## Abstract

There are in the UK ownership forms different to the characteristics of Britishness - British-based foreign-owned firms where dominant owners may have differentiated control interests. These may contain, that is, override national institutional characteristics embedded in a particular national capitalism. Accordingly separating the agency of these firms from presumed business system structures may reveal how diverse patterns of firm ownership – those associated with British-based foreign owned firms - can inform dynamic ownership developments in British capitalism which contain *and* hyper activate Britishness. The article theorizes British-based foreign owned firms and provides empirical detail on how ownership characteristics influence financial commitment and strategic control in ten firms where the key finding is the presence of different types of ownership within each category of British-based firm.

**Keywords:** Britishness, British-Based Foreign Owned Firms, Dualism, Comparative Capitalism, Rule-Taking-Rule-Making.

## Introduction – Arriving at British-Based Foreign Owned Firms

Researchers who focus on the diffusion and impact of what become dynamic dialectical developments in (comparative) capitalism such as globalization, de-regulation and privatization and more recently financialization can find themselves contained by static theories that embed actors in national frameworks. For example, 'Britishness' exhibits short-term investment, management and profitability strategies where financial commitment is frequently defined as financial engineering and the imperative of investor and shareholder value as a primary business driver rather than a longer-term stakeholder approach to business investment (Authors 1). The commitment to investor and shareholder value is integral to Britishness where pressures for shorter-term profitability are further re-enforced by the latent effect of the market for corporate control on financial commitment where managers and owners are encouraged to think about growth via dis-integrated merger and acquisition rather than internally integrated growth (Pendleton and Gospel, 2014:97-98). This external focus limits the commitment of many British firms to incentivise employees through training and accredited skills formation in the pursuit of organizational goals (Lloyd and Payne, 2016:73-

75).  So whilst financial engineering informs the political economy of 'insider' models of HRM so favoured by British firms the political economy too often diffuses a mode of control over resource allocation which concentrates on shorter-term operational requirements to deliver value to owners and investors (Thompson, 2011). For example, ACAS reports (2014:2) that a significant component of the UKs skills gap relates to an investment deficit in certificated training and skills; in 2010 British firms trained only 9 apprentices for every 1000 workers whereas the figure for Germany was 40. Thus contemporary Britishness sustains a short-term transactional model of management – lean not learning, associated low investment in education and skills and low capital investment strategies (Kay, 2012). There are though in the UK ownership forms for firms different to these characteristics of Britishness where some firms embrace distinctive longer-term approaches to management sometimes referred to as the 'John Lewis' model of management (Cathcart, 2013, 2014).

Other British-based ownership forms are the specific focus of this article - British-based foreign-owned firms where dominant owners may have differentiated control interests. A contemporary dynamic within comparative capitalism research suggests that particular ownership characteristics inside the wider embedded institutional context of a national capitalism require specific evaluation. This is so because particular control interests and associated approaches to financial commitment and business strategies may in BBFOFs emerge at firm level. These approaches may contain, that is, override national institutional characteristics embedded within a particular national capitalism (Herrigel, 2010). Therefore new dynamics may develop dialectically over time as a form of relative autonomy from the mechanics of embedded coordination mechanics, that is, those structured by the business system. Accordingly it is revealing to separate the agency of BBFOFs from presumed business system structures. This is sometimes termed a 'morphogenetic' approach which acknowledges that a society or business system whilst they have embedded characteristics do not have pre-set forms (Archer, 1995). At firm level different types of governance regime and the exposure of these to short-term pressures matter. The ten theoretically representative cases detailed in this article illustrate that there are differences in the patience of key firm owners where patience if often a proxy for the extent to which a firm is sheltered from the short-term pressures associated with particular business financiers and market-based banking. The extant literature reports that firms can be sheltered, un-sheltered and particularly un-sheltered if owned by private equity investors or hedge funds (Lippert et.al. 2014) Similarly, Deeg and Hardie (2016) theorize this spectrum in terms of patient capital and who provides it to firms. In combination these contributions like this one aim to demonstrate that within business system types there is a heterogeneous cast of investors where shelter from short-term capital market pressures and patience of capital providers each operate along a continuum. To paraphrase Jackson and Petarki (2011) capital in the form of large block holders, families or foundations frequently allow managers to take a longer-term approach than they previously were able to take whereas other less sheltered more short-term owners pressure managers to be more short-term than they would otherwise be in the management of a firm.

Moreover, forms of business ownership are shaped and re-shaped by agents where results follow from the intended and unintended consequences of particular activities, for example, the dialectics flowing from de-regulation, privatization and foreign direct investment. By theorizing two broadly defined typologies in this tradition it is possible to identify the limitations of Britishness and its associated liberal market credentials which are an otherwise assumed embedded characteristic of British capitalism. Therefore the category BBFOFs and within this new stakeholder dominated firms (NSDFs) and those controlled by international consortium investors (ICIs) reduces a larger number to more definite categories which share common attributes.

Following the arguments developed by Ebanau et.al. (2015) this article reveals a theorization of BBFOFs which contributes to the contemporary comparative capitalism research agenda. Firstly, by demonstrating that diverse patterns of firm ownership – those associated with BBFOFs - have the potential to inform relatively slow but dynamic incremental ownership developments in British capitalism which contain *and* hyper activate Britishness. Secondly, by demonstrating empirically that new ownership characteristics in BBFOFs are worthy of consideration precisely because the dynamism they embrace has a potentially contradictory effect on British capitalism; further embedding its liberal market economy credentials but also displaying the potential to modify Britishness as an emerging contemporary form.

