performance criteria being used by various scholars who are cited. For example, accounting-based ROA measures may be misleading in restructuring situations where major asset "write-downs" have occurred, loss of market share may be intended to improve other performance variables rather than being unintended as is often inferred, and divestitures may be poor indicators that there have been "acquisition failures" (Duhaime & Grant, 1984). Somewhat more attention to economic value added criteria (Tully, 1993) might have helped placed some research findings in broader perspective, but space is an unavoidable constraint for a book with this one's challenging objectives.

This book represents a solid contribution within the context of research that has spanned the more than three decades since Norman Berg (1965) stimulated continuing inquiry regarding diversified firms at the Harvard Business School. Salter and Weinhold's book (1979) sought to integrate various streams of literature contributing to this domain 15 years later. At the end of the next decade, the research progress was further synthesized by Ramanujam and Varadarajan (1989) in their article in *Strategic Management Journal* and more recently when Goold and Luchs (1993) summarized the recent history of corporate diversification for executive audiences. This synthesis by Hoskisson and Hitt of both their own and others' extensive empirical research in this domain in recent years provides a solid foundation for the book.

Continuing research interest in management of diversified firms is evidenced in various sources by the work of Hurry, Miller, and Bowman (1992) on options as means of investing in uncertain technologies; by Galunic (1994) on divisional charters; by Campbell, Goold and Alexander (1995) on types of "parenting" relationships to improve subunits' performance levels; and by Markides and Williamson (1994) on the links between competences and performance. These and subsequent efforts will undoubtedly further our understanding of both the ideal and the feasible in the management of diversified firms during the years ahead.

Practitioners may be able to better understand the complexity of the research issues being pursued in this arena if they consider the irony of some financial institutions that desire "product-market focus and full financial disclosure" in their customers and clients to simplify performance evaluation, while at the same time "diversifying and resisting financial disclosure" in their own activities. At the same time, a book title suggesting the need to "*tame* the diversified firm" (emphasis added) might seem to be overly dramatic or critical to T. L. Reece, CEO of the $3B Dover Corp, P. Barnevik of ABB, or others like them who may be seen as having successfully managed dozens of product lines across many strategic business units (SBUs) (Zweig, 1995).

Future research will certainly benefit from the syntheses offered by Hoskisson and Hitt, and practitioners can test many of their experiences and "theories in use" against their concepts and critiques. For example, how can new managerial insights at the corporate or SBU level be "tested" appropriately before being applied in another SBU context? How might divisional general managers be able to "diversify their employment risks," so they are not inclined to become overly risk averse or tempted to be diverted from operating responsibilities through periodic job searches? How do "unrelated diversified" firms devise and sustain sufficiently sophisticated planning and control systems that incentives for divisional executives are not misdirected?

In summary, this book can provide both valuable reading and reference materials for a broad audience or researchers and practitions concerned with the more effective management of diversified firms. At the same time, many people may be inclined to agree with Spulber's conclusion, when writing from a different perspective, that "much more needs to be done to study the advantages and costs of diversification" (1994: 381).

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Mary Parker Follett—Prophet of Management: A Celebration of Writings from the 1920's, edited by Pauline Graham. Cambridge, MA: Harvard Business School Press, 1995.

Reviewed by Sajay Samuel, Bucknell University, Lewisburg, PA.

At the end of the nanosecond nineties, when speed is the buzzword and the moment is an instant too long, Pauline Graham offers us the fruits