The article divides into four parts. Part one embeds BBFOFs in the literature both theoretically and empirically. Part two then provides details on case selection, research method and empirical detail on ten British-based foreign owned firms. Part three provides empirical detail on how ownership characteristics influence financial commitment and strategic control in the ten BBFOFs where the key finding is the presence of different types of ownership within each category of British-based firm. Part four discusses the theoretical and empirical contribution of this article to understanding contemporary British capitalism.

## 1. What Are British-Based Foreign-Owned Firms?

This article defines British-based foreign-owned firms in two ways. Firstly, businesses that are based in Britain where Britain is a host country but where the firm in question is not necessarily a traditional subsidiary of an overseas multinational, for example Mini and Rolls Royce are owned by BMW, Jaguar Land Rover (JLR) is owned by Tata and Bentley is owned by Volkswagen. Each of these are not traditional subsidiaries of ethnocentric or polycentric multinationals rather than this they are BBFOFs where dynamic stakeholders dominate ownership to purposefully trade on the British credentials of these divisions. This together with the investment and innovation capability funded by foreign ownership draws a distinctive difference between them and the more familiar low productivity low quality nature of much of the UK's manufacturing sector. Alliance Boots too is no longer a British business it was bought in 2007 in a deal fronted by KKR private equity which led an international consortium of six private equity investors where the firm was re-domiciled as a private Swiss company. In 2012 Walgreens, the American drug store retailer, bought 45% of the business and in 2014 confirmed its option to acquire the rest of the business in 2015, hence Alliance Boots is now a British-based Swiss registered American-owned multinational firm.

So BBFOFs owned and controlled by dominant stakeholders are new to British capitalism but may or may not be new to the sector where they are located. There are of course British firms controlled by dominant stakeholders which also exhibit high productivity and appear as outriders to much of the UKs low value low productivity manufacturing sector, for example, BAE systems, Rolls Royce holdings and JCB. BBFOFs dominated by new stakeholders are though different to these British firms. On the one hand new stakeholders appear able to run a business much more successfully than previous British owners or traditionally focussed overseas multinational owners. Therefore ownership dynamics are as likely to be important as country of origin of owner. Take for example, the effective turnaround and British-based internationalization of JLR by Tata. JLR was previously owned and managed by Ford from 1989 until 2008 and before that Jaguar was privatized as a separate firm from the state-owned British Leyland. On the other hand BAE systems and Rolls-Royce holdings have government golden shares preventing full operational control by international consortium investors or new overseas stakeholders whereas JCB remains a family controlled private business. In contrast BBFOFs acquired by new overseas stakeholders were either sold-off by their previous owners or were defunct and re-launched by new owners, that is, they were businesses in decline.

A second way to define BBFOFs is where Britain is the location for a firm's operations but where firm ownership may be internationalized and located in a larger overseas ownership form. Therein dominant ownership actors have a strategic choice to embrace or contain Britishness, for example, short-term approaches towards financial commitment and strategic control. British Airport Holdings (BAH), Travelodge, Thames Water and many other public utilities sound like British firms but they too are British-based but overseas owned businesses. These firms are however different to Bentley, Mini and JLR because they are not controlled by one group. Rather, international consortium investors are ownership forms where a dominant investor-owner leads a larger internationally based consortium. For example, BAH is controlled by Ferrovial, a Spanish infrastructure and transport investment group whose investors include the Quebec public employee pension fund and the Singapore government sovereign wealth fund. Thames Water is controlled by Macquarie the Australian investment bank, whose controlling European investment infrastructure fund is supported by institutional investors from Germany, Canada and China whose China Investment Corporation sovereign wealth fund controls 9% of the firm.

**Distinguishing Britishness and BBFOFs – the Potential for Rule-Making?**

As a category to frame theoretical development BBFOFs are empirically nuanced due to the presence of increasingly sophisticated and diverse types of firm in the UK. Therein BBFOFs owned by new stakeholders or by a consortium of international investors illustrate sub-national differentiation (Ebenau, 2015:54) where at firm level there is the space for 'models in models' (Morgan, 2005), 'clusters of companies' (Lippert, et.al. 2014:13) or 'variegated capitalism' (Jessop, 2015:77) within a particular national capitalism. Therein internationalization in ownership has the potential to dislodge a previously British firm from path dependency via strategic control by new stakeholders which internationalizes ownership but narrows the ownership base of a firm. Alternatively international consortium ownership may widen ownership both directly and indirectly. Recognition of the dynamic political economy which informs these ownership changes brings capitalism 'back in' to the contemporary evaluation of British capitalism rather than evaluating the British economy as a static liberal market economy where rule-taking is systematically defined (Coates, 2015:24, Streeck, 2009). Rational institutional approaches that inform the coordinated market economy - liberal market economy dichotomy conceptualize mid-level coordinating variables as 'rule-taking' mechanisms, for example national systems of corporate governance and finance, associated inter-firm relations, industrial relations and systems of vocational training and education (Finegold and Soskice, 1988, Hall and Soskice, 2001:1-71). As 'rule-taking' coordinating mechanisms the rationalism within these embed and ground conflict over resource allocation at firm level where the strategic choices of actors defer to nationally distinct institutional settings which frame these variables (authors 2). It follows from this that the varieties approach explains variations within a class of phenomenon, for example finance and corporate governance or industrial relations on the basis of the presence of institutional differences where critical junctures in institutional formation lock-in particular pathways (Hall, 1986). From this beginning the varieties of capitalism approach has become both a typology and static explanation of comparative institutional difference (Coates, 2015:17-8).

Developments in the political economy of British capitalism have informed the diffusion of BBFOFs, for example, financial and ownership de-regulation and the active embrace of foreign direct investment. Put another way the overseas acquisition of many British firms is a dialectic which has the potential to undermine rule-taking mechanisms derived in the varieties approach (Harvey, 2007:62, 70-73). It follows from this argument that complementarities are not always static or equal to those depicted in business systems and comparative political economy literatures. Comparative institutionalist approaches to international business research have previously examined the influence of overseas firms on a business system and how a business system may counter this influence. Whilst revealing in the evaluation of innovations in cross-national employment relations management and subsidiary autonomy prominent contributions do though start from a strong country of origin premise within the comparative institutionalist approach defined by Hall and Soskice (see Almond and Ferner, 2006). Instead of this the emergence of BBFOFs in British capitalism may represent a de-coupling between micro level firm behaviour and ascribed macro state behaviour in the varieties approach where firm-level rule-making across coordinating mechanisms over-rides ascribed system-level rule-taking. So BBFOFs are likely to be a contemporary driver of change however marginal and incremental which Deeg and Jackson (2007) argue it is essential to reflect on.

By association the consistency of complementarities assumed to be present in Britain's liberal market economy may deviate from the national pattern substantially (Lippert, et.al. 2014:13, 232). Streeck (2009:99) provides comparative support for this argument in respect of German capitalism. Therein for Streeck institutional change in German capital markets and patterns of corporate governance proceeded through a complex interplay between the government, political parties and industrial and financial capital. This interplay preceded change in shareholder value seeking behaviour by German firms and financial institutions. In German capitalism the movement towards shareholder capitalism and in British capitalism the diffusion of BBFOFs has the potential to detach aspects of corporate governance and firm level finance from pathway dependency associated with assumed approaches to mid-range variables. This may effectively de-nationalize (internationalize) a firm stimulating a substantive loss of national identity beyond historical association. 'Boots the Chemist', for example is now one brand owned in the larger Walgreens international group and T-Mobile international is now separate from Deutsche Telecom in Germany. This de-nationalization may render established tools in comparative analysis such as national identify and the predictive power of country of origin effects, host country effects and sector effects less certain.

Compliance with (home or host country) institutional features in British or German capitalism is traditionally evident in albeit perfunctory managerialism embedded in firm level rule-taking by firms that operate in Britain or Germany. The presence, however, of new financial intermediaries and global investor-owners in firms has witnessed significant moves away from minimalist rule-taking to more open efforts at rule-making. The imperative of short-termism associated with capital flows in financial markets has the potential to detach aspects of (embedded) management practice in HRM and implicit contracts with employees from established host country features in British capitalism. A willingness to renege on individual and collective implicit contracts agreed with a workforce illustrates these breaches in firms dominated by new investment business models (authors 3).

**Distinguishing the Dynamic Drivers of Change**

A focus on the dynamic drivers of change is necessary to distinguish BBFOFs from Britishness and distinguish BBFOFs from the characteristics of stake holding firms defined within the varieties approach for several theoretical, institutional, political and empirical reasons. Firstly, theoretically and institutionally the coordinated market economy-liberal market economy dichotomy associated with the varieties of capitalism framework is ill-equipped to deal with analytical categories that capture empirically dynamic developments such as BBFOFs. By doing so it is possible to evaluate the strategic position of firms in relation to the institutions which govern capital in a national capitalism rather than these institutions alone. Institutions and the relationship they have to a national capitalism is continuously re-invented by the interplay between rule-taking and rule-making (see Streeck, 2011:142). For example, in British capitalism financial de-regulation changed the relationship between financial firms and non-financial firms as the process of financialization emerged to structure patterns of rule-making in both types of firm centred on the securitization of investment and firm level assets which boosted corporate borrowing dramatically (Augar, 2009:12-3). Similarly the process of privatization supported foreign direct investment which has witnessed new types of employer and new forms of investor-owner diffused throughout British capitalism.

A concentrated ownership presence in NSDFs or firms controlled by ICIs is not sufficient to overturn the embeddedness of short-termism in British capitalism. However, more sheltered BBFOFs associated with patient capital which exhibit these characteristics do have the potential to contribute to contemporary debates on Britishness by demonstrating within-system 'dualism' (the presence of Britishness and BBFOFs). Such dualism can enable and facilitate the socio-economic space for the emergence of 'loose coupling' (between established and newer ownership forms – BBFOFs) or 'de-coupling' (where the consistency of a national capitalism is diluted by new forms) see Thelen, (2009:474, 482, 2014: 4, 19-20) and Deeg (2005). It follows from this that Britishness may not rein-in rule-making behaviour in all BBFOFs, whereas BBFOFs are now part of a more heterogeneous pattern of ownership where capital may be more patient than is often described in established ownership forms in British capitalism.

A second reason to distinguish Britishness and BBFOFs in British capitalism is the recognition that institutional analyses are often built around a specific research design, namely how the presence of institutional differences account for observed variations in an outcome variable of interest (Dobbin, 1994). Accordingly it is necessary to appreciate that conflict over resource allocation and constrained choices are mediated by the institutional setting in which they take place (Campbell 2004; Whitley, 1999). Despite this institutional approaches that focus on coordinating mechanisms in pathway dependent mid-range variables struggle to explain and are unable to rein-in the emergence of structural changes in contemporary capitalism that enter business systems fully formed. For example new patterns of ownership inform mid-range variables such as finance and corporate governance and industrial relations where concentrated ownership structures and commitments to training and development in stakeholder dominated firms may not accord with embedded modes of operation informed by Britishness.

Within a national capitalism differences are evident in firms controlled by new dominant stakeholders making it necessary to conceptualize how and why endogenous structural developments prevail - how British-based foreign owned firms bend and stretch Britishness in British capitalism. In ICI dominated BBFOFs, externally informed firm level management drive efforts towards rule-making. Rule-making may initially appear deviant to established approaches but too may hold the potential to overtime modify established approaches to mid-range variables such as industrial relations.  A further (historically informed) comparative example substantiates this argument; Kochan, et.al. (1986) charted the transformation of American industrial relations during the early 1980s where external drivers transformed attitudes towards the operation of American firms and the management of labour more specifically. Kochan et.al. (1986) pre-figure and set the ground for the arguments popularised by O'Sullivan (2000) on movements in the embedded liberalism of managerial capitalism (Ruggie, 1982) from a 'retain and re-investment' mode to a 'downsize and distribute' model informed by neo-liberalism. This transition held particular consequences for labour in what were previously viewed as safe internal labour markets. This transition legitimized a central concern with capital markets with the market for corporate control and investor value that for some began to dis-connect established circuits of capital in managerial capitalism (Thompson, 2003, authors 6, Appelbaum and Batt, 2014:15-22). Similarly, Appelbaum et.al. (2006) argue that deregulation and changes in financial markets have increased pressures on firms to achieve short-term results which often militates against the longer-term interests of employees. Further still it has been suggested that institutional analysis which traditionally posits the (sometimes reluctant) acceptance of rule-taking by actors must instead accommodate the presence of rule-making by actors, in particular the state and multinational firms. Such rule-making can re-shape a national capitalism but often in a contingent or dialectical manner not one which is systematic (Krippner, 29011:16-23, Streeck, 2013:141-2).

A third reason to distinguish between Britishness and BBFOFs is that contemporary re-shaping within British capitalism builds on established approaches where global dynamics result in dominance effects flowing from practices developed in leading economies such as the USA and Japan, leading firms such as Toyota or dominant sectors – today for example, finance (Smith and Meiksins,1995).Contemporary approaches echo this and seek to identify the impact of external influences on work organization at firm level to suggest that pressures for convergence centre on the presence of dominant practices which change periodically (Edwards et. al. 2013). Therefore to remain relevant to the contemporary period these approaches must demonstrate how the presence of international consortium investors exposes some BBFOFs to capital market pressures and capital market investor-owner pressures. Conversely the approach must demonstrate how autonomy does though remain present in firms that appear as outriders to Britishness, for example in those ownership forms dominated by new stakeholders.

It follows from this that it is increasingly necessary to look at the pattern of firm ownership and who provides capital within BBFOFs rather than an assumed pattern of behaviour determined by Britishness or the country of origin of a BBFOF. Here the arguments developed by Lippert et.al. (2014:76-92) are instructive. In a study of the automotive supply industry they classify firms as sheltered, unsheltered and those that are private-equity backed. A firm is sheltered from financialization and stock-market pressures associated with the pursuit of short-term investor and shareholder value if it is private or if it is listed it is employee-owned or controlled by a dominant investor, termed in this article NSDFs, for example, Bentley, Bombardier, JLR, Mini and Rolls-Royce cars. Conversely a firm is unsheltered if it is private or listed and exposed to investor pressures which dictate the distribution of profit to owner investors and managers. In this study BBFOFs controlled by ICIs, for example, BAHs and Thames Water fit this category. Finally, firms owned by and in particular those recently acquired by private equity backed investors are subject to similar pressures to unsheltered firms. However, in terms of the argument developed in this article these pressures may be hyper activated because profits are necessary to pay off the liabilities of the private equity owners and meet the expectations of their investors, Travelodge fits this category in this study. Royal Mail too now exhibits these characteristics following its privatization which has exposed its operations to investor and shareholder pressures. These pressures may intensify in Royal Mail as it becomes less sheltered by the presence of activist investors.

So whilst JLR and Mini are controlled by dominant stakeholders it is the case that both the Indian corporate sector and large firms in German capitalism more broadly are moving towards business models where the over-riding objective is investor and shareholder value. For some this movement brings into question the close knit personal networks which inform the conglomerate nature of family controlled firms such as Tata in India and BMW in

Bavaria and the associated coordinated market economy credentials ascribed to many large German firms (Balcet and Ruet, 2011, Streeck, 2009). None the less whilst it is clear that some German firms do not transfer home country approaches in corporate governance and industrial relations to overseas operations it is the case too that the majority which have chosen not to do so are or have recently become less sheltered, for example, DHL, Deutsche Post, T-Mobile and Siemens (human rights watch, 2010:95). In contrast to this BMW and VW which are dominant stakeholders in BBFOFs remain sheltered firms due to domestic family control or co-ownership by the local state. These shelters may drive firm level change in British capitalism because of how they inform particular BBFOFs. Similarly, Tata's acquisition of JLR is informed by its sheltered strength from stock market pressures where its independent financial strength enables and facilitates the penetration of upper segment brands and associated new markets by asset-acquiring foreign direct investment. All three BBFOFs demonstrate a lesser dependence on financial markets for investment and a reliance on private sources of capital.  Dupuis, (2017) confirms these arguments in a study of French auto suppliers where a lesser dependence on financial markets and a greater reliance on private sources of capital reduces financialized pressures to breach implicit contracts with workers which centre on higher road employee participation informed by collective bargaining and open management.

To summarise; in-economy re-shaping and the emergence of BBFOFs is part of the liberalism of contemporary British capitalism. This creates the space to enable and facilitate the emergence of BBFOFs dominated by new stakeholders which deviate from the short-termism associated with Britishness. BBFOFs which are controlled by ICIs may operate similarly to this or in contradistinction to it where consortium leaders are themselves exposed to- not sheltered from - significant stock market or private equity related investor-owner pressures. It follows from this that ownership in national capitalisms rather than head line varieties of capitalism are in the contemporary period a potential driver of change in British capitalism.

## 2. Researching BBFOFs – Methods and Case Selection

To take the theorization of BBFOFs further forward in Britain's contemporary capitalism is a substantive empirical question rather than one of a systematic reining in of deviant developments into the pathway dependency in Britishness of Britain's liberal market economy. To begin this the ten theoretically representative cases examined here are not statistically representative of all BBFOFs or matched against British firms in the same sector. Rather they are theoretically representative of two types of BBFOF which facilitates the generation of qualitative arguments not fully formed quantitative hypotheses. The transitory nature of some investors in ICIs combined with the dominant status of other investors in NSDFs renders the creation of a statistically representative sample implausible, instead this study reports on a representative mix of BBFOFs. The method provides empirical detail on developing socio-economic processes at firm level; the emerging importance of ownership dynamics rather than country of origin predictors. These too combine with the macro level and the manner in which the broader political economy of British capitalism enables and facilitates the formation of a distinct group – BBFOFs. Therefore as an initial study to focus debate on Britain's contemporary capitalism its findings are context-dependent, where the ten firms serve as a heuristic device to represent concepts rather than the full range of empirical possibilities. Because of this limitation empirical evaluation of the two ownership forms produces context-bound dependent rather than 'hard' theory (Flybjerg, 2006).

Thirty-five interviews were conducted with key respondent such as financial directors and HR directors, line managers and trade union representatives which provided formidable insight into the operation of these firms. Additionally for ICIs representatives of lead investors (fund managers or limited partners) were also interviewed as were notable private equity and hedge fund investors which hold stakes in these ICIs. These interviews are anonymised and provide insider views on financial commitment and strategic control. For Royal Mail two Secretaries of State in the then Department of Business, Innovation and Skills who attempted to oversee and then in fact did oversee the part privatization of the business were also interviewed. Financial data was gathered from investor-owner interviewees and company websites and confirmed or amending during interviews which were conducted using a semi-structured questionnaire template. This method enabled respondents to focus on issues which were particular or unique to an individual firm, for example, the presence and effect of dominant stakeholders on workplace training or attitudes towards short-term investor and shareholder value.  Some revealing quotations are included in part three of the article to further indicate specific points.

## 3. Ownership Differences in BBFOFs; Financial Commitment and Strategic Control

The idea of emergence where new ownership dynamics demonstrate some agency from embedded structures must be empirically demonstrated in observable ownership differences in BBFOFs. As a first empirical measure of ownership differences the ten BBFOFs are systematically divided between listed and private in terms of ownership. Table 1 portrays seven listed BBFOFs, two listed in the UK, JLR, a new stakeholder dominated firm and Royal Mail where activist international consortium investors are present. A further five firms are overseas divisions of foreign-owned new stakeholder dominated firms, namely, Bentley, Bombardier, Mini, Rolls-Royce cars and Walgreens Alliance Boots. Three businesses are controlled by international consortium investors; two of these are privately owned – Heathrow Holdings and Thames Water whereas a third firm, Travelodge is British but is a dominant stakeholder international consortium investor hybrid in that its controlling investors are American. Lastly, Walgreens Alliance Boots is in transition; Walgreens are the dominant stakeholder yet the CEO previously headed the international consortium of private equity investors which owned the firm until Walgreens' full acquisition of the firm. Equally there are some smaller scale international consortium investors in Walgreens.

A second systematic measure of difference relates specifically to the scope of ownership characteristics. Six of the seven listed firms (Bentley, Bombardier, JLR, Mini, Rolls-Royce, and Walgreens) have tight ownership numbers whereas Royal Mail has a dispersed ownership. Two of the three firms controlled by ICIs (BAH and Thames Water) have very wide patterns of ownership whereas Travelodge has hybrid status because of a dominant ICI stakeholder.

A third systematic empirical measure of ownership difference is comparative. All ten firms operate in the UK and for three firms the UK is their country of origin, that is they remain British (JLR, Royal Mail and Travelodge) but for the remaining seven firms the UK is a host country. These seven appear British but are BBFOFs which may or may not assume the cultural and institutional characteristics of a parent firm.

A fourth systematic empirical measure of difference relates to exposure to stock market pressures associated with the demands of investor and shareholder capitalism. Five of the ten firms (all NSDFs) are sheltered from these pressures (Bentley, Bombardier, JLR, Mini and Rolls-Royce cars). A sixth, Walgreens Alliance Boots, is sheltered by a new dominant stakeholder but is in transition from being exposed or unsheltered by its previous ICI private equity investors.  The final four firms controlled by ICIs are not sheltered from these pressures and are instead openly exposed to them. Three such firms, are now de-regulated and privatized businesses (Heathrow, Royal Mail, and Thames Water). The forth firm, Travelodge is a NSDF/ICI hybrid where the dominant stakeholder is private equity backed. The movement between different levels of exposure to pressures associated with investor and shareholder capitalism demonstrate the in-country dynamism of British-based firms.

Travelodge was previously owned by the Dubai sovereign wealth fund a more patient ICI, Royal Mail was until recently part of the public sector and therefore sheltered from short-term investment pressures whereas Alliance Boots was previously fully controlled then majority owned by ICIs.

**Table 1 about here**

**Financial Commitment**

The established literature reports that firms with widely dispersed ownership patterns, both in terms of nationality and type of investor-owner, are more likely than firms with narrow stakeholder ownership to focus on short-term profits and returning monies to investors (Kay, 2012, Gospel and Pendleton, 2014:21). Therefore, for BBFOFs the depth of financial commitment is as likely to be influenced by patterns of ownership as country of origin. In NSDFs financial commitment flows from the autonomy that key ownership stakeholders, who control a firm, have from the imperative to raise investment funds from the stock market or leveraged investment funds from unsheltered investors such as hedge funds and private equity funds which accordingly frequently display investor activism. For example, Tata, a family controlled conglomerate which acquired JLR in 2008, is in part able to avoid these pressures because of huge cash flows generated by its IT branch – Tata Consultancy Services (Balcet and Ruet, 2011). By association the depth of financial commitment in stakeholder dominated firms is illustrated by the scale of parent owner shareholding. Here the depth of commitment results from owners using their own money to fund share issues and the re-investment of share dividends back into the firm to support sustainable growth. Bentley is part of the VW group which has a built-in long-term perspective due to the holding controlled by the Porsche family and the State of Lower Saxony in Germany. So in terms of Lippert et. al. (2014:79-83) sheltered-unsheltered spectrum at VW stakeholder control has adapted to shareholder capitalism to limit management autonomy where profits are now re-distributed to investors and managers more than other stakeholders. In contrast to this at Walgreens Alliance Boots and Travelodge there is virtually no stakeholder control and greater exposure to investor pressures and incentives for managers to secure these returns at the expense of local autonomy.

Bombardier is a wholly autonomous sheltered division of Bombardier incorporated in Canada whereas both Mini and Rolls-Royce Cars are sheltered within the BMW group where strategic family owners hold 47% of the share issue. As a non-volume producer Rolls-Royce Cars holds an established long-term craft approach to production but when it was British-owned as part of the Vickers conglomerate it suffered from a shallow financial commitment which was realised in its sale to VW and then to BMW. Lastly, JLR too is family controlled and listed in the UK, however, JLRs holding company is listed in Singapore. The depth of financial commitment in both JLR and Mini is evident in British based investment in research and development and more significantly in skills formation training and development of substantial apprenticeship programmes in the West Midlands and Oxford. Both firms focus on lean production principles hence work intensification therein remains a key feature of auto manufacturing and is not reduced by new stakeholder ownership. Both dominant stakeholders have however recognized a skills gap in local educational and training provision. To roll out new models JLR has invested £2.75 billion of its own money on capital expenditure, this investment that was supplemented by funds from the national apprenticeship service for apprenticeship training and development in business improvement techniques at NVQ level 2.

‘We wanted to put 1,300 apprentices through the qualification and the approach the firm takes to HR and learning and development is in stark contrast to that of Ford (the former owner) they attempted to implement *Fordist* principles reducing quality niches to rely less on lean techniques’ (interview with quality and training manager at JLR)

What this actually meant was a focus on minimum unit cost for all components which inevitably reduces quality to a standard which the quality manager suggested was unnecessary in luxury car production where customers are prepared to pay a premium.

‘It is what goes on under the bonnet that counts not the unit cost of plastic clips’ (quality and training manager, JLR)

The BMW group invests £145 million a year in its British Mini plants and intends to produce ten models replicating its diversified production method for BMW saloons. The firm operates as a global company where Oxford is the centre of Mini operations which the firm effectively started from new in 2000 when BMW retained the production rights to the then defunct mini brand after the sale of Rover to the Phoenix 4 consortium (authors 4). The failure of the Rover acquisition has clearly been a learning process:-

‘The current mini retains the original transverse four-cylinder front wheel drive engine but is effectively a new build on a chassis and production platform modelled on BMW plants in Munich. This investment in the car and the plant was absent in the abortive attempt to run Rover’. (Interview with production manager at Mini)

Variations in financial commitment and ownership structures combine to inform approaches to HRM and employment relations because the presence of a concentrated ownership substantially reduces the effectiveness of investor activism (Brav et al., 2008; Kahan and Rock, 2007). Activist investors who own 20% or less of the equity stake in a listed firm can be out-voted by a larger sheltering stakeholder owner. In contrast ownership diffusion means that shareholder value driven investors are less likely to be outvoted by an insider stakeholder. Accordingly – investors that expose or unshelter a firm are more able to secure HR strategies appropriate to their business model (authors 2). Similarly, the financial commitment of instrumental investors in ICI owned firms is likely to be short-term and contingent on the nature of the investment not the nature of the firm being invested in, for example, Travelodge Hotels is exposed to (is unsheltered from) ownership by ICIs under the leadership of Golden Tree Asset Management, a New York based hedge fund which bought the firm when it was in administration.

‘We secured ownership in exchange for maintaining the business as a going concern, this included a 50% debt write down which stood at £500 million in return for us injecting £75 million into the business  and the closure of 8% of our UK hotels. We will sell-out of the market in three to five years and aim to a make a significant return on the investment’, (interview with fund manager)

Golden Tree’s investment is therefore instrumental and committed only to the short-term. Golden Tree invested £55 million to refurbish hotels in order to compete effectively in the budget hotel market. This represents a short-term turn-around strategy where owners who favour unsheltered status secured all UK Travelodge hotels for less than the debt they have taken on board and less than the debt write-down.

‘The debt to our investment ratio is 3 so we need to sell out for £325 million plus to make a good return, less if can pass on the debt, before that the cash flow from bookings secures our returns to our investors (interview with fund manager).

The management of labour at Travelodge reflects this instrumentalism. Site visits established that once re-furbished hotels move to a model of electronic management which removes the booking transaction and related payment from the premises. Front of house staff are limited to four or five employees per shift and cleaning, laundry and maintenance is managed on a contractual out-sourced model. Like competitors Travelodge is experimenting with fully automated check-in systems to further reduce staffing needs. In summary the model of HR appears professional if contractual but includes few developmental components.

**Strategic Control**

Strategic control over resource allocation in new stakeholder dominated firms means that these investor-owner stakeholders are sheltered from ‘outsider’ activist investors who view the status of their investment in a firm in terms of short-term financial performance over potential exit. In firms dominated by key stakeholders such as JLR and Mini underpinning financial support and a longer term approach to organizational integration complements a pattern of strategic control via autonomy. Hence insider strategic control underpins a longer term focus on innovative capabilities. The financial commitment offered by Tata and BMW to JLR and Mini secured autonomous research and development programmes in Britain and the investment in training and development referred to earlier at both firms demonstrates an innovative capability which overrides established features of Britishness.

For BBFOFs controlled by ICIs the model of strategic control is too an insider one but on the basis not of resource allocation but contractual and financial management of space at BAH and the management of sub-contractors at Thames Water. Both firms are un-sheltered where liquidity is essential to pay down leverage and fund financial returns to investors.

‘We (BAH) operate the business (Heathrow airport) on 97% capacity which means that all services must operate effectively, but, air traffic control, check-in services, baggage handling, security screening, passport control and in-terminal shopping and food offers all run as separate, businesses. We manage and control fewer than 12,000 workers but total employment at Heathrow is 73,000 workers’, (interview with franchise manager at BAH).

Effectively all firms within the ambit of BAH at Heathrow are run as dis-integrated services where BAH is effectively only a brand. These dis-integrated services may operate efficiently but do so in a contractual and franchise mode which limits organizational integration within BAH. There is no BAH HR strategy across Heathrow. Each separate employer has a defined approach to HR resulting in a disparate collection of firm specific HR policies and strategies. Thames Water too is in effect a lead contractor or project manager.

‘Thames works with 50 or more contractors and only employs 5000 workers directly, most of these are in call centres not digging up roads’ (interview with contracts manager, TW.)

Similarly Royal Mail provides further insight on changing models of strategic control. Until 2013 when it was 60% privatized, Royal Mail resided wholly in the public sector. In June 2015 the government sold its remaining ownership stake to institutional investors just after Royal Mail announced proposed redundancies. The largest single investor-owner is the children's investment fund a highly combative activist investor hedge fund registered in London and New York with an internationalized investment ownership which controls 6% of the firm. Royal Mail now operates in a globally focussed sector where it competes with providers unconstrained by their legacy commitments centred on universal but cost neutral geographical coverage.

'We chose to announce 1,600 redundancies (in March 2014) just prior to finalizing our first post-privatization financial statement and then when we announced our first dividend we also identified the legacy effects of universal coverage as a major impediment to our global competitiveness', (senior business manager, Royal Mail)

The Communication Workers Union stated that these announcements breach implicit contracts struck with the firm in 2013 which were premised on a period of sustained industrial peace post-privatization. The breaches witness strategic dis-integration and efforts towards rule-making via lobbying for the removal of constraining legacy effects agreed at the time of privatization. Hence innovation may occur in business strategy, corporate governance and HR following the public listing of previously mutual firms or government-owned businesses (authors 5) as new investor-owners no longer favour prescribed norms of behaviour such as the public good ethic of Royal Mail which was sheltered by public ownership.

Whilst the stock market does enable firms to raise cash to fund investment in new resources the emergence of innovative portfolio investors such as hedge funds and private equity funds has changed the dynamics of investment. For these investors the stock market provides liquidity for leverage as they are primarily concerned with short-term financial performance and investment gains rather than longer-term innovation in (portfolio) firms. For unsheltered firms controlled by ICIs' integration and innovation is contained by the performance goals of short-term investors but also the lean characteristics of many of these businesses. By contrast in BBFOFs controlled by dominant stakeholders aggressive shareholder activism can be contained. For example in BMW institutional investors are geographically dispersed and divided and only control 40% of the share issue. Similarly, at JLR the Tata family control all the voting shares. In both cases the concentration of share ownership shelters JLR and Mini from the permissive regulatory framework associated with Britishness where the potential threat of hostile takeovers by globally focussed investor owners is ever present. Therein contemporary evidence from BBFOFs owned by ICIs confirms that the presence of widespread ownership diffusion, much of it financialized, hyper activates short-term investors in British capitalism to regularly secure implementation of employee downsizing and other more circumspect HR strategies (see authors 2).

**4. Embracing, Containing and Hyper Activating Britishness?**

This article provides a theorization of the ownership characteristics and operational trajectories of BBFOFs and the potential role of these firms within contemporary British capitalism; accordingly the article makes a theoretical and empirical contribution to debate. The theorization is achieved by distinguishing between Britishness and British-based foreign owned firms across two categories of difference. A first distinguishing difference focusses on the limited capacity of pathway dependency to assimilate the ownership characteristics of BBFOFs. Instead of this BBFOFs hold the potential for the emergence of change via slow and incremental ownership developments where the presence of BBFOFs exposes the limitations of dependency expressed as institutional conformity. In contrast to this presenting Britishness and institutions as elements within a larger socio-economic framework which cannot be understood alone as a system captures how British capitalism stabilizes and develops dialectically. This is not because British capitalism is a system but rather a political economy where stability is contingent upon wider socio-economic forces within and beyond business. In the contemporary period de-regulation, privatization and foreign direct investment acquisition of British firms has helped to stabilise and renew capitalist dynamics; BBFOFs are one outcome of these contingent dynamics.

British-based foreign owned firms operate within British capitalism but do not necessarily embrace pathway dependency and break free from some of the limiting aspects of more traditional Britishness; for example, approaches to certificated training and development, detaching from these to generate longer-term strategic control to support differentiated approaches to financial commitment. To summarize the first distinguishing difference; whilst national capitalism is the starting point of analysis it is necessary in the contemporary period to go beyond this; the BBFOFs reported on here do not approximate to established firms in British capitalism or traditionally defined subsidiaries of overseas multinational firms. This is the case because ownership and governance patterns are different those found in more typical British firms in terms of resources, commitments and associated ability to govern a firm. BBFOFs and more traditional British firms do not operate in isolation but neither are the former reined into the latter. British capitalism interacts with world markets and firms formed in other states – global capitalism and developments therein - but not systematically. The contours of British capitalism are contained and hyper activated by ownership developments in BBFOFs. Merely looking at capitalism at the macro level as the economy and business system fails to capture the dynamics of and diversity in firm level developments.

The second difference between the embeddedness of Britishness and BBFOFs in British capitalism centres on the extent to which the behaviour of management and internal make up of NSDFs and ICIs demonstrate forms of rule-making. Rule-making may impinge on established forms of rule-taking in Britishness or hyper activate features of it. For example, the drivers of contemporary British capitalism, both in terms of actors and processes, stimulate pressures towards convergence on a globalized form of shareholder capitalism. However, the liberalism of British capitalism enables continued and even wider divergence from short-termism in the governance of some British manufacturers and several prominent NSDFs. On the other hand a firm such as Royal Mail illustrates that businesses exposed to significant pressures from new investors are quite prepared to embrace hyper activated short-termism and breach implicit contracts agreed with a workforce and other stakeholders such as customers.

To summarise the second distinguishing difference; the agency of morphogenetic control interests and rule-making within BBFOFs is at odds with established short-termism and impinges on the rhythms, routines and rules of British capitalism. This disturbance represents a differentiation within capitalism deriving from a different structure of class ownership relations in BBFOFs. So whilst BBFOFs sustain hybrids and varieties within British capitalism all firms are embedded in the broader array of capitalist production relations which are manifest differently because of the agency of ownership characteristics. As a theory of the firm BBFOFs capture firm level dynamics which are new and unexplored by the pathway dependency of the varieties of capitalism approach. A development of interest in BBFOFs is the decision to ‘go off-piste’ in NSDFs in particular which results in higher coordination costs and in ICIs how strategic control hyper activates controlled financial commitment evident in more traditional British firms because of the less sheltered status many ICIs enjoy. The core of British capitalism is overlain with BBFOFs which operate ambiguously to established governance and work arrangements. Further systematic research across sectors and within sectors where both BBFOFs, traditional MNCs and British firms operate is necessary to draw out the dynamism associated with ownership patterns in British capitalism rather than coordination measures and country of origin predictors related to the British business system. The emergence of BBFOFs cannot in the original system, society dominance formulation be seen as deviant innovations that will be subsequently 'reined in'. Rather BBFOFs emerge from dominance effects associated with the aims and aspirations of different types of dominant owner. Therefore theoretically the distinction between types of BBFOF and even within NSDFs and ICIs may reveal the extent to which they embrace or contain Britishness.

The empirical contribution of this article focuses on observable differences between NSDFs and those controlled by ICIs. Both focus on new rule-making logics for corporate governance; in new stakeholder dominated firms these logics have the potential to detach ownership from path dependency to contain short-term characteristics associated with British capitalism. In contrast to this firms controlled by international consortium investors embrace and may hyper-activate established British practice. This is particularly so in firms which are now not sheltered from the pressures of investor and shareholder value to mirror the arguments developed by Lippert et.al. (2014). BAH and Thames Water were previously sheltered from these pressures due to public ownership. Today though not only are they privatized they are too fully exposed to the frailties of commitment associated with some international consortium investors. So in this respect like recently privatized German firms' ownership by ICIs results in them embracing but also hyper activating the short-termism characteristics of unsheltered fractions of British capitalism.

The empirical contribution demonstrates that NSDFs and ICIs have particular impacts on British capitalism; where several large stakeholder dominated manufacturers and retailers appear able to contain the parameters of established approaches to short-termism in Britishness. It is the ownership commitment of new stakeholders that witnesses the diffusion of funds for investment and vocational education and training in NSDF at odds with the assumed short-term and shallow commitment to these mid-range variables in liberal market economies. In contrast to this however, financialized actor-owner ICIs do embrace short-termist approaches to business but have priorities and frames of reference which are significantly different to those of established institutional investors.

In conclusion the potential for and presence of rule-making is so theoretically and empirically because BBFOFs and key actors therein may ignore rules embedded in national frameworks associated with pathway dependency – new stakeholder dominated firms for example. Alternatively BBFOFs controlled by international consortium investors may lobby to have coordination rules de-regulated to better represent what are often the global short-term interests of a firm. The agency of within (British) capitalism dualism does not mean that BBFOFs display higher levels of employer organization than British firms but a different form of coordination and approaches to business growth informed by specific firm level ownership dynamics. So whilst BBFOFs may not signal a breakdown of embedded patterns of coordination, they do sit awkwardly with Britishness as predicted by the liberal market economy stereotype to the extent that the sustained success of firms dominated by new stakeholders or international consortium investors cannot easily be disregarded as 'noise' in institutional stickiness or the inertia of Britishness.

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